



Vision

To be the globally respected and leading
Central Securities Depository in Africa

Mission

We create value by providing securities
depository, clearing, settlement and other services driven by
innovative technology and highly skilled work-force.

Our Values

- Security:** We are safety conscious in our interactions taking all necessary precaution to protect valuables entrusted in our care.
- Efficiency:** We work smart, acting responsively and with urgency to meet our clients' needs in timely and effective manner.
- Confidentiality:** We handle information with respect for privacy, utmost discretion and at absolute legal non-disclosure basis.
- Uprightness:** We are honourable and honest in our dealings. We maintain integrity and high ethical standards in our operations.
- Resourcefulness:** We encourage ingenuity, inventiveness and creativity of our employees. This produces original and imaginative ideas for our growth and development.
- Excellence:** We respect and reward meritocracy, creating a work environment that drives increasing knowledge and skills of our employees for consistent delivery of quality output time after time.

SECURE



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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 18th Annual General Meeting of the **CENTRAL SECURITIES CLEARING SYSTEM LIMITED** will be held at the Sofitel the Moorhouse, No. 1 Bankole Oki, 2nd Avenue, Ikoyi, Lagos on Wednesday May 16, 2012 at 1.00 p.m. to transact the following business:

Ordinary Business

1. To receive the financial statements of the Company for the year ended December 31, 2011 and the Reports of the Directors and the Auditors thereon;
2. To declare dividends;
3. To elect /re-elect Directors;
4. To fix the remuneration of Directors
5. To authorize the Directors to fix the remuneration of the Auditors.

Special Business

To consider and if thought fit, pass the following as special resolutions:

6. That pursuant to the provisions of Section 50 and other applicable provisions of the Companies and Allied Matters Act, the consent of the members be and is hereby accorded to the conversion of this Company into a Public Limited Company (Plc) and consequently the name of the Company be and is hereby changed from “**Central Securities Clearing System Limited**” to “**Central Securities Clearing System (Plc)**”
7. That the word “Private” wherever appearing in the Memorandum and Articles of Association of the Company in the name of the Company be and is hereby deleted.”
8. That the Company Secretary is hereby authorized to make all consequential

alterations in the memo and articles of the company in line with the Company's current status as a PLC and also to make applications, file forms, etc. for change of status of the Company and consequently its name with the Registrar of the Corporate Affairs Commission (CAC).

9. That the Company Secretary is hereby further authorized to do all such acts, deeds and things as may be required or deemed expedient to implement this resolution.


Note:

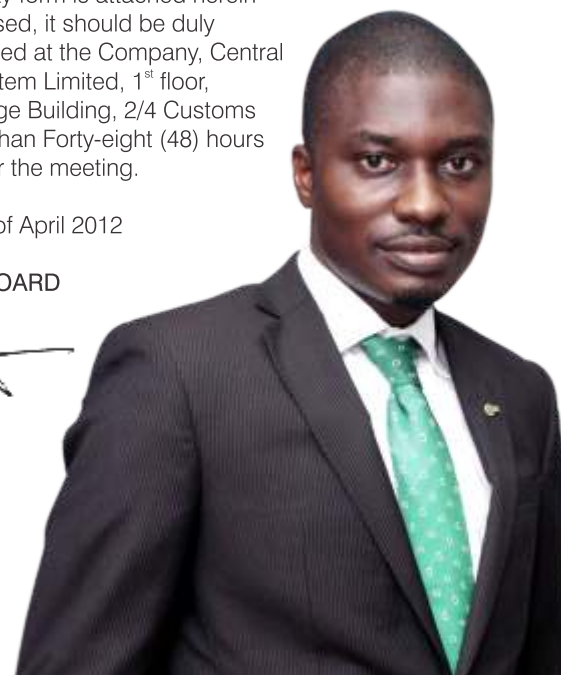
Proxy

A member of the Company entitled to attend and vote at a general meeting is entitled to appoint a proxy to attend, speak and vote instead of him/her. A proxy need not be another member of the Company. A blank proxy form is attached herein and if intended to be used, it should be duly completed and deposited at the Company, Central Securities Clearing System Limited, 1st floor, Nigerian Stock Exchange Building, 2/4 Customs Street, Lagos not less than Forty-eight (48) hours before the time fixed for the meeting.

DATED THIS 16th day of April 2012

BY ORDER OF THE BOARD


CHARLES I. OJO
Company Secretary



Directors. Professional Advisers etc.

DIRECTORS:

- Mr Oscar Onyema – Chairman
- Mr Emmanuel Ikazoboh – (Chairman up until July 29th 2011)
- Mr Kyari Bukar – Managing Director/CEO
- Mr Peter Adebayo Egunbiyi - Executive Director
- Mrs Olufunmilola Oyebadejo – Member
- Mr Herbert Wigwe – Member
- Mr Emmanuel Nnorom – Member
- Alhaji Umaru Kwairanga – Member
- Mr Chidi Agbapu – Member

COMPANY SECRETARY:

- Mr Charles I. Ojo

BANKERS:

- First Bank of Nigeria Plc
- Guaranty Trust Bank Plc
- Zenith Bank Plc
- United Bank for Africa Plc

REGISTERED OFFICE:

- Stock Exchange House (1st Floor)
- 2/4 Customs Street, Lagos.

AUDITORS:

- Akintola Williams Deloitte
- (Chartered Accountants)



**The Address Of The Chairman Of Board Of Directors At
The 18th Annual General Meeting Of Central Securities Clearing
System Limited Holding On Wednesday May 16, 2012 At Sofitel
The Moorhouse, No. 1 Bankole Oki Street, Off 2nd Avenue, Ikoyi, Lagos**

Ladies and Gentlemen,

It gives me great pleasure to welcome you all to the 18th Annual General Meeting of your Company.

As a Company, we recognize the need to collectively appraise our yearly performance along the lines of set business objectives, revenue targets and also to further re-think ways of improving future results.

2011 was indeed an eventful year with significant achievements across the Globe and particularly within our own Sovereign State, Nigeria.

GLOBAL ECONOMY HIGHLIGHTS

On the Global front, the reports from the International Monetary Fund (IMF), indicate that though the world economic showed commendable sign of recovery, the World real GDP growth forecast stood at 4.5% in 2011 and 2012, down moderately from 5% in 2010. Similarly, the Real GDP in advanced economies and emerging & developing countries expanded by about 2.5% and 6.5%, respectively. The report highlighted that in advanced economies, weak sovereign balance sheets and still moribund real estate markets continue to present major concerns, especially in certain Eurozone economies. The high funding requirements of Banks and Sovereigns tend to provide a buffer against lurking financial risks which had hitherto accounted for the decline in global economy in 2010.

It is gratifying to report that notable improvements in macroeconomic performance and strong prospects for emerging market assets are presently supporting overall financial stability whilst spurring an increase in investors' appetite.

NIGERIAN ECONOMY REVIEW

In the year under review, Nigerians observed with delight the sustenance of our nation's democracy with the successful conduct of elections and the emergence of a newly elected President. The new administration kicked off

Address of the Chairman Cont'd.

with certain impressive policies amongst which are continued reforms particularly in the Agriculture, Power and Banking Sectors of the Economy. In the midst of these activities, the Capital Market unfortunately remained uncatered for notwithstanding the fact that the Sector remained unhinged as a result of the monumental meltdown which it suffered beginning in 2008. The CBN's tightened monetary policy has not helped the Capital Market owing to high interest rate which has hindered investor's ability to access funds.

