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by Thomas Murray



Document Management Services



Legal Entity Identifier Services



Collateral Management

## **...Nigeria's Central Securities Depository (CSD)**

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**www.cscs.ng**

# VISION

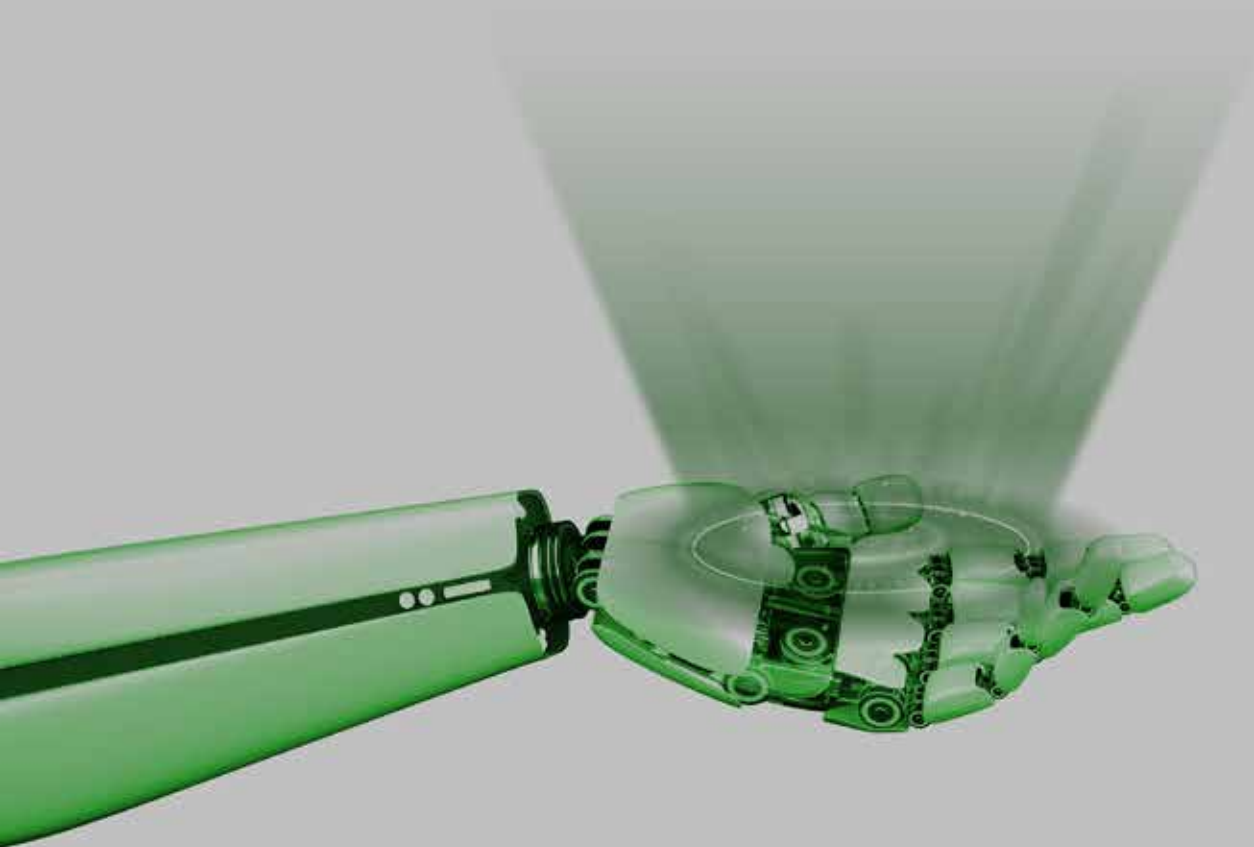
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TO BE THE GLOBALLY RESPECTED AND LEADING  
CENTRAL SECURITIES DEPOSITORY  
IN AFRICA.

# MISSION

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WE CREATE VALUE BY PROVIDING SECURITIES  
DEPOSITORY, CLEARING, SETTLEMENT AND  
OTHER SERVICES, DRIVEN BY INNOVATIVE  
TECHNOLOGY AND A HIGHLY SKILLED  
WORKFORCE.



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# Document Management Services (DMS)

This product is designed for the management of your documents (Past, Present & Future) for easy retrieval and safety. It involves Conversion of Paper Documents to Electronic Format and for Records Management. You can also develop Business Process and Workflow Management using this service.

## Product Features



### Physical Archiving

Sorting, classification, boxing, referencing etc.



### Digitization

Classification sorting/indexing preparation - scanning - digitalization



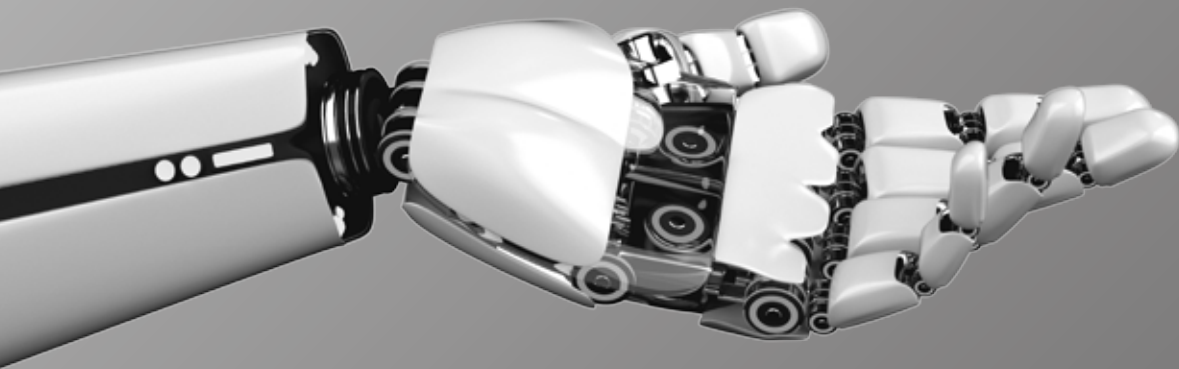
### Electronic Document Management & Workflow in Real-time

From the point of receipt to the processing of the document and eventual archiving

## Product Benefits

- Efficient preservation of documents
- Paperless environment
- Easy retrieval of documents
- Timely document access and distribution of workflow
- Security and access control
- Reclamation of space, etc.

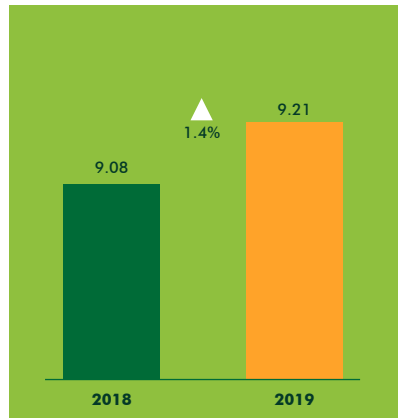
# OVERVIEW



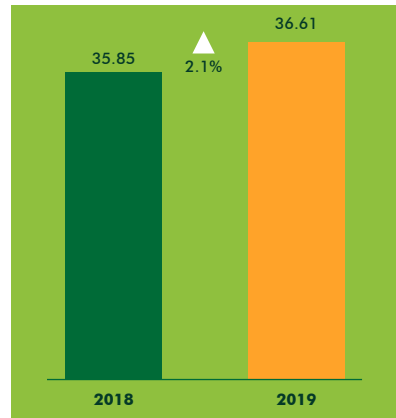
# 2019 At a Glance

## THE GROUP

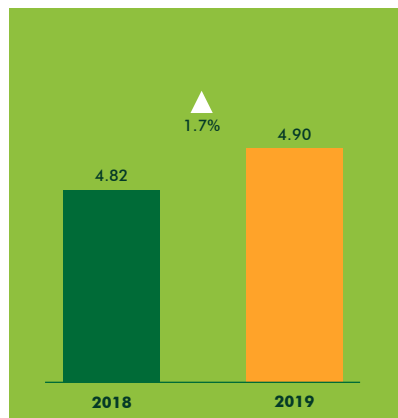
Total Operating Income (₦'bn)  
**₦9.21bn**



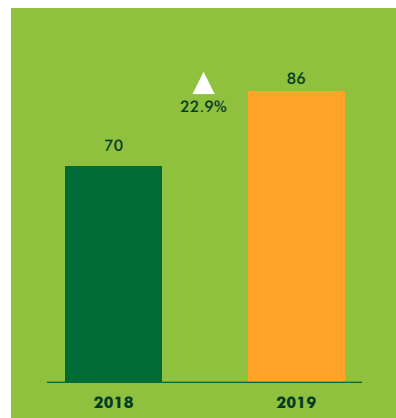
Total Assets (₦'bn)  
**₦36.61bn**



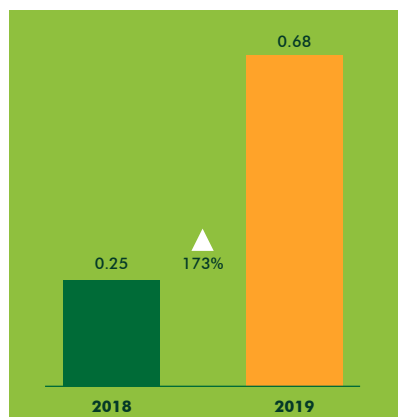
Profit After Tax (₦'bn)  
**₦4.90bn**



Dividend per Share (Kobo)  
**86k**



Non-core Services Income (₦'bn)  
**₦0.68bn**



Number of  
Employees

**119**

# Recognition of our Performance

## Awards and Certifications



Continental Leader in Post-trade and Custody Services award



A+ CSD assessment rating



Certified Local Operating Unit (LOU)



ISO: 27001 Certified



## Partners and Affiliates



**ANNA**  
ISIN NUMBERS THE WORLD  
Association of National Numbering Agencies

**Association of National Numbering Agencies**



**WACMIC**

**West African Capital Markets Integration Council**



**ISSA**

**International Securities Services Association**



**ASEA**

**African Securities Exchanges Association**



**AMEDA**

**Africa & Middle East Depositories Association**

## Chairman's Statement



---

Dear Shareholders, Board Members, Stakeholders in the Nigerian Capital Market, Ladies and Gentlemen, I am delighted to welcome you to the 26th Annual General Meeting of our Company and to present a review of the Global and Nigerian economy, an overview of your company's performance in 2019 and our outlook for 2020.

**Oscar N. Onyema OON**  
Chairman of the Board

## Chairman's Statement

### Macroeconomic Outlook - Global

Global growth slowed down in 2019 owing to rising trade barriers and geopolitical tensions, as well as country specific factors in several emerging market economies. Global trade growth dipped to 1% in 2019 from 3.7% in 2018 with the biggest challenge being the US-China trade war. The reverberation went beyond just the U.S. and China to drag down trade activity and cause stock market shocks for the emerging world. The prospect of a no-deal BREXIT also presented economic challenges and uncertainty around the business world beyond the discourse of sovereignty.

With respect to the economic performance in Sub-Saharan Africa in 2019, it grew at 3.2%, which was slightly lower than 3.5% that the International Monetary Fund had projected. Elsewhere, the Africa Continental Free Trade Agreement (AfCFTA) aimed at expanding intra-Africa trade, was either signed or ratified by African Union (AU) member states. Staying with cross border trade, the eight-member francophone West African countries dropped the CFA franc late in December 2019 and voted to adopt the ECO in June 2020. This move is expected to assure these countries of monetary control and improvement of their respective economic performance.

### Macroeconomic Outlook - Domestic

The general elections in 2019 created a lot of uncertainty in the Nigerian economy. After the general elections, the pace of growth in the Nigerian economy remained soft despite increased clarity in the political climate.

The above notwithstanding, there was 2.01% growth in Q1 2019. This was the fastest first quarter growth since 2015. In Q2 2019, Nigeria's aggregate Gross Domestic Product (GDP) stood at ₦34.9 trillion in nominal terms, an increase of 13.83% over the performance posted in Q2 2018. Oil sector accounted for 8.82% of total GDP whilst Non-Oil sector accounted for 91.18% contribution to GDP. The Real sector, including Agriculture, Mining & Quarrying, Manufacturing and Construction, contributed to the uptick in the Non-Oil Sector figures. In Q3, Oil rose with strong growth of 2.28% which was sustained and surpassed with Q4 recording 2.3% growth in oil revenues driven by increased consumer demand. Also worthy of note in 2019 was the cut in interest rate by 50 basis points to 13.5% by the Central Bank of Nigeria (CBN). The CBN also reviewed the Loan to Deposit Ratio upwards to 65%. Naira remained stable at the parallel market (₦360-N364/\$) despite projections of heightened speculative demand during the election.

Due to the closure of land borders by the Federal Government and placing of ban on some imported items by the Central Bank of Nigeria (CBN), the country recorded an exponential growth of 15.02% in export in the last quarter of 2019, as against 8.97% recorded in Q3, 2018. A report recently released by the National Bureau

of Statistics (NBS) on import and export values, revealed that the value of total exports in 2019 increased by 3.56% over 2018 level whilst total imports surged 28.8% year-on-year, when compared to 2018. These statistics reinforced the Federal Government's stance on border closure and the CBN measures aimed at stabilizing the local currency, as foreign currency demand grows.

Overall, the pace of the Nigerian economy remained fragile as the economy continued to grow below population growth, leading to declining per capita income and rising unemployment challenges.

### Nigerian Capital Market

The year 2019 will go down in the annals of history as one of the busiest for the Nigerian capital market. The continued recovery of the Nigerian economy, which generated a real growth of 1.81% year-on-year (YoY) by the end of Q3 and showed an improvement in macroeconomic stability, acted as catalyst to the many activities that characterized the Nigerian capital market in 2019.

The Nigerian capital market started the year with trends that sent jitters down the spines of investors, as The Nigerian Stock Exchange (NSE) All Share Index (ASI) nosedived in January 2019 from the 31,430.50 points it ended 2018 at, to 29,336.8 as at January 9, 2019. However, the market made a quick turnaround and rose to as high as 32,614.05 by February 20, 2019. Unfortunately, that was the highest level the index attained in 2019.

## Chairman's Statement

Increase in volatility was a recurring theme for investors in 2019, as the aftermath of the election, increased activities of herdsmen, and the debate about Rural Grazing Area (RUGA) took centre stage especially around the second quarter of the year. According to Independent Financial Experts, market volatility which recorded 17.32 points in 2018 spiked to 28.66 points by June 2019 before flattening at 11.27 points by December 2019.

Market liquidity was given a boost in 2019 following some major mergers and acquisitions, such as the acquisition of Diamond Bank Plc by Access Bank Plc and the acquisition of Dangote Flour Mills by Olam International Limited. The Nigerian capital market witnessed other forms of business combinations, notable among them being the combination of Cement Company of Northern Nigeria, (CCNN) and BUA's Obu Cement.

Analysis of portfolio investments showed that the bulk of Foreign Portfolio Investment (FPI) inflow was channeled into money market instruments (82.21%). Investments in equities and bonds, on the other hand, declined by 52.60% YoY and 20.96% YoY, respectively. The equities market index reduced by 14.6% YoY. Also the average yield in the fixed income market moderated from 14.5% in December 2018 to 9.7% in December 2019.

The government's continued effort to encourage listings resulted in the much anticipated listing by introduction of MTN Nigeria Plc in May 2019. Airtel Africa Plc also accessed the market through an Initial Public Offer (IPO) and dual listing on both the London Stock Exchange (LSE) and The NSE.

## Financial Summary

The Group's gross earnings grew to ₦9.21billion in 2019 from ₦9.1billion in 2018. Although there was a decline in transaction fee income which was due to a lull in the Average Daily Trading value, operating income closed at 84.5% of budget and contributed 49.9% of total revenue for the year. The non-core revenue and investment income achieved notable performance at 115.5% and 88.6% of budget respectively. The non-core revenue grew 162.5% year-on-year and Investment income achieved 88.6% budget performance and grew 9.4% YoY despite a steep decline in the yield environment. This growth was largely due to strengthened strategic focus on non-traditional business lines and impressive growth from products/services offerings and electronic document management income.

Consistent focus on cost efficiency enhanced our efforts in curtailing operating expenses, 2.3% below 2018 and at 85.6% of budget for 2019. Cost to income ratio went down to 31.5% in 2019 from 32.7% in 2018, reflecting improved operational efficiency.

In closing 2019, the audited Profit Before Tax of ₦6.3billion and Profit After Tax of ₦5.04billion representing a Year on Year growth of 3.1% and 3.6%, respectively. With this performance, the Board has proposed a final dividend of 86k per share which amounts to ₦4.3billion.

## Board of Directors

In the course of the financial year ended December 31, 2019, Mr. Emeka Madubuike and Mr. Ariyo Olushekun retired from the Board effective April 30, 2019, having served as Non-Executive Directors.

Mr. Madubuike made his wealth of experience in the Capital Market available to the Board through his contributions in the Board's Technical Committee, and Corporate Governance and Remuneration Committee. Mr. Olushekun, an astute investment Banker served in the Finance and Stakeholders Relationship Committee as well as the Technical Committee, and his contributions to the Board were impactful. In the lead up to this AGM, Mr. Bayo Olugbemi retired from the Board having served over eight (8) years representing the registrar community on the Board. He recently stepped down as President of the Institute of Capital Market Registrars (ICMR) of Nigeria. He served on the Technical Committee, and the Finance and Stakeholders Relationship Committee of the Board where he made significant contributions. We are grateful for the time and contributions of these very distinguished individuals during their respective tenure on the Board and wish them all the best in their future endeavours.

The Board appointed Mr. Patrick Ezeagu and Mr. Oluwaseyi Abe as Non-Executive Directors with effect from March 13, 2019. Their appointments were approved by the Securities and Exchange Commission (SEC) and ratified by the Shareholders at the 25th Annual General Meeting of our Company.

The Board also appointed Mr. Ibrahim Y. Dikko and Ms. Chinelo Anohu as Independent Non-Executive Directors effective October 3, 2019 and Mr. Oluseyi Owoturo as the director representing ICMR in May 2020.

Mr. Dikko possesses significant board room experience having served on the board of directors of companies in banking, information technology and telecommunications sectors. He was one of the promoters of First Securities Discount House Limited and the company's Chairman from 2002 to 2012. Mr. Dikko was a Partner and

## Chairman's Statement

Director at Resourcery Plc where he led business development. He was also a pioneer member of the team that set up EMTS Ltd (trading as Etisalat Nigeria) in 2007 and was Vice President for Regulatory and Corporate Affairs until he left in 2017.

Mrs. Chinelo Anohu also comes with significant governance experience. She is currently the Head and Senior Director of the Africa Investment Forum, an African Development Bank initiative. She is a member of the Chartered Institute of Arbitrators, United Kingdom; London Stock Exchange Group Africa Advisory Group (LAAG), United Kingdom; and the International Advisory Board (IAB) of University of Edinburgh Business School, Scotland. Mrs. Anohu is the immediate past Director General, National Pension Commission of Nigeria, Abuja where she served from October 2014 to April 2017.

Mr. Oluseyi Owoturo is the Managing Director of United Securities Limited (USL), a foremost registrar firm in Nigeria and the current President and Chairman of Council of the ICMR. He is a Chartered Accountant with over 20 years' experience in the financial services industry which spans Venture Capital, Financial Advisory, Stockbroking, Banking and Registrar Services. Mr Owoturo was the Group Chief Financial Officer of Hamilton Hammer & Co. ("HH" now ARM Securities Limited). Prior to joining HH, he was Head of Management Information Systems at F&C Securities Limited (now FCSL Asset Management Company Limited), which he joined from Venture Capital Partners Limited where he was the Head of Financial Control & Risk Assets. A former member of the Capital Market Committee (Sub Committee) on Market Infrastructure and Technology, Mr Owoturo is a technology enthusiast and possesses significant experience working with IT professionals in developing bespoke solutions.

We are presenting these three directors to Shareholders for ratification at this Meeting.

## Achievements

I am glad to report that in 2019, the Global post-trade risk and custody specialists, Thomas Murray upgraded our Company Central Securities Depository (CSD) rating from A to A+. This shows an improvement in managing our market's overall risk as we continue to align ourselves with global best practices.

We are also pleased to inform you that in our bid to attract best in class professionals, the Board recruited four (4) Divisional Heads to join the CEO in the Management team. They will help to enhance strategy execution and create a robust leadership succession pipeline for the Company.

Our Company also received special recognition for its contribution to the financial services industry in 2019 by winning the Continental Leader in Post-trade and Custody Services Award, at the 7th Annual Business Day Banks' and Other Financial Institutions (BAFI) awards.

During the year, the Board made significant progress in overseeing the implementation of our strategic plan. The plan is organized across five core pillars including: improving technology, optimizing operational processes, building strategic alliances, improving stakeholder engagement, and growing revenue. Notable achievements are as follows:

- Stabilized our core clearing and settlement infrastructure, and approved a new Enterprise Architecture to support efficient delivery of unique service offerings for the Nigerian capital market;
- Formed strong and valuable strategic alliances particularly with renowned global CSDs such as Euroclear, local and foreign Exchanges, and other capital market operators;
- Upskilled and updated directors on sound corporate governance practices; and
- Diversified our income streams by rolling out new competitive product and service offerings, such as our Electronic Document Management Service.

## Corporate Social Responsibility (CSR)

Our CSR effort is designed as an evolving business practice that incorporates sustainable development into our company's business model to positively impact the Company's social, economic and environmental imperatives.

Our robust CSR program offers an opportunity for us to live our ideals on a daily basis. In 2019, we continued to support community development and educational programmes across the country. A key example is our donation and contributions to Special Olympics (SO) Nigeria, which assisted the country to achieve sterling performance at the 2019 Special Olympics World Games in Abu Dhabi. The SO Nigeria athletes won a total of sixty-three (63) medals in the tournament.

## Outlook for 2020

2020 is likely to be a very challenging year for businesses, not just in Nigeria but globally due to the impact of the novel coronavirus (COVID-19) pandemic.

## Chairman's Statement

“Due to the closure of land borders by the Federal Government and placing of ban on some imported items by the Central Bank of Nigeria (CBN), the country recorded an exponential growth of 15.02% in export in the last quarter of 2019, as against 8.97% recorded in Q3, 2018.

Before the COVID-19 pandemic, the global economy was struggling to regain broad-based growth. Now the globe is faced with a health crisis and an economic crisis, which are challenging our ability to maintain our lives and livelihood respectively.

The COVID-19 pandemic has led to global supply chain disruptions, reversal of growth trajectories and predictions of global economic recession, increased economic vulnerability, and a decline in oil prices (due to subdued demand and the price war between Russia and Saudi Arabia). Although there has been a slight price recovery due to the hope of an agreement between Russia and OPEC, experts believe that oil prices will remain volatile for at least six months after the pandemic.

On BREXIT, Prime Minister Boris Johnson after his recovery from the life threatening COVID-19 insisted that the deadline for negotiations with the European Union will not be changed. If any extension beyond December 2020 is to be agreed, the UK and the EU have until June 30, 2020 to agree on a new date. According to the International Monetary Fund (“IMF”), the global economy is projected to contract by -3% in 2020, much worse than during the 2008–2009 financial crisis. The Nigerian economy is projected to contract by -3.4% in 2020. The Federal Government of Nigeria has started rolling out monetary and fiscal stimulus measures to cushion the effect of COVID-19 on the economy.

While it is reassuring to see some aggressive fiscal and monetary policy responses around the world, clarity on how these actions will stabilise markets and accelerate the path to normalcy is yet to emerge. For businesses to be profitable or sustain

profitability in these uncertain times, they will need to align their strategies with the current efforts for survival and acceleration of digitization. That is why the Board formed an Adhoc Crisis Committee to provide faster guidance to Management through this COVID-19 crisis. As a company, we recognize the digitization paradigm shift which has enabled us to continue to operate remotely in the face of Government lockdown of the economy. We will continue to position ourselves in the markets and segments we operate, to ensure that we retain value for our esteemed shareholders.

### Conclusion

We thank you our Shareholders for your support through the year. We also thank other stakeholders including our employees for their dedication and hard work towards achieving 2019 results; the regulators for continuing to provide an environment that allows us to thrive; and the customers for continuing to use our products and services. Last but not least, I thank my colleagues on the Board for their support, contributions and independent thought in dealing with the affairs of our company.

Yours sincerely,



**Oscar N. Onyema OON**

Chairman of the Board  
FRC/2013/IODN/00000001802

# Chief Executive Officer's Statement



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Dear Shareholders and Capital Market Stakeholders, it is my utmost pleasure to welcome you to the 26th Annual General Meeting of your company. This is an opportunity to share with you how your company fared during the 2019 financial year, as well as to update you on our strategic initiatives for sustainably growing the business and creating long term value for all stakeholders.

**Haruna Jalo-Waziri**  
Chief Executive Officer

## Chief Executive Officer's Statement

### Introduction

It has been two years of my stewardship at the Central Securities Clearing System Plc (CSCS) and I am glad to say that these have been the most challenging, exciting, and encouraging years in my nearly three decades' career. It has been challenging because I took over CSCS at a time when the Nigerian economy was barely recovering from a historic recession and the business environment was fraught with uncertainties.

The bearish investor sentiment was a barometer for capital market realities and expectations. The performance of the Nigerian equity market in 2018 and 2019 summarised it all, with the Nigerian Stock Exchange All Share Index (NSE ASI) shedding 17.8% and 14.6% respectively.

Interestingly, it has also been an exciting period for my colleagues and I, as we continue to make significant progress in executing the transformation agenda of our Company; as well as in the past year when a competition was licensed, breaking our age-long 'monopoly' and indeed challenging global practice and trends of consolidating Financial Market Infrastructures (FMI) across capital markets in both developed and emerging economies. It has been exciting for us because we have been proactive in repositioning the business for sustainable growth to ringfence this great Company from the vulnerabilities of market volatilities and other externalities.

Whilst it is not utopia yet, I am happy to inform you that we have built a strong foundation for your Company's growth and more importantly we have invested notable resources in enhancing our capacity to better serve the market and our community. The experience has also been encouraging, as the support we get from the Board and market participants, as well as global partners, has been remarkable. It demonstrated the confidence of these stakeholders in CSCS and we do not take it for granted.

### Business Performance...

Being an election year in Nigeria, fiscal and monetary policy uncertainties, typically undermine the fundamentals of the capital market, leading to weak activity in both the primary and secondary markets. The first half of the year was dominated by socio-political risks even as concerns on global and domestic macroeconomic environment in the second half of the year generated negative investor sentiment, particularly towards equities.

“As part of our commitment to continuously enhance our customer service experience, we overhauled our website to incorporate enhanced features such as the whistleblowing portal, which is independently managed by Messrs Deloitte & Touche, and a more interactive user interface.

Notably, waning oil price, inflation expectations, dwindling external reserves and the attendant pressure on the local currency undermined capital market transactions in the year. Whilst the listing of MTN Nigeria Plc and Airtel Africa on the Nigerian Stock Exchange in the year positively impacted our depository assets, secondary market activity was relatively weak, with barely ₦3.9billion in average daily value of transaction in 2019, some 19.6% weakness in trading activity when compared to ₦4.8billion average daily value of transaction recorded in the 2018 financial year.

With a host of monetary policies and Central Bank administrative measures aimed at stabilising the Naira, the fixed income market was relatively volatile. Even though the Debt Management Office was very active in the market as it sought to effectively fund the Federal budget deficit, sub-national governments and corporates were less active in the debt market due to varied reasons. Overall, our clearing and settlement operations recorded lower activity in the operating period. Resultantly, transaction fee was subdued, some 26% lower relative to the 2018 performance, reflecting the market-induced weakness in earnings.

Notably, our proactive investments in people and technology paid-off, as we grew income from ancillary services and enhanced the yield on our investment portfolio to offset the decline in traditional revenue lines. With improving service offerings and enhanced business development initiatives, we grew revenue from ancillary services by 173%, as we remain focused on our earnings diversification objectives.

I am pleased to report that income from ancillary services now accounts for 14.8% of our revenue, reflecting increased penetration of new and existing products and services.



## Chief Executive Officer's Statement

We are excited by the latent and emerging growth opportunities in these ancillary service offerings, as we continue to leverage our investment in people, technology-driven innovations, new product offerings and cross-selling initiatives to deepen our market penetration and business sustainability.

Having resourced the treasury function, I am pleased to report that we grew investment income by 9.4%, reflecting a 100-basis points improvement in the average yield of the portfolio to 14.7%. This return profile is a notable shift from our historic performance, particularly when considered in the perspective of the relatively lower yield environment in 2019, during which the sovereign yield curve was some 150-basis points lower, relative to 2018 levels.

Overall, we achieved 1.4% growth in operating income to ₦9.21 billion, with total comprehensive income growing by 8.4% year-on-year to ₦5.24 billion. We remain committed to our cost efficiency targets, as we are driven by our ultimate objective of creating value for our shareholders. Our cost-to-income ratio at 35% is competitive and we are excited at the prospect of improving return on average equity from the 15.3% performance achieved in the 2019 financial year.

Amidst challenges arising from the business environment and competition, we remained resolute in diligently executing our strategy, which continues to deepen our competitive edge and leadership. More importantly, we are convinced that our focus on service efficiency will sustain the growth of the Nigerian Capital Market and our business, as well as enhance our capacity to deliver superior value to our shareholders and broader stakeholders over the long-term, sustainably.

### ...and Beyond the Financials

In 2019, we efficiently delivered on our core responsibilities of safe depository, clearing and settlement of capital market transactions; this remains our mainstay having built more than two decades of operational experience and risk management resilience on these routine services. Albeit, we also have more audacious ambitions of partnering with all market stakeholders to unleash the immense potential of the Nigerian Capital Market through innovation. I am pleased that we continue to lay solid foundations for creating value and impactful innovations for the Nigerian market, even as we navigate inherent challenges.

During the year, we took bold steps in the automation of our business processes as we continued to enhance our turnaround time, transaction processing standards and interactions with key stakeholders. One of such initiatives was the deployment of a Robotic Process Automation for managing key Registrar services - 'RegConnect', which automates selected services to the Registrars, a critical participant group within our ecosystem.

RegConnect, which was independently funded by CSCS at no cost to our participants, provides real-time data validation and eliminates routine paper-based process interface with the registrar community, thereby enhancing the turnaround time and cost of service to both CSCS and the Registrars.

As part of our commitment to continuously enhance our customer service experience, we overhauled our website to incorporate enhanced features such as the whistleblowing portal, which is independently managed by Messrs Deloitte & Touche, and a more interactive user interface.

We have launched a Mobile App to complement our online portfolio management portal and more importantly, appeal to the Millennials- the youthful population

who we dare to say would be the next generation of growth investors and issuers in the Nigerian Capital Market. The Mobile App, which has been deployed on Apple Store and Google Play for iOS and Android devices respectively, is one of our new channels for connecting with investors and facilitating seamless access to the capital market.

It is also noteworthy that CSCS achieved full compliance with both the Global Data Protection Regulation (GDPR) and the Nigeria Data Protection Regulation (NDPR) 2019 standards within the year, being the first financial institution in Nigeria to be GDPR and NDPR compliant, as we take our commitment to protect your data and assets in line with global best practice standards very seriously.

Furthermore, to assure the integrity of investors' investment portfolio holdings and checkmate the potential for misrepresentations, we introduced enhanced security features in the provision of Statement of Investor Accounts during the year.

This initiative is a secured print aimed at authenticating the Statement of Securities holding of investors in the Nigerian Capital Market. The new printout contains security features that are only visible under ultraviolet light, thus providing a seal of authenticity to users of the statements. This is aimed at standardising the securities account statements whilst also guiding against the potential for inadvertent or deliberate misrepresentations of individual and/or corporate investment positions in the Nigerian Capital Market.

I am happy to report that our ISO 27001 recertification audit was successfully completed during the year, revalidating the effectiveness of our Information Security Management System and our adoption of international best practice standards. Similarly, we achieved a CSD rating upgrade to "A+" with Thomas Murray, which denotes a 'Low Overall Risk' rating - the highest rating

## Chief Executive Officer's Statement

for a CSD in Sub-Saharan Africa (ex- South Africa). This particularly validates our implementation of Financial Market Infrastructure global best practices, robust risk management and governance systems, service efficiency, information security and broader operational capacity.

We continue to invest significant resources in strengthening our information security capabilities, as we take pride in the safe keeping of your valuable assets. Hence, I am happy to report our superior capabilities in identifying, assessing, and managing the full risks associated with our CSD, as well as clearing and settlement operations. We will continue to proactively invest in new technologies that strengthen our information security architecture, reinforce our SECURE values and put us ahead of the curve. We have also started to expand the benefits from our new depository core application- TCS BaNCS (a globally renowned core application for capital market infrastructures) – as we recorded 100% uptime, with notable reduction in system processing time in the past year.

In recognition of operational efficiency, BusinessDay, the foremost business print media and organisers of the 7th Annual Banks' and Other Financial Institutions Awards (BAFI), adjudged CSCS as the Continental Leader in Post-Trade and Custody Services. We appreciate the award and the encouragement that such recognition affords even as we consider it as a further call to duty.

### New Markets...New Recipe for Growth

As a market-agnostic infrastructure, we currently provide depository and post-trade services to three Securities Exchanges: The Nigerian Stock Exchange (NSE), FMDQ Securities Exchange (FMDQ), and the Nigerian Autonomous Securities Dealer Over-the-Counter (NASD-OTC) across Equities, Fixed Income Instruments, Exchange Traded Funds (ETFs), Real Estate Investment Trusts (REITs) and Unit Trust Schemes.

Distinguished stakeholders, I am excited to report that the Lagos Commodities and Futures Exchange (LCFE), which has been licensed by the Securities and Exchange Commission and commenced operations, has appointed your Company as its preferred Depository, Clearing and Settlement Service provider, amidst competition.

Similarly, the Nigerian Commodities Exchange in Abuja has also appointed CSCS as the Depository, Clearing and Settlement agent for its market. We are sincerely grateful to the respective leadership of these esteemed Exchanges and I would like to reiterate that my colleagues and I are passionate about this opportunity to work with these great institutions, as we jointly create new narratives in the Nigerian commodity value-chain and the capital market. We are excited at the opportunities for growth that these new markets will create, as we look forward to working with all stakeholders in formalising and developing this untapped but critical segment of the Nigerian Capital Market, particularly as it has notable integration and implications for our country's economic growth and development agenda. We are excited at imminent opportunities to develop the derivatives market in Nigeria, as we look forward to working with credible institutions in exploring this segment of the market that can potentially deepen liquidity across asset classes.

### Customer Satisfaction

The satisfaction of our clients remains at the heart of all that we do. In demonstrating our commitment to this philosophy, we launched our Customer Contact Centre - a fully integrated centre, with facilities for walk-in customers, telephony, and web chat. This state-of-the-art customer service centre is a complementary channel to our

digital self-service platforms, as we seek to connect with all investors, irrespective of age, ethnicity, education level, status and technology appreciation. With active social media engagement across multiple platforms, we are connecting with our participants and investors through these new channels. The channels have afforded us the opportunity to offer personalised one-on-one services, as well as to engage and listen to our customers' needs. We have upgraded our online portfolio portal for auto-renewal of subscription whilst also integrating our payment gateway with our bankers' platforms for seamless subscription and auto-renewal.

Through a staff-led, firm-wide initiative, we adopted a market culture in the Company this year, an initiative which has resulted in a significant mindset shift, positive changes in attitude and reinvigorated energy to better serve our esteemed clients and participants; in fulfilment of our pledge to deliver exceptional service at all times.

### Partnering for Growth

In keeping with our strategy of leveraging strategic partnerships for growth, I am pleased to inform you that your Company was admitted as an Associate Member of the African Securities Exchanges Association (ASEA) during the Association's 23rd Annual General Meeting held in 2019. Earlier this year, I was appointed to the Operating Committee of the International Securities Services Association (ISSA) as the representative of the World Federation of CSDs.

Given our commitment to capacity building and global best practices, we remain active members of the International Organisation of Securities Commission (IOSCO). The Global Legal Entity Identifier Foundation has recertified CSCS as the sole Local Operating Unit (LOU), responsible for all activities relating to the issuance, monitoring and management of Legal Entity Identifier (LEI) in Nigeria.

## Chief Executive Officer's Statement

Similarly, the Association of National Numbering Agencies (ANNA) affirmed CSCS as the sole issuing entity and administrator of the International Securities Identification Number (ISIN) in the country. I am pleased to note that we worked with the CBN to resolve an age-long gap on the issuance of ISIN for treasury instruments issued at Open Market Operations. I am elated by the tenacity of the CBN leadership in addressing this market complaint and we are proud to have had the opportunity to work with the diligent team at the CBN in effectively satisfying global market standards. In this regard, I am happy to report that CSCS now issues and publishes ISIN on all instruments issued by the CBN and the Debt Management Office (DMO), in line with global best practice.

### COVID-19 and our Business Continuity Plan

Following the index case of the COVID-19 pandemic in Nigeria and its fast-paced spread, we activated our Business Continuity Plan (BCP) on 23 March 2020, thus requiring staff to work-from-home (ahead of the Federal Government of Nigeria's lockdown in Lagos, Ogun and Abuja).

Whilst educating our staff, clients and the general public on the dangers of this pandemic and the need for everyone to take responsibility by diligently observing social distancing and enhanced hygiene, it afforded us the opportunity to stress-test our BCP and technology investments. I am happy to report that we continue to seamlessly serve the market and our clients remotely, extracting the benefits of our proactive investments in new technologies and people. We continue to record 99.9999% uptime across all our channels, with a resounding commitment to effectively and efficiently support all primary and secondary market transactions through this challenging time, and always.

### Looking ahead

Being a financial market infrastructure (FMI), our Board, Management, and indeed shareholders, continue to maintain the resolve that CSCS is different from just any other company. It is a company in the service of all market stakeholders for our mutual benefit and interest in deepening the capital market for efficiency and growth. As such, CSCS is a company made by the market for the market - we are your company! Our strategy, the decisions we have taken and will continue to take; the investments we have made and will be making; and the actions we have pursued and will be pursuing; are all geared towards improving market efficiency, as well as supporting the business and operations of our participants.

Unlike most companies, we are focused on the market because we recognise that our systems are specifically built to facilitate your business and enhance your productivity; our infrastructure is an integral part of all Exchanges in Nigeria - purposely to partner with them in deepening the capital market. We understand that our priorities are in lockstep with yours; interconnectedly, we are one and the same - that's why we do not have to choose between what is best for our shareholders and our clients because we are wired for shared prosperity. We have over the years earned your trust and loyalty, which we do not take for granted, as we have collectively moved the market from the open outcry days. We trust that you know you can always count on us and we would be there for you always, but for those who may not be aware, I would like to re-emphasise that we are the market infrastructure for the Nigerian Capital Market, built and governed for mutual progress.

I would like to appreciate all our stakeholders; Securities Exchanges, Brokerage Firms, Custodians, Issuing Houses, Registrars, Pension Fund Administrators (PFAs), Pension Fund Custodians (PFCs), Global Network Managers, Banks, Asset Management Firms, Insurance Companies and the broader investor community. We appreciate your patronage and feedback. We have come this far together, but as you know our collective aspirations are high; so I indulge you to remain resolute in your commitment towards our collective objective, as I count on your continued patronage.

I assure you of our commitment to delivering exceptional service to you, as we continue to improve our operations and offerings for sustainable efficiency gains. Our regulator, the Securities and Exchange Commission has been at the forefront of market development initiatives, and I would like to laud the SEC leadership, as we continue to support positive initiatives towards deepening the Nigerian Capital Market.

