2012
Annual Report & Accounts

19 ANNUAL REPORT & ACCOUNTS

CSCS

CENTRAL SECURITIES CLEARING SYSTEM PLC

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.

Contents

Security

We are safety conscious in our interactions taking all necessary precaution to protect valuables entrusted in our care.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 19th Annual General Meeting of members of **CENTRAL SECURITIES CLEARING SYSTEM (CSCS) PLC** will hold at the Lagos Oriental Hotel, 3 Lekki Road, Lagos on Friday June 14, 2013 at 11 am to transact the following business:

A. ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended December 31, 2012 and the Reports of the Directors and Auditors;
2. To declare a final dividend;
3. To elect Directors;
4. To authorize the Directors to fix the remuneration of the Auditors;
5. To elect members of the Audit Committee.

B. SPECIAL BUSINESS

6. To fix the remuneration of Directors.

NOTES:

a) Proxy

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not also be a member. A proxy form is attached to the Notice and it is valid for the purpose of the meeting. All instruments of proxy should be duly stamped at the Stamp Duties Office and deposited at the office of the Registrars, Africa Prudential Registrars Plc, No. 220B, Ikorodu Road Palmgrove, Lagos, not later than 48 hours prior to the time of the meeting.

b) Dividend

A total dividend of **N750, 000,000 (Seven Hundred and Fifty Million Naira)** that is 15k (Fifteen Kobo) per share has been recommended by the Board for approval. If approved by Shareholders at the Annual General Meeting, the payment will be made on Friday June 28, 2013 to Shareholders whose names appear on the Company's Register of Members as at May 31st, 2013.

c) Audit Committee Members

In accordance with section 359(5) of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004, any Shareholder may nominate another Shareholder for election as a member of the Audit Committee by giving notice in writing of such nomination to the Company Secretary/Legal Adviser, at least 21 days before the Annual General Meeting.

Dated this **20th** day of **May, 2013**

BY THE ORDER OF THE BOARD
CHARLES I. OJO
Company Secretary
Central Securities Clearing System Plc
2/4, Customs Street, Lagos

Corporate Information

Directors

Oscar Onyema	*(Chairman)*
Kyari Bukar	*(Managing Director)*
Herbert Wigwe	
Emmanuel Nnorom	
Chidi Agbapu	
Umaru Kwairanga	
Abubakar Danlami Sule	
'Bayo Olugbemi	
Ifueko Omoigui Okauru	*Appointed with effect from 22 February 2013*
'Sola Adeeyo	*Appointed with effect from 22 February 2013*

Company Secretary

Charles I. Ojo

Auditors

Akintola Williams Deliotte
Akintola Williams Deliotte House
237 Ikorodu Road
Lagos

Registrars and Transfer Office

Africa Prudential Registrars Plc
220B Ikorodu Road
Palmgrove, Lagos

Registered Address

Stock Exchange Building
2/4 Customs Street
Lagos

Bankers

Access Bank Plc
Fidelity Bank Plc
First Bank of Nigeria Plc
Guaranty Trust Bank Plc
United Bank for Africa Plc
Zenith Bank Plc

The Address Of The Chairman Of Board Of Directors At The 19th Annual General Meeting Of Central Securities Clearing System Limited Holding On Friday June 14, 2013 At The Lagos Oriental Hotel, No.3 Lekki Road, Lagos

Distinguished Shareholders, ladies and gentlemen, it is with delight that I welcome you to the 19th Annual General Meeting of your Company and present a report of your Company's performance in the year 2012 with outlook for the future.

The Company in the year under review increased its revenue base through the consolidation of its business operations, and the diversification of its service offerings to other related business areas. Further to the Company's commitment towards increasing investors' and other stakeholders' confidence and in order to achieve compliance with sound corporate governance practices, the Company in the year under review made significant inclusions and changes in its supervisory framework. These initiatives yielded positive results as the Company exceeded its budgeted revenue and profit for the year.

We are extremely proud of our accomplishments in view of the adverse economic environment within the year in which corporate entities, including CSCS operated. Before highlighting your Company's performance in the year under review, I shall present a summary of the global economic performance, the Nigerian economy as a whole and the Nigerian Capital Market in particular which is our immediate Sector.

GLOBAL FINANCIAL SUMMARY

The global economy in year 2012 witnessed deceleration in its growth notwithstanding projections of recovery during the period. The International Monetary Fund (IMF) statistics showed a decline in the world GDP growth from 4.0 percent in 2011 to 3.2 percent in 2012. This was largely due to difficulties experienced by developed economies especially within the Euro zone as they struggled to resolve the consequences of the untenable fiscal policies prevailing in their economies. In spite of the momentum with which the US economy started in year 2012 and the improvements attained in the corporate sector, the economy as a whole struggled through 2012 due to the weight of public sector debt, and high rate of unemployment amongst other factors. Unfortunately, the adverse outcome of fiscal policies and debts of developed economies did not remain within these countries, but reverberated through developing and emerging economies resulting in their low performance.

Developing and emerging economies experienced downturn in their economies owing to reduction in demand for their exports from developed countries amidst inadequate local demand. In Europe, the European Central Bank (ECB) as part of its palliative measures to contain the fiscal issues faced by its member countries, embarked on and sustained a low interest rate and at the same time provided an arrangement enabling the Bank to acquire debts of member countries seeking bail out. The countries on their part initiated austerity measures to ameliorate the effect of fiscal deficit which has been controversial at best.

THE NIGERIAN ECONOMY

Nigeria commenced the year 2012 in turbulence with protests from citizens over oil subsidy removal by the Federal Government. The aftermath of these protests was the emergence of intensified oversight by the legislature on activities and policies within the public sector. The strategy of the government was that the funds recovered from the elimination of fuel subsidy will be ploughed into infrastructural development and other sectors of main concern such as agriculture, manufacturing, education, health, and housing amongst others. However, in view of the ensuing agitation from the populace, the government resorted to a partial removal of the subsidy.

Furthermore, in the same year, the security situation in the country continued to deteriorate even as insurgents in the north repeatedly claimed responsibility for the violence unleashed in that part of the country. Economic activities in the severely affected states remained crippled whilst that of most other states in the region continued to decline, with influx of people into the relatively calm areas of the country resulting in tremendous pressure on infrastructure in these areas.

The Central Bank of Nigeria (CBN) in the year under review maintained the tight monetary policy it commenced in 2011 pursuant to its anti-inflationary stance. Notwithstanding the resulting high interest rate, this position was taken by the CBN to contain excess liquidity in circulation emanating from the injection of funds into the economy between 2009 and 2010. A combination of the partial removal of fuel subsidy, security issues, and high interest rate together with flood disasters all occurring within the year 2012 contributed to the low GDP performance recorded during the period. As predicted by the National Bureau of Statistics (NBS), the GDP experienced a slowdown in 2012 in spite of a growth of 6.99 percent witnessed in the fourth quarter of 2012. The growth which was lower than 7.76 percent recorded in same quarter of 2011 was below the 7.09 percent projected for the year.

THE NIGERIAN CAPITAL MARKET

Interestingly, despite the unfavourable circumstances that prevailed on the global and local fronts, the Nigerian Capital Market recorded significant progression in terms of its achievement in the period under review. This headway is associated with certain policies and innovative products initiated by the government and the Capital Market regulatory bodies in the year under review. Of particular importance is the introduction of Market making by the Nigerian Stock Exchange (NSE) in its efforts to deepening the Market and create increased liquidity of tradable securities. Indeed, these introductions resulted in tremendous improvements in Capital Market activities especially in the aspect of liquidity enhancement.

Another major factor that contributed to the impressive performance of the Capital Market in the year was the inclusion of Nigerian Federal Government Bonds in the JP Morgan Government Bond – Index Emerging Markets (GBI-EM). This event led to the surge of foreign portfolio investment (FPI) as foreign institutional investors thronged our local Bond Market.

The Federal Government as part of its general economic transformation agenda and for the purposes of resuscitating the Capital Market unveiled in December 2012, a forbearance package for Stock Broking Firms. The package entails a N22.6 Billion forbearance on margin loans of 84 Stock Broking Firms. The government also announced the removal of the Value Added Tax (VAT) and Stamp duties charges levied on all securities transactions in the Capital Market. These initiatives enabled the Capital Market to fare better in 2012 despite the macro issues that largely plagued our economic environment. In same year, the NSE All Share Index increased by 35.45 percent whilst the market capitalization for equities and bonds totaled N14.80 trillion evidencing a 43.97 percent increase from the N10.28 trillion of 2011.

OUR PERFORMANCE

Operations

In furtherance of our growth objectives for the year under review, your Company in the first quarter of 2012 benchmarked its processes and risks framework against the Committee on Payment and Settlement Systems and the International Organization of Securities Commission (CPSS IOSCO) principles which provide globally acceptable standards for the assessment of Financial Market Infrastructures (FMI). The exercise formed part of the Company's strategy to align its operations with international best practices. One of the significant achievements following the exercise was the establishment of an Enterprise Risk Management (ERM) Department. The Company also strengthened its risk management framework through the development of appropriate risk management policies and procedures.

We included the provision of Over the Counter (OTC) services to our service offerings in respect of secondary market trading on shares of unquoted Companies. With the use of technological innovations, the Company improved its processes thereby reducing market infractions whilst maximizing efficiency in its services. It also participated significantly in improvements achieved in the Nigerian Capital Market in the year under review, through its involvement in the implementation of the market making process. Additionally, your Company made concerted efforts to participate in media parley and other interactive fora with the aim of increasing its visibility and reinforcing its brand image.

Financial Achievements

I am pleased to inform you that your Company recorded significant success during the period under review. Our financial results indicate that the Company's profit before tax grew by 77 percent from N1.73 billion in 2011 to N3.06 billion in 2012. In addition, our Company successfully reduced its overall operating cost by 14.22 percent from N2.46 billion in 2011 to N2.11 billion. The total assets of the Company in the year under review stood at N15.43 billion having increased by 13.12 percent from N13.64 billion in 2011.

Dividend

There is no gainsaying the fact that the Company's performance in 2012 is an outcome of its initiatives coupled with your unwavering support. In consideration of your Company's commitment to its shareholders and bearing in mind the cost implications of its future strategy, the Board of Directors have recommended for your approval 15 kobo per share as dividend.

The Board

In light of the transformation of our Company from a Private Company to a Public Company in May 2012, and in compliance with best corporate governance practices as stipulated by the Securities and Exchange Commission (SEC) Code of Corporate Governance for Public Companies, the Company embarked on the process of consolidating its governance structure which resulted in the appointment of Mrs. Ifueko Marina Omoigui Okauru and Mr. 'Sola Adeeyo as Independent Directors of the Company. These individuals who will be shortly presented for ratification were selected based on their impeccable track record evidenced in previous and current engagements. It is expected that their appointment will further boost the confidence of shareholders and other stakeholders in our Company.

Mrs. Omoigui Okauru is the Managing Partner of Compliance Professionals Plc; a corporate entity whose businesses include the provision of support to individuals and organizations towards ensuring compliance with rules and regulations. She is also a part-time member of the United Nations (UN) Committee of Experts on International Cooperation in Tax Matters and serves as a member of the Board of Trustees of DAGOMO Foundation Nigeria. The Federal Government of Nigeria appointed Ifueko as the first female Executive Chairman of the Federal Inland Revenue Service (FIRS) and Chairman of the Joint Tax Board (JTB); both positions she occupied from May 2004 to April 2012.

Mr. Adeeyo was part of the founding management and Director/Group Head Treasury of Investment Banking & Trust Company Limited (IBTC) from 1989 to 1991. He also founded Asset & Investment Limited, a financial services company. Mr. Adeeyo, a Director and the owner of Protea Hotel, Oakwood Park; an international hotel brand managed by Protea Hotel Group of South Africa is the Chairman/Chief Executive Officer of Astral Waters Limited as well as a Director on the Board of Mansard Insurance Plc.

Rating/Award

It is worthy to note that Our Company has sustained an A minus (A-) rating from a first rate Central Securities Depository (CSD) Rating Agency, Thomas

Murray Rating Limited engaged to evaluate the Company's processes. This rating represents low risk and a stable CSD. The Company also received a Nigerian Financial Technology Award from the Financial Technology Magazine for the best use of IT in Trading System within the year.

Future Outlook

The Company has put its strategy in place to provide clear direction for the deployment of its resources, both human and capital. Our Company shall sustain the ongoing expansion of its business operations whilst consolidating on its core service offerings. As part of its business expansion plan, our Company will explore the possibility of establishing Central Counterparty (CCP) clearing services. This strategy is centered on the need to eliminate the risks associated with counterparty failures in securities transactions and to support derivatives trading. Success in this area shall significantly increase our revenue lines and at the same time boost the confidence reposed in the Market.

Sensing the need for business preservation, we are also focused on developing and implementing a full business continuity plan as part of our strategy objective. This will ensure our preparedness for any unfortunate occurrence which may disrupt our services.

Our Company will place emphasis on the replacement of its Software, the Equator in order to achieve efficiency in its business. The need for procurement of new Software is based on present limitations of Equator in terms of clearing and settling advanced classes of securities and NasdaqOMX stopping support for the Software.

We will undertake the implementation of the CPSS IOSCO principles across our processes and shall endeavour to attain full compliance with these standards. Though, this will require considerable time and resources to achieve, we are determined to set your company on the same pedestal as notable CSDs worldwide. I have no doubts that with a formidable Board, hardworking staff and supportive shareholders, we shall accomplish this feat.

Conclusion

Ladies and Gentlemen, on behalf of the Board, I use this opportunity to appreciate the Shareholders and other Stakeholders of this Company for the unswerving support towards the Company which paved way for the performance attained in the year 2012.

May I also express my profound gratitude to the Management and Staff of our Company for all your hard work and the sacrifices made in pursuit of the Company's objectives during the period under review.

Finally, I commend my fellow colleagues on the Board for the dedication demonstrated in the performance of their supervisory responsibilities, both on the Board and Committees.

Thank you.

Oscar Onyema
Chairman of the Board
Central Securities Clearing System Plc
June 2013

Confidentiality

We handle information with respect for privacy, utmost discretion and at absolute legal non-disclosure basis.

Managing Director/Chief Executive Officer's Review

Distinguished shareholders, ladies and gentlemen, it is with great pleasure that I, on behalf of the Board of Directors, welcome you to the 19th Annual General Meeting of your Company, the Central Securities Clearing System Plc and present to you our financial statements for the year ended 31 December 2012 as well as a record of your Company's activities in the year under review.

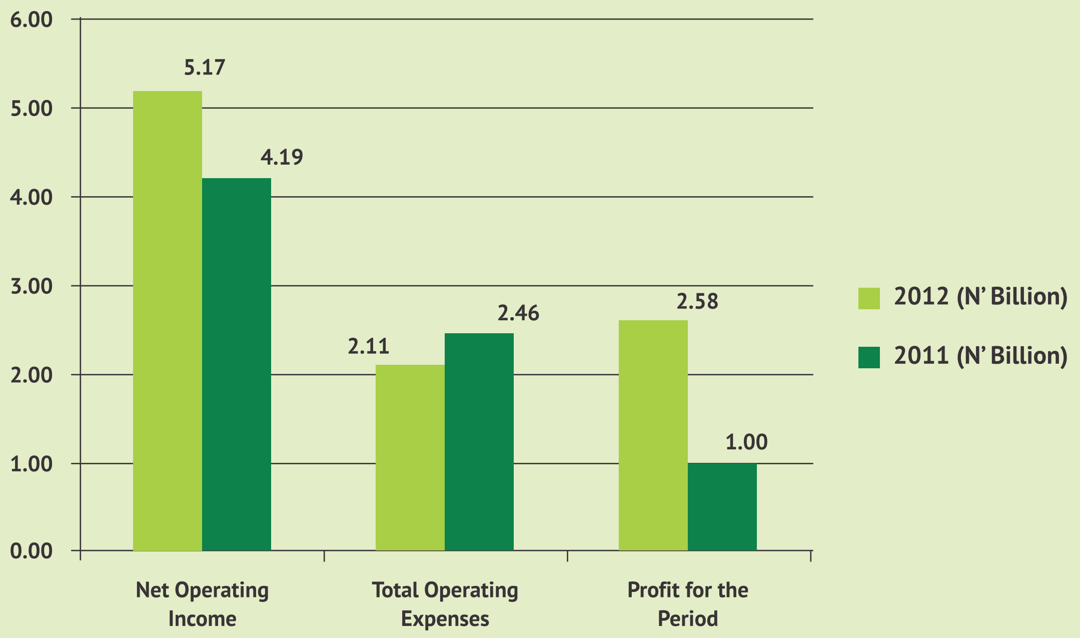
Introduction

Despite the numerous challenges faced in the year under review, which impacted on the overall economic activities resulting in declines in real growth both in the Oil and non-oil sectors largely due to security challenges and the insurgent floods that ravaged parts of the Country affecting the Nation's Agricultural, Wholesale and Retail Trade Sectors, the Company was unscathed by these incidents as it recorded impressive results in terms of its financials and its Corporate transformational Agenda. Given the number of achievements in the year, it goes without saying that we again sustained our position as the Financial Market Infrastructure responsible for the clearing and settlement of all traded securities in the Nigerian Capital Market.

