



RC 201018

CENTRAL SECURITIES CLEARING SYSTEM PLC

# Breaking New Grounds

Growth through diversification



# 2015 Annual Reports & Financial Statements



RC: 201018

CENTRAL SECURITIES CLEARING SYSTEM PLC

# Truly Certified



At CSCS, we go to great lengths to ensure that we protect information related to our business and services to the stakeholders we relate with.

We continuously strive to be the best that we can be in the area of information security management and this is reflected in our new **ISO 27001:2013** certification.





## **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.

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# Notice of 22nd Annual General Meeting

NOTICE IS HEREBY GIVEN that the 22nd Annual General Meeting of Central Securities Clearing System Plc (CSCS) will hold at the Nigerian Stock Exchange (NSE) Event Centre, 20th floor, The Stock Exchange House, 2/4 Customs Street, Lagos on 19 May, 2016 at 11 am in order to transact the following businesses:

## A. ORDINARY BUSINESS

1. To consider the Audited Financial Statements and Accounts for the year ended 31 December 2015 and the Report of the Directors, Auditors and Audit Committee thereon;
2. To declare a Dividend;
3. To re-elect retiring Directors;
4. To authorise the Directors to determine the remuneration of the Auditors.
5. To elect the members of the Statutory Audit Committee

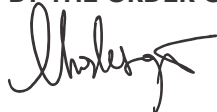
## B. SPECIAL BUSINESS

6. To fix the remuneration of Directors;
7. To consider and if thought fit, pass the following as special resolutions:
  - 7.1 That the content of Article 26, being the article on the number of Directors in the Articles of Association of the Company be amended to state as follows:

unless and otherwise determined by the Company in General Meeting, the number of Directors shall not be less than five or more than fifteen. Provided that the Company shall have a minimum of one independent Director'

Dated 31 March 2016

### BY THE ORDER OF THE BOARD



**CHARLES I. OJO**

Company Secretary

FRC/2014/NBA. 00000006051

## NOTES:

### PROXY

Any member of the Company entitled to attend and vote at this meeting is also entitled to appoint a proxy to attend and vote in his or her stead. A proxy need not be a member of the Company. A proxy form must be completed and deposited at the office of the Company's Registrar, Africa Prudential Registrars Plc, 220B Ikorodu Road, Palmgrove, Lagos, not later than 48 hours before the time fixed for the meeting.

### NOMINATION TO AUDIT COMMITTEE

Pursuant to Section 359(5) of the Companies and Allied Matters Act, Cap C20 Laws of the Federation of Nigeria 2004, any member may nominate a Shareholder as a member of the Audit Committee by giving notice in writing of such nomination. Such notice shall reach the Company Secretary at least 21 days before the Annual General Meeting. In making this nomination, members are reminded that a nominee to the Audit Committee should satisfy the following criteria:

- a. That he or she must have basic financial literacy and should be able to read Financial Statements in accordance with the provisions of the Securities and Exchange Commission's Code of Corporate Governance.
- b. That any nominee being elected to the position of the Chairman of the Audit Committee and who shall subsequently attest, in this capacity, to the annual report, financial statements, accounts and financial report shall be a professional member of an accounting body established by Act of National Assembly in Nigeria in accordance with Rules made pursuant to the Financial Reporting Council Act.

We therefore request that nominations be accompanied by a copy of the nominee's curriculum vitae.

### DIVIDEND

If the Dividend recommended by the Directors is approved by the members at the Annual General Meeting, Dividend will be paid on 19 May 2016 to Shareholders whose names appear in the Company's Register of Members at the close of business on Wednesday 4 May 2016.

### CLOSURE OF REGISTER

The Register of Members will be closed from Thursday 5 May 2016 to Tuesday 10 May 2016 both days inclusive for the purpose of updating the Register of Members.

### E-DIVIDEND

Notice is hereby given to all Shareholders to open bank accounts and to provide necessary information about themselves by completing and submitting an E-Dividend Mandate Form either directly to CSCS offices or the Company's Registrar, Africa Prudential Registrars Plc. A detachable copy of same Form is attached to the Annual Report for your use.

### E-REPORT

We support eco-friendly initiatives and therefore our Annual Reports shall be in electronic format either in CDs or sent through email to Shareholders whose email addresses are available to us. Notwithstanding, any Shareholder who wishes to receive the Annual Report in physical book copy should kindly indicate so in writing to CSCS or the Company's Registrar for noting.

In addition, Annual Reports are available online for viewing and download from our website at <http://www.cscsnigeria.com>

# Corporate Information

Board of directors:	Mr. Oscar N. Onyema OON	-	Chairman
	Mr. Kyari Bukar	-	Managing Director
	Mrs. Ifueko M. Omoigui Okauru MFR	-	Director
	Mr. Sola Adeeyo	-	Director
	Mr. Haruna Jalo - Waziri	-	Director
	Mr. Bayo Olugbemi	-	Director
	Mr. Kennedy Uzoka	-	Director
	Mr. Obinna Nwosu	-	Director
	Mr. Omokayode Mudathir Akintola Lawal	-	Director
	Mr. Emeka Madubuike (Appointed 27 May 2015)	-	Director
	Mr. Ariyo Olushekun (Appointed 27 May 2015)	-	Director
	Mr. Chidi Agbapu (Retired 9 June 2015)	-	Director
	Mr. Umaru Kwairanga (Retired 9 June 2015)	-	Director

## Registered office:

Central Securities Clearing System Plc  
1st Floor, Stock Exchange Building  
No 2/4 Customs Street  
Marina  
Lagos

Company's registration number - 201018

Independent auditors: KPMG Professional Services  
KPMG Tower  
Bishop Aboyade Cole Street  
Victoria Island,  
PMB 40014, Falomo  
Lagos.

Bankers:  
Guaranty Trust Bank Plc  
Zenith Bank Plc  
Fidelity Bank Plc  
United Bank for Africa Plc  
Stanbic IBTC Bank Plc  
Access Bank Plc  
First Bank Plc  
Sterling Bank Plc

Registrars:  
Africa Prudential Registrars Plc  
220B Ikorodu Road  
Palmgrove  
Lagos

## Results At A Glance

	2015 'N000	2014 'N000	Change %
For the year ended 31 December			
Total Operating Income	7,601,777	8,241,938	(8.42)
Total Operating Expenses	2,586,060	2,481,987	4.02
Profit Before Tax (PBT)	5,015,717	5,759,951	(14.79)
Profit After Tax (PAT)	4,460,300	4,622,045	(3.63)
Earnings per Share (k)	89	92	(3.37)
Dividend per Share (k)	26	27	(3.85)
As at 31 December			
Non-Current Assets	16,166,240	13,878,668	14.15
Current Assets (net)	7,651,950	6,702,360	12.41
Total Assets	25,401,581	23,073,303	9.17
Share Capital	5,000,000	5,000,000	-
Shareholders' Fund	23,818,190	20,581,028	13.59
Number of Employees	102	99	2.94



With over 17 years of successfully providing depository, clearing and settlement services, we consider the time ripe for us to chart a new course and replicate our core business successes in adjacent businesses.

**Oscar N. Onyema, OON**  
Chairman Board of Directors  
Central Securities Clearing System Plc



## Chairman's Address

Distinguished shareholders, my fellow Board Members, Representatives of regulatory bodies present, Ladies and Gentlemen, welcome to the 22nd Annual General Meeting of our Company. In satisfaction of my obligation to you as Chairman of the Board of Directors of CSCS, I am pleased to present an overview of our 2015 macroeconomic environment, a review of our achievements and operating results for the year and our outlook for 2016.

### MACROECONOMIC REVIEW

The global economic environment in 2015 experienced subdued growth owing to a number of precipitous events amongst which are weak commodity prices - which took a huge toll on commodities export dependent economies, the slowdown in China and the resulting stock market crisis and, a stronger US dollar stimulated by the US Federal Reserve's monetary policy of raising interest rates on interbank lending. According to the International Monetary Fund (IMF) World Economic Outlook (WEO), as at December 2015 global Gross Domestic Product (GDP) growth stood at 3.1%, indicating a slide from 3.4% in 2014. Given our country's dependence on income from oil, the weak price of the commodity left us at a huge disadvantage. Oil prices essentially began a steady free fall in September 2015 largely owing to continued global oil production in excess of oil consumption.

A decline in oil prices driven by higher oil supply should ordinarily support global demand based on affordability however, in the present circumstances, several factors have dampened the positive impact of lower oil prices. One of these factors is the financial constraint faced by oil importers which impeded their ability to deliver on their obligations to meet local demands. The effects of the oil supply crisis to local consumers continue to resound across other sectors of the economy and have indeed exacerbated

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Growth through diversification



inflationary trends with prices of goods and services skyrocketing in response to the situation.

It came as no surprise that the nation's revenues were challenged during the year given oil's contribution to Nigeria's foreign earnings. Moreso, the Country's external reserves continue to be under pressure in the face of huge currency demand without corresponding supply. As the depth of our situation and the need for urgency became ostensibly clear, the Central Bank of Nigeria's (CBN) took bold and commendable steps in the last quarter of 2015 to reduce the Monetary Policy Rate (MPR) from 13% to 11% (which represents the lowest since 2009) as well as the Cash Reserve Ratio (CRR) from 25% to 20% to stimulate the economy and strengthen risk framework around liquidity of our financial institutions respectively. These efforts unfortunately could not completely salvage the situation. To buttress this point, according to the National Bureau of Statistics (NBS), real GDP fell to 2.84% in the year compared to 6.23% in the same period in 2014.

In addition, Nigeria continued to tackle activities of insurgent groups in the North Eastern axis as well as political and ethnic motivated tensions in other parts of the Country. I must at this point, salute Government's courage and tenacious resolve to face the issue of insurgency head-on and win the war against it.

On the Capital Market front, the Nigerian Stock Exchange (NSE) was not immune to the Nigerian economic headwinds during the year. The NSE flagship index, the NSE ASI, declined by 17.4% in 2015 closing the year at 28,642 points after starting the year relatively flat. The NSE Banking Index was the worst hit plunging 23.6% followed closely by the NSE 30 Index and NSE Main Board Index (both down 17.6%); all the NSE market indices performed poorly, relative to their 2014 performance. The only exception is the NSE

Industrial Index which saw an uptick of 1.3%.

With all of these occurrences, it is quite reasonable to conclude that 2015 was indeed a year like none other. This notwithstanding, I am proud to report that your Company withstood the economic environment during the year and we were able to deliver on our promise of ensuring continued return on investment to our shareholders. I shall now present our financial results and our strategic achievements to give credence to the fact that we kept our promise:

## FINANCIAL RESULTS

Your Company recorded a total operating income of N7.60 billion in the year under review compared to N8.24 billion recorded in 2014, thereby resulting in Year on Year (YoY) change of -8.42%. Total expenses during the period stood at N2.59 billion as against N2.48 billion recorded in 2014, thereby resulting in YoY change of 4.02%. Profit Before Tax decreased by 14.79% to N5.01 billion in 2015 from N5.76 billion in 2014. Profit After Tax stood at N4.46 billion representing a decrease of 3.63% from N4.62 billion recorded in 2014.

Total Assets as at December 2015 stood at N25.4 billion, which represents 9.17% increase over the N23.07 billion recorded in 2014 while Shareholder funds grew by 13.59% to N23.82 billion from N20.58 billion in 2014.

Given this performance, the Board of Directors has proposed a dividend of 26 kobo per share in line with the Company's dividend policy which provides that payout of this nature should be 30% of Profit After Tax recorded in a year when dividend is declared.

## STRATEGIC ACHIEVEMENTS

As a Company, our strength has always been our people and they remain at the core of our strategy for moving the business forward and achieving our often ambitious goals. On the Board, Executive Management and Staff, we have men and women of proven skills with unity of purpose upon whom we continue to entrust the responsibility of achieving our goals in accordance with defined timelines.

During the year under review, the Board embarked on a study tour to STRATE in South Africa; Africa's leading Central Securities Depository (CSD), to gain firsthand information about the CSD's operations and its product & service offerings, so we can apply our learnings, as appropriate, to improve our business. The experience was very refreshing and it also provided us the opportunity of discussing areas of collaboration with STRATE. CSCS and STRATE have since signed a Memorandum of Understanding (MoU) to foster cooperation in securities depository and settlement related matters to help drive the prosperity of their financial markets, promote cross-border investment, and explore opportunities for co-operation in depository, settlement and in the establishment of an operations linkage.

We have used information garnered from STRATE and other CSDs with respect to trends in the depository, clearing and settlement services business to reevaluate the Company's 5 year Strategic Plan, which we operationalized in 2012, and have come up with a revised plan; for the final 2 years (2016 to 2017). The revised plan bears 3 strategic pillars namely: (1). Expand Revenue Base; (2). Increase efficiency in depository, clearing and settlement services; (3). Develop Strategic alliances across businesses and regions.

### Expand Revenue Base

With over 17 years of successfully providing depository, clearing and settlement services, we consider the time ripe for us to chart a new course and replicate our core business successes in adjacent businesses. We have therefore identified new businesses, which will create value and help to further deepen the Nigerian financial markets and other business sectors. Presently, we are working with The NSE and other relevant stakeholders to establish a Central Counterparty Clearing House (CCP) that would act as the clearing infrastructure for the sale and purchase of derivatives securities and commodities in the Nigerian Capital Market. We have also established the framework for a Repository Company to enhance record keeping of insurance data and policies.

### Increase Efficiency in Depository, Clearing and Settlement Services

In our business, the importance of technology and its uses cannot be overemphasized. It is in respect to this fact that we continue to strive to ensure that our systems remain robust and highly scalable to drive our operations and deliver excellent experience to our Customers. In 2015, we began full implementation of our new clearing and settlement software (TCS BaNCS) developed by top provider of IT solutions and big data systems, TATA Consultancy Services. The Project, which we have termed Project Meridian, is currently running on schedule and is expected to be completed in February 2017. The software possesses a range of unique features that enables clearing and settlement of multiple asset classes including derivative products.

### Develop Strategic Alliances across Businesses and Regions

In terms of developing strategic alliances across businesses and regions, our first route has been through our involvement in the West African Capital

Market Integration (WACMI) initiative. The initiative is aimed at integrating capital markets in West Africa and fostering stronger relationships amongst members and we hope to leverage on this platform to offer our services within the region.

Also through Africlear Limited; which we founded with Central Depository Settlement Corporation Limited (CDSC) Kenya, Atree Financial Services Limited (Atree) and African Development Bank (AfDB), we aim to provide best in-class securities market infrastructure, practices and protocols across the African continent. We are confident that our investment of time and resources in WACMI and Africlear will bring us closer to our vision to be a globally respected and leading CSD in Africa.

## STAFF

Our Staff are indeed our greatest asset. Their contributions and commitment to the goals of the Company remain unquantifiable. In 2015, we introduced an Employees Satisfaction Survey (ESS) to gain insight of Staff's perception about the administration of the Company and suggestions on improvements. The Survey proved to be worthwhile and the suggestions given to make employee health and well-being our primary concern have been accepted for implementation.

Our Staff development initiatives include building a competency framework for each role in the Company and helping Staff acquire relevant skills from their respective role through training. We believe in organic growth and continue to encourage Staff to seek opportunities of advancement within the Company. We consciously promote the wellness of employees by implementing regular checkups and encourage recreational activities by enrolling employees to Fitness Centres and Social Clubs. We remain fully committed to ensuring continued job satisfaction for

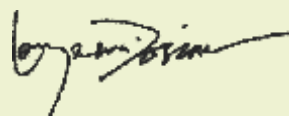
our employees and promoting inclusiveness at our workplace.

## OUTLOOK

It is obvious that your Company made a lot of gains in 2015 despite the economic challenges recorded within the year. We hope to build on these gains and move your Company to an even stronger position within its Sector. We will continue to pursue achievement of our strategic goals. In 2016, our aim shall be to strengthen our Management Team to keep it competitive and focused on executing business strategy as it relates to our core businesses, whilst implementing new business initiatives that will guarantee our sustainability as a profitable enterprise. We will continue to enhance our good governance practices as reflected in the various changes we made at the Board level. We had introduced a new Committee structure in 2015 and as we progress, we trust the new structure will ensure increased board effectiveness and continued compliance with the requirements of the SEC Code of Corporate Governance for Public Companies

## ACKNOWLEDGEMENT

I thank my Colleagues on the Board, Management and Staff of CSCS for an excellent performance during the year under review. To you, our Shareholders and Regulatory bodies, we appreciate your trust and support towards the execution of our strategy and sustaining our Company's drive for excellence. We also thank the wider Stakeholders, Clients, Vendors and Policy Makers who have enabled us to meet our objectives for the year.



**Oscar N. Onyema, OON**

Chairman Board of Directors

Central Securities Clearing System Plc

## Chief Executive Officer's Review

Distinguished Shareholders, It is my pleasure to present our Company's performance during the 2015 financial year. Led by our long-term vision to become a globally respected and leading Central Securities Depository (CSD) in Africa and guided by our values, we continued to implement our strategy to keep our foothold as a Financial Market Infrastructure (FMI) positioned to deliver prime clearing and settlement services driven by innovative technology, simplified operations and an inspired team. Our clear focus on this strategy and the dedication of our employees were critical to delivering strong performance – despite a highly volatile and challenging business environment. Indeed, we were able to achieve this performance by sweating our resources to ensure that we create optimum value for our Shareholders. I have no doubt that you would agree with me that the results we are presenting to you today bear a reflection of this fact.

### Financial Highlights

During the year, the Nigerian bourse slumped below its three-year low due to dwindling crude oil price, foreign exchange problems and exodus of foreign portfolio investors. The market was also negatively affected by the unstable naira exchange rate which discouraged foreign investors from the bourse.

Thus, projected earnings from clearing and settlement services provided to capital market participants which constitute a significant part of our income lines was dashed and unmet. Data from the Nigerian Stock Exchange (NSE) as at December 31, 2015 showed that the equity market dipped by 17.36 per cent year-to-date compared with a decline of 16.14 per cent posted in 2014. The equity market capitalization, which opened for the year at N11.478 trillion, lost N1.628 trillion to close at N9.850 trillion on December 31, 2015 due to huge price losses suffered by some blue chip stocks.



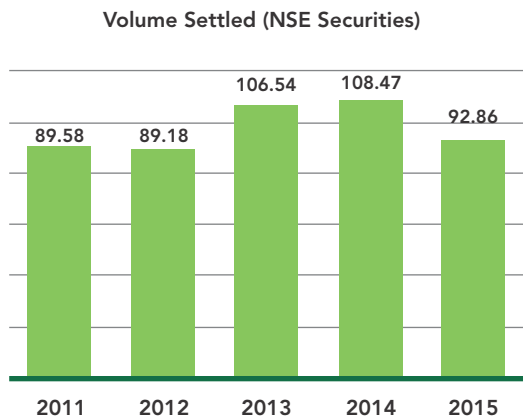
These outcomes were unfavourable to our financial performance and led to a decline in our income by 7.77% in 2015 with total earnings of N7.6 Billion as against N8.2 Billion in 2014. The operating expenses stood at N2.58 billion in 2015 as against N2.48 billion in 2014. This indicates an increase of 4.19% from the previous year. The year ended on a profitable note with our profit after tax at N4.46 billion, although this is a tail off by 3.50% from preceding year's figures of N4.62 billion due to huge investments made towards our new CSD infrastructure.

## Operations and Market Review

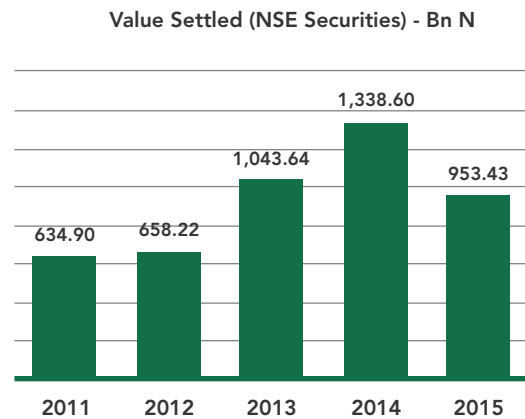
### i. Settlement Statistics

The Market capitalization in the year under review stood at N17.0 trillion (Equities 57.98%, Bonds 41.99% and ETFs 0.02%) indicating a slight increase of 0.76% from previous year position.

The total value of securities (Equities, Bonds and ETFs) settled on the Nigerian Stock Exchange (NSE) declined by 28.8%, from N1,338.6 billion in 2014 to N953.43 billion in 2015. Also the volume of securities settled dropped from 108.47 billion units to 92.86 billion units, representing a 14.4% decrease from the previous year.



*Fig. 1: Volume of Securities Settled (YOY)*



*Fig. 2: Value of Securities Settled (YOY)*

The figures above show the yearly total volume and value of securities cleared and settled from 2011 to 2015. In 2015, the NSE equities accounted for 99.94% of the total value settled. The market concentration report indicated that 204 out of 257 listed securities were traded on the floor of the NSE and that 20 of the traded securities contributed 88.2% of the total value of securities that were cleared and settled in the year under review.

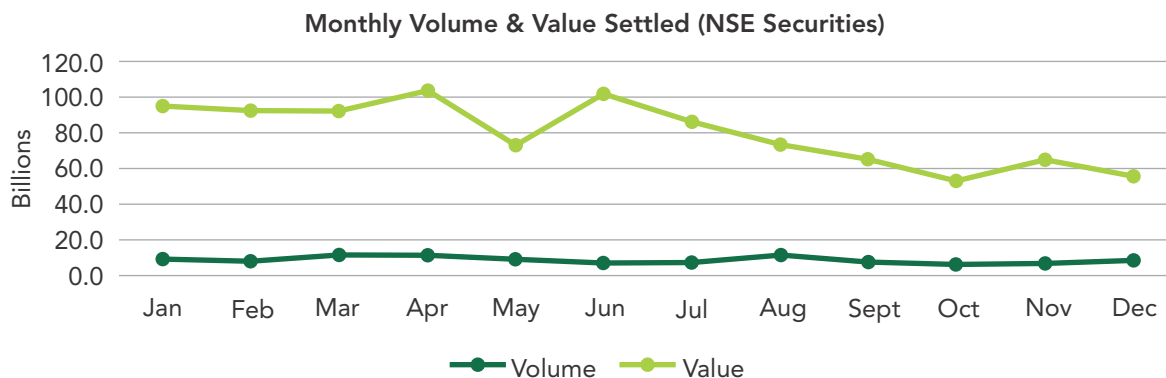


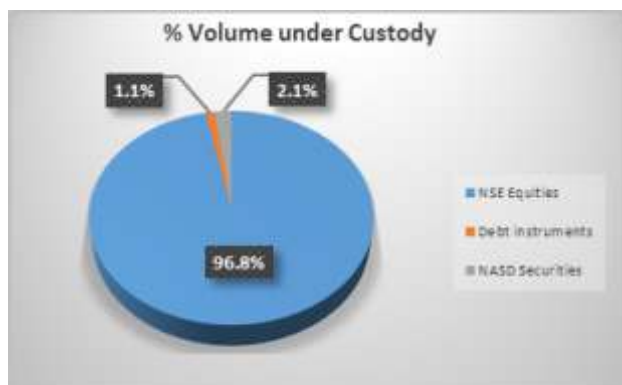
Fig. 3: Monthly Volume and Value of Securities Settled in NSE Market 2015

In regard to the National Association of Securities Dealers (NASD) OTC market, we recorded a significant increase in the value of equities (OTC) settled from N2.32 billion to N50.92 billion, indicating an increase of 2,091.5% over previous year's statistics. Friesland Campina Wamco Nigeria Plc accounted for 86.0%, as against 93.5% recorded in 2014, of the total value of securities that were settled in the NASD OTC market. Also, there was a remarkable increase in the volume settled from 120.4 million units in 2014 to 1,895 million units in 2015, representing an increase of 1,473% over the previous year.