On behalf of my colleagues, I would like to thank the Board of Directors for their oversight and support. I appreciate the confidence reposed in the Management and I reiterate our commitment to delivering on the Board-approved strategic objectives.

To our esteemed shareholders, we remain resolute in our mission to delivering superior and sustainable returns to you over the foreseeable future. We cherish your investment in CSCS and we pledge to diligently create wealth for you, as we look forward to beating your expectations in the years ahead.

Thank you.



**Haruna Jalo-Waziri**

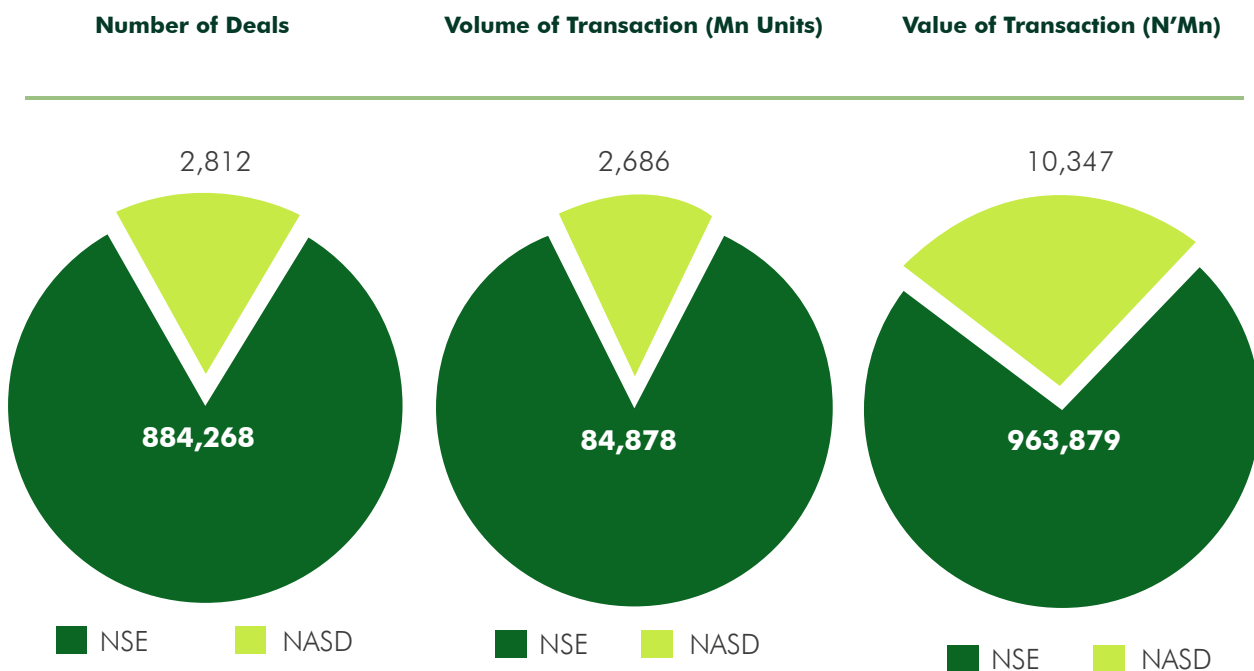
Chief Executive Officer

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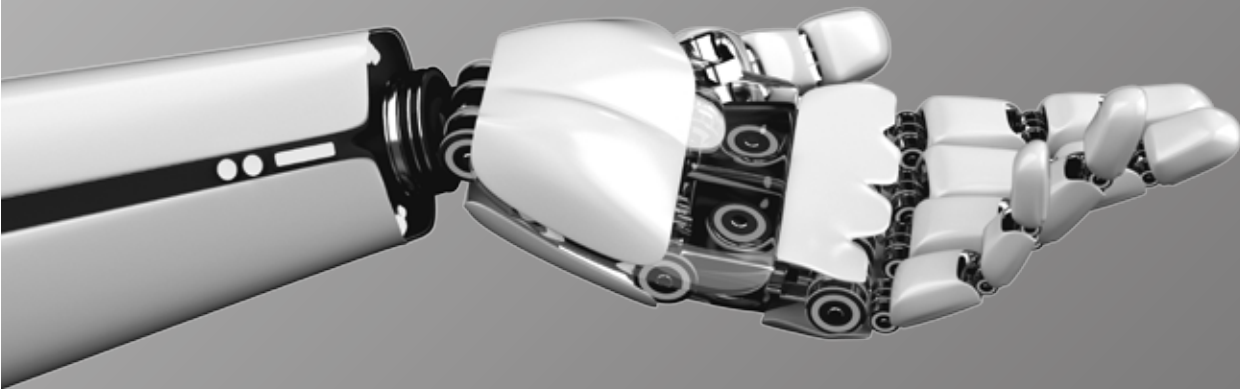
# Operations Statistics

Below are the highlights of our operational statistics as at 31 December 2019.

## Trades Cleared and Settled



# BUSINESS REVIEW



# Enterprise Risk Management Report

## Introduction

Enterprise Risk Management (ERM) at CSCS includes the methods and processes used by the organisation to manage risks related to the achievement of set strategic objectives. It also provides a framework for risk management, incorporating Financial Market Infrastructures (FMIs) principles, issued by the CPMI-IOSCO.

The ERM involves identifying events or circumstances relevant to CSCS's objectives (risks and opportunities), assessing likelihood of occurrence and magnitude of impact, determining mitigants and response strategy, and monitoring progress. By identifying and proactively addressing risks and opportunities, the organisation protects and creates value for all stakeholders, including shareholders, employees, customers, regulators, investment community and the broader society.

Our overarching goal for effective Enterprise Risk Management is to promptly identify and control all risks, associated with our operations and overall business.

## Risk Management Philosophy

Our philosophy is to continually recognise and assess all identified risks that could adversely affect the achievement of the organisation's goals and business objectives.

## Risk Management Framework

The Risk Management function has a comprehensive Enterprise Risk Management (ERM) framework, considering relevant market and regulatory standards. The ERM Framework, approved by the Board, aims to help CSCS achieve its key goals through the structured identification, assessment and management of risks.

The CSCS ERM Framework establishes clear and robust risk assessment which focuses on the review of business strategies developed to maximise the risk and reward trade-off within the different areas of the organisation. It has clear and robust risk governance principles and structures; ensures open and transparent identification, analysis, reporting, management and monitoring of risks; including root causes, potential impacts and incidents across the organisation. The ERM framework defines organisational risk appetite, which guides management decision-making and ensures appropriate balance between risk-seeking appetite and reward expectations.

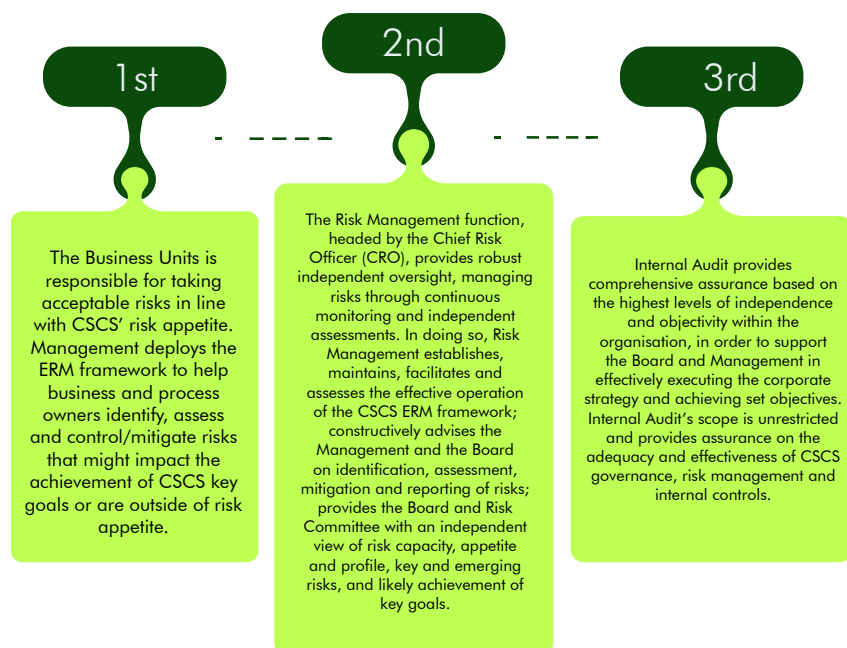
## Risk Governance

The governance structure supporting our risk practices is designed to deliver the right information, at the right time, to the right people. The organisation adopts a holistic view of the assessment and management of all major risks.

We remain vigilant regarding both known and unknown emerging risks and ensure effective mitigant and response protocols to manage any exogenous shock. The Board Risk Committee plays a critical role in providing oversight on risk management and ensuring that the Company's risk appetite, risk culture and risk profile are consistent with and support corporate strategy to deliver long-term and sustainable growth.

To ensure effectiveness of the organisation's risk management framework, CSCS adopts the 'three lines of defense' system:

## LINES OF DEFENCE



## Enterprise Risk Management Report

The Management Risk Committee provides leadership oversight over risk management practices at CSCS and carries out the following, amongst other functions:

- Review the effectiveness of CSCS overall risk management practices; and
- Review enterprise risk scorecard and the effectiveness of the CSCS control system.

Membership of the Management Risk Committee includes the Chief Executive Officer, Executive Management Committee Members, Chief Risk Officer, Head Internal Audit, Head of Internal Control, representatives of Clearing and Settlement Operations and Information Technology.

The management of risk keeps evolving and necessitates a regular review of the effectiveness of risk management practices. Hence, CSCS ERM framework is subject to continuous review to ensure effective risk management.

The review is conducted in the following ways:

- Through continuous self-evaluation and monitoring by the Risk Management and compliance functions in conjunction with Internal Audit; and
- And through independent evaluation by external auditors, examiners and consultants.

### Compliance

CSCS adheres to all regulatory requirements, and is committed to global best practice principles of 'good governance and ethical standards'. Compliance risk is the risk of legal or regulatory sanctions, financial loss, or loss of reputation that CSCS may suffer, should the Company fail to comply with all applicable laws, regulations, codes of conduct and standards of good practice.

The compliance function is an integral part of Enterprise Risk Management of CSCS, committed to achieving compliance with applicable laws, rules and regulations. The compliance function is at the forefront of supporting the compliance goals of the organisation by implementing programs that identify potential risks, deter misconduct and potentially mitigate penalties that may arise from infractions.

CSCS sets out a strong compliance culture with governance and guidance from the Board of Directors, Risk Committee and the Executive Management Committee.

The Management through its monthly Management Risk Committee (MRC), monitors the adequacy and effectiveness of compliance functions based on its established policies and procedures. The Chief Executive Officer and Chief Risk Officer regularly attest to returns reported to the Securities and Exchange Commission. The Chief Risk Officer ensures the implementation of the compliance framework and effectiveness of the infrastructure to facilitate compliance planning and reporting and provides business advisory to operational units of the organisation.

### Internal Control System

Control activities are logical steps in response to risks identified through risk assessment in accordance with COSO principles. Policies and procedures are developed and implemented to mitigate risks of errors, duplication and omissions

that could affect the integrity of data in CSCS depository and reliability of the financial statement. Internal control systems are embedded in all the procedures in CSCS.

### Business Continuity

A major part of our risk management practice is Business Continuity, which is fully integrated in our ERM framework and aligned with recognised international standards. CSCS provides a governance framework for crisis management and orderly restoration of business activities upon the occurrence of an adverse event, eg. a natural disaster or a man-made disaster or technological failures.

CSCS promotes a culture that describes the methodologies to be used by the business for risk assessment, risk analysis, risk mitigation, monitoring and reporting while providing for consistent program administration, which helps to:

- Ensure business continuity in a cost-effective manner;
- Provide safety for staff during crisis;
- Provide a methodology for analysing the business impacts of adverse events; and
- Comply with statutory and regulatory provisions.

CSCS performs functional, company and market-wide business continuity tests on an annual basis, to ensure its continued readiness to respond to crisis. Some of the tests carried out include: Disaster Recovery testing and crisis management simulation exercises. The organisation mitigates business continuity risks by reviewing and testing response protocols and recovery procedures. Regular awareness campaigns are also used to drive a business continuity culture in CSCS.

### Cyber Security

In recent times, cyber security threats have increased in number and sophistication as information technology is used to expedite the flow of data. In this regard, threats such as

# Enterprise Risk Management Report

ransomware, targeted phishing attacks and Advanced Persistent Threats (APT), have become prevalent: demanding that the institution remains resilient and is taking proactive steps to secure critical information assets including customer information that is accessible from cyberspace.

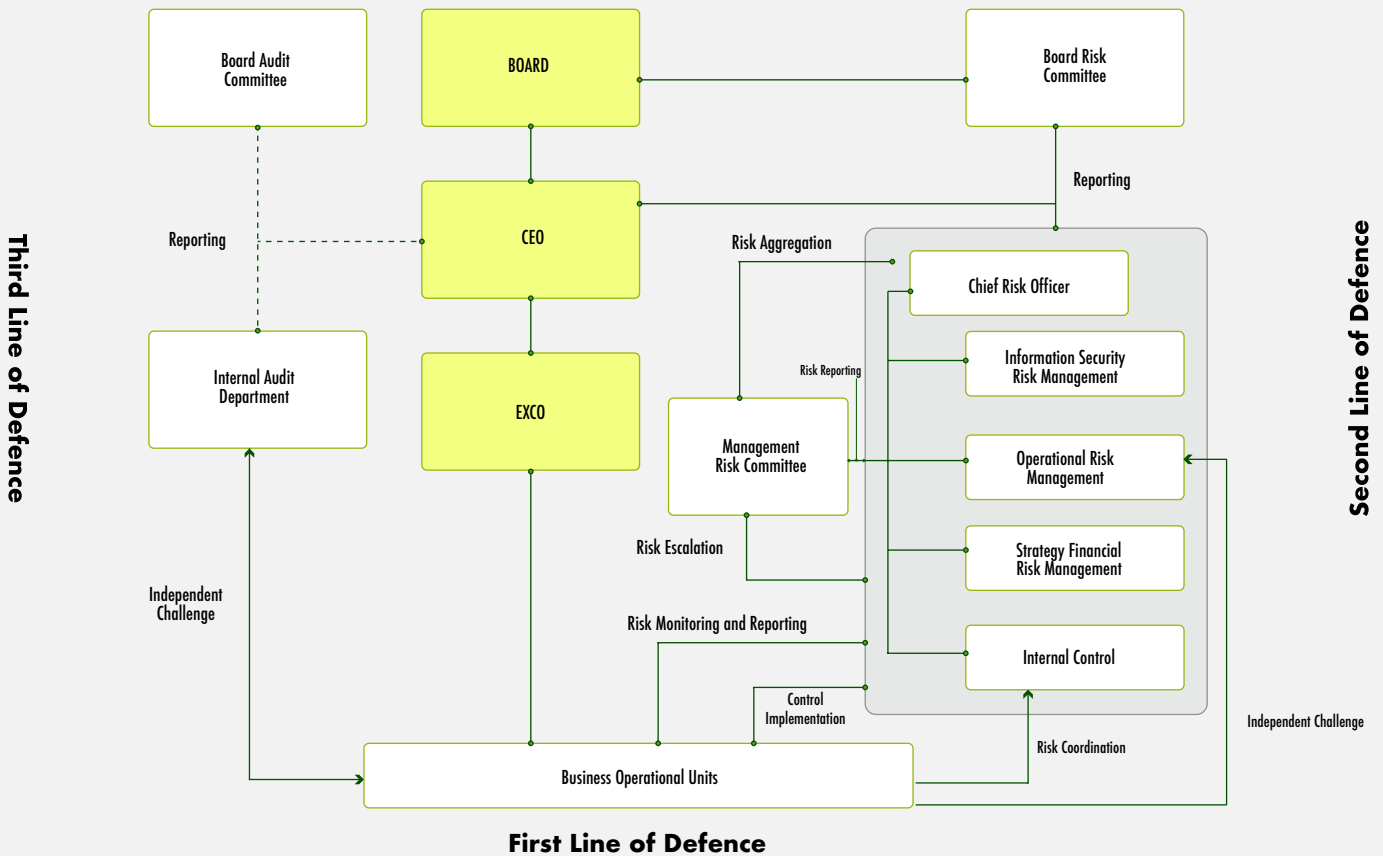
CSCS has developed and implemented an Information Security Management framework that is in line with best practice. The framework is reviewed and enhanced regularly to address emerging threats to customers' information. CSCS was recertified to globally recognised Information Security Standards - ISO 27001 (Information Security Management System).

## Conclusion

Enterprise Risk Management is strategically positioned to assist CSCS comply with the appropriate global post trade best practices and deliver value to all stakeholders. We focus on delivering efficient services to the Nigerian capital market, hence great awareness has been made on risks that emerge in our business environment.

The Risk Management function continues to serve as an enabler of value to CSCS and the Nigerian Capital Market.

We focus on delivering efficient services to the Nigerian Capital Market, hence great awareness has been made on risks that emerge in our business environment.





# Corporate Social Responsibility Report



CSCS continues to distinguish itself through its renewed and focused approach to Corporate Social Responsibility (CSR) designed to have a sustained, positive impact on people, communities, the environment, and society.

Our focus remains to grow responsibly, enhancing the quality of life of our employees, connecting with our stakeholders and the community. For 2019, our CSR approach reinforced our business model and core values.

CSCS partnered with various NGOs following our three CSR pillars:

- People
- Community
- Environment

**People**

At CSCS, our employees' well-being and safety are of utmost importance. All staff were involved in its annual comprehensive medical screening.

**Community**

CSCS invested in sustainable initiatives to improve the quality of life within our community, by partnering with local NGOs:

- Special Olympics Nigeria: We partnered with Special Olympics (SO) Nigeria in the Inclusion Revolution, which is an initiative that provides opportunities for people with Intellectual Disabilities (PWID) to participate and compete in sports, empowering them to become accepted and valued members of their communities.
- Cerebral Palsy: We supported the Cerebral Palsy Center (CpCenter), an NGO that is focused on improving the quality of lives of children with CP. This is from our 'Care for the Little Heroes' initiative.

## Strategic Partnerships

CSCS collaborated with several organisations and individuals in areas of shared interest and mutual benefits (for eg. ASHON and CIS).

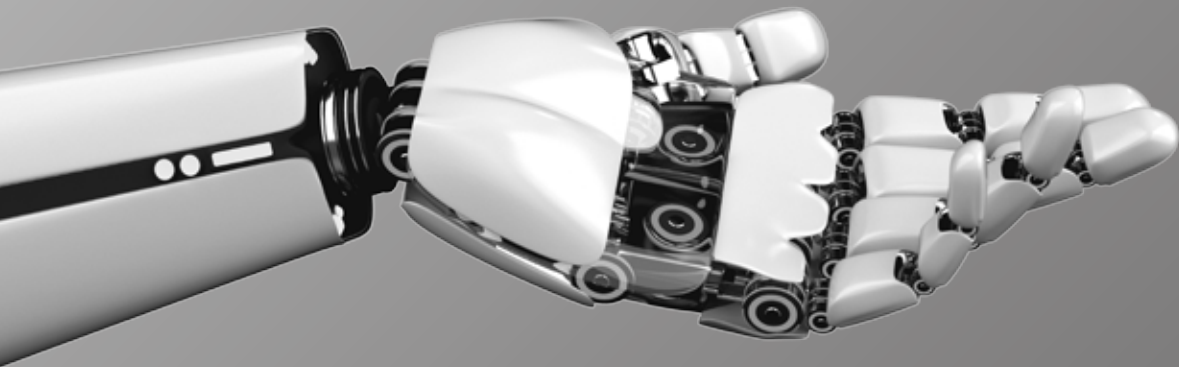
Stakeholders' engagement is an integral part of our business model, and in 2019 we maintained strong communications with all our stakeholders through various engagements.

At CSCS, we will continue to create positive, memorable customer experiences for all our stakeholders and pledge to maintain and uphold their trust by staying true to our S.E.C.U.R.E values and proactively attending to their needs.

**Employee Empowerment**

Gender equality is still at the forefront of our Corporate Social Responsibility strategy and we aim to promote work-life integration for our employees. A staff workshop was conducted on empowering and supporting female employees.

# GOVERNANCE



# The Board



**Oscar N. Onyema, OON**  
Chairman

Mr. Oscar N. Onyema is the Chairman of Central Securities Clearing System (CSCS) Plc, the clearing house for the Nigerian Capital Market. He assumed the role in April 2011 after his resumption as Chief Executive Officer of The Nigerian Stock Exchange and member of the National Council.

Mr. Onyema also serves as Chairman of the Boards of all subsidiaries of The Exchange and is the pioneer Chairman of NG Clearing Limited. He has served as a Council member of the Chartered Institute of Stockbrokers (CIS); Board member of FMDQ OTC PLC; and Board member of the National Pension Commission of Nigeria (PENCOM).

At a regional level, Mr. Onyema was the immediate past President of African Securities Exchanges Association (ASEA) and a former Chairman of West African Capital Market Integration Council (WACMIC), where he supported efforts to integrate securities markets in the West African sub-region.

On the International front, he sits on the London Stock Exchange Group Africa Advisory Group (LAAG) as well as the Thomson Reuters Africa Advisory Network. He has served as a member of World Economic Forum (WEF) Global Agenda Council on the Future of Financing and Capital.

Mr. Onyema's remarkable achievements have earned him numerous awards and recognitions including the Special Recognition Award for Transformational Leadership in the Nigerian Capital Market at BusinessDay's Top 25 CEOs Award in 2018; the Top 10 Most Powerful Men in Africa recognition by Forbes Magazine in 2015; and the Most Innovative CEO of the Year 2014 accolade by the Abuja Chamber of Commerce. Also in 2014, Mr. Onyema received the national honour of Officer of the Order of the Niger ("OON") from the Federal Government of Nigeria in recognition of his contribution to economic development, the transformation of The Nigerian Stock Exchange and the Nigerian Capital Market.

Prior to relocating to Nigeria, he served as Senior Vice President and Chief Administrative Officer at the American Stock Exchange (AMEX), which he joined in 2001. He was the first person of colour to hold that position. After the merger of NYSE Euronext and AMEX in 2008, he ran the NYSE AMEX equity business, which he helped to position as a premier market for small and mid-cap securities. He started his Wall Street career at the New York Mercantile Exchange (NYMEX) in 1997.

Mr. Onyema is an alumnus of the Harvard Business School (Advanced Management Program), the Wharton School, University of Pennsylvania (Board of Directors Development Program) and INSEAD International Directors Programme. He has an MBA from Baruch College, New York and a BSc from Obafemi Awolowo University, Ile-Ife. He is a Fellow of the Institute of Directors ("IoD") Nigeria, Fellow of the Chartered Institute of Stockbrokers (CIS), Associate of the Chartered Institute for Securities & Investment (CISI) in the UK, and holds FINRA Series 7, 24, 63 qualifications in the United States.



**Haruna Jalo-Waziri**  
MD/CEO

Mr. Haruna Jalo-Waziri is the Managing Director and Chief Executive Officer of Central Securities Clearing System Plc (CSCS), a position he assumed in November 2017. He has overall responsibility for delivering on the Company's vision and mission. Since his appointment, he has driven a number of strategic initiatives, leading to notable efficiency gains and repositioning the Company for sustainable growth.

Mr. Jalo-Waziri has three decades hands-on experience across multiple financial disciplines, with a career spanning Investment Banking, Securities Trading, Pension Funds Administration and conventional Asset Management, Business Development and Regulation. He is an award-winning Executive, with reputable track record in leading successful start-ups and business transformations.

Prior to being appointed Chief Executive Officer of CSCS Plc, he was Executive Director, Capital Markets at the Nigerian Stock Exchange, with primary responsibility for deepening the Market through products, market structure innovation and new listings, as well as generating order flow across all asset classes. Under his stewardship, the partnership between the NSE and the London Stock Exchange was established, an alliance which has birthed a number of dual listings on these Bourses. He led the launch of the Premium Board on the NSE, distinguishing value companies with strong governance practices and creating enhanced liquidity flow for the counters. He also led the introduction of the Nigerian Sovereign Green Bond as well as the Federal Government Retail Savings Bonds. Mr. Jalo-Waziri previously served as Managing Director/Chief Executive at both UBA Stockbrokers Limited and UBA Asset Management Limited, transforming the businesses to becoming the top-five in their respective segments. He also pioneered the asset management business of Kakawa Discount House Limited (now FBN Merchant Bank) and previously worked at the Securities and Exchange Commission.

Mr. Jalo-Waziri is a Director on the Board of NG Clearing Limited and the Board of Special Olympics Nigeria. He is on the Advisory Board of BusinessDay and currently serves as Vice President of the AIFA Reading Society, an NGO, which focuses on promoting reading culture and sustainable development of the educational system in Africa. He has served on the Boards of several companies, including FSDH Merchant Bank Limited, Nigeria-German Chemicals Plc, Protea Oakwood Hotel Limited, Coral Properties Limited, UBA Stockbrokers Limited and UBA Asset Management Limited to mention a few. He is a life member of the Institute of Directors.

Mr. Jalo-Waziri is an economist, and an alumnus of reputable institutions, including the Lagos Business School and Venture Capital Institute of America. He holds a first degree and MBA from the University of Maiduguri and the Abubakar Tafawa Balewa University respectively.

## The Board



**Bayo Olugbemi**  
Non-Executive Director

Mr. Bayo Olugbemi is the MD/CEO of First Registrars & Investor Services Limited. He has extensive experience in the areas of Investment Banking, Portfolio Management, Treasury Operations, Securities Depository and Pensions Fund Administration.

Mr. Olugbemi is a graduate of Accounting from the University of Lagos. He holds an MBA in International Business Management from Lagos State University and an MSc in Corporate Governance from Leeds Beckett University in the UK. Mr. Olugbemi is an alumnus of some of the world's top management schools such as the Lagos Business School, Harvard Business School, INSEAD France & Singapore, Institute of Management Development (IMD) Switzerland, Wharton Business School, Stanford Business School, New York Institute of Finance amongst others. He is a Fellow of many Professional Bodies such as the Chartered Institute of Bankers of Nigeria, Institute of Capital Market Registrars, Chartered Institute of Taxation of Nigeria, Certified Institute of Pensions of Nigeria, Institute of Directors, Nigeria, Association of Enterprise Risk Management Professionals, Nigerian Institute of Training & Development as well as Associate Member of the Nigerian Institute of Management and Institute of Chartered Secretaries & Administrators of Nigeria.

He is regarded as a pioneer in the Nigerian Share Registration industry, having pioneered several Capital Market Registrar Companies. He currently serves on the Governing Councils of several professional bodies such as The Chartered Institute of Bankers of Nigeria (1st Vice President), Institute of Capital Market Registrars (President/Chairman of Council) and Lagos Chamber of Commerce & Industry (Immediate Past Treasurer) as well as on the Boards of several corporate organizations and NGOs.

He is a trainer in Leadership, Management, Corporate Governance and Ethics, Business Formation, Capital Market Development and Share Registration as well as being a Motivational Speaker of high repute. He is an avid reader and author of three published books: *Advancing Through Adversity*; *Economic & Financial Stewardship* and *When Tomorrow Comes*. He also has to his credit many unpublished works.

Mr. Olugbemi is a Senior Pastor in one of the biggest Churches in Nigeria.



**Uche Ike**  
Non-Executive Director

Mr. Uche Ike is presently the Executive Director, Risk Management, Compliance and Corporate Governance of the United Bank for Africa Plc.

He has over 27 years banking experience covering Banking Operations, Audit, Compliance and Risk Management. He is also an Associate Member of The Institute of Chartered Accountants of Nigeria.

Mr. Ike holds a first degree in Accountancy and a Masters in Business Administration.

## The Board



**Eric Idiahi**  
Non-Executive Director

Mr. Idiahi is a Co-founder and Partner of Verod Capital Management Limited. Prior to founding Verod Capital, Mr. Idiahi was the Managing Partner of Fountainhead Media Group. Mr. Idiahi also previously worked at Financial Derivatives Company Limited.

He is a Director of African Lifestyle Limited, EMZOR Pharmaceuticals Industries Limited, Greensprings Educational Services Limited, and on the Board of Regents of Harris Manchester College, Oxford University.

He received a B.Sc in Economics from the University of Houston, Texas and an MBA from Saïd Business School, University of Oxford, England.



**Roosevelt Michael Ogbonna**  
Non-Executive Director

Roosevelt Ogbonna is the Group Deputy Managing Director of Access Bank PLC. He has over 20 years of experience in Banking cutting across Treasury, Commercial, Corporate and Investment Banking. Prior to his appointment, he was the Executive Director, Wholesale Banking Division of Access Bank PLC.

He is a Fellow of the Institute of Chartered Accountants of Nigeria, a Senior Executive Fellow of Harvard Kennedy School, an alumnus of Harvard Business School and a Chartered Financial Analyst (CFA) Charter holder. He holds a Master's degree in Business Administration from IMD Business School, an Executive Master's degree in Business Administration from Cheung Kong Graduate School of Business and a Bachelor's degree in Banking and Finance from University of Nigeria, Nsukka. In 2015, he was selected as one of the Institute of International Finance (IIF) Future Global Leaders.

Roosevelt sits on the Board of a number of institutions including, Africa Finance Corporation, Access Bank UK Limited and Access Bank (Zambia) Ltd.

## The Board



**Ms. Tinuade T. Awe, Esq.**  
Non-Executive Director

Ms. Tinuade Awe is the Executive Director, Regulation at The Nigerian Stock Exchange (The Exchange). Prior to her current position, she was the General Counsel and Head of the Legal and Regulation Division of The Exchange. She served as Secretary to the National Council of The Exchange from January 2011 to October 2015. As Executive Director, Regulation, she has responsibility for the regulation of the two primary stakeholder groups of The Exchange, i.e. the Dealing Members that trade on The Exchange and issuers that have securities listed on The Exchange. Her team is responsible inter alia, for rule making and interpretation, monitoring, inspections, market surveillance, investigations, regulatory technology, and enforcement.

Ms. Awe also serves as a Trustee of the Investors' Protection Fund of The Exchange and is a member of the Board of the Financial Reporting Council of Nigeria (FRC). She chairs the Corporate Governance Committee of the FRC Board.

She previously worked with Banwo & Ighodalo, a law firm in Lagos; the United Nations International Criminal Tribunal for the former Yugoslavia in The Hague; the United Nations Compensation Commission in Geneva; and the New York office of Simpson Thacher & Bartlett, a law firm with global presence. She has a wealth of experience spanning over twenty-five (25) years.

Ms. Awe has an LL.B from the Obafemi Awolowo University, Ile Ife, graduating as the Best Female Student in the Faculty of Law. She finished at the Nigerian Law School with First Class Honours, graduating as Best Overall Student. She also holds LL.M certifications from Harvard Law School, where she was a Landon H. Gammon Fellow, as well as the London School of Economics and Political Science (LSE), where she graduated with Merit. At the LSE, she was a British Council Scholar. She is admitted to both the Nigerian and New York Bars.

She is the recipient of a number of awards and honours, including The African Legal Awards 2018, General Counsel of the Year; Law Digest Africa Awards, General Counsel of the Year 2018; and Esq. Nigeria Legal Awards, General Counsel of the Year 2017.

Ms. Awe's interests include education, travelling, African art, gender and development.



**Onyenwechukwu  
Patrick Ezeagu**  
M.Sc., MBA, B.Sc., FCS, FDM  
Non-Executive Director

Mr. Ezeagu is currently the Chairman of the Association of Securities Dealing Houses of Nigeria (ASHON) and the Managing Director/CEO of Solid-Rock Securities & Investment Plc. He serves as Chairman on the Board of the Lagos Commodities and Futures Exchange Ltd.

He is a member of the Technical Committee of the West African Capital Markets Integration Council (WACMIC). He was a Member of the Finance Committee, Chartered Institute of Stockbrokers and served as a member, the Investment Management Sub-Committee of the Capital Market Committee of the Securities & Exchange Commission (SEC). He also served and is still serving on various committees of both SEC and The Nigerian Stock Exchange to promote the ideals of the Nigerian Capital Market. Mr. Ezeagu has been registered with the SEC as a Capital Market Operator and has been an active player in the Capital Market since 1994.

Mr. Ezeagu graduated from Liverpool John Moores University, Liverpool, UK; University of Lagos, Nigeria and University of Nigeria, Nsukka where he obtained an M.Sc. in Governance & Finance, MBA in Finance and B.Sc. in Management respectively. He is a Fellow of Chartered Institute of Stockbrokers and a Fellow of the Institute of Direct Marketing of Nigeria. His career spans Consultancy, Banking, Finance and Capital Market.

Mr. Ezeagu is well travelled and has attended many executive management training programs both locally and internationally. He is a member of the prestigious Lagos County Club 1949 (served on the Club's Investment Committee) and PENA Club of Nigeria (its former President).

## The Board



**Oluwaseyi Abe**  
Non-Executive Director

Oluwaseyi Abe is currently the Managing Director/CEO of Magnartis Finance & Investments Limited, one of the most structured players in the Nigerian Capital Market with regional market operations that cut across emerging African markets. Prior to this engagement, Mr. Abe (on secondment from Magnartis Finance & Investments Limited) was the Chief Investment Officer of Aiico Pension Managers Limited.

One of the thoroughbred investment banking careerists in his generation, Mr. Abe started his career with Leadbank Group in January 1990. In August of the same year, he was seconded to Nigerian Stockbrokers Limited - a subsidiary of NAL Bank Plc, for a year's training in stockbroking and investment management. He returned to Leadbank Group in January 1992 after a successful training program and qualification as a professional Stockbroker. On his return to Leadbank Group, he commenced trading on the floor of The Nigerian Stock Exchange for the bank and acted in many capacities as Investment Manager and-Advisor. He was involved in raising capital for many companies including FBN Plc, UBA Plc, IBL Plc, UBN Plc. and Wema Bank Plc. He participated in packaging several Initial Public Offerings (IPO), Rights Offerings and other schemes & arrangements. Mr. Abe was also involved in both local and foreign treasury dealing activities. For several years, he played leading roles in the marketing of the bank's treasury / capital market products. At different times, he headed various functional units of the bank such as Investment Banking, Private Banking; Issuing House; Corporate Finance; Transaction Banking, Treasury Marketing and Product Development. He also had a stint in the Commercial & Consumer Banking Group.

Further, Mr. Abe was very instrumental in the development of the bank's asset management business and deployment of the same across the bank's branches nationwide. He rose to the position of Chief Operating Officer for Lead Securities and Investments Limited, a stockbrokerage and asset management company and member of The Nigerian Stock Exchange. Mr. Abe left Lead Capital in September 2006 for Magnartis Finance & investments Limited (Member of The Nigerian Stock Exchange).

Mr. Abe is an accomplished Investment Banker, a serial investor and very active operator in the financial market landscape. He rose to the peak of the stockbroking profession and is past President of the Chartered Institute of Stockbrokers (CIS) of Nigeria.

He attended the University of Ife, Ile-Ife where he bagged a Second Class (Upper) Honors Degree in Social Sciences and finished as the institution's Best Graduating Student in Sociology and Anthropology for the year 1988. He obtained an M.Sc. in Marketing from the University of Lagos, Akoka in 1996 and an MBA from Ondo State University, Ado-Ekiti in 1998. He also attended the prestigious Senior Management Program of the Lagos Business School.

Mr. Abe is presently on the Board of Kingspride Group, Insight Microfinance Bank Limited, Magnartis Finance & Investments Ltd (Member of the Nigerian Stock Exchange), D2RS Group, Pure Imagination Limited (South Africa) and Astrocraft Consulting (UK).

Mr. Abe is widely travelled and has an uncanny networking capability.



**Chinelo Anohu**  
Independent Non-Executive Director

She is currently the Head and Senior Director of the Africa Investment Forum, an African Development Bank initiative. Prior to her current position, Mrs Anohu was the Director General National Pension Commission Abuja, Nigeria from October 2014 to April 2017 after acting as the Director General from December 2012 to October, 2014 and Secretary/Legal Adviser from December 2004 to December 2012, National Pension Commission Abuja. She was also the Legal Advisor, Telecommunications Sector Reform, BPE and Legal Adviser/Marketing Executive, AS Financial Services Wembley, UK from March 2001 to June 2002.

She is a member of the Chartered Institute of Arbitrators, London; London Stock Exchange Africa Advisory Group (LAAG), London, and the International Advisory Board (IAB) University of Edinburgh Business School Edinburgh, Scotland (December 2018 to Date).

Mrs. Anohu graduated with an LL.M in Computer and Communications Law Studies from the London School of Economics, England, after obtaining an LL.B from the University of Nigeria, Enugu Campus, Nigeria. She was called to the Nigeria Bar in 1997.

Her interests include active participation in charitable programmes. She also enjoys reading novels and travelling.

## The Board



**Ibrahim Y. Dikko**

Independent Non-Executive Director

Mr. Ibrahim Y. Dikko is an independent Non-Executive Director at CSCS Plc. He is also an independent Director on the Boards of Custodian Investments Plc, Baker Hughes Company Limited and The Society for Corporate Governance Nigeria.

His experience spans a variety of roles in Banking, Information Technology and Telecommunications. He worked on the team responsible for setting up the first Discount House in Nigeria and later rose to become Chairman of the Discount House from 2002 to 2012. He was a partner and director at Resourcery Plc where he led business development.

Mr. Dikko was also a pioneer member of the team that set up EMTS Ltd (trading as Etisalat Nigeria) in 2007 and was Vice President for Regulatory and Corporate Affairs until he left in 2017.

He graduated with an LL.M in Commercial and Corporate Law from Queen Mary & Westfield College, University of London, England after obtaining his LL.B from the University of Buckingham, England. He was called to the Nigeria Bar in 1990.

Mr. Dikko has a keen interest in competition regulation as well as the interplay between technology and regulation in the fast-changing Fintech/Regtech space. His interests also cover Corporate Governance.