I would further provide fuller information on the Company's financials and operations in the year under review.

Financial Performance

The Company has delivered improved financial performance in 2012 vis-à-vis 2011. Total revenue for the year under review stood at ₦5.17 billion as against ₦4.19 billion in the previous year thereby signifying an increase of 19%. Management's conscientious effort to control expenses in the same year was realized as your Company recorded a commendable reduction in its expenses from ₦2.46 billion to ₦2.11 billion thereby leading to a decrease of 14.2% year on year. With its focus on surpassing its budget, your Company was able to achieve impressive increases in profitability and finished the year steadily growing its profit after tax by 61% year on year to N2.58 billion.

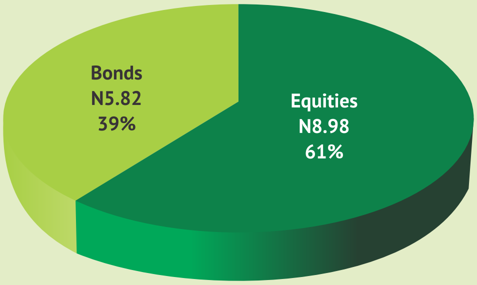


Operational Statistics

Overall, the Nigerian Capital Market statistics in the year under review stood at ₦14.80 trillion indicating an increase of 43.97% from the market capitalisation of ₦10.28 trillion from the previous year. The statistics speak evidently to the fact that the Nigerian Capital Market is steadily regaining its stride despite the debilitating occurrences that had affected the Market in previous years.

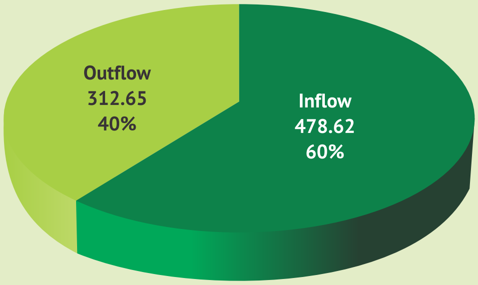
The make-up of the 2012 Market Capitalisation shows that equities accounted for ₦8.98 trillion of Market Cap; 57 Bonds – Federal, State/Local and Corporate - accounted for an aggregate sum of ₦5.82 trillion of Market Cap. Under Foreign Portfolio Investment (FPI), the market recorded about ₦478.62 billion in inflows (entry); ₦312.65 billion in outflows (exit), and ₦165.97 billion net inflows.

Market Capitalisation (2012)



Value (Trillion)

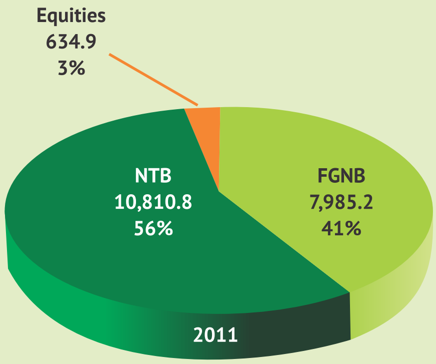
Foreign Portfolio Investment (FPI)

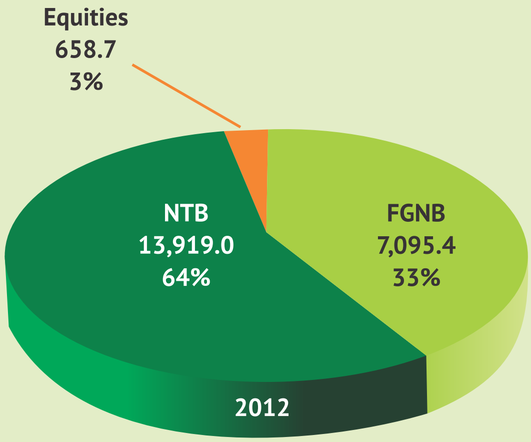


Value (Billion)

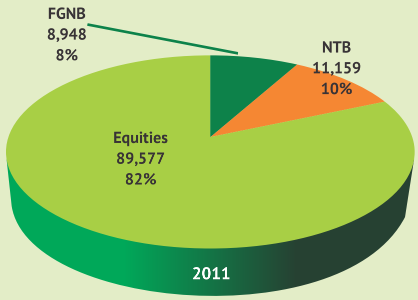
Taking a cue from the foregoing Capital Market Report, CSCS had an eventful year in the aspect of its clearing and settlement services. Indeed, the performance in the year under review exceeded the performance of the previous year with our statistics showing that the total value of equities traded stood at ₦658.22 billion in comparison with ₦634.9 billion from the previous year. Interestingly, the impressive statistics of the value of trades in the year under review derived from decreased volume of trades which stood at 89.2 billion units of shares in comparison with 89.6 billion recorded in 2011. This record points to the fact that the Nigerian equities in general were fairly priced despite the reduction in the number of listed equities from 201 in 2011 to 197 in the year under review.

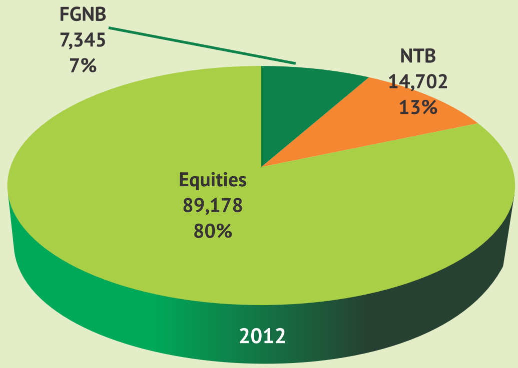
In regard to fixed income securities, CSCS cleared and settled a total value of ₦7.1 trillion in traded Federal Government of Nigeria (FGN) Bonds and ₦13.92 trillion in traded Nigerian Treasury Bills (NTBs) in the year under review in comparison with the preceding year's figures of ₦7.9 trillion in traded FGN Bonds and ₦10.8 trillion for NTBs. Again, these figures confirmed the incontrovertible fact that investors' investment choice still largely tilts towards fixed income offerings.





Growth (%)
NTB: 28.75
FGN: (11.14)
Equities: 3.75





Growth (%)
NTB: 31.75
FGN: (17.91)
Equities: (0.44)

In 2012, the volume (units) of dematerialized shares stood at 44.5 billion in contrast with 61.2 billion recorded in the previous year. The newly listed Exchange Traded Fund (New Gold ETF) also recorded some trading activities with a volume of 175, 688 ETFs sold at the value of ₦454.6 million in comparison with a volume of 6,710 ETFs valued at N17.1 million traded in 2011.

Operational Processes and Procedures

As part of its self assessment practice, your Company undertakes a periodic rating exercise performed by renowned Rating Agency for Central Securities Depositories (CSDs), Thomas Murray Rating Limited (UK). The last Rating exercise which was concluded in May 2012 with a presentation of an Assessment Report to Management scored CSCS an overall Rating of **A-** . In a bid to better the CSD's rating in subsequent years and also to project the Nigerian CSD on a steady course to being recognized alongside as other leading CSDs around the globe, Management undertook a careful review of the Report and immediately embarked on an intense drive to address highlighted issues bordering on the Company's operational processes and its Governance structure. The approach adopted was to categorize these issues and further proffer solutions on 'quick fix' and 'long term' bases. The Report espoused the need for automation of most of the operational processes of the CSD so as to ensure increased efficiency of services rendered to its Participants. I am glad to report that in the year under review, the Company took on this challenge and considerably automated its manual processes particularly its inter-member transfers which was fraught with issues. The Company introduced the online inter-member transfer process which requires that instructions for transfer of shares from resident Stock Broking Firms to target Stock Broking Firms are initiated via the use of a secured token device issued to the Chief Executive Officers of these Stock Broking Firms.

I also take pride in reporting the expansion of our Data Exchange Platform - the electronic medium for sharing information with our Participants – to include modules to cater for Settlement Banks, Stock Broking Firms and Custodians. The Data Exchange infrastructure provides access for Settlement Bank participants to download the electronic daily advice to enable them confirm Cash settlement obligations of their Clients in regard to securities transactions. The module for Custodians allows this class of Participants to place instructions electronically for services such as Detachment movements, Distribution of Global Depository Receipts, Request for granting and revoking of trading access to Stock Broking Firms, Closure of Accounts as well as provide a Platform for document exchange between CSCS and the Custodians. The inclusion of these three (3) new Participants completes the count of CSCS Participants on the Platform taking into cognizance that the initiative commenced in 2011 with the Registrars as the original Participant linked on the Platform.

As Assets custody and safety remain part of our raison d'être, we continue to evolve processes and build Organizational structures to ensure that we meet this expectation. In line with this culture, our Internal Audit Department experienced a total overhaul in the year under review with respect to its Standard Operating Procedures and Staff requirements. The revitalized Department presently has corresponding reporting lines to the Chief Executive Officer and the Board Committee on Audit and Risk Management. Your Company also established an Enterprise Risk Management Department whose responsibilities is to identify and analyze Companywide risks and further devise controls to mitigate and/or totally obliterate some of these risks. We also appreciate the essence of properly documenting rules that govern our relationship with teeming Participants and therefore embarked on a reformation process of our CSCS Rules for Market Participants taking into account present realties and best practices in the Capital Market sphere. The review is a continuous process with a commitment to expose a revised draft to Market Participants for their scrutiny at an opportune time.

Corporate Strategy

It is a truism that a successful Corporate Strategy must focus on improving the skills of a Company's workforce, reduce its cost of doing business, leverage on its resources - both human and financial – to compete and thrive in today's Global business space. Equipped with this mindset, during the year under review, Management developed a five (5) year Corporate Strategy Document which it presented to the Board for approval. The Document lays out a Revenue growth Plan factoring in contributions from our traditional services as well as new & ancillary Products and Services. The Company projects an average growth of revenue by 15% year on year on income derived from its services.

Our statement remains the fact that our ability to deliver seamless and qualitative services depends on our tested and proven IT Systems. In response to developments in the Nigerian Capital Market taking particular note of the Nigerian Stock Exchange (NSE)'s acquisition of its new Trading Platform, the Xstream and the introduction of new products at the Exchange, CSCS in the year under review initialized a painstaking process of shopping for a Clearing and Settlement Software to replace its current Equator Software. The new Software would provide features that can adequately meet future demands in the area of trades' settlement. We are optimistic that we should have the new Software installed by the third quarter of 2014.

The CSD's Data Security is always at the centre of discussion of Internal and External Stakeholders hence we have continued to reinforce controls to guard against attacks that could compromise the safety of assets in our Custody. This concern has also been given appreciable focus in our Corporate Strategy Document with a dedicated timeline spelt out for the installation of a Fool proof System for Data Security.

People Policies and Procedures

We value our people and consider them to be the heartbeat of our business. We aim to attract, develop and retain the best people, treating each other with honesty, compassion and respect. We create a stimulating, fun and open work culture that promotes personal development and work/life balance, rewards competitively and celebrates success. We continue to encourage innovation of our processes simulated by organic ideas from Staff regardless of cadre and status. We initiated Knowledge Sharing Sessions for the purpose of engendering cross pollination of information in respect to the functions of respective Departments and Units of the Company. The focus of the Sessions is to create versatility across the Company's ranks whilst ensuring that each and every employee attains the status of being a Brand Ambassador for the Company.

In the year under review, deserving Staff were rewarded with promotions and other forms of incentives in appreciation of their diligence and unflinching commitment to work. In addition, at the Company's Year-end Party, recognition was given to Staff who had spent considerable length of time in the Company's employment with gift items handed out to these individuals.

We also emphasize a culture of integrity and devotion to our corporate values and espouse the need for Staff discipline. Our Human Resources policies are crafted to embody these values and also to bear constant reminders for Staff as regards the Company's expectation of them. Grievances and disciplinary issues are treated with utmost seriousness with Management Committees constituted on a needs basis to review grievance reports and proffer recommendations to Management on the handling of issues.

Looking Ahead

Our focus as we progress will primarily centre on Assets Safety and our clearing and settlement mechanism in the Nigerian Capital Market. Based on this backdrop, CSCS has been working closely with our Regulator, the Securities and Exchange Commission (SEC) and other Capital Market Stakeholders to enhance the process of identity verification of investors as they transact in our Market. We advocate the revision of our current Know Your Client (KYC) with the introduction of Biometrics capture component to ensure exactness in the process of identifying investors. Undoubtedly, this initiative will help in mitigating the scourge of identity theft in our Market.

In this regard also, CSCS will actively engage Capital Registrars to ensure proper reconciliation of Companies' Registrars so as to ensure parallel book entries of CSCS and the Registrars.

On the aspect of Clearing and Settlement, we recognize the palpable threat in the aspect of Counterparty related risks in our Market and are consequently developing the idea of founding a Central Counter Party (CCP) entity that will ensure that securities and cash settlement obligations of Counter Parties are met in a timely and efficient manner.

We are committed to pursuing our aspiration of seeking avenues to sell our premium services to new prospects. Along this line, we are optimistic that in the current year, we shall fulfill this aspiration by our engagement as the Clearing and Settlement Agency for the NASD Limited; the Promoter of the Trading Network for transactions on unquoted securities.

We hope to progressively expand our services on the local front whilst looking out for opportunities of providing Central Securities Depository services across the Region as part of the African CSDs integration initiative.

Conclusion

I wish to recognize the concerted efforts of Management and the Board to reposition the Company through setting of financial targets, determination to break new frontiers of business whilst maintaining a firm foothold on the undertaking of being Nigeria's Central Securities Depository. Given the audacity of our purpose and our collective resolve to achieve our corporate goals, I envision that our CSCS will reach its set objectives on schedule.

In moving forward, we shall engage more actively our Stakeholders and Participants to determine how we can better serve them to promote mutual satisfaction across board. We also recognize the need to preserve the sanctity and integrity of our Market so as to engender increased investment through foreign and local inflows. We promise also to make our freewill contributions to making this a reality as we know that these cardinals if achieved would enhance future profitability of our Company to pursue its corporate objectives and also guarantee impressive return on Shareholders' investment.

The task may appear daunting but we are excited at the possibilities available in the Nigerian Capital Market and remain confident that we will achieve our ambitions with the continued support of our Stakeholders and you, our esteemed Shareholders.

I thank you all and wish you God's mercies as you journey back to your destinations.

Kyari Bukar
Managing Director/Chief Executive Officer
June 2013

Uprightness

We are honourable and honest in our dealings. We maintain integrity and high ethical standards in our operations.

Enterprise Risk Management Report

Introduction.

The Central Securities Clearing System (CSCS) has been fundamental to the proper functioning of the Nigerian Capital Market like other depositories around the world. It has facilitated the clearing, settlement and recording of financial transactions which foster financial stability and strengthen the Nigeria Financial system and the broader economy through the post trade services and other ancillary services it provides.

Central Securities Clearing System (CSCS) recognizes risk management as its central role in the Nigerian Financial and has recently strengthened its risk management capabilities to drive the Company's risk framework and upgrade employee's risk awareness. We have initiated and conducted a series of risk management and risk mitigation training for employees while also making all employees understand that everyone at CSCS is a risk manager and the highest priorities placed on cultivating risk awareness throughout the organization.

Our risk management function entails the effective and efficient identification, measurement, monitoring and control of risks of the CSCS enterprise, market participants and the marketplace on an ongoing basis. We have also established a structured framework that will enable the company to comply with the recommendations and principles defined by Committee for Payment and Settlement Systems and the International Organization of Securities and Exchange Commissions (CPSS-IOSCO) as a Financial Market Infrastructure in Nigeria. This objective has been incorporated into the company's strategic objective to achieve full compliance in the medium and long term period.

This report describes our risk management framework, governance and risks faced by the CSCS.

KEY RISKS FACED
AND ADDRESSED BY CSCS.
Below are the main risks identified and mitigated by CSCS.

Information Technology and Security Risk.

This is risk of loss due to Information technology infrastructure failure or nonperformance and information security breaches leading to loss of confidentiality, availability and integrity of Central Securities Clearing System (CSCS) asset.

Operational Risk.

This is the risk of direct or indirect loss to the CSCS owing to inadequate or failed processes, systems and external events. Risks associated with our Operation also includes business continuity and Disaster recovery risk.

Default & Liquidity Risk.

Is the risk that CSCS will not have adequate funding resources to settle the defaulting participant' transaction or complete its obligations to non-failing members.

Legal and Regulatory Compliance Risk.

The risk that a loss will be incurred as a result of CSCS's inability to enforce a contractual agreement or as a result of a violation of law, regulation, regulatory requirement and applicable standards.

Human Resources Risk.

The risk that the CSCS lacks qualified staff to meet the obligations of the company, or appropriate succession planning and talent management.

CSCS RISK MANAGEMENT ORGANISATION

Everyone at CSCS is a risk manager but the ultimate responsibility for establishing the direction and the acceptable level of tolerance lies with the Board of Directors and other key Board committees especially the Board Audit and Risk Committee.