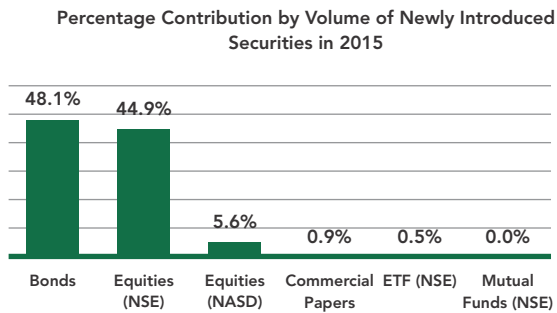
In the Debt market, CSCS settled a total of N1,780.56 billion, representing an increase of 228.71% over the 2014 records. Also, the volume of transaction settled increased by 25.6% from 1.48 billion units in 2014 to 1.86 billion units in 2015. Amongst other factors, the upward turn could be attributed to our recent connection to the Central Bank of Nigeria (CBN) Scripless Securities Settlement System (S4) effective October 2015. Through this connection, we have been able to update the records of retail FGN bondholders and their holdings, deliver and receive FGN Bonds on S4 for Dealing Member firms and clients.

**i. Depository Statistics**

**Assets Under Custody:** The total volume of securities held in our depository increased by 13.8%, from 861.2 billion units in 2014 to 979.7 billion units in 2015. Also, the value of securities increased by 10.8%, from N18,229.5 billion in 2014 to N20,197.6 billion in 2015. The assets comprises: NSE Equities, Debt instruments and NASD admitted securities.







The number of securities for which symbols were assigned in NASD system increased from 18 to 25.

### Notable Achievements

While we continue to focus on our core services and values, we have persistently scanned our environment for opportunities and also actively engaged in building strategic alliances with stakeholders. We are taking advantage of this to ensure greater brand appeal and also that our service offerings are acceptable and valuable to our participants.

As a significant Financial Market Infrastructure (FMI), we are mindful that having a robust and scalable IT system is important and is indeed a lynchpin of our business strategy. To this end, we have continued to deploy innovative technologies to achieve desired results. The Company's achievements in this direction are highlighted below:

#### i. Project Meridian

In 2015, we began work on replacing our core CSD software with a more robust and scalable solution. Project Meridian, as we have termed it, was initiated to modernize our CSD infrastructure and implement a single integrated system for all key business operations at our Company.

Initiating the project involved selecting an appropriate

New Securities	2014	2015
Bonds	11	15
Equities (NSE)	2	1
Equities (NASD)	9	7
Commercial Papers	7	28
ETF (NSE)	3	3
Mutual Funds (NSE)	1	0
<b>Total</b>	<b>33</b>	<b>54</b>

CSD vendor to partner with our Company in delivering the expected solution. Following a rigorous selection exercise, we selected TATA Consultancy Services (TCS); a leading provider of big data solutions as the preferred vendor to deliver and implement their proprietary CSD solution, TCS BaNCS.

We have been through phases of the project which includes Project Initiation, Project Planning, Solution Analysis, Solution Alignment, Integration Testing, UAT, User Trainings and Go-live. The Project initiation phase involved vendor selection, obtaining the National Office for Technology Acquisition and Promotion (NOTAP) certification and Contract Administration; these were all completed successfully. The Planning phase involved the procurement of ancillary devices and overhaul of IT infrastructure to ensure technical readiness. Project initiation and planning were completed in the last quarter of 2015.

The project is currently in the Solution Analysis phase which involves requirement gathering and specification. Solution Alignment will commence immediately after, and will be followed by the other project phases according to the project schedule. The duration for project implementation is 14 months, beginning from the Solution Analysis Phase which commenced in January 2016 to Go-live scheduled for February 2017.

In addition to Project Meridian, we are proud of our

achievements in other areas as enumerated below:

## **ii. Full Dematerialization Of Shares Certificates:**

Full Dematerialization of Shares Certificates: I am pleased to report that we have made significant progress in regard to the objective of ensuring full dematerialization of shares quoted on the NSE. As at year ending 2015, we had received and reconciled a total of 183 Registers out of 190 Registers. This represents 96.3% of the total Registers in the Capital Market. I am optimistic that we should complete the balance of 3.7% by the end of Q2 2016.

## **iii. Direct Cash Settlement System (DCSS):**

In 2015, we introduced the DCSS to the Nigerian Capital Market. The DCSS mechanism ensures that the proceeds of trades executed on the Exchange settles directly into Investors' Bank Account; thereby shortening the waiting time for investors to receive the proceeds of sales of their securities, and also minimising the incidence of unauthorized sales. The implementation of the DCSS process commenced in Q4 2015 and kicked off on January 4, 2016.

## **iv. West African Capital Market Integration Committee:**

The West African Capital Markets Integration Council (WACMIC) has successfully completed the first Phase of its integration programme to promote trade across member countries. The first direct trade recorded was between brokers in two West African countries namely, United Capital Securities (Nigeria) and CAL Brokers (Ghana). The trade was enabled by the NSE and Ghana Stock Exchange (GSE). Several other trades have since taken place in the period under review. CSCS was involved in the clearing and settlement of these trades.

The successful implementation of Phase 1 through the Nigerian Capital Market would allow dealing firms not registered in the Nigerian capital market remote access to the trading facility of the NSE through a local sponsoring Dealing member firm licensed by NSE. We are proud to see our Company being actively involved in WACMIC initiatives.

## **v. ISO 27001:2013 Certification**

During the year under review, we were awarded ISO 27001:2013 Certification on Information Security Management System (ISMS) by the British Standards Institute (BSI) UK. This is the latest version of the standards and the world's most rated controls for Information and Cybersecurity. The accreditation has further validated our unwavering commitment to the tenets of our core value – SECURE.

The process of achieving compliance with ISO 27001:2013 standards was quite engaging. It required that all our people, processes and technologies be benchmarked against the standard's code of practice. With all the functional areas in scope of the project, we have built an improved culture of security, risk management, customer service and effective controls to support business growth.

The successful implementation of the standard provides assurance to our participants that our information security management systems have been established to ensure:

- Confidentiality, integrity and availability of data and information in our custody;
- Information is shared and exchanged in a secure manner;
- Regulatory and legal obligations are met timely, and
- Process for continuous improvement of ISMS is effective

#### **vi. Securities Lending and Borrowing for Custodians:**

In Q4 2015, securities lending and borrowing was introduced to custodians and dealing firms in the capital market and expected to be fully operational in 2016. This service was designed to aid market participants to go short by selling securities that they do not have by lending from a registered Securities Lending Agent (SLA) to cover their short position before settlement date. This offering would not only improve market liquidity but also create more business activity for CSCS and contribute to the Company's revenue.

#### **vii. Strategic Alliance with stakeholders**

The Company has revamped its engagements with regulators, participants/users, partners and law enforcement agencies to enable us address their needs, introduce new products and improve existing ones to increase efficiency in our service delivery.

In October 2015, we were engaged as a member of FMDQ Market Development Workgroup (FMDW) for the implementation of the Nigerian Debt Capital Markets Development (DCMD) projects aimed at stimulating the growth of the Nigerian DCMD and economic development of the nation. The Workgroup is tasked with the following responsibilities:

- To identify and deliberate on the challenges facing the Nigerian Fixed Income and Currency markets (FIC); act as the think-tank driving an all-inclusive approach to the proposed reforms in the FIC markets and articulate the role to be played by various stakeholders;
- To monitor and analyse developments in the financial markets and make recommendations to improve market liquidity and global competitiveness of the markets.

Furthermore, we have embarked on building strategic alliances with STRATE, the South Africa's Central Securities Depository (CSD), Central Depository & Settlement Corporation (CDSC), Kenya, Gambian and Liberian capital markets with a view to improving knowledge exchange between us and these CSDs and also embracing opportunities to extend our business offerings to Markets in need of them.

#### **Viii. Trade Allocation**

In 2015, we introduced Post Trade Allocation (PTA) to the Nigerian capital market, this initiative would significantly reduce trading error by dealing firms/brokers and improve quality of trade execution. We anticipate that this initiative would deepen liquidity, improve trade settlement experience in the market and enable dealing members to buy securities en bloc. Another benefit would be minimizing the amount of time spent on buying securities for separate accounts. This service is available on a web-based platform.

#### **Our People**

Our continued success owes a great deal to the outstanding efforts of an exceptionally talented and endearing workforce. I would like to take this opportunity to thank everyone at CSCS for the skills, passion and commitment they bring to our Company. The range of high-quality growth opportunities in front of us are as strong as they have ever been, while the role we play in creating value for our stakeholders has never been more important. To this end, we seek to continue deploying strategic initiatives that would enhance the well-being of our workforce, to improve their performance and productivity on the job.

## The Board and Our Stakeholders

At this point, I wish to say a big thank you to our Board for their unflagging support of and confidence in the Management of the Company particularly in the course of the year under review. Indeed, we have fostered our business objectives on the backdrop of the ceaseless invaluable inputs made by members of the Board. The strategic insight and forward-looking posture of the board continues to positively impact on our businesses. To our amiable stakeholders, I wish to express our sincere appreciation to you for your helpful interaction that effectively ensures that we remain focused on delivering cutting edge solutions to the needs of the market. Our gratitude goes to our shareholders for reposing trust in our ability to deliver on the ideals of our Company.

On this note, I would like to reaffirm our unflinching commitment to growing our businesses in line with the vision of our Company to be the globally respected and leading Central Securities Depository in Africa while delivering optimum returns on the investments of our shareholders.

Thank you.



**Kygri Bukar**  
MD/CEO

# Corporate Governance Report



*"It is clear that good corporate governance makes good sense. The name of the game for a company in the 21st Century will be conform while it performs."*

**- Mervyn King**

At Central Securities Clearing System Plc. (The Company), we believe that the intrinsic drive of an illustrious company is the creation of value within the confines of defined principles.

The Company continues to pay great attention to its ethos of imbibing good corporate governance standards in all business pursuits. The Securities and Exchange Commission (SEC) Code of Corporate Governance, other internationally accepted standards for corporate governance, as well as the Board Charter and the Company's Articles of Association provide a firm base for proper corporate governance. The Company upholds its philosophy of sustainable business processes and value creation for its shareholders to ensure overall and enduring success in the Company's business.

The Board is responsible for the administration of the Company by ensuring precise adherence to sound corporate governance principles. The Board makes certain that the resources of the Company are adequately harnessed to achieve targeted goals, which in turn guarantee that shareholders receive value for their investment. The Board comprises of 11 Directors which include one Executive Director who is also the Managing Director/Chief Executive Officer. All the Directors on the Board possess the required expertise to supervise the operations of the Company as well as the performance of Management.

There is a Code of Conduct for the Board which sets the standard of business management for the Board. The Chairman of the Board is the Code Administrator for the Board. The position of the Chairman of the Company and that of the Chief Executive Officer are distinct. The Chairman is responsible for ensuring that the Board successfully carries out its supervisory duties.

In addition to providing leadership to the Board, the Chairman ensures that Board members are well equipped with necessary information to enable them carry out their functions effectively. To keep the Board in firm grasp of sound governance principles, the Company has made annual training on corporate governance for Board members a top priority.

## **1.1 Significant Shareholders**

According to the Register of Members, no shareholder other than the under-mentioned held more than 5% of the issued share capital of the Company as at 31st December, 2015.

Shareholder	No. of Shares	% Holding
The Nigerian Stock Exchange	1,362,108,950	27.20
Artemis Limited	458,370,000	9.2
Access Bank Plc.	375,000,000	7.50
Ecobank Plc.	375,000,000	7.50
Sterling Bank Plc.	278,750,000	5.58
United Bank for Africa Plc.	268,500,000	5.37

## 1.2 Cross-Shareholding

The Company is not aware of cross-shareholdings exceeding 5% of the capital or voting rights on both sides.

## 2. Recent Developments

### 2.1 International Standards Organisation Certification (ISO 27001:2013 Certification)

The Board directed that the Company attain this accreditation as one of the ways to further improve its ratings as a Central Securities Depository (CSD). Therefore, in 2015, the Company was awarded the ISO 2007:2013 Certification on Information Security Management System (ISMS) by the British Standard Institute (BSI) UK. This is the latest version of the certification and further bolsters the Company's rating as a CSD.

### 2.2 Project Meridian

Following the Board's vision to align the business with international best practices and provide world class services to its clients, a new CSD platform which would allow for a single integrated system for all key business operations is underway. The project is being executed by TATA Consultancy Services India.

### 2.4 Disaster Recovery and Business Continuity Plan

The Board is continuously addressing the need for a robust recovery plan and has directed Management to run several onsite and offsite tests of Disaster Recovery and Business Continuity which have all been successful.

### 2.5 Organisational Structure

The Board has directed the revision of the organisational structure of the Company in order to align it with the business strategy goals of the Company.

The Board of Directors has nonetheless begun the hiring process for an Executive Director and hopes to complete the process soon.

## **2.6 Compliance with Statutory Reports**

The Board has ensured that all statutory reports for 2015 - Annual Returns, Annual Reports, Half Year Returns and Quarterly Returns were made to the Securities and Exchange Commission (SEC) and Corporate Affairs Commission (CAC) respectively in accordance with stipulated timeline.

## **2.7 Board Performance and Evaluation**

The Board's performance on corporate governance is continually being monitored through an independent annual evaluation of its performance. This evaluation is carried out by an independent consultant approved by the Board. In 2015, JK Randle Professional Services was employed to carry out the Board evaluation. Board members were interviewed and assessed based on requisite skills needed to administer the Company; this evaluation is also in line with the Securities and Exchange Commission's Code of Corporate Governance.

The composition of the Board regarding the ratio of executive directors to non-executive directors, and the constitution of Committees meet the requirements of the SEC Code for Corporate Governance. The skills and experience of the Board members were noted to be adequate for the effective management of the Company.

## **2.8 Appointment, Retirement and Re-election of Directors**

The Board appoints, retires and re-elects directors in line with the Companies and Allied Matters Act LFN 2004. In 2015, the Board appointed Messrs Emeka Madubuike and Ariyo Olushekun to the Board. These appointments were to replace Mr Chidi Agbapu and Alhaji Umaru Kwairanga.

Pursuant to the provisions of the Articles of Association, Mr. Bayo Olugbemi, a non-executive director, Mrs Ifueko Omoigui-Okauru and Mr Sola Adeeyo, who are independent non-executive directors, will retire at this Annual General Meeting and being eligible for election, will submit themselves for re-election. These individuals have demonstrated their commitment as Directors and have added immense value to the Company.



## 2.9 Shareholders Engagement

The Board recognises the importance of ensuring unhindered information to shareholders to enable them make informed decisions. In 2015, the Board created the Stakeholders Committee to better harness the Company's relationship with all stakeholders, including shareholders. An Investor's Forum is also held once a year. It is a convening of all shareholders and members of the Board to facilitate dialogue, create solutions to existing stakeholder issues and enhance the Company's value proposition to its shareholders.

## 3.0 Board Meetings

The Board meets quarterly and may convene emergency meetings as and when required. The Board met 5 (five) times in 2015 and also had a study tour to STRATE South Africa to further expand their knowledge on the workings of a world class Central Securities Depository (CSD). The Board also had a strategy retreat towards the end of the 2015 to discuss strategic issues affecting the Company and its outlook for 2016. The Board operates an electronic portal for the circulation of Board papers, this emphasizes the Board's commitment to cutting costs and embracing environmental sustainability.

## 3.1 Restructuring of the Board Committees

In 2015, the Board restructured the Committees with the merging of the Audit and Risk Committees to become the Risk Committee. The Finance and General Purpose Committee was subsumed into the Corporate Governance and Remuneration Committee while the Stakeholders Committee was created to ensure that more focus is given to the community of CSCS stakeholders and that their requests are better served.

## THE BOARD

The primary function of the Board is to provide effective leadership and direction to improve the ongoing value of the Company. The Board consists of 11 (eleven) members, made up of one executive director and 10 (Ten) non-executive directors, of which 2 (two) are independent directors:



**Oscar N. Onyema OON**  
Chairman

Mr Onyema was appointed Chief Executive Officer of The Exchange and member of the National Council in April 2011. Before this, he gained experience for over twenty (20) years in both the United States financial markets and the Nigerian information technology sector.

In addition to being the Chairman of CSCS, Mr. Onyema is a Council member of the Chartered Institute of Stockbrokers of Nigeria (CIS); President of the African Securities Exchanges Association, and a Global Agenda Council member of the World Economic Forum. Mr. Onyema also serves on the boards of all subsidiaries of The Exchange, National Pension Commission of Nigeria, and FMDQ OTC PLC.

He served as the Senior Vice President and Chief Administrative Officer at NYSE MKT LLC formerly known as American Stock Exchange (AMEX), which he joined in 2001. He was the first person of colour to hold that position, and was instrumental in integrating the AMEX equity business into the New York Stock Exchange (NYSE) Euronext equity business after the latter's acquisition of AMEX in 2008. He then managed the NYSE AMEX equity trading business, which he helped position as a premier market for small and mid-cap securities.

Mr Onyema's laudable achievements since helming the affairs of The NSE have received local and international recognitions. He was named by Forbes magazine as one of the Top 10 Most Powerful Men in Africa 2015, and by Abuja Chambers of Commerce as the Most Innovative CEO of the Year 2014. He also received a Special Commendation Award from the US Georgia Legislative Black Caucus. In 2014, The Federal Government of Nigerian bestowed on him the national honour of Officer of the Order of the Niger (OON) in recognition of his contributions to economic development, the transformation of The Nigerian Stock Exchange and the Nigerian capital market.

Mr Onyema is an alumnus of Harvard Business School having completed its Advanced Management Program. He has an MBA from Baruch College, New York and BSc from Obafemi Awolowo University, Ile-Ife.



**Mr Kyari Bukar**  
MD/CEO

Prior to joining CSCS, Mr. Bukar was the MD/CEO of Valucard Nigeria Ltd (now Unified Payments Ltd.) where he was instrumental in turning around the Company from a loss-making entity to what could aptly be termed as a highly profitable entity before his exit. While there, he successfully introduced Visa cards into the Nigerian Payments system.

With proven versatility and proficiency in Information Technology (IT) systems, Mr. Bukar previously spent 14 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 management 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.

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

Presently, Mr. Bukar is the Chairman of the Nigerian Economic Summit (NESG). He sits on the Board of Credit Registry Services Plc. and is a member of the Board of Trustees of the Investors Protection Fund of the NSE. He was a member of the Nigerian National Conference of 2014 where he represented the organized Private Sector Group (NESG).



**Bayo Olugbemi**  
Non-Executive Director

Mr. Bayo Olugbemi is currently the Managing Director and Chief Executive Officer of First Registrars Limited. Mr. Olugbemi has extensive experience in the areas of Investment Banking and Portfolio Management.

Mr Olugbemi 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 others.

Mr. Olugbemi is a fellow of many professional bodies such as: The Chartered Institute of Bankers of Nigeria (CIBN), Institute of Capital Market Registrars (ICMR), National Institute of Marketing of Nigeria (CIMN), and Nigerian Institute of Management (Chartered) (NIM). Certified Institute of Pensions of Nigeria (CIPN), Institute of Directors (IOD), Chartered Institute of Taxation of Nigeria (CITN). He is also a member of Chartered Institute of Stockbrokers (CIS) and Certified Institute of Investment Analysts (CIIA).

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



**Mr. Sola Adeeyo**  
Non-executive Director  
(Independent)

Mr. Sola Adeeyo is the Chairman/CEO Astral Waters Limited. Astral waters produce bottled process water in large 20 litre bottles for sale along with 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 Oakwood Park Hotel, Lekki/Epe Way; a 65 room 4 Star international hotel brand managed by Protea Hotel Group of South Africa. In 1991, Mr. Adeeyo founded Asset & Investment Limited, a financial services company whose activities included trade finance and marketing consultancy for major international companies in the petroleum, construction industries and banks. The Company 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 to 1991, Mr. Adeeyo was Director/Group Head Treasury of Investment Banking & Trust Company (IBTC) Limited. He was part of the founding management/owner group that nurtured the bank from inception in 1989.



**Mrs Ifueko M. Omoigui Okauru, MFR, MON**  
Non-Executive Director  
(Independent)

Mrs Ifueko Marina 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 a member of the Board of Trustees of DAGOMO Foundation Nigeria (Limited by Guarantee) - a family based Non-Governmental Organization geared towards community development.

She is a Non-Executive Director of Nigerian Breweries Plc. and an Independent Director of Seplat Petroleum Development Company Plc. In January 2016, the Lagos State Governor appointed her as Chairman Board of Trustees, Employment Trust Fund, designed to address the unemployment challenges of the State.

Prior to this, she was Chairperson, Tax Reform Committee Kaduna State in June/July 2015 and Independent Director of Diamond Bank Plc. from October 2012 to October 2015.

From May 2004 to April 2012, she 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. She was also a part-time member of the United Nations (UN) Committee of Experts on International Cooperation in Tax Matters from August 2009 to July 2013.

From July 1996 to April 2004, she was the Chief Responsibility Officer of ReStraL Ltd. (a leadership and management services organisation) and from 1983 to March 1996, she worked across the broad spectrum of Audit, Tax and Consulting services in the firm of Arthur Andersen & Co. (now split into two firms – KPMG Professional Services and Accenture). She became partner and head of the firm's successful strategy consulting practice before her exit in 1996.

She holds a BSC in Accounting from the University of Lagos and a Masters degree in Management Science from Imperial College, University of London. She also holds a Masters degree in Public Administration, Harvard University.

She is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and a Fellow of the Chartered Institute of Taxation of Nigeria (CITN).



**Mr Haruna Jalo-Waziri**  
Non-Executive Director

Mr. Haruna Jalo-Waziri is an Executive Director, Capital Markets at The Nigerian Stock Exchange. He possesses a highly relevant and astounding career profile spanning over twenty years in the capital market; he has earned a profound understanding of the various sectors and diverse fields.

Mr. Jalo-Waziri's experience in the capital market covers regulation, deal origination, execution as well as investment management. He started his career at the Nigerian Stock Exchange and then moved to the Securities and Exchange Commission. He worked with Afrinvest West Africa (formerly SECTRUST) for four years and later left for Kakawa Discount House Limited to start the Asset Management department which he later transformed to a full-fledged company; Kakawa Asset Management Limited.

Mr. Jalo-Waziri joined the services of First Alliance Pension & Benefits Limited in partnership with Mcube South Africa. He subsequently joined the services of United Bank for Africa as MD/CEO of UBA Stockbrokers Limited and later became the MD/CEO of UBA Asset Management Limited.

Mr Jalo-Waziri holds an MBA (Management) from Ahmadu Bello University and is an alumni of the Lagos Business School (LBS), Venture Capital Institute of America and the University of Maiduguri (UniMaid).



**Kennedy Uzoka**  
Non-Executive Director

Mr Kennedy Uzoka is Managing Director/CEO Africa at UBA Plc. A multiple awards winner, Mr. Uzoka has over 2 decades experience covering core banking, corporate marketing, strategic business advisory services and resources management.

Mr Uzoka currently serves as CEO UBA Africa managing the Group's country subsidiaries across 18 countries in Africa. In addition to UBA Africa, he also supervises 3 key strategic support areas in Digital Banking, Information Technology and Personal Banking.

Prior to his appointment as CEO UBA Africa, Mr Uzoka supervised the Bank's businesses in New York and London as Deputy Managing Director, Resources. In this role, he had responsibility for key Strategic Support Groups such as HR, Legal Advisory Services, Procurement & Vendor Management, Corporate Relations & Marketing amongst others.

He was at one time, Head Strategy & Business Transformation of UBA Plc. and Regional Bank Head, South Bank. Before the merger of legacy Standard Trust Bank(STB) and United Bank for Africa(UBA), he was Regional Director-South East, Nigeria; Vice President-Northern Nigeria, Chief Marketing Officer— Federal Capital Territory (FCT) Nigeria; Chief Marketing Officer, Lagos Nigeria and later, Managing Executive Officer at STB.

He is an alumnus of Harvard Business School in Boston USA, the International Institute of Management Development (IMD) in Lausanne, Switzerland and the London Business School, United Kingdom.



**Mr Obinna Nwosu**  
Non-Executive Director

Mr. Nwosu was appointed to the Board of CSCS in February 2014. He started his career with Guaranty Trust Bank in 1994 where he spent over 8 years before joining Access Bank in 2002. He has garnered over 20 years banking experience cutting across Transaction Services, Retail and Commercial Banking. He is the Group Deputy Managing Director/Chief Operating Officer of Access Bank Plc.

He holds a Master's degree in Public Administration from Columbia University in The City of New York, Master's Degree in Business Administration as well as a Second Class Upper Degree in Accounting from University of Nigeria, Nsukka. He has attended several Executive and Leadership Development Programs in leading institutions across the globe. He serves on the board of the 6 Access Bank subsidiaries in Africa and Access Bank (UK) Limited.