## Executive Management Team



**Haruna Jalo-Waziri**  
Managing Director - Chief Executive Officer



**Adeyinka Shonekan**  
Divisional Head, Business Development



**Onome Komolafe**  
Head, Shared Services



**Tobe Nnadozie**  
Divisional Head, Technology and Innovation



**Ayokunle Adaralegbe**  
Chief Risk Officer



**Femi Onifade**  
Chief Strategy Officer



**Peter Medunoye**  
Chief Financial Officer

# Management Team



**Yetunde Adenaiya**  
Head, Human Resources



**Akinwonuola Atitebi**  
Head, Treasury and Investment



**Abiola Rasaq**  
Head, Corporate Strategy



**Ihuara Akachukwu**  
Head, Stakeholders Engagement



**Charles I. Ojo**  
Head, Legal Services/Company Secretary



**Olumide Jerome**  
Head, Project Management Office



**Isqil Adeniji**  
Head, Information Technology



**Anthony Ezugbor**  
Head, Technology Solution



**Yemisi Ipaye**  
Head, Corporate Communications

## Management Team



**Temitope Sanni**  
Head, Corporate Services



**Abiodun Owoeye**  
Head, Internal Audit



**Isioma Lawal**  
Head, Internal Control



**Folagbade Adeyemi**  
Head, Clearing and Settlement Operations



**Babangida Yahaya**  
Head, Depository Services



**Theodore Anyanwu**  
Head, Client Network Coverage



**Idibore Danlami Ali**  
Head, Financial Reporting



**Patrick Nri**  
Head, Product Development



**Vivian Ashiogwu**  
Head, Contact Centre

# Directors, Officers and Professional Advisers

<b>Board of Directors:</b>	<p>Mr. Oscar N. Onyema OON          Mr. Haruna Jalo-Waziri          Mrs. Ifueko M. Omoigui Okauru MFR<sup>1</sup>          Mr. Sola Adeeyo<sup>2</sup>          Mr. Emeka Madubuike<sup>3</sup>          Mr. Ariyo Olushekun<sup>4</sup>          Mr. Bayo Olugbemi          Mr. Uche Ike          Mr. Eric Idiahi          Mr. Roosevelt Ogbonna          Ms. Tinuade Awe          Mr. Oluwaseyi Abe<sup>5</sup>          Mr. Onyenwechukwu Patrick Ezeagu<sup>6</sup>          Mrs. Chinelo Anohu<sup>7</sup>          Mr. Ibrahim Y. Dikko<sup>8</sup></p>	<p>Chairman          Managing Director          Independent Director          Independent Director          Non-Executive Director          Non-Executive Director          Non-Executive Director          Non-Executive Director          Non-Executive Director          Non-Executive Director          Non-Executive Director          Non-Executive Director          Non-Executive Director          Independent Director          Independent Director</p>
<p><sup>1</sup> Mrs. Ifueko M. Omoigui Okauru MFR resigned as an Independent Director on 22 February 2019  <sup>2</sup> Mr. Sola Adeeyo resigned as an Independent Director on 28 February 2019  <sup>3</sup> Mr. Emeka Madubuike resigned as a Non-Executive Director on 30 April 2019  <sup>4</sup> Mr. Ariyo Olushekun resigned as a Non-Executive Director on 30 April 2019  <sup>5</sup> Mr. Oluwaseyi Abe was appointed as a Non-Executive Director on 13 March 2019  <sup>6</sup> Chief Onyenwechukwu Patrick Ezeagu was appointed as a Non-Executive Director on 13 March 2019  <sup>7</sup> Mrs. Chinelo Anohu was appointed as an Independent Director on 3 October 2019  <sup>8</sup> Mr. Ibrahim Y. Dikko was appointed as an Independent Director on 3 October 2019</p>		
<b>Registered Office:</b>	<p>Central Securities Clearing System Plc          1st Floor, The Nigerian Stock Exchange Building          No. 2/4, Customs Street          Lagos</p>	
<b>Company's Registration Number:</b>	201018	
<b>Company Secretary:</b>	Charles I. Ojo	
<b>Independent Auditor:</b>	<p>KPMG Professional Services          KPMG Tower          Bishop Aboyade Cole Street          Victoria Island          PMB 40014, Falomo          Lagos</p>	
<b>Bankers:</b>	<p>Access Bank Plc          Citibank Nig Plc          Coronation Merchant Bank Limited          Ecobank Nigeria Plc          Fidelity Bank Plc          First Bank of Nigeria Limited          FCMB Plc          FSDH Merchant Bank Limited          Guaranty Trust Bank Plc          Keystone Bank Plc          Nova Merchant Bank Limited          Stanbic IBTC Bank Plc          Sterling Bank Plc          SunTrust Bank Nigeria Limited          Union Bank Plc          United Bank for Africa Plc          Wema Bank Plc          Zenith Bank Plc</p>	
<b>Registrar:</b>	<p>Africa Prudential Plc          220B Ikorodu Road          Palmgrove          Lagos</p>	
<b>Actuary:</b>	<p>O &amp; A Hedge Actuarial Consulting          (Actuaries &amp; Chartered Insurers)          Suite 28, Motorways Centre, 1 Motorways Avenue          Opposite 7up Bottling Plant          Alausa Ikeja, Lagos - Nigeria          FRC/2016/00000015764</p>	

# Directors' Report

For the Year Ended 31 December 2019

The Directors present their report on the affairs of Central Securities Clearing System Plc ("the Company" or "CSCS") and its subsidiary ("the Group"), together with the annual financial statements and independent auditor's report for the year ended 31 December 2019.

## Legal Form

The Company was incorporated on 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) Company that undertakes the business of depository, clearing and settlement of securities traded in the Nigerian Capital Market. The Company was licensed by the Securities and Exchange Commission and operates an electronic depository, clearing, settlement and delivery system for transactions in shares listed/traded on the Nigerian Exchanges. CSCS provides clearing and settlement services in equities, fixed income securities, commodities, ETFs and other securities on recognised Exchange Platforms in the Nigerian Capital Market. The Company also acts as a depository to select Federal Government of Nigeria (FGN) Bonds, Municipal and Corporate Debt instruments. The Company has one (1) subsidiary company namely: Insurance Repository Nigeria Limited and one (1) associate Company - NG Clearing Limited.

## Operating Results

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

<i>In thousands of Naira</i>	<b>Group 31 December 2019</b>	<b>Company 31 December 2019</b>	<b>Group 31 December 2018</b>	<b>Company 31 December 2018</b>
Total operating income	9,206,140	9,206,140	9,082,085	9,082,085
Profit before tax	6,042,434	5,986,837	6,091,344	6,109,749
Income tax	(1,141,755)	(1,141,755)	(1,269,014)	(1,269,014)
<b>Profit for the year</b>	<b>4,900,679</b>	<b>4,845,082</b>	<b>4,822,330</b>	<b>4,840,735</b>
Other comprehensive income, net of tax	340,590	340,590	15,453	15,453
Total comprehensive income	5,241,269	5,185,672	4,837,784	4,856,188
<b>Basic and diluted earnings per share (kobo)</b>	<b>98k</b>	<b>97k</b>	<b>96k</b>	<b>97k</b>

## Directors' Report

For the Year Ended 31 December 2019

### Ownership Structure

The issued and fully paid-up share capital of the Company was 5,000,000,000 ordinary shares of ₦1 each as at 31 December 2019 (31 December 2018: 5,000,000,000 ordinary shares of ₦1 each). The shareholding structure as at the reporting date is as shown below:

Shareholders	31 December 2019		31 December 2018	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
The Nigerian Stock Exchange	1,459,555,913	29.19%	1,362,108,950	27.24%
Artemis Limited	1,000,641,902	20.01%	1,000,641,902	20.01%
Access Bank Plc	375,000,000	7.50%	375,000,000	7.50%
United Bank for Africa Plc	268,500,000	5.37%	268,500,000	5.37%
Ess-ay Investments Limited	317,142,674	6.34%	251,452,248	5.03%
ZPC/Leadway Insurance Prem. Coll. and Investment Account	250,000,000	5.00%	250,000,000	5.00%
Others with shareholdings less than 5%	1,329,159,511	26.59%	1,492,296,900	29.85%
	<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 represent the Company's shareholders. The Directors which have direct and indirect interests in the issued share capital of the Company as recorded in the register of Directors' shareholding are noted below:

	31 December 2019			31 December 2018		
	Direct	Indirect	Total	Direct	Indirect	Total
Mr. Oscar N. Onyema OON	-	-	-	500,000	-	500,000
Mr. Haruna Jalo-Waziri	-	-	-	-	-	-
Mrs. Ifueko Omoigui Okauru MFR	-	-	-	-	-	-
Mr. Sola Adeeyo	-	-	-	-	-	-
Mr. Emeka Madubuike	-	6,750,000	6,750,000	-	6,750,000	6,750,000
Mr. Ariyo Olushekun	1,800,000	1,540,000	3,340,000	1,800,000	1,540,000	3,340,000
Mr. Bayo Olugbemi	-	2,345,111	2,345,111	-	2,345,111	2,345,111
Mr. Uche Ike	-	-	-	-	-	-
Mr. Eric Idiahi	-	1,000,641,902	1,000,641,902	-	1,000,641,902	1,000,641,902
Mr. Roosevelt Ogbonna	-	-	-	-	-	-
Ms. Tinuade Awe	-	620,000	620,000	-	620,000	620,000
Mr. Oluwaseyi Abe	-	-	-	-	-	-
Mr. Onyenwechukwu Ezeagu	-	525,000	525,000	-	-	-
Mrs. Chinelo Anohu	-	-	-	-	-	-
Mr. Ibrahim Y. Dikko	-	-	-	-	-	-

## Directors' Report

For the Year Ended 31 December 2019

### Directors' Interests in Contracts

No 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 2019 was as stated below:

Share Range	No. of Shareholders	Percentage of Shareholders	No. of Holdings	Percentage Holdings
1 – 1,000	410	36.7%	160,732	0.00%
1,001 – 5,000	133	11.9%	377,731	0.01%
5,001 – 10,000	64	5.7%	514,894	0.01%
10,001 – 50,000	200	18.0%	5,360,673	0.10%
50,001 – 100,000	59	5.3%	4,715,099	0.09%
100,001 – 500,000	92	8.2%	27,884,146	0.56%
500,001 – 1,000,000	32	2.9%	26,605,744	0.53%
Above 1,000,000	127	11.3%	4,934,380,981	98.70%
	<b>1,117</b>	<b>100%</b>	<b>5,000,000,000</b>	<b>100.00%</b>

The shareholding pattern of the Company as at 31 December 2018 was as stated below:

Share Range	No. of Shareholders	Percentage of Shareholders	No. of Holdings	Percentage Holdings
1 – 1,000	330	33.2%	138,634	0.00%
1,001 – 5,000	104	10.5%	286,808	0.01%
5,001 – 10,000	55	5.5%	441,877	0.01%
10,001 – 50,000	194	19.5%	5,144,024	0.10%
50,001 – 100,000	57	5.7%	4,446,682	0.09%
100,001 – 500,000	89	9.0%	29,315,096	0.59%
500,001 – 1,000,000	33	3.3%	27,503,450	0.55%
Above 1,000,000	132	13.3%	4,932,723,429	98.65%
	<b>994</b>	<b>100%</b>	<b>5,000,000,000</b>	<b>100%</b>

## Directors' Report

For the Year Ended 31 December 2019

### Substantial Interests in Shares

According to the register of members at 31 December 2019, no shareholder held more than 5% of the issued share capital of the Company except the following:

Shareholders	31 December 2019		31 December 2018	
	Number of Shares Held	% of Shareholding	Number of Shares Held	% of Shareholding
The Nigerian Stock Exchange	1,459,555,913	29.19%	1,362,108,950	27.24%
Artemis Limited	1,000,641,902	20.01%	1,000,641,902	20.01%
Access Bank Plc	375,000,000	7.50%	375,000,000	7.50%
United Bank for Africa Plc	268,500,000	5.37%	268,500,000	5.37%
Ess-ay Investment Ltd	317,142,674	6.34%	251,452,248	5.03%
ZPC/Leadway Insurance Prem .Coll. & Investment Account	250,000,000	5.0%	250,000,000	5.0%

### Donations and Charitable Gifts

The Company made contributions and donations to non-political organisations amounting to ₦32.7million (31 December 2018: ₦31.03million) during the year, as listed below:

Beneficiary In Thousands of Naira	Purpose	Amount
Nigeria Economic Summit Group	2019 Membership due	3,000
Chartered Institute of Stockbrokers	Donation of grant-in-aid to the Institute	10,000
Association of Stockbroking Houses of Nigeria	Capital Market Summit	1,500
Teach for Nigeria	Sponsorship of Teach for Nigeria	2,500
Association of Asset Custodians of Nigeria	Investors Forum - 2019	500
Vanguard Media Limited	Sponsorship for Economic Forum Series	1,000
Alfa Reading Society	Little Writer Award Sponsorship	1,000
Capital Market Correspondents Association	Sponsorship of 2019 Workshop	500
Unilag Consult Limited	Unilag-SEC Capital Market Conference	500
Business Media Limited	Business Day Capital Market Day	1,000
Business Media Limited	2019 BAFI Award Sponsorship	1,500
Youth Rescue and Care Initiatives	Solve-a-need Sponsorship	500
Chartered Institute of Stockbrokers	Annual Conference Sponsorship	1,000
The Nigerian Stock Exchange	Interactive Session on Consumer Goods	1,000
Cerebral Palsy Centre	Sponsorship of Cerebral Palsy Day	1,200
The Nigerian Stock Exchange	NSE Corporate Challenge	1,000
Special Olympics (SO) Nigeria	2019 Special Olympics Sponsorship	5,000
		<b>32,700</b>



## Directors' Report

For the Year Ended 31 December 2019

- (i) The Company did not make donation to any political party during the year ended 31 December 2019 (31 December 2018: Nil).

### Human Resources

#### (i) Employment, Employee training and Development

Employment at CSCS follows a very thorough process that focuses on merit. The Group 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 Group towards ensuring that staff are properly skilled and re-skilled to undertake their respective assignments. The Group did not employ a physically-challenged person during the year under review.

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

The Group 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 performance 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.

### Property and Equipment

Information relating to changes in property and equipment is given in Note 15 to the Financial Statements. In the opinion of the Board of Directors, the market value of the Group's properties is not significantly different from the value shown in the Annual Report.

### Events after Reporting Date

There were no significant events after the reporting date that could affect the reported amount of assets and liabilities as of the reporting date.

### Dividends

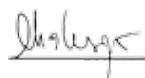
During the period, the Board of Directors, pursuant to the powers vested in it by the provisions of section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, proposed a final dividend of 86 kobo per share (31 December 2018: 70 kobo per share) from the retained earnings account as at 31 December 2019, subject to the approval of the shareholders at the 2019 Annual General Meeting.

Payment of dividends is subject to withholding tax at a rate of 10%.

### Auditor

Messrs. KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors to the Company. In accordance with Section 357 (2) of the Companies and Allied Matters Act of Nigeria therefore, the auditor will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

### BY ORDER OF THE BOARD



#### Mr. Charles Ojo

Company Secretary  
Central Securities Clearing System Plc  
FRC/2014/NBA/00000006051  
13 March 2020

# Corporate Governance Report

This report highlights CSCS' corporate culture, introduces members of the Board of Directors, Board Committees, the Executive Committee and Management Committee. It also details CSCS' Corporate Governance practices and highlights the activities of the Board, the Board Committees, the Executive Committee and the Management Committee.

The Board of Directors ("the Board") of CSCS recognises that good corporate governance is pivotal to the long-term success and sustainability of the Company. Hence, the Board is committed to global best practice in corporate governance, as it continually seeks to improve its culture and positively impact the ecosystem for broader market efficiency.

## Culture

The Board, through its oversight, is strengthening corporate culture, reinforcing leadership and re-defining the company's operational environment to be more reflective of a Market Culture. This has led to the efficient execution of the Company's strategic objectives and the development of innovative solutions, which are requisite for deepening the market and enhancing efficiency. Some of the key initiatives implemented by the Board to reinforce the Company's leadership as the Financial Market Infrastructure for the Nigerian Capital Market include:

- the headhunting of four additional executives to strengthen management bandwidth;
- policy reviews to reflect current market realities and the Company's medium to long-term goals and broader vision; and
- empowerment of Management and Board Committees to independently take decisions within approved terms of reference, frameworks and policies.

These initiatives, amongst many others, have enhanced the agility and competitiveness of the company and more importantly realigned its culture and philosophy with the corporate vision of 'being the globally respected and leading central securities depository in Africa'. In addition, the Board and Management Committees meet regularly to ensure the effective execution of strategy and initiatives. As a Financial Market Infrastructure, the Board continues to leverage best-in-class corporate governance practices as a cultural tool in driving productivity and creating value for Shareholders, Participants, Exchanges and other Stakeholders. The diversity of the Board has proven to be a great asset to the company, a team of business leaders with vast experience and exposure across the financial services sector and broader economy. The Board comprises of highly committed Directors who provide conscientious and high-performance leadership to the Company.

In addition to providing effective oversight and setting the strategic goals for the Company, the Board is responsible for enforcing corporate governance practices within CSCS and ensuring that the Company delivers sustainable value to the society, its shareholders and the Capital Market. The Board recognises that in order to remain relevant, it must conduct its affairs in a manner that reinforces efficiency, excellence, integrity, tenacity, transparency and accountability. Hence, CSCS adheres strictly to the Code of Corporate Governance as espoused by the Securities and Exchange Commission (SEC), the National Code of Corporate Governance, the Companies and Allied Matters Act as well as global best practices.

## Code of Corporate Governance for Public Companies

To further strengthen corporate governance practice in Nigeria, the Board of the Securities and Exchange Commission (SEC) in 2014, made the Corporate Governance Code of the SEC ("the SEC Code") mandatory for all public companies. The Code is periodically reviewed and amended to address evolving risks to corporate governance in Nigeria. As at the last review date in August 2019, the need to notify an entity on areas of non-compliance or non-observance and the specific action or actions required to remedy the non-compliance or non-observance are no longer required. Also, SEC may act against a non-compliant public company without prior notification. Consequently, the onus to ensure strict compliance with the Code is greater on Public companies.

Furthermore, in line with global best practice, the Code specifies that the responsibility for ensuring compliance with or observance of the principles and provisions of this Code is primarily with the Board of Directors.

However, shareholders, especially institutional shareholders, are expected to familiarise themselves with the letter and spirit of the Code and encourage or whenever necessary, demand compliance from their companies. Whilst the Board of CSCS has ensured full compliance with the provisions of the Code, it encourages shareholders to continuously recommend initiatives that will further strengthen the Company's corporate governance practices.

## Corporate Governance Report

### Whistleblowing

In line with global best practices and the SEC's Corporate Governance Code of Conduct, the Company has a robust whistle-blowing policy available to staff, other stakeholders and the general public. The Policy establishes an independent mechanism for reporting any illegal or unethical behaviour within the Company. The whistleblowing mechanism includes parallel independent communication to the Board for escalation of requisite issues and a technology-enabled whistleblowing platform provided and managed by an independent third party, Messrs Deloitte, which can be accessed by all stakeholders. The Board remains responsible for reviewing the whistleblowing policy and continues to provide leadership to the Company in this regard.

### Significant Shareholder

'CSCS' top five (5) significant shareholders as at 31 December 2019 are listed below:

S/N	Shareholder	No. of Shares	% Holding
1	The Nigerian Stock Exchange	1,459,555,913	29.19
2	Artemis Limited (Verod Capital)	1,000,641,902	20.01
3	Access Bank Plc	375,000,000	7.50
4	ESS-AY Investments Limited	317,142,674	6.34
5	United Bank for Africa Plc	268,500,000	5.37

### Cross Shareholding

CSCS does not hold shares or ownership rights in any entity that is a shareholder of CSCS. Hence, there is no incident of cross shareholding.

### Compliance with Statutory Reports

At the end of the 2019 financial year, CSCS complied with all the applicable regulatory and financial reporting requirements within the stipulated time frame.

### Board Performance and Evaluation

The Board continually appraises itself and employs the services of an independent third party to evaluate its effectiveness annually. A Board evaluation exercise was successfully conducted in 2019 by Messrs. JK Randle Professional Services. The scope of the evaluation includes assessing the Board composition and its responsibilities, the adequacy or otherwise of skills available on the Board and the synergy and effectiveness of the Board. The feedback from the exercise was communicated to the Board Chairman. The consultant's report, which is included in this Annual Report, shows that the Board's composition and the constitution of its Committees comply with the provisions of the SEC Code of Corporate Governance and global best practices.

### Director Nomination Process

The Board's Corporate Governance and Remuneration Committee (CG&RC) is responsible for initiating the process of identifying and nominating suitable candidates to fill Board vacancies. In identifying suitable candidates, the Committee considers candidates on merit against subjective criteria and with due regard to gender, skills diversity and relevant experience.

### Induction of New Directors and Board Training for Continuous Professional Development

CSCS recognises that people across all levels are its assets. Therefore, the Company engages in continuous professional development for its Directors to enhance their performance on the Board. The professional development is delivered through classroom learning programmes and study tours to centres of excellence to gain requisite practical experience of global best practice in CSD operations and strategy.

In 2019, CSCS Directors undertook a study tour to Crest, Euroclear's operation in the United Kingdom; one of Europe's leading Central Securities Depositories to experience first-hand the business operations and processes of this global peer. The lessons from the tour are being applied in its oversight of CSCS. The Statutory Audit Committee was exposed to exceptional training on Corporate Governance.

Also, as part of the Company's onboarding process for the newly appointed Directors, a Board pack containing orientation materials on the strategy, operations and overall business of the Company was delivered to each new Director, in addition to detailed information relating to the

## Corporate Governance Report

duties and responsibilities of Directors, and the Minutes of previous meetings which serve to apprise the Directors of Company matters that have been considered at the said meetings. The Executive Management also held onboarding sessions with the new Directors to familiarise them with the operations of the Company. In addition, a calendar which specifies activities for the year is provided to each of the newly appointed Directors.

### Chairman of the Board

The Chairman of CSCS Board of Directors, Mr. Oscar N. Onyema, is a Non-Executive Director. He is the highest-ranking officer on the Board and presides over the Board.

### Chief Executive Director

The Company's Chief Executive Officer (CEO), Mr. Haruna Jalo-Waziri oversees the Company's daily operations alongside members of the Executive Management Committee. The CEO's responsibilities include making corporate decisions within the ambit of the powers delegated to him by the Board. He also serves as the bridge between Management and the Board of Directors.

### Non-Executive Directors

The Company's Non-Executive Directors consist of professionals of diverse professional and business backgrounds. These highly committed individuals continue to make invaluable contributions to the success of the Company. They bring to the fore their wealth of knowledge and valuable experiences to the Board, in the interests of the Company and its shareholders. The Non-Executive Directors are appointed under a fixed term of six years; two terms of three years each. Upon completion of the second term, a Director shall retire in accordance with the provisions of the Company's Memorandum and Articles of Association.

### Remuneration of Directors

Each Non-Executive Director is entitled to a Director's fee which is determined by the Board with authorisation granted by the shareholders at the Company's Annual General Meetings. The Company Secretariat assists the Corporate Governance and Remuneration Committee by providing relevant remuneration data in comparable sectors and/or market for the Committee's consideration. The remuneration of Executive Directors and Senior Management of the Company is determined with referenced remuneration benchmarks in the industry and the prevailing market conditions.

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

In line with best global corporate practices and to ensure effective Board appointments, the Board has a framework that guides its rigorous process of nominating and assessing the qualification of prospective Directors to ensure that individuals with the appropriate skill set, experience, integrity and character are appointed. The Board Charter provides opportunity for Stakeholders possessing in-depth industry experience, requisite character and influence, to be appointed to the Board to ensure the right mix.

Following a rigorous search and interview process, the Board appointed two Independent Directors, Ms. Chinelo Anohu and Mr. Ibrahim Y. Dikko on the 3 October 2019 to fill the vacant positions. Their appointments have been approved by the Board subject to CSCS' shareholders' ratification at the 26th Annual General Meeting. Ms. Ifueko M. Omoigui Okauru and Mr. Sola Adeeyo, erstwhile Independent Directors retired from the Board of CSCS effective 22 February 2019 and 28 February 2019 respectively, following the completion of their second tenure on the Board.

## THE ORGANS OF CORPORATE GOVERNANCE

There are several organs of the Company that are responsible for enforcing CSCS' corporate governance strategy and enhancing stakeholder value:

- Board of Directors
- Board Committees
- Executive Management Committee
- Management Committee

### The Board

In the year under review, the Board comprised of 11 (eleven) Directors made up of the Non-Executive Chairman, the Chief Executive Officer and 9 (nine) other Non-Executive Directors, of which 2 (two) were independent Non-Executive Directors. The Board consists of individuals with vast experience, who have distinguished themselves in their respective fields. They bring to the Board diverse skill sets and experience across Capital Market, Central Securities Depository (CSD) Operations, Finance, Risk Management, Information Technology, Investment Management, Development Finance and Banking.

## Corporate Governance Report

### Major Responsibilities of the Board

The Board is charged with the responsibility of:

- Determining the strategic objectives of the Company;
- Approval of policies that strengthen 'CSCS' operations and ensure the development of the Company;
- Approval of 'CSCS' audited financial statements;
- Reviewing and monitoring the performance of the MD/CEO and the Executive team;
- Ensuring the maintenance of ethical standards and compliance with relevant laws and regulations;
- Performance appraisal and compensation of Board members and Senior Executives; and
- Appointment and removal of Directors and the Company Secretary.

### Conduct at Board Meetings

- The Board met seven (7) times during year ended 31 December 2019 in accordance with the collectively agreed dates in the Board calendar. The attendance is represented below:

Director Names	Total Meeting in Period	Individual Attendance
Oscar N. Onyema	7	7
Haruna Jalo - Waziri	7	7
Bayo Olugbemi	7	7
Ifueko M. Omoigui Okauru <sup>1</sup>	1	1
Sola Adeeyo <sup>2</sup>	1	1
Ariyo Olushekun <sup>3</sup>	2	2
Emeka Madubuikie <sup>4</sup>	2	2
Uche Ike	7	5
Ehimare Idiahi	7	7
Roosevelt Ogbonna	7	7
Tinuade Awe	7	7
Oluwaseyi Abe <sup>5</sup>	5	5
Patrick Ezeagu <sup>6</sup>	5	5
Chinelo Anohu <sup>7</sup>	2	1
Ibrahim Y. Dikko <sup>8</sup>	2	2

<sup>1</sup> Ms. Ifueko M. Omoigui Okauru's tenure on the Board of CSCS elapsed on 22nd February 2019

<sup>2</sup> Mr. Adeeyo's tenure on the Board of CSCS elapsed on 28th February 2019

<sup>3</sup> Mr. Ariyo Olushekun resigned from CSCS' Board on 30th April 2019

<sup>4</sup> Mr. Emeka Madubuikie resigned from CSCS' Board on 30th April 2019

<sup>5</sup> Mr. Oluwaseyi Abe was appointed to the Board on 13th March 2019 and the appointment was ratified by shareholders on 30th April 2019 at CSCS' 25th Annual General Meeting

<sup>6</sup> Mr. Patrick Ezeagu was appointed to the Board on 13th March 2019 and the appointment was ratified by shareholders on 30th April 2019 at CSCS' 25th Annual General Meeting

<sup>7</sup> The Board of CSCS appointed Ms. Anohu to the Board, effective 3rd October 2019 and her appointment will be ratified by the shareholders at the 26th Annual General Meeting

<sup>8</sup> The Board of CSCS appointed Mr. Dikko to the Board, effective 3rd October 2019 and his appointment would be ratified by the shareholders at the 26th Annual General Meeting.

Pursuant to the Board Charter and sound corporate governance practices, a Director, whether directly or indirectly interested in a contract or arrangement or proposed contract or arrangement with the Company is mandated to declare the nature of his or her interest in such contract or arrangement at a Board meeting in response to the fundamental question of conflict of interest. Furthermore, a Director shall not vote (or be counted in the quorum) on any resolution of the Directors in respect of any contract or arrangement or proposal in which he or she or any of his or her associate(s) is to his or her knowledge materially interested. Matters to be decided at Board meetings are decided by a majority of votes from Directors, who are qualified to vote.

### BOARD OBJECTIVES AND ACHIEVEMENTS

In 2019, the Board ensured close monitoring of execution progress on its three (3) year strategic objectives which were set at the beginning of 2018. The aim is for the Board to measure its contributions towards the achievement of the Company's strategic goals. The objectives are listed below:

BOARD OBJECTIVES	DELIVERY STATUS
<p><b>Optimisation of Returns</b></p>	<p>Delivery of superior returns to shareholders. In addition to the Company's traditional income lines, the need to establish new income sources is essential for optimising returns. Below are some of the offerings that were conceptualised by Management and are at various stages of development, to ensure that the objective is achieved:</p> <p><b>CSCS Mobile Application</b> - The mobile application project was borne out of the need to provide access/interactive medium for investors. It is aimed at ensuring that the investing public have access to CSCS' service offerings at the click of a button on their phones. The Mobile App, which is on Google Play and iStore for Android and iOS phones respectively went live in April 2019.</p> <p><b>Enhanced Collateral Management</b> - The CSCS Collateral Management Services, which has lien services as its pioneer product, has been enhanced to offer value-adding collateral services including portfolio valuation and reporting.</p> <p><b>Enhanced Document Management Services (DMS)</b> - CSCS specialises in deployment of end-to-end document management services. The service has been enhanced to ensure it is fit-for-purpose across different customer segments, thereby ensuring effective customisation through the different phases: Physical Archiving; Digitisation and Deployment of Document Management Solution, including workflows for enhanced operations.</p> <p><b>LEI Subscription</b> - CSCS was accredited by Global Local Entity Identifier Foundation (GLEIF) as the Local Operating Unit (LOU) for Nigeria, thereby becoming the sole Issuer of Legal Entity Identifier (LEI). LEI is a unified global alpha-numeric reference code, used in identifying every legal identity participating in financial transactions. CSCS Plc has deepened the penetration of LEI in Nigeria and is currently working with relevant stakeholders in extracting further benefits of LEI for market development.</p>
<p><b>Enterprise Architecture</b></p>	<p>In 2018, the Board embarked on an exercise to remodel and restructure its existing Enterprise Architecture. The objective of the exercise was to facilitate the efficient adoption and stabilisation of a fit-for-purpose Enterprise Architecture (EA) to support the execution of 'CSCS's business strategy:</p> <p><b>Change of Domain Name</b> - CSCS' domain name was changed to ensure simplicity and to be fit for the new agile architecture and IT strategy.</p> <p><b>Data Warehouse</b> - The Company is currently investing in a state-of-the-art data warehouse that would enhance its reporting agility and data analytics capabilities as well as support its integration with various stakeholders across the financial services sector. This solution will serve as the core of business intelligence for the future.</p>

## Corporate Governance Report

BOARD OBJECTIVES	DELIVERY STATUS
<b>Human Resource and Talent Management</b>	<p>In recognition of the importance for an organisation to have people with the right competencies, the Board led efforts in conducting a Human Capital transformation exercise. The exercise led to the following action:</p> <ul style="list-style-type: none"> <li>• Enterprise skill gap analysis to assess available competencies and recommend opportunities for improvement as well as staff actions, which included new recruitments and re-deployment of staff within the Company;</li> <li>• Review of staff performance-based compensation to optimise staff productivity;</li> <li>• A review of 'CSCS' recruitment policy; and</li> <li>• Institution of Succession plan across the enterprise.</li> </ul>
<b>Customer-Centric</b>	<p>The Board recognises that a business can never place too much emphasis on its customers. The customer is the foundation of any business' success and the needs of customers must be prioritised to ensure greater customer satisfaction and increase its long-term goal of repeat business. To achieve customer satisfaction, the Board directed the execution of the following projects:</p> <ul style="list-style-type: none"> <li>• <b>Development of STP platform with Registrars</b> - The solution is designed to develop a Straight Through Processing (STP) platform for Registrar services and engagements;</li> <li>• <b>CSCS Website</b> - The Company's website was upgraded during the year to ensure its effectiveness as a service channel.</li> </ul>
<b>Global Competitiveness</b>	<p><b>CSCS' vision is to be the globally respected and leading central securities depository in Africa. CSCS has made remarkable strides in this area. The following accomplishments resulted from this effort:</b></p> <ul style="list-style-type: none"> <li>• <b>(ISO 22301:2012) Recertification</b> - CSCS implemented the necessary strategies to ensure its certification to the globally reputed standard for Business Continuity Management System (ISO 22301:2012). CSCS was ISO Recertified by BSI in 2019; and</li> <li>• <b>BusinessDay BAFI Awards</b> - CSCS was recognised as the Continental Leader in Post-Trade and Custody Services by the BusinessDay Bank's and Other Financial Institutions Awards (BAFI) 2019.</li> </ul>
<b>Risk Management</b>	<p>The pervasiveness of risk in the working of everyday business means that Boards must factor risk as an internal part of organisational strategy. Based on this mindset, the CSCS Board oversees risks matters and ensures that Management develops adequate policies and procedures around risk that are consistent with the organisation's strategy and risk appetite. To this end, the Board's objective around risk included:</p> <ul style="list-style-type: none"> <li>• Implementing and testing of CSCS Business continuity plans; and</li> <li>• Review and approval of CSCS ISMS policies - An Information Security Management System (ISMS) is a set of policies and procedures for systematically managing an organisation's sensitive data.</li> </ul>

## Corporate Governance Report

### BOARD GOVERNANCE STRUCTURE

#### Board Committees

The Board delegates its powers and authorities from time to time to the committees to ensure the operational efficiency of the Company and that specific issues are handled with relevant expertise. Four (4) Board Committees and the Statutory Audit Committee, which is a creation of statute and a requirement for public companies exist in CSCS.

The Board Committees are:

- Corporate Governance and Remuneration Committee (CG&RC);
- Technical Committee (TC);
- Risk Committee (RC); and
- Finance and Stakeholders Relationship Committee (F&SRC).

Each Board Committee meets at least once every quarter and thereafter presents reports on its activities to the Board at every Board meeting. The Committees' specific duties and authorities are set out in their respective Committee Charters. The Charters outline standards and functions of these Committees according to the provisions of the Securities and Exchange Commission (SEC) Code of Corporate Governance for Public Companies, the National Code of Corporate Governance and Companies Allied Matters Act 1990.

#### Process for Committee Meetings

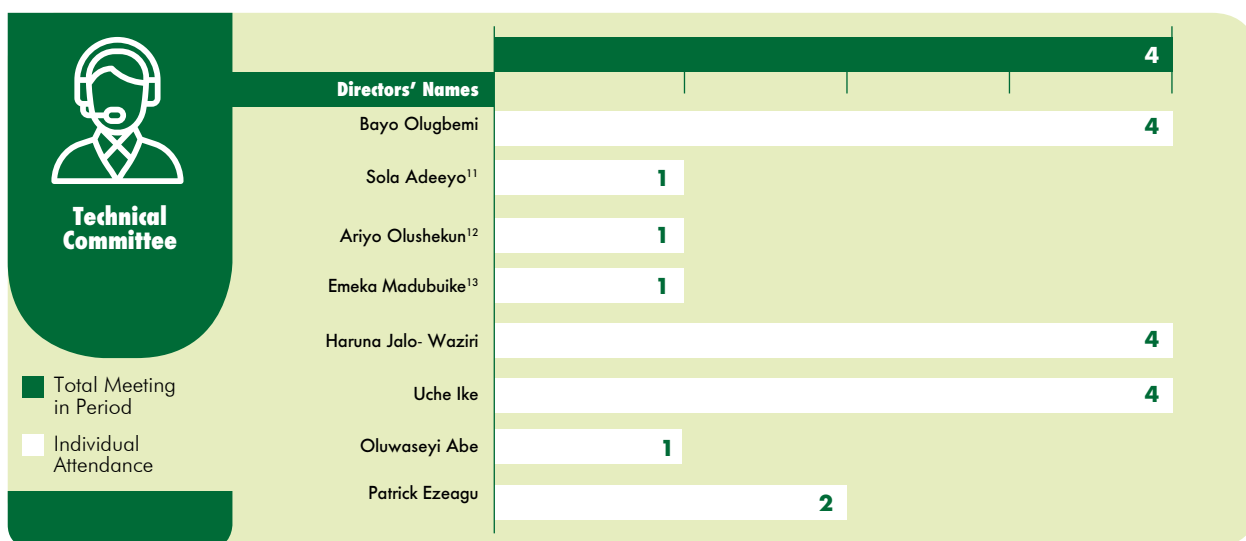
Notices and draft agendas for Committee meetings are prepared by the Company Secretary upon approval from the respective Board Committee chairmen before they are circulated to other Committee members ahead of each meeting. The meeting agenda and Board papers are uploaded on the Company's Board portal for Committee members to access and review before the meetings.

At every meeting, other matters which fall within the Committee's scope of responsibilities and are deemed necessary for consideration are included in the meeting agenda and considered by the Committee members. For each Committee meeting to hold, the Committee must meet the required quorum.

A summary of the roles, responsibilities, composition and frequency of meetings of each of the Committees are as stated hereunder:

#### Board Technical Committee (TC)

This Committee is a five (5) member team constituted by the Board. The Committee was reconstituted once during the year under review albeit the team count remained the same. Its terms of reference include: to assist in fulfilling its oversight responsibility relating to the integrity and viability of the Company's Clearing and Settlement Applications, and efficiency of Information Technology systems and processes. The Committee met four (4) times in the 2019 financial year. Mr. Bayo Olugbemi is the Chairman of the Committee. The other members of the Committee are Mr. Haruna Jalo Waziri, Mr. Uche Ike, Mr. Oluwaseyi Abe and Mr. Patrick Ezeagu.



<sup>11</sup> Mr. Adeeyo's tenure on the Board of CSCS elapsed on 28 February 2019 and to this end, his membership of the Committee ceased as at the said date.

<sup>12</sup> Mr. Olushekun resigned from CSCS' Board on 30 April 2019 and to this end, his membership of the Committee ceased as at the said date.

<sup>13</sup> Mr. Madubuiké resigned from CSCS' Board on 30 April 2019 and to this end, his membership of the Committee ceased as at the said date.



## Corporate Governance Report

### Major Responsibilities

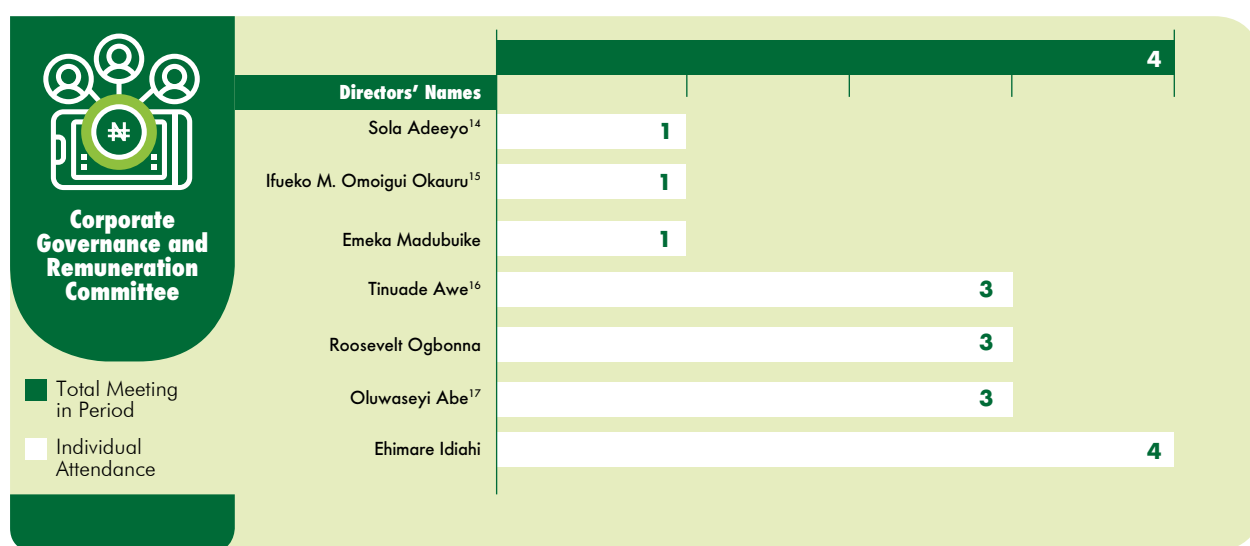
- Provide strategic direction on the Company's technology innovations and acquisitions as well as the resulting decision-making process for these developments; and
- Provide guidance on the Company's competitiveness as a provider of services using technology, including the effectiveness of its technological efforts and investments in developing new products and businesses.

### Committee Achievements

- Restructuring and realignment of CSCS Enterprise Architecture to align the Company's IT infrastructure with the Company's business processes and organisational structure;
- Market sensitisation of BlockChain Technology for corporate action announcement;
- Deployment of Unified Threat Management Security Solution for detection and deterring suspicious traffic and advanced threats to CSCS enterprise network;
- Development of a Registrar Solution for enhanced services and engagement of this important stakeholder group; and
- Stabilisation and enhancement of the core depository application; TCS BaNCS.