Board of Directors
Board Risk Committee
Department & Units
Reporting & Analysis
Biz Info & Analysis
Operations
Reporting & Analysis
Status & Info
Internal Audit
Audit Report
Risk Report
Enterprise Risk Management
Risk Report & Practice
Regulators:
-The NSE
- SEC
Regulator Enquiries
Rating Agency: Thomas Murray
Summary of Risk Profile
Participants:
- Brokers
- Custodians
- Registrars
- Settlement Banks
- CBN/NIBSS
Risk Advisary
Enquiries by Auditors
Risk Report & Practices
Auditors: External Auditors
IT & Technology Support

Board Audit and Risk Committee

- The Board of Directors through its Board Audit and Risk Committee is responsible for providing the required oversight on risk related issues and also lends support to management's efforts in identifying, classifying and managing enterprise risks, including market risk, operational risk, and liquidity risk.

- Review management's risk report of appropriate risk tolerances on a regular basis including the types and degrees of risk that should be addressed by CSCS and further recommend to the Board for approval CSCS risk tolerance threshold.

- Review the results of any audits (internal and external), regulatory examinations and supervisory examination reports for significant risk items or any other matter relating to the areas that the Board Risk Committee oversees as well as management's responses pertaining to matters that are subject to the oversight of the Board Audit and Risk Committee.

- Review, approve and reassess periodic reporting metrics reflecting CSCS risks which the Committee is responsible for.

The Board Risk Committee oversees management activities of the CSCS in respect of day-to-day responsibilities for managing risks.

Management Risk Committee.

Management Risk Committee headed by the Chief Risk Officer provides the required framework that will help the Board Audit and Risk Committee achieve its oversight functions as required by the Board of Directors.

- The Chief Risk Officer is subject to the oversight of the Management Risk Committee, produces reports and responds to queries from the Management Risk Committee.

- The Management Risk Committee takes appropriate actions in mitigating business and other enterprise related risks raised by the Chief Risk Officer.

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The Chief Risk Officer identifies risk issues that should be escalated to the Board Risk Committee for final action.

Risk Management Line of Defense

Across the enterprise, CSCS employs three lines of defense model for effective risk management throughout the organization.

The **first line** of defense is the individual business unit that is critical to the operations of the organization. Each unit has a designated risk personnel that liaises with the Enterprise Risk Management unit to identify and manage risk across the enterprise's operations, information technology and other business areas that owns and manage various forms of risk.

These groups are also responsible for identifying and measuring risks that affect their business units and judge how the risks are being controlled.

Enterprise Risk Management has developed and currently implements an appropriate framework to standardize data collection and risk assessment, making it easier to evaluate each business units' risk profile. This is carried out on a monthly basis by producing a monthly risk assessment report for each business unit within the enterprise with associated Key risk indicators.

The **Second Line of Defense** lies with the Enterprise Risk Management. Enterprise Risk Management aligns risk appetites with business goals and ensures that the business is not taking excessive risk in order to perform its role in the Financial Market.

The Third Line of Defense is the Internal Audit unit which provides advisory and independent assurance of the Company's internal control.

RISK MANAGEMENT FRAMEWORK.

DEFAULT & LIQUIDITY RISK MANAGEMENT.

Enterprise Risk Management has a responsibility of developing default procedure and ensuring CSCS continues to meet its obligation even in the default of a participant. Enterprise Risk Management conducts daily liquidity studies to calculate it's default and liquidity need in a participant default scenario and has also developed new initiatives to help CSCS manage any liquidity and default exposures from participants.

INFORMATION TECHNOLOGY AND SECURITY RISK

Post trade services provided by the CSCS require a very high level of information technology availability, reliability and integrity of data used in conducting securities clearing and settlement business. Enterprise Risk Management ensures that the right information security policy and procedure is in place to manage information security breaches and that all information assets area are protected and secured.

OPERATIONAL RISK

Enterprise Risk Management developed operational risk management framework that will ensure that the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events are mitigated.

Enterprise Risk Management manages its operational risk by:

Designing and implementing operational risk management framework comprising policies.

Implementing Risk control self assessment on a quarterly basis using the methodology whereby each business unit within CSCS identifies and assesses its operational risk and controls in place to manage those risks.

Daily monitoring of processes and operation risk and Monthly reporting of operational risk exposures to Management Risk Committee and further escalation of risk exposures to the Board Risk Committee.

Assigning thresholds and limits to the Central Securities Clearing System (CSCS) risk appetite for risk based decision making.

Establishing meaningful Key Risk Indicators (KRIs) that will measure and anticipate operational failure which might occurs. These failures may happen when operational resources are insufficient either in quality or in quantity, unavailable at a critical moment or where they break down altogether.

Enterprise Risk Management advises each business unit at CSCS on operational risk management initiatives and develop strategies for identifying, measuring monitoring and mitigating operational risk.

HUMAN RESOURCES RISK

The nature of CSCS operation requires a wide range of skills within the organization. Enterprise Risk Management conducts a review of all critical roles within CSCS and ensures that adequate succession plan is in place at all time. Enterprise Risk Management conducts this review using a Resource Management methodology that tracks all resource requirements on a monthly basis to ensure that all skills gaps are covered while all concerns are reported to the Management Risk Committee and the Board Risk Committee.

LEGAL AND REGULATORY COMPLIANCE

Enterprise Risk Management ensures that the risk of loss as a result of the inability to enforce a contractual agreement or owing to a violation of law, regulation, regulatory requirement and applicable standards is mitigated by conducting a monthly regulatory compliance schedule to monitor regulatory violations. In order to mitigate the risk of not being able to enforce a contractual obligation between the company and its participants, CSCS is in the process of finalizing its Rules Book amendment to bring it up to date with industry best practices.

Enterprise Risk Management also ensures that the Company complies with acceptable international best practices including the (CPSS-IOSCO) principles and recommendations.

Regulatory oversight of CSCS increased recently. This demonstrates that collaboration between CSCS and regulators has increased which will further improve transparency, governance processes and risk controls in a number of ways.

Directors' Report
for the year ended December 31st, 2012

The Directors are pleased to present to members their Report together with the Financial Statements of the Company for the year ended December 31st, 2012

Legal form and Principal Activities

Central Securities Clearing System Plc, a public unquoted Company, was incorporated on July 29, 1992 and effectively commenced operation on April 14, 1997 as a Central Securities Depository for the Nigerian Capital Market. A significant Financial Market Infrastructure; the Company carries on the business of clearing and settling listed securities traded in the Nigerian Capital Market. CSCS also acts as an alternative Depository for Federal Government of Nigeria (FGN) Bonds, Municipal and Corporate Debt instruments as well as clears and settles Nigerian Treasury Bills.

Operating Results

The following is the summary of the Company's operating results:

	2012 N'000	2011 N'000
Net Operating Income	5,172,245	4,193,971
Total Operating expenses	2,109,103	2,463,594
Profit before Taxation	3,063,232	1,730,377
Taxation	485,385	729,477
Profit after Tax	2,577,847	1,000,900
Declared Dividend	750,000	500,000

Dividend

The Directors recommend, subject to approval of Shareholders at this Annual General Meeting, the payment of a total dividend of **N750,000,000 (Seven Hundred and Fifty Million Naira)** that is 15k (Fifteen Kobo) per share. 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.

Board Appointment

Since the last Annual General Meeting, the Board has worked assiduously to achieve the best standards of Corporate Governance for the Company. It is in this regard that Mrs. Ifueko Omoigui Okauru and Mr. 'Sola Adeeyo have been appointed as Independent Directors on the Board. We hope that Shareholders will consider their appointment suitable and would consequently ratify these appointments at this Annual General Meeting.

Directors and their interests

The interests of Directors in the issued share Capital of the Company as recorded in the Register of members and/or notified by the Directors for the purpose of Section 275 of the Companies and Allied Matters Act is as follows:

	As at 31st December 2012 No. of Shares		As at 31st December 2011 No. of Shares	
Names of Directors	Direct	Indirect	Direct	Indirect
Mr. Oscar Onyema	Nil	Nil	Nil	Nil
Mr. Kyari Bukar	3,850,000	Nil	Nil	Nil
Mr. Herbert Wigwe	Nil	375,000,000	Nil	375,000,000
		5,000,000		
Alhaji Umaru Kwairanga	Nil	Nil	Nil	Nil
Mr. Chidi Agbapu	Nil	500,000	Nil	500,000
Mr. Emmanuel Nnorom	Nil	250,000,000	Nil	250,000,000
		3,000,000		
Mr. Abubakar Danlami Sule	Nil	278,750,000	N/A	N/A
Mr. 'Bayo Olugbemi	Nil	Nil	N/A	N/A
*Mrs. Ifueko Omoigui Okauru	N/A	N/A	N/A	N/A
*Mr. 'Sola Adeeyo	N/A	N/A	N/A	N/A

Directors' Interest in Contracts

None of the Directors has notified the Company for the purpose of Section 277 of the Companies and Allied Matters Act of any declarable interest in Contracts in which Company is involved.

Shareholding and Substantial Shareholders

The issued and fully paid up share capital of the Company is 5,000,000,000 (Five Billion) units of ordinary shares of N1.00 each. In terms of significant shareholding (5% and above), the Register shows that the Nigerian Stock Exchange is the largest Shareholder with 1,362,108,950 (One Billion Three Hundred and Sixty Two Million One Hundred and Eight Thousand Nine Hundred and Fifty) units of shares followed by Access Bank Plc, Ecobank, Sterling Bank Plc and United Bank for Africa Plc; who hold substantial shares as part of the 48.2% aggregate shareholding in CSCS held by Nigerian Settlement Banks. The table below is instructive:

S/No.	Particulars of Shareholders	No. of Shares	Percentage % of Shareholding
1	The Nigerian Stock Exchange	1,362,108,950	27.2%
2	Access Bank Plc	375,000,000	7.5%
3	Ecobank Plc	375,000,000	7.5%
4	Sterling Bank Plc	278,750,000	5.58%
5	United Bank for Africa Plc	250,000,000	5%

1. Indirect shareholding in this context means when one individual/entity directly holds shares of another entity that owns shares of a third but different entity. The third entity in this case is CSCS Plc.
2. Mr. Abubakar Danlami Sule was appointed to the Board in 2012 and he did not hold any shares in the Company prior to his appointment.
3. Mr. 'Bayo Olugbemi was appointed to the Board in 2012 and he did not hold any shares in the Company prior to his appointment.

Donations and Charitable Gifts

CSCS made donations to Charitable and non-political Organizations amounting to **N15, 050,000.00 (Fifteen Million and Fifty Thousand Naira only)** during the year.

S/No.	Full Description	Amount (=N=)
1	Organizing Committee of 2nd Annual Capital Market Committee Retreat	1,500,000.00
2	Nigerian Tourism Dinner	50,000.00
3	Nigerian Bar Association (Lagos Branch) Law Week	500,000.00
4	Annual National Workshop of the Chartered Institute of Stock Brokers	5,000,000.00
5	Centre for Leadership in Journalism	500,000.00
6	National Economic Summit Group	7,000,000.00
7	Financial Technology Awards	200,000.00
8	Lagos Business School Alumni Day	300,000.00

Human Resources

The Company makes it its paramount objective to hire individuals based on standard of merit and competence. Also, the Company upholds a sound culture of providing continued development and training for its Staff to address knowledge gaps and provide new skill sets along the Company's lines of responsibilities. Annually, local and foreign trainings are identified for Staff and followed through in accordance with an approved training Plan meant to ensure that this objective is achieved. The Company encourages easy interaction between Management and other Staff of the Company so as to foster an atmosphere of warmth at work and also to kindle the necessary synergy required for the Company's success.

Health, Safety and Welfare at Work

We approach Health, Safety and Welfare issues affecting Staff with every sense of seriousness. In the year under review, CSCS in conjunction with the Industrial Training Fund of Nigeria (Lagos Island Region) trained certain Staff to function as Health and Safety Marshals equipping them with modern techniques of accident investigation and analyzing hazards at the work place. The training program also exposed the participants to appropriate corrective measures that would ensure safety at all times.

Auditors

The Auditors, Messrs Akintola Williams Deloitte have indicated their willingness to act and continue in office as Auditors. In accordance with Section 357 (2) of the Companies and Allied Matters Act, CAP C20 LFN 2004, a resolution will be proposed at the Annual General Meeting to authorize the directors to determine their remuneration.

BY ORDER OF THE BOARD

CHARLES I. OJO
Company Secretary
Central Securities Clearing System Plc
2/4 Customs Street, Lagos
May 2013

Resourcefulness

We encourage ingenuity, inventiveness and creativity of our employees. This produces original and imaginative ideas for our growth and development.

Corporate Governance Report

Introduction

Corporate governance entails the administration and direction of the affairs of an Organization by its Management in a manner that takes into cognizance the interest of the shareholders, employees, clients and other stakeholders of the Organization. The Securities and Exchange Commission (SEC) as part of its initiatives to expand good corporate governance practices in Nigeria introduced the SEC Code of Corporate Governance for Public Company (the Code) in April 2011.

Central Securities Clearing System (CSCS) Plc whose mission is *"to be the globally respected and leading Central Securities Depository in Africa"* has continued to strive for sound corporate governance practices. This has however taken another dimension with the transformation of the Company from a private company to a public company following the resolution of its shareholders at the Company's 2012 Annual General Meeting. Emphasis is now being placed on the observance of best corporate governance practices as contained in the Code.

Board of Directors

Board

The principal responsibility of the Board is to develop the Company's strategy and to utilize available assets towards the attainment of this purpose. The Board performs supervisory oversight on management activities making certain that the affairs of the Company are conducted in a manner beneficial to all stakeholders of the Company. It ensures that the Company's governance structure aligns with acceptable corporate governance standards.

The Board is composed of a combination of Non Executive Directors and Executive Directors totaling 10 (ten) members. The Board is headed by the Chairman who is a Non-Executive Director. Board members are individuals who have distinguished themselves in their respective enterprises and are also well versed in Board matters. In demonstrating its commitments to the observance of the SEC Code, the Company recently expanded its Board composition to accommodate 2 (two) Independent Directors. These Independent Directors are neither shareholders of the Company nor representatives of shareholders and their appointment follows strict compliance with the criteria set out in the SEC Code.

The composition of the Board is as follows:

Category of Directors	Number of Directors	Percentage to the Board
Non Executive Directors	7	70%
Executive Directors	1	10%
Independent, Non Executive Directors	2	20%

Role of the Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer of the Company are distinct. The Chairman, Mr. Oscar Onyema is a Non- Executive Director and his functions amongst other things, include providing leadership and also setting the standards of business conduct for the Board. The Chief Executive Officer, Mr. Kyari Bukar is an Executive Director. He is primarily responsible for providing direction to the management.

Board Procedure

The Board is required to meet not less than 4 (four) times every year, at least one meeting is held in every quarter. Agenda, Board papers and other documentation required for Board meetings are circulated to Board members in a timely manner to enable them make significant contributions during Board deliberations.

Code of Conduct

The conduct of Board members is guided by the CSCS Code of Conduct for Directors. This Code, which was approved and thereafter subsequently signed by the Directors individually, provides the character requirement and ethical standards prescribed for individuals who are/have been appointed to the Board. The Chairman of the Board is empowered to administer the Code of Conduct and to revise the Code in line with any changes that may occur in Board operations. The Code of Conduct provides that Directors shall amongst other things:

- Behave in a manner that maintains the good reputation of the Board and its ability to serve the Company's interest;
- Act impartially when carrying out their duties;
- Make decisions based on the principles of fairness and natural justice;
- Hold confidential all information received in the course of carrying out their duties as Directors of the Company;
- Avoid situations that create a conflict of interest;
- Not act in self interests or to further their private interest when carrying out their fiduciary duties;
- Disclose and further exclude himself or herself from Board deliberations on any issue in which he/she has expressed personal or representative interest.

The names and categories of Directors of the Company are as follows:

Names	Category of Directors
Oscar Onyema	Chairman
Kyari Bukar	MD/CEO
Herbert Wigwe	Non Executive Director
Emmanuel Nnorom	Non Executive Director
Chidi Agbapu	Non Executive Director
Umaru Kwairanga	Non Executive Director
Abubakar Danlami Sule	Non Executive Director
'Bayo Olugbemi	Non Executive Director
Ifueko Omoigui Okauru	Independent Director
'Sola Adeeyo	Independent Director

The Board in a bid to properly align its objectives in 2012 undertook the restructuring of its Committees. The reorganization exercise saw the dissolution of the erstwhile Committees and the emergence of the Corporate Governance and Remuneration Committee, the Finance and General Purpose Committee, the Audit and Risk Committee, and the Technical Committee. Further to the reform, the Board established Charters to govern the scope and method of operation of the Board Committees.

The Corporate Governance and Remuneration Committee

This Committee is established to support the Board in fulfilling its oversight functions relating to the general affairs of the Board.

The responsibilities of the Corporate Governance and Remuneration Committee are provided as follows:

- Establish the criteria for Board and Board Committee memberships, reviewing candidates' qualifications and any potential conflict of interest, assessing the contribution of current Directors in connection with their remuneration and make recommendations to the Board;
- Prepare job specification for the Chairman's position, including an assessment of time commitment required of the candidate;
- Periodically evaluate the skills, knowledge and experience required on the Board;
- Make recommendations on experience required by the Board Committee members;
- Make recommendations on compensation structure and remunerations for Executive Directors;
- Determine and assess Key Performance Indicators (KPIs) for the Executive Directors;
- Provide input to the annual report of the Company in respect of the Director's compensation;
- Ensure that succession policy and plan exist for the positions of Chairman, MD/CEO and the Executive Directors;
- Ensure that the Board conducts a Board evaluation on an annual basis;
- Review and make recommendations to the Board for approval of the Company's Organizational structure;
- Periodically review the Committee Charter and the composition of each Committee; of the Board of Directors and make recommendations to the Board of Directors for the creation of additional Committees or the elimination of the Board Committees;
- Evaluate and ensure the independence of each member of each Committee of the Board of Directors required to be composed of Independent Directors.