**Mr Omokayode Lawal**  
Non-executive Director

Mr. Omokayode Lawal started his career with former Nigbel Merchant Bank (NBM) Limited where he worked from 1987 till 2005. During this period, he excelled in various marketing roles and was subsequently appointed as the bank's Treasurer. Following the consolidation exercise and the emergence of Sterling Bank in 2006, he was again assigned to Marketing, to head various regions in Lagos, a testament to the confidence placed in his abilities in the field. Mr. Omokayode Lawal is an Executive Director at Sterling Bank Plc.

He is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and has professional qualifications from the Chartered Institute of Taxation of Nigeria (CITN) and Chartered Institute of Bankers of Nigeria (CIBN). He is also an alumnus of the Lagos Business School, Columbia University Graduate School of Business and University of Oxford.





**Ariyo Olushekun**  
Non-Executive Director

Mr Ariyo Olushekun is the MD/CEO of Capital Assets Management Limited. He is a fellow of both the Institute of Chartered Accountants (ICAN) and the Chartered Institute of Stockbrokers (CIS). He is also a Member of the Institute of Directors, the Chartered Institute of Taxation, Institute of Public Accountants, Australia and The Nigerian Institute of Management. He is an Authorized Dealing Clerk of The Nigerian Stock Exchange and is duly registered by the Securities & Exchange Commission. He holds an MBA (Marketing) from the University of Lagos as well as HND (Upper Credit) in Accountancy from Yaba College of Technology. He is also an Alumnus of the Advance Management Program (AMP) of IESE Business School, Barcelona, Spain.

Mr. Olushekun has over 27 years' experience of active participation in various aspects of Investment Banking eleven out of which were spent at Centre-Point Merchant Bank Plc. He left Centre-Point in 1998 to establish and manage Capital Assets Limited, a leading Investment Banking outfit in Nigeria. Mr. Olushekun is the Immediate Past President and Chairman of the Governing Council of the Chartered Institute of Stockbrokers. He has served on the National Council of The Nigerian Stock Exchange. He is also a former Director of NSE Consult Limited, a subsidiary of The Nigerian Stock Exchange. He is currently serving on the Board of NASD PLC. He was a member of the Business Support Group of The Nigerian Vision 2020. He also served on the Capital Market Resuscitation Committee set up by the Federal Government of Nigeria as well as the Capital Market Master Plan Committee of the Securities & Exchange Commission.



**Emeka Madubuike**  
Non-Executive Director

Mr. Emeka Madubuike is a fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and the Chartered Institute of Stockbrokers of Nigeria (CIS). He is also an authorized dealing clerk of the Nigerian Stock Exchange and a member of the Chartered Institute of Taxation (CIT). He holds a BSc (Hons) in Agricultural Economics from the University of Nigeria, Nsukka.

Mr. Madubuike has garnered over 25 years of experience in the Capital and Money markets which began at CSL Stockbrokers Limited. In 2007, he left International Standard Securities Limited to establish and manage Compass Investments and Securities Limited.

Mr. Madubuike is the current Chairman of the Association of Stockbroking Houses of Nigeria (ASHON) and a member of the Council of the CIS. He was a member of the National Council of The Nigeria Stock Exchange as well as a former Director of NSE Consult Limited – a subsidiary of The Nigerian Stock Exchange. He also served as Chairman of the Investigation Panel of The Nigerian Stock Exchange.

Mr. Madubuike has been a member of committees set up by the Securities and Exchange Commission (SEC) and is currently the Vice Chairman of Annual Capital Market Retreat Committee of the Capital Market Committee. He also served on the Ministerial Committee for the Resuscitation of the Capital Market set up by the Minister of Finance.

The Board met 5 times in 2015. The record of attendance is provided below:

<b>Names</b>	<b>11 Feb. '15</b>	<b>8 Jun. '15</b>	<b>16 Oct. '15</b>	<b>8 Nov. '15</b>	<b>3 Dec. '15</b>
Oscar N. Onyema	✓	✓	✓	✓	✓
Kyari Bukar	✓	✓	✓	✓	✓
Emeka Madubuike	N/A	✓	✓	✓	✓
Haruna Jalo-Waziri	✓	✓	✓	✓	✓
Obinna Nwosu	✓	✓	✓	✓	✓
Ariyo Olushekun	N/A	✓	✓	✓	✓
Kennedy Uzoka	✓	✓	A	A	A
'Bayo Olugbemi	✓	✓	✓	A	✓
Ifueko Omoigui Okauru	✓	✓	A	✓	✓
'Sola Adeeyo	✓	✓	✓	✓	✓
Omokayode Lawal	✓	✓	✓	✓	A
Chidi Agbapu	✓	R	R	R	R
Umaru Kwairanga	✓	R	R	R	R

\*N/A: Not yet appointed

\*R: Retired

\*A: Absent

# Governance Structure

## BOARD COMMITTEES

The Board carries out its oversight functions through the Board Committees. Every Committee has a charter which clearly defines its composition, duties, structure and reporting lines. In 2015, the Board restructured and merged some Committees – The Finance and General Purpose Committee was subsumed into the Corporate Governance and Remuneration Committee on 20 August 2015, while the Audit and Risk Committee was merged to become the Risk Committee. Likewise, the Stakeholders Relationship Committee was created to build a better relationship between the Company and its stakeholders.

### Finance and General Purpose Committee

The purpose of the Committee was to assist the Board in fulfilling its oversight function in relation to the integrity and accuracy of the Company's financial statements and financial reporting process.

The Committee was responsible for consideration of the Annual Budget and Accounts of the Company. It reviewed and approved long term investment proposals of the Company. The Committee reviewed the Company's annual audit report and annual financial statements with the Management of the Company.

The Committee alongside the Chief Financial Officer (CFO) reviewed the financial reporting practices of the Company to ensure that proper accounting policies were applied. The Committee would further meet with the CFO and Chief Internal Auditor to discuss the adequacy and effectiveness of the Company's accounting controls. The Committee members comprised the following directors:

This Committee is chaired by Alhaji Umaru Kwairanga<sup>4</sup>

Name	Meetings Held	Meetings Attended
Alhaji Umaru Kwairanga*	2	2
Mr Chidi Agbapu*	2	2
Mr Obinna Nwosu	2	1

\*Retired from the Board June 2015

1. The Finance and General Purpose Committee had its last meeting on 5 May 2015 and so attendance to this committee meeting will be recognized and set out in this Annual Report.

2. The last Audit and Risk Committee meeting held on 5 August 2015 and so attendance to this committee meeting will be recognized and set out in this Annual Report.

3. The first Stakeholders Committee meeting held on 10 October 2015

4. Until his retirement in June 2015, Alhaji Kwairanga was the chairman of the Finance and General Purpose Committee after which it was merged with the Corporate Governance and Remuneration Committee.

## Corporate Governance and Remuneration Committee

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibility relating to the general affairs of the Board. The Committee is responsible for setting the criteria for Board and Board Committee membership, reviewing candidates' qualification and establishing whether conflicts of interest exist. The Committee prepares the job specification for the Chairman's position and assesses the time commitment required for the candidate.

The Committee on a regular basis evaluates the skills, knowledge and experience required on the Board and makes recommendations on experience required by the Board Committee members. Other key functions of the Committee include the recommendation on the compensation structure and remuneration for Executive Directors and the determination and assessment of Key Performance Indicators (KPIs) for the Executive Directors.

The Committee ensures that the Board conducts a Board evaluation on annual basis. The Committee is responsible for the assessment of the Company's organizational structure. The Committee periodically evaluates the Board Charter and composition of the Board Committees and makes recommendation where necessary. The Committee members comprise the following directors.

Since it subsumed the Finance and General Purpose Committee, its purpose also includes assisting the Board in fulfilling its oversight function in relation to the integrity and accuracy of the Company's financial statements and financial reporting process.

This Committee will also be responsible for the consideration of the Annual Budget and Accounts of the Company. It reviews and approves long term investment proposals of the Company.

Mr. Sola Adeeyo is the Chairperson of this committee.

Name	Meetings Held	Meetings Attended
Mr. Sola Adeeyo	6	5
Mr. Bayo Olugbemi*	6	2
Mrs. Ifueko Omoigui Okauru	6	6
Mr. Haruna Jalo-Waziri	6	6
Mr. Obinna Nwosu**	6	1
Mr. Kayode Lawal**	6	1
Mr. Emeka Madubuike***	6	4

\*Ceased to be a member of the Corporate Governance Committee in 2 September 2015 and was appointed to the Risk Committee.

\*\*These Directors were appointed to the Committee on 2 September 2015.

\*\*\*Appointment to the Board was ratified on 9 June 2015.

## Technical Committee

The purpose of the Committee is to assist 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 Committee provides guidance to Management on its innovation and technology strategy, identifying perceived strengths, weaknesses and potential alternatives for consideration. The Committee provides direction on the Company's technology planning processes to support the Company's growth objectives. The Committee provides guidance on the Company's technological infrastructure, including the effectiveness of its technology efforts and investments in developing new products and businesses.

The Committee evaluates the Company's over-all intellectual property (including patent) strategy on a periodic basis. The Committee members comprise the following directors:

Mr. Haruna Jalo-Waziri is the chairperson of this committee.

Name	Meetings Held	Meetings Attended
Mr. Haruna Jalo-Waziri	4	4
Mr. Bayo Olugbemi	4	3
Mr. Kennedy Uzoka	4	2
Mr. Sola Adeeyo	4	4
Mr. Emeka Madubuike**	4	2
Mr. Chidi Agbapu*	4	2

\*Chidi Agbapu retired from the Board on in June 2015

\*\*Emeka Madubuike's appointment was ratified on 9 June 2015

## The Audit & Risk Committee<sup>5</sup>

The 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 Committee reviews the Company's enterprise risk framework and policies for identifying, monitoring and managing significant business risks across the Company and considers whether the enterprise risk framework and internal controls effectively identify areas of potential, material risk.

5. This Committee was merged to create the Risk Committee

The Committee reviews the effectiveness of the Company's internal control system recognizing those matters in respect of which the Board relies on to provide oversight. The Committee evaluates and approves the annual audit plans and activities for the Internal Audit function. The Committee reviews significant findings and recommendations on internal control. The Committee members comprise of the following directors:

Mrs. Ifueko Omoigui Okauru is the chairperson of this committee.

Name	Meetings Held	Meetings Attended
Mrs. Ifueko Omoigui Okauru	1	1
Mr. Haruna Jalo-Waziri	1	1
Mr. Ariyo Olushekun	1	-
Mr. Obinna Nwosu	1	-
Mr. Kennedy Uzoka	1	1
Alhaji Umaru Kwairanga*	1	-

\*Retired from the Board 8 June 2015

### The Risk Committee<sup>6</sup>

This Committee is tasked with the responsibility of setting and reviewing the Bank's risk policies. The coverage of supervision includes the following: credit risk, reputation risk, operations risk, technology risk, market and rate risks, liquidity risk and other pervasive risks as may be posed by events in the industry at any point in time.

Mrs Ifueko Omoigui-Okauru is the Chairperson of this committee.

Name	Meetings Held	Meetings Attended
Mrs. Ifueko Omoigui Okauru	1	1
Mr. Kayode Lawal	1	-
Mr. Bayo Olugbemi	1	-
Mr. Obinna Nwosu	1	-
Mr. Kennedy Uzoka	1	-
Mr. Ariyo Olushekun	1	1

6. The Risk Committee was created by the Board in September 2015

### The Stakeholders Relationship Committee<sup>7</sup>

This Committee has been assigned the responsibility of interfacing with the Company's investors and resolving grievances of its stakeholders. The Committee will also monitor and review the performance and service standards of the Company and provide continuous guidance to improve existing service levels.

Mr. Obinna Nwosu is the chairperson of this committee.

Name	Meetings Held	Meetings Attended
Mr. Obinna Nwosu	1	1
Mr. Ariyo Olushekun	1	1
Mr. Haruna Jalo-Waziri	1	-
Mr. Bayo Olugbemi	1	1
Mr. Kayode Lawal	1	1

### STATUTORY AUDIT COMMITTEE

The Statutory Audit Committee was set up in accordance with the provisions of the Companies and Allied Matters Act, CAP 20, 2004. The Committee is responsible for the selection and appointment of the External Auditors as well as for the approval of their terms of engagement and fees.

The Committee is made up of Non-Executive Directors and ordinary shareholders of the Company. The Non-Executive Directors who serve on the Committee are determined by the Board. Shareholders elect their representatives at the Annual General Meeting (AGM). Any member may nominate a shareholder as a member of the Committee by giving notice in writing of such nomination to the Company Secretary at least 21 (twenty-one) days before the AGM. The Members of the Statutory Audit Committee in 2015 are as follows:

Dr. Umar Faruk	Shareholder
Mr. Yomi Adeyemi	Shareholder
Mr. Olanipekun Osinowo	Shareholder
Mrs. Ifueko Omoigui Okauru	Non-Executive Director
Mr. Bayo Olugbemi	Non-Executive Director
Mr. Chidi Agbapu	Non-Executive Director

7. The Stakeholders Relationship committee was created by the board in September 2015



Name	Meetings Held	Meetings Attended
Dr Umar Faruk	4	4
Mr. Yomi Adeyemi	4	4
Mr. Olanipekun Osinowo	4	4
Mrs. Ifueko Omoigui Okauru	4	2
Mr. Kennedy Uzoka**	4	-
Mr. Ariyo Olushekun**	4	-
Mr. Chidi Agbapu*	4	2

\*Mr. Chidi Agbapu retired from the Board on 9 June 2015

\*\*Mr. Kennedy Uzoka and Mr. Ariyo Olushekun were appointed to the Committee on 2 September 2015.

The Committee had held its meetings for the year by then.

Dr. Umar Faruk is the chairman of this Committee.

# Audit Committee Report

## TO MEMBERS OF CENTRAL SECURITIES CLEARING SYSTEM PLC

In line with the provisions of Section 359(6) of the Companies and Allied Matters Act CAP 20 Laws of the Federation of Nigeria 2004, we the Audit Committee hereby state as follows:

- That we have reviewed the audit plan and scope, and the Management letter on the audit of accounts of the Company.
- That the audit plan and scope for the period ended December 31, 2015 are adequate in our opinion.
- That the accounting and reporting policies of the Company are in compliance with legal requirements and ethical practices.
- That the Internal Control and Internal Audit functions were operating effectively.

Dated 24 February, 2016



**Dr. Umar Faruk**

Chairman, Audit Committee

## MEMBERS OF THE COMMITTEE

1. Dr. Umar Faruk
2. Mr. Yomi Adeyemi
3. Mr. Olanipekun Osinowo
4. Mrs. Ifueko Omoigui Okauru
5. Mr. Ariyo Olushekun
6. Mr. Kennedy Uzoka

**REPORT OF THE EXTERNAL CONSULTANTS ON THE APPRAISAL OF THE BOARD OF DIRECTORS OF  
CENTRAL SECURITIES CLEARING SYSTEM PLC  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2014**

The Board of Directors of Central Securities Clearing System Plc. (CSCS) renewed its mandate to J. K. Randle International to conduct the evaluation of its Board of Directors for the year ended 31<sup>st</sup> December, 2014 in accordance with the provisions of the Securities & Exchange Commission's Code of Corporate Governance (SEC Code).

The Board of CSCS was composed of eleven Directors as at the year ended 31<sup>st</sup> December 2014. This is made up of one Executive Director who is also the Managing Director/Chief Executive Officer and ten Non-Executive Directors. During the year, the Board initiated a process for appointing an additional Executive Director. Members of the Board possess the requisite backgrounds to supervise the operations of the Company as well as the performance of Management. The composition of the Board conformed with the provisions of the SEC Code in respect of number of executive directors as a ratio to non-executive directors. The number of committees conformed with the minimum required by the SEC Code.

The skills mix, experience base, and diversity were adequate for the effective performance of the Board's functions. We noted in particular, that the Board continued to review the performance of Management in line with the Company's five-year strategy during the year. There were indications that the Company's Strategy would be reviewed in line with emerging realities in order to ensure that the Company remains on course for the achievement of its long term strategic objectives.

We observed that the operations of the Board met the requirements of Best Practice and the SEC Code. The Board held four meetings, and the level of attendance was satisfactory. Accordingly, frequency of Board meetings met the minimum requirement of the SEC Code. The conduct of the meetings followed conventional procedures in a conducive atmosphere where all members expressed their views freely. The agenda of the Board consisted of relevant strategic issues in order to achieve a critical evaluation of the unfolding scenarios within the Company. The activities of the Board were well documented in its minutes book.

The Board performed all the functions that fell within the purview of its oversight responsibilities which arose during the period under review among which was sustaining the governance structures of the Company, particularly by restructuring the Board Committees with a view to addressing identified overlaps in the functions of the Committees, separating the internal audit functions from those of internal control functions as well as monitoring the implementation of the Company's risk management framework. The Board also performed other statutory responsibilities including rendering the accounts of the operations and activities of the Company to the shareholders. Its major decisions during the year ended 31<sup>st</sup> December, 2014 did not violate any principle of good corporate governance or the SEC Code in any material manner. To a large extent, the Board has implemented the recommendations of the last appraisal report. The performance of the Board is adjudged to be satisfactory.

At the conclusion of the exercise, we recommended that the Board of Directors of Central Securities Clearing System Plc. should address the issues highlighted in respect of Committee Structure and Effectiveness, Corporate Structure, Directors' Remuneration, Strategy, Risk Management, and the Trade Guaranty Fund.

  
**Bashorun J. K. Randle, FCA; OFR**  
Chairman/Chief Executive  
FRC/2013/ICAN/00000002703  
Dated 1<sup>st</sup> December, 2015

# Directors' Report

## for the year ended 31 December 2015

The directors present their report on the affairs of Central Securities Clearing System Plc ("the Company" or "CSCS"), together with the financial statements and auditor's report for the year end 31 December 2015.

### Legal form

The Company was incorporated in 29 July 1992 as a Private Limited Liability Company and effectively commenced business operations on 14 April 1997. The Company transmuted to a Public Company following the resolution of its shareholders at its Annual General Meeting of 16 May 2012.

### Principal activity and business review

The Central Securities Clearing System Plc is a Financial Market Infrastructure (FMI) that undertakes the business of depository, clearing and settling of securities traded in the Nigerian Capital Market. The Company was licensed by the Securities and Exchange Commission and operates a computerized depository, clearing, settlement and delivery system for transactions in shares listed on The Nigerian Stock Exchange. Presently, CSCS also provides clearing and settlement services in regard to equities and other securities types including commercial papers traded on other recognized Exchange Platforms in the Nigerian Capital Market. The Company also acts as a depository for Federal Government of Nigeria (FGN) Bonds, Municipal and Corporate Debt instruments. An all inclusive evaluation of the Company's business during the year and its future outlook for the ensuing year is provided in the Managing Director/CEO's report.

### Operating results

Highlights of the Company's operating results for the year are as follows:

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Total operating income	7,601,777	8,241,938
Profit before tax	5,015,717	5,759,951
Income tax charge	(555,417)	(1,137,906)
<b>Profit for the year</b>	<b>4,460,300</b>	<b>4,622,045</b>
Other comprehensive income, net of income tax	126,862	-
<b>Total comprehensive income</b>	<b>4,587,162</b>	<b>4,622,045</b>
Basic and diluted earnings per share (kobo)	89k	92k

## Ownership structure

The issued and fully paid-up share capital of the Company was 5,000,000,000 ordinary shares of N1 each as at 31 December 2015 (31 December 2014: 5,000,000,000 ordinary shares of N1 each). The shareholding structure as at the reporting date are as shown below:

Shareholders	31 Dec. 2015		31 Dec. 2014	
	No. of Shares	Shareholding Percentage	No. of Shares	Shareholding Percentage
The Nigerian Stock Exchange	1,362,108,950	27.2%	1,362,108,950	27.2%
Artemis Limited	458,370,000	9.2%	-	-
Access Bank Plc	375,000,000	7.5%	375,000,000	7.5%
Ecobank Plc	375,000,000	7.5%	375,000,000	7.5%
Sterling Bank Plc	278,750,000	5.6%	278,750,000	5.6%
United Bank for Africa Plc	268,500,000	5.4%	268,500,000	5.4%
Others with shareholdings less than 5%	1,882,271,050	37.6%	2,340,641,050	46.8%
	<b>5,000,000,000</b>	<b>100%</b>	<b>5,000,000,000</b>	<b>100%</b>

## Directors and their interests

The following directors of the Company held office during the year and represented the Company's shareholders. The directors have direct and indirect interests in the issued share capital of the Company as recorded in the register of directors' shareholding as noted below:

Shareholders	31 Dec. 2015			31 Dec. 2014		
	Direct	Indirect	Total	Direct	Indirect	Total
Mr. Oscar Onyema	500,000	-	500,000	500,000	-	500,000
Mr. Kyari Bukar	5,822,362	-	5,822,362	7,422,362	-	7,422,362
Mr. Chidi Agbapu***	7,000,000	700,000	7,700,000	5,000,000	700,000	5,700,000
Mr. Umaru Kwairanga***	1,000,000	-	1,000,000	1,000,000	3,000,000	4,000,000
Mr. Bayo Olugbemi	-	500,000	500,000	-	500,000	500,000
Mr. Herbert Wigwe**	-	-	-	-	5,000,000	5,000,000
Mr. Emmanuel Nnorom**	-	-	-	-	3,000,000	3,000,000
Mr. Abubakar Sule**	-	-	-	2,000,000	-	2,000,000
Mr. Sola Adeeyo	-	-	-	-	-	-
Mrs. Ifueko M. Omoigui Okauru	-	-	-	-	-	-
Mr. Haruna Jalo-Waziri	-	-	-	-	-	-
Mr. Obinna Nwosu	-	-	-	-	-	-
Mr. Kennedy Uzoka	-	-	-	-	-	-
Mr. Omokayode M. Lawal	-	-	-	-	-	-
Mr. Emeka Madubuike*	-	-	-	-	-	-
Mr. Ariyo Olushekun*	-	-	-	-	-	-

\* Emeka Madubuike and Ariyo Olushekun were appointed to the Board with effect from 27 May, 2015.

\*\* Herbert Wigwe, Emmanuel Nnorom and Abubakar Sule resigned from the Board with effect from 29 January, 2014, 6 January, 2014 and 10 March, 2014 respectively.

\*\*\* Chidi Agbapu and Umaru Kwairanga retired from the Board with effect from 9 June, 2015.

### Directors' interests in contracts

Mr.Sola Adeeyo is a director of the Mansard HMO, whose services are retained by CSCS

Except as disclosed above, no other director has notified the Company, for the purposes of Section 277 of the Companies and Allied Matters Act of Nigeria, of any interest in contracts during the year.

### Analysis of shareholding

The shareholding pattern of the Company as at 31 December 2015 was as stated below:

Share range	No of shareholders	Percentage of shareholders	No of holdings	Percentage holdings
1 - 1,000	17	3.2%	8,641	0.00%
1,001 – 5,000	12	2.2%	41,345	0.00%
5,001 – 10,000	19	3.6%	158,798	0.00%
10,001 – 50,000	157	29.6%	4,381,556	0.09%
50,001 – 100,000	36	6.8%	2,746,867	0.05%
100,001 – 500,000	84	15.8%	29,145,430	0.50%
500,001 – 1,000,000	35	6.6%	29,539,000	0.59%
Above 1,000,000	171	32.2%	4,933,978,363	98.68%
	<b>531</b>	<b>100%</b>	<b>5,000,000,000</b>	<b>100%</b>

The shareholding pattern of the Company as at 31 December 2014 was as stated below:

Share range	No of shareholders	Percentage of shareholders	No of holdings	Percentage holdings
1 - 1,000	-	0.0%	-	0.0%
1,001 – 5,000	2	0.4%	4,662	0.0%
5,001 – 10,000	16	3.3%	133,153	0.0%
10,001 – 50,000	156	32.3%	4,289,230	0.09%
50,001 – 100,000	33	6.8%	2,542,193	0.05%
100,001 – 500,000	80	16.5%	28,229,268	0.6%
500,001 – 1,000,000	30	6.2%	25,420,000	0.5%
Above 1,000,000	167	34.5%	4,939,381,494	98.7%
	<b>484</b>	<b>100%</b>	<b>5,000,000,000</b>	<b>100%</b>

### Substantial interest in shares

According to the register of members at 31 December, 2015, no shareholder held more than 5% of the issued share capital of the Company except the following:

Shareholders	31 Dec. 2015		31 Dec. 2014	
	Number of shares held	% of shareholding	Number of shares held	% of shareholding
The Nigerian Stock Exchange	1,362,108,950	27.2%	1,362,108,950	27.2%
Artemis Limited	458,370,000	9.2%	-	-
Access Bank Plc	375,000,000	7.5%	375,000,000	7.5%
Ecobank Plc	375,000,000	7.5%	375,000,000	7.5%
Sterling Bank Plc	278,750,000	5.6%	278,750,000	5.6%
United Bank for Africa Plc	268,500,000	5.4%	268,500,000	5.4%

### Donations and charitable gifts

The Company made contributions and donations to non-political organisations amounting to N60.316 million (December 2014: N28.204 million) during the year. Major beneficiaries include, the Chartered Institute of Stock Brokers; National Pension Commission and Nigerian Economic Summit Group among others.