The knock-on effect of the meltdown continued to resonate through the year, leading in Market volatility and Investors' apathy for shares. Market capitalization of Equities recorded a steep plunge moving downwards from N7.92 trillion (\$53.40 billion) in 2010 to N6.54 trillion (\$43.06 billion) in 2011. Total volume of shares traded in the year under review stood at 89.58 billion shares with total value of N634.92 billion (\$4.18 billion) as opposed to 93.34 billion shares traded in 2010 valued at N797.55 billion (\$5.08 billion).

Conversely, investors displayed proclivity for debt instrument offerings given its high yield. As at the first quarter of 2011, the Debt Management Office (DMO) put the value of total debt instruments offered at N4, 869.02 billion which represented an increase of 6.97% from the total value of N4, 551.82 billion which was offered in 2010.

Sensing the need to take ownership and provide remedy for the deplorable situation, the Securities and Exchange Commission (SEC), the Nigerian Stock Exchange (NSE) and Capital Market Operators embraced reforms and initiatives aimed at resuscitating the Market.

These reforms included the amendment of the legal framework governing the Capital Market particularly the SEC Rules which now exists as the new consolidated SEC Rules & Regulations of September 2011. The SEC Rules which specifically espouse the role of Central Securities Clearing System limited and its powers to govern its relationship with its Participants.

The Initiatives that were mooted equally paved the way for the introduction of new products with a view to deepening the Market. I am glad to mention that the labored efforts aimed at resuscitating our Market have begun to yield fruits with the successful listing by the NSE of the Exchange Traded Fund (ETF) the New Gold issue and also the selection and announcement of Market Makers in December 2011 and April 2012 respectively.

Address of the Chairman Cont'd.

CSCS RESULTS FOR THE YEAR

Your Company also toed the path of reformation in the year under review. In a quest to strategically re-position CSCS, your Board of Directors made the decision to engage individuals with proven expertise to enhance the vision and goals of the Company as we strive to attenuate our commitments to Shareholders. This singular decision spawned a rigorous recruitment process that culminated in the appointment of a new Managing Director, Mr. Kyari Bukar in September 2011.

For those of us who may be unfamiliar with him, Kyari is a seasoned Executive with over 24 years working experience having held employment with Hewlett Packard, FSB (now Fidelity Bank Plc) and until his appointment, Valucard Nigeria Limited (now Unified Payments Limited). We are optimistic that CSCS is poised to break new frontiers whilst consolidating on its existing niches with this caliber of individual as its helmsman.

In regard to your Company's performance within the year, I present the following highlights of its operational statistics to give you proper perspective. The value of Trades Cleared and Settled stood at N634.92 billion whilst the volume of Trades Cleared and Settled was recorded as 89.6 billion shares. The number of Lien transactions stood at 343. Certificate requests were 20 and the volume and number of Dematerialized shares were 61.23 billion and 528,994 respectively.

In 2011, your Company actively participated in actualizing the extensive work-plan geared towards buoying the Nigerian Capital Market. We particularly take pride in stating that CSCS played a fundamental role in the listing process of the first ETF with its appointment as Sub-registrars to the issue. Our Staff have also been involved in making contributions towards the legal reform process of Capital Market Laws and actively involved in various sub-committees of the Capital Market Committee (CMC).

Internally, your Company continues to seek ways of improving its Standard operating practices and most recently, enhanced its inter-member transfers process, which has been plagued with reports of identity frauds, to mandate the use of a token device by Dealing Members to affirm their transfer instructions.

Your Company also continues to partner with the renowned Rating Agency for Central Securities Depositories

Address of the Chairman Cont'd.

(CSDs), Thomas Murray, to ensure effective appraisal of its processes. We are glad to announce that we maintain an A minus (A-) rating with a Stable outlook by same Rating Agency.

PROPOSED DIVIDEND

The 2011 results of the Company as contained in the Audited financial statements which is now before the shareholders recorded a net profit before taxation of **N1,730,377,000 (One Billion Seven Hundred and Thirty Million Three Hundred and Seventy Seven Thousand Naira)**.

Based on this result, it is evident that the Market is yet to regain its full spring. However, in demonstration of your Company's avowed commitment to its shareholders as well as in reflection of its appreciation for your unflinching support and co-operation, the Board of Directors is proposing today for your approval a dividend of 10 kobo per share.

FUTURE OUTLOOK

Your Company is seeking ways for diversifying its businesses to ensure sustained revenue. To this end, a detailed proposal outlining potential businesses has been developed and is currently being analyzed to help determine the feasibility of these businesses. We have taken the liberty of noting some of these businesses for your information.

Repository Services

As you are well aware, your Company is the single Depository of all dematerialized securities which are traded on the floor of the Nigerian Stock Exchange (NSE). This status confers a number of privileges on your Company amongst which is the fact that it possesses a remarkable database of investors' information. Your Company seeks to explore the advantages of its position to provide additional services to these investors towards improving its income lines.

Over the Counter Transactions

We also reckon that your Company is in good stead to expand on its Over the Counter (OTC) services beyond transactions on FGN Bonds, and has further decided to explore the opportunity of providing similar services to foster secondary market transactions on the shares of unquoted Companies, clearing and settlement of commercial papers and Bankers' acceptances.

Address of the Chairman Cont'd.

CSCS Digital Centre

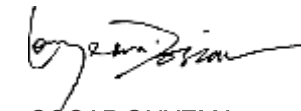
The Company prides itself with a full service Digital Centre and is presently desirous of maximizing the potentials of this Centre. In so doing, Management plans on expanding the berth of its existing Clients to ensure that it provides electronic document management services and other related services to many other potential users. We enjoin you as Shareholders to avail yourselves of the Centre's service offerings for the mutual benefit of everyone.

CONCLUSION

Ladies and Gentlemen, on behalf of the Board of Directors, I will like to thank the Staff and Management for their unflinching commitment in running the affairs of the Company despite the daunting challenges experienced in the operation of the Central Securities Depository.

My appreciation also goes to you, our Shareholders and other Stakeholders in the Capital Market for your immense contributions towards the advancement of our Company's objectives and also your dedication to the corporate goal of being a bastion of excellence and integrity in our Capital Market.

Distinguished Shareholders, my Colleagues on the Board, I thank you for your presence at this Annual General Meeting and I look forward to your lively deliberations in the course of today's meeting.



OSCAR ONYEMA

Chairman of the Board

Central Securities Clearing System Limited



Directors Report

Report Of The Directors For The Year Ended 31 December, 2011

The Directors have the pleasure of submitting their Annual Report for the year ended December 31, 2011.

1. Results

The profit for the year after tax was N1,000,900,000.00 (One Billion Nine Hundred Thousand Naira only).

2. Principal activities

The principal activities of the Company continues to be Depository, Clearing and Settlement agency for all quoted and traded securities in the Nigerian Capital Market and also sub-registry for all issued and dematerialized shares.

3. Dividends

The Directors recommend the distribution of the total sum of N500,000,000.00 (Five Hundred Million Naira) as dividends at 10k per share subject to the approval of the Shareholders. If the proposed dividend is approved by shareholders, it will be paid from retained earnings, subject to deduction of withholding tax at the applicable rate at the time of payment.