The names and categories of Directors of the Committee are as follows:

Names	Categories
Oscar Onyema	Chairman (temporary)
Emmanuel Nnorom	Member
Umaru Kwairanga	Member
'Bayo Olugbemi	Member
Kyari Bukar	Member

4. The erstwhile Finance and Risk Committee was reconstituted as the Finance and General Purpose Committee integrating the former Human Capital Committee. A new Risk and Audit Committee was created whilst the Corporate Governance Committee was reorganized as the Corporate Governance and Remuneration Committee.

Finance and General Purpose Committee

The Finance and General Purpose Committee assists the Board in fulfilling its oversight responsibilities relating to the:

a. Integrity and accuracy of the Company's financial statements and the financial reporting process;
b. Independence and performance of the Company's internal and external Auditors; and
c. Company's system of internal control and mechanism for receiving complaints regarding the Company's accounting and operating procedures.

The responsibilities of the Committee are as follows:

- Consideration of Annual Budgets and Accounts of the Company;
- Review and approval of long term investments made on behalf of the Company;
- Review of business development proposals prepared by management;
- Annually review and reassess its responsibilities, functions, pre-approval policy for audit and non audit services, making changes as necessary;
- Review the results of the annual audit and discuss the annual financial statements with management;
- Review the statutory Auditors' management letter when presented and ensure adequacy of management's response;
- Review with the Chief Financial Officer annually the significant financial reporting issues and practices of the Company, and ensure that appropriate accounting principles are applied including financial controls relating to the "closing of the books" process.
- Meet separately, and at least quarterly, with the Chief Financial Officer and the Chief Internal Auditor to discuss the adequacy and effectiveness of accounting and financial controls of the Company;
- Discuss the Company's policy regarding press releases on financial information provided to analysts and rating agencies.

The names and categories of Directors of this Committee are as follows:

Names	Categories
Herbert Wigwe	Chairman
Chidi Agbapu	Member
Abubakar Danlami Sule	Member
Umaru Kwairanga	Member
Kyari Bukar	Member

5. The Corporate Governance and Remuneration Committee Charter provides for an Independent Director as Chairman. The appointment of the new Independent Directors shall be presented to the Annual General Meeting for ratification after which one of the Independent Directors will chair the Committee.

Audit and Risk Committee

The primary purpose of this Committee is to assist the Board in its oversight of the Company's risk management framework, policies and practices relating to internal and external audit function.

The responsibilities of the Committee are as follows:

- Annually consider the appointment of the External Auditor and, as required, consider the procedures for the selection and appointment of the external auditor;
- Review and approve the terms of engagement and fees of the External Auditor at the start of each audit;
- Consider and review the scope of work, reports and activities of the External auditor including interaction with internal audit;
- Review the findings of the audit with the External Auditor;
- Establish and review policies as appropriate in relation to independence of the External Auditor;
- Assess the independence of the External Auditor based on the information received from the External Auditor and Management;
- Review the Company's enterprise risk framework and policies for identifying, monitoring and managing significant business risks across the Company and consider whether the enterprise risk framework and internal controls effectively identify areas of potential, material risk;
- Consider the effectiveness of the Company's internal control system recognizing those matters in respect of which the Board relies on to provide oversight;
- Review and approve the Committee Charter, annual audit plans and activities for the Internal Audit function;
- Review the Internal Auditor's reports on significant findings and recommendations on internal control;
- Monitor Management's response to reviews and recommendations of the Internal and External Auditors regarding internal control systems and procedures;
- Review the adequacy of resources and governance arrangements of the internal audit function;
- Review and concur on the appointment, replacement or dismissal of the Head of Internal Audit;
- Review the performance, objectivity, independence and effectiveness of the internal audit function.

Below are names and categories of directors of this Committee:

Names	Categories
Emmanuel Nnorom	Chairman
Abubakar Danlami Sule	Member
Independent Director	Member

Technical Committee

The purpose of the Technical Committee is to assists the Board in fulfilling its oversight responsibility relating to the integrity and viability of the Company's Clearing and Settlement Software, information technology systems and processes.

The responsibilities of the Committee include the following:

- Advise Management on its innovation and technology strategy, identifying perceived strengths, weaknesses and potential alternatives for consideration;
- Provide guidance on significant emerging technology issues that may affect the Company, its business and strategic direction;
- Provide guidance on the Company's technology planning processes to support its growth objectives;
- Provide guidance on alignment between strategic commercial objectives and the Company's technology and product innovation plans;
- Provide coaching support to the CEO and the Head of Research and Development (R&D);
- Act as a resource to access external regulatory and scientific talent for the Company's R&D organization;
- Assist where appropriate to establish Board level relationships with outside key parties including key advisors, scientific advisory boards or technology partners;
- Provide guidance on the Company's innovation development, technology acquisitions, and decision making process to foster on-going growth;
- Provide guidance on the Company's technology competitiveness, including the effectiveness of its technological efforts and investments in developing new products and businesses;
- Review on a periodic basis the Company's over-all intellectual property (including patent) strategy;
- Provide guidance on measurement and tracking systems important to successful innovation and technology development.

The names and categories of directors of this Committee are as follows:

Names	Categories
Chidi Agbapu	Chairman
Herbert Wigwe	Member
'Bayo Olugbemi	Member
Kyari Bukar	Member

Board and Board Committee Meetings

Provided below are details of Board and Board Committee meetings held in 2012 showing the frequency of the meetings and attendance of members.

6. One of the Independent Directors shall be appointed a member of this Committee upon ratification of their appointments.

Types of Meeting	Date Held	No. of Members	No. Present
Board Meeting	March 20	8	8
Board Meeting	March 31	8	6
Board Meeting	May 16	9	8
Board Meeting	August 15	8	7
Board Meeting	November 7	8	8
Finance and Risk Committee	March 26	4	3
Finance and Risk Committee	August 12	4	3
Technical Committee	October 22	4	3
Human Capital Committee	August 13	4	4
Finance and General Purpose Committee	October 23	5	4
Finance and General Purpose Committee	November 7	5	5
Corporate Governance and Remuneration Committee	October 24	4	4
Audit and Risk Committee	November 11	2	2

The Company Secretary

The Company Secretary ensures adequate dissemination of information both among Board members and between the Board and the management of the Company. In furtherance of Board and Committee meetings, the Company Secretary undertakes the preparation of the necessary papers and other documents requisite for the success in deliberations. The Company Secretary is responsible for the induction of new Directors and the provision of ongoing training for the Non Executive Directors. The Company Secretary together with Registrar of the Company, Africa Prudential Plc is a source through which the shareholders of the Company access information on the Company.

The office of the Company Secretary ensures that the Company complies with the relevant regulatory laws including the Investment and Securities Act, the Securities and Exchange Commission (SEC) Rules and Regulations, the Securities and Exchange Commission Code (SEC) Code of Corporate Governance, the Companies and Allied Matters Act, the Nigerian Stock Exchange Rules and Regulations and Central Securities Clearing System Rules

The procedure for the appointment and removal of the Company Secretary is a matter for the Board.

Statutory Audit Committee

In compliance with the provisions of the Companies and Allied Matters (CAMA) and the SEC Code, preparations are in progress for the introduction of the Statutory Audit Committee. The Committee will be constituted at this Annual General Meeting of the Company.

Shareholders

The Company ensures the existence of adequate interaction among the shareholders, the

Management and the Board of the Company. The Company's General Meetings provide shareholders the platform to contribute to the administration of the Company. The Annual General Meetings (AGMs) are held in accessible locations and are open to shareholders or their proxies. The AGMs are conducted in a manner that facilitates shareholders participation in accordance with the Company's Articles of Association and other relevant regulatory and statutory requirements. The Company encourages shareholders to attend these meetings whilst ensuring that notices of meetings and other information required by shareholders to make informed decisions are dispatched in a timely manner. The office of the Company Secretary additionally affords shareholders channels of communication to the Board and the Management of the Company.

It is the responsibility of the shareholders to approve the appointment of Directors and to grant other approvals that are required by law or the Articles of Association of the Company. The shareholders are also expected to oversee the implementation of the SEC Code by the Company.

With the establishment of a Statutory Audit Committee in line with section 359 of the CAMA and the SEC Code, the shareholders will through its representatives assume responsibility for the integrity of the Company's audited accounts. Its role will include ensuring that the audit and risk management policies of the Company adhere to the appropriate legal standards. The Committee will among other functions provide oversight to the activities of the Company's Internal and External Audit.

Code of Business Ethics

The Company has in place a Code of Business Ethics for its employees. This Code aims at promoting among employees a culture consistent with the Company's core values and establishes acceptable standards of ethical behaviour for staff. Employees of the Company are required to act in accordance with all applicable laws and regulations as the Company will not condone employees who violate the law or ethical standards whether specifically provided for in the Code or otherwise. All employees undertake to abide by the provisions of this Code and new employees are required to read and agree to the terms of the Code during the course of their employment. The Internal Audit is responsible for full compliance with the provisions of this Code.

Whistle Blowing Policy

The Company in observance of sound corporate governance principles and in adherence with the SEC Code has an established Whistle Blowing Policy. This Policy provides a confidential avenue for reporting cases of fraud and other forms of misconduct which are inimical to the Company's ethos. The Company has two dedicated phone numbers and an email address through which such complaints/report can be received. The phone numbers are as follows: 019033555, 019033580 and the email address is whistleblower@cscsnigeriaplc.com

Statutory Compliance

The Company has since its recent transformation from a private to a public Company attained substantial compliance with the SEC Code. However, processes are still ongoing towards the achievement of full compliance with the SEC Code. In adherence to the provisions of CAMA and the SEC Code, the Company will at this Annual General Meeting constitute the Statutory Audit Committee to carry out the duties of same Committee as prescribed by the SEC Code.

Board of Director’s Profile

Mr. Onyema is the Chairman of Central Securities Clearing System (CSCS) Plc, which is the Clearing House of the Nigerian Stock market. He is a council member of the Chartered Institute of Stockbrokers of Nigeria.

Oscar Onyema is the Chief Executive Officer of The Nigerian Stock Exchange. Prior to this role, he served for about 15 years in United States financial markets managing market structure initiatives, products and securities exchange businesses. He served for four years in the Nigerian information technology sector before moving to the US.

In 2009, Mr. Onyema founded Market Strategists LLC and consulted under the Gerson Lehrman Group platform in the United States. He successfully completed consultations enabling decision-makers at investment firms and corporations better understand products, services, companies, and issues in global financial markets.

He has served as the first black Senior Vice President and Chief Administrative Officer of American Stock Exchange (Amex), which he joined in 2001. He was instrumental in integrating Amex equity business into NYSE Euronext after it acquired Amex in 2008. He then managed NYSE Amex equity trading business, which he helped position as a premier market for small and mid cap securities.

In 2008, Mr. Onyema got Financial Industry Regulatory Authority (FINRA) Series 7, 24, and 63 brokerage licenses with Seamount Execution Services LLC, a FINRA member firm in New York.

In the late 1990s, he held various positions at New York Mercantile Exchange where he managed futures market structure initiatives. He started his post NYSC career in Nigeria at Data Processing Maintenance and Services Ltd (an IBM business partner) where he sold IBM mid-range system solutions in the early 1990s.

He served as Adjunct Lecturer of Economics at Pace University, New York between 1999 and 2005. He is active in Security Traders Association of New York, and Securities Industry and Financial Markets Association, USA.

Mr. Onyema holds an MBA in Finance and Investments from Baruch College, New York City. He received his bachelor degree in Computer Engineering from Obafemi Awolowo University, Ile-Ife, Nigeria.

Bukar holds a B.SC in Physics from the Ahmadu Bello University of Zaria and a Masters Degree (M.Sc) in Nuclear Engineering from the Oregon State University in the United States of America.

Prior to joining CSCS, Bukar was the MD/CEO of Valucard Nigeria Plc where he was instrumental in turning around the Company from a nil-profit-making entity to what could aptly be termed a highly profitable entity before his exit.

With proven versatility and a proficiency in Information Technology (IT) systems, Bukar previously spent 14 (fourteen) years working with Hewlett- Packard (HP); one of the World's leading IT Companies, where he garnered valuable experience having occupied several Technical and Senior positions amongst which are: Research and Development Engineer, Manufacturing Development Engineer, Marketing Program Manager, Senior IT Consultant and Worldwide Technical Marketing Manager, within divisions of the Company.

Bukar also possesses a background in Banking having spent a stint working with FSB International Bank Plc (now Fidelity Bank Plc) as Executive Director in charge of Electronic Banking, Information Technology and Operations.

Mr. Herbert Wigwe is an Alumnus of the Harvard Business School, Executive Management Programme and holds a B.Sc. Degree in Accountancy from the University of Nigeria, Nsukka and Masters Degrees in Banking and International Finance from the University College of North Wales and Financial Economics from the University of London. He is also a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN).

Herbert has two decades of experience in the Nigerian banking industry. He started his professional career with Coopers and Lybrand Associates, an international firm of Chartered Accountants prior to his banking career. He spent over 10 years at Guaranty Trust Bank where he managed several portfolios including Financial Institutions, Corporates and Multinationals. He left Guaranty Trust as an Executive Director to champion the transformation of the Access Bank Plc in March 2002 as Deputy Managing Director; a position he holds till date.

Mr. Emmanuel N. Nnorom is a seasoned auditor and accountant with over 2 decades of experience working with several companies quoted on the Nigerian Stock Exchange. Mr. Nnorom is an Alumnus of the Oxford University Templeton College and a Fellow of both the Institute of Chartered Accountants of Nigeria (ICAN) and the Chartered Institute of Bankers of Nigeria (CIBN). He trained as an accountant with Peat Marwick Castleton Elliot & Co., winning the First Prize in the finals of the May 1982 diet of ICAN examinations.

Mr. Nnorom held the position of Group Chief Operating Officer with responsibility over information technology, operations, corporate services, marketing and corporate communications, customer service, UBA Properties, human resources and regulatory affairs. He was appointed Executive Director of UBA in 2008 and held the position of Group Executive Office, UBA Holdings and Group Chief Financial Officer, UBA Plc. He is currently the MD/CEO (UBA) Africa.

Alhaji Umaru Kwairanga, the Managing Director/ CEO of Finmal Financial Services Limited holds a Bachelors' degree from the famous University of Maiduguri and a Masters degree in Finance and Corporate Governance from the prestigious Liverpool's John Moores University in the United Kingdom. He is a Fellow of the Chartered Institute of Stockbrokers as well as a Fellow and Council Member of the Certified Pensions Institute of Nigeria He is a Muslim born into the family of Kwairanga in the town of Gombe in Gombe State of the Federal Republic of Nigeria. Kwairanga is a Director on the Boards of a number of Companies including Ashaka Cement Plc,where is the current Chairman.

MR. Chidi Bertram Agbapu, the Managing Director of Emerging Capital Limited, had his Bachelor's degree (B. Sc. Honours in Economics) in 1986 from the University of Nigeria Nsukka and later, a MBA Degree in Banking and Finance from the University of Lagos. He is an alumnus of the Lagos Business School (LBS) and Associate Member of the Chartered Institute of Stockbrokers (CIS), Certified Pension Institute of Nigeria (CPIN) and Nigeria Institute of Management (NIM).

Mr. Agbapu serves as a Director on the Boards of different companies amongst which is General Cotton Mill (GCM) – Onitsha.

Abubakar Danlami Sule occupies the position of Executive Director in charge of Corporate Banking and the North, Sterling Bank Plc. An Accounting graduate from the Ahmadu Bello University, Abubakar possesses over 22 years working experience in the banking industry having served in various capacities. He spent his first 6 years working in supervisory and management roles at the Central Bank of Nigeria (CBN) after which he assumed prominent positions in leading financial institutions in Nigeria.

He joined Sterling Bank in the General Management cadre in February 2003 where he held positions in several business areas including Treasury, Trade Services and Corporate Banking. After a brief stint as Managing Director, Sterling Capital Markets Limited, he was appointed Executive Director at Intercontinental Bank Plc by the CBN. While at Intercontinental Bank, he was responsible for the North Bank Directorate, Operations, Information Technology and Services.

Bayo Olugbemi is currently the Managing Director and Chief Executive of First Registrars Limited. He holds a B.sc in Accounting from the University of Lagos and a Masters Degree in Business Administration (MBA) from Lagos State University, specializing in International Business Management.