### Property and equipment

Information relating to property and equipment is given in Note 15 to the annual financial statements. In the opinion of the directors, the net realisable value of the property and equipment is not less than the value shown in the annual financial statements.

### Dividend

The Directors have proposed a dividend of 26 kobo per share amounting to N1,300,000,000 to shareholders upon approval at the Annual General Meeting. The proposed dividend if approved shall be subject to withholding tax and shall be paid to shareholders whose names appear on the Company's Register of shareholders at the close of business on 4 May 2016.



## Human resources

### (i) **Employment, employee training and development**

Employment at CSCS follows a very thorough process that focuses on merit. The Company ensures that the most qualified persons are recruited for appropriate levels regardless of their state of ethnicity, religion or physical condition. Training and development of staff is an uncompromised strategy of the Company towards ensuring that staff are properly skilled and re-skilled to undertake their respective assignments. In the year under review, the Company conducted training and development courses for all staff members; out of which 103 employees were trained locally while 13 were trained outside the country.

### (ii) **Health, safety and welfare of employees**

The Company takes the health, safety and welfare of its employees very seriously, with a strong conviction that a healthy workforce will always be highly productive and will deliver superior performances at all times. Consequently, top health care providers have been carefully selected under a managed care scheme to look after the health care needs of employees and their dependents.

## Auditors

The auditors, KPMG Professional Services, was appointed auditors during the year and have indicated their willingness to assume office as auditors. In accordance with section 357(2) of the Companies and Allied Matters Act, 1990, a resolution was passed at the Annual General Meeting to authorise the directors to determine their remuneration.

BY ORDER OF THE BOARD



**Charles Ojo**

Company Secretary

Central Securities Clearing System Plc

FRC/2014/NBA.00000006051

25 February 2016

## Statement of Directors' Responsibilities in relation to the financial statements for the year end 31 December 2015

The directors accept responsibility for the preparation of the financial statements as set out on pages 8 to 45 that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) 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 is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The directors have made 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:



Chairman

**Oscar N Onyema OON**

FRC/2013/IODN/00000001802

25 February 2016



Managing Director/CEO

**Kyari Abba Bukar**

FRC/2013/IODN/00000002050

25 February 2016

# Strategy Report

## Business overview

Over the last 19 years, CSCS has successfully transformed itself from a traditional manually operating Central Securities Depository (CSD) to an expanded technology driven business with interests in other areas to shore up its earnings and compete favourably in the West Africa sub-region and Africa at large. Given the degree of change in the clearing and settlement industry in Africa during this period, success of this transformation is determined by the continuous review and evaluation of our strategic goals, thereby injecting dynamism into our strategy to enable us take advantage of opportunities as they emerge.

However, we believe that a significant and exciting opportunity for the company to accelerate growth and returns for shareholders lies in truly focussing on our core competencies and other ancillary business activities. To achieve this, we needed to develop a clear and compelling strategy in which all our stakeholders, particularly shareholders and employees, could believe and to which they could contribute.

## Development of CSCS Strategic Objectives

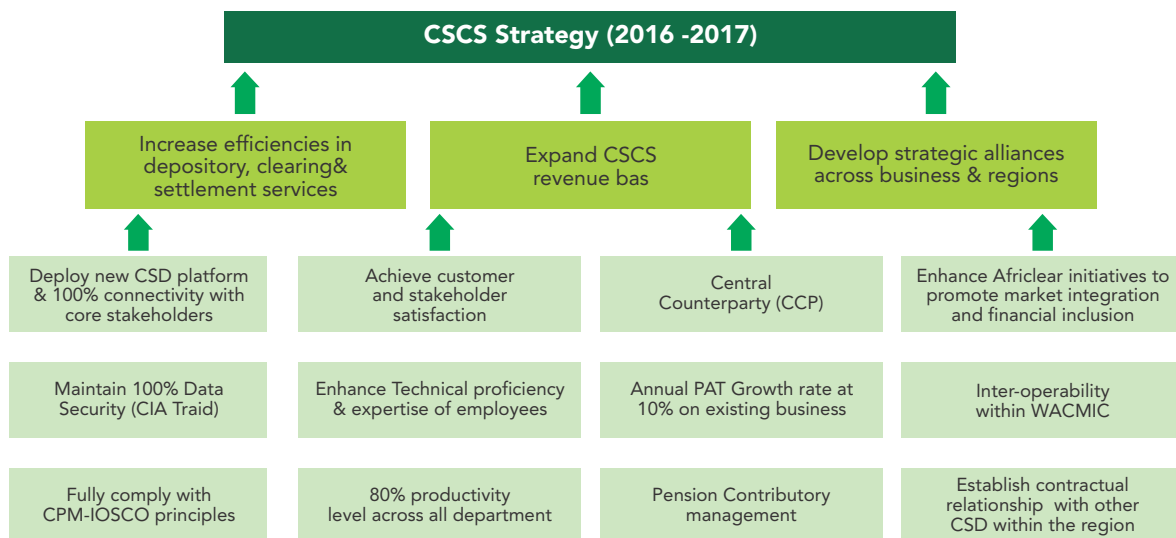
The process for creating our strategic objectives was idealistic and professional; this reflects CSCS culture and core values, which are the basis of CSCS corporate strategy. Bearing this in mind, we made a meaningful decision to review and update our 5-year strategic plan to keep abreast of Economic Developments and evaluate their implications on our corporate strategy. We also wanted to ensure that we as an organization benchmark global CSD standards in defining the company KPI going forward. We spent considerable time to focus on developing a good understanding of our operating environment vis-à-vis the market and our eco-system. We listened to our stakeholders, especially the entities we provide services for, shareholders, employees, investors and wider industry participants.

During our varied interactions with stakeholders, it was evidently clear that the strength of CSCS is beyond the coast of Nigeria and West Africa. CSCS has the capacity to spread its tentacles to the entire African market for opportunities that will benefit all stakeholders. Our revised corporate strategy focuses on the three main areas shown below. .

**Revised CSCS Strategy (2016 – 2017)**



**Strategy at the Core (2016 – 2017)**



**Expand CSCS Revenue Base**

For CSCS to be successful and remain in business, profitability, diversification and growth are essential to achieving this goal. The drivers include; annual PAT growth rate of 10%, annual increase in contribution of sales and Business Development department to PBT of 2% points over the next two years, diversifying products and service offers to improve revenue portfolio.

In a bid to achieve annual PAT Growth Rate of 10%, CSCS is poised to expand revenue base by achieving annual Profit after Tax (PAT) growth rate of 10%. This will be accomplished by aligning our investment portfolio to maximise yield, introduce new products/services and improve on existing products, and

maintain Cash to Revenue (CTR) at 30.00% and 37.50% in 2016 and 2017 respectively among others. We are in the final stages of developing the insurance repository business to deepen our service catalogue and diversify income sources. We also plan to set up Pension Contribution Management System to enable a more efficient window for the transaction of pension products.

The Sales and Business Development department has been overhauled to position it to meet its goal of contributing 2% to PBT annually over the next two years. Some of the proposed tactics put in place to achieve this include introduction of performance-based incentives for marketers, continuing to build strategic alliance with stakeholders and conduct of periodic public enlightenment and road shows to improve visibility.

We are cognizant of the fact that a significant factor in our ability to grow and remain profitable will be our ability to embrace changes in technology, industry global standards and customer preferences, and to successfully develop and introduce new products on a timely basis.

### **Increase efficiencies in Depository, Clearing and Settlement Services**

The rise of emerging markets, the growth of financial markets and the increased focus on cross border activities have made it necessary for CSCS to map out strategies to increase efficiency in our depository, clearing and settlement services.

To facilitate this core objective, CSCS will deploy a new CSD platform to achieve 100% connectivity with core stakeholders, maintain 100% data security and maintain operational efficiency of 24 hours turnaround time and 0.01% error rate, achieve customer and stakeholder satisfaction index of 80%, enhance technical proficiency and expertise of employees by 20% year-on-year, and fully comply with CPMI-IOSCO principles. The structured use of resources in our business and the dynamism of our people will be instrumental in the delivery of this initiative.

### **Develop Strategic Alliance across Businesses and Regions**

Strategic alliance in different regions of the world are aimed at achieving growth and increasing productivity; as we commence on executing our new growth strategy, CSCS has put in place strategic drivers to ensure realization of these objectives. These include interoperability within WACMIC and other African countries; establishment of a Central Counter Party (CCP) in conjunction with other capital market participants. We also plan to invest in equity stakes in other CSDs in West Africa and provide consulting services.

CSCS is strongly behind the West African Capital Market Integration Council (WACMIC) and we are determined to take advantage of the integration to develop strategic alliances across the West African region to tap into opportunities and achieve our Pan African vision. WACMIC is tasked with designing the policy framework and managing the implementation of the process that will facilitate the creation of an integrated capital market in West Africa.

### Strategic Accomplishments



- Securities Lending and Borrowing (SLB)
- Post Trade Allocation (PTA)
- Direct Cash Settlement System (DCSS)
- E-Dividend implementation for the market in collaboration with SEC
- Information Security System (ISS) monitoring tool against malicious threats
- Continuous compliance with international policies & standards: CPMI – IOSCO
- Annual Economic Outlook Summit
- Formulation of annual operational strategy & review of the company's 5-year strategic plan
- Implementation of quarterly market-wide DR test in collaboration with NSE
- Enhanced Disaster Recovery infrastructure and Business Continuity Plan (DR/BCP)
- Restructuring the existing Settlement Guaranty Fund (SGF) system for settlement assurance

### CSCS Strategic Investments

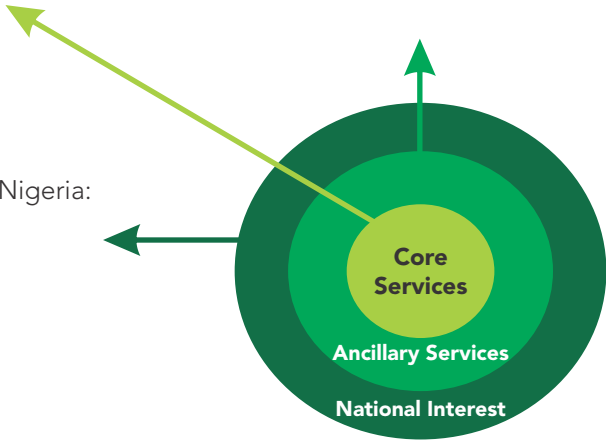


- Post Trade CSD Application (Project Meridian)
- Insurance Repository Business
- Central Counterparty business in conjunction with other market infrastructures and banks
- Africlear Global in conjunction with CDSC of Kenya and Altree Financial Group
- Pension Contributory Management System

**Projects**

- Acquisition of next generation Post-trade CSD Application
- Insurance Repository
- Pension Contribution Management System
- Connection to CBN RTGS payment system
- Actively involved in WACMI initiatives
- Direct settlement system of sales proceeds into investors bank

- Offering data services to other sectors in Nigeria: Pension, Insurance



# Enterprise Risk Management Report

## 1.0 Introduction

In 2015, we led the company through the rigorous and robust process of ISO 270001:2013 certification and are pleased to inform you that CSCS is now ISO27001:2013 certified. This is in line with our commitment to our SECURE value. This report outlines our Risk Management philosophy and approach as a Financial Market Infrastructure with responsibility for depository, clearing and settlement of securities traded in the Nigerian Capital Market

The goal of Enterprise Risk Management (ERM) at Central Securities Clearing System (CSCS) is to enhance the company's ability to achieve its mission, vision and strategic objectives by developing a company-wide culture of risk and opportunity awareness. We are enablers in achieving the strategic objectives of the company.

## 2.0 Our Approach to Risk Management

We have implemented an enterprise wide approach to managing risks with the objective of ensuring that risk is managed across the enterprise in an integrated manner and not in silos. Our approach is founded on a well-articulated, Enterprise Risk Management framework which drives our risk management activities. In line with the framework, business units are principally accountable for risks with the governance support structure implemented by the Board and Executive Management.

## 3.0 Enterprise Risk Management Framework

Our Enterprise Risk Management Framework serves as a foundation for the effective management of risks at CSCS. Risks are identified, assessed and mitigated as stipulated in the framework. ERM framework clearly outlines our risk management activities, methodologies for assessing and managing different identified risk types. It gives a description of management's expectation of each business unit with clear delineation of accountabilities for risk identification, risk management, risk oversight functions and guidelines for assessing current and emerging risks across the company. The implementation of this framework ensures a consistent and common approach is applied to the management of the different risk categories the company faces and ensures that risks are managed enterprise wide with links to strategic objectives.

## 4.0 ERM Philosophy

Our ERM Philosophy is based on the principles of creating value for objectives of reputation, profits, compliance etc. It is an integral part of the organizational processes and includes strategic planning and



other processes within the company. It is structured and produces repeatable and verifiable outcomes.

Enterprise Risk Management at CSCS is governed by ERM Policies which are clearly communicated across the Company. Risks are reported openly, fully with independent challenge being welcomed at all appropriate levels once they are identified.

### **5.0 Enterprise Risk Management Culture**

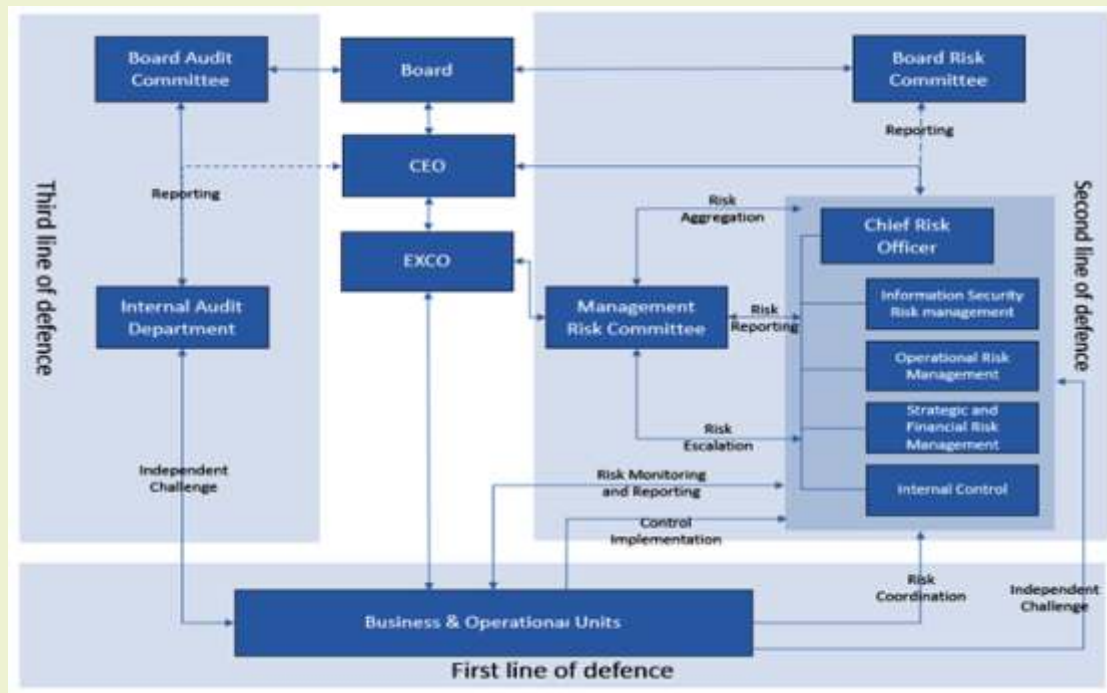
Our risk culture includes: A culture of openness and transparency that encourages risk perspectives to be challenged in order to find appropriate management solution to risk issues which affect strategy. Enterprise Risk Management leadership in the Company is fully vested in the Board of the Company through the Board Risk Committee and promotes risk awareness across the Company.

### **6.0 Enterprise Risk Governance**

The success of our risk management practice and implementation of the Board approved Enterprise Risk Management framework (ERM Framework) is hinged on strong governance and management control structure at CSCS.

This risk governance structure drives the implementation of the framework across the enterprise and ensures risk is carefully considered by all business units in all operational decisions. All identified risk issues are then managed with strategic guidance and direction provided by the Board and executive management within the ambits of board approved risk appetite and tolerance limit settings.

### 7.0CSCS Risk Governance Structure



The Board sets the tone for Risk Management which includes approving the ERM framework, Risk Appetite setting, approval of the governance structure, policies and control frameworks.

In line with our ERM framework, the company utilises 'Three lines of defence' model. The first line of defence lies with business units having accountability for the identification of risks inherent in their processes, assessing, controlling and escalating risks to Enterprise Risk Management as appropriate.

The second line of defence consists of the centralised and independent Enterprise Risk Management function which has responsibility for risk management and reporting both current and emerging risk issues which would impact the company's strategy and operations.

The department which is headed by the Chief Risk Officer (CRO) is also responsible for conducting risk assessments for new products, new initiatives in addition to providing expert risk advice and recommendations to the Executive Management team to guide decision making. It also reviews risk assessments of all business units and drives the implementation of the ERM framework, policies and procedures to achieve an overall risk profile for the company which reflects the defined risk appetite.

## 8.0 Internal Control:

The company's Internal Control unit is also part of the second line of defence with the responsibilities of implementing the company's control framework and further strengthening our control environment by:

- Conducting independent control assessment tests/checks to confirm adequacy and effectiveness of controls across CSCS.
- Independently collating Key Risk Indicator data to facilitate risk indicator reporting and management of the Enterprise Risk Management department. Investigate identified incidents to determine control failures/lapses and identify required actions to close control gaps and prevent recurrence of risk incidents

The independent Internal Audit function of the company functions at the third line of defence providing a challenge to the risk management activities to obtain independent assurance on the performance of controls.

CSCS has witnessed remarkable improvement in Risk Management as a result of the implementation of the ERM framework which is evidenced by increase in our risk maturity profile and well entrenched risk management culture which has transformed our business processes and decision making at all levels.

## 9.0 Reporting Framework

- The CRO liaises closely with the CEO regarding strategic initiatives, supports the CEO in assessing risks related to strategic choices and alerts the CEO of any major changes in the risk profile (daily, weekly).
- The CRO also liaises with executive colleagues to share feedback on how risks are being managed (weekly, monthly).
- The CRO reports to the CEO and the Board Audit and Risk Committee regularly and provides information on risk issues with timelines
- Risk ownership is assigned to business and executive functions (3 lines of defence) while ERM's management role is coordinating, consultative and regulatory.
- The Board Risk committee carries out oversight functions on behalf of the Board of Directors consistent with the charter setting it up.
- The CRO reports to the MD/CEO while other officers of ERM department and internal control unit reports to the CRO.

### Principal Risk Categories



### 10.0 Conclusion

At CSCS, risk management is at the core of our strategy to continue to deliver value added services to the Nigerian Financial market. We believe risk management is the tool that can enable us sustain and enhance our shareholder value in our daily business decisions. We pay attention to risk management initiatives and will continue to improve our risk strategy to reflect the realities of our operating environment on a continuous basis.

# Independent Auditors Report



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To the Members of **Central Securities Clearing Systems Plc**

## Report on the financial statements

We have audited the accompanying annual financial statements of Central Securities Clearing Systems Plc ("the Company" or "CSCS"), which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 62 to 125.

## Directors' responsibility for the Financial Statements

The directors are responsible for the preparation of The annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011, 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.

## Auditor's responsibility

Our responsibility is to express an opinion on these annual 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 annual financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

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Abayomi D. Sanni	Adesoji O. Lemikanni	Adekunle A. Etubute	Adesola F. Adebisi
Adeleke K. Ajayi	Afolake O. Olorunsola	Ajayemi J. Ashade	Ayodele H. Oshilawa
Adeleke A. Soyinka	Ayo L. Salami	Chibuzor H. Anyanwachi	Goodluck C. Olu
Atimomi M. Adesaju	Joseph O. Tugbo	Kuti D. Okunribido	Muhammad M. Adams
Chidagor H. Oluwadapo	Olatunmbi I. Sakaolun	Olarika I. Jahos	Oluwalade O. Olayinka
Oluyemi K. Sowande	Olusayi T. Babalola	Oluwalana O. Awotoye	Oluwalanmi A. Odeh
Tayo I. Ogunbemis	Victor U. Oyenuga		



### Opinion

In our opinion, these annual financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of the Company's financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

### Other matter

The financial statement of the Company for the year ended 31 December 2014 were audited by another auditor whose audit reports dated 30 April 2015 expressed an unqualified opinion on the financial statements.

### Report on Other legal and regulatory requirements

#### Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria.

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and the statement of comprehensive income are in agreement with the books of account.

Signed:

A handwritten signature in black ink, appearing to read 'Kabir'.

**Kabir Okunlola, FCA**

FRC/2012/ICAN/00000000428

For: KPMG Professional Services

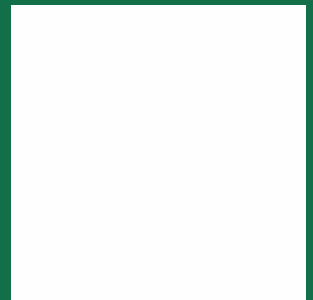
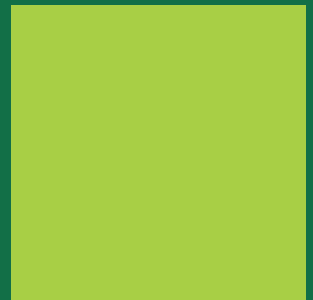
Chartered Accountants

30 March 2016

Lagos Nigeria



# Financial Statements



## Statement of Profit or Loss and other Comprehensive Income for the year ended 31 December 2015

In thousands of Naira	Notes	31 Dec. 2015	31 Dec. 2014
Fees Income	9	3,814,718	5,210,762
Interest Income	10	3,144,437	2,423,101
Other Operating Income	11	642,622	608,075
<b>Total operating income</b>		<b>7,601,777</b>	<b>8,241,938</b>
Personnel Expenses	12.1	(1,275,762)	(1,523,210)
Operating Expenses	12.2	(1,122,339)	(839,946)
Depreciation and Amortisation	12.3	(132,969)	(107,849)
Other Operating Expenses	12.4	(554)	(10,982)
Allowance for doubtful trade receivables	18(b)	(54,436)	-
<b>Total operating expenses</b>		<b>(2,586,060)</b>	<b>(2,481,987)</b>
Profit Before Tax		5,015,717	5,759,951
Income Tax Charge	13(a)	(555,417)	(1,137,906)
<b>Profit for the year</b>		<b>4,460,300</b>	<b>4,622,045</b>
<b>Other comprehensive income, net of income tax</b>			
Items that will never be reclassified to profit or loss:			
Remeasurement of defined benefit asset	24.2(l)	181,231	-
Deferred Tax Impact	13(b)	(54,369)	-
<b>Other comprehensive income for the year, net of tax</b>		<b>126,862</b>	<b>-</b>
<b>Total Comprehensive Income</b>		<b>4,587,162</b>	<b>4,622,045</b>
<b>Earnings per share</b>	14	89k	92k

Basic/diluted earnings per share (kobo)

The statement of accounting policies and accompanying notes form an integral part of these financial statements.