4. Directors

- 4.1 The Directors of the Company who served during the year are listed on page 5.
- 4.2 The Directors are hereby presenting the new Managing Director/CEO of the Company, Mr. Kyari Bukar, to the shareholders. Mr. Bukar was appointed effective September 1, 2011 following a

Directors Report Cont'd.

thorough interview process conducted by the entire Board with professional supervision of a renowned Human Resource and Recruitment Firm.

- 4.3 Mrs. Olufunmilola Oyebadejo retires at this Annual General Meeting and will not be seeking re-election.
- 4.4 Mr. Adeyemi R. Adeola is at this meeting being presented to the shareholders for ratification of his appointment as a Director.

5. Auditors

The Auditor, Messrs Akintola Williams Deloitte have indicated their willingness to continue in office as auditors in accordance with Section 357(2) of the Companies and Allied Matters Act of Nigeria. A resolution is being proposed to authorize the Directors to determine their remuneration.

6. Disclosure of Information to the Auditors

The Directors who held office at the a date of approval of this Directors' Report confirm that, within the scope of their knowledge, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

7. Fixed Assets

The details of the Company's fixed assets are captured on page 27. The Directors confirm that the actual market value of these assets is consistent with the value shown in the financial statements.

Directors Report Cont'd.

8. Post Balance Sheets Events

There is no significant post balance sheet event which could have an impact on the state of affairs of the Company as at December 31, 2011 which has not been sufficiently provided for or disclosed in the financial statement.

9. Employment and Employees

The Company continues to pay particular attention to Staff employment by ensuring that individuals are recruited based on standards of merit and competence. Understanding the essence of self development, the Company outlines a broad based schedule of training programs within the year to ensure that every Staff is further equipped to undertake assigned tasks. The Company continues to promote latitudinal progression of deserving Staff with a view to sustaining its sound human capital base and also establishing a platform for organic Leadership.

10. Inter-office Communications

The Company endeavors that the communication amongst Staff is unfettered and properly defined. To drive this objective, regular Staff parleys are encouraged to afford the opportunity for productive discourse.

11. Operational Standards

In its quest to continuously accentuate its operational standards, the Company has established firm liaisons with Rating Agencies and Financial & Capital Markets Consultants such as Thomas Murray UK, Genesis Analytics Limited and Bourse Limited for the purpose of keeping itself abreast of best practices across chosen business line(s). The Company continues to maintain an overall Rating of A (minus) which portrays significant stability in terms of our operations.

Directors Report Cont'd.

The Company equally partners with a renowned Human Resource Consultancy to ensure that the employees are prepped to grasp the idea of how dynamic organizations evolve.

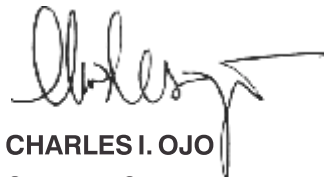
The Company has also endeavored to sustain a good relationship with its Participants whilst imbibing an open door policy by which ideas and initiatives are received from this league of Market Operators

12. Board Committees

Based on the need to ensure robustness in the performance of its oversight function, the Board has continued to task established Board Committees to make astute recommendations on matters that fall within their respective purview. The Board Committees remain as follows:

- Board Committee on Finance and Risk Management;
- Board Committee on Human Capital;
- Board Committee on Technical Matters;
- Board Committee on Corporate Governance

BY ORDER OF THE BOARD



CHARLES I. OJO

Company Secretary
2/4 Customs Street, Lagos
Date: April 16, 2012

Report of the Independent Auditors to the Members of Central Securities Clearing System Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **Central Securities Clearing System Limited**, set out on pages 20 to 42 which comprise the balance sheet as at 31 December 2011, the income statement, statement of cash flows, statement of value added for the year then ended, summary of the significant accounting policies, financial summary and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies and Allied Matters Act CAP C20 LFN 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of

Report of the Independent Auditors Cont'd.

the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the Company has kept proper accounting records and the financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Companies and Allied Matters Act CAP C20 LFN 2004. The financial statements give a true and fair view of the financial position of **Central Securities Clearing System Limited** as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with the Statements of Accounting Standards issued by the Financial Reporting Council of Nigeria.



Chartered Accountants
Lagos, Nigeria
31 March 2012



Member of
Deloitte Touche Tohmatsu

Statement of Significant Accounting Policies For The Year Ended 31 December 2011

The following are the statement of significant accounting policies adopted by the Company in the preparation of its financial statements.

1. Basis of accounting

The financial statements are prepared under the historical cost convention.

2. Turnover

Turnover comprises the value of fees payable for services rendered and interest income.

3. Investments

Investments in unlisted equities are held as long term and stated at cost. Provisions are made for permanent diminution in value.

4. Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

5. Depreciation

Depreciation of fixed assets is calculated to write off the cost over the expected useful life of the asset concerned on a straight line basis at the following annual rates:

		%
Leasehold building	-	in equal installments over the period of the lease
Motor vehicles	-	25
Furniture, fixtures and fittings	-	12.5
Office equipment	-	20
Computer equipment	-	25

Statement of Significant Accounting Policies Cont'd.

6. Income recognition

i. Depository fees

Depository fees represent the annual fees charged on quoted companies on The Nigerian Stock Exchange at a rate of 0.0125% of market capitalization and is accounted for on an accrual basis.

ii. Eligibility fees

Eligibility fee of N25,000 is charged on stock broking firms and is accounted for on an accrual basis.

iii. Transaction fees

Transaction fees are based on value of shares traded on the Nigeria Stock Exchange charged on the investors at 0.35% of sales, this was reduced to 0.30% in October of 2008 and is accounted for on an accrual basis.

iv. Participation fees

Participation fee of N250, 000 is charged annually on settlement banks appointed by NSE/CSCS

v. Interest income

Interest income is accounted for on accrual basis.

7. Debtors

Debtors are stated after making provision for balances considered bad or doubtful of recovery.

8. Exchange rates

Transactions in foreign currencies are translated into Naira at the rates of exchange ruling at the dates of the transactions. Foreign currency balances are converted to Naira at the rates of exchange ruling at the balance

Statement of Significant Accounting Policies Cont'd.

sheet date. Differences arising therefrom are taken to the profit and loss account.

9. Taxation

Provision for taxation is made by the liability method and calculated at the current rate of taxation on the differences between the net book value of fixed assets qualifying for capital allowances and their corresponding tax written down value.

10. Retirement benefits

1. Pension scheme

Employer contributes 7.5% while employees contribute 7.5% of basic salary and allowances to the pension scheme respectively to make a total contribution of 15% in line with the Pension Reform Act 2004. The Company's contribution to the pension scheme each year is charged to the profit and loss account.

11. Provision

Provision is recognised when the company has a present obligation whether legal or constructive as a result of a past event for which it is probable that an inflow of resources embodying economic benefits will be required to settle the obligation in accordance with the statement of accounting standards (SAS 23).


12. Dividend


Dividend distribution to the company's shareholders is recognized as a liability in the financial statements in the year in which the dividend is approved by the shareholders.