Bayo began his Investment Banking career in the Registrars Department of Union Bank of Nigeria Plc (now Union Registrars) and has pioneered many Registrar outfits such as Rims Registrars, United Securities Limited, Diamond Bank Registrars and NAL Registrars Limited (now Sterling Registrars), among many others. Bayo has extensive experience in the areas of Investment Banking and Portfolio Management

Bayo is a Fellow of the Chartered Institute of Bankers of Nigeria (CIBN), Institute of Capital Market Registrars (ICMR) and the Chartered Institute of Marketing of Nigeria (CIMN). He is also an Associate of The Chartered Institute of Taxation of Nigeria (CITN), The Chartered Institute of Pension and The Institute of Directors (IOD).

He is an experienced trainer in Management, Capital Market Development and Share Registration as well as a motivational speaker of high repute.

Mrs. Omoigui Okauru is the Managing Partner of Compliance Professionals Plc. - a corporate entity whose business includes providing support to individuals and organizations to ensure compliance with rules and regulations. She is also a part-time member of the United Nations (UN) Committee of Experts on International Cooperation in Tax Matters as well as a member of the Board of Trustees of DAGOMO Foundation Nigeria (Limited by Guarantee) - a family based Non Governmental Organization geared towards community development.

Mrs. Omoigui Okauru is also an Independent Director of Diamond Bank Plc, a Non-Executive Director of Nigerian Breweries Plc. and a Non-Executive Director of Seplat Petroleum Development Company Ltd.

From May 2004 to April 2012, Ifueko was the first female Executive Chairman of the FIRS and Chairman of the Joint Tax Board (JTB) comprising representatives of all taxing tiers of government of Nigeria. During her tenure, she spearheaded comprehensive tax reforms that led to development of a national tax policy, modification of tax legislation and remarkable improvement in the effectiveness of Tax Administration.

From July 1996 to April 2004, She was the Chief Responsibility Officer of ReStraL Ltd. (a Leadership and Management services organisation), a company she founded in 1996. She built it up from zero base to a company par excellence. ReStraL Ltd owns the Franklin Covey (FC) license in Nigeria and other parts of West Africa. She is now a non-Executive Director in ReStraL Ltd.

Ifueko attended St. Mary's Private School, Lagos from where she proceeded to Queen's College Yaba, Lagos (1973-78) for her "ordinary level" secondary school education where she was on a Midwestern State scholarship and won prizes especially in Mathematics. She then attended Federal Government College, Warri ("advanced level" secondary school education) on a Federal Government scholarship (1978-1980), where she completed the two-year programme as one of two best 'A' levels in her year of graduation. She attended the University of Lagos (1980-83) graduating with a Bachelor of Science in Accounting (First Class) as a Chevron (then Gulf Oil) Scholar. She also attended Imperial College, University of London (1985-86) on a Commonwealth scholarship and holds its Masters of Science degree in Management Science as well as a Diploma of the Imperial College. Ifueko is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and a Fellow of the Chartered Institute of Taxation of Nigeria (CITN). She is a columnist in the newspaper publication - "Government" – one of the publications in the stable of Leadership group, a leading newspaper house in Nigeria.

Mr. Sola Adeeyo is the Chairman/CEO Astral Waters Limited. Astral Waters introduced and produce bottled processed water in the large 20 litres bottles for sale along with the hot and cold dispensers to the general public particularly the corporate niche market. Astral was the first to be certified and approved by NAFDAC in this segment of the industry and remains the leader in quality water delivery.

Mr. Adeeyo is also a Director and the owner of Protea Hotel, Oakwood Park, Lekki/Epe Way; a 65 room 4 Star international hotel brand managed by Protea Hotel Group of South Africa. He was involved in driving the project from conception through the construction years and has continued to manage the hotel in a capacity of owners' representative.

In 1991 Mr. Adeeyo founded Asset & Investment Limited, a financial services company whose activities included trade finance and marketing consultancy of major international companies in the petroleum and construction industries for banks. It also engaged in the business of funds management. He was the Managing Director/CEO of the company from its inception in 1991 to 2001.

From 1989-1991, Mr. Adeeyo was Director/Group Head Treasury of Investment Banking & Trust company Limited (IBTC). He was part of the founding management/owner group that nurtured the bank from inception in 1989.

Mr. Adeeyo attended State University of New York, USA where he obtained a Bachelor of Arts. He acquired a Masters of Arts in International Relations from the North eastern University, Boston, USA in 1981.

CSCS LEADERSHIP TEAM

1.	Kyari Bukar	- MD/CEO
2.	Joe Mekiliuwa	- Head, Operations Department
3.	Vincent Ukoh	- Head, Finance Department
4.	Victor Aganbi	- Head, Brand Communications and Marketing Dept
5.	Ayokunle Adaralegbe	– Head, Enterprise Risk Management Dept
6.	Isqil Adeniji	- Head, IT Department
7.	Uju Okeke	- Head, Corporate Strategy Department
8.	Anthony Ezugbor	- Head, Product and Service Dev. Department
9.	Cletus Igah	- Head, Human Resources Department
10.	Daniel Ohwodo	- Head, Internal Audit Department
11.	Charles I. Ojo	- Head, Legal Department

Statement Of Directors' Responsibilities In Relation To The Financial Statements For The Year Ended 31 December 2012

The Directors accept responsibility for the preparation of the annual financial statements set out on pages 50 to 97 that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe that the Company will not remain a going concern in the year ahead.
Signed on behalf of the Board of Directors by:

Director
Mr. Oscar Onyema
May 2013

Director
Mr. Kyari Bukar
May 2013

Chief Financial Officer
Mr. Vincent Ukoh
May 2013

Financial Statement

Independent Auditor's Report to the Members of Central Securities Clearing System Plc

Report on the Financial Statements

We have audited the accompanying financial statements of Central Securities Clearing System Plc which comprises the statement of financial position as at 31 December 2012, 31 December 2011 and 1 January 2011, the income statement, statement of changes in equity, cash flow statement for the years ended 31 December 2012 and 31 December 2011, a summary of significant accounting policies and other explanatory information set out on pages 50 to 97.

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, Financial Reporting Council of Nigeria Act No. 6 2011 and International Financial Reporting Standards, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Central Securities Clearing System Plc as at 31 December 2012 and 31 December 2011 and 1 January, 2011 and of their financial performance and cash flows for the year then ended 31 December 2012 and 31 December 2011 in accordance with the Companies and Allied Matters Act CAP C20 LFN 2004, Financial Reporting Council of Nigeria Act No. 6 2011 and International Financial Reporting Standards.

Akintola Williams Deloitte

Chartered Accountants
Lagos, Nigeria
29th March 2013
FRC No: 2013/ICAN/00000000845

Member of
Deloitte Touche Tohmatsu

Statement of Profit or Loss & Other Comprehensive Income For The Year Ended 31 December 2012

	Note	2012 N'000	2011 N'000
Fees	5	2,738,002	2,776,238
Interest revenue	6	1,792,227	759,992
Other operating income	7	642,015	657,741
Net operating income		**5,172,245**	**4,193,971**
Depreciation and amortisation expenses	8.1	(179,939)	(289,690)
Staff cost	8.2	(1,300,468)	(874,786)
Administration expenses	8.3	(613,856)	(594,165)
Other expenses	8.4	(14,750)	(704,953)
Total operating expenses		(2,109,013)	(2,463,594)
Profit before tax	8	**3,063,232**	**1,730,377**
Taxation	11	(485,385)	(729,477)
Profit for the period		**2,577,847**	**1,000,900**
Other comprehensive income		-	-
Total comprehensive income for the year		**2,577,847**	**1,000,900**

The notes on pages 56 to 68 form part of these financial statements.

Statement of Financial Position
For The Year Ended 31 December 2012

	Note	31 Dec 2012 N'000	31 Dec 2011 N'000	1 Jan 2011 N'000
Non-current assets				
Intangible assets	12	10,258	25,955	38,724
Property, plant and equipment	13	395,002	546,614	689,450
Investments	14	5,905,757	1,303,486	200,000
Deferred tax asset	11	-	-	84,356
Total non-current assets		**6,311,017**	**1,876,055**	**1,012,530**
Current assets				
Trade and other receivables	15	602,946	1,108,511	1,450,612
Treasury bills	16	7,497,813	8,887,224	-
Cash and cash equivalents	17	1,012,870	1,759,730	10,846,342
Other assets		8,268	11,108	6,700
Total current assets		**9,121,897**	**11,766,573**	**12,303,654**
Total assets		**15,432,914**	**13,642,627**	**13,316,184**
Equity				
Share capital	18	5,000,000	5,000,000	5,000,000
Retained earnings	19	9,070,686	6,992,839	6,741,939
Total equity		**14,070,686**	**11,992,839**	**11,741,939**
Non-current liabilities				
Deferred tax liabilities	11	89,221	122,321	-
Total non-current liabilities		**89,221**	**122,321**	**-**

Statement of Financial Position...contd.

	Note	31 Dec 2012 N'000	31 Dec 2011 N'000	1 Jan 2011 N'000
Current liabilities				
Pension plan and other employment benefits	20	82,013	-	335,021
Payables, provisions and accruals	21	732,339	999,179	564,572
Current tax liabilities	11	450,327	520,681	667,952
Other liabilities	22	8,268	7,607	6,700
Total current liabilities		**1,273,007**	**1,527,467**	**1,574,245**
Total liabilities		**1,362,228**	**1,649,788**	**1,574,245**
Total Equity and Liabilities		**15,432,914**	**13,642,627**	**13,316,184**

The notes on pages 56 to 68 form part of these financial statements.

The financial statements on pages 50 to 97 were approved by the Board of Directors on 28 March 2013 and signed on its behalf by:

Oscar Onyema
Chairman
FRC/2013/IODN/00000001802

Kyari Abba Bukar
Managing Director/CEO
FRC/2013/IODN/00000002050

Vincent Ukoh
Chief Financial Officer
FRC/2013/ICAN/00000001744

Statement of Changes in Equity
For The Year Ended 31 December 2012

	Share Capital N'000	Revalu -ation reserve N'000	Equity Reserve N'000	Retran -slation reserve N'000	Retained Earnings N'000	Total Equity N'000
Balance at 1 January 2012	5,000,000	–	–	–	6,992,839	11,992,839
Effect of change in accounting policy	–	–	–	–	–	–
As restated	**5,000,000**	–	–	–	**6,992,839**	**11,992,839**
Profit for the year	–	–	–	–	2,577,847	2,577,847
Dividends	–	–	–	–	(500,000)	(500,000)
Balance at 31 December 2012	**5,000,000**				**9,070,686**	**14,070,686**

	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January 2011	5,000,000	–	–	–	6,744,809	11,744,809
Effect of change in accounting policy					(2,870)	(2,870)
As restated	**5,000,000**	–	–	–	**6,741,939**	**11,741,939**
Profit for the year	–	–	–	–	1,000,900	1,000,900
Dividends	–	–	–	–	(750,000)	(750,000)
Balance at 31 December 2011	**5,000,000**	–	–	–	**6,992,839**	**11,992,839**

Statement of Cashflows
For The Year Ended 31 December 2012

	Note	2012 N'000	2011 N'000
Cash flows from operating activities			
Profit before tax		3,063,232	1,730,377
Adjustment for:			
Amortization	12	16,373	16,901
Depreciation	13	163,566	272,789
De-recognition of training and intranet cost		-	2,870
Pension fund provision written back	7	-	(362,854)
Provision for doubtful debt	8.4	-	337,444
Impairment of unquoted equity	8.4	-	200,000
Staff severance benefits Productivity/promotion expenses	8.2	82,013	-
Loss on disposal of fixed assets	8.2	242,450	332
(included in staff severance package)		39,563	-
Loss on disposal of fixed assets		(1,746)	10,895
		3,605,451	2,208,422
Tax paid	11	(588,839)	(670,071)
Bank charges		(14,750)	(10,062)
		3,001,862	1,528,389
Changes in operating assets and liabilities			
(Decrease)/increase in trade and other receivables		505,565	333,118
(Decrease)/increase in other assets		2,840	(4,408)
(Decrease)/increase in creditors		(267,440)	434,607
Increase/(decrease) in pension plan and other employment benefits		-	(335,021)
Net cash from operating activities		3,000,377	1,966,586

	Note	2012 N'000	2011 N'000
Cash flows from investing activities			
Purchase of property plant and equipment	13	(52,331)	(146,231)
Purchase of intangible asset	12	(676)	(4,133)
Proceeds on disposal of fixed assets		2,559	4,384
Purchase of investments (treasury bills)		1,389,411	(8,887,224)
Purchase of investments (bonds)		(4,602,271)	(1,260,000)
Net cash used in investing activities		(3,263,308)	(10,293,204)
Cash flows from financing activities			
Dividend paid		(500,000)	(750,000)
Net cash used in financing activities		(500,000)	(750,000)
Net increase in cash and cash equivalents		(746,860)	(9,086,618)
Cash and cash equivalents at 1 January		1,759,730	10,846,342
Cash and cash equivalents at 31 December		**1,012,870**	**1,759,730**

Notes to the Financial Statements
For The Year Ended 31 December 2012

1. DESCRIPTION OF BUSINESS

Central Securities Clearing System Plc operates a computerized depository, clearing settlement and delivery system for transactions in shares listed on The Nigerian Stock Exchange or any other authorized/organized Securities Trading Platform. CSCS facilitates the delivery (transfer of shares from seller to buyer) and settlement (payment of bought shares) of securities transacted on the floors of The Nigerian Stock Exchange or any other authorized / organized Securities Trading Platform. It was licensed by the Securities and Exchange Commission as an agent for Central Depository, Clearing and Settlement of transactions in the stock market."

Composition of financial statements

The financial statements are drawn up in naira, the functional currency of Central Securities Clearing System Plc in accordance with IFRS accounting presentation. The financial statements comprise:

1. Statement of profit or loss and other comprehensive income
2. Statement of Financial Position
3. Statement of Changes in Equity
4. Statement of Cashflows
5. Notes to the Financial Statements.

Accounting convention

The financial statements have been prepared using the historical cost convention, as modified by the revaluation of certain items, as stated in the accounting policies.

Financial period

These financial statements cover the financial year from 1 January to 31 December 2012, with comparative figures for the financial years from 1 January to 31 December 2011.

2 ADOPTION OF NEW AND REVISED STANDARDS

2.1 Accounting standards and interpretations issued but not yet effective

The following contains effective dates of new and revised International Financial Reporting Standards and International Accounting Standards which have not been early adopted by the company and that might affect future reporting periods.

IFRS 9 FINANCIAL INSTRUMENTS

"IFRS 9 introduces new requirements for classifying and measuring financial assets. At the IASB's July 2011 meeting, the IASB decided to postpone the mandatory application of IFRS 9 to annual periods beginning on or after 1 January 2013 with early application still permitted."

IFRS 13 FAIR VALUE MEASUREMENT

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), IFRS 13 is applicable to annual reporting periods beginning on or after 1 January 2015. An entity may apply IFRS 13 to an earlier accounting period, but if doing so it must disclose the fact.

AMENDMENTS TO IAS 32 AND IFRS 7 OFFSETTING FINANCIAL ASSETS & FINANCIAL LIABILITIES

The amendments to IAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set off" and "simultaneous realization and settlement". The amendments to IAS 32 are effective for annual periods beginning on or after 1 January 2014, with retrospective application required.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar agreement. The amendments to IFRS 7 are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods.

IAS 19: EMPLOYEE BENEFITS

The standard was amended which will affect Post-Employment Benefits and Termination Benefits projects and introducing enhanced disclosures about defined benefit plans. Amendments made in June 2011 and effective for annual periods beginning on or after 1 January 2013.

2.2 Early adoption of Standards and Interpretations

The company has not early adopted any standards or interpretations during the current year

2.3 Standards and Interpretations effective in the current year

The following new and revised Standards and interpretations have been adopted in the current year and have primarily affected the disclosure in these financial statements

IAS 1 - Presentation of Financial Statements:

An amendment was issued to revise the way other comprehensive income is presented in January 2011. Effective for annual periods beginning on or after December 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standard Board (IASB).

3.2 Basis of preparation

The financial statements are prepared according to uniform accounting policies and valuation principles. The financial statements of the Company are based on the principle of the historical cost of acquisition, construction or production, with the exception of the items reflected at fair value.

In preparing the financial statements, the management has to make certain assumptions and estimates that may substantially impact the presentation of the Company's financial position and/or results of operations. Such estimates, assumptions or the exercise of discretion mainly relate to the useful life of noncurrent assets, the discounted cash flows used for impairment testing, and the recognition of provisions, including those for litigation-related expenses, pensions and other benefits, taxes, environmental compliance and remediation costs. Essential estimates and assumptions that may affect reporting in the various item categories of the financial statements are described in the following sections of this note. Estimates are based on historical experience and other assumptions that are considered reasonable under given circumstances. They are continually reviewed but may vary from the actual values.

Changes in accounting policies or measurement principles in light of new or revised standards are applied retrospectively, except as otherwise provided in the respective standard. The income statement for the previous year and the opening statement of financial position for that year are adjusted as if the new accounting policies and/or measurement principles had always been applied.

3.3 Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

3.4 Revenue recognition

Revenue from rendering of services

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances.

Revenue is earned from depository fee, eligibility fee, transaction fee and participation fees.

Depository fees represent the annual fees charged on quoted companies on the Nigerian Stock Exchange at a rate of market capitalisation.

Eligibility Fees are charged on stock broking firms.