### Corporate Governance and Remuneration Committee (CG&RC)

This Committee is a four (4) member team constituted by the Board. The Committee was reconstituted once during the year under review albeit the team count remained the same. Its terms of reference include: to assist in fulfilling its oversight function of enforcing corporate governance principles within CSCS; enforcing CSCS' Code of Conduct on Directors and staff; staff welfare; remuneration and appraisal of Board members and Executive Management. The Committee met four (4) times in the 2019 financial year. Ms. Tinuade Awe is the Chairman of the Committee. The other members of the Committee are Mr. Ehimare Idiahi, Mr. Roosevelt Ogbonna and Mr. Oluwaseyi Abe.



<sup>14</sup> Ditto comment in above footnote

<sup>15</sup> Ms. Ifueko M. Omoigui Okauru's tenure on the Board of CSCS elapsed on 22 February 2019

<sup>16</sup> Ms. Awe was appointed a member of the Committee on 3 July 2019

<sup>17</sup> Mr. Abe was appointed members of the Committee on 3 July 2019

### Major Responsibilities

- Establish the criteria for the Board and Board Committees' memberships, review candidates' qualifications and any potential conflict of interest, assess the contribution of current Directors in connection with their re-nomination and make recommendations to the Board;
- Prepare a job specification for the Board Chairman's position including an assessment of time commitment required by the candidate in performing his or her duty;
- Periodically evaluate the skills, knowledge and experience required on the Board;
- Make recommendations on experience required by Board Committee members, Committee appointments and removal, operating structure, reporting and other Committee operational matters; and
- Review and make recommendations to the Board for approval of the Company's organisational structure and staff welfare.

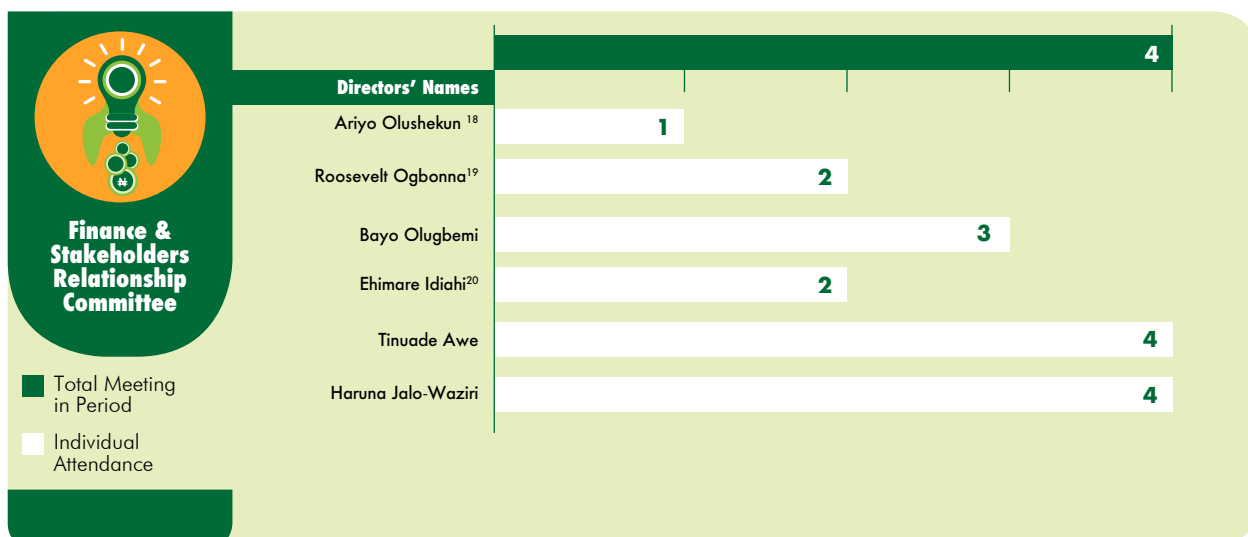
## Corporate Governance Report

### Committee Achievements

- Review of Staff performance-based compensation framework to enhance productivity;
- Corporate restructuring for more efficient performance of the organisation and to drive effective execution of CSCS' 2018-2020 strategic initiatives; and
- Pioneered CSCS Human Capital transformation exercise, that led to identification of skill gaps in CSCS, strategic hire of key resource and review of CSCS organogram.

### The Finance and Stakeholders Relationship Committee (F&SRC)

This Committee is a four (4) member team constituted by the Board to assist in fulfilling its oversight function of ensuring efficient management of financial resources, effective reporting as well as a diligent interface with the Company's stakeholders and the wider capital market group to ensure that CSCS continues to take and incorporate their feedback in its business and service offerings. The Committee met four (4) times in the 2019 financial year. Mr. Roosevelt Ogbonna is the Chairman of the Committee. Other members of the Committee within the year included Mr. Bayo Olugbemi, Mr. Ehimare Idiahi, Ms. Tinuade Awe and Mr. Haruna Jalo-Waziri.



<sup>18</sup> Mr. Olushekun resigned from CSCS Board on 30 April 2019

<sup>19</sup> Mr. Ogbonna was appointed a member on 3 July 2019

<sup>20</sup> Mr. Idiahi ceased to be a member of the Committee on 3 July 2019 following his reassignment to the Risk Committee

### Major Responsibilities

- Assist the Board in its assessment of potential partnership and alliances with organisations of mutual interest;
- Recommend dividend pay-out to the Board;
- Review and validate new product releases being offered by CSCS to the Nigerian Capital Market and other cross-border markets;
- Support and influence capital market regulations and legislation that would affect the wellbeing of CSCS;
- Consideration of CSCS financial budgets and accounts;
- Consideration of CSCS investments policy and long-term investments to be contracted by the Company; and
- Review with the Chief Financial Officer annually the significant financial reporting issues and practices of the Company, and ensure that appropriate accounting principles are applied including financial controls relating to the "closing of the books" process.

### Committee Achievements

- Review and ensuring the approval of CSCS investment principles, policy and guidelines;
- Review of framework for CSCS to operate as a Self-Regulatory Organization (SRO); and
- Review of 2018 budget and financials.

## Corporate Governance Report

### Risk Committee

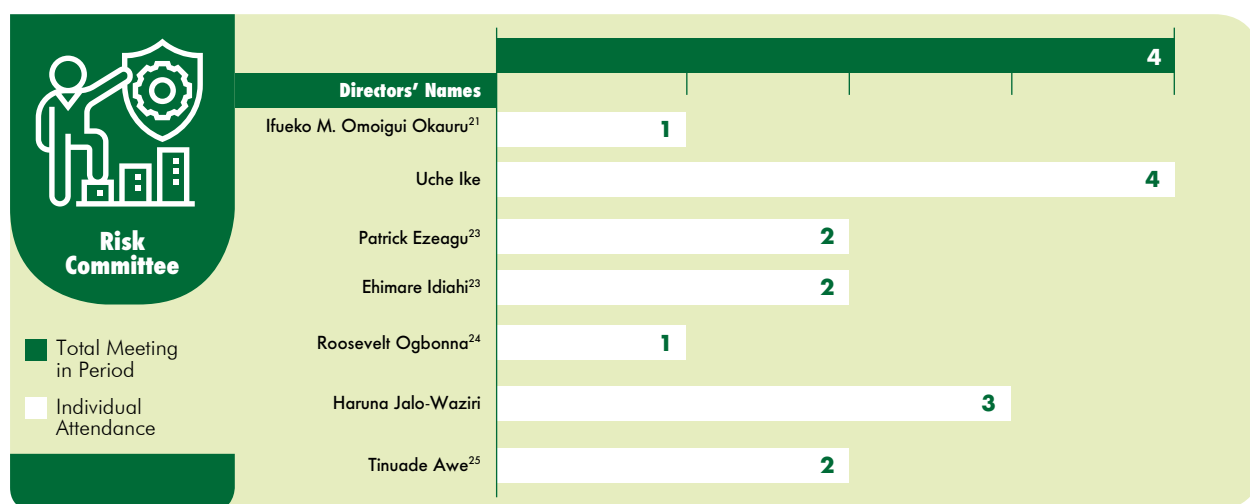
This Committee is a four (4) member team constituted by the Board to assist in reviewing the Company's risk policies to ensure that the Company's risk framework and controls adequately address existing and emerging risks in the Company's business. The Committee's coverage of supervision includes:

- Reputational risk;
- Operational risk;
- Technological risk;
- Market risk; and
- Financial risk.

The Committee also ensures compliance with established risk management policies through periodic review of management reports and ensuring the appointment of qualified individuals to manage the Company's risk function.

In 2019, the Committee considered and recommended some policies to the Board for approval whilst monitoring quarterly reports from CSCS Enterprise Risk Management and Internal Audit on potential risk areas across the business as well as external environmental factors that could possibly impact the business. The Committee met four (4) times in the 2019 financial year.

Mr. Uche Ike is the Chairman of the Committee. The other members of the Committee are Mr. Haruna Jalo-Waziri, Mr. Roosevelt Ogbonna, Ms. Tinuade Awe, Mr. Ehimare Idiahi and Mr. Patrick Ezeagu.



<sup>21</sup> Ms. Ifueko M. Omoigui Okauru's tenure on the Board of CSCS elapsed on 22 February 2019

<sup>22</sup> Mr. Ezeagu was appointed a member of the Committee on 3 July 2019

<sup>23</sup> Mr. Idiahi was appointed a member of the Committee on 3 July 2019

<sup>24</sup> Mr. Ogbonna ceased to be a member of the Committee following his reassignment and appointment as Chairman of the Finance and Stakeholder's Relationship Committee effective 29 July 2019.

<sup>25</sup> Ms. Awe ceased to be a member of the Committee following her reassignment and appointment as Chairman of the Corporate Governance and Remuneration Committee effective 29 July 2019.

### Major Responsibilities

- Review and approval of the Company's risk management policy including risk appetite and risk strategy;
- Review the adequacy and effectiveness of the Company's risk management and controls;
- Review of the Company's compliance level with applicable laws and regulatory requirements which may impact the Company's risk profile;
- Periodic review of changes in the economic and business environment, including emerging trends and other factors relevant to the Company;
- Review policies with respect to risk assessment and risk management, including appropriate guidelines and policies to govern the process, as well as the Company's major financial risk exposures; and
- Oversee Management's process for the identification of significant risks across the Company and ensure that adequate prevention, detection and reporting mechanisms are in place.

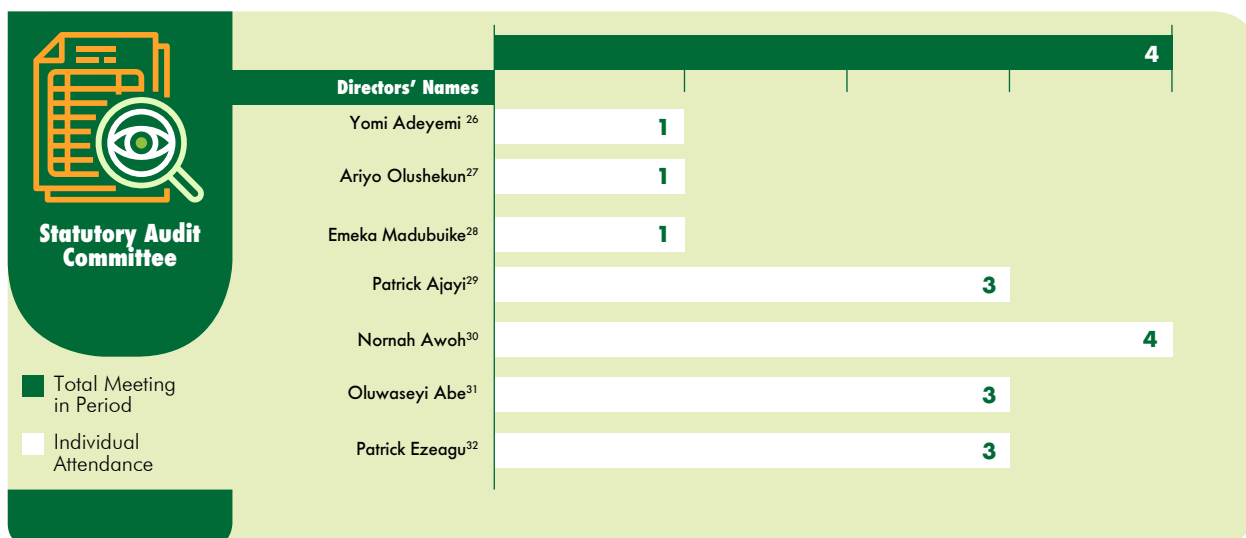
## Corporate Governance Report

### Committee Achievements

- Review of risk framework and recommendation for Board approval;
- Review and recommendation of Internal Audit Plan for Board approval;
- Review of CSCS case log and litigation strategy for each case involving the Company; and
- Review and recommendation of CSCS Information Security Management System (ISMS) Policies for Board approval.

### 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 supports the Board in meeting its oversight responsibility relating to the integrity of the Company's business practices and financial reporting. The Committee is responsible for the selection and appointment of the External Auditors, including reviewing and approving their terms of engagement and fees. The Committee comprises Non-Executive Directors and elected 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 Committee met four (4) times in the 2019 financial year.



Yomi Adeyemi  
Ariyo Olushekun  
Emeka Madubuiké  
Patrick Ajayi  
Normah Awoh  
Oluwaseyi Abe  
Patrick Ezeagu

Committee Chair (up till 30 April 2019)  
Committee Member (up till 30 April 2019)  
Committee Member (up till 30 April 2019)  
Committee Chair (effective 30 April 2019)  
Committee Member  
Committee Member (effective 30 April 2019)  
Committee Member (effective 30 April 2019)

<sup>26</sup> Mr. Adeyemi ceased to be a member of the Statutory Audit Committee on 30 April 2019.

<sup>27</sup> Mr. Olushekun ceased to be a member of the Statutory Audit Committee on 30 April 2019.

<sup>28</sup> Mr. Madubuiké ceased to be a member of the Statutory Audit Committee on 30 April 2019.

<sup>29</sup> Mr. Ajayi was appointed a member of the Audit Committee by the Shareholders at the 25th AGM of 30 April 2019.

<sup>30</sup> Mr. Awoh was appointed a member of the Audit Committee by the Shareholders at the 25th AGM of 30 April 2019.

<sup>31</sup> Mr. Abe was appointed a member of the Audit Committee by the Shareholders at the 25th AGM of 30 April 2019.

<sup>32</sup> Mr. Ezeagu was appointed a member of the Audit Committee by the Shareholders at the 25th AGM of 30 April 2019.

### Major Responsibilities

- Review the activities, findings, conclusions and recommendations of the external auditors relating to CSCS' Annual Audited Financial Statements;
- Review the Management Letter of the External Auditor and Management's responses thereto and ensure that the observations noted are resolved;
- Review the appropriateness and completeness of CSCS' statutory accounts and its other published financial statements; and
- Oversee the independence of the external auditors.

## Corporate Governance Report

### Committee Achievements

- Approval of external audit plan;
- Review of internal audit and internal control matters; and
- Review of financials to ensure integrity.

## ORGANS OF THE COMPANY RESPONSIBLE FOR THE DAILY AFFAIRS OF THE COMPANY

### The Company Secretary

The Board and the Board Committees are supported by the Company Secretary, Mr. Charles I. Ojo. He is a qualified lawyer with cognate experience required for the role as prescribed by the SEC Code and CAMA (as amended). He serves as liaison between Management and the Board, supports the Board to achieve the Company's strategic objectives and to drive enforcement of good Corporate Governance principles within the Company. He reports directly to the Chief Executive Officer and has a dotted reporting line to the Board.

### Major Responsibilities








- Filing annual returns at the Corporate Affairs Commission;
- Arranging Board Meetings and Committee Meetings. This responsibility involves the issue of proper notices of meetings, preparation of agenda, circulation of relevant papers and taking and producing minutes to record the business transacted at the meetings and the decisions taken;
- Organising 'CSCS' Annual General Meeting;
- Ensuring that CSCS and the Board meet all regulatory requirements;
- Filing of Board Changes at Corporate Affairs Commission and Securities and Exchange Commission;
- Ensuring the security of the Company's legal documents, including for example, the Certificate of Incorporation and Memorandum and Articles of Association.
- Maintaining custody of the Company's statutory books and Shareholders' Register;
- Maintaining custody of the Company's seal and using the seal in accordance with CSCS' company seal policy and Memorandum and Articles of Association; and
- Advising Directors on their duties and ensuring that they comply with extant regulations, corporate policies and the Articles of Association of the Company.

### Achievements of the Company Secretary

- The Company Secretary was responsible for the efficient administration of the Board, particularly ensuring compliance with statutory and regulatory requirements of the SEC Code and CAMA;
- The Company Secretary ensured that Board decisions were implemented, hence contributing to the overall success of the Board and Management of the Company;
- The Company Secretary played a key role in ensuring that the provisions of the Board Charters and Committee Charters were strictly adhered to.

### Executive Committee

The Executive Committee consists of the CEO and the Divisional Heads. The Committee led by the CEO, ensures that CSCS strategic objectives, as set by the Board, are achieved and that the Company's operations are optimised. The Committee meets weekly and is responsible for the day-to-day operations of CSCS. Members of the Committee include:

 Chief Executive Officer	- Mr. Haruna Jalo-Waziri
 Divisional Head, Business Development	- Mr. Adeyinka Shonekan
 Divisional Head, Shared Services	- Mrs. Onome Komolafe
 Divisional Head, Enterprise Risk Management/Chief Risk Officer	- Mr. Ayokunle Adaralegbe
 Divisional Head, Technology and Innovation	- Mr. Tobe L. Nnadozie
 Chief Finance Officer	- Mr. Peter Medunoye
 Chief Strategy Officer	- Mr. Femi Onifade

## Corporate Governance Report

### Management Committee

This Committee comprises Senior Management staff of CSCS. The Committee is responsible for executing the strategic initiatives of CSCS. The Committee identifies, resolves and makes recommendations to the Executive Committee on risks arising from the daily operations of CSCS. The Committee meets monthly and is responsible for the day-to-day operations of CSCS. Members of the Committee include:

-  Head, Treasury and Investments
  -  Head, Stakeholders Engagement
  -  Head, Legal Services and Regulation
  -  Head, Information Technology
  -  Head, Technology Solutions
  -  Head, Corporate Strategy
  -  Head, Corporate Communications
  -  Head, Corporate Services
  -  Head, Internal Audit
  -  Head, Internal Control
  -  Head, Project Management Office
  -  Head, Clearing and Settlement Operations
  -  Head, Client Network Services
  -  Head, Financial Reporting
  -  Head, Product Development
  -  Head, Contact Centre
  -  Head, Human Resources
- Mr. Akinwonuola Atitebi
  - Mrs. Ihuaru Akachukwu
  - Mr. Charles I. Ojo
  - Mr. Isqil Adeniji
  - Mr. Anthony Ezugbor
  - Mr. Abiola Rasaq
  - Ms. Yemisi Ipaye
  - Mr. Temitope Sanni
  - Mr. Abiodun Owoeye
  - Mrs. Isioma Lawal
  - Mr. Olumide Jerome
  - Mr. Folagbade Adeyemi
  - Mr. Theodore Anyanwu
  - Mr. Idibore Danlami Ali
  - Mr. Patrick Nri
  - Mrs. Vivian Ashiogwu
  - Mrs. Yetunde Adenaiya

# Statement of Directors' Responsibilities

In relation to the Financial Statements for the year ended 31 December 2019

The Directors accept responsibility for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards "(IFRS)" and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 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, Cap C.20, Laws of the Federation of Nigeria, 2004 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 Group and Company's ability to continue as a going concern and have no reason to believe that the Group and the Company will not remain a going concern in the year ahead.

## SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



**Mr. Oscar N. Onyema OON**  
Chairman  
FRC/2013/IODN/00000001802  
13 March 2020



**Mr. Haruna Jalo-Waziri**  
Managing Director/CEO  
FRC/2017/IODN/00000017488  
13 March 2020

# Report of the External Consultants



"X KPMG HOUSE"  
One King Ologunkute Street,  
Park View, Ikoyi, Lagos,  
P.O. Box 75429, Victoria Island, Lagos.  
Tel: 234-7098820710 Telefax: 234-7098733613  
E-mail: jkrandleandco.co.uk, jkrandleintluk@gmail.com  
Website: www.jkrandleandco.co.uk

## 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, 2019

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 performance for the year ended 31<sup>st</sup> December, 2019 in accordance with the provisions of the Securities & Exchange Commission's Code of Corporate Governance (SEC Code).

The Board of CSCS comprised of eleven Directors as at 31<sup>st</sup> December 2019. During the year, four Non-Executive Directors resigned from the Board and another four Non-Executive Directors were appointed on the Board to fill the vacancies created by the resignations. As at 31<sup>st</sup> December 2019, the eleven Directors on the Board consisted of ten Non-Executive Directors and one Executive Director, who is also the Managing Director/Chief Executive Officer. In line with best practice, two of the Non-Executive Directors are Independent Directors. Members of the Board remained conscious of their responsibilities in respect of the operations of the Board and the Company. They 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 board committees conformed with the minimum required by the SEC Code.

The skills mix, experience base, and diversity remained 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 strategy during the year. The Board, in consultation with Management, revised the target return on the Company's Investable funds for 2019 to market driven target rate and in line with emerging realities. It monitored the implementation of the Company's three-year strategic plan covering the period between 2018 and 2020.

We observed that the operations of the Board met the requirements of Best Practice and the SEC Code. Accordingly, the frequency of Board meetings met the minimum requirement of the SEC Code. The Board held four quarterly meetings, and the level of attendance was commendable. 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. 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. In particular, the Board reviewed some of the Company's policies and the Company's compliance with relevant regulations. The Board strengthened the governance structures by ensuring that despite the changes made on the Board, the skill mix, and experience remained adequate for the operations of the Board and the Company. 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, 2019 did not violate any principle of good corporate governance or the SEC Code in any material manner. The Board has resolved to implement the recommendations contained in 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 consider the additional need for regular disaster recovery and business continuity testing and report to the relevant Committee of the Board.

**Bashorun J. K. Randle, FCA, OFR**  
Chairman/Chief Executive  
FRC/2013/ICAN/0000002703

Dated 21<sup>st</sup> April, 2020





# 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 year ended 31 December 2019 are adequate in our opinion.
- That the accounting and reporting policies of the Company conform to legal requirements and ethical practices.
- That the Internal Control and Internal Audit functions were operating effectively.



**Mr. Patrick Adebayo Ajayi**  
Chairman, Audit Committee  
FRC/2013/CISN/00000006969  
13 March, 2020

## Members of the Committee

- 1 Mr. Patrick Adebayo Ajayi - Chairman
- 2 Mr. Nornah Awoh - Member
- 3 Mr. Oluwaseyi Abe - Member
- 4 Chief Onyenwechukwu Patrick Ezeagu - Member

The Company Secretary acted as a Secretary to the Committee.



# Collateral

## MANAGEMENT SERVICES

**CSCS Collateral Management** is a service that validates and holds investors' assets, following a collateral transaction involving money lending from a creditor firm, in order to reduce credit risk. This service also provides a platform that grants creditor firms 24/7 access to an online suite, giving them a full report of all pledged securities in their positions.

### PRODUCT FEATURES

- Lien placement
- Lien release
- 24/7 online management service
- Analytical and intelligent reporting

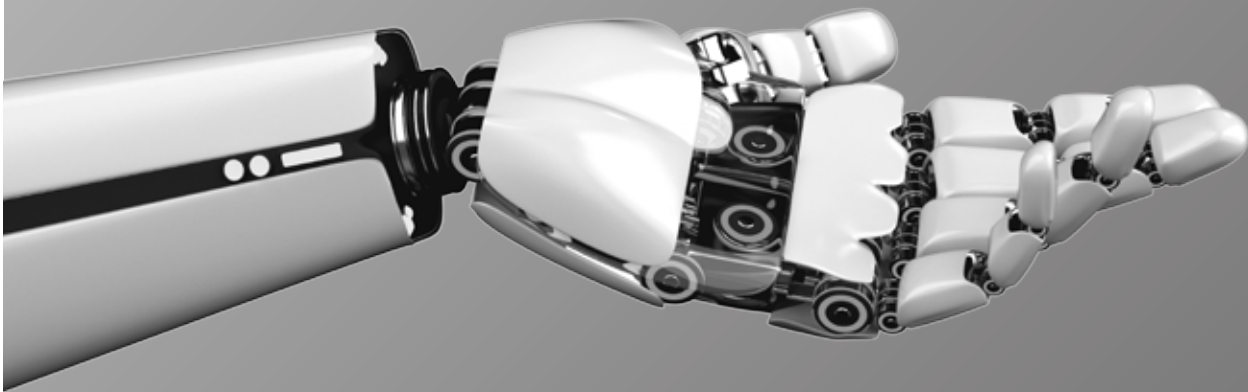
### PRODUCT BENEFITS

- Reduced credit risk.
- Improve operational efficiency and reduce operational risks for creditor firms.
- Provision of comprehensive reporting and analytics to creditor firms.
- Presents an opportunity for borrowers to enhance their credit profile in order to receive borrowing benefits.
- Collateral monitoring.
- Automated margin calls.
- Efficient and timely investigation and dispute resolution.

**Our Collateral Management offerings are accessibility through our website - [www.cscs.ng](http://www.cscs.ng)**

For further information, please contact: [contact@cscs.ng](mailto:contact@cscs.ng) or **0700 CALL CSCS**

# FINANCIAL STATEMENTS





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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Central Securities Clearing System Plc

### Report on the Audit of the Consolidated and Separate Financial Statements

#### Opinion

We have audited the consolidated and separate financial statements of Central Securities Clearing System Plc ("the Company" or "CSCS") and its subsidiary (together, "the group"), which comprise the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 64 to 133.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Company and its subsidiary as at 31 December 2019, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Classification and measurement of investment securities

Investment securities account for over 90% of the Group's total assets and interest income derived from the investment securities account for 50% of total operating income in the current year. Due to the significance of these financial assets in the context of the financial position and the financial performance of the Group, as well as the requirements of IFRS 9: *Financial Instruments* as regards classification and measurement of investment securities, the classification and measurement of investment securities is considered to be an area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

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#### Partners:

Adobisi O. Lamikanra	Adegoke A. Oyelami	Adekunle A. Elebutu	Adetola P. Adeyemi
Adeyale K. Ajayi	Ajibola O. Olomola	Ayobami L. Salami	Ayodele A. Soyinka
Ayodele H. Othihiwa	Chibuzor N. Anyanechi	Chineme B. Nwigbo	Ehile A. Alibongbee
Elijah O. Oladunmoye	Goodluck C. Obi	Ibitomi M. Adepoju	Ijeoma T. Emezio-Ezigo
Joseph O. Tegebe	Kabir O. Okunola	Lawrence C. Amadi	Mohammed M. Adama
Nneka C. Eluma	Oguntayo I. Ogungbenro	Olabimpe S. Afolabi	Oladimeji I. Salaudeen
Olanika I. James	Olumide O. Olayinka	Olusegun A. Sowande	Olotoyin I. Ogunlowo
Oluwafemi O. Awotoye	Oluwatoyin A. Gbagi	Temitope A. Onitiri	Tolulope A. Odukale



*How the matter was addressed in our audit*

Our procedures in this area included the following:

- We tested the design and implementation of controls that are relevant to the classification and measurement of securities.
- We assessed the appropriateness of the Group's classification of investment securities by checking whether the cashflows of the investment securities are strictly payments of principal and interest and also assessing the Group's business model for changes relating to the classification and measurement of investment securities during the year.
- For investment securities measured at amortised cost, we performed a re-calculation of the carrying amounts of the investments.
- For investments whose contracts terms had changed during the year, we evaluated the changes made by management to the cash flows and effective interest rate to determine whether they are in accordance with Group's accounting policy.
- For investment securities measured at fair value, we tested the appropriateness of the market inputs used in computing the fair value by comparing them to independent data.

The Group's accounting policy on classification and measurement of investment securities and related disclosures on financial risks are in notes 4(m) and 6 respectively.

***Information Other than the Financial Statements and Audit Report thereon***

The Directors are responsible for the other information which comprises the Directors' Report, Audit Committee Report, Statement of Directors' responsibilities, Corporate Information and Other National Disclosures, which we obtained prior to the date of this audit report, but does not include the consolidated and separate financial statements and our auditor's report thereon. Other information also include the Corporate Governance Report, Strategy Report, Governance Structure, Enterprise Risk Management Report, Chairman's Address, Chief Executive Officer's Review, Notice of the Annual General Meeting, Board Appraisal Report (together "outstanding reports") which are expected to be made available to us after that date

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

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

When we review the outstanding reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.



### **Responsibilities of the Directors for the Consolidated and separate Financial Statements**

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Consolidated and separate Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group (and Company)'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group (and Company)'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group (and Company) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

*Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004*

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 statement of profit or loss and other comprehensive income are in agreement with the books of account.

Adegoke A. Oyelami, FCA  
FRC/2012/ICAN/0000000444  
For: KPMG Professional Services  
Chartered Accountants  
24 March 2020  
Lagos, Nigeria



# Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2019

<i>In thousands of Naira</i>	Notes	Group 31 December 2019	Company 31 December 2019	Group 31 December 2018	Company 31 December 2018
Revenue	9	4,588,807	4,588,807	4,852,306	4,852,306
Investment income	10	4,612,237	4,612,237	4,217,582	4,217,582
Other income	11	5,096	5,096	12,197	12,197
<b>Total operating income</b>		<b>9,206,140</b>	<b>9,206,140</b>	<b>9,082,085</b>	<b>9,082,085</b>
Personnel expenses	12.1(i)	(1,317,186)	(1,317,186)	(1,268,079)	(1,268,079)
Other operating expenses	12.2	(1,268,438)	(1,256,104)	(1,347,825)	(1,347,825)
Finance cost	12.3	(48,546)	(48,546)	-	-
Depreciation and amortisation	12.4	(547,906)	(547,906)	(483,244)	(483,244)
Impairment (loss)/reversal on financial assets	20	(49,561)	(49,561)	126,812	126,812
<b>Total operating expenses</b>		<b>(3,231,637)</b>	<b>(3,219,303)</b>	<b>(2,972,336)</b>	<b>(2,972,336)</b>
Share of profit/(loss) of equity accounted investees (net of tax)	23	67,931	-	(18,405)	-
Profit before tax		6,042,434	5,986,837	6,091,344	6,109,749
Income tax	13(a)	(1,141,755)	(1,141,755)	(1,269,014)	(1,269,014)
<b>Profit for the year</b>		<b>4,900,679</b>	<b>4,845,082</b>	<b>4,822,330</b>	<b>4,840,735</b>
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Actuarial gain on long-term incentive scheme	29.2(i)	1,216	1,216	-	-
Related Tax	29.2(i)	(365)	(365)	-	-
		<b>851</b>	<b>851</b>	-	-
Items that are or may be reclassified subsequently to profit or loss:					
Fair value gain/(loss) - FVOCI debt	25(c)	339,739	339,739	15,453	15,453
		339,739	339,739	15,453	15,453
<b>Other comprehensive income for the year, net of tax</b>		<b>340,590</b>	<b>340,590</b>	<b>15,453</b>	<b>15,453</b>
<b>Total comprehensive income for the year</b>		<b>5,241,269</b>	<b>5,185,672</b>	<b>4,837,783</b>	<b>4,856,188</b>
<b>Profit attributable to:</b>					
Owners of the Parent		4,900,679	4,845,082	4,822,330	4,840,735
Non-controlling interest		-	-	-	-
		<b>4,900,679</b>	<b>4,845,082</b>	<b>4,822,330</b>	<b>4,840,735</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Parent		5,241,269	5,185,672	4,837,783	4,856,188
Non-controlling interest		-	-	-	-
		<b>5,241,269</b>	<b>5,185,672</b>	<b>4,837,783</b>	<b>4,856,188</b>
<b>Basic/diluted earnings per share (kobo)</b>	<b>14</b>	<b>98k</b>	<b>97k</b>	<b>96k</b>	<b>97k</b>

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

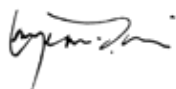


# Consolidated and Separate Statements of Financial Position

As at 31 December 2019

<i>In thousands of Naira</i>	Notes	Group 31 December 2019	Company 31 December 2019	Group 31 December 2018	Company 31 December 2019
<b>Non-current assets</b>					
Property and equipment	15	1,083,510	1,083,510	595,575	595,575
Intangible assets	16	785,471	785,471	1,089,601	1,089,601
Intercompany receivables	22	-	34,511	-	34,511
Equity-accounted investee	23	725,475	736,687	591,357	670,500
Investment in subsidiary	24	-	10,000	-	10,000
Investment securities	17(a)	21,960,972	21,960,972	23,644,726	23,644,726
Deferred tax asset	13(b)	-	-	-	-
<b>Total Non-Current Assets</b>		<b>24,555,428</b>	<b>24,611,151</b>	<b>25,921,259</b>	<b>26,044,913</b>
<b>Current assets</b>					
Investment securities	17(b)	5,005,511	5,005,511	5,879,813	5,879,813
Trade receivables	18(a)	177,043	177,043	102,279	102,279
Other assets	19(a)	181,877	181,877	324,380	312,046
Cash and cash equivalents	21	6,691,545	6,691,490	3,626,868	3,626,812
<b>Total Current Assets</b>		<b>12,055,976</b>	<b>12,055,921</b>	<b>9,933,340</b>	<b>9,920,950</b>
<b>Total Assets</b>		<b>36,611,404</b>	<b>36,667,071</b>	<b>35,854,598</b>	<b>35,965,863</b>
<b>Equity</b>					
Share capital	25(a)	5,000,000	5,000,000	5,000,000	5,000,000
Retained earnings		27,588,203	27,633,871	26,187,524	26,288,789
Fair value reserve	36(a)	317,029	317,029	(22,709)	(22,709)
Actuarial reserves		851	851	-	-
<b>Equity attributable to owners of the Parent</b>		<b>32,906,083</b>	<b>32,951,751</b>	<b>31,164,815</b>	<b>31,266,080</b>
Non-controlling interest		-	-	-	-
<b>Total Equity</b>		<b>32,906,083</b>	<b>32,951,751</b>	<b>31,164,815</b>	<b>31,266,080</b>
<b>Non-Current Liabilities</b>					
Deferred tax liabilities	13(b)	6,747	6,747	13,403	13,403
Long term incentive scheme	29.2	77,012	77,012	-	-
<b>Total Non-Current Liabilities</b>		<b>83,760</b>	<b>83,760</b>	<b>13,403</b>	<b>13,403</b>
<b>Current Liabilities</b>					
Intercompany payables	26	-	10,000	-	10,000
Payables and Accruals	27	727,368	727,368	872,873	872,873
Current Tax Liabilities	13(c)	652,254	652,254	652,577	652,577
Other Liabilities	28	2,241,938	2,241,938	3,150,930	3,150,930
<b>Total Current Liabilities</b>		<b>3,621,560</b>	<b>3,631,560</b>	<b>4,676,380</b>	<b>4,686,380</b>
<b>Total Liabilities</b>		<b>3,705,320</b>	<b>3,715,320</b>	<b>4,689,783</b>	<b>4,699,783</b>
<b>Total Equity and Liabilities</b>		<b>36,611,404</b>	<b>36,667,071</b>	<b>35,854,598</b>	<b>35,965,863</b>

The audited financial statements was approved by the Board of Directors on 13 March 2020 and signed on its behalf by:

  
**Mr. Oscar N. Onyema OON**  
 Chairman  
 FRC/2013/IODN/0000001802

  
**Mr. Haruna Jalo-Waziri**  
 Managing Director/CEO  
 FRC/2017/IODN/00000017488

  
**Mr. Peter Medunoye**  
 Chief Financial Officer  
 FRC/2019/001/00000020289

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

Note: Total Assets = Total Non-Current Assets + Total Current Assets  
 Total Liabilities = Total Non-Current Liabilities + Total Current Liabilities

# Consolidated and Separate Statements of Changes in Equity

As at 31 December 2019

## The Group

<i>In thousands of Naira</i>	Notes	Share capital	Retained earnings	Fair value reserve	Actuarial reserves	Total
Balance at 1 January 2019		5,000,000	26,187,524	(22,709)	-	31,164,814
Profit for the period		-	4,900,679		-	4,900,679
Other comprehensive income:						
Fair Value Gain - FVOCI Financial Instruments	25(c)	-	-	339,739	-	339,739
Actuarial gain on long term incentive	25(d)	-	-		851	851
Deferred tax impact	13(b)	-	-		-	-
Transfer to retained earnings			-		-	-
Total other comprehensive income		-	4,900,679	339,739	851	5,241,269
Transactions with equity holders:						
Dividends		-	(3,500,000)		-	(3,500,000)
<b>Balance at 31 December 2019</b>		<b>5,000,000</b>	<b>27,588,203</b>	<b>317,029</b>	<b>851</b>	<b>32,906,083</b>

## The Company

<i>In thousands of Naira</i>	Notes	Share capital	Retained earnings	Fair value reserve	Actuarial reserves	Total
Balance at 1 January 2019		5,000,000	26,288,789	(22,709)	-	31,266,080
Profit for the period		-	4,845,082	-	-	4,845,082
Other comprehensive income:						
Fair Value Gain - FVOCI Financial Instruments	25(c)	-	-	339,739	-	339,739
Actuarial gain on long term incentive	25(d)	-	-		851	851
Deferred tax impact	13(b)	-	-	-	-	-
Transfer to retained earnings			-		-	-
Total comprehensive income		-	4,845,082	339,739	851	5,185,672
Transactions with equity holders:						
Dividends		-	(3,500,000)	-	-	(3,500,000)
<b>Balance at 31 December 2019</b>		<b>5,000,000</b>	<b>27,633,871</b>	<b>317,029</b>	<b>851</b>	<b>32,951,751</b>

# Consolidated and Separate Statements of Changes in Equity

As at 31 December 2019

## The Group

<i>In thousands of Naira</i>	<b>Notes</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Fair value reserve</b>	<b>Actuarial reserves</b>	<b>Total</b>
Balance at 1 January 2018		5,000,000	25,006,022	(153,529)	-	29,852,492
Adjustment on initial application of IFRS 9		-	(140,828)	115,367	-	(25,461)
Restated Balance at 1 January 2018		5,000,000	24,865,194	(38,162)	-	29,827,031
Profit for the year		-	4,822,330	-	-	4,822,330
Other comprehensive income:						
Fair Value Loss - FVOCI Financial Instruments	25(c)	-	-	15,453	-	15,453
Deferred tax impact	13(b)	-	-	-	-	-
Total comprehensive income		-	4,822,330	15,453	-	4,837,784
Transactions with equity holders:						
Dividends		-	(3,500,000)	-	-	(3,500,000)
<b>Balance at 31 December 2018</b>		<b>5,000,000</b>	<b>26,187,524</b>	<b>(22,709)</b>	<b>-</b>	<b>31,164,815</b>

## The Company

<i>In thousands of Naira</i>	<b>Notes</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Fair value reserve</b>	<b>Actuarial reserves</b>	<b>Total</b>
Balance at 1 January 2018		5,000,000	25,088,882	(153,529)	-	29,935,352
Adjustment on initial application of IFRS 9		-	(140,828)	115,367	-	(25,461)
Restated Balance at 1 January 2018		5,000,000	24,948,054	(38,162)	-	29,909,891
Profit for the period		-	4,840,735	-	-	4,840,735
Other comprehensive income:						
Fair Value Loss - FVOCI Financial Instruments	25(c)	-	-	15,453	-	15,453
Deferred tax impact	13(b)	-	-	-	-	-
Total comprehensive income		-	4,840,735	15,453	-	4,856,188
Transactions with equity holders:						
Dividends		-	(3,500,000)	-	-	(3,500,000)
<b>Balance at 31 December 2018</b>		<b>5,000,000</b>	<b>26,288,789</b>	<b>(22,709)</b>	<b>-</b>	<b>31,266,080</b>

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

# Consolidated and Separate Statements of Cash Flows

For the Year Ended 31 December 2019

<i>In thousands of Naira</i>	Notes	Group 31 December 2019	Company 31 December 2019	Group 31 December 2018	Company 31 December 2018
<b>Cash flows from operating activities</b>					
Profit for the year		4,900,679	4,845,082	4,822,330	4,840,735
<b>Adjusted for:</b>					
Income tax expense recognised in profit	13(a)	1,141,755	1,141,755	1,269,014	1,269,014
Amortisation of intangible assets	12.4	345,685	345,685	345,053	345,053
Depreciation of property and equipment	12.4	202,221	202,221	138,183	138,183
Impairment loss on financial assets	20	40,760	40,760	10,444	10,444
Foreign Exchange loss	12.2	597	597	344	344
Interest income	10	(4,612,237)	(4,612,237)	(4,217,582)	(4,217,582)
Share of (gain)/loss of equity accounted investee, net of tax	23	(67,931)	-	18,405	-
Movement in investment in Associate	23	(66,187)	(66,187)	(608,000)	(608,000)
Profit on disposal of property and equipment	11	(4,263)	(4,263)	(11,366)	(11,366)
		<b>1,881,079</b>	<b>1,893,413</b>	<b>1,766,825</b>	<b>1,766,825</b>
Tax paid	13(c)	(1,112,460)	(1,112,460)	(1,147,501)	(1,147,501)
<b>Changes in operating assets and liabilities</b>					
Trade receivables	35(ii)	(115,524)	(115,524)	(97,173)	(97,173)
Other assets	35(iii)	142,503	130,169	628,525	628,525
Payables and accruals	35(iv)	(145,505)	(145,505)	68,580	68,580
Other liabilities	35(v)	(867,642)	(867,642)	2,471,038	2,471,038
<b>Net cash flows used in/from operating activities</b>		<b>(217,549)</b>	<b>(217,549)</b>	<b>3,690,294</b>	<b>3,690,294</b>
<b>Cash flows from investing activities:</b>					
Purchase of property and equipment	15	(701,032)	(701,032)	(387,313)	(387,313)
Purchase of intangible assets	16	(41,555)	(41,555)	(23,568)	(23,568)
Proceeds on disposal of property and equipment	35(vii)	15,138	15,138	31,672	31,672
Net proceeds on disposal of investments (treasury bills)	35(viii)	1,130,302	1,130,302	(460,877)	(460,877)
Net purchase of investment (bonds)	35(ix)	1,695,236	1,695,236	(1,943,236)	(1,943,236)
Interest received	35(x)	4,656,647	4,656,647	4,206,425	4,206,425
<b>Net cash flows from investing activities</b>		<b>6,754,736</b>	<b>6,754,736</b>	<b>1,423,103</b>	<b>1,423,103</b>
<b>Cash flows from financing activities:</b>					
Dividend paid	35(x)	(3,430,562)	(3,430,562)	(3,491,164)	(3,491,164)
Lease payment	35(v)	(41,350)	(41,350)	-	-
<b>Net cash flows used in financing activities</b>		<b>(3,471,912)</b>	<b>(3,471,912)</b>	<b>(3,491,164)</b>	<b>(3,491,164)</b>
Net increase in cash and cash equivalents		3,065,275	3,065,275	1,622,233	1,622,233
Cash and cash equivalents, beginning of the year		3,626,867	3,626,812	2,004,978	2,004,923
Effect of movements in exchange rates on cash held		(597)	(597)	(344)	(344)
Cash and cash equivalents, end of the year	21	6,691,545	6,691,490	3,626,867	3,626,812

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

# Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

## 1 Description of business

Central Securities Clearing System Plc (CSCS) operates a computerised depository, clearing, settlement and delivery system for transactions in shares listed on the Nigerian Stock Exchange or any other authorised or organised 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 authorised/organised 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. The Company also provides other business support services, such as document management and collateral management, to businesses. The Company is domiciled in Nigeria with its registered office at The Nigerian Stock Exchange Building, 2/4, Customs Street, Marina Lagos.