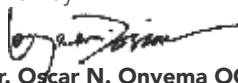


# Statement of Financial Position


## As at 31 December 2015

In thousands of Naira	Notes	31 Dec. 2015	31 Dec. 2014
<b>Non Current Assets</b>			
Plant and Equipment	15	326,080	245,577
Intangible Assets	16	233,098	84,941
Investment Securities	17(a) & (c)	15,397,399	13,548,150
Deferred Tax (asset)/ Liabilities	13(b)	6,377	-
Defined Benefit Plan Asset (Net)	24.2(ii)	203,286	-
<b>Total Non Current Assets</b>		<b>16,166,240</b>	<b>13,878,668</b>
<b>Current Assets</b>			
Investment Securities	17(b)	5,328,894	6,188,507
Trade and Other Receivables	18(a)	1,625	21,200
Other Assets	19(a)	231,678	237,884
Cash and Cash Equivalent	20	3,673,144	2,747,044
<b>Total Current Assets</b>		<b>9,235,341</b>	<b>9,194,635</b>
<b>Total Assets</b>		<b>25,401,581</b>	<b>23,073,303</b>
<b>Equity</b>			
Share Capital	21(a)	5,000,000	5,000,000
Retained Earnings	21(b)	18,691,328	15,581,028
Other Components of Equity	24.2(i)	126,862	-
<b>Total Equity Attributable to Owners of the Company</b>		<b>23,818,190</b>	<b>20,581,028</b>
<b>Total Equity</b>		<b>23,818,190</b>	<b>20,581,028</b>
<b>Non Current Liabilities</b>			
Deferred Tax Liabilities	13(b)	-	46,781
<b>Total Non Current Liabilities</b>		<b>-</b>	<b>46,781</b>
<b>Current Liabilities</b>			
Payables and Accruals	22	532,182	1,035,653
Current Tax Liabilities	13(c)	663,550	1,108,442
Other Liabilities	23	387,659	301,399
<b>Total Current Liabilities</b>		<b>1,583,391</b>	<b>2,445,494</b>
<b>Total Liabilities</b>		<b>1,583,391</b>	<b>2,492,275</b>
<b>Total Equity and Liabilities</b>		<b>25,401,581</b>	<b>23,073,303</b>

The audited financial statements was approved by the Board of Directors on 25 February 2016 and signed on its behalf by:

  
**Mr. Oscar N. Onyema OON**  
 FRC/2013/IODN/00000001802  
 Chairman

  
**Mr. Kyari Abba Bukar**  
 FRC/2013/IODN/00000002050  
 Managing Director/CEO

  
**Mr. Vincent Ukoh**  
 FRC/2013/ICAN/00000001744  
 Chief Financial Officer

The statement of accounting policies and accompanying notes form an integral part of these annual financial statements.

## Statement of Changes in Equity

### for the year ended 31 December 2015

<b>31 December 2015</b>					
<b>In thousands of Naira</b>	<b>Notes</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Other components of equity</b>	<b>Total</b>
Balance at 1 January 2015		5,000,000	15,581,028	-	20,581,028
Profit for the year		-	4,460,300	-	4,460,300
Other comprehensive income:					
Remeasurement of defined benefit asset	24.2(l)	-	-	181,231	181,231
Income tax impact	13(b)	-	-	(54,369)	(54,369)
Total other comprehensive income		-	4,460,300	126,862	4,587,162
Transactions with equity holders:					
Dividends	21(b)	-	(1,350,000)	-	(1,350,000)
<b>Balance at 31 December 2015</b>		<b>5,000,000</b>	<b>18,691,328</b>	<b>126,862</b>	<b>23,818,190</b>

<b>31 December 2014</b>					
<b>In thousands of Naira</b>	<b>Notes</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Other components of equity</b>	<b>Total</b>
Balance at 1 January 2014		5,000,000	12,058,983	-	17,058,983
Profit for the year		-	4,622,045	-	4,622,045
Total comprehensive income		-	4,622,045	-	4,622,045
Transactions with equity holders:					
Dividends	21(b)	-	(1,100,000)	-	(1,100,000)
Balance at 31 December 2014		<b>5,000,000</b>	<b>15,581,028</b>	<b>-</b>	<b>20,581,028</b>

# Statement of Cash Flows

## for the year ended 31 December 2015

In thousands of Naira	Notes	31 Dec. 2015	31 Dec. 2014
<b>Cash flows from operating activities</b>			
Profit for the year		4,460,300	4,622,045
<b>Adjustments for:</b>			
Income tax expense recognised in profit/loss	13(a)	555,417	1,137,906
Amortisation of intangible assets	12.3	34,668	37,055
Depreciation of property and equipment	12.3	98,301	70,794
Net write back in provision for receivables	11(e)	-	(24,306)
Net (write back)/accrual for productivity expenses	22 (c)	(20,294)	540,874
Net impairment allowance for trade receivables	18(b)	54,436	-
Interest income	10	(3,144,437)	(2,423,101)
Income on available for sale investment		(110)	-
Defined benefit charge	24.2(i)	29,476	-
Profit on disposal of property and equipment	11	(1,173)	(66)
		<b>2,066,584</b>	<b>3,961,201</b>
Tax paid	13(c)	(1,107,836)	(1,095,333)
Payment to pension fund administrators		(51,531)	(70,406)
<b>Changes in operating assets and liabilities</b>			
Trade and other receivables		(34,861)	215,021
Other assets		6,206	(47,664)
Payables and accruals		(503,471)	(530,099)
Other liabilities		65,966	768
		<b>441,057</b>	<b>2,433,488</b>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	15	(179,532)	(126,857)
Purchase of intangible asset	16	(182,827)	(65,815)
Proceeds on disposal of fixed assets		1,901	66
Net disposal/(purchase)of investments (treasury bills)		859,613	(128,601)
Net purchase of investment (bonds)		(1,735,821)	(2,016,950)
Interest received		3,084,530	2,015,857
		<b>1,847,864</b>	<b>(322,300)</b>
<b>Cash flows from financing activities:</b>			
Dividend paid		(1,362,819)	(958,541)
		<b>(1,362,819)</b>	<b>(958,541)</b>
Net decrease in cash and cash equivalents		926,100	1,152,647
Cash and cash equivalents, beginning of the year		2,747,044	1,594,397
<b>Cash and cash equivalents, end of the year</b>	20	<b>3,673,144</b>	<b>2,747,044</b>

# Notes to the financial statements

## For the year ended 31 December 2015

### 1 Description of business

Central Securities Clearing System Plc (CSCS) 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 for 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 capital market.

### 2 Basis of preparation

#### (a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standard Board (IASB) and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

The financial statements were authorised for issue by the Company's Board of Directors on 25 February 2016. Details of the accounting policies consistently applied by the Company for all periods presented in the financial statements are included in Note 4.

#### (b) Functional and presentation currency

The financial statements are presented in Nigerian Naira, which is the functional currency of the Company. Except otherwise indicated, financial information presented in Naira has been rounded to the nearest thousand.

#### (c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are

described in Note 5.

**(d) Basis of measurement**

These financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Held to maturity financial instruments are measured at amortised cost
- Available-for-sale financial assets are measured at fair value through other comprehensive income (OCI). However, when the fair value of the Available-for-sale financial assets cannot be measured reliably, they are measured at cost less impairment.

**3 Changes in accounting policies**

There are no new standards and amendments to standards that may have material impact on the reported balances as at 31 December 2015.

**4 Significant accounting policies**

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

**(a) Foreign currency**

**(i) Foreign currency transactions**

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated in into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

**(b) Revenue recognition**

**(i) 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.
- Over The Counter (OTC) transaction fee is charged on transactions relating to trading in bonds and commercial papers.

Revenue earned is recognized based on the period of time of the particular service or transaction. Any upfront fees or payment for services that are rendered over a period of time are treated as unearned income and recognized over the required period. These are warehoused in deferred income account.

#### **(ii) Interest income**

Interest income from a financial asset is recognised in income statement using effective interest rate method. 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.

#### **(iii) Collateral management fees**

The Company provides lien services to lenders who have granted credit facilities to borrowers secured with securities deposited with the Company. Collateral Management fees and other incidental fees are charged and recognised in the statement of profit or loss once the lien service is performed.

#### **(c) Share capital**

Incremental costs attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with IAS 12

#### **(d) 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 approved by the Company's shareholders. Dividend paid is recognised gross of withholding tax (WHT) with the corresponding WHT remitted to the tax

authorities.

**(e) Earnings per share**

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

**(f) Employee benefits**

**(i) Short term employee benefits**

Short term employee benefits, such as salaries, paid absences and other benefits are accounted for on an accrual basis over the period which employees have provided services in the year. Bonuses are recognised to the extent that the Company has a present obligation to its employees that can be measured reliably. All expenses related to employee benefits are recognised in the income statement as staff costs.

**(ii) Retirement benefit costs**

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

**Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than a defined contributory plan. The Company's obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of the obligation of the Company to each staff in the current period in return for their service. The aggregate provision is such that at every point in time the plan has adequate funds with the Fund Managers for all obligations. The provisions and funding (managed by an independent fund manager)

entitles employees to 50% of total exit emoluments on completion of five years continuous employment. The entitlement increases at the rate of 10% each year but to a maximum of 100%. Amounts contributed in each year into the plan is expensed in the year in which they are due.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

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

## **(g) Taxation**

### **(i) Current Tax**

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 period if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous periods arising from assessments framed during the period for such periods.

Total amount of tax payable under CITA is determined on the higher of two components namely:

- company income tax (based on taxable income (or loss)) for the period; and
- minimum tax (determined based on the sum of 0.125% of revenue in excess of ₦500,000.00 and the highest of 0.25% of revenue of ₦500,000.00, 0.5% of gross profit, 0.25% of paid-up share capital and 0.5% of net assets)

Taxes based on taxable profit for the period are presented as current income tax in line with IAS 12, whereas taxes which is based on gross amount is outside the scope of IAS 12 and therefore are not presented as current income tax. Minimum taxes are recognised as a separate line item in the statement of profit or loss



and other comprehensive income under taxation.

**(ii) Deferred Tax**

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.

**(iii) 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.

**(iv) Education Tax**

This represents 2% of assessable profit in accordance with the provision of the Education Tax (Amendment) Decree No 40 of 1998.

**(h) Plant And Equipment**

**(i) Recognition And Measurement**

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 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 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.

**(ii) Subsequent Expenditure**

Expenses for the repair of plant and equipment, such as on-going maintenance costs, are normally recognized in profit or loss and other comprehensive statement. 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 to the Company.

**(iii) Depreciation**

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:

Computer equipment	4 years
Furniture and fittings	8 years
Motor vehicle	4 years
Office equipment	5 years
Leasehold improvement	3 years
Capital work in progress	Not depreciated

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

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.

**(iv) De-recognition**

An item of plant and equipment is derecognised on disposal or when no future economic benefits are

expected from its use or disposal.

#### **(v) Capital Work In Progress**

Construction and other capital projects that are yet to be completed at the reporting date are classified as capital work in progress. They are transferred to relevant classes of property and equipment upon completion of the project and items are ready for use. Items classified as work in progress are not depreciated.

### **(i) Intangible Assets**

#### **(i) Initial Recognition And Measurement**

- Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any 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.

#### **(ii) Subsequent Expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred, on the same basis as intangible assets that are acquired separately.

#### **(iii) Amortisation**

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Software license	Over License term
Software under development	Not depreciated

**(iv) De-recognition**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition 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.

**(v) Software under development**

Software under development represents qualifying capital expenditure on Project Meridian, which is yet to be completed at period end. They are transferred to intangible asset class upon completion of the project. Items classified as software under development are not amortized.

**(j) 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.

**(k) Financial assets****(i) Investment securities**

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity. Investment securities comprise of Treasury bills of original maturity of more than 90 days and Investment in Government, State and Corporate Bonds. These are classified as Held-to-maturity financial assets.

Investment securities are initially measured at fair value on the trade date plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue and subsequently measured at amortized cost.

**(ii) Trade and other 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.

Trade receivables are initially measured at fair value and subsequently measured at amortized cost.

**(iii) Other receivables**

Other receivables comprise of staff debtors and other receivables. They are carried at original invoice amount less any provisions for doubtful receivables. Provisions for doubtful receivables are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions.

Other receivables are initially measured at fair value and subsequently measured at amortized cost.

**(iv) 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.

Cash and cash equivalent are initially measured at fair value and subsequently measured at amortized cost.

**(v) Impairment of financial assets**

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.

**- Assets carried at amortized cost**

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 cash flows 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.

**(l) Other assets**

Other assets comprise prepayments, sundry stocks and other assets. They are stated at cost less amortised amounts. They are amortized to income by the straight-line method or according to performance of the underlying transaction (See note 19).

**(m) Financial liabilities**

**(i) Trade payables**

Trade payables are held at amortised cost which equates to nominal value. Long-term payables are discounted where the effect is material. Trade payables are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument and subsequently measured at amortised cost.

**(ii) Other liabilities**

Accrued items and other liabilities are carried at amortized cost. They are amortized to income by the straight-line method or according to performance of the underlying transaction. Other liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument and subsequently measured at amortised cost.

**(n) Amortised cost concept**

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

**(o) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at the date.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation technique that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

**(p) De-recognition of financial assets and financial liabilities**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria.

Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

**(q) Provisions, contingent assets and contingent liabilities**

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 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.

#### **® 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.

#### **(s) Other operating expenses**

All other operating expenses are accounted for on accrual basis

#### **(t) Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it can



earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Company's Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Information relating to segment reporting is presented in Note 7 to the financial statements.

#### **(u) New standards and interpretations not yet adopted**

A number of new standards, amendment to standards and interpretation are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements.

The Company does not plan to adopt these standards early. Those which may be relevant to the Company are set out below. However, the Company is still evaluating the potential effect of the new standards.

##### **- Clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38)**

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The Company currently does not have intangible assets and plants that are amortised or depreciated using a revenue-based method. Thus, this amendment will not have any impact on the Company when it becomes effective. The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

##### **- IFRS 15 Revenue from contracts with customers**

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the Company, which will include a possible

change in the timing of when revenue is recognised and the amount of revenue recognised. The Company is currently in the process of performing a more detailed assessment of the impact of this standard on the Company and will provide more information in the period ending 31 December 2016 financial statements.

The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS.

#### - **IFRS 9 Financial instruments**

On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard will have a significant impact on the Company, which will include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Company.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted. The Company will adopt the amendments for the annualing 31 December 2018.

#### - **IAS 1 Disclosure initiative**

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendment is effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company will adopt the standard at the effective date.

### **5 Use of Judgements and estimates**

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities and expenses. Actual reports may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

#### **a) Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a

material adjustment in the year ended 31 December 2015 include:

**i) Impairment losses of financial assets**

Financial assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 4(j)(v).

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.

**ii) Recognition of deferred tax liabilities**

Deferred tax is recognized on temporary differences between the carrying amounts of liabilities in the Company's financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its liabilities.

**iii) Income tax**

The Company is subject to income and estimates are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes are to be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax in the period in which such determination is made.

**iv) Defined benefit obligation**

The Company sponsors a defined benefit plan for its qualifying employees. The Company estimates its obligation to each staff in the current period in return for their service using the projected unit credit method. Also, the funding requirements are based on actuarial measurement which sets discount rates with reference to the expected long term rates of return on plan assets. Amounts contributed in each year into the plan is expensed in the year in which they are due.

## b) Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values. The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and report directly to the chief financial officer.

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

Significant valuation issues are reported to the Board Audit Committee.

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

- (i) **Level 1** : Quoted market price (unadjusted) in an active market for an identical instrument.
- (ii) **Level 2** : Valuation techniques based on observable inputs, either directly - i.e. as prices or indirectly - i.e. derived from prices. This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- (iii) **Level 3**: Valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted prices or dealer price quotations. For all other financial instruments, the Company determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bonds and equity prices, foreign

currency exchange rates, equity and equity index prices volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instruments at the reporting date that would have been determined by market participants acting at arm's length.

Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair value. Availability of observable market prices and inputs varies depending on the product and market and is prone to changes based on specific events and general conditions in the financial markets.

Further information about the assumptions made in measuring fair values is included in note 8 to the financial statement

## **6 Risk and capital management**

The Company's board of directors has overall responsibility for the establishment and oversight of CSCS' risk management framework. The board of directors has established the Board Audit and Risk Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

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

Board Audit and Risk Committee also oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board Audit and Risk Committee is assisted by Management Risk Committee and the Internal Audit which undertake both regular and ad hoc review of risk management controls and procedures, the results of which are reported to the Board Audit and Risk Committee.

CSCS has exposure to the following risks arising from financial transactions:

- Credit risk
- Liquidity risk
- Market risk

**(a) Credit risk**

Credit risk is the risk of financial loss to CSCS if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from CSCS receivables from customers and held to maturity investments.

The carrying amount of financial assets represents the maximum credit exposure.

**(I) Trade and other receivables**

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

The Management Risk Committee has established a credit policy under which each CSCS customer is analysed individually for creditworthiness before CSCS standard and delivery terms and conditions are offered.

Receivables that are outstanding for more than 180 days are fully impaired as the Company considered to collect such receivable as doubtful. In monitoring customer credit risk, customers are grouped according to their credit characteristics, which include bond dealers, legal entities or stockbroking firms.

CSCS establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. As at 31 December, 2015, the maximum exposure to credit risk for trade receivables by type of counterparty was as follows:

		Carrying amount	
In thousands of Naira	Notes	31 Dec. 2015	31 Dec. 2014
<b>Trade receivables</b>			
Bond dealers		16,740	15,292
Quoted companies		91,783	66,471
Stock broking firms		262,443	271,913
Data management		17,571	-
<b>Total</b>		<b>388,537</b>	<b>353,676</b>
Allowance for doubtful trade receivables	18(b)	(386,912)	(332,476)
<b>Total</b>		<b>1,625</b>	<b>21,200</b>
<b>Other receivables</b>			
Staff debtors		24,801	7,748
Fixed deposit		277,454	277,454
Others		33,231	112,394
<b>Total</b>		<b>335,486</b>	<b>397,596</b>
Allowance for doubtful trade receivables	19(b)	(277,454)	(277,454)
<b>Total</b>		<b>58,031</b>	<b>120,142</b>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

In thousands of Naira	Other Receivables		Trade Receivables	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Balance as at 1 January 2015	277,454	277,454	332,476	340,873
Movement in the year	-	-	54,436	(8,397)
<b>Balance as at year end</b>	<b>277,454</b>	<b>277,454</b>	<b>386,912</b>	<b>332,476</b>
Movement in the year:				
Impairment charge on trade receivables	-	-	58,684	4,711
Reversal on trade receivables	-	-	(4,248)	(13,108)
<b>Balance as at year end</b>	<b>-</b>	<b>-</b>	<b>54,436</b>	<b>(8,397)</b>

As at 31 December, 2015, the ageing of trade receivables past due, but were not impaired was as follows:

In thousands of Naira	Carrying amount	
	31 Dec. 2015	31 Dec. 2014
Past due 1 - 30 days	-	-
Past due 31 - 90 days	-	-
Past due 91 - 180 days	-	21,200
<b>Total</b>	<b>-</b>	<b>21,200</b>

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk.

#### (ii) Held to maturity investments (HTM)

CSCS limits its exposure to credit risk by investing only in liquid money market instruments with counterparties that have a minimum credit rating of BB by reputable rating agency. Management actively monitors credit ratings and ensures that the Company has only made investment in line with the Investment Policy Manual as approved by the Board which provides targets allocations in fixed tenured investments.

The Company held HTM investments of N20,825,952 at 31 December 2015 (31 December 2014: N19,736,658) which represents its maximum credit exposure on Federal Government Treasury Bills, Federal Government Bonds, State Government Bonds and Corporate Bonds.

The Company did not have any Held to Maturity Investment that were impaired as at 31 December 2015.

As at 31 December, 2015, the maximum exposure to credit risk for investments was as follows:

In thousands of Naira	Carrying amount	
	31 Dec. 2015	31 Dec. 2014
Treasury bills	5,328,894	6,188,507
Federal government bonds	10,911,046	10,452,716
State government bonds	3,393,260	2,060,385
Corporate bonds	1,092,983	1,035,049
<b>Total</b>	<b>20,726,183</b>	<b>19,736,657</b>



**(iii) Cash and cash equivalents**

CSCS held cash and cash equivalents of N3.67 billion at 31 December 2015 (31 December 2014: N2.75billion) which represents its maximum credit exposure on these assets. The cash and cash equivalents with maturity profile of less than 3 months, are held with local banks which are rated "BB" by reputable rating agency. Included in cash and cash equivalent is the treasury bills valued at N99.80million (2014: 2.07billion) with original maturity period of less than 90 days.

**(iv) Total exposure to credit risk**

As at 31 December, 2015, the Company's exposure to credit risk was as follows:

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Trade receivables	1,625	21,200
Other receivables	58,031	120,142
Investment securities	20,726,183	19,736,657
Cash and cash equivalents	3,673,144	2,747,044
	<b>24,458,983</b>	<b>22,625,043</b>

**(b) Liquidity risk**

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

CSCS maintains the level of its cash and cash equivalents and other highly marketable debt investments in excess of expected cash outflows on financial liabilities. The ratio of highly liquid investment (treasury bills) to one year projected outflow was 6.05 at 31 December 2015. CSCS also monitors the level of expected cash inflows from trade receivables and other receivables together with expected cash outflows on trade and other payables. At December 31, 2015 the expected receivables from maturing treasury bills with maturity profiles of less than 3 months as at 31 December 2015 were N99.89 million. This excludes the potential impact of extreme circumstances that cannot reasonable be predicted, such as natural disasters.

### Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include estimated interest payments and exclude the impact of netting arrangements.

### Maturity analysis

#### 31 December 2015

In thousands of Naira	Less than 3 months	3 months - 6 months	6 months - 1 year	Above 1 year	Contractual cash flow	Carrying amount
<b>Financial assets</b>						
Investments	4,839,945	1,860,915	5,546,907	14,568,869	26,816,636	20,726,293
Trade receivables	-	-	-	-	-	-
Other receivables	58,032	-	-	-	58,032	58,032
Cash and cash equivalents	3,683,315	-	-	-	3,683,315	3,673,144
<b>Total</b>	<b>8,581,292</b>	<b>1,860,915</b>	<b>5,546,907</b>	<b>14,568,869</b>	<b>30,557,983</b>	<b>24,457,469</b>
<b>Financial liabilities</b>						
Payable and accruals	469,087	-	-	-	469,087	469,087
Other liabilities	57,623	-	-	213,409	271,032	271,032
<b>Total</b>	<b>526,710</b>	<b>-</b>	<b>-</b>	<b>213,409</b>	<b>740,119</b>	<b>740,119</b>

#### 31 December 2014

In thousands of Naira	Less than 3 months	3 months - 6 months	6 months - 1 year	Above 1 year	Contractual cash flow	Carrying amount
<b>Financial assets</b>						
Investments	5,752,782	4,057,247	1,016,093	16,874,512	27,700,634	19,736,657
Trade receivables	-	-	-	-	-	-
Other receivables	120,142	-	-	-	120,142	120,142
Cash and cash equivalents	2,754,063	-	-	-	2,754,063	2,754,063
<b>Total</b>	<b>8,626,987</b>	<b>4,057,247</b>	<b>1,016,093</b>	<b>16,874,512</b>	<b>30,574,839</b>	<b>22,610,862</b>
<b>Financial liabilities</b>						
Payable and accruals	953,557	-	-	-	953,557	953,557
Other liabilities	228,691	-	-	-	228,691	228,691
<b>Total</b>	<b>1,182,248</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,182,248</b>	<b>1,182,248</b>

**(c) Market risk**

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect CSCS’s income or value of its holdings of financial instruments. The objective of market risk management is to manage market risk exposures within acceptable parameters, while optimising the return. CSCS does not use derivatives to manage market risks.

**(l) Currency risk**

The Company is minimally exposed to the financial risk related to the fluctuation of foreign exchange rates. This is so because its revenues, capital expenditures are principally based in Naira. A significant change in the exchange rates between the Naira (N) (functional and presentation currency) relative to the US dollar would have an insignificant effect on the Company’s results of operations, financial position and cash flows. The Company does not enter into any forward exchange contracts to manage the currency risk fluctuations.