Transaction fees are based on values of shares traded on the Nigerian Stock Exchange or any other authorized / organized Securities Trading Platform charged on the investors at a percentage of sales.

Participation fee is charged annually on settlement banks appointed by Nigerian Stock Exchange/ CSCS.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.5 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.6 Foreign currency transactions and translation

Foreign currency transactions are translated into naira using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into naira at the rates of exchange prevailing at the statement of financial position date. Foreign exchange gains and losses on translation are recognized in the statement of profit or loss and other comprehensive income account. All non-monetary items are translated into naira at exchange rates prevailing on the date of transaction or on the date when fair values are determined. The financial statements are presented in naira, which is the Company's functional and presentation currency.

3.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.8 Dividends distribution

Dividend distributions to the Company's shareholders are recognised in the Company's Financial Statements in the period in which the dividend is declared and paid or approved by the Company's shareholders.

3.9 Retirement benefit costs

i) **Defined contribution plans**

A defined contribution plan is a post- employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due in respect of service rendered before the end of the reporting period. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available. Contributions to a defined contribution that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value at the reporting date. Pension contribution of 7.5% of employees emoluments are made in accordance with the pension reform act 2004.

ii) **Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value, and then deducting the fair value of any plan assets. The calculation is performed by a qualified actuary using the projected unit method. The contribution to a gratuity scheme entitles employees to 100% of emolument on completion of 5years continuous employment. The entitlement increases at a rate of 3% each year but to a maximum of 150%. Amount contributed in each year into the scheme is expensed in the year in which they are due.

3.10 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

3.11 Property, Plant and Equipment

Property, plant and equipment is carried at the cost of acquisition or construction and depreciated over its estimated useful life. An impairment loss is recognized in addition if an asset's recoverable amount falls below its carrying amount.

The cost of acquisition comprises the acquisition price plus ancillary and subsequent acquisition costs, less any reduction received on the acquisition price. The cost of self-constructed property, plant and equipment comprises the direct cost of materials, direct manufacturing expenses, and appropriate allocations of material and manufacturing overheads. Where an obligation exists to dismantle or remove an asset or restore a site to its former condition at the end of its useful life, the present value of the related future payments is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability is recognized.

If the construction phase of property, plant or equipment extends over a long period, the interest incurred on borrowed capital up to the date of completion is capitalized as part of the cost of acquisition or construction in accordance with IAS 23 (Borrowing Costs).

3.11 Property, Plant and Equipment (continued)

Expenses for the repair of property, plant and equipment, such as on-going maintenance costs, are normally recognized in income. The cost of acquisition or construction is capitalized if a repair (such as a complete overhaul of technical equipment) will result in future economic benefits.

Property, plant and equipment is depreciated by the straight-line method, except where depreciation based on actual depletion is more appropriate. Significant asset components with different useful lives are accounted for and depreciated separately.

The following depreciation periods, based on the estimated useful lives of the respective assets, are applied throughout the Company:

Property, Plant and Equipment	Years
Buildings – Leasehold	Over Lease period
Computer Equipment	2-5
Furniture and Fittings	8
Motor vehicle	4
Office Equipment	5
Software License	Over License term
Capital work in progress	Not depreciated

Impairment losses are recognized for declines in value that go beyond regular depreciation. If the reasons for previously recognized impairment losses no longer apply, the impairment losses are reversed provided that the reversals do not cause the carrying amounts to exceed the amortized cost of acquisition or construction.

When assets are sold, closed down or scrapped, the difference between the net proceeds and the net carrying amount of the assets is recognized as a gain or loss in other operating income or expenses, respectively.

3.12 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

a. the technical feasibility of completing the intangible asset so that it will be available for use or sale
b. the intention to complete the intangible asset and use or sell it;
c. the ability to use or sell the intangible asset;
d. how the intangible asset will generate probable future economic benefits;
e. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
f. the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.13 Impairment of non-current assets

The carrying values of all non-current assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment tests are performed not only on individual items of intangible assets, property, plant and equipment, but also at the level of cash-generating units.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Cash-generating units are tested if there is an indication of possible impairment. Impairment testing involves comparing the carrying amount of each cash-generating unit or item of intangible assets, property, plant or equipment to the recoverable amount, which is the higher of its fair value less costs to sell or value in use. If the carrying amount exceeds the recoverable amount, the asset is impaired by the amount of the difference.

For the purpose of calculating the recoverable amount, both the fair value less costs to sell and the value in use are determined from the present value of the future net cash flows. These are forecast on the basis of the company's current planning, the planning horizon normally being three to five years. Forecasting involves making assumptions, especially regarding future selling prices, sales volumes and costs. Where the recoverable amount is the fair value less costs to sell, the cash-generating unit is measured from the viewpoint of an independent market participant. Where the recoverable amount is the value in use, the cash-generating unit or individual asset is measured as currently used. In either case, net cash flows beyond the planning period are determined on the basis of long-term business expectations using individual growth rates derived from the respective market information.

The net cash inflows are discounted at a rate equivalent to the weighted average cost of equity and debt capital. To allow for the different risk and return profiles of the Company's principal businesses, the after-tax cost of capital is calculated separately for each subgroup and a subgroup-specific capital structure is defined by benchmarking against comparable companies in the same industry sector. The cost of equity corresponds to the return expected by stockholders, while the cost of debt is based on the conditions on which comparable companies can obtain long-term financing. Both components are derived from capital market information.

3.14 Trade receivables

Trade receivables are carried at original invoice amount less any provisions for doubtful debts. Provisions are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. When a trade receivable is determined to be uncollectable it is written off, firstly against any provision available and then to the income statement. Subsequent recoveries of amounts previously provided for are credited to the income statement. Long-term receivables are discounted where the effect is material.

3.15 Trade payables

Trade payables are held at amortised cost which equates to nominal value. Long-term payables are discounted where the effect is material.

3.16 Financial instruments

The company's other financial instruments include:

> Cash and cash equivalents

> Fixed deposits

> Other investments

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and highly liquid investments with maturities of three months or less when acquired. They are readily convertible into known amounts of cash and are held at amortised cost.

Fixed deposits

Fixed deposits, comprising principally funds held with banks and other financial institutions, are initially measured at fair value, plus direct transaction costs, and are subsequently re-measured to amortised cost using the effective interest rate method at each reporting date. Changes in carrying value are recognised in profit.

Other investments

Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost and at subsequent reporting dates measured at amortized cost using the effective interest method.

Available for sale

Investments, including those where the company has control or significant influence, that are intended to be held for an indefinite period or may be sold in response to a need for liquidity, are classified as available for sale. Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are re-measured at fair value, unless fair value cannot be reliably measured. Unrealized gains and losses arising from changes in the fair value are included in fair value reserve in the period in which they arise. Investment in unquoted equities is carried at cost. Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Held for trading

Investments that are acquired principally for the purpose of generating a profit from short term fluctuations in price are classified as trading investments and included in current assets. These are initially measured at cost and at subsequent reporting dates, these investments are re-measured at fair value. Realized and unrealized gains and losses arising from changes in fair value are included in net profit or loss for the period in which they arise.

The fair value of publicly traded securities is based on market prices quoted on the Stock Exchange on which it is traded. The investments, for which a quoted market price is not available, are measured at cost as it is not practical to apply any other valuation methodology.

All purchases and sales of investments are recognized on the trade date which is the date that the company commits to purchase or sell the investment. Cost of purchase includes transaction cost. At each balance sheet date, the company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. In respect of 'available for sale' financial assets, cumulative impairment loss less any impairment loss on that financial asset previously recognized in the statement of profit or loss and other comprehensive income account, is removed from equity and recognized in the statement of profit or loss and other comprehensive income account. Impairment losses recognized in the statement of profit or loss and other comprehensive income account on equity instruments are not reversed through the statement of profit or loss and other comprehensive income account.

Identification and measurement of impairment

At each reporting date, an assessment is made of whether there is any objective evidence of impairment in the value of a financial asset. Impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cashflows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against the financial asset. Interests on impaired assets continues to be recognised through unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses for available-for-sale equity securities are recognised within 'Impairment charges and provisions for other liabilities and charges' in the statement of comprehensive income.

Reversals of impairment of equity shares are not recognised in the statement of comprehensive income, increases in the fair value of equity shares after impairment are recognised in other comprehensive income.

3.17 Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortized cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognized as a charge to the income statement over the period of the relevant borrowing.

3.18 Other receivables and liabilities

Accrued items and other non-financial assets and liabilities are carried at amortized cost. They are amortized to income by the straight-line method or according to performance of the underlying transaction.

In accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance), grants and subsidies from third parties that serve to promote investment are reflected in the statement of financial position under other liabilities and amortized to income over the useful lives of the respective assets.

3.19 Provisions

Provisions are recognized for present legal and constructive obligations arising from past events that will probably give rise to a future outflow of resources, provided that a reliable estimate can be made of the amount of the obligations.

Other provisions are measured in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) or, where applicable, IAS 19 (Employee Benefits). Where the cash outflow to settle an obligation is expected to occur after one year, the provision is recognized at the present value of the expected cash outflow. Claims for reimbursements from third parties are capitalized separately if their realization is virtually certain.

If the projected obligation declines as a result of a change in the estimate, the provision is reversed by the corresponding amount and the resulting income recognized in the operating expense item(s) in which the original charge was recognized.

Provisions for restructuring only cover expenses that arise directly from restructuring measures, are necessary for restructuring and are not related to future business operations. Such expenses include severance payments to employees and rentals for property that is no longer utilized.

Restructuring measures may include the sale or termination of business units, site closures, re-locations of business activities, changes in management structure or fundamental reorganizations of business units.

The respective provisions are established when a detailed restructuring plan has been drawn up, resolved upon by the responsible decision-making level of management and communicated to the employees and/or their representatives. Provisions for restructuring are established at the present value of future disbursements.

Trade-related provisions are recorded mainly for the obligations in respect of services already received but not yet invoiced.

Provisions for litigations are recorded in the statement of financial position in respect of pending or future litigations, subject to a case-by-case examination. Such legal proceedings are evaluated on the basis of the available information, including that from legal counsel acting for the Company, to assess potential outcomes. Where it is more likely than not that a present obligation arising out of legal proceedings will result in an outflow of resources, a provision is recorded in the amount of the present value of the expected cash outflows if these are considered to be reliably measurable. These provisions cover the estimated payments to plaintiffs, court fees, attorney costs and the cost of potential settlements. The evaluation is based on the current status of the litigations as of each closing date and includes an assessment of whether the criteria for recording a provision are met and, if so, the amount of the provision to be recorded.

Litigation and other judicial proceedings generally raise complex issues and are subject to many uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, the jurisdiction in which each suit is brought and differences in applicable law. The outcome of currently pending and future proceedings therefore cannot be predicted. As a result of a judgment in court proceedings or the conclusion of a settlement, the Company may incur charges in excess of presently established provisions and related insurance coverage.

Personnel-related provisions are mainly those recorded for annual bonus payments, variable one-time payments, individual performance awards, long-service awards, surpluses on long-term accounts and other personnel costs.

3.20 Discounting

Where the time effect of money is material, balances are discounted to current values using appropriate rates of interest. The unwinding of the discounts is recorded in finance income and finance costs.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.2 Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

4.2.1 Fair value

We often are required to measure certain assets and liabilities at fair value, either upon initial measurement or for subsequent accounting or reporting. For example, we use fair value extensively when accounting for and reporting on certain financial instruments. We estimate fair value using an exit price approach, which requires, among other things, that we determine the price that would be received to sell an asset or paid to transfer a liability in an orderly market. The determination of an exit price is considered from the perspective of market participants, considering the highest and best use of assets and, for liabilities, assuming the risk of non-performance will be the same before and after the transfer. A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. When estimating fair value, depending on the nature and complexity of the asset or liability, we may use one or all of the following approaches:

- Income approach, which is based on the present value of a future stream of net cash flow
- Market approach, which is based on market prices and other information from market transactions involving identical or comparable assets or liabilities.
- Cost approach, which is based on the cost to acquire or construct comparable assets less an allowance for functional and/or economic obsolescence.

These fair value methodologies depend on the following types of inputs:

- Quoted prices for identical assets or liabilities in active markets (called Level 1 inputs).
- Quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active or are directly or indirectly observable (called Level 2 inputs).
- Unobservable inputs that reflect estimates and assumptions (called Level 3 inputs).

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.

Notes to the Financial Statements
For The Year Ended 31 December 2012

		2012 N'000	2011 N'000
5.	**Revenue**		
	An analysis of the CSCS' revenue is as follows:		
	Eligibility fees	6,850	5,925
	Domiciliary/depository fees	810,666	860,271
	Transaction fees	1,920,486	1,910,042
		2,738,002	**2,776,238**
6.	**Interest revenue**		
	Interest income on fixed deposits	161,699	460,004
	Interest income on treasury bills	1,081,366	256,239
	Interest income on Federal Government bonds	409,736	8,078
	Interest income on corporate bonds	139,426	35,671
		1,792,227	**759,992**
	Interest revenue earned on financial assets analysed by category of asset, is as follows:		
	Loans and receivables (fixed deposits)	161,699	460,004
	Held to maturity investments	1,630,528	298,988
	Total interest income for financial assets not designated at fair value through profit or loss	**1,792,227**	**759,992**
7.	**Other operating income**		
	Data centre subscriptions	57,713	49,406
	Trade alert fee	84,000	84,000
	Bond dealers fees	62,738	70,952
	Website subscription	34,647	34,848
	Statement of stock position	34,918	21,922
	Other fees	59,607	33,759
	Recovery - Investor protection	7,649	-
	Excess pension fund provision written back (i)	300,743	362,854
		642,015	**657,741**

i. This represents provision for staff gratuity no longer required which has been written back to income in 2011,while 2012 represents excess pension contribution recovered.

8 Profit for the year

Profit for the year has been arrived at after charging/(crediting):

		2012 N'000	2011 N'000
8.1	**Depreciation and amortisation expenses**		
	Depreciation of property, plant and equipment	163,566	272,789
	Amortisation of intangible assets	16,373	16,901
		179,939	**289,690**
8.2	**Staff Cost**		
	Salaries and allowances	531,746	720,362
	Staff training and development	87,543	13,317
	Staff welfare and medical expenses	70,960	118,964
	Productivity/promotion expenses	242,450	332
		932,669	852,975
	Staff severance package (i)	244,69	-
	Staff retirement benefit	616,247	-
	Staff severance benefits	82,013	-
	Staff pension management contribution	24,843	21,811
		1,300,508	**874,786**
	Administration expenses		
	Rent and rates	51,236	30,105
	Business development/publicity/enlightenment	18,884	21,115
	Telephone, postages and electricity	7,994	55,681
	Office equipment maintenance	7,392	6,401
	Electricity/Energy/Water	15,910	-
	Motor vehicle maintenance	5,833	9,049
	Office building maintenance	3,839	20,416

	2012 N'000	2011 N'000
Computer maintenance	18,618	15,532
Directors' sitting allowances	11,100	16,600
Directors' expenses	61,237	46,542
AGM expenses	2,657	–
Software license fees	591	–
Miscellaneous expenses	5,268	40,137
Loss on disposal of assets	-	10,895
Data center service cost	54,348	7,128
Filing, processing fees and registration	1,594	–
Public relation/business promotion	549	–
Stationery and printing	7,436	13,678
Audit fee	11,000	7,000
Legal fees	17,912	-
Professional charges	64,459	195,575
Travelling expenses	78,312	29,998
Insurance	70,931	43,493
Annual subscription	11,155	-
Entertainment	1,628	1,141
Marketing expenses	27,585	50
Industrial training fund	14,125	5,670
Amortized premium on bonds	7,284	-
Treasury bills purchase expenses	3,196	-
Newspapers & periodicals	802	706
Information technology levy	30,942	17,253
	613,816	**594,165**

		2012 N'000	2011 N'000
8.4	**Other expenses**		
	Provisions for doubtful debts	-	337,444
	Impairment of investment in unquoted equity (ii)	-	200,000
	Bank charges	14,750	10,062
	Investors protection expenses (iii)	-	157,447
		14,750	**704,953**

i This represents severance compensation paid to exiting staff, whose employments were terminated in April 2012.

ii This represents unquoted equity investment in Exchange Data Systems Limited which the management believes is moribund

iii This represents compensation in the form of stock buyback to an investor for his shares that were wrongly sold by a stockbroking firm. The Company bought back the shares as a cushion to the stockbroking firm pending the full repurchase of the shares wrongly sold. This was approved by the Board of Directors on 23 November 2011.

9. Staff costs

The average number of persons employed in the financial year and the staff costs were as follows:

	2012 Number	2011 Number
Managerial	3	7
Senior	61	79
Junior	46	62
	110	**148**

Their aggregate remuneration comprised:	**N'000**	**N'000**
Salaries and wages	932,669	852,975
Gratuity and pension costs	367,799	21,811
	1,300,468	**874,786**

10. Dividends

In respect of the current year, the Directors propose that a dividend of 15k per ordinary share will be paid to the shareholders. This dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Dividend to shareholders are accounted for on the date of declaration as they do not meet the liability 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 of members two weeks to the 2013 Annual General Meeting. The total estimated dividend to be paid is N750 million.