Balance Sheet As At 31 December 2011

	Note	2011 N'000	2010 N'000
ASSET			
Fixed assets	2	575,439	731,044
Long term investments	3	1,260,000	200,000
Debtors and prepayments	4	1,170,627	1,457,312
Deferred tax asset	5	-	84,356
Treasury bills		8,887,224	-
Bank balances and deposits	6	1,752,207	10,846,342
TOTAL ASSETS		13,645,497	13,319,054
LIABILITIES			
Creditors	7	1,006,786	571,272
Taxation	8	520,681	667,952
Deferred tax liability	10	122,321	-
Staff gratuity and pensions	21	-	335,021
		1,649,788	1,574,245
CAPITAL AND RESERVES			
Share capital	11	5,000,000	5,000,000
General reserve	12	6,995,709	6,744,809
SHAREHOLDERS' FUNDS		11,995,709	11,744,809
		13,645,497	13,319,054

The financial statements on pages 20 to 42 were approved by the Board of Directors on 31 March 2012 and signed on its behalf by:


 Oscar Onyema (Chairman)


 Kyari Bukar (MD/CEO)

} Directors

The accounting policies on pages 20 and 21 and notes on pages 27 to 40 form part of these financial statements.

Profit And Loss Account for The Year Ended 31 December 2011

	Note	2011 N'000	2010 N'000
INCOME			
Turnover	13	3,536,230	3,898,510
Other operating income	14	657,741	357,821
		4,193,971	4,256,331
CHARGES			
Administrative expenses		(2,453,532)	(2,598,450)
Bank charges		(10,062)	(9,241)
Profit before taxation	15	1,730,377	1,648,640
Taxation	8	(729,477)	(583,596)
Profit after taxation	12	1,000,900	1,065,044
Profit after taxation transferred to general reserve		1,000,900	1,065,044
Earnings per share (kobo) - Basic	16	20	21

The accounting policies on pages 20 and 21 and notes on pages 27 to 40 form part of these accounts.

Statement of Cash Flows for The Year Ended 31 December 2011

	Note	2011 N'000	2010 N'000
Cash flows from operating activities			
Gross income		4,193,971	4,256,331
Payments to suppliers and employees		(1,315,240)	(2,055,582)
		2,878,731	2,200,749
Changes in operating assets and liabilities		(226,696)	283,517
(Decrease)/increase in debtors and prepayments		435,514	254,287
Increase in creditors		(147,271)	(99,066)
Decrease in tax payable		122,321	-
Increase in deferred tax liability		(335,021)	-
Decrease in staff gratuity and pensions			
		2,727,578	2,639,487
Tax paid	8	(670,071)	(767,018)
Net cash from operating activities	17	2,057,507	1,872,468
Cash flows from investing activities			
Purchase of fixed assets	2	(150,364)	(130,630)
Proceeds on disposal of fixed assets		4,384	2,850
Purchase of investment	3	(1,260,000)	-
Net cash used in investing activities		(1,405,980)	(127,780)

Statement of Cash Flows Cont'd

	Note	2011 N'000	2010 N'000
Cash flows from financing activities			
Dividend paid	12	(750,000)	(500,000)
Bank charges		(10,062)	(9,241)
Net cash used in financing activities		(760,062)	(509,241)
Net increase in cash and cash equivalents		70,574	1,235,449
Cash and cash equivalents at 1 January		10,846,342	9,610,893
Cash and cash equivalents at 31 December	18	10,916,916	10,846,342

Notes To The Financial Statements For The Year Ended 31 December 2011

1. The Company

1.1 Legal form

The Company was incorporated in Nigeria as a private limited liability company on 29 July 1992 and commenced operations on 14 April 1997.

1.2 Principal activities

The principal activities of the Company are to function as central depository for all share certificates of quoted securities including government stocks; clearing and settlement of stocks traded on the floors of the Nigerian Stock Exchange; to provide custodian services for share certificates of local and foreign investors and act as sub-registry for all quoted securities in conjunction with registrars of quoted companies.

2. Fixed assets

	Land and buildings N'000	Motor vehicles N'000	Furniture & fittings N'000	Office equipment N'000	Computer equipment N'000	Total N'000
Cost						
At 1 January	237,588	181,150	90,419	132,944	2,627,479	3,269,580
Additions	-	82,673	7,779	5,962	53,950	150,364
Disposals	-	(89,500)	-	(8,442)	-	(97,942)
At 31 December	237,588	174,323	98,198	130,464	2,681,429	3,322,002
Depreciation						
At 1 January	29,787	135,314	36,467	99,975	2,236,993	2,538,536
Charge for the year	4,752	24,061	11,253	14,923	234,701	289,690
Disposals	-	(76,438)	-	(5,225)	-	(81,663)
At 31 December	34,539	82,937	47,720	109,673	2,471,694	2,746,563
Net book value						
At 31 December 2011	203,049	91,386	50,478	20,791	209,735	575,439
At 31 December 2010	207,801	45,836	53,952	32,969	390,486	731,044

Notes To The Financial Statements Cont'd

3. Long term investments

	2011 N'000	2010 N'000
Government /Corporate bonds:		
Quoted:		
FGN bond (market value N23,756,200)	260,000	-
UBA bond	1,000,000	-
	1,260,000	-
Unquoted equities:		
Exchange Datasystem Ltd	200,000	200,000
Write-off durring the year	(200,000)	-
	1,260,000	200,000
4. Debtors and prepayments	2011 N'000	2010 N'000
Trade debtors	514,518	739,889
Staff debtors	6,548	47,901
Due from the Nigerian Stock Exchange (Note 4.1)	659,303	979,443
Western Textile Mills Plc funds -		
Access Bank Placement (Note 7.1)	11,108	6,700
Deposit in Banks (Managed funds) (Note 7.3 and Note 7.4)	217,745	-
Prepaid expenses	103,183	12,352
NSE/CSCS Staff Co-operative Society	50,000	50,000
Interest receivable	51,008	-
Other debtors	-	3,823
	1,613,413	1,840,108
Provision for doubtful accounts (Note 4.2)	(442,786)	(382,796)
	1,170,627	1,457,312

Notes To The Financial Statements Cont'd

4.1 Amount due from NSE

This represents various eligibility fees received from quoted companies on behalf of Central Securities Clearing System Limited.

4.2 Provision for doubtful accounts

	2011 N'000	2010 N'000
At 1 January	382,796	240,543
Arising during the year (Note 4.2.1)	59,990	206,207
Provision no longer required	-	(63,954)
At 31 December	442,786	382,796

4.2.1 Provision for doubtful accounts

The provision made during the year represents the NSE inter-company receivable unreconciled difference.

5. Deferred tax asset

	2011 N'000	2010 N'000
At 31 December	-	84,356

6. Bank balances and deposits

	2011 N'000	2010 N'000
Current accounts	315,654	1,164,212
Short-term deposits	1,714,007	9,682,130
	2,029,661	10,846,342
Provision for doubtful bank balance (Note 6.1)	(277,454)	-
	1,752,207	10,846,342

Notes To The Financial Statements Cont'd

6.1 Provision for doubtful bank balance

This represents a fixed deposit amount with a financial institution in dispute.