The consolidated and separate financial statements of the Company as at and for the year ended 31 December 2019 comprise the Company and its subsidiary (together referred to as the "Group") and the Group's interest in an equity accounted investee.

## 2 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards.

### (a) Statement of compliance

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, and the Financial Reporting Council of Nigeria Act, 2011. The financial statements were authorised for issue by the Company's Board of Directors on 13 March 2020. Details of the accounting policies consistently applied by the Company for all years presented in the financial statements are included in Note 4, except for IFRS 16 Leases that is applied for the first time.

### (b) Functional and presentation currency

The consolidated and separate financial statements are presented in Nigerian Naira, which is the functional currency of the Group. Except as 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 year in which the estimate is revised and in any future years 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 consolidated and separate financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Financial asset measured at fair value through other comprehensive income;
- Financial asset measured at amortised cost; and
- Defined benefit liability. This has been measured on actuarial valuation basis.

## 3 Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies as set out in Note 4 to all periods presented in these consolidated and separate financial statements.

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### (a) Leases (IFRS 16)

The Group and Company has applied IFRS 16 Leases effective 1 January 2019. A number of other new standards and amendments are also effective from 1 January 2019 but they do not have material effect on the Group and Company's financial statements.

The effect of adopting this new standard is essentially attributed to the following:

- (i) Recognition of right-of-use asset and lease liability for operating leases.
- (ii) Additional depreciation charge on the right-of-use asset and interest expense emanating from unwinding the lease liability.
- (iii) IFRS 16 related disclosures:  
The Group and Company adopted IFRS 16 Leases using the modified retrospective approach which permits nonrestatement of comparative financial information. As highlighted above, the major impact of this adoption is that the Group and Company will be required to capitalise all leases (by recognising a right-of-use asset and a lease liability) except for short-term leases and leases of low-value assets as permitted by the standard.

### (b) IFRIC 23 Uncertainty over tax treatment

IFRIC 23 which became effective 1 January 2019, clarifies how to determine the accounting tax position when there is uncertainty over income tax treatments. This amendment applies to all aspects of income tax accounting, including taxable profit or loss, the tax basis of assets and liabilities, tax losses and credits, and tax rates.

This interpretation requires an entity to:

- (i) determine whether uncertain tax positions are assessed separately or as a group;
- (ii) assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filing.
- (iii) If yes, the entity should record the same amount in the financial statements as submitted (or planned to be submitted) in the income tax return.
- (iv) If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Group and Company has considered the guidance included within the interpretation and concluded that the prescribed approach does not have a material impact on it.

## 4 Significant accounting policies

The accounting policies set out below have been applied consistently to all financial years presented in these consolidated and separate financial statements.

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated and separate financial statements incorporates the assets, liabilities and performance results of Insurance Repository Nigeria Limited. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investment in subsidiary is measured at cost in the separate financial statement.

#### (ii) Loss of control

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

#### (iii) Transactions eliminated on consolidation

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

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### (iv) Non-controlling interest

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

### (v) Interest in equity-accounted investee

The Group's interest in equity-accounted investees represents its interest in associates. Associates are those entities in which the Group and Company have significant influence, but not control, over the financial and reporting policies.

Interest in equity accounted investees are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investee, until the date on which the significant influence ceases. The Company invested in NG Clearing. NG Clearing Limited is an associate company in which the Company has 22.6% ownership interest (2018: 22.6%). It is principally established to operate clearing house(s) for the clearance and settlement of transactions in financial securities and derivatives contracts. The Company was incorporated in the year 2016 and has not commenced operations.

Investment in subsidiaries and equity-accounted investees are measured at cost less impairment in the separate financial statements.

### (b) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Group at the exchange rates at the dates of the transactions. Foreign currency differences are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the investments measured at FVTOCI are recognised in other comprehensive income (except on impairment, in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss). Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated using the exchange rate at the date when fair value was measured. Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### (c) Revenue recognition

Revenue from rendering of services:

IFRS 15 *Revenue from contracts with customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

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

- Depository fees represent the annual fees charged to companies quoted on The Nigerian Stock Exchange at a rate of market capitalisation.
- Eligibility fees represent annual fees charged to stock-broking firms for trading. This fees makes the stockbroking firms eligible to trade.
- Settlement banks participation fees represents annual fees charged to banks through which the value of the trades on The Nigerian Stock Exchange trading floor settles to all related parties.
- Legal Entity Identifier represents annual fees charged to all market participants on an annual basis for a unique identification number to enable them to trade internationally and attract foreign investors confidence.
- The Group and 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 passed the five stages of revenue recognition in accordance with IFRS 15.
- Special account fee represents fee charged to individuals, families, corporate and stockbroking firms who desire to have their shares secured in a special account for proper monitoring.
- Website subscription fee represents fees charged annually to individual, family, corporate and stockbroking firms to enable them view their transactions online.

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

- Data centre subscription is earned from electronic document management services rendered to different levels of customers on a contract basis. This income is recognised either according to percentage-of-completion or the terms and conditions of the contract letter for the period of the contract.

Revenue earned is recognised based on the duration of the particular service or transaction. Any upfront fees or payment for services that are rendered over a period are treated as contract liability in line with IFRS 15 and recognised over the required period. These are presented in the deferred income account.

The revenue lines below are at a point in time revenue:

- Transaction fees are based on values of shares traded on The Nigerian Stock Exchange or any other authorised/organised Securities Trading Platform charged on the investors at a percentage of sales.
- Listing fee is a one-off charge on new issuance of equity and bond by the issuers. This is a percentage of the number of shares multiplied by the market price.
- Nominal fee is charged to issuers or investors for block divestment and shares detachment at an arm's length transaction.
- X-alert fee is charged to investors per transaction alerting them on transactions on their shares.
- DMO services fees are monthly charges to DMO on services rendered. For example: creation of ISIN codes, OTC transaction fees, etc.

Revenue	
At a point in time	Overtime
Transaction fees	Depository fee
Listing fees	Eligibility fees
Nominal fees	Settlement bank participation fees
X-alert fee	Legal entity identifier
DMO Services	Collateral management
	Special account fee
	Website subscription fee

The Group and the Company is applying practical expedient in considering income from contracts by not disclosing performance obligations that have original expected duration of one year or less.

### Contract Liability

IFRS 15 *Revenue from Contracts with Customers* establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer.

Contract liability is recognised when a payment for customer is due (or already received, whichever is earlier) before a related performance obligation is satisfied.

Contract liability include payment received for collateral management services rendered to as well as collateral management and sales and business development fee which is yet to be earned as at the year end 31 December 2019.

### (d) 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.

### (e) Dividends distribution

Dividend distributions to the Group and Company's shareholders are recognised in the Group's consolidated and separate financial statements in the year in which the dividend is declared and approved by the Group and Company's shareholders. Dividend paid is recognised gross of withholding tax (WHT) with the corresponding WHT remitted to the tax authorities.



## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### (f) Earnings per share

The Group and 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 Group and Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### (g) 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 year which employees have provided services in the year. Bonuses are recognised to the extent that the Group and 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 personnel expenses.

#### (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 year. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available. The Company operates a funded contributory 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 - Long term incentive scheme

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

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group and Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

##### Valuation Methodology

- First, at the date of joining employment, Present value approach was used to determine the value of the expected future contributions at the proposed annual contribution rate by discounting at the assumed net of earnings discount rate over the period to retirement.
- Secondly the resulting value was adjusted for accumulation at the valuation rate of interest to the valuation date and thereafter, over the future years to retirement, from that date to give the projected lump sum.
- Finally, the projected cash sum was expressed as a proportion of the projected final total emoluments in the year of retirement to obtain the projected gross income replacement ratio.

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### (h) Taxation

#### Income tax

Income tax expense comprises current tax (company income tax, tertiary education tax National Information Technology Development Agency levy and Nigeria Police Trust Fund levy) and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Company had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

#### (a) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:

- Company income tax is computed on taxable profits;
- Tertiary education tax is computed on assessable profits;
- National Information Technology Development Agency levy is computed on profit before tax; and
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year)

Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the period are treated as income tax in line with IAS 12.

#### (b) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improve.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### (i) Property, plant and equipment

#### (i) Recognition and measurement

The cost of an item of property, plant and equipment is recognised as an asset if:

- It is probable that future economic benefits associated with the item will flow to the entity; and
- The cost of the item can be measured reliably.

Property, plant and equipment are carried at the cost of acquisition or construction and depreciated over its estimated useful life.

The cost of acquisition comprises the acquisition price plus ancillary and subsequent acquisition costs, less any reduction received on the acquisition price. The cost of self-constructed property 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 capitalised along with the cost of acquisition or construction upon completion and a corresponding liability is recognised.

Property, plant and equipment are tangible items that:

- Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- Are expected to be used during more than one period.

Property, plant and equipment include bearer plants related to agricultural activity.

#### (ii) Subsequent expenditure

Expenses for the repair of property and equipment, such as ongoing maintenance costs, are normally recognised in profit or loss. The cost of acquisition or construction is capitalised if a repair (such as a complete overhaul of technical equipment) will result in future economic benefits to the Group.

#### (iii) Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property and equipment. Significant asset components with different useful lives are accounted for and depreciated separately.

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

Computer Equipment	4 years
Furniture and Fittings	8 years
Motor vehicle	5 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.

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

#### (iv) Derecognition

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal is the difference between the proceeds and the carrying amount which is recognised as the operating income or expense respectively in profit or loss.

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

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### (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 and posted in the Work-in-progress account. They are transferred to relevant classes of property and equipment upon completion of the project when items are ready for use. Items classified as work in progress are not depreciated.

### (i) Intangible assets

#### (i) Initial recognition and measurement

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 year, with the effect of any changes in estimate being accounted for on a prospective basis.

#### (ii) Subsequent Expenditure

Subsequent expenditure is capitalised 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 profit or loss on a straight-line basis over the estimated useful lives of intangible assets 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 years are as follows:

Software License	Over License term
Software under development	Not amortised

#### (iv) Derecognition

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

#### (v) Software under development

Software under development represents qualifying capital expenditure on software, which is yet to be completed at the reporting date. They are transferred to intangible asset class upon completion. Items classified as software under development are not amortised.

Software under development is capitalised only if the expenditure can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources and ability to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, software under development is measured at cost less accumulated amortisation and any accumulated impairment losses.

### (k) Impairment of non-financial assets

The carrying values of all non-financial 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 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.

## Notes to the Consolidated and Separate Financial Statements

### For the Year Ended 31 December 2019

Impairment losses are recognised in profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are recognised in profit or loss.

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 Group and 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 year are determined on the basis of long-term business expectations using individual growth rates derived from the respective market information.

#### (I) Leases

The Group and Company adopted IFRS 16 *Leases* from 1 January 2019 using the modified retrospective approach and as a result, the comparative information presented for 2018 is not restated - i.e it is presented, as previously reported under IAS 17 and related interpretations.

IFRS 16 introduced a single, on-balance sheet accounting model for leases. Therefore, the Group and Company as a lessee, has recognised the right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessors accounting remains similar to previous accounting policies.

The Group and Company's major lease transactions are leases relating to the lease of its head office and Abuja branch.

##### (i) Definition of a lease

According to IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The change in definition of a lease mainly relates to the concept of control. This standard distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group and Company will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

##### (ii) The Group/Company is a lessee

Leases, under which the Group and Company possesses a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration is disclosed in the Group and Company's statement of financial position and recognised as a leased asset.

To assess whether a contract conveys the right to control, the use of an identified asset for a period time, the Group assesses whether throughout the period of use, it has both the following:

- (a) The right to obtain substantially all of the economic benefits from use of the identified asset, and
- (b) The right to direct the use of the identified asset.

As permitted by the Standard, the Group and Company has elected not to recognise right-of-use asset and lease liability for lease of assets for less than 12 months (short-term leases) and lease of assets of a low value. Hence, the Group and Company recognises expenses associated with such leases as an expense on straight line basis over the lease period.

The Group and Company presents the right-of-use asset as a separate class under property, plant and equipment and depreciates over the life of the lease. It also presents lease liability in other liabilities in the statement of financial position.

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### (c) Significant accounting policies

#### Policy applicable from 1 January 2019

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

The Group and Company recognises a right-of-use asset and a lease liability at commencement date of the lease. The right-of-use asset is initially measured at cost, and subsequently measured at cost less any accumulated depreciation and possible impairment losses, and adjusted for certain remeasurements of the lease liability.

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

The lease liability is decreased by lease payment and increased by the interest cost on the lease liability. Remeasurement is done whenever there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group and Company has applied judgement to determine the lease term for its lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Group and Company is reasonably certain to exercise such options impacts the lease term, which remarkably impacts the amount of right-of-use asset and lease liability recognised.

#### Policy applicable before 1 January 2019

All leases where the Group and Company does not have substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the lease term. Leases by the Group and Company were, prior to the adoption of IFRS 16, classified as operating leases.

### (d) Transition

Under the old transition (IAS 17), the Group and Company classified property leases, which are mainly its head office and branches, as operating leases. However, upon transition, lease liability is measured at the present value of the remaining lease payments, discounted at the Group and Company's incremental borrowing rate as at 1 January 2019. While right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

### (e) The Group/Company is a lessor

The accounting policies applicable to a lessor under the new standard are not different from those under IAS 17. Upon transition, the Group and Company do not have any lease in which it acts as a lessor.

### (f) Impacts on the financial statements

On transition to IFRS 16, the Group and Company recognised the applicable right-of-use asset and lease liability as summarised below:

<i>In thousands of Naira</i>	<b>1 January 2019</b>
Right-of-use asset	356,287
Lease liability	318,245

In measuring the lease liability for leases that were classified as operating leases, the Group and Company discounted future lease payments using its probable incremental borrowing rate as at 1 January 2019 which stood at 18%.

<i>In thousands of Naira</i>	<b>1 January 2019</b>
Operating lease presented as part of prepayments as at 31 December 2019	18,095
Right-of-use asset upon adoption of IFRS 16	318,245
Right-of-use asset recognised as at 1 January 2019	356,287

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

As a result of the initial application of IFRS 16, in relation to the leases that were previously classified as operating leases, the Group and Company recognised ~~¥~~356.3million as right-of-use asset and ~~¥~~318.2million as lease liability as at 1 January 2019.

The policy applicable before 1 January 2019 was an operating lease using straight line basis to amortise the rent and rates for the period.

### (m) Financial Instruments

(i) The Group and Company's financial assets comprise the following:

#### (a) 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 for cash management purposes and to meet short-term obligations. Cash and cash equivalent are initially measured at fair value and subsequently measured at amortised cost.

#### (b) Fixed deposits

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

#### (c) Investment securities

Investment securities include all securities classified as Fair Value Through Other Comprehensive Income and amortised cost. All investment securities are initially recorded at fair value and subsequently measured according to the respective classification. Prior to our adoption of IFRS 9, Investment securities were comprised of available-for-sale securities and loans and receivables.

#### (d) Other receivables

Other receivables comprise staff debtors and other receivables. They are carried at original invoice amount less any impairment for doubtful receivables. Impairment allowances for doubtful receivables are made using the expected credit loss model taking into account ageing, previous experience, general economic conditions and forward looking information. Other receivables are initially measured at fair value and subsequently measured at amortised cost.

#### (ii) Recognition and initial measurement

The Group and Company initially recognises its financial assets and liabilities on the trade date, which is the date on which it becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

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

#### (iii) Financial assets classification

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI)-debt investment, FVOCI-equity investment, or fair value through profit or loss (FVTPL). Classification and measurement for debt securities is based on the Group and Company's business model for managing the financial instruments and the contractual cash flow characteristics of the instruments.

Debt instruments are measured at amortised cost if both of the following conditions are met and the asset is not designated as FVTPL:

- (a) The asset is held within a business model that is Held-to-Collect (HTC) as described below, and
- (b) The contractual terms of the instrument give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Debt instruments are measured at FVOCI if both of the following conditions are met and the asset is not designated as FVTPL:

- (a) The asset is held within a business model that is Held-to-Collect-and-Sell (HTC&S) as described below, and
- (b) The contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI.

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

All other debt instruments are measured at FVTPL.

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

### (a) Business model assessment

The Group and Company determines the business models at the level that best reflects how portfolios of financial assets are managed to achieve the Group and Company's business objectives. Judgement is used in determining the business models, which is supported by relevant, objective evidence including:

- How the economic activities of the Group and Company's businesses generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;
- How managers of the portfolio are compensated; e.g. whether compensation is based on the fair value of assets managed or the contractual cash flows collected;
- The significant risks affecting the performance of the Group and Company's businesses, for example, market risk, credit risk, or other risks and the activities undertaken to manage those risks; and
- Historical and future expectations of sales of securities portfolios managed as part of a business model.

The Group's business models fall into three categories, which are indicative of the key strategies used to generate returns:

- Hold-to-Collect (HTC): The objective of this business model is to hold securities to collect contractual principal and interest cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.
- Hold-to-Collect-and-Sell (HTC&S): Both collecting contractual cash flows and sales are integral to achieving the objective of the business model.
- Other fair value business models: These business models are neither HTC nor HTC&S, and primarily represent business models where assets are held-for-trading or managed on a fair value basis.

### (b) Assessment of whether cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

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

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

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



## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### (iv) Financial assets – Subsequent measurement and gains and losses

<b>Financial asset at amortised cost</b>	These assets are subsequently measured at amortised cost using effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
<b>Debt Investment at FVOCI</b>	These assets are subsequently measured at fair value through other comprehensive income and using effective interest rate method in recognising interest income. Changes in fair value are recognised initially in Other Comprehensive Income (OCI). When the asset is derecognised or reclassified, changes in fair value previously recognised in OCI and accumulated in equity are reclassified to profit and loss on a basis that always results in an asset measured at FVOCI having the same effect on profit and loss as if it were measured at amortised cost.
<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses including any interest or dividend income, are recognised in profit or loss.
<b>Equity investment at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

### (v) Financial liabilities – Classification, subsequent measurement and gains and losses

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

### (vi) Derecognition Financial assets

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

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

### Financial liabilities

The Group and Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group and Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

### (vii) Offsetting

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

### (viii) 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 Group and Company has access at the date. The fair value of a liability reflects its non-performance risk.

## Notes to the Consolidated and Separate Financial Statements

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When available, the Group and 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 and Company uses technique that maximise the use of relevant observable inputs and minimises the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

### (ix) Amortised cost

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

### (n) Impairment

#### Non-derivative financial assets

The Group and Company recognises loss allowances for ECLs on:

- Financial assets measured at amortised cost; and
- Debt investments measured at FVOCI.

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

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

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

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

The Group and Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

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

The Group and Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group and Company considers this to be B or BBB- or higher per Augusto & Co., Standard & Poor's, and Global Credit Rating.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

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

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

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group and Company expects to receive).

## Notes to the Consolidated and Separate Financial Statements

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ECLs are discounted at the effective interest rate of the financial asset.

### Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Group and Company on terms that it would not consider otherwise
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

### Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

### Write-off

The gross carrying amount of a financial asset is written off when the Group and Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group and Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets.

For corporate customers, the Group and Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group and Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group and Company's procedures for recovery of amounts due.

## (o) Provisions

Provisions are recognised 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.

Provisions are measured in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets). Where the cash outflow to settle an obligation is expected to occur after one year, the provision is recognised at the present value of the expected cash outflow. Claims for reimbursements from third parties are capitalised separately if their realisation 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 recognised in the operating expense item(s) in which the original charge was recognised.

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

Provisions for litigation 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 Group, 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

## Notes to the Consolidated and Separate Financial Statements

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cannot be predicted. As a result of a judgment in court proceedings or the conclusion of a settlement, the Group may incur charges in excess of presently established provisions and related insurance coverage.

Where the time effect of money is material, balances are discounted to current values using appropriate rates of interest. The unwinding of the discount is recognised as finance cost.

### (p) Interest income

Interest income from a financial asset is recognised in income statement using the 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 the net carrying amount of the financial asset.

### (q) Contingent assets and liabilities

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are disclosed in the financial statements when they arise.

A contingent liability is a probable obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. However, they are recognised, if it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Contingent liabilities are disclosed in the financial statements when they arise.

### (r) Other operating expenses

All other operating expenses are accounted for on accrual basis.

### (s) Standards issued but not yet effective

A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these (consolidated and separate) financial statements. Those Standards, Amendments to Standards, and Interpretations which may be relevant to the Group (or Company) are set out below.

The Group and Company do not plan to adopt these standards early. The standards will be adopted in the period that they become mandatory unless otherwise indicated:

- Amendments to References to Conceptual Framework
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- IFRS 17 Insurance Contracts

Conceptual Framework amendments - Amendments to references to conceptual framework in the IFRS Standards. The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Amendments to IFRS 3 - Definition of a Business. Defining a business is important because the financial reporting requirements for the acquisition of a business are different from the requirements for the purchase of a group of assets that does not constitute a business. The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3.

## Notes to the Consolidated and Separate Financial Statements

### For the Year Ended 31 December 2019

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted.

Amendments to IAS 1 and IAS 8 - Definition of Material. The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework. The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

Amendments to IFRS 9, IAS 39 and IFRS 7. Interest Rate Benchmark Reform. Amendments to IFRS 9, IAS 39 and IFRS 7 have now been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform. The amendments are effective from 1 January 2020. Early application is permitted.

IFRS 17 - Insurance Contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new Standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
  - Direct participating contracts; and
  - Investment contracts with discretionary participation features.
- The entity is in the process of determining the impact of IFRS 17 and will provide more detailed disclosure on the impact in future financial statements.

## 5 Use of judgements and estimates

In preparing these consolidated and separate financial statements, the Directors have made judgement, estimates and assumptions that affect the application of the Group and Company's accounting policies and the reported amounts of assets, liabilities and expenses. Actual reports may differ from these estimates.

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

### Judgements

Management has exercised judgment in applying determining the lease term of lease contracts during the year.

Judgement has been applied to determine whether the Group is reasonably certain to exercise extension options.

### Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties as at 31 December 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below:

#### (i) Impairment losses of financial assets

In the application of the Group and 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. In assessing the impairment, the Group and Company use historical information on the timing of the recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends. Actual results may differ from these estimates.

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For the Year Ended 31 December 2019

Financial assets accounted for at amortised cost and at fair value through other comprehensive income are evaluated for impairment on a basis described in accounting policy. See note 20.

### (ii) Key actuarial assumptions

- Measurement of defined benefit obligations: key actuarial assumptions;
- First, at the date of joining employment, present value approach was used to determine the value of the expected future contributions at the proposed annual contribution rate by discounting at the assumed net of earnings discount rate over the period to retirement.
- Secondly the resulting value was adjusted for accumulation at the valuation rate of interest to the valuation date and thereafter, over the future years to retirement, from that date to give the projected lump sum. See note 29.2; and
- Finally, the projected cash sum was expressed as a proportion of the projected final total emoluments in the year of retirement to obtain the projected gross income replacement ratio.

### (iii) Defined benefit obligation

The Group and Company sponsored a defined benefit plan for its qualifying employees. The plan was terminated in 2017. The Group and Company estimated its obligation to each staff in the current year in return for their service using the projected unit credit method. Also, the funding requirements were 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 were expensed in the year in which they were due. Note 29.1.

### (iv) Measurement of fair values

A number of the Group and Company's accounting policies and disclosures require the measurement of fair values.

The Group and Company has an established control framework with respect to the measurement of fair values. This includes a 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 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 Group and 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.

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

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 Group and 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

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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 statements.

### 6 Risk management framework

The Group and Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Board Risk Committee, which is responsible for developing and monitoring the Group'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 Group and 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 Group and Company's activities. The Group and 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.

The Board Risk Committee also oversees how management monitors compliance with the Group and Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board Risk Committee is assisted by the 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 Risk Committee.

The Group and Company have 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 the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group and Company's receivables from customers and investments in debt securities.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Impairment losses on financial assets in profit or loss were as follows:

<i>In thousands of Naira</i>	<b>Group 2019</b>	<b>Company 2019</b>	<b>Group 2018</b>	<b>Company 2018</b>
Impairment loss on trade receivables	116,559	116,559	75,677	75,677
Impairment loss on debt securities at amortised cost	64,885	64,885	34,382	34,382
Impairment loss on debt securities at FVTOCI	3,097	3,097	9,412	9,412
Impairment loss on cash and cash equivalent	79	79	15,467	15,467
	<b>184,620</b>	<b>184,620</b>	<b>134,938</b>	<b>134,938</b>

#### (i) Trade receivables

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

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For the Year Ended 31 December 2019

The Board Risk Committee has established a credit policy under which each of the Group and Company's customers is analysed individually for creditworthiness before the Group and Company's standard and delivery terms conditions are offered.

Trade receivables that are outstanding for more than 180 days are fully impaired as the Group considers collection of such receivables as doubtful. In monitoring customers' credit risk, customers are grouped according to their credit characteristics, which include bond dealers, legal entities or stockbroking firms.

The Group and Company establishes an allowance for impairment that represents its estimate of expected credit loss model in respect of trade receivables.

As at 31 December 2019, the maximum exposure to credit risk for trade receivables by type of counterparty was as follows:

<i>In thousands of Naira</i>	Notes	Carrying amount		Carrying amount	
		Group 31-Dec 2019	Company 31-Dec 2019	Group 31-Dec 2018	Company 31-Dec 2018
<b>Trade receivables</b>					
Bond Dealers		22,899	22,899	7,180	7,180
Quoted Companies		93,634	93,634	110,245	110,245
Stock Broking Firms		20,705	20,705	26,112	26,112
Sales and Business Development		153,314	153,314	33,419	33,419
Settlement Banks		3,050	3,050	1,000	1,000
<b>Total</b>	18(a)	<b>293,602</b>	<b>293,602</b>	<b>177,956</b>	<b>177,956</b>
Impairment allowance for trade receivables	18(b)	(116,559)	(116,559)	(75,677)	(75,677)
<b>Total</b>		<b>177,043</b>	<b>177,043</b>	<b>102,279</b>	<b>102,279</b>
<b>Other receivables</b>					
Staff debtors		2,243	2,243	1,827	1,827
Amount due from NG Clearing Ltd		-	-	44,991	44,991
Sundry receivables		76,830	76,830	109,807	109,807
<b>Total</b>	19(a)	<b>79,073</b>	<b>79,073</b>	<b>156,625</b>	<b>156,625</b>
Impairment allowance for other receivables	19(b)	(68,400)	(68,400)	(68,400)	(68,400)
<b>Total</b>		<b>10,673</b>	<b>10,673</b>	<b>88,225</b>	<b>88,225</b>



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The movement in the allowance for impairment in respect of trade and other receivables was as follows:

<i>In thousands of Naira</i>	Other receivables			Trade receivables			
	Group 31-Dec 2019	Company 31-Dec 2019	Company 31-Dec 2018	Group 31-Dec 2019	Company 31-Dec 2019	Group 31-Dec 2018	Company 31-Dec 2018
Balance as at 1 January	68,400	68,400	-	75,799	75,799	120,921	120,921
Adjustment on initial application of IFRS 9	-	-	-	-	-	(55,688)	(55,688)
Movement in the year	-	-	68,400	40,760	40,760	10,444	10,444
<b>Balance as at year end</b>	<b>68,400</b>	<b>68,400</b>	<b>68,400</b>	<b>116,559</b>	<b>116,559</b>	<b>75,677</b>	<b>75,677</b>
Movement in the year:							
Impairment charge on financial assets	-	-	68,400	40,760	40,760	10,444	10,444
<b>Net movement in the year</b>	<b>-</b>	<b>-</b>	<b>68,400</b>	<b>40,760</b>	<b>40,760</b>	<b>10,444</b>	<b>10,444</b>

### Expected credit loss assessment as at 1 January and 31 December 2019

The Group and Company allocate each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies.

The Group and Company use an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a large number of small balances.

Loss rates approach was adopted for the ECLs of trade receivables evaluating its historical loss experience. Loss rates are based on actual credit loss experience over the past seven years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group and Company's view of economic conditions over the expected lives of the receivables.

As at 31 December 2019, the ageing of trade receivables not impaired was as follows:

<i>In thousands of Naira</i>	Weighted- average loss rate	Gross carrying amount	Loss allowance	Credit Impaired
Trade receivables	40%	293,602	(116,559)	No
Other receivables*	87%	79,073	(68,400)	No
		<b>372,675</b>	<b>(184,959)</b>	

\* Other receivables was individually assessed due to its nature of transaction and the impairment loss was in line with expected credit loss model.

<i>In thousands of Naira</i>	Carrying amount			
	Group 31-Dec 2019	Company 31-Dec 2019	Group 31-Dec 2018	Company 31-Dec 2018
Neither past due nor impaired 1 - 30 days	569	569	329	329
Neither past due nor impaired 31 - 90 days	16,657	16,657	9,623	9,623
Neither past due nor impaired 91 - 180 days	159,817	159,817	92,327	92,327
<b>Total</b>	<b>177,043</b>	<b>177,043</b>	<b>102,279</b>	<b>102,279</b>

## Notes to the Consolidated and Separate Financial Statements

### For the Year Ended 31 December 2019

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) Debt Securities

The Group and Company limit their exposure to credit risk by investing only in debt securities with counterparties that have a minimum credit rating of BB by reputable rating agency. Management actively monitors credit ratings and ensures that the Group has only made investment in line with the Investment Policy Manual as approved by the Board which provides target allocations in fixed tenured investments.

The Group and Company held total investments of ₦26,652,942 (FVOCI - ₦5,193,939; Amortised Cost - ₦21,459,003) at 31 December 2019 (31 December 2018: ₦29,547,862 (FVOCI - ₦7,193,947; Amortised Cost - ₦22,353,915)) which represents its maximum credit exposure on Federal Government Treasury Bills, Federal Government Bonds, State Government Bonds and Corporate Bonds. These investment are measured in accordance with IFRS 9 from January 1, 2019.

As at 31 December 2019, the maximum exposure to credit risk for investments was as follows:

In thousands of Naira	Notes	FVOCI		Amortised cost		FVOCI	
		Group	Company	Group	Company	Group	Company
		31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018
Treasury Bills	17(b)	5,005,511	5,005,511	-	-	5,879,813	5,879,813
Federal Government Bonds	17(a)	217,111	217,111	19,144,992	19,144,992	732,273	732,273
State Government Bonds	17(a)	117,343	117,343	2,302,012	2,302,012	416,307	416,307
Corporate Bonds	17(a)	129,414	129,414	-	-	176,613	176,613
Gross carrying amount		<b>5,469,379</b>	<b>5,469,379</b>	<b>21,447,004</b>	<b>21,447,004</b>	<b>7,205,006</b>	<b>7,205,006</b>
Impairment loss allowance		(3,097)	(3,097)	(64,885)	(64,885)	(9,412)	(9,412)
<b>Total</b>		<b>5,466,282</b>	<b>5,466,282</b>	<b>21,382,119</b>	<b>21,382,119</b>	<b>7,195,594</b>	<b>7,195,594</b>

Movement in allowance for impairment

In thousands of Naira	FVOCI		Amortised cost		FVOCI	
	Group	Company	Group	Company	Group	Company
	2019	2019	2019	2019	2018	2018
	<b>12-month ECL</b>		<b>12-month ECL</b>		<b>12-month ECL</b>	
Balance at 1 January under IAS 39	9,412	9,412	34,382	34,382	-	-
Adjustment on initial application of IFRS 9	-	-	-	-	103,277	103,277
Impairment loss /(reversal) for the year	(6,315)	(6,315)	30,503	30,503	(93,865)	(93,865)
<b>Total</b>	<b>3,097</b>	<b>3,097</b>	<b>64,885</b>	<b>64,885</b>	<b>9,412</b>	<b>9,412</b>

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For the Year Ended 31 December 2019

### (iii) Cash and cash equivalents

The Group held cash and cash equivalents of ₦6.69 billion at 31 December 2019 (31 December 2018: ₦3.62 billion) 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.

Impairment on cash and cash equivalents has been measured on 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The impairment allowance on cash and cash equivalent for the year ended 31 December 2019 was ₦79 thousand because of impairment reversal. (2018: ₦12.7m).

### (iv) Total exposure to credit risk

The Group's exposure to credit risk was as follows:

<i>In thousands of Naira</i>	Notes	Group	Company	Group	Company
		31-Dec 2019	31-Dec 2019	31-Dec 2018	31-Dec 2018
Trade receivables	18(a)	177,043	177,043	102,279	102,279
Other receivables	19(a)	10,673	10,673	88,225	88,225
Investment securities	17(a)(b)	21,447,004	21,447,004	22,319,533	22,319,533
Cash and cash equivalents	21	6,691,545	6,691,490	3,626,868	3,626,813
		<b>28,326,265</b>	<b>28,326,210</b>	<b>26,136,904</b>	<b>26,136,850</b>

### (b) Liquidity risk

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

The Group and Company maintain the level of its cash and cash equivalents and other highly marketable debt investments in excess of expected cash outflows on financial liabilities. The Group and Company also monitors the level of expected cash inflows from trade receivables and other receivables together with expected cash outflows on trade and other payables. The expected receivables from maturing treasury bills with maturity profiles of less than 3 months as at 31 December 2019 was ₦1.189 billion (31 December 2018: ₦198.18 million).