The table below summaries the Company’s financial instruments at carrying amount, categorised by currency:

Financial instruments by currency as at 31 December 2015

In thousands of Naira	Note	Total	Naira	US \$	GBP	Others
Investments	17	20,726,293	20,726,293	-	-	-
Trade receivables	18(a)	1,625	1,625	-	-	-
Other receivables		58,032	58,032	-	-	-
Cash and cash equivalents	20	3,673,144	3,665,471	7,557	45	71
		<b>24,459,094</b>	<b>24,451,421</b>	<b>7,557</b>	<b>45</b>	<b>71</b>
Payables and accruals		469,087	469,087	-	-	-
Other liabilities	23	271,032	271,032	-	-	-
		<b>740,119</b>	<b>740,119</b>	-	-	-

The impact of fluctuations in exchange rate during the period was immaterial.

Financial instruments by currency as at 31 December 2014

In thousands of Naira	Note	Total	Naira	US \$	GBP	Others
Investments	17	19,736,657	19,736,657	-	-	-
Trade receivables	18(a)	21,200	21,200	-	-	-
Other receivables		120,142	120,142	-	-	-
Cash and cash equivalents	20	2,747,044	2,745,678	354	837	176
		<b>22,625,043</b>	<b>22,623,677</b>	<b>354</b>	<b>837</b>	<b>176</b>
Payables and accruals	23	953,557	953,557	-	-	-
Other liabilities		228,691	228,691	-	-	-
		<b>1,182,248</b>	<b>1,182,248</b>	-	-	-

The following significant exchange rates have been applied:

	Average Rate		Spot Rate	
	2014	2015	2014	2015
USD	171	223	168	197
GBP	259	295	261	291

## (ii) Interest rate risk

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

CSCS conducts sensitivity analysis to reveal or measure the sensitivity of its net interest rate income to shift of rates.

## Interest rate profile

At the end of the reporting period the interest rate profile of the Company's interest bearing financial instruments as reported to the Management of the Company are as follows:

In thousands of Naira	Note	31 Dec. 2015	31 Dec. 2014
<b>Financial instruments</b>			
Cash and cash equivalents	20	3,673,144	2,747,044
Investment securities	17	20,726,293	19,736,657
		<b>24,399,437</b>	<b>22,483,701</b>

### Interest rate sensitivity

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Increase in interest rate by 1%	865,783	816,937
Decrease in interest rate by 1%	(865,783)	(816,937)

### (d) Capital management

The Company manages its capital to ensure that it will be able to continue as going concern while maximizing the return to stakeholders through the optimization of its capital structure.

The capital structure of the company consist of the following:

- Share capital
- Retained earnings
- Other reserves

Information relating to the Company's Capital Structure is disclosed in Note 21 to the financial statement.

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 risks associated with share capital.

### Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern 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 note 21.

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.

The Securities and Exchange Commission ("SEC") sets and monitors capital requirements for all Securities Clearing and Settlement Companies (CSDs). SEC prescribes the minimum capital requirement for CSDs operating in Nigeria. The minimum capital requirement for CSDs is five hundred million naira (N500,000,000.00). The company has a total equity of N23.80 billion. This is well above the minimum capital requirement set by SEC.

## 7 Operating segment

The Company has three (3) identifiable segment and the following summary describes the operations in each of the these segment.

- i. **Operations:** This Segment provides clearing and settlement services in regard to equities and other securities types including commercial papers traded on other recognized Exchange Platforms in the Nigerian Capital Market.

- ii **Sales and business development:** This segment provides secondary data storage and disaster recovery in event of data loss to companies. It also stores securities used as collateral for credit facilities by companies
- iii **Treasury:** This segment is responsible for investments and management of the Company's liquidity ensuring a balance between liquidity and profitability.

### 31 December 2015

In thousands of Naira	Operations	Sales and business development	Treasury	Unallocated segment	Total
<b>Revenue:</b>					
Derived from external customers	3,814,718	154,340	3,144,437	-	7,113,495
Others	477,029	9,970	1,173	110	488,282
<b>Segment revenue</b>	<b>4,291,747</b>	<b>164,310</b>	<b>3,145,610</b>	<b>110</b>	<b>7,601,777</b>
<b>Expenses:</b>					
Personnel expenses	(901,926)	(350,178)	(23,657)	-	(1,275,762)
Operating expenses	(793,460)	(308,066)	(20,812)	-	(1,122,339)
Depreciation and amortisation	(94,005)	(36,498)	(2,466)	-	(132,969)
Other operating expenses	(554)	-	-	-	(554)
Allowance for doubtful trade receivables	(36,866)	(17,570)	-	-	(54,436)
<b>Segment operating income before tax</b>	<b>2,464,934</b>	<b>(548,003)</b>	<b>3,098,675</b>	<b>110</b>	<b>5,015,717</b>
Income tax charge	-	-	-	(555,417)	(555,417)
<b>Profit after tax</b>	<b>2,464,934</b>	<b>(548,003)</b>	<b>3,098,675</b>	<b>(555,307)</b>	<b>4,460,300</b>
<b>Assets and liabilities</b>					
Total asset	17,958,176	6,972,372	471,032	-	25,401,581
Total liabilities	1,119,411	434,618	29,361	-	1,583,391
Net asset	16,838,765	6,537,754	441,671	-	23,818,190

31 December 2014

In thousands of Naira	Operations	Sales and business development	Treasury	Unallocated segment	Total
<b>Revenue:</b>					
Derived from external customers	5,210,762	85,616	2,423,101	-	7,719,479
Others	514,578	7,881	-	-	522,459
<b>Segment revenue</b>	<b>5,725,340</b>	<b>93,497</b>	<b>2,423,101</b>	<b>-</b>	<b>8,241,938</b>
<b>Expenses:</b>					
Personnel expenses	(1,100,734)	(392,992)	(29,484)	-	(1,523,210)
Operating expenses	(606,980)	(216,708)	(16,258)	-	(839,946)
Depreciation and amortisation	(77,936)	(27,825)	(2,088)	-	(107,849)
Other operating expenses	(10,982)	-	-	-	(10,982)
<b>Segment operating income before tax</b>	<b>3,928,708</b>	<b>(544,028)</b>	<b>2,375,271</b>	<b>-</b>	<b>5,759,951</b>
Income tax charge	-	-	-	(1,137,906)	(1,137,906)
<b>Profit after tax</b>	<b>3,928,708</b>	<b>(544,028)</b>	<b>2,375,271</b>	<b>(1,137,906)</b>	<b>4,622,045</b>
<b>Assets and liabilities:</b>					
Total asset	16,673,718	5,952,967	446,618	-	23,073,303
Total liabilities	1,767,214	630,943	47,336	-	2,445,494
Net asset	14,872,698	5,309,954	398,376	-	20,581,028

## 8. Accounting classifications and fair values of financial assets and liabilities

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

## 8. Accounting classifications and fair values of financial assets and liabilities

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

31 December 2015		Carrying amount				Fair value			
In thousands of Naira	Notes	Held to maturity	Loans and receivables	Liabilities at amortised cost	Total carrying amount	Level 1	Level 2	Level 3	Total fair value
<b>Financial assets not measured at fair value</b>									
- Cash and cash equivalent	20	-	3,673,144	-	3,673,144	-	3,673,144	-	-
- Trade receivables	18(a)	-	-	-	-	-	-	-	-
- Other receivables	-	-	58,032	-	58,032	-	-	-	5,516,197
- Treasury Bills	17(b)	5,328,894	-	-	5,328,894	5,516,197	-	-	-
- Federal government bonds	17(a)	10,911,046	-	-	10,911,046	11,520,875	-	-	11,520,875
- Corporate government bonds	17(a)	1,092,983	-	-	1,092,983	1,100,658	-	-	1,100,658
- State government bonds	17(a)	3,393,260	-	-	3,393,260	3,109,617	713,693	-	3,823,310
		<b>20,726,183</b>	<b>3,731,176</b>	<b>-</b>	<b>24,457,359</b>	<b>21,247,347</b>	<b>4,386,837</b>	<b>-</b>	<b>21,961,040</b>
<b>Financial liabilities not measured at fair value</b>									
- Payables and accruals	-	-	-	469,087	469,087	-	-	-	-
- Other liabilities	23	-	-	387,659	387,659	-	-	-	-
		<b>-</b>	<b>-</b>	<b>856,746</b>	<b>856,746</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>856,746</b>



31 December 2014		Carrying amount			Fair value				
In thousands of Naira	Notes	Held to maturity	Loans and receivables	Liabilities at amortised cost	Total carrying amount	Level 1	Level 2	Level 3	Total fair value
<b>Financial assets not measured at fair value</b>									
- Cash and cash equivalent	20	-	2,747,044	-	2,747,044		2,747,044		
- Trade receivables	18(a)	-	21,200	-	21,200				
- Other receivables		-	120,142	-	120,142				
- Treasury Bills	17(b)	6,188,507	-	-	6,188,507	6,188,507	-	-	6,188,507
- Federal government bonds	17(a)	10,452,716	-	-	10,452,716	10,452,716	-	-	10,452,716
- Corporate government bonds	17(a)	1,035,049	-	-	1,035,049	1,035,049	-	-	1,035,049
- State government bonds	17(a)	2,060,385	-	-	2,060,385	2,060,385	713,693	-	2,060,385
		<b>19,736,657</b>	<b>2,888,386</b>	<b>-</b>	<b>22,625,043</b>	<b>19,736,657</b>	<b>2,747,044</b>	<b>-</b>	<b>19,736,657</b>
<b>Financial liabilities not measured at fair value</b>									
- Payables and accruals		-	-	953,557	953,557				
- Other liabilities	23	-	-	301,399	301,399				
		<b>-</b>	<b>-</b>	<b>1,254,956</b>	<b>1,254,956</b>				

## 9. Fees income

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Domiciliary/depository fees (see note 18(a)(i))	1,131,408	1,357,304
Transaction fees	2,664,702	3,831,409
OTC (fixed income) transaction fees	16,562	12,205
Eligibility fees	2,046	9,845
<b>Total fees income</b>	<b>3,814,718</b>	<b>5,210,762</b>

## 10. Interest income

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Treasury bills	1,028,067	792,497
Federal Government bonds	1,475,947	1,204,252
Corporate bonds	146,588	139,761
State bonds	431,383	215,531
Fixed deposits	62,452	71,060
<b>Total interest income (a)</b>	<b>3,144,437</b>	<b>2,423,101</b>

(a) Total interest income calculated using the effective interest rate method that relates to financial assets not carried at fair value through profit or loss are N3.144 billion (2014: N2.423billion).

## 11. Other operating income

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Settlement bank participation fees	19,000	4,750
Collateral management fees (see note (a) below)	71,336	112,699
Statement of stock position fees	20,812	14,319
Special investor accounts fee	9,027	17,149
Miscellaneous Income (see note (b) below)	22,813	1,899
Data centre subscriptions (see note (c) below)	126,073	51,902
Trade alert handling fees	-	230,395
Website subscription fees	28,267	33,714
Issuers service	-	237
Data exchange services	436	510
Other fees (see note (d) below)	56,381	44,568
Gains on foreign exchange	-	50
Legal Entity Identifier Subscription	3,025	125
Reversal of impairment loss on trade and other receivables (see note (e) below)	-	24,306
Write back of Performance bonus provision (see note 22(c))	284,279	71,385
Profit on disposal of fixed assets	1,173	66
	<b>642,622</b>	<b>608,075</b>

- (a) Collateral management represents fees charged for services rendered to investors and corporates who have offered securities as collateral for credit facility. The Company transfers such securities into a dormant account to restrict the investor (borrower) from assessing the securities.
- (b) Miscellaneous income comprises interest on staff loan, signature mandate card fees, customer identity cards fee and token issuance fees.
- (c) Data centre subscriptions represents fees charged for data storage services rendered to companies for serving as a secondary data storage and disaster recovery in event of data loss.

**(d) Other fees**

Other fees can be analysed as follows:

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Public offer of shares fees	27,793	21,970
Consolidation of shares fees	18,618	14,717
Other Service fees	9,970	7,881
	<b>56,381</b>	<b>44,568</b>

**(e) Reversal of impairment loss on trade and other receivables**

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Net Reversal of impairment loss on trade and other receivables		5,931
Reversal of impairment loss on other receivables		18,375
		<b>24,306</b>

**12 Expenses****12.1(a) Personnel expenses**

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Salaries and allowances	683,218	625,644
Staff training and development	122,700	97,121
Staff welfare and medical expenses	114,867	137,121
Performance Bonus (see note (i) below)	263,985	612,259
Staff Long Term Severance (see note (ii) below)	29,476	3,408
Staff pension management contribution (see note (iii) below)	59,225	45,747
NSITF	2,291	1,910
	<b>1,275,762</b>	<b>1,523,210</b>

- (i) Performance bonus provision for 2015 was made on Board approval of the application of 5% of profit before tax but limited to the upper ceiling of not more than 50% of the total emolument of qualifying staff.
- (ii) Staff long term severance represents net cost to profit or loss and other comprehensive income. It comprises the current service cost which is actuarially determined and the net interest income. Information relating to the actuarial valuation of the staff long term severance pay is disclosed in note 24.2(i).
- (iii) The company operates a funded defined contribution retirement scheme for its employees under the provision of the Pension Reform Act of 2014. The employer contributes 10% while the employee contributes 8% of the qualifying employee's salary. The Company does not have any additional legal or constructive obligation to pay further contributions if the PFAs do not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

#### 12.1(b) Employee information:

- (i) The average number of persons employed during the year was as follows:

	31 Dec. 2015	31 Dec. 2014
Executive Directors	1	1
Management	3	3
Non-management	98	95
	<b>102</b>	<b>99</b>

- (ii) The directors who received fees and other emoluments (excluding pension contributions and reimbursable expenses) was:

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Chairman	19,527	7,373
Other directors	287,172	176,379
	<b>306,699</b>	<b>183,752</b>

The Directors remuneration as shown above includes:

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
The chairman	19,527	7,373
The highest paid director	72,600	56,226

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

	31 Dec. 2015	31 Dec. 2014
N1,000,000 - N5,000,000	2	2
N5,000,001 and above	11	10
	<b>13</b>	<b>12</b>

- (iv) The employees of the Company, other than directors, who received remuneration in the following range (excluding pension contributions and other benefits) were:

	31 Dec. 2015	31 Dec. 2014
N60,000 - N1,000,000	-	-
N1,000,001 - N3,000,000	43	41
N3,000,001 - N6,000,000	37	37
N6,000,001 - N9,000,000	4	4
N9,000,001 and above	18	17
	<b>102</b>	<b>99</b>

- (v) Gender analysis of staff

The average number of employees of the Company during the year by gender and level is as follows:

Gender	31 Dec. 2015		31 Dec. 2014	
	Total Number	Total %	Total Number	Total %
Female	28	27%	28	28%
Male	74	73%	71	72%
<b>Total</b>	<b>102</b>	<b>100%</b>	<b>99</b>	<b>100%</b>

## 12.2 Administrative expenses

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Maintenance expenses	34,742	32,235
Donations	60,316	36,474
Directors expenses and allowances	232,171	214,473
Office running expenses	200,468	161,414
Business development	267,067	200,933
Marketing expenses	30,039	24,806
Industrial training fund	10,789	5,453
Professional/consulting fees	114,401	92,963
Audit fees	18,700	14,000
Bank charges	12,297	11,320
Other administrative expenses (see note (a) below)	141,349	45,875
	<b>1,122,339</b>	<b>839,946</b>

### (a) Other administrative expenses

Other operating expenses can be analysed as follows:

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Filing fees	245	9,521
Entertainment	3,708	3,044
AGM expenses	5,100	3,977
Operating expenses- others	40,303	29,333
Insurance repository expenses	40	-
Investor relations expense	3,160	-
Project Meridian - Incidental expenses (see note (i) below)	88,793	-
	<b>141,349</b>	<b>45,875</b>

(i) Project Meridian incidental expense represents expenses incurred with respect to the purchase of the new CSD software (TCS BaNcs).

### 12.3 Depreciation and amortisation

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Depreciation (see note 15)	98,301	70,794
Amortisation (see note 16)	34,668	37,055
	<b>132,969</b>	<b>107,849</b>

### 12.4 Other operating expenses

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Investors protection expenses (see note (i) below)	554	10,982
	<b>554</b>	<b>10,982</b>

(i) Investor protection expense represents cost to buy back stocks which had remained unsettled due to financial inability of specific stockbroking firms. The Company bought back the shares to avoid distortions in the market.

## 13 Taxation

### 13(a) Income tax expenses

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Corporate income tax charge	571,970	998,069
Education tax	40,567	68,296
NITDA Levy	50,407	57,599
<b>Income tax</b>	<b>662,944</b>	<b>1,123,964</b>
Reversal/(origination) of temporary differences	(107,527)	13,942
<b>Total tax expenses</b>	<b>555,417</b>	<b>1,137,906</b>



### Reconciliation of effective tax rate

In thousands of Naira	31 Dec. 2015		31 Dec. 2014	
	Tax Rate	Amount	Tax Rate	Amount
Profit before tax		5,015,717		5,759,951
Income tax using the domestic corporation tax rate	30.0%	1,504,715	17.3%	998,068
Non-deductible expenses	1.2%	60,772	0.1%	6,947
Non taxable income	-19.2%	(961,894)	-39.1%	(2,251,536)
Education tax	0.8%	40,567	1.2%	68,296
Impact of NITDA Levy	0.7%	35,284	0.7%	40,319
	<b>11.1%</b>	<b>555,417</b>	<b>19.8%</b>	<b>1,137,906</b>

### 13(b) Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Property and equipment, and software	(48,711)	(46,781)
Trade receivables	116,074	-
Defined benefit plan	(60,986)	-
	<b>6,377</b>	<b>(46,781)</b>

### Movement in deferred tax balances:

In thousands of Naira	Balance, beginning of year	Recognised in profit or loss	Recognised in OCI	Balance, end of year	Deferred tax asset / (liabilities)
<b>31 December 2015</b>					
Property and equipment, and software	(46,781)	(1,930)	-	(48,711)	(48,711)
Trade receivables	-	116,074	-	116,074	116,074
Defined benefit plan	-	(6,617)	(54,369)	(60,986)	(60,986)
<b>Tax assets/(liabilities)</b>	<b>(46,781)</b>	<b>107,527</b>	<b>(54,369)</b>	<b>6,377</b>	<b>6,377</b>
<b>31 December 2014</b>					
Property and equipment, and software	(32,839)	(13,942)	-	(46,781)	(46,781)
<b>Tax (liabilities)</b>	<b>(32,839)</b>	<b>(13,942)</b>	<b>-</b>	<b>(46,781)</b>	<b>(46,781)</b>

**13(c) Taxes payable**

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Balance, beginning of year	1,108,442	1,079,811
Charge for the year (see note 13(a) above)	662,944	1,123,964
Payments during the year	(1,107,836)	(1,095,333)
<b>Balance, end of year</b>	<b>663,550</b>	<b>1,108,442</b>

**14 Basic/diluted earnings per share**

The calculation of basic/diluted earnings per share at 31 December 2015 was based on the profit attributable to ordinary shareholders of N4.46 billion (2014: N4.62 billion) and an average number of ordinary shares outstanding of 5,000,000,000 (2014: 5,000,000,000).

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Profit attributable to ordinary shareholders	4,460,300	4,622,045
<i>In thousands of unit</i>		
Weighted average number of ordinary shares (basic/diluted)	5,000,000	5,000,000
Earnings per share (basic/diluted)- Kobo	89k	92k

## 15 Plant and Equipment

In thousands of Naira	Motor Vehicles	Furniture & fittings	Computer equipment	Office equipment	Leasehold improvement	Work in progress	Total
<b>Cost</b>							
Balance at 1 January 2014	156,830	95,248	733,779	115,566	-	13,222	1,114,645
Additions	14,900	18,469	7,804	6,980	-	78,704	126,857
Disposals	-	(125)	-	-	-	-	(125)
<b>Balance as at 31 December 2014</b>	<b>171,730</b>	<b>113,592</b>	<b>741,583</b>	<b>122,546</b>	-	<b>91,926</b>	<b>1,241,377</b>
Balance at 1 January 2015	171,730	113,592	741,583	122,546	-	91,926	1,241,377
Additions	91,800	5,991	22,828	16,626	-	42,287	179,532
Reclassification from work in progress		3,350	60,471	4,876	59,448	(128,145)	-
Disposals	(39,750)	(1,386)	(32,433)	(4,992)	-	-	(78,561)
<b>Balance as at 31 December 2015</b>	<b>223,780</b>	<b>121,547</b>	<b>792,449</b>	<b>139,056</b>	<b>59,448</b>	<b>6,068</b>	<b>1,342,348</b>
<b>Accumulated depreciation:</b>							
Balance at 1 January 2014	70,867	64,481	697,489	92,294	-	-	925,131
Depreciation for the year	35,706	12,986	12,928	9,174	-	-	70,794
Disposals	-	(125)	-	-	-	-	(125)
<b>Balance as at 31 December 2014</b>	<b>106,573</b>	<b>77,342</b>	<b>710,417</b>	<b>101,468</b>	-	-	<b>995,800</b>
Balance at 1 January 2015	106,573	77,342	710,417	101,468	-	-	995,800
Depreciation for the year	42,407	8,981	21,818	10,602	14,493	-	98,301
Disposals	(39,684)	(704)	(32,452)	(4,993)	-	-	(77,833)
<b>Balance as at 31 December 2015</b>	<b>109,296</b>	<b>85,619</b>	<b>699,783</b>	<b>107,077</b>	<b>14,493</b>	-	<b>1,016,268</b>
<b>Carrying amounts:</b>							
<b>At 31 December 2014</b>	<b>65,157</b>	<b>36,250</b>	<b>31,166</b>	<b>21,078</b>	-	<b>91,926</b>	<b>245,577</b>
<b>At 31 December 2015</b>	<b>114,484</b>	<b>35,928</b>	<b>92,666</b>	<b>31,979</b>	<b>44,955</b>	<b>6,068</b>	<b>326,080</b>

- (a) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2014: Nil)
- (b) There were no capital commitments

## 16. Intangible Asset

In thousands of Naira	Software	Software under development	Total
<b>Cost:</b>			
Balance at 1 January 2014	2,022,897	-	2,022,897
Additions	36,535	29,280	65,815
<b>Balance as at 31 December 2014</b>	<b>2,059,432</b>	<b>29,280</b>	<b>2,088,712</b>
Balance at 1 January 2015	2,059,430	29,280	2,088,710
Additions	11,166	171,661	182,827
<b>Balance as at 31 December 2015</b>	<b>2,070,596</b>	<b>200,941</b>	<b>2,271,537</b>
<b>Accumulated amortisation:</b>			
Balance at 1 January 2014	1,966,716	-	1,966,716
Amortisation charge for the year	37,055	-	37,055
<b>Balance as at 31 December 2014</b>	<b>2,003,771</b>	<b>-</b>	<b>2,003,771</b>
Balance as at 1 January 2015	2,003,771	-	2,003,771
Amortisation charge for the year	34,668	-	34,668
<b>Balance as at 31 December 2015</b>	<b>2,038,439</b>	<b>-</b>	<b>2,038,439</b>
<b>Carrying amount:</b>			
<b>At 31 December 2014</b>	<b>55,661</b>	<b>29,280</b>	<b>84,941</b>
<b>At 31 December 2015</b>	<b>32,157</b>	<b>200,941</b>	<b>233,098</b>

- (a) There were no capitalised borrowing costs related to the acquisition of the intangible assets during the year.
- (b) Software under development represents the qualifying capital expenditure incurred on the project Pension Contribution Management System, ISO 27001 Nessus Software and a new CSD platform that will replace the current platform, EQUATOR upon completion.