7. Creditors (Due within one year)

	2011 N'000	2010 N'000
Sundry creditors and accruals	467,880	257,660
Staff productivity bonus	-	290,425
Interest received in advance	294,060	-
Western Textile Mills Plc - Fixed Deposit (Note 7.1)	7,607	6,700
Information technology levy (Note 7.2)	17,253	16,487
Trade guarantee (managed funds) (Note 7.3)	53,945	-
Staff gratuity (managed funds) (Note 7.4)	166,041	-
	1,006,786	571,272

7.1 Western Textile Mills Plc - Fixed Deposit

	2011 N'000	2010 N'000
Western Textile Mills Plc - Due to shareholders	4,818	4,818
Western Textile Mills Plc - Accumulated interest on due to shareholders	2,789	1,882
	7,607	6,700

7.1.1 Western Textile Mills Plc - shareholders' funds

At the extraordinary general meeting of Western Textile Mills Plc held on 10 February 2002, it was resolved that the amount due to the company's shareholders be placed in a fixed deposit account under the custody of the Central Securities Clearing System Limited. The interest earned on the principal is to be used to publish the

Notes To The Financial Statements Cont'd

names of outstanding claimants in daily Newspapers and to settle the bank's operating charges. No amount was paid to shareholders from the bank account on behalf of Western Textile Mills Plc during the year (2010 -Nil).

7.2 Information technology levy

This represents 1% of Profit before tax in accordance with the provision of section 12(2a) of the Nigerian Information Technology Development Agency Act (NITDA) 2007.

7.3 Managed funds

Managed funds represents the Trade Guarantee Funds (TGF), which was created by the Nigerian Stock Exchange to ensure and guarantee cash settlement of Nigerian Stock Exchange transactions. The (TGF) is financed by NSE members which consist of approximately 261 dealing member firms in Nigeria. The members at present contribute to this fund, a one-time contribution of N100,000 each. The fund grows by way of bank interest and penalty charges. The assets of the fund is maintained with Guaranty Trust Bank Plc and included in debtors and prepayments .

7.4 Staff gratuity managed funds

This represents the funds of the staff gratuity that was terminated during the year. The Board of Directors resolved at its meeting of 5 September 2011, to manage the funds internally by a Board of Trustees of which members were drawn from within the company. Qualifying staff as at the terminal date of the scheme would be paid their due on that date when they disengage from the company.

Notes To The Financial Statements Cont'd

8. Taxation

	2011 N'000	2010 N'000
Income tax	485,593	621,431
Education tax	37,207	46,521
Deferred tax asset (Note 5)	-	(84,356)
Deferred tax liability (note 9)	206,677	-
Per profit and loss account	729,477	583,596
At 1 January	667,952	767,018
Payment during the year	(670,071)	(767,018)
Deferred tax asset (Note 5)	-	84,356
Deferred tax liability (note 9)	(206,677)	-
Per balance sheet	520,681	667,952

The charge for income tax in these financial statements is based on the provisions of the Companies Income Tax Act, CAPC 21 LFN 2004. Education tax is based on the provisions of the Education Tax Act, CAP E4 LFN 2004.

9. Dividend

In respect of the current year, the Directors propose that a dividend of 10k per ordinary share will be paid to the shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Dividend to share holders is now accounted for on the date of declaration as they do not meet the criteria of present obligation. The proposed dividend is subject to a withholding tax at the appropriate tax rate and is payable to all shareholders whose names appear on the Register Members as at 31December 2011. The total estimated dividend to be paid is N500 million.

Notes To The Financial Statements Cont'd

10. Deferred tax liability

	2011 N'000	2010 N'000
At 1 January	-	-
Charged for the year	206,677	-
Deferred tax asset (note 5)	(84,356)	-
Per balance sheet	122,321	-

11. Share capital

	2011 N'000	2010 N'000
<i>Authorised:</i>		
5,000,000,000 ordinary shares of N1 each	5,000,000	5,000,000
<i>Issued and fully paid:</i>		
At 31 December	5,000,000	5,000,000

12. General reserve

	2011 N'000	2010 N'000
At 1 January	6,744,809	6,179,765
Payment of dividend (Note 12.1)	(750,000)	(500,000)
Transfer from profit and loss account	1,000,900	1,065,044
At 31 December	6,995,709	6,744,809

12.1 In accordance with SAS23, proposed dividend no longer qualifies for recognition as a liability in the financial statements as they do not constitute present obligations of the Company. Therefore, proposed dividend for 2010 have been shown in note 9 to the financial statements and the declared dividend with the corresponding liability has been transferred to general reserve.

Notes To The Financial Statements Cont'd

13. Turnover

	2011 N'000	2010 N'000
Eligibility fees	5,925	6,375
Domiciliary fees	860,271	911,243
Transaction fees	1,910,042	2,451,773
Interest income	759,992	529,119
	3,536,230	3,898,510

14. Other operating income

	2011 N'000	2010 N'000
Data center subscriptions	49,406	49,322
Trade alert fee	84,000	91,000
Bond dealers fees	70,952	74,580
Website subscription	34,848	33,796
Statement of stock position fee	21,922	15,564
Other fees	33,759	93,559
Excess pension fund provision written back	362,854	-
	657,741	357,821

15. Profit before taxation

	2011 N'000	2010 N'000
This is stated after charging:		
Depreciation	289,690	312,650
Directors' remuneration (note 18)	85,579	60,500
Auditors' remuneration	7,000	7,000

Notes To The Financial Statements Cont'd

16. Earnings per share

	2011	2010
Basic earnings per share (EPS) is calculated by dividing profit after taxation by the number of ordinary shares in issue during the year.		
Profit after taxation ('000)	1,000,900	1,065,044
Number of ordinary shares in issue as at year end ('000)	5,000,000	5,000,000
Basic earnings per share (kobo)	20	21

17. Reconciliation of profit after tax to cash flow from operating activities

	2011 N'000	2010 N'000
Profit after tax	1,000,900	1,065,044
Adjustment for non cash items:		
Depreciation	289,690	312,650
Provision for deferred taxation	206,677	(84,356)
Provisions for doubtful debts	337,444	142,253
Investment in EDS written off	200	-
Loss/(gain) on disposal of fixed assets	10,895	(1,861)
Excess pension fund provision written back	362,854	-
	2,208,660	1,433,730
Changes in assets and liabilities		
(Decrease)/increase in debtors and prepayments	(226,696)	283,517
Increase in creditors	435,514	254,287
Decrease in tax payable	(147,271)	(99,066)
Increase in deferred tax liability	122,321	-
Decrease in staff gratuity and pensions	(335,021)	-
Net cash from operating activities	2,057,507	1,872,468

Notes To The Financial Statements Cont'd

18. Cash and cash equivalents

	2011 N'000	2010 N'000
Current accounts	315,685	1,164,212
Short term deposits	1,714,007	9,682,130
Treasury bills	8,887,224	-
	10,916,916	10,846,342
Provision on doubtful bank balances	(277,454)	-
	10,639,462	10,846,342

19. Chairman's and Directors' emoluments

19.1 Sitting allowances:

	2011 N'000	2010 N'000
Chairman	3,400	650
Other Directors	13,200	2,400
	16,600	3,050
Emoluments as executives	68,979	59,550
	85,579	62,600

19.2 The number of Directors excluding the chairman whose emoluments fell within the following ranges were:

N	N	Number	Number
100,001 -	150,000	5	5
150,001 -	50,000,000	1	-
50,000,001 -	60,000,000	1	1