### Exposure to Liquidity Risk

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

## Notes to the Consolidated and Separate Financial Statements

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### Maturity Analysis The Group 31 December 2019

<i>In thousands of Naira</i>	Contractual cash flows					Total	Carrying amount
	Less than 3 months	3 months - 6 months	6 months - 1 year	Above 1 year			
<b>Financial assets</b>							
Investment securities	1,929,829	505,075	5,358,102	24,169,350	31,962,356	26,916,383	
Trade receivables	17,226	159,817	-	-	177,043	177,043	
Other receivables	10,673	-	-	-	10,673	10,673	
Cash and cash equivalents	6,691,545	-	-	-	6,691,545	6,691,545	
<b>Total</b>	<b>8,649,272</b>	<b>664,892</b>	<b>5,358,102</b>	<b>24,169,350</b>	<b>38,841,617</b>	<b>33,795,643</b>	
<b>Financial liabilities</b>							
Payables and accruals	118,954	-	124,649	-	243,603	243,603	
Other liabilities	113,851	-	1,335,522	294,150	1,743,523	1,743,523	
Lease liabilities	-	-	27,025	291,220	318,245	318,245	
<b>Total</b>	<b>232,805</b>	<b>-</b>	<b>1,487,196</b>	<b>585,370</b>	<b>2,305,371</b>	<b>2,305,371</b>	
<b>The Company</b>							
<b>31 December 2019</b>							
<b>Financial assets</b>							
Investment securities	1,929,829	505,075	5,358,102	24,169,350	31,962,356	26,916,383	
Trade receivables	17,226	159,817	-	-	177,043	177,043	
Other receivables	10,673	-	-	-	10,673	10,673	
Cash and cash equivalents	6,691,490	-	-	-	6,691,490	6,691,490	
<b>Total</b>	<b>8,649,218</b>	<b>664,892</b>	<b>5,358,102</b>	<b>24,169,350</b>	<b>38,841,562</b>	<b>33,795,589</b>	
<b>Financial liabilities</b>							
Payables and accruals	118,954	-	124,649	-	243,603	243,603	
Other liabilities	113,851	-	1,335,522	294,150	1,743,523	1,743,523	
Lease liabilities	-	-	27,025	291,220	318,245	318,245	
<b>Total</b>	<b>232,805</b>	<b>-</b>	<b>1,487,196</b>	<b>585,370</b>	<b>2,305,371</b>	<b>2,305,371</b>	

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### Maturity Analysis The Group 31 December 2018

<i>In thousands of Naira</i>	Contractual cash flows				Total	Carrying amount
	Less than 3 months	3 months - 6 months	6 months - 1 year	Above 1 year		
<b>Financial assets</b>						
Investment securities	3,253,019	635,646	2,789,018	22,870,178	29,547,862	29,547,862
Trade receivables	9,952	92,327	-	-	102,279	102,279
Other receivables	88,225	-	-	-	88,225	88,225
Cash and cash equivalents	3,626,868	-	-	-	3,626,868	3,626,868
<b>Total</b>	<b>6,978,063</b>	<b>727,973</b>	<b>2,789,018</b>	<b>22,870,178</b>	<b>33,365,233</b>	<b>33,365,233</b>
<b>Financial liabilities</b>						
Payables and accruals	405,457	-	-	-	405,457	405,457
Other liabilities	2,986,185	-	-	-	2,986,185	2,986,185
<b>Total</b>	<b>3,391,642</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,391,642</b>	<b>3,391,642</b>

### The Company 31 December 2018

<b>Financial assets</b>						
Investment securities	3,253,019	635,646	2,789,018	22,870,178	29,547,862	29,547,862
Trade receivables	9,952	92,327	-	-	102,279	102,279
Other receivables	88,225	-	-	-	88,225	88,225
Cash and cash equivalents	3,626,813	-	-	-	3,626,813	3,626,813
<b>Total</b>	<b>6,978,008</b>	<b>727,973</b>	<b>2,789,018</b>	<b>22,870,178</b>	<b>33,365,179</b>	<b>33,365,179</b>
<b>Financial liabilities</b>						
Payables and accruals	405,457	-	-	-	405,457	405,457
Other liabilities	2,986,185	-	-	-	2,986,185	2,986,185
<b>Total</b>	<b>3,391,642</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,391,642</b>	<b>3,391,642</b>

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### (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 the Group and Company'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. The Group and Company do not use derivatives to manage market risks.

#### (i) Currency Risk

The Group and 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 (₦) (functional and presentation currency) relative to the US dollar would have an insignificant effect on the Group and Company's results of operations, financial position and cash flows. The Group and Company do not enter into any forward exchange contracts to manage the currency risk fluctuations.

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

#### The Group

Financial instruments by currency as at 31 December 2019

In thousands	Note	Carrying amount				
		Naira	Naira	USD	GBP	Euro
<b>Financial assets</b>						
Investments	17	21,960,972	21,960,972	-	-	-
Trade receivables	18(a)	177,043	177,043	-	-	-
Other receivables	19(a)	10,673	10,673	-	-	-
Cash and cash equivalents	21	6,691,545	6,691,526	9	9	-
		<b>28,840,233</b>	<b>28,840,214</b>	<b>9</b>	<b>9</b>	<b>-</b>
<b>Financial liabilities</b>						
Payables and accruals	27	243,603	243,603	-	-	-
Other liabilities	28	2,061,768	2,061,768	-	-	-
		<b>2,305,371</b>	<b>2,305,371</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Open Position</b>		<b>26,534,862</b>	<b>26,534,843</b>	<b>9</b>	<b>9</b>	<b>-</b>

#### The Company

Financial instruments by currency as at 31 December 2019

<b>Financial assets</b>						
Investments	17	21,960,972	21,960,972	-	-	-
Trade receivables	18(a)	177,043	177,043	-	-	-
Other receivables	19(a)	10,673	10,673	-	-	-
Cash and cash equivalents	21	6,691,490	6,691,471	9	9	-
		<b>28,840,178</b>	<b>28,840,159</b>	<b>9</b>	<b>9</b>	<b>-</b>
<b>Financial liabilities</b>						
Payables and accruals	27	243,603	243,603	-	-	-
Other liabilities	28	2,061,768	2,061,768	-	-	-
		<b>2,305,371</b>	<b>2,305,371</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Open Position</b>		<b>26,534,807</b>	<b>26,534,788</b>	<b>9</b>	<b>9</b>	<b>-</b>

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For the Year Ended 31 December 2019

### The Group

Financial instruments by currency as at 31 December 2018

<i>In thousands</i>	Note	Carrying amount Naira	Naira	USD	GBP	Euro
<b>Financial assets</b>						
Investments	17	23,644,726	23,644,726	-	-	-
Trade receivables	18(a)	102,279	102,279	-	-	-
Other receivables	19(a)	88,225	88,225	-	-	-
Cash and cash equivalents	21	3,571,497	3,571,345	143	8	-
		<b>27,406,727</b>	<b>27,406,575</b>	<b>143</b>	<b>8</b>	
<b>Financial liabilities</b>						
Payables and accruals	27	405,457	405,457	-	-	-
Other liabilities	28	2,986,185	2,986,185	-	-	-
		<b>3,391,642</b>	<b>3,391,642</b>	<b>-</b>	<b>-</b>	
<b>Net Open Position</b>		<b>24,015,085</b>	<b>24,014,933</b>	<b>143</b>	<b>8</b>	<b>-</b>

### The Company

Financial instruments by currency as at 31 December 2018

<b>Financial assets</b>						
Investment securities	17	23,644,726	23,644,726	-	-	-
Trade receivables	18(a)	102,279	102,279	-	-	-
Other receivables	19(a)	88,225	88,225	-	-	-
Cash and cash equivalents	21	3,626,813	3,571,290	143	8	-
		<b>27,462,043</b>	<b>27,406,520</b>	<b>143</b>	<b>8</b>	
<b>Financial liabilities</b>						
Payables and accruals	27	405,457	405,457	-	-	-
Other liabilities	28	2,986,185	2,986,185	-	-	-
		<b>3,391,642</b>	<b>3,391,642</b>	<b>-</b>	<b>-</b>	
<b>Net Open Position</b>		<b>24,070,456</b>	<b>24,014,933</b>	<b>143</b>	<b>8</b>	<b>-</b>

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

The following significant exchange rates have been applied:

	Year end average rate		Year end spot rate	
	2019	2018	2019	2018
USD	368	363	365	360
GBP	485	507	483	458
EUR	410	462	409	410

The Group and Company sources its foreign currency needs from its bankers and licensed bureau de change operator. Based on history and evidence available, foreign currency needs are majorly sourced from the licensed bureau de change operator. Thus the weighted average rate was derived from a weighted average of the various official and autonomous sources rates' applicable at the reporting date.

### Foreign exchange risk sensitivity analysis

The Group and Company's exposure to foreign currency risk is largely concentrated in US Dollar. Movement in exchange rate between the US Dollar, and the Nigerian Naira affects reported earnings statement of financial position size through increase or decrease in the remeasured amounts of assets and liabilities denominated in US Dollars.

<i>In thousands of Naira</i>	31 Dec 2019	31 Dec 2018
US dollar effect of 10% up or down movement on profit before tax and balance sheet	333	5,183
US dollar effect of 10% up or down movement on equity, net of tax	333	5,183

### (ii) Interest rate risk

The Group and Company adopt 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 policy. The Group and Company is exposed to interest rate shocks even though most of its investments are on fixed rate to maturity investment, however the Group and Company could still be exposed to interest risk if rate increased higher than the fixed rate. Other areas the Group and 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 year the interest rate profile of the Group's interest bearing financial instruments as reported to the Management of the Group are as follows:

<i>In thousands of Naira</i>	Note	Group 2019	Company 2019	Group 2018	Company 2018
Financial instruments					
Cash and cash equivalents	21	6,690,680	6,690,625	3,619,148	3,619,093
Investment securities	17	26,966,483	26,966,483	29,524,539	29,524,539
		<b>33,657,163</b>	<b>33,657,108</b>	<b>33,143,687</b>	<b>33,143,632</b>



## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### Interest rate sensitivity:

The table below shows the impact on the Company's profit before tax if interest rates on financial instruments had increased or decreased by 100 basis points, with all other variables held constant.

<i>In thousands of Naira</i>	<b>Group 2019</b>	<b>Company 2019</b>	<b>Group 2018</b>	<b>Company 2018</b>
Increase in interest rate by 100 basis points (+10%)	336,572	336,571	331,437	331,436
Decrease in interest rate by 100 basis points (-10%)	(336,572)	(336,571)	(331,437)	(331,436)

### (d) Capital Management

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

The capital structure of the Group consists of the following:

- Share capital
- Retained earnings
- Other reserves

Information relating to the Group's Capital Structure is disclosed in Note 25 to the consolidated and separate financial statements.

The Group'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 Group'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 a Central Securities Depository (CSD) operating in Nigeria. The minimum capital requirement for a CSD is five hundred million naira (₦500,000,000.00). The Group has a total equity of ₦32.9 billion as at 31 December 2019 (31 December 2018: ₦31.2 billion). This is well above the minimum capital requirement set by SEC.

## 7 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it can earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group'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.

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

- Operations:** This Segment provides clearing and settlement services in regard to equities and other securities types including commercial papers traded on other recognised Exchange Platforms in the Nigerian Capital Market. Revenue recognised in this segment are revenues from core activities in Note 9 of the financial statements and other income.
- Product and Services:** 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. Revenue recognised in this segment are revenues from non-core activities in Note 9 of the financial statements.
- Treasury:** This segment is responsible for investments and management of the Group's liquidity ensuring a balance between liquidity and profitability.

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### The Group 31 December 2019

<i>In thousands of naira</i>	<b>Operations</b>	<b>Product and Services</b>	<b>Treasury</b>	<b>Unallocated segment</b>	<b>Total</b>
<b>Revenue:</b>					
Derived from external customers	3,911,852	676,955	4,612,237	-	9,201,044
Others	5,096	-	-	-	5,096
<b>Segment revenue</b>	<b>3,916,948</b>	<b>676,955</b>	<b>4,612,237</b>	<b>-</b>	<b>9,206,140</b>
<b>Expenses:</b>					
Personnel Expenses	(1,185,467)	(98,789)	(32,930)	-	(1,317,186)
Operating expenses	(1,173,305)	(63,422)	(31,711)	-	(1,268,438)
Finance cost - lease expense	(48,546)	-	-	-	(48,546)
Depreciation and amortisation	(506,813)	(27,395)	(13,698)	-	(547,906)
Allowance for doubtful receivables	(49,561)	-	-	-	(49,561)
<b>Segment Expense</b>	<b>(2,963,692)</b>	<b>(189,606)</b>	<b>(78,338)</b>	<b>-</b>	<b>(3,231,637)</b>
Segment operating income before tax	953,256	487,349	4,533,899	-	5,974,503
Share of profit of equity-accounted investee	-	-	-	67,931	67,931
Income tax	-	-	-	(1,141,755)	(1,141,755)
Profit after tax	953,256	487,349	4,533,899	(1,141,755)	4,900,679
<b>Assets and liabilities</b>					
Total assets	32,950,264	2,745,855	915,285	-	36,611,404
Total liabilities	3,334,788	277,899	92,633	-	3,705,320
Net asset	29,615,475	2,467,956	822,652	-	32,906,083

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### The Group

31 December 2018

<i>In thousands of naira</i>	<b>Operations</b>	<b>Product and Services</b>	<b>Treasury</b>	<b>Unallocated segment</b>	<b>Total</b>
<b>Revenue:</b>					
Derived from external customers	4,604,629	247,677	4,217,582	-	9,069,888
Others	12,197	-	-	-	12,197
<b>Segment revenue</b>	<b>4,616,826</b>	<b>247,677</b>	<b>4,217,582</b>	<b>-</b>	<b>9,082,085</b>
<b>Expenses:</b>					
Personnel Expenses	(1,141,271)	(95,106)	(31,702)	-	(1,268,079)
Operating expenses	(1,246,738)	(67,391)	(33,696)	-	(1,347,825)
Depreciation and amortisation	(447,001)	(24,162)	(12,081)	-	(483,244)
Allowance for doubtful receivables	126,812	-	-	-	126,812
<b>Segment Expense</b>	<b>(2,708,198)</b>	<b>(186,659)</b>	<b>(77,479)</b>	<b>-</b>	<b>(2,972,336)</b>
Segment operating income before tax	1,908,628	61,018	4,140,103	-	6,109,749
Share of loss of equity-accounted investee	-	-	-	(18,405)	(18,405)
Income tax expense	-	-	-	(1,269,014)	(1,269,014)
Profit after tax	1,908,628	61,018	4,140,103	(1,287,419)	4,822,330
<b>Assets and liabilities</b>					
Total asset	32,269,138	2,689,095	896,365	-	35,854,598
Total liabilities	4,220,805	351,734	117,245	-	4,689,783
Net asset	28,048,334	2,337,361	779,120	-	31,164,815

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

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

The table below shows the carrying amounts and fair values of financial instruments 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.

#### The Group 31 December 2019

In thousands of Naira	Notes	Carrying amount				Fair value			
		FVOCI	Amortised Cost	FVTPL	Total carrying amount	Level 1	Level 2	Level 3	Total fair value
<b>Financial assets measured at fair value</b>									
- Treasury Bills	17(b)	5,005,511	-	-	5,005,511	5,005,511	-	-	5,005,511
- Federal Government Bonds	17(a)	217,111	19,144,992	-	19,362,103	21,522,446	-	-	21,522,446
- Corporate Government Bonds	17(a)	129,414	2,302,012	-	2,431,426	2,650,131	-	-	2,650,131
- State Government Bonds	17(a)	117,343	-	-	117,343	117,343	-	-	117,343
		<b>5,469,379</b>	<b>21,447,004</b>	<b>-</b>	<b>26,916,383</b>	<b>29,295,431</b>	<b>-</b>	<b>-</b>	<b>29,295,431</b>

The carrying amount of cash and cash equivalents, trade receivables and payables are reasonable approximation of their fair values.

#### The Company 31 December 2019

In thousands of Naira	Notes	Carrying amount				Fair value			
		FVOCI	Amortised Cost	FVTPL	Total carrying amount	Level 1	Level 2	Level 3	Total fair value
<b>Financial assets measured at fair value</b>									
- Treasury Bills	17(b)	5,005,511	-	-	5,005,511	5,005,511	-	-	5,005,511
- Federal Government Bonds	17(a)	217,111	19,144,992	-	19,362,103	21,522,446	-	-	21,522,446
- Corporate Government Bonds	17(a)	129,414	2,302,012	-	2,431,426	2,650,131	-	-	2,650,131
- State Government Bonds	17(a)	117,343	-	-	117,343	117,343	-	-	117,343
		<b>5,469,379</b>	<b>21,447,004</b>	<b>-</b>	<b>26,916,383</b>	<b>29,295,431</b>	<b>-</b>	<b>-</b>	<b>29,295,431</b>

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### The Group 31 December 2018

In thousands of Naira	Notes	Carrying amount			Fair value			Total fair value	
		FVOCI	Amortised Cost	FVTPL	Level 1	Level 2	Level 3		
<b>Financial assets measured at fair value</b>									
- Treasury Bills	17(b)	5,879,813	-	-	5,879,813	5,879,813	-	-	5,879,813
- Federal Government Bonds	17(a)	732,273	19,796,286	-	20,528,559	19,635,355	-	-	19,635,355
- Corporate Government Bonds	17(a)	176,613	2,523,247	-	2,699,860	3,039,440	-	-	3,039,440
- State Government Bonds	17(a)	416,307	-	-	416,307	416,307	-	-	416,307
		<b>7,205,006</b>	<b>22,319,533</b>	-	<b>29,524,539</b>	<b>28,970,915</b>	-	-	<b>28,970,915</b>

### The Company 31 December 2018

In thousands of Naira	Notes	Carrying amount			Fair value			Total fair value	
		FVOCI	Amortised Cost	FVTPL	Level 1	Level 2	Level 3		
<b>Financial assets measured at fair value</b>									
- Treasury Bills	17(b)	5,879,813	-	-	5,879,813	5,879,813	-	-	5,879,813
- Federal Government Bonds	17(a)	732,273	19,796,286	-	20,528,559	19,635,355	-	-	19,635,355
- Corporate Government Bonds	17(a)	176,613	2,523,247	-	2,699,860	3,039,440	-	-	3,039,440
- State Government Bonds	17(a)	416,307	-	-	416,307	416,307	-	-	416,307
		<b>7,205,006</b>	<b>22,319,533</b>	-	<b>29,524,540</b>	<b>28,970,915</b>	-	-	<b>28,970,915</b>

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 9 Revenue

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
<b>Revenue from core activities</b>				
Eligibility fees	20,269	20,269	27,111	27,111
Depository fees	1,451,697	1,451,697	1,260,625	1,260,625
Transaction fees	2,439,885	2,439,885	3,316,893	3,316,893
	<b>3,911,852</b>	<b>3,911,852</b>	<b>4,604,629</b>	<b>4,604,629</b>
<b>Revenue from non-core activities</b>				
Collateral management fees*	116,267	116,267	40,257	40,257
Data centre subscriptions*	197,575	197,575	24,344	24,344
Nominal fees	262,151	262,151	89,686	89,686
Settlement Banks Participation Fees	31,010	31,010	20,000	20,000
Statement of stock position fees	9,028	9,028	16,015	16,015
Special Accounts Fee	11,103	11,103	11,776	11,776
Website subscription fees	29,074	29,074	35,778	35,778
X-Alert Fee	3,172	3,172	3,226	3,226
DMO Services - FG Saving	10,964	10,964	1,695	1,695
Legal Entity Identifier Subscription	6,611	6,611	4,900	4,900
	<b>676,955</b>	<b>676,955</b>	<b>247,677</b>	<b>247,677</b>
<b>Total revenue</b>	<b>4,588,807</b>	<b>4,588,807</b>	<b>4,852,306</b>	<b>4,852,306</b>

\* The amount of ₦56 million making up contract liabilities as at 31 December 2018 has been recognised as revenue in 2019.

### 10 Investment Income

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Interest income from:				
Fixed deposits	331,545	331,545	100,726	100,726
Treasury bills	1,033,149	1,033,149	970,243	970,243
Federal Government bonds	2,576,435	2,576,435	2,493,574	2,493,574
Corporate bonds	25,613	25,613	144,953	144,953
State bonds	458,134	458,134	495,647	495,647
<b>Total interest income</b>	<b>4,424,876</b>	<b>4,424,876</b>	<b>4,205,143</b>	<b>4,205,143</b>
Gain on disposal of Treasury Bills	80,958	80,958	-	-
Gain on disposal of FGN Bond	106,403	106,403	12,439	12,439
<b>Profit on disposal of investment</b>	<b>187,361</b>	<b>187,361</b>	<b>12,439</b>	<b>12,439</b>
<b>Total investment income</b>	<b>4,612,237</b>	<b>4,612,237</b>	<b>4,217,582</b>	<b>4,217,582</b>

The total amount of investment income on instruments measured at amortised cost for the Group and Company is ₦3.152bn (2018: ₦2.892bn).

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 11 Other income

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Profit on disposal of property and equipment	4,263	4,263	11,366	11,366
Miscellaneous Income	833	833	831	831
	<b>5,096</b>	<b>5,096</b>	<b>12,197</b>	<b>12,197</b>

### 12 Expenses

#### 12.1(i) Personnel Expenses

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Salaries and allowances	801,448	801,448	572,074	572,074
Staff training and development	41,264	41,264	64,557	64,557
Staff welfare and medical expenses	125,976	125,976	119,977	119,977
Performance Bonus (see note (i) below)	228,362	228,362	407,211	407,211
Long Term Incentive Scheme Expense(see note (ii) below)	44,054	44,054	34,299	34,299
Nigeria Social Insurance Trust Fund (NSITF)	2,601	2,601	2,539	2,539
Staff pension contribution (see note (iii) below)	73,481	73,481	67,422	67,422
	<b>1,317,186</b>	<b>1,317,186</b>	<b>1,268,079</b>	<b>1,268,079</b>

(i) Performance bonus accrual for 2019 was made because the year to date result was above the required threshold of 85% performance as provided for in the revised board approved staff incentive bonus scheme for the year ended 31 December 2019.

(ii) Long Term Incentive Scheme is a defined benefit (as approved by the Board).

(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 Pension Fund Administrators do not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior years.

#### 12.1(ii) Employee Information:

(a) The average number of persons employed during the year were as follows:

	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Executive Directors	1	1	1	1
Management	5	5	2	2
Non-management	113	113	91	91
	<b>119</b>	<b>119</b>	<b>94</b>	<b>94</b>

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

- (b) The Directors who received fees and other emoluments (excluding pension contributions and reimbursable expenses) were:

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Chairman	13,333	13,333	12,083	12,083
Other Non-Executive Directors	104,100	104,100	111,746	111,746
	<b>117,433</b>	<b>117,433</b>	<b>123,829</b>	<b>123,829</b>
The Directors remuneration as shown above includes:				
The Chairman	13,333	13,333	12,083	12,083
The highest paid Director	13,867	13,867	12,700	12,700

- (c) The number of Directors who received fees and other emoluments (excluding pension contributions and reimbursable expenses) in the following ranges were:

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
₦1,000,000 - ₦5,000,000	8	8	1	1
₦5,000,001 and above	6	6	11	11
	<b>14</b>	<b>14</b>	<b>12</b>	<b>12</b>

- (d) The employees of the Group, other than Directors, who received remuneration in the following ranges (excluding pension contributions and other benefits) were:

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
₦60,000 - ₦1,000,000	-	-	-	-
₦1,000,001 - 3,000,000	12	12	12	12
₦3,000,001 - ₦6,000,000	66	66	53	53
₦6,000,001 - ₦9,000,000	15	15	12	12
₦9,000,001 and above	25	25	17	17
	<b>118</b>	<b>118</b>	<b>94</b>	<b>94</b>



## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 12.2 Other operating expenses

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Maintenance expenses	27,831	27,831	28,285	28,285
Office running expenses (see note (a) below)	305,034	292,700	319,759	319,759
Business development (see note (b) below)	387,336	387,336	327,218	327,218
Board of Directors fees	117,433	117,433	123,829	123,829
Board of Directors expenses	233,939	233,939	240,682	240,682
Donations	32,700	32,700	31,032	31,032
Professional fees	91,139	91,139	207,469	207,469
Audit fees	20,000	20,000	20,000	20,000
Bank charges	13,151	13,151	13,417	13,417
Net loss on foreign exchange	597	597	344	344
Penalties	1,000	1,000	-	-
Industrial Training Fund (ITF)	13,274	13,274	15,142	15,142
Other miscellaneous expenses (see note (c) below)	25,004	25,004	20,648	20,648
	<b>1,268,438</b>	<b>1,256,104</b>	<b>1,347,825</b>	<b>1,347,825</b>

(a) Office running expenses represents expenses incurred in running the business efficiently which comprise subscription, insurance, printing and stationery, marketing and brand communication expense, and other administrative expenses.

(b) Business development expenses

Business development expenses can be analysed as follows:

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Data centre/IT Maintenance	100,449	100,449	136,458	136,458
Travelling	72,839	72,839	41,497	41,497
Business promotion/development	-	-	12,000	12,000
Digital centre services expenses	66,926	66,926	19,046	19,046
Software license fees	144,242	144,242	115,368	115,368
Legal Entity Identifier remittance	2,880	2,880	2,849	2,849
	<b>387,336</b>	<b>387,336</b>	<b>327,218</b>	<b>327,218</b>

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

- (c) Other miscellaneous expenses  
Other miscellaneous expenses can be analysed as follows:

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Filing fees	128	128	287	287
Entertainment	3,575	3,575	3,012	3,012
Annual General Meeting (AGM) expenses	17,974	17,974	13,849	13,849
Investor relations expense	3,013	3,013	3,500	3,500
Investor Protection Scheme (see note (d) below)	314	314	-	-
	<b>25,004</b>	<b>25,004</b>	<b>20,648</b>	<b>20,648</b>

- ((d) Investor protection expenses 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.

### 12.3 Finance Cost

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Lease interest	48,546	48,546	-	-
	<b>48,546</b>	<b>48,546</b>	<b>-</b>	<b>-</b>

### 12.4 Depreciation and amortisation

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Depreciation of property and equipment (See (15))	202,221	202,221	138,191	138,191
Amortisation of intangible assets (See (16))	345,685	345,685	345,053	345,053
	<b>547,906</b>	<b>547,906</b>	<b>483,244</b>	<b>483,244</b>

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 13 Taxation

#### 13(a) Income tax expense recognised in profit or loss

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Corporate income tax	517,508	517,508	521,930	521,930
Excess dividend tax paid (see note (i) below)	534,070	534,070	595,682	595,682
Tertiary Education tax	37,030	37,030	38,400	38,400
Information technology levy	59,868	59,868	61,301	61,301
Police trust fund	299	299	-	-
<b>Income tax</b>	<b>1,148,775</b>	<b>1,148,775</b>	<b>1,217,313</b>	<b>1,217,313</b>
<b>Deferred tax expense</b>				
Reversal of temporary differences - deferred tax	(7,020)	(7,020)	51,701	51,701
	<b>1,141,755</b>	<b>1,141,755</b>	<b>1,269,014</b>	<b>1,269,014</b>

(i) During the year, the Company was liable to excess dividend tax of ₦534.07million representing 30% of ₦3.5 billion dividend paid over the income tax of ₦521.9million recognised as tax expense in 2018.

#### Reconciliation of effective tax rate

##### The Group

<i>In thousands of Naira</i>	<b>31 December 2019</b>		<b>31 December 2018</b>	
	<b>Tax Rate</b>	<b>Amount</b>	<b>Tax Rate</b>	<b>Amount</b>
Profit before tax		6,042,434		6,091,344
Income tax using the domestic corporation tax rate	30.00%	1,812,730	30.00%	1,827,403
Non-deductible expenses	0.71%	42,901	0.90%	54,660
Non taxable income	-23.65%	(1,428,962)	-22.71%	(1,383,276)
Tertiary Education tax	2.00%	120,849	2.00%	121,827
Impact of NITDA Levy	0.99%	59,868	1.01%	61,301
Excess Dividend Tax	8.84%	534,070	9.78%	595,682
Changes in estimates relate to prior years	0.00%	-	-0.14%	(8,583)
Police trust fund	0.00%	299	0.00%	-
	<b>18.90%</b>	<b>1,141,755</b>	<b>20.83%</b>	<b>1,269,014</b>

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### Reconciliation of effective tax rate

#### The Company

<i>In thousands of Naira</i>	31 December 2019		31 December 2018	
	Tax Rate	Amount	Tax Rate	Amount
Profit before tax		5,986,837		6,109,749
Income tax using the domestic corporation tax rate	30.00%	1,796,051	30.00%	1,832,925
Non-deductible expenses	0.72%	42,901	0.89%	54,660
Non taxable income	-23.57%	(1,411,171)	-22.74%	(1,389,166)
Tertiary Education tax	2.00%	119,737	2.00%	122,195
Impact of NITDA Levy	1.00%	59,868	1.00%	61,301
Excess Dividend Tax	8.92%	534,070	9.75%	595,682
Changes in estimates relate to prior years	0.00%	-	-0.14%	(8,583)
Police trust fund	0.00%	299	0.00%	-
	<b>19.07%</b>	<b>1,141,755</b>	<b>20.77%</b>	<b>1,269,014</b>

### 13(b) Deferred tax (liabilities)/ assets:

Deferred tax (liabilities)/assets attributable to the following:

<i>In thousands of Naira</i>	Group 31-Dec 2019	Company 31-Dec 2019	Group 31-Dec 2018	Company 31-Dec 2018
Property and equipment, and software	(64,453)	(64,453)	(70,953)	(70,953)
Trade receivables	34,967	34,967	22,702	22,702
Defined benefit plan	47,662	47,662	34,848	34,848
Trade receivables	(24,558)	(24,558)	-	-
Actuarial gain/(loss)	(365)	(365)	-	-
	<b>(6,747)</b>	<b>(6,747)</b>	<b>(13,403)</b>	<b>(13,403)</b>

### Movement in deferred tax balances:

<i>In thousands of Naira</i>	Balance, beginning of year	Recognised in Profit or loss	Recognised in OCI	Balance, end of year	Deferred tax asset/ (liabilities)
<b>31 December 2019</b>					
Property and equipment	(70,953)	6,500	-	(64,453)	(64,453)
Trade receivables	22,702	12,265	-	34,967	34,967
Defined benefit plan	34,848	12,814	-	47,662	47,662
Trade receivables	-	(24,558)	-	(24,558)	(24,558)
Actuarial gain/(loss)	-	-	(365)	(365)	(365)
<b>Tax assets/(liabilities)</b>	<b>(13,403)</b>	<b>7,021</b>	<b>(365)</b>	<b>(6,747)</b>	<b>(6,747)</b>
<b>31 December 2018</b>					
Property and equipment	(54,474)	(16,479)	-	(70,953)	(70,953)
Trade receivables	114,189	(91,487)	-	22,702	22,702
Defined benefit plan	(21,417)	56,265	-	34,848	34,848
Tax assets/(liabilities)	38,298	(51,701)	-	(13,403)	(13,403)

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 13(c) Current Tax Liabilities

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Balance, beginning of year	652,577	652,577	582,765	582,765
Charge for the year (see note 13(a) above)	1,148,775	1,148,775	1,217,313	1,217,313
Payments during the year	(1,112,460)	(1,112,460)	(1,147,501)	(1,147,501)
Withholding tax credit utilised during the year	(36,638)	(36,638)	-	-
<b>Balance, end of period</b>	<b>652,254</b>	<b>652,254</b>	<b>652,577</b>	<b>652,577</b>

### 13(d) Income tax expense recognised in OCI

<i>In thousands of Naira</i>	<b>Before tax 31 December 2019</b>	<b>Tax (expense)/ benefit 31 December 2019</b>	<b>Net of tax 31 December 2019</b>
Remeasurement of defined benefit liability	1,216	(365)	851

## 14 Basic/Diluted earnings per share

The calculation of basic/diluted earnings per share at 31 December 2019 was based on the profit attributable to ordinary shareholders of ₦4.9 billion for the Group and ₦4.85 billion for the Company (31 December 2018: ₦4.82 billion for the Group and ₦4.84 billion for the Company) and an average number of ordinary shares outstanding of 5,000,000,000 (31 December 2018: 5,000,000,000).

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Profit attributable to ordinary shareholders	4,900,679	4,845,082	4,822,330	4,840,735
<i>In thousands of unit</i>				
Weighted average number of ordinary shares (basic/diluted)	5,000,000	5,000,000	5,000,000	5,000,000
Earnings per share (basic/diluted)- Kobo	98k	97k	96k	97k

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 15 Property and equipment

#### The Group

<i>In thousands of Naira</i>	Motor vehicles	Furniture and fittings	Office equipment	Computer equipment	Leasehold Improvement	Building Right-of-use asset	Work-in-progress	Total
<b>Cost</b>								
Balance at 1 January 2018	264,080	131,534	156,812	913,808	75,469	-	-	1,541,703
Additions	160,324	19,658	212	51,089	-	-	156,030	387,313
Disposals	(91,935)	(14,693)	(37,866)	(57,287)	-	-	-	(201,781)
<b>Balance at 31 December 2018</b>	<b>332,469</b>	<b>136,499</b>	<b>119,158</b>	<b>907,610</b>	<b>75,469</b>	<b>-</b>	<b>156,030</b>	<b>1,727,235</b>
Balance at 1 January 2019	332,469	136,499	119,158	907,610	75,469	-	156,030	1,727,235
Recognition of right-of-use asset on initial application of IFRS 16	-	-	-	-	-	356,287	-	356,287
Adjusted balance at 1 January 2019	332,469	136,499	119,158	907,610	75,469	356,287	156,030	2,083,522
Additions	-	1,588	5,786	33,528	-	-	303,835	344,737
Reclassification from WIP	45,355	-	-	-	-	-	(45,355)	-
Disposals/Transfers	(22,900)	(260)	(3,105)	(26)	-	-	(10,856)	(37,147)
<b>Balance as at 31 December 2019</b>	<b>354,924</b>	<b>137,827</b>	<b>121,839</b>	<b>941,112</b>	<b>75,469</b>	<b>356,287</b>	<b>403,654</b>	<b>2,391,112</b>
<b>Accumulated depreciation</b>								
At 1 January 2018	142,316	102,619	98,470	770,930	60,617	-	-	1,174,952
Depreciation for the year	53,302	6,827	16,529	50,872	10,661	-	-	138,191
Disposals	(77,831)	(13,536)	(34,180)	(55,936)	-	-	-	(181,483)
<b>Balance at 31 December 2018</b>	<b>117,787</b>	<b>95,910</b>	<b>80,819</b>	<b>765,866</b>	<b>71,278</b>	<b>-</b>	<b>-</b>	<b>1,131,660</b>
At 1 January 2019	117,787	95,910	80,819	765,866	71,278	-	-	1,131,660
Depreciation for the year	64,734	7,893	14,642	57,671	3,548	53,734	-	202,222
Disposals	(22,900)	(249)	(3,105)	(26)	-	-	-	(26,280)
<b>Balance as at 31 December 2019</b>	<b>159,621</b>	<b>103,554</b>	<b>92,356</b>	<b>823,511</b>	<b>74,826</b>	<b>53,734</b>	<b>-</b>	<b>1,307,602</b>
<b>Carrying amount as at</b>								
<b>31 December 2018</b>	<b>214,682</b>	<b>40,589</b>	<b>38,339</b>	<b>141,744</b>	<b>4,191</b>	<b>-</b>	<b>156,030</b>	<b>595,575</b>
<b>Carrying amount as at</b>								
<b>31 December 2019</b>	<b>195,303</b>	<b>34,273</b>	<b>29,483</b>	<b>117,601</b>	<b>643</b>	<b>302,553</b>	<b>403,654</b>	<b>1,083,510</b>

- There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2018: Nil).
- There is a capital commitment of ₦89.3m for office retrofit as at 31 December 2019.
- All items of property and equipment are non-current.
- There were no impairment losses on any class of property and equipment during the year. (2018: Nil).
- There were no items of property and equipment pledged as security for borrowings as at 31 December 2019. (2018: Nil).
- Other WIP items are amount ₦278.6m for office retrofit expense, ₦96.5m paid for Motor Vehicle yet to be delivered, partially paid office equipment of ₦14.8m and ₦13.6m ongoing project.

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 15 Property and equipment

#### The Company

<i>In thousands of Naira</i>	Motor vehicles	Furniture and fittings	Office equipment	Computer equipment	Leasehold Improvement	Building Right-of-use asset	Work-in-progress	Total
<b>Cost</b>								
Balance at 1 January 2018	264,080	131,534	156,812	913,808	75,469	-	-	1,541,703
Additions	160,324	19,658	212	51,089	-	-	156,030	387,313
Disposals	(91,935)	(14,693)	(37,866)	(57,287)	-	-	-	(201,781)
<b>Balance at 31 December 2018</b>	<b>332,469</b>	<b>136,499</b>	<b>119,158</b>	<b>907,610</b>	<b>75,469</b>	<b>-</b>	<b>156,030</b>	<b>1,727,235</b>
Balance at 1 January 2019	332,469	136,499	119,158	907,610	75,469	-	156,030	1,727,235
Recognition of right-of-use asset on initial application of IFRS 16	-	-	-	-	-	356,287	-	356,287
Adjusted balance at 1 January 2019	332,469	136,499	119,158	907,610	75,469	356,287	156,030	2,083,522
Additions	-	1,588	5,786	33,528	-	-	303,835	344,737
Reclassification from WIP	45,355	-	-	-	-	-	(45,355)	-
Disposals/Transfers	(22,900)	(260)	(3,105)	(26)	-	-	(10,856)	(37,147)
<b>Balance as at 31 December 2019</b>	<b>354,924</b>	<b>137,827</b>	<b>121,839</b>	<b>941,112</b>	<b>75,469</b>	<b>356,287</b>	<b>403,654</b>	<b>2,391,112</b>
<b>Accumulated depreciation</b>								
At 1 January 2018	142,316	102,619	98,470	770,930	60,617	-	-	1,174,952
Depreciation for the year	53,302	6,827	16,529	50,872	10,661	-	-	138,191
Disposals	(77,831)	(13,536)	(34,180)	(55,936)	-	-	-	(181,483)
<b>Balance at 31 December 2018</b>	<b>117,787</b>	<b>95,910</b>	<b>80,819</b>	<b>765,866</b>	<b>71,278</b>	<b>-</b>	<b>-</b>	<b>1,131,660</b>
At 1 January 2019	117,787	95,910	80,819	765,866	71,278	-	-	1,131,660
Depreciation for the year	64,734	7,893	14,642	57,671	3,548	53,734	-	202,222
Disposals	(22,900)	(249)	(3,105)	(26)	-	-	-	(26,280)
<b>Balance as at 31 December 2019</b>	<b>159,621</b>	<b>103,554</b>	<b>92,356</b>	<b>823,511</b>	<b>74,826</b>	<b>53,734</b>	<b>-</b>	<b>1,307,602</b>
<b>Carrying amount as at</b>								
<b>31 December 2018</b>	<b>214,682</b>	<b>40,589</b>	<b>38,339</b>	<b>141,744</b>	<b>4,191</b>	<b>-</b>	<b>156,030</b>	<b>595,575</b>
<b>31 December 2019</b>	<b>195,303</b>	<b>34,273</b>	<b>29,483</b>	<b>117,601</b>	<b>643</b>	<b>302,553</b>	<b>403,654</b>	<b>1,083,510</b>

- (a) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2018: Nil).
- (b) There is a capital commitment of ₦279m for office retrofit as at 31 December 2019.
- (c) All items of property and equipment are non-current.
- (d) There were no impairment losses on any class of property and equipment during the year. (2018: Nil).
- (e) There were no items of property and equipment pledged as security for borrowings as at 31 December 2019. (2018: Nil).
- (f) Other WIP items are amount (₦96.5m) paid for Motor Vehicle yet to be delivered, partially paid office equipment of ₦14.8m and ₦13.6m ongoing project.