The company reached an agreement with Tata Consulting Services India for the implementation of a new CSD Application and this has been registered with the National Office for Technology Acquisition and Promotion (NOTAP) with the following details: Registration Certificate Numbers: CR 005876 & CR 005 950; Certificate Dates: 18 September 2015 and 5 February 2016; Registered Amount: USD 2,555,556.00; Subject Matter: Software License; NOTAP File Number: NOTAP/AG/FI/1797/1/274; Certificate Expiry Date: 30 June 2016

## 17. Investment securities

Investments are analysed as follows:

### 17(a) Non current investment securities:

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Federal Government bonds (see note 17(c)(i) below)	10,911,046	10,452,716
Corporate bonds (see note 17(d)(ii) below)	1,092,983	1,035,049
State bonds (see note (iii) below)	3,393,260	2,060,385
<b>Total non current investment securities</b>	<b>15,397,289</b>	<b>13,548,150</b>

### 17(b) Current investment securities:

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Treasury Bills (see note (iv) below)	5,328,894	6,188,507
<b>Total current investment securities</b>	<b>5,328,894</b>	<b>6,188,507</b>

### 17(c) Available for sale investment securities

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
NSE Consult Limited	10	-
NSE Nominees Limited	100	-
<b>Total available for sale investment securities</b>	<b>110</b>	<b>-</b>
<b>Total investment securities</b>	<b>20,726,293</b>	<b>19,736,657</b>

**(d) Analysis of investment securities****(i) Analysis of federal government bonds**

			31 December 2015		31 December 2014	
In thousands of Naira	Coupon Rate	Maturity Date	Face Value	Carrying Amount	Face Value	Carrying Amount
FMBN Bond - FGN Guaranteed	0%	17-May-15	-	-	400,000	376,891
FGN bond (FGN bond Apr 2017)	15.1%	27-Apr-17	4,052,550	4,167,523	3,552,550	3,676,172
FGN bond (FGN bond Jun 2019)	16%	29-Jun-19	535,000	555,679	335,000	361,844
FGN bond (FGN bond Aug 2016)	13.05%	16-Aug-16	3,380,000	3,550,998	3,380,000	3,562,656
FGN bond (FGN bond Jan 2022)	16.39%	27-Jan-22	1,000,000	1,108,077	1,000,000	1,111,813
FGN bond (FG N bond Feb 2020)	15.54%	13-Feb-20	150,000	157,268	-	-
FGN bond (Local contractor's bond) 2016	zero/16%	9-Dec-16	900,000	926,426	900,000	943,635
FGN bond (Local contractor's bond) 2017	zero/16.5%	20-Apr-17	420,000	445,075	420,000	419,705
<b>Total</b>			<b>10,437,550</b>	<b>10,911,046</b>	<b>9,987,550</b>	<b>10,452,716</b>

**(ii) Analysis of corporate bonds**

			31 December 2015		31 December 2014	
In thousands of Naira	Coupon Rate	Maturity Date	Face Value	Carrying Amount	Face Value	Carrying Amount
UBA Corporate bond 2018	14%	30-Sep-18	1,060,000	1,092,983	1,000,000	1,035,049
<b>Total</b>			<b>1,060,000</b>	<b>1,092,983</b>	<b>1,000,000</b>	<b>1,035,049</b>

**(iii) Analysis of state government bonds**

			31 December 2015		31 December 2014	
In thousands of Naira	Coupon Rate	Maturity Date	Face Value	Carrying Amount	Face Value	Carrying Amount
Lagos State bond (Nov 2019)	14.50%	22-Nov-19	850,000	916,027	850,000	926,214
Gombe State bond (Oct 2019)	15.50%	2-Oct-19	250,000	189,414	202,814	224,037
Niger State Bond (Dec 2018)	14%	12-Dec-18	498,754	443,678	552,616	556,685
Bauchi State bond (Dec 2021)	15.50%	8-Dec-21	335,286	322,518	350,000	353,449
Plateau State bond (Mar 2022)	17.50%	30-Mar-22	500,000	501,659	-	-
Zamfara State bond (May 2022)	17%	19-May-22	700,000	680,734	-	-
Cross River State bond (May 2022)	17%	27-May-22	350,000	339,230	-	-
<b>Total</b>			<b>3,484,040</b>	<b>3,393,260</b>	<b>1,955,430</b>	<b>2,060,385</b>

State Government Bonds with face value of N2.634billion (2014:N1.105billion) were purchased through Planet Capital Limited who acted as either lead issuing house or joint issuing house. Mr. Chidi Agapu is a Co-CEO of Planet Capital Ltd.

## (iv) Analysis of Treasury Bills - 31 December 2015

Analysis by maturity date	Tenor	Rate	Maturity Date	Face Value	Carrying Amount
Treasury Bills - 7 Apr 2016	217	14.60%	7-Apr-16	200,000	191,985
Treasury Bills - 14 Jan 2016	252	13.95%	14-Jan-16	270,000	268,485
Treasury Bills - 11 Feb 2016	149	14.15%	11-Feb-16	500,000	491,704
Treasury Bills - 22 Sep 2016	353	13.40%	22-Sep-16	150,000	135,140
Treasury Bills - 25 Feb 2016	181	15.00%	25-Feb-16	400,000	390,571
Treasury Bills - 11 Feb 2016	150	14.42%	11-Feb-16	500,000	491,540
Treasury Bills - 11 Feb 2016	289	13.35%	11-Feb-16	826,695	813,407
Treasury Bills - 28 Jan 2016	274	13.88%	28-Jan-16	173,305	171,372
Treasury Bills - 17 Mar 2016	259	13.65%	17-Mar-16	400,000	388,094
Treasury Bills - 11 Feb 2016	153	14.45%	11-Feb-16	550,000	540,668
Treasury Bills - 30 Jun 2016	275	13.43%	30-Jun-16	260,000	242,314
Treasury Bills - 21 Jan 2016	91	7.87%	21-Jan-16	600,000	597,267
Treasury Bills - 7 Apr 2016	135	4.50%	7-Apr-16	250,000	246,981
Treasury Bills - 7 Apr 2016	163	9.81%	7-Apr-16	370,000	359,367
<b>Total</b>				<b>5,450,000</b>	<b>5,328,895</b>

### Analysis of Treasury Bills - 31 December 2014

In thousands of Naira	Tenor	Rate	Maturity Date	Face Value	Carrying Amount
<b>Analysis by maturity date</b>					
Treasury bills - 30 April 2015	122	14.00%	30-Apr-15	750,000	715,469
Treasury bills - 30 April 2015	153	12.70%	30-Apr-15	550,000	526,902
Treasury bills - 23 April 2015	160	10.25%	23-Apr-15	350,000	338,820
Treasury bills - 16 April 2015	167	10.95%	16-Apr-15	200,000	193,580
Treasury bills - 9 April 2015	146	10.60%	9-Apr-15	1,200,000	1,165,263
Treasury bills - 26 Mar 2015	161	10.95%	26-Mar-15	400,000	389,682
Treasury bills - 12 Mar 2015	160	10.75%	12-Mar-15	500,000	489,401
Treasury bills - 12 Mar 2015	161	10.70%	12-Mar-15	200,000	195,780
Treasury bills - 5 Mar 2015	182	10.00%	5-Mar-15	400,000	392,868
Treasury bills - 29 Jan 2015	113	10.55%	29-Jan-15	103,376	102,499
Treasury bills - 29 Jan 2015	140	10.70%	29-Jan-15	300,000	297,407
Treasury bills - 29 Jan 2015	133	10.50%	29-Jan-15	320,000	317,290
Treasury bills - 8 Jan 2015	133	10.50%	8-Jan-15	220,000	219,483
Treasury bills - 8 Jan 2015	182	10.00%	8-Jan-15	350,000	349,212
Treasury bills - 1 Jan 2015	118	10.50%	1-Jan-15	80,000	79,975
Treasury bills - 1 Jan 2015	126	10.70%	1-Jan-15	160,000	159,952
Treasury bills - 1 Jan 2015	126	10.60%	1-Jan-15	180,000	179,946
Treasury bills - 1 Jan 2015	126	10.70%	1-Jan-15	75,000	74,978
<b>Total</b>				<b>6,338,376</b>	<b>6,188,507</b>

### 18(a) Trade and other receivables

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Trade and other receivables (See note (i) below)	388,537	353,676
Allowance for doubtful trade and other receivables (see note 18(b) below)	(386,912)	(332,476)
<b>Net carrying amount</b>	<b>1,625</b>	<b>21,200</b>



(i) **Trade and other receivables**

Trade and other receivables arose from the principal revenue generating activities of the Company which are explained below:

- Eligibility fees relate to annual fees paid by the stockbroking firms, 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.
- Settlement bank participation fees of N1,000,000 are paid annually by settlement banks to CSCS.

**18(b) Allowances for doubtful trade receivables**

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Balance, beginning of year	332,476	340,873
Charge during the year	58,684	7,178
Allowances no longer required	(4,248)	(13,109)
<b>Net charge for the year</b>	<b>54,436</b>	<b>(5,931)</b>
Write offs	-	(2,466)
<b>Balance, end of year</b>	<b>386,912</b>	<b>332,476</b>

Impairment on trade receivables is triggered when a trade receivables balance is outstanding for more than 180 days. Allowances against doubtful trade receivables are recognised 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. The Company recognises allowance for doubtful trade receivables of 100% against all receivables over 180 days on an individual customer basis. 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.

**19(a) Other Assets**

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Prepayment	167,411	107,803
Withholding tax recoverable	31,463	30,909
Staff Debtors	24,801	7,748
Sundry stock	5,919	9,939
Stock Account- KYC Biometrics	316	-
Western textile mills Plc	-	9,720
Managed funds	-	71,765
Other receivables (See note (i) below)	279,222	277,454
	<b>509,132</b>	<b>515,338</b>
Allowance for doubtful other receivables (see note 19(b) below)	(277,454)	(277,454)
<b>Net carrying amount</b>	<b>231,678</b>	<b>237,884</b>

- (i) Included in other receivables is doubtful fixed deposit amounting to N277million. The dispute is currently in court, however full impairment has been made pending the court resolution.

**19(b) Allowances for doubtful other receivables**

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Balance, beginning of year	(277,454)	(277,454)
Charge during the year	-	-
Balance, end of year	(277,454)	(277,454)

**20. Cash and cash equivalents**

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Cash at hand	7,449	-
Balances with banks (see note (ii) below)	480,354	163,115
Fixed deposits	3,085,533	509,511
Treasury bills with original maturity period of 90 days or less (see note (i) below)	99,808	2,074,418
	<b>3,673,144</b>	<b>2,747,044</b>

**(I) Analysis of Treasury Bills - 31 December 2015**

In thousands of Naira	Tenor	Rate	Maturity Date	Face Value	Carrying Amount
Treasury Bills - 14 Jan 2016	71	5.00%	14-Jan-16	100,000	99,808
<b>Total</b>				<b>100,000</b>	<b>99,808</b>

**Analysis of Treasury Bills - 31 December 2014**

In thousands of Naira	Tenor	Rate	Maturity Date	Face Value	Carrying Amount
Treasury bills - 14 Jan 2016	71	5.00%	14-Jan-16	100,000	99,808
Treasury bills - 1 Jan 2015	14	16.80%	1-Jan-15	250,000	249,884
Treasury bills - 8 Jan 2015	21	14.00%	8-Jan-15	450,000	448,615
Treasury bills - 8 Jan 2015	29	16.75%	8-Jan-15	250,000	249,076
Treasury bills - 8 Jan 2015	34	13.50%	8-Jan-15	250,000	249,255
Treasury bills - 15 Jan 2015	35	14.50%	15-Jan-15	350,000	347,905
Treasury bills - 19 Feb 2015	52	13.00%	19-Feb-15	400,000	392,875
Treasury bills - 5 Mar 2015	65	13.00%	5-Mar-15	140,000	136,808
<b>Total</b>				<b>2,190,000</b>	<b>2,174,226</b>

- (ii) Included in bank balances is Trade Guarantee Funds (TGF) of N77.85million (2014: 71.76million). Trade Guarantee Fund was created by the Nigerian Stock Exchange (NSE) to ensure and guarantee cash settlement of Nigerian Stock Exchange transactions. The asset of the fund is maintained with Guaranty Trust Bank Plc.

**21 Capital and reserves****21(a) Share capital****Share capital - Authorised**

In thousands of units	31 Dec. 2015	31 Dec. 2014
5,000,000,000 ordinary shares of N1 each	5,000,000	5,000,000
<b>Share capital - in issue at 31 December - fully paid</b>		
In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Ordinary share in issue and fully paid at 1 January	5,000,000	5,000,000
<b>Ordinary share in issue and fully paid as at end of the year</b>	<b>5,000,000</b>	<b>5,000,000</b>

**21(b) Retained earnings**

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Balance, beginning of year	15,581,028	12,058,983
Transfer from statement of comprehensive income	4,460,300	4,622,045
Dividend declared	(1,350,000)	(1,100,000)
<b>Balance, end of year</b>	<b>18,691,328</b>	<b>15,581,028</b>

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

**22. Payables and accruals**

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Sundry creditors and accruals	192,402	324,665
(NSE/CSCS) X- alert fees (see (a) below)	5,155	-
Trade creditors	40	41
Auditors fee	4,372	-
National Housing Fund	596	1,360
CSCS staff cultipurpose Co-operative	2,537	-
Technical fee	-	15,000
Dumez-Divestment fund	-	232
Unearned income (See (b) below)	63,095	82,096
Staff productivity bonus (see (c) below)	263,985	612,259
	<b>532,182</b>	<b>1,035,653</b>

- (a) NSE/CSCS) X- alert fees: A sharing formula for the costs remains to be agreed upon by both the NSE and CSCS. This is in place of the former text messages sent for daily trades on investors CSCS accounts.
- (b) Unearned income received from lien services rendered to AMCON, but is yet to be earned as at the year end 31 December 2015.
- (c) **Movement in staff productivity bonus**

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Balance, beginning of year	612,259	290,264
Additional provisions made during the year	263,985	612,259
Write back of excess provision from prior year	(284,279)	(71,385)
Net reversal/accrual during the year	(20,294)	540,874
Payment to staff during the year	(327,980)	(218,879)
Balance, end of year	263,985	612,259

### 23. Other Liabilities

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Unclaimed dividends*	128,640	141,459
CSCS individual divestment	1,290	1,290
CSCS share buy-back	1,227	132
Fidelity-CSCS Plc	5,730	940
Amount due to Adonai Net	4,169	3,384
Amount due to Investment & Securities	51,893	-
PAYE liability	46,201	9,196
Withholding tax liability	14,398	8,089
Value added tax liability	56,028	55,423
Managed funds (see note 23(a) below)	78,083	81,486
	<b>387,659</b>	<b>301,399</b>

\* The balance of the unclaimed dividend is fixed with Fidelity Bank Plc and a total of N9.05m was earned as interest income on amount during the year.

**23(a) Managed Fund**

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Trade Guarantee Fund (see note (I) below)	77,852	71,766
Dumez-Divestment Fund	232	-
Westex Fund (see note (ii) below)	-	9,720
	<b>78,084</b>	<b>81,486</b>

(i) Included in managed fund is Trade Guarantee Fund (TGF). It 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 209 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 balances with banks (see note 20 (ii) above).

(ii) During the year, the Company transferred funds held on behalf of the shareholders of Western Textile Mills Plc, a company that went into voluntary liquidation to CAC. Prior to the transfer, the Company held the fund in trust for the shareholders based on the resolution of at the extra-ordinary general meeting of Western Textile Mills Plc held on 10 February 2002.

**24 Pension plan and other employment benefits****24.1 Defined contribution plan**

All the employees of the Company qualify for the contributory pension scheme of Nigeria. The Company is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions. Pension contribution of a percentage of employees emoluments (10% by the employer and 8% by the employees) are made in accordance with the Pension Reform Act 2004. The total expense recognized in profit or loss of N59,225,366.69 (2014: N45,747,265.69) represents contributions payable to these plans by the Company at the rates specified in accordance with the Pension Reform Act 2004 (amended). As at 31 December 2015, all outstanding contributions had been paid.

## 24.2 Defined benefit plan

At its meeting of 7 November, 2012, the Board of Directors of the Company resolved to establish a Long Term Severance Benefit Scheme in order to make provisions for the terminal payments to staff upon exit from the employment of the Company. On 11 December, 2013, the Board approved the details of the Scheme as presented by the Management. The Scheme entitles employees to 50% of their Annual Total Emolument as at the date of retirement on completion of five years continuous employment. The entitlement increases at the rate of 10% each year but to a maximum of 100% for years of service more than 10 years and 0% for years of services less than 5 years. Amount contributed in each year into the scheme is expensed in the year in which they are due. The defined benefit plan is administered by the Company but the funds are managed by Capital Express Assurance Company Plc. and UTIB Insurance Brokers Limited as Advisers. The contract with the Fund Manager is renewed annually.

The scheme is fully funded by the Company. The funding requirements are based on the measurement framework set out in the funding policies of the plan. Employees are not required to contribute to the scheme. The Company has determined that, in accordance with the terms and conditions of the defined benefit plans, the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as at 31 December 2015 by Mr. Kolawole Ogunbayo, Head of Technical Operations/Actuarial Services of the Fund Managers (Capital Express Assurance Limited). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. Gains and losses of changed actuarial assumptions are charged to other comprehensive income.

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

**(I) Per statement of profit or loss and other comprehensive income**

In thousands of Naira	31 Dec. 2015
<b>Statement of profit or loss:</b>	
Current service cost	(37,360)
Net interest income	7,884
<b>Total</b>	<b>(29,476)</b>
<b>Statement of other comprehensive income:</b>	
Return on plan assets (excluding amounts included in net interest expense)	361,529
Actuarial gains and losses arising from changes in financial assumptions	33,003
Actuarial gains and losses arising from experience adjustments	(213,301)
<b>Total</b>	<b>181,231</b>
Deferred tax impact	(54,369)
<b>Total in other comprehensive income</b>	<b>126,862</b>

**(ii) Per statement of financial position**

In thousands of Naira	31 Dec. 2015
Fair value of plan assets (see note (iii) below)	432,158
Present value of funded defined benefit obligation (see note (iv) below)	(228,872)
<b>Asset in statement of financial position</b>	<b>203,286</b>

The amount recognised as planned asset in the statement of financial position is measured based on the fact that the Company has unconditional right to a refund; There are no minimum contribution required; the surplus is available over time until all members have left the plan, assuming the gradual settlement of the plan liabilities and there are no cost for realising the assets.

**(iii) Movement in fair value of plan asset**

In thousands of Naira	31 Dec. 2015
Balance, beginning of year	-
Interest income	19,098
Remeasurement gains/(losses):	
Return on plan assets (excluding amounts included in net interest expense)	361,529
Contributions from the employer (see note (a) below)	51,531
<b>Balance, end of year</b>	<b>432,158</b>

(a) Contributions from the employer of N51.531 million (2014: N70.406 million) represents additional funds transferred by the Company to fund the scheme.



**(iv) Movement in the present value of defined benefit obligation**

In thousands of Naira	31 Dec. 2015
Balance, beginning of year	-
Current service cost	37,360
Interest cost	11,214
Remeasurement (gains)/losses:	
Actuarial (gains)/losses arising from changes in financial assumptions	(33,003)
Actuarial (gains)/losses arising from experience adjustments	213,301
Payment to fund managers	-
<b>Balance, end of year</b>	<b>228,872</b>

The defined benefit plan typically exposes the Company to actuarial risks such as: investment risk, interest rate risk, and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to long term investments. If the return on plan asset is below this rate, it will create a plan deficit. Currently the deposits from Central Securities Clearing System (CSCS) is added to the pool of fund which is being managed as deposit administration, to which guaranteed rate of interest is agreed at the beginning of the period and based on this, return on investment is added to the fund at the end of the year.
Interest risk	A decrease in the long term investment interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The risk relating to benefits to be paid to the dependents of plan members (widow and orphan benefits) is reinsured by an external insurance company. No other post-retirement benefits are provided to these employees.

The principal assumptions used for the purpose of the actuarial valuation were as follows:

	<b>31 Dec. 2015</b>
Discount rate(s)	7.0%
Expected rate(s) of salary increase	8.0%
<b>Average longevity at retirement age for current pensioners (years):</b>	
Males	60
Females	60
<b>Average longevity at retirement age for current employees (future pensioners) (years):</b>	
Males	N/A
Females	N/A

## **25 Events after the reporting date**

There are no after the reporting date events that could have had a material effect on the state of affairs of the Company as at 31 December 2015 which have not been adequately provided for or disclosed.

## **26 Contingent liabilities and commitment**

There are pending litigations against the Company some of which the Company is only a nominal party. Contingent liability as at 31 December 2015 stood at N3,441,199,045 (31 December 2014: N1,800,480,000) and contingent assets in respect of legal actions for the Company for amounts totalling N272,745,574. However, the Directors are of the opinion that the various suits will not succeed against the Company.

Included in the current year contingent liability is the Company's share of a claim of N1.70 billion brought by Adonai Net Nigeria Limited (Adonai Net) against the Nigerian Stock Exchange and the Company in respect of intellectual Property (IP) rights on trade alert services. Adonai Net's contract of service as vendor for the provision of trade alert services was terminated on 30 September, 2014. Adonai Net subsequently challenged the request to surrender IP rights to the name 'NSE/CSCS Trade Alert' instead insisting that it deserves to be paid a fee in consideration of forfeiting its rights.

The claim is in the sum of N3.4 billion being the consideration for the transfer of the Copyright Trademark of AdonaiNet in the NSE/CSCS TradeAlert to the Exchange and CSCS. Parties are open to exercising the option to arbitrate this dispute in accordance with arbitration clause in their original contract for service.

## 27 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.

## 28 Financial commitments

There are no commitments for capital expenditure authorised by the Directors but not provided for in this financial statement at 31 December 2015.

## 29 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures, as well as key management personnel.

### Associate

Transactions between Central Securities Clearing System Plc and its associate; the Nigerian Stock Exchange also meet the definition of related party transactions. The transactions includes: rent and trade alert handling charges held by CSCS on behalf of the Nigerian Stock Exchange during the year.

In thousands of Naira			31 Dec. 2015	31 Dec. 2014
Name of company / Individual		Transaction type	Amount	Amount
The Nigerian Stock Exchange	Associate	Expenses	66,355	49,793
The Nigerian Stock Exchange	Associate	Payables	2,577	-
The Nigerian Stock Exchange	Associate	Dividend paid	367,769	299,664
			<b>436,701</b>	<b>349,457</b>

## Transactions with key management personnel

The Company's key management personnel, and persons connected with them, are also considered to be related parties. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Company. Close members of family are those family members who may be expected to influence, or be influenced by those individuals in their dealings with the Company.

## Key management personnel compensation

Compensation to the Company's key management personnel include salaries, non-cash benefits and contributions to the post-employment defined contribution plans.

### Key management personnel compensation comprise:

In thousands of Naira	31 Dec. 2015	31 Dec. 2014
Executive compensation	70,158	56,226
Post-employment benefits	2,441	1,178
Directors sitting allowances	31,786	16,425
Directors allowances	204,769	109,923
	<b>309,136</b>	<b>183,752</b>

Compensation of the Company's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan (see notes 12.1 and note 24).