11. Tax

Income tax recognised in profit or loss

	2012 N'000	2011 N'000
Current tax		
Current tax expense in respect of the current year		
Corporate Income tax	483,764	485,593
Education tax	34,721	37,207
	518,485	**522,800**
Deferred tax		
Deferred tax expense recognised in the current year	(33,100)	206,677
Deferred tax reclassified from equity to profit or loss	-	-
Adjustments to deferred tax attributable to changes in tax rates and laws	-	-
Write-downs (reversals of previous write-downs) of deferred tax assets	-	-
	(33,100)	206,677
Total income tax expense recognised in the current year relating to continuing operations	**485,385**	**729,477**

	2012 N'000	2011 N'000
Reconciliation of effective tax rate:		
Profit before income tax	3,094,174	
Income tax using the domestic corporation tax rate	928,252	30.00%
Effect of tax rates in foreign jurisdictions	-	
Net Capital Allowance	(37,053)	-1.20%
Non-deductible expenses	81,730	2.64%
Education/NIDEF tax levy	34,721	1.12%
Tax exempt income	(489,164)	-15.81%
Current year deferred tax	(33,101)	-1.07%
Total income tax expense in income statement	**485,385**	**15.69%**

Current tax assets and liabilities	31 Dec 2012 N'000	31 Dec 2011 N'000	1 Jan 2011 N'000
Current tax liabilities			
Income tax payable	485,385	729,477	583,596
At 1 January	520,681	667,952	767,018
Payment during the year	(588,839)	(670,071)	(767,018)
Deferred tax assets	33,100	-	84,356
Deferred tax liabilities	-	(206,677)	-
Per statement of financial position	**450,327**	**520,681**	**667,952**
Deferred tax asset/liability			
The following is the analysis of deferred tax asset/liability presented in the statement of financial position:			
At 1 January	(122,321)	84,356	-
Charge for the year	-	(206,677)	-
Deferred tax asset	33,100	-	84,356
Per statement of financial position	**(89,221)**	**(122,321)**	**84,356**

The deferred tax asset for the year has been recognized in the statement of profit or loss and other comprehensive income

		31 Dec 2012 N'000	31 Dec 2011 N'000	1 Jan 2011 N'000
12.	**Intangible assets**			
	Cost			
	At 1 January	78,367	74,235	74,235
	Additions during the year	676	4,133	-
	At 31 December	**79,043**	**78,367**	**74,235**
	Accumulated amortisation and impairment losses			
	At 1 January	52,412	35,511	35,511
	Amortisation expense	16,373	16,901	-
	At 31 December	**68,785**	**52,412**	**35,511**
	Carrying amount	**10,258**	**25,955**	**38,724**
13.	**Property, plant and equipment**			
	Carrying amount of:			
	Land and buildings	198,297	203,049	207,801
	Motor Vehicles	42,658	91,386	45,836
	Furniture and fittings	40,542	50,478	53,952
	Office equipment	26,539	20,791	32,969
	Computer equipment	82,566	180,910	348,892
		390,602	**546,614**	**689,450**

	Land & buildings N'000	Motor vehicles N'000	Furniture & Fittings N'000	Office equipment N'000	Computer equipment N'000	Work-in-progress N'000	Total N'000
Property, plant and equipment (continued)							
Cost or valuation							
Balance at 1 January 2012	237,588	174,323	98,198	130,464	2,595,812	-	3,236,385
Additions	-	14,099	2,789	19,984	11,059	4,400	52,331
Disposals	-	(108,772)	(7,678)	(13,893)	(15,989)	-	(146,332)
Balance at 31 December 2012	237,588	79,650	93,309	136,555	2,590,882	4,400	3,142,384
Accumulated depreciation and impairment							
At 1 January 2012	34,539	82,937	47,720	109,673	2,414,902	-	2,689,771
Depreciation expense	4,752	23,265	11,912	14,235	109,402	-	163,566
Eliminated on disposals of assets	-	(69,210)	(6,865)	(13,892)	(15,988)	-	(105,955)
At 31 December 2012	39,291	36,992	52,767	110,016	2,508,316	-	2,747,381
Net book value as at 31 December, 2012	**198,297**	**42,658**	**40,542**	**26,539**	**82,566**	**4,400**	**395,002**
Cost or valuation							
Balance at 1 January 2011	237,588	181,150	90,419	132,944	2,553,244	-	3,195,3451
Additions	-	82,673	7,779	5,962	49,817	-	46,231
Disposals	-	(89,500)	-	(8,442)	-	-	(97,942)
Derecognition	-	-	-	-	(7,250)	-	-
Balance at 31 December 2011	237,588	174,323	98,198	130,464	2,595,812	-	3,243,635
Accumulated depreciation and impairment							
At 1 January 2011	29,787	135,314	36,467	99,975	2,201,482	-	2,503,025
Depreciation expense	4,752	24,061	11,253	14,923	217,800	-	272,789
Eliminated on disposals of assets	-	(76,438)		(5,225)	-	-	(81,663)
Derecognition	-	-	-	-	(4,380)	-	-
At 31 December 2011	34,539	82,937	47,720	109,673	2,414,902	-	2,694,151
Net book value as at 31 December, 2011	**203,049**	**91,386**	**50,478**	**20,791**	**180,910**	-	**546,614**

		31 Dec 2012 N'000	31 Dec 2011 N'000	1 Jan 2011 N'000
14.	**Investments**			
	Available-for-sale investments carried at fair value			
	Unlisted equity holdings	-	200,000	200,000
	Impairment of unlisted equity holdings	-	(200,000)	-
		-	**-**	**200,000**
	Held-to-maturity investments carried at amortised cost			
	Federal Government bonds	4,870,757	267,814	-
	Corporate bonds	1,035,000	1,035,671	-
		5,905,757	**1,303,486**	**-**
15.	**Trade and other receivables**			
	Trade debtors	397,805	514,518	739,888
	Other receivables			
	Staff debtors	8,619	6,548	47,9019
	Due from related company- Nigerian Stock Exchange (I)	427,013	659,303	79,444
	Other debtors	152,305	370,928	66,175
	Allowance for doubtful accounts	(382,796)	(442,786)	(382,796)
		205,141	593,993	710,724
	Total trade and other receivables	**602,946**	**1,108,511**	**1,450,612**

I. This represents various eligibility fees received by NSE from quoted companies on behalf of Central Securities Clearing System Plc.

Trade receivables

Total trade receivables (net of impairment) held by the company at 31 December 2012 amounted to N602,946,000.00.

Trade receivables arise from the principal revenue generating activities of the company which are explained below:

Eligibility fees relate to annual fees paid by the stockbroking firms for trading in the Nigerian Stock Exchange market, N25,000 is paid annually and directly to CSCS. Depository fee relates to fees paid by the companies whose shares are listed for trading on the floor of the Nigerian Stock Exchange. It is charged based on 0.0125% of the company's market capitalization as at 1 December of the preceding year. Transaction fees relate to CSCS fees on value of shares traded on the floor of the stock exchange (which is 0.30% of shares sold). Settlement bank participation fees are paid by settlement banks to CSCS and are expected to pay N250,000 annually. The company has recognised an allowance for doubtful debts of 100% against all receivables over 360 days. Allowances against doubtful debts are recognised against trade receivables outstanding for more than 360 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

	31 Dec 2012 N'000	31 Dec 2011 N'000	1 Jan 2011 N'000
Trade and other receivables (continued)			
Ageing of past due but not impaired receivables			
30-60 days	90,427	66,094	168,85
60-90 days	2,628	91,255	3384,908
90-120 days	509,891	951,159	896,851
Total	**602,946**	**1,108,508**	**1,450,612**
Movement in the allowance for doubtful debts			
Balance at the beginning of the period	442,786	382,796	240,543
Impairment losses recognised Amounts written off	-	59,990	206,207
during the year as uncollectible	-	-	(40,365)
Amounts recovered during the year	(59,990)	-	(23,589)
Balance at the end of the period	**382,796**	**442,786**	**382,796**

In determining the recoverability of a trade receivable the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

16. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	31 Dec 2012 N'000	31 Dec 2011 N'000	1 Jan 2011 N'000
Balance at bank	172,266	315,654	1,164,212
Short term deposits	1,118,058	1,721,530	9,682,130
Allowance for doubtful short term deposit (i)	(277,454)	(277,454)	-
	1,012,870	**1,759,730**	**10,846,342**

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

17. Other assets	31 Dec 2012 N'000	31 Dec 2011 N'000	1 Jan 2011 N'000
The major classes of assets comprising the operations classified as other assets are as follows:			
Western textile Mills- Intercontinental placement (i)	8,268	11,108	6,700
	8,268	**11,108**	**6,700**

(I) The amount presented above represents funds held by CSCS in Trust for Western Textile Mills shareholders. The company was entrusted with the liquidation proceeds of Western Textile Mills following the extra-ordinary general meeting of Western Textile Mills Plc held on 10 February 2002 where 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 Plc. The interest earned on the principal is to be used to publish the names of outstanding claimants in daily newspapers and to settle the bank's operating charges. The risks and rewards of the placement are borne by CSCS.

		31 Dec 2012 N'000	31 Dec 2011 N'000	1 Jan 2011 N'000
18.	**Share capital**			
	Authorised			
	5,000,000,000 ordinary shares of N1 each	5,000,000	5,000,000	5,000,000
	Issued and fully paid:			
	At 31 December	5,000,000	5,000,000	5,000,000
	No shares were issued during the year.			
19.	**Retained earnings**			
	At 1 January	6,992,839	6,741,939	6,744,809
	IFRS adjustments (see note 30)	-	-	(2,870)
	Transfer from statement of profit or loss and			
	other comprehensive income	2,577,847	1,000,900	-
	Payment of dividend	(500,000)	(750,000)	-
	At 31 December	**9,070,685**	**6,992,839**	**6,741,939**

20. Pension plan and other employment benefits

Analysis of the amount charged to statement of profit and loss and other comprehensive income and statement of financial position is shown below:

Per statement of profit and loss and other comprehensive income	31 Dec 2012 N'000	31 Dec 2011 N'000	1 Jan 2011 N'000
Provision for staff severance benefits	82,013	-	366,614
Provision for pension scheme	-	21,811	9,455
	82,013	**21,811**	**376,069**
Per Financial Position			
At 1 January	-	335,021	335,021
Charge for the year (i)	82,013	21,811	376,069
Payment to pension fund administrators	-	(21,811)	(376,069)
Write back of Pension Provision (ii)	-	(335,021)	-
At 31 December	**82,013**	**-**	**335,021**

Pension plan and other employment benefits

I At its meeting of November 7, 2012, the Board of Directors of the company resolved to establish a Long Term Staff Severance Benefit Scheme in order to make provisions for the terminal payments to Staff upon exit from the employment of the company. The Board mandated the Management to work out the details of the Scheme. Although the details of the Scheme have not been concluded by year end, provision in the sum of N82,013 million has been charged to the statement of profit or loss and other comprehensive income during the year, on the advice of UTIB Insurance Brokers Limited.

ii **Write back of pension provision**

At its meeting held on 29 July 2011, the Board of Directors of the company resolved to terminate the staff gratuity scheme with effect from 1 August 2011. Final entitlements due to qualified members of staff was determined following an actuarial valuation by B.A Adigun & Associates. The staff gratuity is based on a defined benefit scheme and the rates proportionate to length of service applied to terminal remuneration. Eligible staff shall only access their gratuity benefit upon their disengagement from service.

		31 Dec 2012 N'000	31 Dec 2011 N'000	1 Jan 2011 N'000
21.	**Payables, provisions and accruals**			
	Information technology levy (Note I)	30,892	17,253	16,487
	Sundry creditors and accruals	395,896	761,940	257,660
	Staff productivity bonus	242,450	-	290,425
	Managed Funds	63,162	219,986	-
		732,400	**999,179**	**564,572**

i **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.

The directors consider that the carrying amount of trade payables approximates to their fair value.

ii Managed funds represents the Trade Guarantee Funds (TGF) which was created by the Nigerian Stock Exchange (NSE) to ensure and guarantee cash settlement of Nigerian Stock Exchange transactions. The TGF is financed by NSE members which consists 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 asset of the fund is maintained with Guaranty Trust Bank Plc. and included in trade and other receivables (Note 15).

Also included in managed funds is staff gratuity fund 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 settled when they disengage from the company.

		31 Dec 2012 N'000	31 Dec 2011 N'000	1 Jan 2011 N'000
22.	**Other liabilities**			
	Western Textile Mills Plc. - Fixed Deposit (Note ii)	8,268	7,607	6,700
i	Western Textile Mills Plc. - Due to shareholders	4,818	4,818	4,818
	Western Textile Mills Plc. - Accumulated interest due to shareholders	3,450	2,789	1,882
		8,268	**7,607**	**6,700**

Other liabilities (continued)

ii) At the extra-ordinary 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 names of outstanding claimants in daily Newspapers and to settle the bank's operating charges. The risk and rewards are borne by CSCS.

23 Financial Instruments

Categories of financial instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.16

	Held to maturity N'000	Loans & Receivables N'000	Available for sale N'000	Fair value through profit or loss N'000	31 Dec 12 Total N'000
Financial assets					
Cash and cash equivalents	-	1,012,870	–	–	1,012,870
Bonds	5,905,757	-	–	–	5,905,75
Treasury Bills	7,497,813	-	–	–	77,497,813
Trade and other receivables	-	602,946	–	–	602,946
Other financial assets	-	8,268	–	–	8,268
	13,403,570	**1,615,816**	**–**	**–**	**15,027,654**

	Amortised cost N'000	Fair value N'000	31 Dec 12 Total N'000
Financial liabilities			
Other liabilities	8,268	–	8,268
Trade and other payables	732,400	–	732,400
	740,668	**–**	**740,668**

The carrying amount reflected above represents the company's maximum exposure to credit risk for such trade and other receivables.

Financial Instruments(continued)	Held to maturity N'000	Loans & Receivables N'000	Available for sale N'000	Fair value through profit or loss N'000	31 Dec 12 Total N'000
Financial assets					
Cash and bank balances	–	1,759,730	–	–	1,759,730
Available-for-sale equity investments	–	–	–	–	–
Bonds	1,303,486	–	–	–	1,303,486
Treasury bills	8,887,224	–	–	–	8,887,224
Other financial assets	–	11,108	–	–	11,108
Trade and other receivables	–	1,108,511	–	–	1,108,511
	10,190,710	**2,879,349**	**–**	**–**	**13,070.059**

	Amortised cost N'000	Fair value N'000	31 Dec 12 Total N'000
Financial liabilities			
Other liabilities	7,607	–	7,607
Trade and other payables	999,179	–	999,179
	1,006,786	**–**	**1,006,786**

Financial risk management objectives

The Company's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the company through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Market risk

The Company's activities expose it to the financial risks of changes in activities and prices of stocks on the exchange. The Company enters into describe transactions to manage its exposure to foreign currency risk and interest rate risk.

Market risk exposures are measured using value-at-risk (VaR) supplemented by sensitivity analysis.

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

Value-at-risk (VaR) analysis

The VaR measure estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99 per cent VaR number used by the company reflects the 99 per cent probability that the daily loss will not exceed the reported VaR.

VaR methodologies employed to calculate daily risk numbers include the historical and variance-covariance approaches. In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.

23 Financial Instruments (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the company's short-, medium- and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

	Carrying Amount			Fair Value		
	31 Dec 2012 N'000	31 Dec 2011 N'000	1 Jan 2011 N'000	31 Dec 2012 N'000	31 Dec 2011 N'000	1 Jan 2011 N'000
Financial assets carried at amortised cost						
Loans and receivables:						
- Other financial assets	8,268	11,108	6,700	8,268	11,108	6,700
- Trade and other receivables	602,946	1,108,511	200,000	602,946	1,108,511	200,000
Held to maturity investment:						
- Unquoted investment	-	-	200,000	-	-	200,000
- Quoted investments	13,403,570	10,190,710	-	13,403,570	10,190,710	-
Financial liabilities held at amortised cost						
- Other liabilities	8,268	7,607	6,700	8,268	7,607	6,700
- Trade and other payables	732,400	999,179	564,572	732,400	999,179	564,572

Valuation and assumptions used in determining fair value of financial assets and liabilities
The fair values of financial assets and financial liabilities are determined as follows:

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

23 Financial Instruments (continued)

Capital risk management

The company manages its capital to ensure that it will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of its capital structure.

The capital structure of the company consists of cash and cash equivalents and equity attributable to its equity holders, comprising issued capital, reserves and retained earnings as disclosed in notes 18-19.

The company is not subject to any externally imposed capital requirements.

The company's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

Equity includes all capital and reserves of the company that are managed as capital.

24 Events after the balance sheet date

There are no post-balance sheet events that could have had a material effect on the state of affairs of the Company as at 31st December 2012 which have not been adequately provided for or disclosed.

25 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 2012 stood at N360,200,000 (2011: N120,000,000). However, the Directors are of the opinion that the action will not succeed against the company.

26 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 the financial statement.