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 16 Intangible assets

#### The Group

<i>In thousands of Naira</i>	<b>Software</b>	<b>Software under development</b>	<b>Total</b>
<b>Cost:</b>			
Balance at 1 January 2018	3,542,796	18,398	3,561,194
Additions	23,568	-	23,568
Reclassification during the year	2,700	(2,700)	-
<b>Balance as at 31 December 2018</b>	<b>3,569,064</b>	<b>15,698</b>	<b>3,584,762</b>
<b>Cost:</b>			
Balance as at 1 January 2019	3,569,064	15,698	3,584,762
Additions during the year	25,499	16,056	41,555
Reclassification during the year	24,246	(24,246)	-
<b>Balance as at 31 December 2019</b>	<b>3,618,809</b>	<b>7,508</b>	<b>3,626,317</b>
<b>Accumulated Amortisation:</b>			
Balance as at 1 January 2018	2,150,108	-	2,150,108
Amortisation charge for the year	345,053	-	345,053
Disposals	-	-	-
<b>Balance as at 31 December 2018</b>	<b>2,495,161</b>	<b>-</b>	<b>2,495,161</b>
<b>Accumulated Amortisation:</b>			
Balance as at 1 January 2019	2,495,161	-	2,495,161
Amortisation charge for the year	345,685	-	345,685
<b>Balance as at 31 December 2019</b>	<b>2,840,846</b>	<b>-</b>	<b>2,840,846</b>
<b>Carrying amount:</b>			
<b>At 31 December 2018</b>	<b>1,073,903</b>	<b>15,698</b>	<b>1,089,601</b>
<b>At 31 December 2019</b>	<b>777,963</b>	<b>7,508</b>	<b>785,471</b>



## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### The Company

<i>In thousands of Naira</i>	<b>Software</b>	<b>Software under development</b>	<b>Total</b>
<b>Cost:</b>			
Balance at 1 January 2018	3,542,796	18,398	3,561,194
Additions	23,568	-	23,568
Reclassification during the year	2,700	(2,700)	-
<b>Balance as at 31 December 2018</b>	<b>3,569,064</b>	<b>15,698</b>	<b>3,584,762</b>
Balance as at 1 January 2019	3,569,064	15,698	3,584,762
Additions during the year	25,499	16,056	41,555
Reclassification during the year	24,246	(24,246)	-
<b>Balance as at 31 December 2019</b>	<b>3,618,809</b>	<b>7,508</b>	<b>3,626,317</b>
<b>Accumulated Amortisation:</b>			
Balance as at 1 January 2018	2,150,108	-	2,150,108
Amortisation charge for the year	345,053	-	345,053
Disposals	-	-	-
<b>Balance as at 31 December 2018</b>	<b>2,495,161</b>	<b>-</b>	<b>2,495,161</b>
Balance as at 1 January 2019	2,495,161	-	2,495,161
Amortisation charge for the year	345,685	-	345,685
<b>Balance as at 31 December 2019</b>	<b>2,840,846</b>	<b>-</b>	<b>2,840,846</b>
<b>Carrying amount:</b>			
<b>At 31 December 2018</b>	<b>1,073,903</b>	<b>15,698</b>	<b>1,089,601</b>
<b>At 31 December 2019</b>	<b>777,963</b>	<b>7,508</b>	<b>785,471</b>

- (a) There were no capitalised borrowing costs related to the acquisition of the intangible assets during the year. (2018: Nil).
- (b) All intangible assets are non current.
- (c) All intangible assets have a finite useful life and are amortised over the useful life of the assets.
- (d) No leased assets are included in the above intangible assets accounts. (2018: Nil).
- (e) The company has no capital commitment as at year end (2018: Nil).
- (f) No intangible asset was impaired as at 31 December 2019 (2018: Nil).
- (g) The core software, TCs Bancs' carrying amount as at the end of the year is ₦641.3m and the remaining amortisation period is three (3) years.

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 17 Investment Securities

Investments can be analysed as follows:

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

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Federal Government bonds	19,362,103	19,362,103	20,528,558	20,528,558
Corporate bonds	129,414	129,414	176,613	176,613
State Government bonds	2,419,355	2,419,355	2,939,554	2,939,554
Equity Investments	50,100	50,100	-	-
<b>Total non-current investment securities</b>	<b>21,960,972</b>	<b>21,960,972</b>	<b>23,644,726</b>	<b>23,644,726</b>
<b>At Amortised Cost</b>				
Federal Government bonds	19,144,992	19,144,992	19,796,286	19,796,286
State Government bonds	2,302,012	2,302,012	2,523,247	2,523,247
<b>Total Amortised Cost Investment Securities</b>	<b>21,447,004</b>	<b>21,447,004</b>	<b>22,319,533</b>	<b>22,319,533</b>
<b>At Fair Value through Other Comprehensive Income (FVOCI)</b>				
Federal Government bonds	217,111	217,111	732,273	732,273
Corporate bonds	129,414	129,414	176,613	176,613
State Government bonds	117,343	117,343	416,307	416,307
<b>Total Fair Value through Other Comprehensive Income Investment Securities</b>	<b>463,868</b>	<b>463,868</b>	<b>1,325,193</b>	<b>1,325,193</b>
<b>Equity Investment</b>				
NSE Nominees Limited	100	100	-	-
Lagos Commodity Futures and Exchange	50,000	50,000	-	-
<b>Total Fair Value through Other Comprehensive Income Equity Investment</b>	<b>50,100</b>	<b>50,100</b>	<b>-</b>	<b>-</b>
<b>Total non-current investment securities</b>	<b>21,960,972</b>	<b>21,960,972</b>	<b>23,644,726</b>	<b>23,644,726</b>

#### 17(b) Current investment securities

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019 FVOCI</b>	<b>Company 31-Dec 2019 FVOCI</b>	<b>Group 31-Dec 2018 FVOCI</b>	<b>Company 31-Dec 2018 FVOCI</b>
Treasury Bills	5,005,511	5,005,511	5,879,813	5,879,813
<b>Total current investment securities</b>	<b>5,005,511</b>	<b>5,005,511</b>	<b>5,879,813</b>	<b>5,879,813</b>

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 17(c) Fair Value through Other Comprehensive Income - Financial Instruments

Per statement of profit or loss and other comprehensive income

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
<b>Treasury Bills</b>				
Fair Value	6,194,814	6,194,814	5,879,813	5,879,813
Amortised cost	5,941,630	5,941,630	5,899,529	5,899,529
<b>Fair Value (Loss)/Gain - See note 25(c)</b>	<b>253,184</b>	<b>253,184</b>	<b>(19,716)</b>	<b>(19,716)</b>
<b>Federal Government Bond</b>				
Fair Value	217,111	217,111	732,273	732,273
Amortised cost	190,864	190,864	709,488	709,488
<b>Fair Value Gain/(Loss)</b>	<b>26,247</b>	<b>26,247</b>	<b>(22,786)</b>	<b>(22,786)</b>
<b>Corporate Bond</b>				
Fair Value	129,414	129,414	176,613	176,613
Amortised cost	130,626	130,626	171,083	171,083
<b>Fair Value Gain/(Loss)</b>	<b>(1,212)</b>	<b>(1,212)</b>	<b>5,530</b>	<b>5,530</b>
<b>State Government Bond</b>				
Fair Value	117,343	117,343	416,307	416,307
Amortised cost	108,944	108,944	385,884	385,884
<b>Fair Value Gain/(Loss)</b>	<b>8,399</b>	<b>8,399</b>	<b>30,423</b>	<b>30,423</b>
<b>Total fair value Gain/ (Loss) on Bonds - See note 25 (c)</b>	<b>33,434</b>	<b>33,434</b>	<b>13,167</b>	<b>13,167</b>

At the reporting date, all investments booked as FVOCI were marked to market and the change in fair value reported through OCI.

### 18(a) Trade receivables

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Trade receivables (See note (i) below)	293,602	293,602	177,956	177,956
Allowance for doubtful trade receivables (See note 18(b) below)	(116,559)	(116,559)	(75,677)	(75,677)
Net Carrying amount	177,043	177,043	102,279	102,279
<b>Current Assets</b>	<b>177,043</b>	<b>177,043</b>	<b>102,279</b>	<b>102,279</b>

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 18(b) Impairment allowance on trade receivables

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Balance, beginning of year	75,799	75,799	120,921	120,921
IFRS 9 Transition adjustment	-	-	(55,688)	(55,688)
Charge during the year	40,760	40,760	10,444	10,444
Allowances no longer required	-	-	-	-
<b>Net (reversal)/charge for the year</b>	<b>40,760</b>	<b>40,760</b>	<b>10,444</b>	<b>10,444</b>
Write offs	-	-	-	-
<b>Balance, end of year</b>	<b>116,559</b>	<b>116,559</b>	<b>75,677</b>	<b>75,677</b>

### 19(a) Other assets

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Financial assets				
Ex-Staff Debtors	2,243	2,243	1,827	1,827
Amount due from NG Clearing Ltd	-	-	44,991	44,991
Other receivables	76,830	76,830	109,807	109,807
<b>Gross financial assets</b>	<b>79,073</b>	<b>79,073</b>	<b>156,625</b>	<b>156,625</b>
Impairment allowance on other assets (see note 19(b) below)	(68,400)	(68,400)	(68,400)	(68,400)
<b>Net financial assets</b>	<b>10,673</b>	<b>10,673</b>	<b>88,225</b>	<b>88,225</b>
<b>Non-financial assets</b>				
Withholding tax recoverable	32,784	32,784	6,763	6,763
Stock Account	283	283	281	281
Prepayment	129,412	129,412	220,062	207,728
Sundry stock	8,725	8,725	9,049	9,049
<b>Total non-financial assets</b>	<b>171,204</b>	<b>171,204</b>	<b>236,155</b>	<b>223,821</b>
<b>Total other assets</b>	<b>181,877</b>	<b>181,877</b>	<b>324,380</b>	<b>312,046</b>

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 19(b) Impairment allowance on other assets

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Balance, beginning of year	68,400	68,400	-	-
Charge during the year	-	-	68,400	68,400
<b>Balance, end of year</b>	<b>68,400</b>	<b>68,400</b>	<b>68,400</b>	<b>68,400</b>

### 20 Impairment loss/(reversal) on financial assets

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Impairment (reversal)/loss on trade receivables (Note 18(b))	40,760	40,760	10,444	10,444
Impairment reversal on investment securities	8,801	8,801	(137,256)	(137,256)
	<b>49,561</b>	<b>49,561</b>	<b>(126,812)</b>	<b>(126,812)</b>

### 21 Cash and cash equivalents

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Cash at hand	865	865	7,720	7,720
Balances with banks	5,501,373	5,501,318	3,000,946	3,000,891
Fixed deposits	5	5	320,289	320,289
Treasury bills with original maturity period of 90 days or less	1,189,302	1,189,302	297,913	297,913
<b>Carrying amount</b>	<b>6,691,545</b>	<b>6,691,490</b>	<b>3,626,868</b>	<b>3,626,813</b>
<b>Current Assets</b>	<b>6,691,545</b>	<b>6,691,490</b>	<b>3,626,868</b>	<b>3,626,813</b>

### 22 Intercompany receivables

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Intercompany receivables (See note a)	-	34,511	-	34,511
<b>Carrying amount</b>	<b>-</b>	<b>34,511</b>	<b>-</b>	<b>34,511</b>
<b>Non-current Assets</b>	<b>-</b>	<b>34,511</b>	<b>-</b>	<b>34,511</b>

- (a) Intercompany receivables represent amount receivable from the Company's subsidiary, Insurance Repository Nigeria Limited for payments made by the Company with respect to the pre-operational expenses incurred on behalf of the subsidiary.

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 23 Equity-accounted investee

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Investment in Associate - NG Clearing Limited (See note 23(a) below)	591,357	670,500	1,762	62,500
Additional investment during the year	66,187	66,187	608,000	608,000
Share of profit/(loss) from associate (b)	67,931	-	(18,405)	-
<b>Carrying amount</b>	<b>725,475</b>	<b>736,687</b>	<b>591,357</b>	<b>670,500</b>
<b>Non-current Assets</b>	<b>725,475</b>	<b>736,687</b>	<b>591,357</b>	<b>670,500</b>

#### (a) Investment in Associate - NG Clearing Limited

NG Clearing Limited is an associate company in which the Company has 22.6% ownership interest (2018: 22.6%). It is principally established to operate clearing house(s) for the clearance and settlement of transactions in financial securities and derivatives contracts. The Company was incorporated in the year 2016 and has not commenced operations.

Total amount recognised in profit or loss is as follows:

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Share of profit/(loss) from NG Clearing Limited	67,931	-	(18,405)	-
<b>Carrying amount</b>	<b>67,931</b>	<b>-</b>	<b>(18,405)</b>	<b>-</b>

#### (b) Share of profit/(loss) from associate

<i>In thousands of Naira</i>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Percentage ownership interest</b>	<b>22.6%</b>	<b>22.6%</b>
Current assets	3,543,613	3,236,944
Non-current assets	24,287	257
Current liabilities	(546,775)	(226,475)
Non-current liabilities	-	-
<b>Net Asset (100%)</b>	<b>3,021,125</b>	<b>3,010,726</b>
Group's share of net asset	682,774	591,357
<b>Carrying Amount of interest in associate</b>	<b>682,774</b>	<b>591,357</b>
Revenue	380,597	-
Total Expense	(80,017)	-
Profit/(loss) from continuing operations	300,580	(81,438)
<b>Group's share of accumulated profit/(loss)</b>	<b>67,931</b>	<b>(18,405)</b>

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### Reconciliation of opening and closing net assets of associate company

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>
Opening balance (1 January 2019)	3,010,726
Impact of 2018 audit adjustments on associate	(422,556)
Adjusted net assets of equity	2,588,170
Profit of associate for the year	300,580
Equity transaction with shareholders recognised directly in retained earnings	132,375
	<b>3,021,125</b>

## 24 Investment in subsidiary

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Insurance Repository Nigeria Limited	-	10,000	-	10,000
<b>Carrying amount</b>	<b>-</b>	<b>10,000</b>	<b>-</b>	<b>10,000</b>

The Company has a 99.9% holding in Insurance Repository Nigeria Limited. Insurance Repository Nigeria Limited was incorporated in Nigeria and was yet to commence operations as at 31 December 2019. Its principal objective is to enhance the record keeping of insurance data and policies.

## 25 Capital and reserves

### 25(a) Share Capital

#### Share capital - Authorised

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
5,000,000,000 ordinary shares of N1 each	5,000,000	5,000,000	5,000,000	5,000,000
<b>Share capital - in issue at 31 December - fully paid</b>				
Ordinary shares in issue and fully paid at 1 January	5,000,000	5,000,000	5,000,000	5,000,000

### 25(b) Retained earnings

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

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 25(c) Fair value reserves

The fair value reserves comprises the cumulative net change in the fair value of debt securities designated at FVOCI until the assets are derecognised or reclassified.

This amount is reduced by the amount of loss allowance.

Analysis of fair value reserves are as follows:

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Opening fair value reserves (loss)	22,709	22,709	153,529	153,529
Debt Instruments at FVOCI - Reclassified to amortised cost (See note (i) below)	-	-	(12,090)	(12,090)
ECL on FVOCI at start of year	-	-	(103,277)	(103,277)
Adjustment on initial recognition of IFRS 9	22,709	22,709	38,162	38,162
Fair value (gain)/loss on FVOCI treasury bills - See note 17(c)	(253,184)	(253,184)	19,716	19,716
Fair value (gain)/ loss on FVOCI bonds - See note 17(c)	(33,434)	(33,434)	(13,168)	(13,168)
Reversal of prior year fair value gains on derecognition of FVOCI assets	(59,436)	(59,436)	(115,867)	(115,867)
ECL on FVOCI (see note (i) below)	6,315	6,315	93,865	93,865
Debt Instruments at FVOCI- net change in fair value	(339,739)	(339,739)	(15,453)	(15,453)
Closing Fair value reserves	<b>(317,029)</b>	<b>(317,029)</b>	<b>22,709</b>	<b>22,709</b>

i) This represents ECL adjustments on FVOCI financial assets as at year end.

### 25(d) Actuarial reserves

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
<b>Statement of other comprehensive income:</b>				
Actuarial gains and (losses) arising from changes in financial assumptions and experience adjustments	1,216	1,216	-	-
<b>Total</b>	<b>1,216</b>	<b>1,216</b>	<b>-</b>	<b>-</b>



## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 25(e) Dividend

The Company has proposed a final dividend of 86 kobo per share from the retained earnings account as at 31 December 2019, pending the approval of the shareholders at the 2019 Annual General Meeting.

The following dividends were declared and paid by the Company:

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Dividend	86	4,300,000,000	70	3,500,000,000

This represents the dividend proposed for the preceding year but paid in the current year.

### 26 Intercompany payables

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Insurance Repository Nigeria Limited (See note (a) below)	-	10,000	-	10,000
Carrying amount	-	<b>10,000</b>	-	<b>10,000</b>

- (a) Intercompany payables represents amount payable to the Company's subsidiary, Insurance Repository Nigeria Limited for purchase of the subsidiary's shares.

### 27 Payables and accruals

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
<b>Financial liabilities</b>				
Sundry creditors	124,649	124,649	137,260	137,260
Accruals	101,489	101,489	249,612	249,612
Audit fees	17,465	17,465	18,585	18,585
<b>Total other financial liabilities</b>	<b>243,603</b>	<b>243,603</b>	<b>405,457</b>	<b>405,457</b>
<b>Non-financial liabilities</b>				
National Housing Fund	681	681	676	676
Nigeria Social Insurance Trust Fund	2,601	2,601	-	-
Staff pension fund	3,751	3,751	3,772	3,772
Staff productivity bonus	315,108	315,108	407,211	407,211
Contract liability	161,624	161,624	55,757	55,757
<b>Total other non-financial liabilities</b>	<b>483,765</b>	<b>483,765</b>	<b>467,416</b>	<b>467,416</b>
<b>Total payables and accruals</b>	<b>727,368</b>	<b>727,368</b>	<b>872,873</b>	<b>872,873</b>

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 28 Other liabilities

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
<b>Financial liabilities</b>				
Unclaimed Dividends (see note (i))	133,364	133,364	63,926	63,926
Depository fee Suspense	29,185	29,185	28,943	28,943
Deposit for Repo	-	-	2,633,534	2,633,534
CSCS Individual Divestment	1,290	1,290	1,290	1,290
CSCS Share Buy-Back	111,800	111,800	32,901	32,901
Exchange Traded Fund Distribution Accounts	10,587	10,587	11,658	11,658
Amount due to Adonai Net	7,692	7,692	7,692	7,692
Amount due to Investment & Securities Tribunal (see note (ii))	98,293	98,293	89,751	89,751
CSCS Stamp Duty Account	1,335,522	1,335,522	-	-
Lease Liability	318,245	318,245	-	-
CSCS FGN Green Bond	15,558	15,558	-	-
Long Term Incentive Scheme (see note 29)	-	-	116,158	116,158
Managed funds	232	232	332	332
	<b>2,061,768</b>	<b>2,061,768</b>	<b>2,986,185</b>	<b>2,986,185</b>
<b>Indirect Tax</b>				
PAYE liability	76,294	76,294	94,884	94,884
Withholding tax liability	16,376	16,376	16,788	16,788
Value Added Tax liability	87,500	87,500	53,073	53,073
<b>Indirect Tax</b>	<b>180,170</b>	<b>180,170</b>	<b>164,745</b>	<b>164,745</b>
	<b>2,241,938</b>	<b>2,241,938</b>	<b>3,150,930</b>	<b>3,150,930</b>

- (i) The balance of the unclaimed dividend is fixed with Fidelity Bank Plc and a total of ₦13.2 million was earned as interest income on amount during the period.
- (ii) In October 2014, the Ministry of Finance directed that CSCS (including NSE and SEC) should contribute 10% of its transaction fees on trades executed on The Nigerian Stock Exchange to Investment and Securities Tribunal. The balance represents amount due for the last quarter of year.

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 29 Pension plan and other employment benefits

#### 29.1 Defined contribution plan

All the employees of the Group qualify for the contributory pension scheme of Nigeria. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group 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 2014.

The total expense recognised in profit or loss was ₦73.48 million for the Group and ₦73.48million for the Company (2018: ₦67.42 million for the Group and ₦67.42 million for the Company) represent contributions payable to these plans by the Group and Company at the rates specified in accordance with the Pension Reform Act 2014 (amended).

#### 29.2 Long Term Incentive Scheme

The Managing Director is entitled to a defined benefit (as approved by the Board) upon his exit and the expiration of his employment with the Group. The defined benefit shall be 33% of his annual benefit which shall be provided and reported in the Group's yearly financial account. As at 31 December 2019, the amount provided is ₦77million.

The sum of the outstanding long-term severance benefit scheme and the terminal benefit provided for is ₦77million and this has been included in Other liabilities above.

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

#### (i) Per statement of profit or loss and other comprehensive income

The long-term incentive scheme liability is made up of:

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>	<b>Group 31-Dec 2018</b>	<b>Company 31-Dec 2018</b>
Opening balance	116,158	116,158	-	-
Payment during the year	(81,859)	(81,859)	-	-
Gratuity (Terminated)	-	-	81,859	81,859
Addition in profit or loss during the year	43,929	43,929	34,299	34,299
Addition in other comprehensive income during the year	(1,216)	(1,216)	-	-
<b>Total defined benefits</b>	<b>77,012</b>	<b>77,012</b>	<b>116,158</b>	<b>116,158</b>
<b>Statement of profit or loss:</b>				
Current service cost	35,516	35,516	34,299	34,299
Interest Cost	8,413	8,413	-	-
Settlement loss on DBO	-	-	-	-
<b>Total</b>	<b>43,929</b>	<b>43,929</b>	<b>34,299</b>	<b>34,299</b>
<b>Statement of other comprehensive income:</b>				
Change in Economic Assumptions: Actuarial (Gain)/Loss -Salary Growth rate	10,655	10,655	-	-
Actuarial (Gain)/Loss- Economic experience	(9,439)	(9,439)	-	-
<b>Total</b>	<b>1,216</b>	<b>1,216</b>	<b>-</b>	<b>-</b>
Deferred tax impact	(365)	(365)	-	-
<b>Total in other comprehensive income</b>	<b>851</b>	<b>851</b>	<b>-</b>	<b>-</b>

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### (ii) Actuarial assumptions

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

<i>In thousands of Naira</i>	<b>Group 31-Dec 2019</b>	<b>Company 31-Dec 2019</b>
Future salary growth	2.52%	2.52%
Interest rate	14.50%	14.50%

### Sensitivity analysis

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

<i>In thousands of Naira</i>	<b>31 December 2019</b>		
	<b>Defined benefit obligation</b>	<b>+1%</b>	<b>-1%</b>
Interest rate (movement)	162,570	164,660	160,500
Salary increase rate (movement)	162,570	162,640	162,490

## 30 Events after the reporting date

There are no events after the reporting date events that could have had a material effect on the financial position and performance of the Group and Company as at 31 December 2019 which have not been adequately provided for or disclosed.

## 31 Contingent liabilities

There are pending litigations against the Company some of which the Company is only a nominal party. Contingent liability as at 31 December 2019 stood at ₦3,347,005,190.71 (31 December 2018: ₦2,509,592,928.50). However, the Directors are of the opinion that the various suits will not succeed against the Company.

## 32 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 Group and Company have been taken into account in the preparation of the consolidated and separate financial statements.

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 33 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 with the Nigerian Stock Exchange also meet the definition of related party transactions, as Central Securities Clearing System Plc is an associate of the Nigerian Stock Exchange. The transactions includes: rent and x-alert handling charges held by CSCS on behalf of the Nigerian Stock Exchange.

<i>In thousands of Naira</i>			Transaction values		Balance outstanding	
			31 December 2019	31 December 2018	31 December 2019	31 December 2018
Name of company/Individual	Transaction type	Secured/Unsecured	Amount	Amount	Amount	Amount
The Nigerian Stock Exchange	Rent	Unsecured	52,449	70,742	1,172	1,226
The Nigerian Stock Exchange	Payment of dividend	Not applicable	953,476	858,129	-	-
			<b>1,005,925</b>	<b>928,871</b>	<b>1,172</b>	<b>1,226</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 Group. 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 Group.

#### 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.

Executive Directors are subject to a mutual term of notice of 3 months. Upon resignation at the Company's request, they are entitled to termination benefits of up to 12 months' total remuneration. If they resign on their own they receive 50% of their salary and an additional 20% for each year in service.

#### Key management personnel compensation comprise:

<i>In thousands of Naira</i>	31 December 2019	31 December 2018
Executive compensation	13,333	13,333
Directors sitting allowances	36,500	49,420
Directors allowances	67,600	83,163
	<b>117,433</b>	<b>145,916</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 29).

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 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 ₦103.2 million (31 December 2018: ₦187.2 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 2019 were as follows:

<i>In thousands of Naira</i>						<b>Outstanding balance in trade receivables as at 31 December 2019</b>	
<b>Name of company/Individual</b>	<b>Name of Directors related to the companies</b>	<b>Relationship</b>	<b>Position</b>	<b>Transaction type</b>	<b>Amount</b>		
UBA Plc	Uche Ike	Director	ED, Risk	Depository fee	29,518	-	
Access Bank	Roosevelt Ogbonna	Director	Deputy MD	Depository fee	21,687	-	
Solid-Rock Securities & Investment Plc	Patrick Ezeagu	Director	MD/CEO	Eligibility Fee	26	-	
Magnartis Finance & Investment Ltd	Oluwaseyi Abe	Director	MD/CEO	Eligibility Fee	26	-	
Access Bank	Roosevelt Ogbonna	Director	Deputy MD	LEI Subscription	13	-	
Solid-Rock Securities & Investment Plc	Patrick Ezeagu	Director	MD/CEO	LEI Subscription	13	-	
Magnartis Finance & Investment Ltd	Oluwaseyi Abe	Director	MD/CEO	LEI Subscription	13	-	
UBA Plc	Uche Ike	Director	ED, Risk	LEI Subscription	13	-	
Access Bank	Roosevelt Ogbonna	Director	Deputy MD	Lien Placement	21,687	-	
UBA Plc	Uche Ike	Director	ED, Risk	Lien Placement	27,650	-	
Access Bank	Roosevelt Ogbonna	Director	Deputy MD	OTC Transactions	331	-	
Access Bank	Roosevelt Ogbonna	Director	Deputy MD	Settlement Bank Part Fees	1,000	-	
UBA Plc	Uche Ike	Director	ED, Risk	Settlement Bank Part Fees	1,000	-	
Verod Capital Ltd	Eric Idiahi	Director	Non Executive Director	Document Management Services	255	-	
						<b>103,232</b>	<b>-</b>

## Notes to the Consolidated and Separate Financial Statements

### For the Year Ended 31 December 2019

*In thousands of Naira*

Name of company/Individual	Name of Directors related to the companies	Relationship	Transaction type	Amount	Outstanding balance in trade receivables as at 31 December 2018
Compass Securities Ltd	Emeka Chimezie Madubuike	Director	Eligibility fee	54	-
Capital Assets Ltd	Ariyo Olushekun	Director	Eligibility fee	54	-
AXA Mansard Plc	Olusola Adeeyo	Director	Depository fee	2,660	-
Diamond Bank Plc	Ifueko Omoigui Okauru	Independent Director	Depository fee	4,560	434
Nigerian Breweries	Ifueko Omoigui Okauru	Independent Director	Depository fee	101,081	-
Seplat Petroleum Development Company	Ifueko Omoigui Okauru	Independent Director	Depository fee	37,048	-
United Bank of Africa Plc	Uche Ike	Director	Depository fee	36,987	1,868
Capital Assets Ltd	Ariyo Olushekun	Director	LEI Subscription	13	-
Diamond Bank Plc	Ifueko Omoigui Okauru	Independent Director	LEI Subscription	13	-
Nigerian Breweries	Ifueko Omoigui Okauru	Independent Director	LEI Subscription	13	-
Seplat Petroleum Development Company	Ifueko Omoigui Okauru	Independent Director	LEI Subscription	13	-
Sterling Bank Plc	Mudathir O. Lawal	Director	LEI Subscription	13	-
UBA Plc	Uche Ike	Director	LEI Subscription	13	-
Compass Securities Ltd	Emeka Chimezie Madubuike	Director	LEI Subscription	13	-
Access Bank Plc	Roosevelt Ogbonna	Director	Lien Placement	150	-
Diamond Bank Plc	Ifueko Omoigui Okauru	Independent Director	Lien Placement	109	-
Sterling Bank Plc	Mudathir O. Lawal	Director	Lien Placement	25	-
UBA Plc	Uche Ike	Director	Lien Placement	2	-
Capital Assets Ltd	Ariyo Olushekun	Director	Website Subscription	50	-
Compass Securities Ltd	Emeka Chimezie Madubuike	Director	Website Subscription	50	-
Nigerian Breweries	Ifueko Omoigui Okauru	Independent Director	Commercial Paper	250	-
Diamond Bank Plc	Ifueko Omoigui Okauru	Independent Director	Settlement Bank Part Fees	1,000	-
Sterling Bank Plc	Mudathir O. Lawal	Director	Settlement Bank Part Fees	1,000	-
				<b>187,243</b>	<b>2,302</b>

#### Prepayments

Included in prepayment is an amount of ₦27.8 million (31 December 2018: ₦45.4 million) representing balances on prepaid transport allowances to Directors.

#### Bank balances

Included in cash and cash equivalent is an amount of ₦3.115 billion (31 December 2018: ₦325.7 million) representing current account balances belonging to CSCS with Banks in which certain Directors have interests.

## Notes to the Consolidated and Separate Financial Statements

### For the Year Ended 31 December 2019

The balances as at 31 December 2019 were as follows:

<i>In thousands of Naira</i>				<b>31 December 2019</b>
<b>Name of company/Individual</b>	<b>Name of Directors related to the companies</b>	<b>Relationship</b>	<b>Transaction type</b>	<b>Amount</b>
Guaranty Trust Bank	Not Applicable	Shareholder	Current account	1,968,754
Guaranty Trust Bank	Not Applicable	Shareholder	Collection account	761
Guaranty Trust Bank	Not Applicable	Shareholder	Settlement Account	47,173
Guaranty Trust Bank	Not Applicable	Shareholder	Call Account	5
Guaranty Trust Bank	Not Applicable	Shareholder	Trade Alert	103
Guaranty Trust Bank	Not Applicable	Shareholder	Trade Alert - VAT	5
Guaranty Trust Bank	Not Applicable	Shareholder	Domiciliary-USD	3,329
Guaranty Trust Bank	Not Applicable	Shareholder	Domiciliary-GBP	4,368
Guaranty Trust Bank	Not Applicable	Shareholder	Domiciliary-EURO	135
Access Bank Plc	Roosevelt Ogbonna	Shareholder/Director	Current account	2
Access Bank Plc	Roosevelt Ogbonna	Shareholder/Director	POS Collection account	2,769
Access Bank Plc	Roosevelt Ogbonna	Shareholder/Director	Dom Fee Collection A/C	500
Access Bank Plc	Roosevelt Ogbonna	Shareholder/Director	LEI	330
Fidelity Bank Plc	Not Applicable	Shareholder/Director	Collection account	12
Fidelity Bank Plc	Not Applicable	Shareholder/Director	Vetiva Griffin Etf	1,588
Fidelity Bank Plc	Not Applicable	Shareholder/Director	Vetiva Banking ETF	331
United Bank for Africa Plc	Uche Ike	Shareholder/Director	Current account	1,083,556
United Bank for Africa Plc	Uche Ike	Shareholder/Director	Collection account	170
United Bank for Africa Plc	Uche Ike	Shareholder/Director	NASD Coll. account	1,133
United Bank for Africa Plc	Uche Ike	Shareholder/Director	NASD Vat Collection AC	241
				<b>3,115,264</b>

<i>In thousands of Naira</i>				<b>31 December 2018</b>
<b>Name of company/Individual</b>	<b>Name of Directors related to the companies</b>	<b>Relationship</b>	<b>Transaction type</b>	<b>Amount</b>
Guaranty Trust Bank Plc	Not Applicable	Shareholder	Current account	205,130
Guaranty Trust Bank Plc	Not Applicable	Shareholder	Collection account	96
Guaranty Trust Bank Plc	Not Applicable	Shareholder	Settlement Account	55,003
Guaranty Trust Bank Plc	Not Applicable	Shareholder	Call Account	20
Guaranty Trust Bank Plc	Not Applicable	Shareholder	Trade Alert	166
Guaranty Trust Bank Plc	Not Applicable	Shareholder	Trade Alert - VAT	8
Guaranty Trust Bank Plc	Not Applicable	Shareholder	Domiciliary-USD	51,831
Guaranty Trust Bank Plc	Not Applicable	Shareholder	Domiciliary-GBP	3,894
Guaranty Trust Bank Plc	Not Applicable	Shareholder	Domiciliary-EURO	142
Sterling Bank Plc	Kayode Lawal	Shareholder/Director	Current account	388
Access Bank Plc	Roosevelt Ogbonna	Shareholder/ Director	Current account	21
Access Bank Plc	Roosevelt Ogbonna	Shareholder/ Director	POS Collection account	1,153
Fidelity Bank Plc	Not Applicable	Shareholder	Current account	944
Fidelity Bank Plc	Not Applicable	Shareholder	Collection account	256
Fidelity Bank Plc	Not Applicable	Shareholder	Vetiva Griffin ETF	1,571
Fidelity Bank Plc	Not Applicable	Shareholder	Vetiva Banking ETF	331
United Bank for Africa Plc	Uche Ike	Shareholder/Director	Current account	113
United Bank for Africa Plc	Uche Ike	Shareholder/ Director	Collection account	33
United Bank for Africa Plc	Uche Ike	Shareholder/ Director	NASD Coll. account	3,588
Union Bank of Nigeria Plc	Not Applicable	Shareholder	Current account	1,019
				<b>325,707</b>



## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### Investments

Included in investment securities is an amount of ₦6.19 billion as at 31 December 2019 (31 December 2018: ₦10.71 billion) representing treasury bills, federal government bonds and state government bonds belonging to CSCS and invested with Banks in which certain Directors have interests. The face value of the investments as at 31 December 2019 were as follows:

<i>In thousands of Naira</i>				<b>31 December 2019</b>
<b>Name of company/Individual</b>	<b>Name of Directors</b>	<b>Relationship</b>	<b>Transaction type</b>	<b>Face value</b>
United Bank for Africa Plc	Uche Ike	Shareholder/Director	FGN Bonds	1,299,619
Guaranty Trust Bank	Not Applicable	Shareholder	Treasury Bills	1,375,465
United Bank for Africa Plc	Uche Ike	Shareholder/Director	Treasury Bills	3,510,406
				<b>6,185,490</b>

<i>In thousands of Naira</i>				<b>31 December 2018</b>
<b>Name of company/Individual</b>	<b>Name of Directors</b>	<b>Relationship</b>	<b>Transaction type</b>	<b>Face value</b>
Guaranty Trust Bank Plc	Not Applicable	Shareholder	FGN Bonds	1,531,000
United Bank for Africa Plc	Uche Ike	Shareholder/Director	FGN Bonds	700,000
First Bank Ltd	Not Applicable	Shareholder	FGN Bonds	1,700,000
Sterling Bank Plc	Kayode Lawal Mudathir	Shareholder/Director	Fixed Deposit	75,498
First bank Ltd	Not Applicable	Shareholder	Treasury Bills	1,110,000
Guaranty Trust Bank Plc	Not Applicable	Shareholder	Treasury Bills	4,380,000
United Bank for Africa Plc	Uche Ike	Shareholder/Director	Treasury Bills	1,215,000
				<b>10,711,498</b>

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

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 34 Condensed results of consolidated entity

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

<i>In thousands of naira</i>	<b>Group balance</b>	<b>Intra-group eliminations</b>	<b>The Company</b>	<b>Insurance Repository Nigeria Limited</b>
Operating income	9,206,140	-	9,206,140	-
Operating expenses	(3,182,076)	-	(3,169,742)	-
Impairment reversal	(49,561)	-	(49,561)	-
Fair value loss on investment securities				
Operating surplus before tax	5,974,503	-	5,986,837	-
Share of gain of equity accounted investees	67,931	67,931	-	-
Tax expense	(1,141,755)	-	(1,141,755)	-
Operating surplus after tax	4,900,679	67,931	4,845,082	-

#### Condensed financial position

<i>In thousands of naira</i>	<b>Group balance</b>	<b>Intra-group eliminations</b>	<b>The Company</b>	<b>Insurance Repository Nigeria Limited</b>
Total Non-Current Assets	24,555,428	(105,249)	24,611,151	-
Total Current Assets	12,055,976	(10,000)	12,055,921	22,388
Total assets	36,611,404	(115,249)	36,667,072	22,388
Total Equity	32,906,083	(33,545)	32,951,751	(12,122)
Total non current liabilities	83,760		83,760	
Total current liabilities	3,621,560	(44,511)	3,631,560	34,511
Total liabilities	3,705,320	(44,511)	3,715,320	34,511
Total equity and liabilities	36,611,403	(78,056)	36,667,071	22,388

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 35 Cash flow workings

	Notes	Group 31 December 2019	Company 31 December 2019	Group 31 December 2018	Company 31 December 2018
<i>In thousands of naira</i>					
<b>(i) Changes in intercompany receivables</b>					
Opening balance		-	34,511	-	34,511
Closing balance	22	-	(34,511)	-	(34,511)
<b>Change during the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(ii) Changes in trade receivables</b>					
Opening balance	18(a)	102,279	102,279	15,550	15,550
Impairment reversal/(charge)	20	(40,760)	(40,760)	(10,444)	(10,444)
Closing balance	18(a)	(177,043)	(177,043)	(102,279)	(102,279)
<b>Change during the year</b>		<b>(115,524)</b>	<b>(115,524)</b>	<b>(97,173)</b>	<b>(97,173)</b>
<b>(iii) Changes in other assets</b>					
Opening balance	19(a)	324,380	312,046	952,905	940,571
Impairment reversal/(charge)	20	-	-	-	-
Closing balance	19(a)	(181,877)	(181,877)	(324,380)	(312,046)
<b>Change during the year</b>		<b>142,503</b>	<b>130,169</b>	<b>628,525</b>	<b>628,525</b>
<b>(iv) Changes in payables and accruals</b>					
Opening balance	27	872,873	872,873	804,293	804,293
Closing balance	27	(727,368)	(727,368)	(872,873)	(872,873)
<b>Change during the year</b>		<b>145,505</b>	<b>145,505</b>	<b>(68,580)</b>	<b>(68,580)</b>
<b>(v) Changes in other liabilities</b>					
Opening balance	28	3,150,930	3,150,930	679,892	679,892
Net write back of provision for productivity bonus		-	-	-	-
Lease payment during the year		(41,350)	(41,350)	-	-
Closing balance	28	(2,241,938)	(2,241,938)	(3,150,930)	(3,150,930)
<b>Change during the year</b>		<b>867,642</b>	<b>867,642</b>	<b>(2,471,038)</b>	<b>(2,471,038)</b>
<b>(vi) Changes in intercompany payable</b>					
Opening balance	26	10,000	10,000	10,000	10,000
Closing balance	26	-	(10,000)	-	(10,000)
<b>Change during the year</b>		<b>10,000</b>	<b>-</b>	<b>10,000</b>	<b>-</b>

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

	Notes	Group 31 December 2019	Company 31 December 2019	Group 31 December 2018	Company 31 December 2018
<i>In thousands of naira</i>					
<b>(vii) Proceeds from disposal of property and equipment</b>					
Cost of property and equipment disposed	15	37,155	37,155	201,789	201,789
Accumulated depreciation	15	(26,280)	(26,280)	(181,483)	(181,483)
Profit on disposal of property and equipment	11	4,263	4,263	11,366	11,366
<b>Proceeds during the year</b>		<b>15,138</b>	<b>15,138</b>	<b>31,672</b>	<b>31,672</b>
<b>(viii) Net changes in investment securities -treasury bills</b>					
Balance, beginning of the year	17(b)	5,879,813	5,879,813	5,418,936	5,418,936
Fair value profit/(loss)		256,000	256,000	-	-
Balance, end of the year	17(b)	(5,005,511)	(5,005,511)	(5,879,813)	(5,879,813)
<b>Change during the year</b>		<b>1,130,302</b>	<b>1,130,302</b>	<b>(460,877)</b>	<b>(460,877)</b>
<b>(ix) Net changes in investment securities - bonds</b>					
Balance, beginning of the year	17(a)	23,644,726	23,644,726	21,753,586	21,753,586
Interest receivable		-	-	44,410	44,410
Fair value profit/(loss)		11,482	11,482	(96,506)	(96,506)
Balance, end of the year	17(a)	(21,960,972)	(21,960,972)	(23,644,726)	(23,644,726)
<b>Change during the year</b>		<b>1,695,236</b>	<b>1,695,236</b>	<b>(1,943,236)</b>	<b>(1,943,236)</b>
<b>(x) Interest received</b>					
Balance, beginning of the year		44,410	44,410	44,417	44,417
Interest income	10	4,612,237	4,612,237	4,217,582	4,217,582
Interest receivable on fixed deposits		-	-	(11,164)	(11,164)
Interest receivable on bonds		-	-	(44,410)	(44,410)
<b>Interest received for the year</b>		<b>4,656,647</b>	<b>4,656,647</b>	<b>4,206,425</b>	<b>4,206,425</b>
<b>(xi) Dividend paid</b>					
Balance, beginning of the year	28	63,926	63,926	55,090	55,090
Additional dividend during the year		3,500,000	3,500,000	3,500,000	3,500,000
Balance, end of year	28	(133,364)	(133,364)	(63,926)	(63,926)
<b>Net dividend paid during the year</b>		<b>3,430,562</b>	<b>3,430,562</b>	<b>3,491,164</b>	<b>3,491,164</b>
During the year, dividend of ₦0.86 was approved and paid to shareholders on 2018 profits.					
<b>(xii) Purchase of PPE</b>					
Balance, beginning of the year		595,575	595,575	366,751	366,751
Disposal: Cost		(37,155)	(37,155)	(201,789)	(201,789)
Disposal: Accumulated depreciation		26,280	26,280	181,483	181,483
Depreciation during the year		(202,222)	(202,222)	(138,191)	(138,191)
Additions: cash purchase		701,032	701,032	387,321	387,321
<b>Closing carrying value</b>		<b>(1,083,510)</b>	<b>(1,083,510)</b>	<b>(595,575)</b>	<b>(595,575)</b>

## Notes to the Consolidated and Separate Financial Statements

For the Year Ended 31 December 2019

### 36 Change in presentation

Certain comparative amounts and disclosures in the statement of income and expenditure and statement of financial position have been re-presented in order to ensure inter-period comparability of financial information in order to assist users of the financial statements.