Notes To The Financial Statements Cont'd

20. Employees

20.1 Number of employees in receipt of emoluments, (excluding allowances and pensions) within the following ranges were:

N	N	2011 Number	2010 Number
70,001 -	80,000	-	-
80,001 -	90,000	2	4
90,001 -	100,000	2	1
100,001 -	110,000	4	9
110,001 -	120,000	9	-
120,001 -	130,000	-	-
130,001 -	140,000	-	-
140,001 -	150,000	-	-
150,001 -	190,000	1	11
190,001 -	200,000	-	7
200,001 -	220,000	11	8
220,001 -	230,000	-	1
230,001 -	250,000	1	-
250,001 -	370,000	5	5
370,001 -	420,000	-	20
420,001 -	430,000	46	-
430,001 -	580,000	7	13
580,001 -	700,000	0	-
700,001 -	750,000	31	13
750,001 -	850,000	11	2
850,001 -	1,000,000	1	1

Notes To The Financial Statements Cont'd

N		N		2011 Number	2010 Number
1,000,001	-	1,150,000		5	5
1,150,001	-	1,400,000		3	3
1,400,001	-	1,550,000		1	1
1,550,001	-	1,650,000		-	1
1,650,001	-	2,050,000		4	1
2,050,001	-	2,700,000		2	4
2,700,001	-	3,200,000		2	1

20.2 Average number of persons employed in the financial year and the staff costs were as follows:

	2011 Number	2010 Number
- Managerial	7	5
- Senior staff	79	65
- Junior staff	62	41
	148	111

20.3 Staff cost	N'000	N'000
Salaries ,wages and allowances	852,975	1,044,232
Gratuity and pension costs	21,811	376,069
	874,786	1,420,301

20. Staff gratuity and pensions

Notes To The Financial Statements Cont'd

21.1 Per profit and loss account

	2011 N'000	2010 N'000
Provision for staff gratuity	-	366,614
Provision for pension scheme	21,811	9,455
	21,811	376,069

21.2 Per balance sheet

	2011 N'000	2010 N'000
At 1 January	335,021	335,021
Charge for the year	21,811	376,069
Payment to pension fund administrators	(21,811)	(376,069)
Excess pension fund provision written back (Note 21.3)	(335,021)	-
	-	335,021

21.3 Write back of pension provision

At the meeting held on 29 July 2011, the Board of Directors of the Company resolved to terminate the defined benefit pension scheme with effect from 1 January 2011 and commence the contributory pension scheme as provided for by the Pension Reform Act 2004. Final entitlement to members of staff on the old scheme was determined by an actuarial valuation by B.A Adigun & Associates. The transfer value as determined by the actuarial report was credited to the staff members' Retirement Savings Account.

Notes To The Financial Statements Cont'd

22. Guarantees and other financial commitments

22.1 Contingent liabilities

There are pending litigations against the Company some of which the Company is only a nominal party. Contingent liability as at 31 December 2011 stood at N120, 200,000 (2010 N120,000,000). However, the Directors are of the opinion that the action will not succeed against the company.

22.2 Capital commitments

The Directors are of the opinion that all known liabilities and commitments which are relevant in assessing the state of affairs of the Company have been taken into account in the preparation of these financial statements.

23. Subsequent events review

There are no post-balance sheet events that could have had a material effect on the state of affairs of the company as at 31 December 2011 which have not been adequately provided for or disclosed.

24. Related party transactions

A number of transactions were entered into with The Nigerian Stock Exchange. These include rent and trade alert handling charges on behalf of The Nigerian Stock Exchange during the year.

Statement Of Value Added For The Year Ended 31 December 2011

	2011 Number	%	2010 Number	%
Turnover - Local	4,193,971	135	4,256,331	113
Bought in services - Local	(1,088,837)	(35)	(483,034)	(13)
Value added	3,105,134	100	3,773,297	100
Applied as follows:				
To pay employees:				
Staff salaries, and other benefits	861,137	28	1,129,876	30
To pay government:				
Taxation	729,477	23	583,596	15
Information technology levy	17,253	1	16,487	1
To provide for replacement of assets, expansion of business and payment of dividend to shareholders:				
- Deferred taxation	206,677	7	(84,356)	(2)
- Depreciation	289,690	9	312,650	8
- Retained profit	1,000,900	32	1,065,044	28
- Dividend	-	-	750,000	20
	3,105,134	100	3,773,297	100

Value added represents the additional wealth which the Company has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth among employees, government and that retained for future creation of more wealth.

Five Year Financial Summary

	2011 N'000	2010 N'000	2009 N'000	2008 N'000	2007 N'000
ASSETS EMPLOYED					
Bank balances and deposits	1,752,207	10,846,342	9,610,893	13,011,703	7,499,724
Treasury bills	8,887,224	-	-	-	-
Long term investments	1,260,000	200,000	200,000	-	-
Debtors and prepayments	1,170,627	1,457,312	1,873,843	1,340,821	1,183,926
Deferred tax asset	-	84,356	-	-	-
Fixed assets	575,439	731,044	914,053	1,328,776	1,324,960
	13,645,497	13,319,054	12,598,789	15,681,300	10,008,610
CURRENT LIABILITIES					
Creditors	1,006,786	571,272	316,985	1,632,544	1,084,990
Taxation	520,681	667,952	767,018	2,180,262	1,786,668
Deferred taxation	122,321	-	-	265,541	255,721
Staff gratuity and pensions	-	335,021	335,021	827,115	-
	1,649,788	1,574,245	1,419,024	4,905,462	3,127,379
CAPITAL AND RESERVES					
Share capital	5,000,000	5,000,000	5,000,000	5,000,000	1,000,000
Share premium	-	-	-	-	1,597,274
General reserve	6,995,709	6,744,809	6,179,765	5,775,838	4,283,957
SHAREHOLDERS' FUNDS	11,995,709	11,744,809	11,179,765	10,775,838	6,881,231
	13,645,497	13,319,054	12,598,789	15,681,300	10,008,610

Five Year Financial Summary Cont'd

	2011 N'000	2010 N'000	2009 N'000	2008 N'000	2007 N'000
TURNOVER AND OPERATING PROFIT					
Turnover	4,193,971	4,256,331	4,564,585	11,155,911	8,627,701
Profit before taxation	1,730,377	1,648,640	1,667,370	6,453,970	5,360,868
Taxation	(729,477)	(583,596)	(508,271)	(2,159,707)	(1,775,204)
Profit after taxation	1,000,900	1,065,044	1,159,099	4,294,263	3,585,664
Dividend	-	(750,000)	(500,000)	(750,000)	(399,656)
PER N1 SHARE DATA					
Earnings-Basic	20k	21k	23k	86k	359k
Net assets per share	222k	224k	224k	216k	688k
Dividend per share	-	15k	10k	15k	40k
Dividend cover (times)	-	1.3	2.1	1.4	8.9

Basic earnings and dividend per share are based on profit after tax and number of ordinary shares of N1 in issue at 31 December.

Net assets per share is based on number of ordinary shares in issue at 31 December.