## Key management personnel and director transactions

The value of transactions with key management personnel and entities over which they have control or significant influence were as follows:

### Income

Included in income is an amount of N194 million representing depository fees, eligibility fees, settlement participation fees and website subscription fees earned by CSCS from companies in which certain Directors have interests. The details of the income as well as the balances outstanding in receivables as at 31 December 2015 were as follows:

Name of company/Individual	Name of Directors related to the companies	Relationship	Transaction type	Amount	Outstanding balance in trade receivables as at 31 Dec. 2015
Finmal Fin. Co Ltd.	Alhaji Umaru Kwairanga	Director	Eligibility fee	25	-
Ashaka Cement Plc	Alhaji Umaru Kwairanga	Director	Depository fee	5,833	-
Diamond Bank Plc	Ifueko Omoigui Okauru	Independent Director	Depository fee	9,988	-
Sterling Bank Plc	Omokayode M. Lawal	Director	Depository fee	6,127	-
Nigerian Breweries Plc	Ifueko Omoigui Okauru	Independent Director	Depository fee	115,709	-
Seplat Petroleum Development Coy	Ifueko Omoigui Okauru	Independent Director	Depository fee	22,949	1,147
United Bank for Africa Plc	Kennedy Uzoka	Director	Depository fee	16,657	833
Access Bank Plc	Obinna Nwosu	Director	Depository fee	18,068	903
Diamond Bank Plc	Ifueko Omoigui Okauru	Independent Director	Participation Fees	1,000,000	-
Access Bank Plc	Obinna Nwosu	Director	Participation Fees	1,000,000	-
United Bank for Africa Plc	Kennedy Uzoka	Director	Participation Fees	1,000,000	-
Sterling Bank Plc	Omokayode M. Lawal	Director	Participation Fees	1,000,000	-
Access Bank Plc	Obinna Nwosu	Director	Bond Account Renewal	100,000	-
Diamond Bank Plc	Ifueko Omoigui Okauru	Independent Director	Bond Account Renewal	100,000	-
United Bank for Africa Plc	Kennedy Uzoka	Director	Interest Income	3,273,550	-
Access Bank Plc	Obinna Nwosu	Director	Interest Income	6,148,973	-
Diamond Bank Plc	Ifueko Omoigui Okauru	Independent Director	LEI Subscription	25,000	-
Seplat Petroleum Development Coy	Ifueko Omoigui Okauru	Independent Director	LEI Subscription	25,000	-
Access Bank Plc	Obinna Nwosu	Director	LEI Subscription	25,000	-
Seplat Petroleum Development Coy	Ifueko Omoigui Okauru	Independent Director	Lien Placement	14,826,012	-
United Bank for Africa Plc	Kennedy Uzoka	Director	Lien Placement	25,000	-
Diamond Bank Plc	Ifueko Omoigui Okauru	Independent Director	OTC Transactions	122,046	-
Access Bank Plc	Obinna Nwosu	Director	OTC Transactions	96,420	-
Nigeria Breweries Plc	Ifueko Omoigui Okauru	Independent Director	Data Management	40,301,041	-
Seplat Petroleum Development Coy	Ifueko Omoigui Okauru	Independent Director	Long Term Incentive Plan	420,717	-
Finmal Fin Co. Ltd	Alhaji Umaru Kwairanga	Director	Online Subscription	20,000	-
United Bank for Africa Plc	Kennedy Uzoka	Director	Registration Form	50,000	-
Finmal Fin Co. Ltd	Alhaji Umaru Kwairanga	Director	Signature Mandate	15,000	-
Seplat Petroleum Development Coy	Ifueko Omoigui Okauru	Independent Director	Special Accounts	50,000	-
Finmal Fin Co. Ltd	Alhaji Umaru Kwairanga	Director	Token Purchased	2,799	-
Planet Capital	Mr Chidi Agbapu	Director	Website subscription	50,000	-
				<b>69,871,915</b>	<b>2,883</b>

### Bank balances

Included in cash and cash equivalent is an amount of N107 million representing current account balances belonging to CSCS with Banks in which certain Directors have interests. The balances as at 31 December 2015 were as follows:

In thousands of Naira				31 Dec. 2015
Name of company / Individual	Name of Directors	Relationship	Transaction type	Amount
Sterling Bank Plc	Omokayode M. Lawal	Shareholder/Director	Current account	45,152
Access Bank Plc	Obinna Nwosu	Shareholder/Director	Current account	22,267,496
Access Bank Plc	Obinna Nwosu	Shareholder/Director	Collection account	199,582
United Bank for Africa Plc	Kennedy Uzoka	Shareholder/Director	Current account	6,966,897
United Bank for Africa Plc	Kennedy Uzoka	Shareholder/Director	Collection account	473,646
				<b>29,952,773</b>

### Investments

Included in investment securities is an amount of N12.42 billion representing treasury bills, federal government bonds and state government bonds belonging to CSCS and invested through Banks in which certain Directors have interests. The face value of the investments as at 31 December 2015 were as follows:

In thousands of Naira				31 Dec. 2015
Name of company / Individual	Name of Directors	Relationship	Transaction type	Face Value
Access Bank Plc	Obinna Nwosu	Shareholder/Director	Treasury Bills	970,000
Access Bank Plc	Obinna Nwosu	Shareholder/Director	FGN Bonds	5,290,000
Access Bank Plc	Obinna Nwosu	Shareholder/Director	State Bonds	700,000
United Bank for Africa Plc	Kennedy Uzoka	Shareholder/Director	Treasury Bills	490,000
United Bank for Africa Plc	Kennedy Uzoka	Shareholder/Director	FGN Bonds	2,525,000
				<b>9,975,000</b>

The transactions with key management personnel as highlighted above were transacted at arms length. The fees were invoiced based on normal market rates for such transactions. No impairment losses have been recorded against balances outstanding during the year.

### 30 Changes in presentation

To enhance the inter-period comparability of information, changes were made to the presentation of certain items in the financial statements. Accordingly, comparative balances were reclassified. Find below the nature of the changes;

**(a) Statement of profit or loss and other comprehensive income**

In thousands of Naira	31 Dec. 2014		31 Dec. 2015
	Prior presentation	Reclassification	Current Presentation
(I) Income			
Fees	5,198,558	12,204	5,210,762
Other operating income	620,279	(12,204)	608,075
	<b>5,818,837</b>	-	<b>5,818,837</b>
(ii) Expenses			
Administrative expenses	828,626	11,320	839,946
Other operating expenses	22,302	(11,320)	10,982
	<b>850,928</b>	-	<b>850,928</b>

**(b) Statement of financial position**

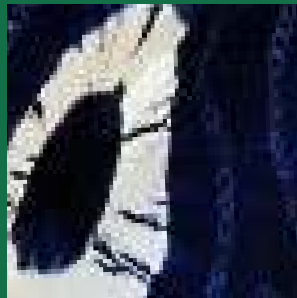
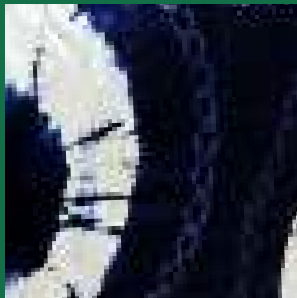
In thousands of Naira	31 Dec. 2014		31 Dec. 2015
	Prior presentation	Reclassification	Current Presentation
(I) Assets			
Other assets	148,432	89,452	237,884
Trade and other receivables	100,713	(79,513)	21,200
Sundry stock	9,939	(9,939)	-
	<b>259,084</b>	-	<b>259,084</b>
(ii) Liabilities			
Payable and accruals	1,327,332	291,679	1,035,653
Other liabilities	9,720	(291,679)	301,399
	<b>1,337,052</b>	-	<b>1,337,052</b>

**(b) Statement of cash flow**

In thousands of Naira	31 Dec. 2014		31 Dec. 2015
	Prior presentation	Reclassification	Current Presentation
<i>Cash flows from operating activities</i>			
Interest income	-	(2,423,101)	(2,423,101)
<i>Changes in operating assets and liabilities</i>			
Other assets	44,681	2,983	47,664
(Sales)/purchase of sundry stock	2,983	(2,983)	-
<i>Cash flows from investing activities:</i>			
Net purchase of investment (bonds)	(2,424,196)	407,244	2,016,950
Interest received	-	2,015,857	2,015,857
	<b>(2,376,532)</b>	-	<b>2,376,530</b>

There was no material impact on the Company's basic and diluted earning per share.

# Other Non-IFRS Information/Disclosures





# Value added statement

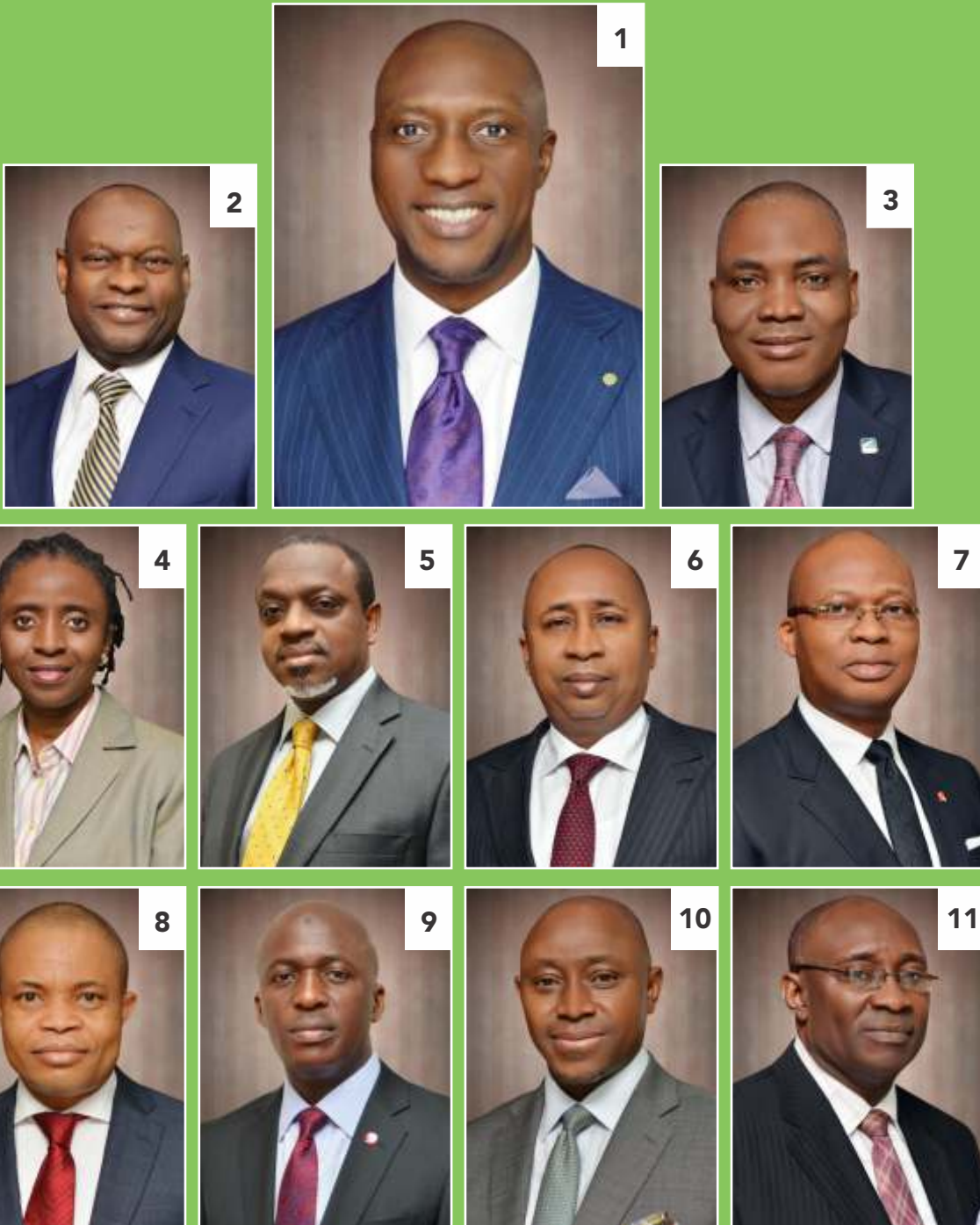
For the year end 31 December 2015

In thousands of Naira	31 Dec. 2015	%	31 Dec. 2014	%
Gross earnings	7,601,777		8,241,938	
Net impairment loss on trade receivables	(54,436)		-	
Bought-in-materials and services	(1,122,893)		(850,928)	
<b>Value added</b>	<b>6,424,448</b>	<b>100</b>	<b>7,391,010</b>	<b>100</b>
<b>Distribution of Value Added</b>		<b>%</b>		<b>%</b>
To Employees:				
Staff cost	1,275,762	20	1,523,210	21
To government	555,417	9	1,137,906	15
Government taxes				
For future replacement of assets, expansion of business and payment of dividend to shareholders:				
Dividend to shareholders:	132,969	2	107,849	1
Depreciation and amortisation	1,350,000	21	1,100,000	15
Dividend to shareholders	3,110,300	48	3,522,045	48
To augment reserve	<b>6,424,448</b>	<b>100</b>	<b>7,391,010</b>	<b>100</b>

# Financial Summary

In thousands of Naira	Dec. 2015	Dec. 2014	Dec. 2013	Dec. 2012	Dec. 2011
<b>Statement of Financial Position</b>					
<b>Assets</b>					
<b>Non current Assets</b>					
Property and equipment	326,080	245,577	189,514	395,002	546,614
Intangible assets	233,098	84,941	56,181	10,258	25,955
Investments securities	15,397,399	13,548,150	11,123,954	5,905,757	1,303,486
Deferred tax asset	6,377	-	-	-	-
Defined benefit plan asset (Net)	203,286	-	-	-	-
<b>Total non current assets</b>	<b>16,166,240</b>	<b>13,878,668</b>	<b>11,369,649</b>	<b>6,311,017</b>	<b>1,876,055</b>
<b>Current Assets</b>					
Investment securities	5,328,894	6,188,507	6,059,906	6,487,168	8,887,224
Trade and other receivables	1,625	21,200	291,430	602,946	1,108,511
Other assets	231,678	237,884	110,707	8,268	11,107
Cash and cash equivalent	3,673,144	2,747,044	1,594,397	2,023,151	1,759,730
<b>Total current assets</b>	<b>9,235,341</b>	<b>9,194,635</b>	<b>8,056,439</b>	<b>9,121,897</b>	<b>11,766,572</b>
<b>Total assets</b>	<b>25,401,581</b>	<b>23,073,303</b>	<b>19,426,089</b>	<b>15,432,914</b>	<b>13,642,627</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Pension plan and other employment benefits	-	-	70,406	82,013	-
Payables, provisions and accruals	532,182	1,035,653	1,175,098	701,508	999,179
Current tax liabilities	663,550	1,108,442	1,079,811	481,218	520,681
Other liabilities	387,659	301,399	8,952	8,268	7,607
<b>Total current liabilities</b>	<b>1,583,391</b>	<b>2,445,494</b>	<b>2,334,267</b>	<b>1,273,007</b>	<b>1,527,467</b>
<b>Non current liabilities</b>					
Deferred tax liabilities	-	46,781	32,839	89,221	122,321
<b>Total non current liabilities</b>	<b>-</b>	<b>46,781</b>	<b>32,839</b>	<b>89,221</b>	<b>122,321</b>
<b>Total liabilities</b>	<b>1,583,391</b>	<b>2,492,275</b>	<b>2,367,106</b>	<b>1,362,228</b>	<b>1,649,788</b>
<b>Equity</b>					
Share capital	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Retained earnings	18,691,328	15,581,028	12,058,983	9,070,686	6,992,839
Other components of equity	126,862	-	-	-	-
<b>Total equity</b>	<b>23,818,190</b>	<b>20,581,028</b>	<b>17,058,983</b>	<b>14,070,686</b>	<b>11,992,839</b>
<b>Total equity and liabilities</b>	<b>25,401,581</b>	<b>23,073,303</b>	<b>19,426,089</b>	<b>15,432,914</b>	<b>13,642,627</b>
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>					
<b>Total operating income</b>	<b>7,601,777</b>	<b>8,241,938</b>	<b>6,943,922</b>	<b>5,172,244</b>	<b>4,193,971</b>
<b>Profit before taxation</b>	<b>5,015,717</b>	<b>5,759,951</b>	<b>4,824,283</b>	<b>3,094,174</b>	<b>1,730,377</b>
<b>Profit after taxation</b>	<b>4,460,300</b>	<b>4,622,045</b>	<b>3,738,297</b>	<b>2,577,847</b>	<b>1,000,900</b>
<b>Earnings per share - basic (Kobo)</b>	<b>89</b>	<b>92</b>	<b>75</b>	<b>52</b>	<b>20</b>
<b>Net assets per share (kobo)</b>	<b>476</b>	<b>412</b>	<b>341</b>	<b>281</b>	<b>240</b>
<b>Number of ordinary shares of N1 each</b>	<b>5,000,000,000</b>	<b>5,000,000,000</b>	<b>5,000,000,000</b>	<b>5,000,000,000</b>	<b>5,000,000,000</b>

# The Board



**1. MR OSCAR N. ONYEMA OON**  
Chairman

**2. MR KYARI ABBA BUKAR**  
MD/CEO

**3. MR BAYO OLUGBEMI**  
Non-Executive Director

**4. MRS IFUEKO M. OMOIGUI OKAURU, MFR, MON**  
Non-Executive Director (Independent)

**5. MR SOLA ADEEYO**  
Non-Executive Director (Independent)

**6. MR HARUNA JALO-WAZIRI**  
Non-Executive Director

**7. MR KENNEDY UZOKA:**  
Non-Executive Director

**8. MR OBINNA NWOSU**  
Non-Executive Director

**9. MR OMOKAYODE LAWAL**  
Non-Executive Director

**10. MR ARIYO OLUSHEKUN**  
Non-Executive Director

**11. MR EMEKA MADUBUIKE**  
Non-Executive Director

# Leadership Team



**1. MR KYARI ABBA BUKAR**  
*MD/CEO*

**2. JOSEPH MEKILIUWA**  
*Head, Operations*

**3. VINCENT UKOH**  
*CFO*

**4. AYOKUNLE ADARALEGBE**  
*Head, Enterprise Risk Management*

**5. ANTHONY EZUGBOR**  
*Head, Product & Service Development*

**6. ISQIL ADENIJI**  
*Head, IT*

**7. OBIANUJU OKEKE**  
*Head, Corporate Strategy*

**8. CLETUS IGAH**  
*Head, Human Resources*

**9. ADEKUNLE KUKU**  
*Head, Sales & Business Development*

**10. CHARLES I. OJO**  
*Head, Legal*

**11. DANIEL OHWODO**  
*Head, Audit*

**12. TEMITOPE SANNNI**  
*Head, Project Management*

## Form of Proxy For Annual General Meeting

### Pursuant to Section 213 of the Companies & Allied Matters Act 2004

Name of the Member(s): \_\_\_\_\_

Registered Address: \_\_\_\_\_

Email Address: \_\_\_\_\_

\*CSCS Investor ID: \_\_\_\_\_

I/We, \_\_\_\_\_ (Name of Shareholder in block letters)

being members of the above named company, hereby appoint the Chairman of the meeting or failing him

Name: \_\_\_\_\_ e-Mail: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
Signature: \_\_\_\_\_

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the \_\_\_\_

Annual General Meeting of the Company, to be held on \_\_\_\_\_, the \_\_\_\_ day of May 19th, 2016 at 11 a.m. at

\_\_\_\_\_ Lagos and at any adjournment thereof in respect of such

resolutions and in such manner as are indicated below:

Resolution No.	Resolutions Ordinary Resolution	For	Against
1.	To consider the Audited Financial Statements and Accounts for the year ended 31 December 2015 and the Report of the Directors, Auditors and Audit Committee thereon;		
2.	To declare a dividend;		
3.	To re-elect retiring Directors;		
4.	To authorise the Directors to determine the remuneration of the Auditors.		
5.	To elect the members of the Statutory Audit Committee		
6.	To fix the remuneration of Directors;		
7. 7.1.	To consider and if thought fit, pass the following as special resolutions: That the content of Article 26, being the article on the number of Directors in the Articles of Association of the Company be amended to state as follows: 'unless and otherwise determined by the Company in General Meeting, the number of Directors shall not be less than five or more than fifteen. Provided that the Company shall have a minimum of one independent Director'		

#### NOTES:

- 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, 220B IKORODU ROAD, LAGOS, not later than 48 hours before time of holding the meeting.
- Where the appointer is a Corporation, this form shall be under seal or under the hand of any officer or attorney duly authorized.
- This proxy will be used only in the event of a poll being directed or demanded.
- In the case of joint holders, the signature of any one of them will suffice, but the names of all joint holders must be shown.



# E-dividend Mandate Form

**Africa Prudential Registrars Plc**

RC NO: 649007



## SHAREHOLDER E-SERVICE APPLICATION FORM

(\* = Compulsory fields)

1. \*SURNAME/COMPANY NAME:

2. \*FIRST NAME:

3. OTHER NAME:

4. SPOUSE' NAME:

5. \*MOTHER'S MAIDEN NAME:

6. \*E-MAIL:

7. ALTERNATE E-MAIL:

8. \*MOBILE No.:  9. SEX: MALE  FEMALE

10. PHONE No. (HOME):

11. \*POSTAL ADDRESS:

12. \*CSCS CLEARING HOUSE No.:

13. NAME OF STOCKBROKER:  14. OCCUPATION:

15. NATIONALITY:

16. NEXT OF KIN:

Please tick against the company(ies) where you have shareholding

**CLIENTELE**

- 1. AFRICA PRUDENTIAL REGISTRARS PLC
- 2. ABBEY BUILDING SOCIETY PLC
- 3. AFRILAND PROPERTIES PLC
- 4. A & G INSURANCE PLC
- 5. ARM PROPERTIES PLC
- 6. A.R.M LIFE PLC
- 7. ADAMAWA STATE GOVERNMENT BOND
- 8. BECO PETROLEUM PRODUCTS PLC
- 9. BUA GROUP
- 10. BENUE STATE GOVERNMENT BOND
- 11. CAP PLC
- 12. CAPP AND D'ALBERTO PLC
- 13. CEMENT COY OF NORTHERN NIG. PLC
- 14. CSCS PLC
- 15. CHAMPION BREWERIES PLC
- 16. COMPUTER WAREHOUSE GROUP
- 17. EBONYI STATE GOVERNMENT BOND
- 18. GOLDEN CAPITAL PLC
- 19. INTERNATIONAL BREWERIES PLC
- 20. INVESTMENT & ALLIED ASSURANCE PLC
- 21. JAIZ BANK PLC
- 22. KEBBI STATE GOVERNMENT BOND
- 23. NEM INSURANCE PLC
- 24. NEXANS KABLEMETAL NIG. PLC
- 25. OMOLUABI SAVINGS AND LOANS PLC
- 26. PERSONAL TRUST & SAVINGS LTD
- 27. P.S MANDRIDES PLC
- 28. PORTLAND PAINTS & PRODUCTS NIG. PLC
- 29. PREMIER BREWERIES PLC
- 30. RESORT SAVINGS & LOANS PLC
- 31. ROADS NIGERIA PLC
- 32. SCOA NIGERIA PLC
- 33. TRANSCORP PLC
- 34. TOWER BOND
- 35. THE LA CASERA CORPORATE BOND
- 36. UAC
- 37. UBA BALANCED FUND
- 38. UBA BOND FUND
- 39. UBA CAPITAL PLC
- 40. UBA EQUITY FUND
- 41. UBA MONEY MARKET FUND
- 42. UNITED BANK FOR AFRICA PLC
- 43. UNIC
- 44. UPDC
- 45. UTC NIGERIA PLC
- 46. WEST AFRICAN GLASS IND PLC

**E-SHARE REGISTRATION ACTIVATION MANDATE** (Please tick the box below )

Please take this as authority to activate my account(s) on your 3IOP e-Share Registration Portal where I will be able to view and manage my investment portfolio online with ease.

**BANK DETAILS FOR E-DIVIDEND MANDATE**

Please take this as authority to credit my/our under-mentioned account with any dividend payment(s)/lost/misplaced/stale/unclaimed dividend warrants due on my/our shareholding in the aforementioned company(ies).

17. \*ACCOUNT NAME:

18. \*BANK ACCOUNT NUMBER:  Must be NUBAN 19. \*BANK:

20. \*AGE OF ACCOUNT:  Must be confirmed by the bank

\*BANK'S AUTHORISED SIGNATURE & STAMP

**DECLARATION**

"I hereby declare that the information I have provided is true and correct and that I shall be held personally liable for any of my personal details."

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_  
for joint/corporate accounts only

OTHERS: \_\_\_\_\_

LAGOS: 220B, Ikorodu Road, Palmgrove, Lagos. Tel: 01-4606460 | ABUJA: 11, Lafia Close, Area 8, Garki, Abuja. Tel: 09-8701645  
 PORT-HARCOURT: Plot 137, Olu-Obasanjo Road (2nd floor), Port Harcourt, Rivers State. Tel: 08-4803171  
 E-MAIL: info@aficaprudentialregistrars.com | WEBSITE: www.aficaprudentialregistrars.com







CENTRAL SECURITIES CLEARING SYSTEM PLC

**S.**

**SECURITY**

**E.**

**EFFICIENCY**

**C.**

**CONFIDENTIALITY**

**U.**

**UPRIGHTNESS**

**R.**

**RESOURCEFULNESS**

**E.**

**EXCELLENCE**

## **CENTRAL SECURITIES CLEARING SYSTEM PLC**

15<sup>th</sup> Floor  
Nigeria Stock Exchange Building  
2/4 Customs Street, P. O. Box 3168 Marina, Lagos Nigeria  
Email: [info@cscsnigeriaplc.com](mailto:info@cscsnigeriaplc.com)  
[www.cscsnigeriaplc.com](http://www.cscsnigeriaplc.com)

Central Securities Clearing System Plc.  
1st Floor, Stock Exchange House,  
2/4 Customs Street, Lagos, Nigeria

[info@cscsnigeriaplc.com](mailto:info@cscsnigeriaplc.com)  
+234 702 576 8449  
+234 1 4545966  
+234 1 4545967  
+234 1 4543397  
+234 1 4543398

<http://www.cscsnigeriaplc.com/>