#### Group

<i>In thousands of naira</i>	Notes	Previously Reported Dec-18	Reclassification	Re-presented Dec-18
Revenue (see note 36 (a) below)	9	4,604,629	247,677	4,852,306
Investment income		4,217,582	-	4,217,582
Other income (see note 36 (a) below)	11	259,874	(247,677)	12,197
<b>Total operating income</b>		<b>9,082,085</b>	<b>-</b>	<b>9,082,085</b>
Personnel expenses		(1,268,079)	-	(1,268,079)
Other operating expenses		(1,347,825)	-	(1,347,825)
Depreciation and amortisation		(483,244)	-	(483,244)
Impairment reversal/(loss) on financial assets		126,812	-	126,812
<b>Adjustment on initial recognition of IFRS 9</b>		<b>(2,972,336)</b>	<b>-</b>	<b>(2,972,336)</b>
Share of loss of equity accounted investee		(18,405)	-	(18,405)
<b>Profit before tax</b>		<b>6,091,344</b>	<b>-</b>	<b>(18,405)</b>
Income tax		(1,269,014)	-	-
<b>Profit after tax</b>		<b>4,822,330</b>	<b>-</b>	<b>(18,405)</b>

#### Company

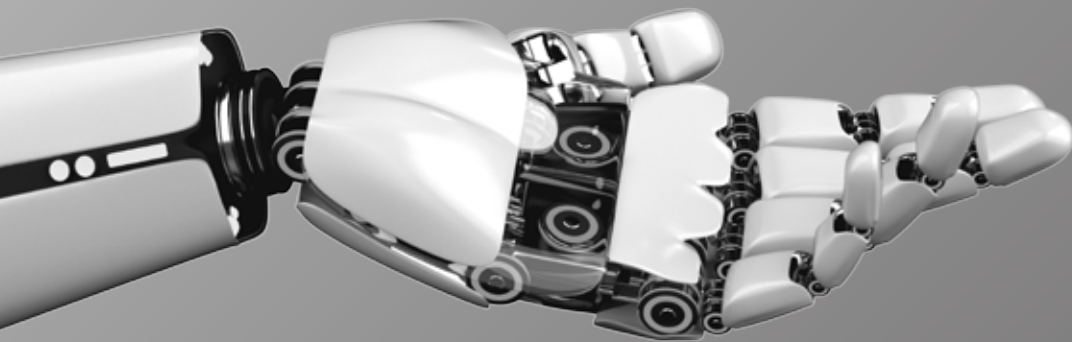
<i>In thousands of naira</i>	Notes	Previously Reported Dec-18	Reclassification	Re-presented Dec-18
Revenue (see note 36 (a) below)	9	4,604,629	247,677	4,852,306
Investment income		4,217,582	-	4,217,582
Other income (see note 36 (a) below)	11	259,874	(247,677)	12,197
<b>Total operating income</b>		<b>9,082,085</b>	<b>-</b>	<b>9,082,085</b>
Personnel expenses		(1,268,079)	-	(1,268,079)
Other operating expenses		(1,347,825)	-	(1,347,825)
Depreciation and amortisation		(483,244)	-	(483,244)
Impairment reversal/(loss) on financial assets		126,812	-	126,812
<b>Adjustment on initial recognition of IFRS 9</b>		<b>(2,972,336)</b>	<b>-</b>	<b>(2,972,336)</b>
<b>Profit before tax</b>		<b>6,109,749</b>	<b>-</b>	<b>6,109,749</b>
Income tax		(1,269,014)	-	-
<b>Profit after tax</b>		<b>4,840,735</b>	<b>-</b>	<b>6,109,749</b>

**36(a)** In the current year, the Group presented derived from its non-core activities under revenue in the consolidated and Separate Statements of Profit or Loss and other Comprehensive Income (2018: presented under other income).

Income from non-core activities are from contract with customers and are therefore recognised using relevant guidance of IFRS 15 Revenue from contract with customers.

The Group has therefore re-presented revenue from non-core activities from other income to revenue in the current year to enhance inter-period comparability.

# OTHER NATIONAL DISCLOSURES



# Other National Disclosures Value Added Statement

For the Year Ended 31 December 2019

<i>In thousands of Naira</i>	<b>Group 31 December 2019</b>	<b>%</b>	<b>Company 31 December 2019</b>	<b>%</b>
Gross earnings	9,206,140	116	9,206,140	117
Net impairment loss on trade receivables	(49,561)	(1)	(49,561)	(1)
Bought-in-materials and services	(1,249,053)	(16)	(1,304,650)	(17)
<b>Value added</b>	<b>7,907,526</b>	<b>100</b>	<b>7,851,929</b>	<b>100</b>
<b>Distribution of Value Added</b>		<b>%</b>		<b>%</b>
<i>To Employees:</i>				
Staff cost	1,317,186	17	1,317,186	17
<i>To government</i>				
Government as taxes	1,141,755	14	1,141,755	15
<i>For future replacement of assets, expansion of business and payment of dividend to shareholders:</i>				
- Depreciation and amortisation	547,906	6	547,906	7
- Dividend to shareholders	3,500,000	44	3,500,000	45
- To augment reserve	1,400,679	19	1,345,082	17
	<b>7,907,526</b>	<b>100</b>	<b>7,851,929</b>	<b>101</b>

<i>In thousands of Naira</i>	<b>Group 31 December 2018</b>	<b>%</b>	<b>Company 31 December 2018</b>	<b>%</b>
Gross earnings	9,082,085	115	9,082,085	115
Net impairment loss on trade receivables	126,812	2%	126,812	2%
Bought-in-materials and services	(1,366,230)	-17%	(1,347,825)	-17%
<b>Value added</b>	<b>7,842,667</b>	<b>100</b>	<b>7,861,072</b>	<b>100</b>
<b>Distribution of Value Added</b>		<b>%</b>		<b>%</b>
<i>To Employees:</i>				
Staff cost	1,268,079	16	1,268,079	16
<i>To government</i>				
Government as taxes	1,269,014	16	1,269,014	16
<i>For future replacement of assets, expansion of business and payment of dividend to shareholders:</i>				
- Depreciation and amortisation	483,244	5	483,244	6
- Dividend to shareholders	3,500,000	45	3,500,000	45
- To augment reserve	1,322,330	18	1,340,735	17
	<b>7,842,667</b>	<b>100</b>	<b>7,861,072</b>	<b>100</b>

# Other National Disclosures Financial Summary

For the Year Ended 31 December 2019

## The Group

<i>In thousands of Naira</i>	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Assets</b>				
<b>Non current Assets</b>				
Property and equipment	1,083,510	595,575	366,751	575,814
Intangible assets	785,471	1,089,601	1,411,086	613,228
Equity-accounted investee	725,475	591,357	1,762	19,149
Investments securities	21,960,972	23,644,726	21,709,176	19,138,043
Deferred tax asset	-	-	38,298	20,020
Defined benefit plan asset (Net)	-	-	-	248,101
<b>Total non current assets</b>	<b>24,555,428</b>	<b>25,921,260</b>	<b>23,527,073</b>	<b>20,614,355</b>
<b>Current Assets</b>				
Investment securities	5,005,511	5,879,813	5,418,936	5,135,327
Trade receivables	177,043	102,279	15,550	15,522
Other assets	181,877	324,380	952,905	517,047
Cash and cash equivalent	6,691,545	3,626,868	2,004,979	783,088
<b>Total current assets</b>	<b>12,055,976</b>	<b>9,933,340</b>	<b>8,392,370</b>	<b>6,450,984</b>
<b>Total assets</b>	<b>36,611,404</b>	<b>35,854,599</b>	<b>31,919,443</b>	<b>27,065,339</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Payables, provisions and accruals	727,368	872,873	804,293	413,154
Current tax liabilities	652,254	652,577	582,765	286,177
Other liabilities	2,241,938	3,150,930	679,892	282,011
<b>Total current liabilities</b>	<b>3,621,560</b>	<b>4,676,380</b>	<b>2,066,950</b>	<b>981,342</b>
<b>Non current liabilities</b>				
Deferred tax liabilities	6,748	13,403	-	-
Long-term incentive scheme	77,013	-	-	-
<b>Total non current liabilities</b>	<b>83,761</b>	<b>13,403</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>3,705,321</b>	<b>4,689,783</b>	<b>2,066,950</b>	<b>981,342</b>
<b>Equity</b>				
Share capital	5,000,000	5,000,000	5,000,000	5,000,000
Retained earnings	27,588,203	26,187,524	25,006,022	20,924,284
Other components of equity	317,029	(22,709)	(153,529)	159,713
Actuarial reserves	851	-	-	-
<b>Total equity</b>	<b>32,906,083</b>	<b>31,164,815</b>	<b>29,852,493</b>	<b>26,083,997</b>
<b>Non-controlling Interest</b>				
<b>Total equity and liabilities</b>	<b>36,611,404</b>	<b>35,854,598</b>	<b>31,919,443</b>	<b>27,065,339</b>
<b>Total operating income</b>	<b>9,206,140</b>	<b>9,082,085</b>	<b>8,691,558</b>	<b>6,174,003</b>
<b>Profit before taxation</b>	<b>6,042,434</b>	<b>6,091,344</b>	<b>5,664,177</b>	<b>3,724,196</b>
<b>Profit after taxation</b>	<b>4,900,679</b>	<b>4,822,330</b>	<b>4,980,601</b>	<b>3,532,956</b>
<b>Earnings per share</b>	<b>98k</b>	<b>96k</b>	<b>100k</b>	<b>71k</b>
<b>Number of ordinary shares of ₦1 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>

The entity began to issue consolidated financial statements in 2016. Hence, only four years summary for Group is presented.



# Other National Disclosures Financial Summary

For the Year Ended 31 December 2019

## The Company

<i>In thousands of Naira</i>	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Assets</b>					
<b>Non current Assets</b>					
Property and equipment	1,083,510	595,575	366,751	575,814	326,080
Intangible assets	785,471	1,089,601	1,411,086	613,228	233,098
Intercompany receivables	34,511	34,511	34,511	32,247	-
Equity-accounted investee	736,687	670,500	62,500	62,500	-
Investment in subsidiary	10,000	10,000	10,000	10,000	-
Investments securities	21,960,972	23,644,726	21,709,176	19,138,043	15,397,399
Deferred tax asset	-	-	38,298	20,020	6,377
Defined benefit plan asset (Net)	-	-	-	248,101	203,286
<b>Total non current assets</b>	<b>24,611,151</b>	<b>26,044,914</b>	<b>23,632,321</b>	<b>20,699,952</b>	<b>16,166,240</b>
<b>Current Assets</b>					
Investment securities	5,005,511	5,879,813	5,418,936	5,135,327	5,328,894
Trade receivables	177,043	102,279	15,550	15,522	1,625
Other assets	181,877	312,046	940,571	504,713	231,678
Cash and cash equivalent	6,691,490	3,626,812	2,004,924	783,043	3,673,144
<b>Total current assets</b>	<b>12,055,921</b>	<b>9,920,950</b>	<b>8,379,982</b>	<b>6,438,606</b>	<b>9,235,341</b>
<b>Total assets</b>	<b>36,667,072</b>	<b>35,965,864</b>	<b>32,012,303</b>	<b>27,138,558</b>	<b>25,401,581</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Intercompany payables	10,000	10,000	10,000	10,000	-
Payables, provisions and accruals	727,368	872,873	804,293	413,154	532,182
Current tax liabilities	652,254	652,577	582,765	286,177	663,550
Other liabilities	2,241,938	3,150,930	679,892	282,011	387,659
<b>Total current liabilities</b>	<b>3,631,560</b>	<b>4,686,380</b>	<b>2,076,950</b>	<b>991,342</b>	<b>1,583,391</b>
<b>Non current liabilities</b>					
Deferred tax liabilities	6,747	13,403	-	-	-
Long-term incentive scheme	77,012	-	-	-	-
<b>Total non current liabilities</b>	<b>83,760</b>	<b>13,403</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>3,715,320</b>	<b>4,699,783</b>	<b>2,076,950</b>	<b>991,342</b>	<b>1,583,391</b>
<b>Equity</b>					
Share capital	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Retained earnings	27,633,871	26,288,789	25,088,882	20,987,503	18,691,328
Other components of equity	317,029	(22,709)	(153,529)	159,713	126,862
Actuarial reserves	851	-	-	-	-
<b>Total equity</b>	<b>32,951,751</b>	<b>31,266,081</b>	<b>29,935,353</b>	<b>26,147,216</b>	<b>23,818,190</b>
<b>Non-controlling Interest</b>					
<b>Total equity and liabilities</b>	<b>36,667,072</b>	<b>35,965,864</b>	<b>32,012,303</b>	<b>27,138,558</b>	<b>25,401,581</b>
<b>Total operating income</b>	<b>9,206,140</b>	<b>9,082,085</b>	<b>8,691,558</b>	<b>6,174,003</b>	<b>7,601,777</b>
<b>Profit before taxation</b>	<b>5,986,837</b>	<b>6,109,749</b>	<b>5,683,817</b>	<b>3,787,415</b>	<b>5,015,717</b>
<b>Profit after taxation</b>	<b>4,845,082</b>	<b>4,840,735</b>	<b>5,000,241</b>	<b>3,596,175</b>	<b>4,460,300</b>
<b>Earnings per share</b>	<b>97k</b>	<b>97k</b>	<b>100k</b>	<b>72k</b>	<b>89k</b>
<b>Number of ordinary shares of ₦1 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>

Introducing  
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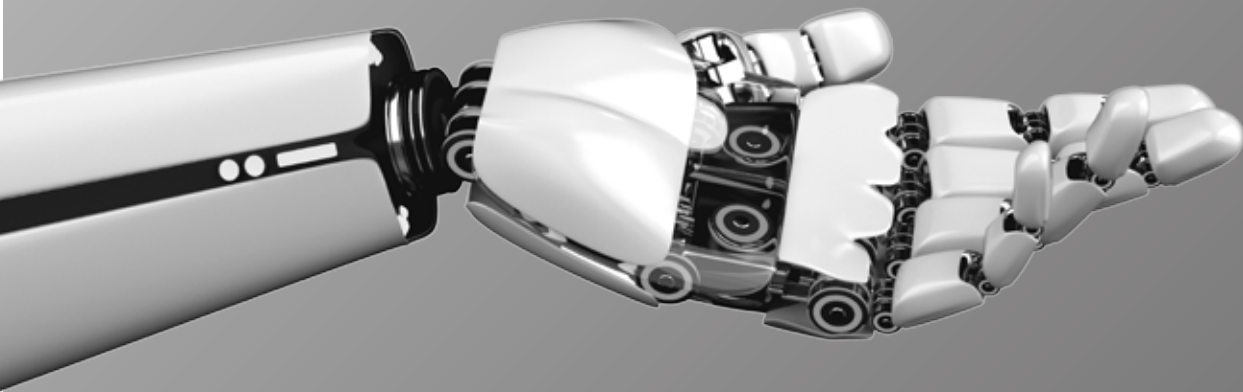
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# SHAREHOLDERS' INFORMATIONS



# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 26th Annual General Meeting of the **CENTRAL SECURITIES CLEARING SYSTEM PLC ('CSCS')** will hold at CSCS, The Nigerian Stock Exchange Building, 2/4 Customs Street, Lagos on Friday 22 May 2020 at 10.00 am to transact the following business:

## A. ORDINARY BUSINESS

1. To receive and consider the company's audited financial statements for the year ended December 31, 2019 and the Reports of the Directors, Auditors and Statutory Audit Committee.
2. To declare a final dividend.
3. To elect/re-elect Directors.
4. To authorise the Directors to fix the remuneration of the Auditors.
5. To elect/re-elect members of the Statutory Audit Committee.
6. To appoint/re-appoint Auditors.

## B. PROXY

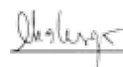
A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his/her/its stead. A proxy need not be a member of the Company. To validate the appointment of a Proxy, a duly completed Proxy Form must be sent to the Company Secretary, Mr. Charles Ojo by e-mail at

cojo@cscs.ng or the Company's Registrars, Africa Prudential Registrars at cxc@africaprudential.com, not less than 48 hours before the time fixed for the meeting. A proxy form is contained in the Annual Report and shall also be made available on the Company's website at <https://www.cscs.ng>.

Dated this 30th day of April, 2020

## BY ORDER OF THE BOARD

of Central Securities Clearing System Plc:



**CHARLES I. OJO**

Company Secretary

## NOTES

### 1. Proxy

In accordance with the guidelines issued by the Corporate Affairs Commission (CAC) on the conduct of Annual General Meetings via proxies in Nigeria as part of the measures to mitigate the negative effect created by the current Coronavirus (Covid-19) pandemic, the Central Securities Clearing System (CSCS) requests every member who is entitled to attend and vote at the Company's 26th Annual General Meeting to appoint a proxy from the list of designated individuals to attend and vote in his/her/its stead. Attendance of the Annual General meeting shall be by proxy only.

- a. Oscar N. Onyema OON | Board Chairman
- b. Eric Idiahi | Non-Executive Director/Shareholder

### 2. Dividend

A total dividend of ₦4,300,000,000 (Four Billion Three Hundred Million Naira) that is 86k (Eighty Six Kobo) per share has been recommended by the Board for approval. If approved by Shareholders at the Annual General Meeting, Shareholders whose names are on the Register of Members as at Tuesday 12 May 2020 and who have completed the e-dividend registration and mandate forms will receive direct credit of the approved dividend into their bank accounts on the date of the Annual General Meeting.

### 3. E-Dividend Mandate

Shareholders are kindly requested to update their records, complete the e-dividend mandate forms and advise the Company, Central Securities Clearing System of their updated records and relevant bank account details for payment of dividend. Detachable forms in respect of mandate for e-dividend payment, unclaimed dividend/stale warrants and shareholder's data update are attached to the Annual Report. The forms can also be downloaded from the CSCS website at <https://www.cscs.ng>. The duly completed forms should be returned to the Company Secretary, Central Securities Clearing System, 14th Floor, Stock Exchange House, 2/4 Customs Street, P.O. Box 3168 Marina, Lagos Nigeria, not less than 48 hours.

### 4. E-Annual Report

The electronic version of the Annual report is available at <https://www.cscs.ng>. Shareholders who wish to receive the electronic version of the Annual Report should provide their email addresses to the Company Secretary, Mr. Charles Ojo via e-mail to [cojo@cscs.ng](mailto:cojo@cscs.ng).

### 5. Statutory Audit Committee

The Company's Audit Committee consists of 2 shareholders and 2 directors. In accordance with S.359 (5) of the Companies and Allied Matters Act, 1990, any member may nominate a shareholder for election as a member of the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least 21 days before the Annual General Meeting. The Securities and Exchange Commission in its Code of Corporate Governance for Public Companies require at least one member of the Audit Committee to have basic financial literacy and to be knowledgeable in accounting and financial management. Consequently, a detailed resume disclosing requisite qualification should be submitted with each nomination.

### 6. Closure of Register of Members

The Register of Members will be closed on Tuesday 12 May 2020 to enable the Registrar prepare for the payment of dividend.

### 7. Election of Directors

The following directors were appointed to the Board during the course of the year under review. In accordance with the provisions of CSCS Articles of Association, same directors to be presented for the Company's Shareholders' approval at the 26th Annual General Meeting are:

- i. Mrs Chinelo Anohu (Independent non-Executive Director);
- ii. Mr. Ibrahim Y. Dikko (Independent Non-Executive Director); and
- iii. Mr. Oluseyi Owoturo FCMR (Non-Executive Director)

### 8. Re-election of Directors

In accordance with the provisions of the Articles of Association, the Directors due to retire by rotation at the 26th Annual General Meeting and being eligible offering themselves for re-election are:

- i. Mr. Uche Ike;
- ii. Mr. Eric Idiahi.

### 9. Profile Details of Directors for Re-election/Approval

The profile details of Directors submitted for approval or re-election are contained in the Company's Annual Report and on the Company's website at <https://www.cscs.ng>

### 10. Appointment/Re-appointment of Auditors

In accordance with S. 357 of the Companies and Allied Matters Act, 1990, the Auditors, due to retire by rotation at the 26th Annual General Meeting and being approved by the Company for presentation to the Company's Shareholders for re-appointment at the 26th Annual General Meeting is KPMG.

### 11. Website

A copy of this Notice and other information relating to the meeting can be found at <https://www.cscs.ng>

### 12. Questions from shareholders

Shareholders and other holders of the Company's securities reserve the right to ask questions not only at the meeting but also in writing prior to the meeting on any item contained in the Annual Report and Accounts. Please send questions, comments or observations to the Company Secretary, Central Securities Clearing System Plc., 13th Floor, Stock Exchange House, 2/4 Customs Street, P.O. Box 3168 Marina, Lagos Nigeria, or by e-mail to [cojo@cscs.ng](mailto:cojo@cscs.ng) not later than Wednesday 20 May 2020. Questions and answers will be presented during the Annual General Meeting.

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Photograph  
**USE GUM ONLY**  
**NO STAPLE PINS**

(To be stamped by your banker)  
ONLY CLEARING BANKS ARE ACCEPTABLE

## E-DIVIDEND MANDATE ACTIVATION FORM

### INSTRUCTION

Please complete all section of this form to make it eligible for processing and return to the address below.

#### The Registrar

Africa Prudential Plc  
220B, Ikorodu Road, Palmgrove, Lagos.

I/We hereby request that henceforth, all my/our Dividend Payment(s) due to me/us from my/our holdings in all the companies ticked at the right hand column be credited directly to my /our bank detailed below:

Bank Verification Number (BVN):

Bank Name:

Bank Account Number:

Account Opening Date:  DD  MM  YYYY

### SHAREHOLDER ACCOUNT INFORMATION

Gender: Male  Female  Date Of Birth  DD  MM  YYYY

Surname/Company's Name  First Name  Other Name

Address

City  State  Country

Clearing House Number (CHN) (if any)  Name of Stockbroking Firm

Mobile Telephone 1  Mobile Telephone 2

E-mail Address

### DECLARATION

I/We 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.

I/We also agree and consent that Africa Prudential Plc ("Afriprud") may collect, use, disclose, process and deal in any manner whatsoever with my/our personal, biometric and shareholding information set out in this form and/or otherwise provided by me/us or possessed by Afriprud for administration of my/our shareholding and matters related thereto.

Signature:

Signature:   
Joint/Company's Signatories

Company Seal (if applicable)

**Please tick against the company(ies) where you have shareholdings**

#### CLIENTELE

1. ABBEY MORTGAGE BANK PLC
  2. ADAMAWA STATE GOVERNMENT BOND
  3. AFRILAND PROPERTIES PLC
  4. AFRICA PRUDENTIAL PLC
  5. A & G INSURANCE PLC
  6. ALUMACO PLC
  7. A.R.M LIFE PLC
  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. CWG PLC
  17. CORDROS MONEY MARKET FUND
  18. EBONYI STATE GOVERNMENT BOND
  19. GOLDEN CAPITAL PLC
  20. INFINITY TRUST MORTGAGE BANK PLC
  21. INVESTMENT & ALLIED ASSURANCE PLC
  22. JAIZ BANK PLC
  23. KADUNA STATE GOVERNMENT BOND
  24. LAGOS BUILDING INVESTMENT CO. PLC
  25. GLOBAL SPECTRUM ENERGY SERVICES PLC
  26. MED-VIEW AIRLINE PLC
  27. MIXTA REAL ESTATE PLC (formerly ARM Properties Plc)
  28. NEXANS KABLEMETAL NIG. PLC
  29. OMOLUABI MORTGAGE BANK PLC
  30. PERSONAL TRUST & SAVINGS LTD
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  32. PORTLAND PAINTS & PRODUCTS NIG. PLC
  33. PREMIER BREWERIES PLC
  34. RESORT SAVINGS & LOANS PLC
  35. ROADS NIGERIA PLC
  36. SCOA NIGERIA PLC
  37. TRANSCORP HOTELS PLC
  38. TRANSCORP PLC
  39. TOWER BOND
  40. THE LA CASERA CORPORATE BOND
  41. UACN PLC
  42. UNITED BANK FOR AFRICA PLC
  43. UNITED CAPITAL PLC
  44. UNITED CAPITAL BALANCED FUND
  45. UNITED CAPITAL BOND FUND
  46. UNITED CAPITAL EQUITY FUND
  47. UNITED CAPITAL MONEY MARKET FUND
  48. UNITED CAPITAL NIGERIAN EUROBOOND FUND
  49. UNITED CAPITAL WEALTH FOR WOMEN FUND
  50. UNIC DIVERSIFIED HOLDINGS PLC
  51. UNIC INSURANCE PLC
  52. UAC PROPERTY DEVELOPMENT COMPANY PLC
  53. UTC NIGERIA PLC
  54. VFD GROUP PLC
  55. WEST AFRICAN GLASS IND PLC
- OTHERS:

HEAD OFFICE: 220B, Ikorodu Road, Palmgrove, Lagos.

ABUJA: Infinity House (2nd Floor), 11 Kaura Namoda Street, Off Faskari Crescent, Area 3, Garki, Abuja.

PORT-HARCOURT: Oklen Suite Building (2nd Floor), No. 1A, Evo Road, GRA Phase 2.

TEL: 0700 AFRIPRUD (0700 2374 7783) | E-MAIL: cxc@africaprudential.com | www.africaprudential.com | @afriprud





## e-SHARE REGISTRATION APPLICATION FORM

Dear Registrar,

Please take this as authority to activate my account(s) on your SharePortal where I will be able to view and manage my investment portfolio online with ease.

**\* = Compulsory fields**

1. \*SURNAME/COMPANY NAME:

2. \*FIRST NAME:

3. OTHER NAME:

4. \*E-MAIL:

5. ALTERNATE E-MAIL:

6. \*MOBILE NO.: 1.  2.

7. SEX: MALE  FEMALE  8. \*DATE OF BIRTH

9. \*POSTAL ADDRESS:

10. CSCS CLEARING HOUSE NO.:

11. NAME OF STOCKBROKER:

### DECLARATION

I/We 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.

I/We also agree and consent that Africa Prudential Plc ("Afriprud") may collect, use, disclose, process and deal in any manner whatsoever with my/our personal, biometric and shareholding information set out in this form and/or otherwise provided by me/us or possessed by Afriprud for administration of my/our shareholding and matters related thereto.

Signature:

Signature:

Joint/Company's Signatories

Company Seal (if applicable)

**Please tick against the company(ies) where you have shareholdings**

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  - 23. KADUNA STATE GOVERNMENT BOND
  - 24. LAGOS BUILDING INVESTMENT CO. PLC
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  - 26. MED-VIEW AIRLINE PLC
  - 27. MIXTA REAL ESTATE PLC (formerly ARM Properties Plc)
  - 28. NEXANS KABLEMETAL NIG. PLC
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TEL: 0700 AFRIPRUD (0700 2374 7783) | E-MAIL: cxc@africaprudential.com | www.africaprudential.com | @afriprud







## E-SERVICE/DATA UPDATE FORM

KINDLY FILL AND RETURN FORM TO ANY OF OUR OFFICE ADDRESSES STATED BELOW | \* = COMPULSORY FIELDS

1. \*SURNAME/COMPANY NAME

2. \*FIRST NAME  3. OTHER NAME

4. \*GENDER  M  F  5. E-MAIL

6. ALTERNATE E-MAIL

7. \*DATE OF BIRTH  DD  MM  YY  Y  Y

8. \*MOBILE (1)  (2)

9. \*ADDRESS

10. OLD ADDRESS (if any)

11. \*NATIONALITY  12. \*OCCUPATION

13. \*NEXT OF KIN NAME  MOBILE

14. \*MOTHER'S MAIDEN NAME

15. BANK NAME  16. A/C NO.

17. A/C NAME  18. A/C OPENING DATE DD  MM  YY  Y  Y

19. BANK VERIFICATION NO. (BVN)  20. NAME OF STOCKBROKING FIRM

21. CSCS CLEARING HOUSE NO. (CHN) C

### DECLARATION

I/We 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.

I/We also agree and consent that Africa Prudential Plc ("Afriprud") may collect, use, disclose, process and deal in any manner whatsoever with my/our personal, biometric and shareholding information set out in this form and/or otherwise provided by me/us or possessed by Afriprud for administration of my/our shareholding and matters related thereto.

Signature:

Signature:

Joint/Company's Signatories

Company Seal (if applicable)

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

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47. UNITED CAPITAL MONEY MARKET FUND
48. UNITED CAPITAL NIGERIAN EURO BOND FUND
49. UNITED CAPITAL WEALTH FOR WOMEN FUND
50. UNIC DIVERSIFIED HOLDINGS PLC
51. UNIC INSURANCE PLC
52. UAC PROPERTY DEVELOPMENT COMPANY PLC
53. UTC NIGERIA PLC
54. VFD GROUP PLC
55. WEST AFRICAN GLASS IND PLC

OTHERS:

HEAD OFFICE: 220B, Ikorodu Road, Palmgrove, Lagos.

ABUJA: Infinity House (2nd Floor), 11 Kaura Namoda Street, Off Faskari Crescent, Area 3, Garki, Abuja.

PORT-HARCOURT: Oklen Suite Building (2nd Floor), No. 1A, Evo Road, GRA Phase 2.

TEL: 0700 AFRIPRUD (0700 2374 7783) | E-MAIL: cxc@africaprudential.com | www.africaprudential.com | @afriprud





# PROXY FORM

[PLEASE COMPLETE THIS FORM IN CAPITAL LETTERS]

The 26th Annual General Meeting of Central Securities Clearing System Plc. will be held at 10.00 am on Friday 22 May 2020 at CSCS, The Nigerian Stock Exchange Building, Lagos, Nigeria.

I/We, ..... of ..... being a member(s) of Central Securities Clearing System Plc (CSCS), hereby appoint either of the following individuals as my/our Proxy to attend and vote for me/ us and on my/our behalf at the 26th Annual General Meeting of CSCS to be held on Friday 22 May 2020.

## A. Individuals designated for appointment as Proxy

		Proxy Tick (" <b>X</b> ") against the name of the individual you are appointing
1.	Oscar N. Onyema OON Board Chairman	
2.	Eric Idiahi Non-Executive Director/Shareholder	

## B. Items to vote on/against

Number of Shares:			
Resolutions	Vote in Favour	Vote Against	Abstain
<b>Ordinary Business</b>			
1. To receive and consider the company's audited financial statements for the year ended December 31, 2019 and the Reports of the Directors, Auditors and Statutory Audit Committee.			
2. To declare a dividend which is 86k (Eighty Six Kobo) per share totalling ₦4,300,000,000 (Four Billion Three Hundred Million Naira).			
3. (a) To elect Mrs Chinelo Anohu as Independent Non-Executive Director. (b) To elect Mr. Ibrahim Y. Dikko as Independent Non-Executive Director. (c) To elect Mr. Oluseyi Owoturo FCMR as Non-Executive Director.			
4. (a) To re-elect Mr. Uche Ike as Non-Executive Director. (b) To re-elect Mr. Eric Idiahi as Non-Executive Director.			
5. To authorise the Directors to fix the remuneration of the Auditors.			
6. To elect/re-elect members of the Statutory Audit Committee.			
7. To re-appoint KPMG as Auditors of the Company.			
Please indicate with an "X" in the appropriate column how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the Proxy will vote or abstain from voting at his/her/its discretion.			

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

Shareholder's Signature \_\_\_\_\_ Name of Shareholder \_\_\_\_\_

Signature of the Person Attending (Proxy) \_\_\_\_\_

### Notes:

- In view of COVID-19 and resulting preventive measures issued by Government and its Health Agencies, it is not advisable to send and receive physical copies of the Proxy Forms. To this end, electronic copies will suffice and we kindly request that you send a duly completed and signed copy of this Proxy Form and Admission Form to the Company Secretary, Mr. Charles Ojo (as in the Notice) by e-mail at cojo@cscs.ng or the Company's Registrars, Africa Prudential Registrars at cxc@africaprudential.com not less than 48 hours before the meeting.
- In accordance with the guidelines issued by the Corporate Affairs Commission (CAC) on the conduct of Annual General Meetings via proxies in Nigeria (please refer to <https://www.cac.gov.ng/3956-2/>) as part of the measures to mitigate the negative effect created by the current Coronavirus (COVID-19) pandemic, the Central Securities Clearing System (CSCS) requests every member who is entitled to attend and vote at the Company's 26th Annual General Meeting to appoint a proxy (one of either individuals designated) to attend and vote in his/her/its stead. Attendance of the 26th Annual General meeting shall be by proxy only.
- In line with best practices, the name of a Director of CSCS has been entered on the Proxy Form to ensure that someone attends and votes as your Proxy.
- In the case of Joint Shareholders, any of them may complete the form, but the names of all Joint Shareholders must be stated.
- If the Shareholder is a Corporation, this form must be executed under its Common Seal or under the hand of some of its officers or an attorney duly authorized.
- In accordance with the provisions of the Stamp Duties Act, Cap. S8, Laws of the Federation of Nigeria, 2004, this Proxy Form must bear appropriate stamp duty.
- The Proxy must produce the duly completed Admission Card sent with this Proxy Form to gain entrance to the meeting.

## ADMISSION CARD

Please admit the duly appointed Proxy to the 26th Annual General Meeting of Central Securities Clearing System Plc to be held at The Nigerian Stock Exchange House, Lagos, Nigeria on Friday 22 May 2020.

Name of Proxy attending: \_\_\_\_\_

Name of Shareholder: \_\_\_\_\_

No of Shares held: \_\_\_\_\_

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



# Corporate Information

## Head Office

### Central Securities Clearing System Plc

1st Floor, Stock Exchange Building,  
2/4 Customs Street,  
Lagos, Nigeria

**Phone:** 0700 CALL CSCS (0700 2255 2727), +234 (1) 448 0500, +234 (1) 448 0530

**Email:** [contact@cscs.ng](mailto:contact@cscs.ng)

## Abuja Office

### Central Securities Clearing System Plc

5th Floor, Muktar El Yakub Place (UK Visa Application office building)  
Plot 1129 Zakariya Maimalari Street,  
Opp. War College or Beside Metro Plaza  
Central Business District, Abuja.

**Phone:** +234 9 290 9043, +234 9 290 8750

**Email:** [contact@cscs.ng](mailto:contact@cscs.ng)

**Website:** <https://www.cscs.ng>

# Abbreviations

## A

AfCFTA- Africa Continental Free Trade Agreement  
 AGM- Annual General Meeting  
 ANNA- Association of National Numbering Agencies  
 APT- Advanced Persistent Threats  
 ASEA- Associate Member of the African Securities Exchanges Association  
 ASI- All Share Index  
 AU- African Union

## B

BAFI- Banks and other Financial Institution  
 BCP- Business Continuity Plan

## C

CBN- Central Bank of Nigeria  
 CCNN- Cement Company of Northern Nigeria  
 CG&RC- Corporate Governance and Remuneration Committee  
 CEO- Chief Executive Officer  
 CpCenter- Cerebral Palsy Center  
 CSD- Central Securities Deposit  
 CSCS- Central Securities Clearing System  
 CSR- Corporate Social Responsibility

## D

DMO- Debt Management Office  
 DMS- Document Management Systems

## E

EA- Enterprise Architecture  
 ECL- Expected Credit Loss  
 ERM- Enterprise Risk Management  
 ETF- Exchange Traded Funds

## F

FGN- Federal Government of Nigeria  
 FMI- Financial Market Infrastructure  
 F&SRC- Finance and Stakeholders Relationship Committee  
 FPI- Foreign Portfolio Investment

## G

GDP- Gross Domestic Product  
 GDPR- Global Data Protection Regulation  
 GLEIF-Global Local Entity Identifier Foundation  
 FVOCI- Fair Value through Other Comprehensive Income  
 FVTPL- Fair Value Through Profit or Loss

## H

HTC- Held-To-Collect  
 HTC&S- Held-To-Collect and Sell

## I

IAB- International Advisory Board  
 IBOR- Interbank Offered Rates  
 ICMR- Institute of Capital Market Registrars  
 IESBA- International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants  
 IFRS- International Financial Reporting Standard  
 IMF- International Monetary Fund  
 IPO- Initial Public Offer  
 ISA- International Standards on Auditing  
 ISIN- International Securities Identification Number  
 IOSCO- International Organisation of Securities Commission  
 ISMS- Information Security Management System  
 ISSA- International Securities Services Association

## L

LCFE- Lagos Commodities and Futures Exchange  
 LEI- Legal Entity Identifier  
 LOU- Local Operating Unit  
 LSE- London Stock Exchange

## M

MRC- Management Risk Committee

## N

NASD OTC- Nigerian Autonomous Securities Dealer Over the Counter  
 NBS- National Bureau of Statistics  
 NDPR- Nigerian Data Protection Regulation  
 NSE- Nigerian Stock Exchange  
 NSE ASI- Nigerian Stock Exchange All Share Index

## O

OCI- Other Comprehensive Income

## P

PFA- Pension Fund Administrators  
 PFC- Pension Fund Custodians  
 PWID- People with Intellectual Disabilities

## R

RC- Risk Committee  
 REIT-Real Estate Investment Trusts  
 RUGA- Rural Grazing Area

## S

SEC- Securities Exchange Commission  
 STP- Straight Through Processing  
 SO- Special Olympics  
 SRO- Self-Regulatory Organisation

## T

TC- Technical Committee

## U

USL- United Securities Limited

Serving the  
**Nigeria Capital Market**  
with Innovative Solutions



Document Management Services



Legal Entity Identifier Services



Collateral Management

**...Nigeria's Central Securities Depository (CSD)**

For further information and enquiries:



0700 CALL CSCS  
0700 2255 2727



[contact@cscs.ng](mailto:contact@cscs.ng)



CSCSLagos




@CSCSNigeria



Central Securities Clearing System Plc

Central Securities Clearing System Plc.  
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