- 1 Mr Oscar Onyema - Chairman (with effect from August 2011)
- 2 Mr Emmanuel Ikazoboh - Chairman (up until july 29,2011)
- 3 Mr Kyari Abba Bukar - Managing Director/CEO
- 4 Mr Peter Adebayo Egunbiyi - Executive Director
- 5 Mr Herbert Wigwe - Director

- 6 Mr Emmanuel Nnorom - Director
- 7 Mrs Olufunmilola Oyebadejo - Director
- 8 Alhaji Umaru Kwairanga - Director
- 9 Mr Chidi Agbapu

CSCS Board of Directors



CSCS Management Team

1

Mr Kyari Abba Bukar
Managing Director/CEO

2

Mr Peter Adebayo Egunbiyi
Executive Director

3

Mr Ukoh Vincent
AGM/Head, Finance

4

Mrs Pauline Onyenwe
DGM/Head Depository Dept. (Up until April 4, 2012)

5

Mr Austin Ene
AGM/Head, Data Centre (Up until April 4, 2012)

6

Mrs Bunmi Morenikeji
AGM/Head Human Capital & Admin (Up until March 30th 2012)

7

Mr Joe Mekiliuwa
DGM/Head I.T & Operations Dept

Proxy Form

THE 18th ANNUAL GENERAL MEETING OF THE CENTRAL SECURITIES CLEARING SYSTEM LIMITED TO BE HELD AT 1:00PM ON WEDNESDAY MAY 16, 2012 AT THE HOTEL SOFITEL LAGOS MOORHOUSE, No. 1 BANKOLE OKI STREET, IKOYI LAGOS.

I/WE.....,Of.....

Being a member/members of Central Securities Clearing System Limited hereby appoint**

.....Of.....

Or failing him, the Chairman of the meeting to act as my/our proxy and vote for me/us and on my/our behalf at the 18th Annual General Meeting of the Company to be held on Wednesday May 16,2012 and at any adjournment thereof.

Dated this.....day of 2012

Shareholder's Signature

NUMBER OF SHARES

NOTE:

1. A Member (Shareholder) entitled to attend and vote at the General Meeting is entitled to appoint a proxy in his stead. The above proxy form has been prepared to enable you exercise your right to vote in case you cannot personally attend the meeting.
2. As provided for in the Form, the Chairman of the meeting has been entered on the form to ensure that someone will be at the meeting to act as your proxy, however if you wish, you may insert in the blank space on the form(marked**) the name of any person, whether a member of a Company or not, who will attend the meeting and vote on your behalf.

IF YOU ARE UNABLE TO ATTEND THE MEETING, READ THE FOLLOWING INSTRUCTIONS VERY CAREFULLY:

- a. Write your name in BLOCK LETTER on the proxy form where * in the case of joint shareholders, any of them may complete this form but the names of all joint holders must be inserted.
- b. Write the name of your Proxy (if any) where marked**
- c. Please sign and post the proxy form so as to reach the address overleaf not less than 48hrs before the time fixed for the meeting.
- d. If executed by a corporate body, the proxy form should be sealed with Common Seal.
- e. The Proxy must produce the admission form to obtain entrance to the building
- f. This proxy form should NOT be completed and sent to the Company if the member will be attending the meeting. Before posting the above form, please tear off this part and retain it for admission to the meeting.

N.B The manner in which the proxy is to vote should be indicated by inserting "X" in the appropriate space

S/N	Proposed Resolutions	For	Against
1	Ordinary Business To receive the financial statement of the Company for the year ended December 31, 2011 and the Reports of the Directors and the Auditors thereon		
2	To declare dividends		
3	To elect Directors in place of those retiring		
4	To authorize the Directors to fix the remuneration of the Auditors		
5	Special Business To determine and fix the remuneration of Directors		

**ADMISSION FORM
THE CENTRAL SECURITIES CLEARING SYSTEM LIMITED
18th ANNUAL GENERAL MEETING**

Please admit only the shareholder named on this form or his duly appointed Proxy to the 18th Annual General Meeting being held at the Hotel Sofitel Lagos Moorhouse, No, 1 Bankole Oki Street, Ikoyi Lagos.

Name of Shareholder(s)Signature of Person attending***.....

Note:

*** You are requested to sign this form at the entrance to the venue at the Annual General Meeting.

Proposed Amendments To The Articles Of Association Of Central Securities Clearing System Limited For Approval Of The Members At General Meeting In Accordance With Section 46 Of The Companies And Allied Matters Act 2004

Details of each amendment to the Memorandum and Articles of Association	Board Approved Amendment decided on at the meeting held on 24th June 2011	Proposed Language
Quorum Of Shareholder Meetings (Article 17)		
This provides that no business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business and for the purposes thereof, unless it is otherwise provided, two members present in person or by proxy shall be a quorum	The provision will be amended such that persons representing 40% of the shareholding will constitute a quorum.	No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business and for the purposes thereof, unless it is otherwise provided, members present representing 40% of the shareholding shall constitute a quorum.
Quorum Of Directors Meetings (ARTICLE 37)		
The Articles provide that the quorum necessary for the transaction of the business of the directors shall be fixed by the directors and unless so fixed shall be two.	In view of the fact that the maximum numbers of directors as stated in the Articles is 13 and the number of directors based on a search conducted at the CAC is presently 8, it was proposed that the quorum should be fixed at 5 directors.	The quorum necessary for the transaction of the business of the directors shall be fixed by the directors and unless so fixed shall be five.
Powers And Duties Of Directors		
Articles 28-30 cover the powers and duties of the board of directors.	It was agreed that the Articles will not include financial limits for the board of Directors.	1. The Board shall set the general policies of the Company. The Board may exercise all such powers of the Company as are not by the Act or by these Articles

required to be exercised by the Members of the Company by special resolution in general meeting.

2. The powers of the Board shall be subject to the provisions of these Articles and of the Act and to such regulations, being not inconsistent with the provisions of these Articles, as may be prescribed by the Members by resolution in general meeting.

3. No regulations made by the Members by resolution in general meeting shall invalidate any prior act of the Board, which would have been valid, if such regulations had not been made. The Board may cause the Company to enter into any agreement that the Board thinks fit in order to secure for the Company, the management and technical advice, which the Board considers appropriate.

4. All cheques, promissory notes, drafts, bills of exchange and other negotiable and transferable instruments and all other instruments and documents, whether or not negotiable or transferable, which are used or arise in the normal course of the business of the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Board shall from time to time by resolution determine.

5. The Board shall cause minutes of its meetings to be entered in books provided for such purpose:
 (A) of all appointments of officers made by the Board;
 (B) of the names of the Directors present

at each Board or committee meeting; and

© of all resolutions and proceedings at all meetings of the Company and of the Board and of any committee of the Board.

The Board shall establish the following Committees or any other Committee from time to time as the Board deems expedient for the discharge of its functions:

1. Financial Committee
2. Technical Committee
3. Human Capital Committee
4. Corporate Governance Committee

Risk and Audit Committee

Constitution Of The Board

Article 27 of the Company's Articles specifically prohibits its share qualification for a director and states as follows:

"It shall not be necessary for any Director of the Company to acquire or hold any share qualification, but a Director shall be entitled to receive notices, and to attend all General Meetings."

Appointment Of Directors

There are provisions in the Articles for appointment of directors.

It was discussed that eligibility for appointment of Settlement Banks to the Board be linked to 5% shareholding whilst qualifications for appointment of other shareholder bodies remain undetermined. Appendix 2 sets out the shareholding in percentages.

The provisions for the appointment of directors will be determined internally, perhaps in the Corporate Governance Committee Charter.