27 Financial commitments

There are no commitments for capital expenditure authorised by the Directors but not provided for in this financial statement at 31 December 2012

28 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.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the company, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2012 N'000	2011 N'000
Short-term employee benefits	75,160	68,979
Post-employment benefits	5,637	5,173
	80,797	**74,152**

29 First time adoption of International financial reporting standards reconciliations

The implications of transition from Nigerian GAAP to IFRS on financial position, performance and cashflows is explained:

Statement of Financial Position Reconciliation as at 31 December

	Notes	2010 Previous GAAP N'000	2010 Effect of transition to IFRSs N'000	2010 IFRS statement of financial position N'000	2011 Previous GAAP N'000	2011 Effect of transition to IFRSs N'000	2011 IFRS statement of financial position N'000
Non-current assets							
Intangible assets		-	38,724	38,724	-	25,955	25,955
Reclassification from property,							
plant and equipment	29.2		**38,724**			**25,955**	
Property, plant and equipment		731,044	(41,594)	689,450	575,439	(28,825)	546,614
Reclassification to intangible assets	29.2		**(38,724)**			**(25,955)**	
Derecognition of training and intranet cost	29.3		**(2,870)**			**(2,870)**	
Investments		200,000	-	200,000	1,260,000	43,486	1,303,486
Reclassification of interest receivable							
on FGN Bonds	29.4					**7,814**	
Reclassification of interest receivable on							
Corporate Bonds	29.4					**35,671**	
Deferred tax assets		84,356	-	84,356	-	-	-
Total non-current assets	**29.1**	**1,015,400**	**(2,870)**	**1,012,530**	**1,835,439**	**40,616**	**1,876,055**

Notes to the Financial Statements Contd.

		2010			2011		
	Notes	Previous GAAP N'000	Effect of transition to IFRSs N'000	IFRS statement of financial position N'000	Previous GAAP N'000	Effect of transition to IFRSs N'000	IFRS statement of financial position N'000
Current assets							
Trade and other receivables		-	1,450,612	1,450,612	-	1,108,511	1,108,511
Reclassified from Debtors and prepayments	29.5		**1,450,612**			**1,108,511**	
Treasury bills		-	-	-	8,887,224	-	8,887,224
Bank and cash balances		10,846,342	-	10,846,342	1,752,207	7,523	1,759,730
Reclassification of interest receivable							
on fixed term deposit	29.6					**7,523**	-
Debtors and prepayments		1,457,312	(1,457,312)	-	1,170,627	(1,170,627)	
Reclassified as trade and other receivables	29.5		**(1,450,612)**			**(1,108,511)**	
Reclassified as other current assets	29.5		**(6,700)**			**(11,108)**	
Reclassification of interest receivable to							
investments and cash and bank balances	29.4					**(51,008)**	
Other assets		-	6,700	6,700	-	11,108	11,108
Reclassified from debtors and prepayments	29.5		**6,700**			**11,108**	
Total current assets		**12,303,654**	**-**	**12,303,654**	**11,810,058**	**(43,485)**	**11,766,573**
Total assets		**13,319,054**	**-**	**13,316,184**	**13,645,497**	**(2,870)**	**13,642,627**

		2010			2011		
	Notes	**Previous GAAP N'000**	**Effect of transition to IFRSs N'000**	**IFRS statement of financial position N'000**	**Previous GAAP N'000**	**Effect of transition to IFRSs N'000**	**IFRS statement of financial position N'000**
Equity							
Share capital		5,000,000	-	5,000,000	5,000,000	-	5,000,000
Retained earnings		6,744,809	(2,870)	6,741,939	6,995,709	(2,870)	6,992,839
Derecognition of training and intranet cost	29.3		**(2,870)**			**(2,870)**	
Total equity		**11,744,809**	**(2,870)**	**11,741,939**	**11,995,709**	**(2,870)**	**11,992,839**
Non-current Liabilities							
Deferred tax liabilities		-	-	-	122,321	-	122,321
Total non-current liabilities		-	-	-	**122,321**	-	122,321
Current liabilities							
Creditors and accruals		571,272	(571,272)	-	1,006,786	(1,006,786)	-
Reclassification as other liabilities	29.7		**(6,700)**			**(7,607)**	
Reclassification to Payables and accruals	29.8		**(564,572)**			**(999,179)**	
Payables and accruals				-		999,179	999,179
Reclassification from creditors	29.7	-	564,572	564,572	-	**999,179**	
Provisions		335,021	-	335,021	-	-	-
Current tax liabilities		667,952	-	667,952	520,681	-	520,681
Other liabilities			6,700	6,700		7,607	7607
Reclassification from creditors	29.7		**6,700**			**7,607**	
Total current liabilities		**1,574,245**	**-**	**1,574,245**	**1,527,467**	**-**	**1,527,467**
Total equity and Liabilities		**13,319,054**	**(2,870)**	**13,316,184**	**13,645,497**	**(2,870)**	**13,642,627**

Notes to the reconciliation statements

29.1 **Presentation difference**

The Nigerian GAAP financial statement did not distinguish between current and non-current items in the presentation of assets and liabilities. To ensure better understanding of the nature of these items, a current and non-current distinction is used in the IFRS statement of financial position.

29.2 The total carrying value of Property, plant and equipment in the Nigerian GAAP financial statement for year ended December 31, 2011 is N575.439 million which includes computer equipment of N209.735 million; N25.955 million represents the net carrying value of software cost. In line with IAS 38.4, these assets are not an integral part of the related hardware they should be separately recognised as intangible assets hence the reclassification adjustment to intangible assets.

29.3 The net carrying value of property, plant and equipment (computer equipment) includes N2.870 million that was incurred on training and intranet implementation costs which do not qualify for recognition as assets under IFRS (IAS 38. 69) hence this amount has been derecognised and adjusted against retained earnings.

29.4 Under Nigerian GAAP, interest receivable on investments is recognized separately in other assets. Under IFRS, these investments have been classified as held-to-maturity financial assets and measured at amortized cost. Thus, interest receivable on FGN and corporate bonds have been reclassified to investments to carry them at amortized cost.

29.5 Debtors and prepayments balance under the Nigerian GAAP includes N11.108 million that represents assets that the company holds in trust for another entity, this amount has been reclassified to other assets while the remaining balance of debtors and prepayments is shown as trade and other receivables for better understanding of the nature of the balance.

29.6 Under NGAAP, interest receivable on call deposits and fixed placements is recognized separately in other assets. Under IFRS, cash balances with banks are financial assets in the loans and receivable category and it is measured at amortized cost. Thus interests receivable on deposits are reclassified to cash and bank balances to carry them at amortized cost.

29.7 The balance of creditors of N1.006 billion includes N7.607 million which represents liquidation proceeds due to the shareholders of another entity (Western Textile Mills), this amount has been reclassified as other liabilities in the IFRS financial statement.

29.8 The remaining balance of creditors is shown as payables and accruals for fair presentation of the nature of the balances.

30 Reconciliation of Equity

	As at 1/1/2011 N'000	As at 31/12/2011 N'000
Total Equity Under Previous GAAP	11,744,809	11,995,709
Training cost and intranet implementation cost		
capitalised instead of expensed	(2,870)	(2,870)
Tax effect of the above	-	-
Total adjustment to equity	**(2,870)**	**(2,870)**
Total equity under IFRSs	**11,741,939**	**11,992,839**

31. Effect of IFRS adoption for the Statement of profit or loss and other comprehensive Income for the year ended 31 December, 2011

	Previous GAAP N'000	Effect of transition to IFRSs N'000	2011 IFRSs N'000
Revenue	2,776,238	-	2,776,238
Interest revenue	759,992	-	759,992
Other operating income	657,741	-	657,741
Operating expenses	(2,463,594)	-	(2,463,594)
Operating profit	**1,730,377**	-	**1,730,377**
Other gains and losses	-	-	-
Profit before tax	**1,730,377**	-	**1,730,377**
Income taxes	(729,477)	-	(729,477)
Profit for the year	**1,000,900**	-	**1,000,900**
Total other comprehensive income	**-**	-	**-**
Total comprehensive income	**1,000,900**	-	**1,000,900**

Reconciliation of profit

	Profit before tax N'000
Previous GAAP	1,730,377
Total adjustment to profit or loss	-
Profit or loss under IFRS	1,730,377
Other comprehensive income	-
Total comprehensive income under IFRS	1,730,377

Note: No statement of comprehensive income was produced under previous GAAP therefore the reconciliation above starts with profit under previous GAAP.

Statement of Value Added

	2012 N'000	%	2011 N'000	%
Fees	2,738,002		2,776,238	
Interest revenue	1,792,227		759,992	
Other operating income	642,015		657,741	
Bought in services - local	(614,047)		(1,298,766)	
Value added	**4,558,197**	**100**	**2,895,205**	**100**
Applied as follows:				
To pay employees:				
Salaries and wages	932,709	20	852,975	29
Pensions and gratuity	367,799	8	21,811	1
To pay Government:				
- Taxation	518,485	11	522,800	18
- Information technology levy	30,891	1	17,253	1
For future replacement of assets, expansion of business				
and payment of dividend to shareholders:				
- Deferred taxation	(33,100)	(1)	206,677	7
- Depreciation	163,566	4	272,789	9
- Profit for the year	2,577,847	57	1,000,900	35
	4,558,197	**100**	**2,895,205**	**100**

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

Financial Summary

STATEMENT OF FINANCIAL POSITION	31 Dec 2012 N'000	31 Dec 2011 N'000	1 Jan 2011 N'000
Non-current assets			
Intangible assets	10,258	25,955	38,724
Property, plant and equipment	395,002	546,614	689,450
Investments	5,905,757	1,303,486	200,000
Deferred tax asset	-	-	84,356
Total non-current assets	**6,311,017**	**1,876,055**	**1,012,530**
Current assets			
Trade and other receivables	602,946	1,108,511	1,450,612
Treasury bills	7,497,813	8,887,224	-
Cash and cash equivalents	1,012,870	1,759,730	10,846,342
Other assets	8,268	11,108	6,700
Total current assets	**9,121,897**	**11,766,573**	**12,303,654**
Total assets	**15,432,914**	**13,642,627**	**13,316,184**
Equity			
Share capital	5,000,000	5,000,000	5,000,000
Retained earnings	9,070,685	6,992,839	6,741,939
Total equity	**14,070,685**	**11,992,839**	**11,741,939**
Non-current liabilities			
Deferred tax liabilities	89,221	122,321	-
Total non-current liabilities	89,221	122,321	-
Current liabilities			
Pension plan and other employment benefits	82,013	-	335,021
Payables, provisions and accruals	732,400	999,179	564,572
Current tax liabilities	450,327	520,681	667,952
Other liabilities	8,268	7,607	6,700
Total current liabilities	**1,273,008**	**1,527,467**	**1,574,245**
Total liabilities	**1,362,229**	**1,649,788**	**1,574,245**
Total Equity and Liabilities	**15,432,914**	**13,642,627**	**13,316,184**

Statement Of Profit Or Loss And Other Comprehensive Income

	31 Dec 2012 N'000	31 Dec 2011 N'000
Net operating income	5,172,245	4,193,971
Profit before taxation	3,063,232	1,730,377
Profit after taxation	2,577,847	1,000,900
PER N1 SHARE DATA (KOBO)		
Earnings - basic (kobo)	52	20
Net asset per share (kobo)	281	240

Basic Earnings per share are based on profit after tax and the number of issued share capital at the end of each period.

CSCS

CENTRAL SECURITIES CLEARING SYSTEM PLC

PROXY FORM

CENTRAL SECURITIES CLEARING SYSTEM (RC 201018)

19th ANNUAL GENERAL MEETING TO BE HELD at the Lagos Oriental Hotel, No.3 Lekki Road,Lagos on Friday June 14, 2013 at 11.00 am.

"I/We* ....
(Name of Shareholder in block letters)
the undersigned, being a member/members of the above-namedCompany hereby appoint the Chairman of the meeting or failing him

....as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 14, June 2013 and at any adjournment thereof."

Unless otherwise instructed, the Proxy will vote or abstain from voting as he/she thinks fit.

Dated this .... day of 2013

Signature ....

NOTES:

1. This form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarial certified copy thereof must reach the Registrar, AFRICA PRUDENTIAL REGISTRARS PLC, No,220B, IKORODU ROAD PALMGROVE, LAGOS, not later than 48 hours prior to the time of the meeting.

2. Where the appointor is a corporation, this form may be under seal or under the hand of any officer or attorney duly authorised.

3. This proxy will be used only in the event of a poll being directed, or demanded.

4. In the case of joint holders, the signature of any one of them will suffice, but the names of all joint holders should be shown.

5. It is a legal requirement that all instruments of proxy must bear appropriate stamp duty (currently N500.00) from the Stamp Duties Office, and not adhesive postage stamps.

I/We desire this proxy to be used in favour of/or against the resolution as indicated below.

Resolution	For	Against
1. To receive the Audited Financial Statements for the year ended December 31, 2012 and the Reports of the Directors and Auditors;		
2. To declare a final dividend;		
3. To elect Directors;		
4. To authorize the Directors to fix the remuneration of the Auditors;		
5. To elect members of the Audit Committee;		
6. To fix the remuneration of Directors.		

Please indicate with "X" in the appropriate box how you wish your vote to be cast on the resolutions set out above. Unless otherwise instructed, the Proxy will vote or abstain from voting at his/her discretion.

Before posting the above form please tear off this part and retain it for admission to the meeting.

ADMISSION FORM

CENTRAL SECURITIES CLEARING SYSTEM (RC 201018) 19th ANNUAL GENERAL MEETING TO BE HELD at the Lagos Oriental Hotel No.3,Lekki Road Lagos on Friday June 14, 2013 at 11.00 am.

Name of Shareholder* ....

....

Name of Proxy* ....

If you are unable to attend the meeting
A member (shareholder) entitled to attend and vote is entitled to appoint one or more Proxies to attend and vote instead of him. A Proxy need not be a member. The above proxy form has been prepared to enable you to exercise your right to vote.

Important
Please insert your name in BLOCK CAPITALS on both proxy and admission forms where asterisked. Insert the name of any person whether a member of the company or not, with the exception of the Chairman of the Company, who will attend the meeting and vote on your behalf.

Africa Prudential Registrars Plc

E-DIVIDENDMANDATE/REPLACEMENTFORM

DearShareholder,

Wearepleasedtoadviseyouofournewe-dividendservice,whichenablesdirectcreditofyourdividend(s)[newdividendpayments/ lost/misplaced/ stale/unclaimeddividendwarrants]toyourbankaccountregardlessofthebankoraccounttype,i.eCurrent/Savings Accounts.Thankyou.

Shouldyoupreferthisservice,kindlyfillthespacesprovidedbelowandreturntous.

Pleaseusethename(s)inwhichyoursharesareheld,withthesignatureonyour ApplicationorT ransferForm.

TheManagingDirector/Registr ar
AfricaPrudentialRegistrarsPlc
220B,IkoroduR oad,Palmgrove
Lagos.

Company(ies)whereshareisheld(ple asetickappropriat eboxeslikethis) ☑

☐ UBAPlc	☐ PolyProduct
☐ UTCNigeriaPlc	☐ WestAfricanGlassIndustriesPlc
☐ SCOANigeriaPlc	☐ CementCompanyofNorthernNig.Plc
☐ NEMInsurancePlc	☐ Cappa&D'AlbertoPlc
☐ JaizInternationalPlc	☐ ChampionBreweriesPlc
☐ ALUMACO	☐ InternationalBreweriesPlc
☐ ResortSavingsandLoansPlc	☐ RoadsNigeriaPlc
☐ TranscorpPlc	☐ ARMPropertiesPlc
☐ ComputerWarehouse	☐ PortlandPaints&Products

☐ Others*(pleasespecifyintheboxesprovided)*

Pleasetakethisasauthoritytocreditmy/ourunder -mentionedaccountwithanydividendpayment(s)/lost/misplaced/stale/unclaimeddividendwarrantsdueon my/ourshareholdingintheaforementionedcompany(ies)theparticularsofwhicharestatedbelowfromthedatehereof:

Shareholder'sName *: (Surname) (OtherNames)

Shareholder'sAccountNo.(ifKnown):

Address*:

MobileNumber *:

FaxNumber:

e-mailAddress *:

Shareholder(s)Signature&date

Tobecompletedbybanker

BankName *:

Branch*:

BankAccountNo *:

AccountType *:

Ageofaccount *:

BankStamp& AuthorizedSignatory(ies)

Note:
*TheprovisionofinformationonyourBankName,Bank AccountNo.,E-mailaddressandMobilenumberareveryimportanttoenableus processyourrequest. Allasteriskedfields(*)arecompulsory .*

ShareholdersintheNorthandSouth-southregionofthecountryareadvisedtocontactour ***Abuja*** *or* ***Port-Harcourt*** *LiaisonOffice forallenquiriesconcerningshareholdinginanyofourclientcompanies(seeaddressesbelow).*

Lagos
220B,IkoroduR oad,Palmgrove
Lagos.
Tel:01-8401153

Abuja
11,LafiaClose,
Area8,Garki, Abuja.
Tel:09-8701645

Port-Harcourt
Plot137,OluobasanjoR oad
(2ndfloor),P ortHarcourt,
RiversState.

E-mail: info@africaprudentialregistrars.com
Website: www.africaprudentialregistrars.com

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+234 1 4545967
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http://www.cscsnigeriaplc.com/