1. A person shall not be appointed as a Director or if a Director, continue to act as a Director unless such person holds an executive position or senior management position in a Shareholder and or is a person who has been held out by a shareholder as its representative .
2. A Director that ceases to hold an

executive position or senior management position in a Shareholder shall cause his letter of resignation from the Board to be delivered to the Company within seven days of ceasing to hold such a position and execute any necessary forms required to make filings in respect of his resignation at the Corporate Affairs Commission.

3. A Director that fails or is unwilling or unable to provide his letter of resignation within seven days as provided above shall be removed by the resolution of the Members in general meeting.

Tenure Of Directors

The Articles do not currently provide for a specific tenure for the directors of the CSCS. In the absence of specific provisions in this regard the provisions of CAMA are applicable.

Section 259(1) CAMA – at the AGM of the company, all directors shall retire from office and at the AGM in every subsequent year one-third of the directors for the time being, or if their numbers is not three or a multiple of three, then the number nearest one-third shall retire from office.

259(2) CAMA – the directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became directors on the same day those to retire shall be determined by lot.

The tenure of directors should be captured in the Corporate Governance Committee Charter.

A Director shall serve in such capacity as stated in the Corporate Governance Committee Charter

For Banks, the tenure in the first instance will be for 3 years. Provided that the banking institution is eligible to sit on the board of directors (see above eligibility for appointment as directors), this term is renewable for a further 3 years.

For Stockbroking Firms, the tenure will be for 3 years and renewable for a further 3 years. The maximum tenure will be for a further 2 terms (6 years).

For the Registrars, the tenure will be for 3 years. This term will be rotational and dependent on the person elected as President of the Registrars. Upon a change in the President, the new President will automatically step into the role.

Alternate Directors

Article 30 of the CSCS Articles provides that "Any Director may at any time appoint any other Director or appoint any other person approved by a majority of the Directors for the time being to alternate and may at any time remove any alternate director appointed by him, and (subject to such approval as aforesaid) appoint another in his place"

The provision on alternate directors in the company's Articles should be removed.

Appointment Of Chairman By Directors

There is no specific provision on the appointment of a Chairman by the board of directors in the Articles.

It was agreed that provisions on the appointment of the Chairman of the Board be provided, and the rationale for appointment and tenure be stated.

(a) The Board shall designate a Director as the chairman of the Board. The chairman of the Board shall preside at all meetings of the Board and shall have such powers and duties as from time to time may be assigned to him by the Board.

(b) The chairman of the Board shall serve in such capacity for a term of three years, or until he is removed with or without cause, by the Members (either as chairman of the Board or as a Director). If the chairman of the Board dies, resigns or is removed, the Vice-Chairman for the time being shall be the Chairman

(c) The chairman of the Board shall preside as chairman at every annual general meeting and at every extraordinary general meeting of the Company.

(d) The Board shall also designate one Director as the Vice-chairman of the Board. The Vice-chairman shall be elected on the same conditions as the Chairman unless the Board determines otherwise.

Proceedings Of Directors

At the meeting of 12 March 2011, the option of directors delegating their powers/duties to committees established by the directors pursuant to the powers granted to the directors under the Articles was considered.

Committees will be created to run the affairs of the board. As such, rules and charters are to be drafted to regulate the committees. It was agreed that language be provided to expand the Committees where the need arises.

(e) If at any meeting the chairman is not present within thirty minutes after the time appointed for holding the meeting, the Vice-chairman shall be the chairman of the meeting.

(f) The office of the Chairman shall be held on a rotational basis amongst shareholders without the option of renewal.

The Board of Directors shall meet once every quarter. Subject to the provisions of these Articles, the Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes of the Directors present, at a meeting at which a quorum is present throughout.

The following powers may be exercised by the Directors on a simple majority vote of the Directors present at Board meetings:

- Distribution of profits, capitalization of profits or the transfer of all or any part thereof to a reserve account other than as may be required by law.
- Establishment of the General Policies and Norms of the Company and establishing controls to assure compliance
- Approving the plans and objectives of the Company
- Approving overall credit and investment policies as well as the

general policies of assets and liabilities of the Company

- Overseeing the execution of the decisions of the general meetings
- Approving and controlling executive compensation
- Establishing the dates and agenda for general meetings
- Presenting the Board's report, balance sheet profits and liabilities duly audited to the general meeting
- Designating, evaluating removing the Managing Director and establishing his/her remuneration

Establishing various committees for the discharge of its functions including but not limited to:

These committees will be:

1. Financial Committee
2. Technical Committee
3. Human Capital Committee
4. Corporate Governance Committee
5. Risk and Audit Committee

Unless all the Directors otherwise agree, at least fourteen (14) days'notice of Board meetings shall be given to every Director where the Directors are to be physically present or seventy-two (72) hours' notice where the meeting is to be held via telephone. The notice shall be exclusive of the day on which it is given. Every such notice shall specify the general nature of the business to be transacted at the

meeting.

A quorum at all meetings of the Board for the transaction of business shall consist of and shall require five (5) Directors present. A meeting of the Board at which a quorum is present shall be competent to exercise all powers and discretions exercisable by the Board.

The Directors may act notwithstanding any vacancy in their body provided that a quorum is present.

Each Director shall have one vote. No resolution of the Directors shall be passed or be of any effect unless a simple majority (50%) of the directors present or their alternatives have voted in favour thereof. The Chairman shall not have a second or casting vote.

The Board may delegate any of its powers to committees, whether consisting of a Member or members of its body or not, or to such person or persons as it thinks fit. Any committee so formed shall, in the exercise of the powers so delegated, conform to any conditions that may be imposed on it by the Board.

The Board shall cause to be drafted and shall approve rules and procedures to govern the meetings, proceedings and operation of these Committees.

In addition, the provisions of these Articles, which regulate the meetings, and proceedings of the Board shall apply to the meetings and proceedings of any committee formed pursuant to these Articles in so far as such provisions are

applicable and are not superseded by any conditions imposed by the Board.

A resolution in writing signed by all the Directors entitled to receive notice of a meeting of the Board or by all the members of a committee shall be as valid and effectual as a resolution passed at a meeting of the Board, or as the case may be of such committee duly called and constituted. Such resolution may be contained in one document or in several documents each signed by one or more of the Directors or members of the committee concerned.

The Board shall cause minutes to be made in books provided for the purpose:

[A] of all appointments of officers made by the Board;

[B] of the names of the Directors present at each Board or committee meeting; and

[C] of all resolutions and proceedings at all meetings of the Company and of the Board and of any committee of the Board.

APPENDIX 1 Proposed Structure Of The Board Of Directors Of Central Securities Clearing System Limited

SHAREHOLDER GROUP	NUMBER OF REPRESENTATIVES
Nigerian Stock Exchange	2
Banks	4
Registrars	1 (President of the Institute of Capital Market Registrars)
Stock Broking Firms	2
Executive Director	1
Managing Director	1
Independent Director	2
TOTAL	13

APPENDIX 2: Proposed Shareholding Structure Of Central Securities Clearing System Limited

SHAREHOLDER GROUP	PERCENTAGE OF SHAREHOLDING
Nigerian Stock Exchange	27%
Banks	48%
Registrars	1%
Stock Broking Firms	9%
Others	14%
TOTAL	