CENTRAL SECURITIES CLEARING SYSTEM PLC

MANAGEMENT ACCOUNTS

AS AT 31 DECEMBER 2018

CENTRAL SECURITIES CLEARING SYSTEM PLC

Statement of financial position for the period ended 31 December 2018

		Dec-18	Dec-17
		N	N
NON-CURRENT ASSETS			
Property, plant and equipment	13	646,253,507	366,751,000
Intangible assets	14	1,072,695,610	1,411,086,000
Investments	15(a)	24,188,459,963	21,710,938,000
Deferred tax assets	21	38,297,792	38,298,000
Total non-current assets		**25,945,706,872**	**23,527,073,000**
CURRENT ASSETS			
Short Term Investments	15(b)	3,977,545,503	5,418,936,000
Cash and Bank Balances	16	3,013,744,921	2,004,979,000
Trade Debtors	17	57,035,022	15,550,000
Others Assets & Receivables	18	440,997,758	952,905,000
Total current assets		**7,489,323,204**	**8,392,370,000**
Total assets		**33,435,030,076**	**31,919,443,000**
EQUITY			
Share Capital	19	5,000,000,000	5,000,000,000
Retained Earnings	20	26,505,492,128	25,006,022,000
Other Components of Equity		-	153,529,000
Total equity		**31,505,492,128**	**29,852,493,000**
CURRENT LIABILITIES			
Payables and Accruals	22	711,548,429	804,293,000
Current Tax Liabilities	25	891,632,973	582,765,000
Other Liabilities	26	270,499,353	679,892,000
Unearned Income	27	55,757,193	-
Total current liabilities		**1,929,537,948**	**2,066,950,000**
Total liabilities		**1,929,537,948**	**2,066,950,000**
TOTAL EQUITY & LIABILITIES		**33,435,030,076**	**31,919,443,000**

Idibore Danlami Ali
Acting Chief Financial Officer

Haruna Jalo-Waziri
Managing Director

CENTRAL SECURITIES CLEARING SYSTEM PLC

INCOME STATEMENT FOR THE PERIOD ENDED

	NOTES	Q4 DEC 2018	Q4 DEC 2017	DEC 2018 YTD	DEC 2017 YTD
		N	N	N	N
Fees	5	883,255,814	1,505,152,808	4,598,177,488	4,334,026,364
Products and Services	7a	16,254,019	7,252,807	100,379,178	65,724,820
Other Operating Income	7b	50,044,173	33,773,421	159,474,625	140,175,259
TOTAL OPERATING INCOME		**949,554,005.68**	**1,546,179,036.23**	**4,858,031,291**	**4,539,926,443**
Depreciation and Amortisation Cost	8	129,203,869	89,116,654	488,816,103	192,184,624
Staff Cost	9	99,575,800	485,057,422	858,330,250	1,112,029,597
Administrative Expenses	10a	372,884,708	189,833,761	904,937,826	698,023,779
Products and Services	10b	34,669,591	12,386,064	52,209,059	47,110,678
Other Expenses	11	180,492,631	140,692,778	405,816,120	602,805,092
TOTAL OPERATING EXPENSES		**816,826,599.01**	**917,086,677.56**	**2,710,109,359**	**2,652,153,771**
OPERATING PROFIT		**132,727,407**	**629,092,359**	**2,147,921,932**	**1,887,772,672**
Interest Income	6	1,070,151,778	1,130,448,871	4,215,686,503	4,191,261,145
PROFIT BEFORE TAX		**1,202,879,184**	**1,759,541,229**	**6,363,608,435**	**6,079,033,817**
TAX PAID & PROVISIONS	12	- **23,890,405**	**670,951,985**	1,273,466,564	1,110,841,036
PROFIT AFTER TAX		**1,226,769,589.74**	**1,088,589,244.61**	**5,090,141,871**	**4,968,192,780**
RELEVANT RATIOS					
Basic Earning Per Share (eps) (kobo)		**24.54**	**21.77**	**101.80**	**99.36**
Diluted Earning Per Share (eps) (kobo)		**24.54**	**21.77**	**101.80**	**99.36**

Statement of cash flows

for the period ended 31 DEC 2018

In thousands of Naira	Notes	31-Dec 2018	31-Dec 2017
Cash flows from operating activities			
Profit for the period		5,090,142	4,968,193
Adjustments for:			
Income tax expense recognised in profit/loss	12	1,273,467	1,110,841
Amortisation of intangible assets	8	361,111	112,078
Depreciation of property and equipment	8	127,705	80,107
Interest income	6	(4,141,982)	(4,150,873)
Profit on disposal of property and equipment	7B	(11,346)	(4,153)
		2,699,096	**2,116,192**
Tax paid		(716,870)	(887,630)
Changes in operating assets and liabilities			
Trade and other receivables	17	(13,146)	51,967
Other assets	18	154,077	(268,374)
Payables and accruals	22	134,847	212,748
Other liabilities	26	81,711	217,406
Net cash flows from operating activities		**2,339,715**	**1,442,309**
Cash flows from investing activities:			
Purchase of property and equipment	13	(423,960)	(24,890)
Purchase of intangible asset	14	26,268	(770,415)
Proceeds on disposal of property and equipment	13	31,644	4,146
Net disposal/(purchase)of investments (treasury bills)	15(b)	1,737,380	898,297
Net purchase of investment (bonds)	15(a)	(3,387,275)	(4,528,681)
Interest received	6	4,184,993	4,115,292
Net cash flows used in investing activities		**2,169,051**	**(306,251)**
Cash flows from financing activities:			
Dividend paid		(3,500,000)	(1,050,000)
Net cash flows used in financing activities		**(3,500,000)**	**(1,050,000)**
Net decrease in cash and cash equivalents		1,008,766	86,058
Cash and cash equivalents, beginning of the period		2,004,979	234,680
Cash and cash equivalents, end of the period		**3,013,745**	**320,738**

Statement of changes in equity

for the period ended 31 DEC 2018

31 DEC 2018

In thousands of Naira	Share capital	Retained earnings	Face Value Reserve	Other components of equity	Total
Balance at 1 January 2018	5,000,000	25,088,882	(153,529)	-	29,935,353
Profit for the period	-	5,090,142		-	5,090,142
Other comprehensive income:					
Fair Value Loss - AFS Financial Instruments	-	-	-	-	-
Remeasurement of defined benefit asset	-	-	-	-	-
Deferred tax impact	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-
Total other comprehensive income	-	5,090,142		-	5,090,142
Transactions with equity holders:					
Deposit for shares					-
Dividends	-	(3,500,000)		-	(3,500,000)
Balance at 31 DEC 2018	**5,000,000**	**26,679,024**		**(153,529)**	**31,525,495**

31 DEC 2017

In thousands of Naira	Share capital	Retained earnings	Face Value Reserve	Other components of equity	Total
Balance at 1 January 2017	5,000,000	20,987,503	-	159,713	26,147,216
Profit for the year	-	5,000,242	-	-	5,000,242
Other comprehensive income:					
Fair Value Loss - AFS Financial Instruments	-	-	(153,529)	-	(153,529)
Remeasurement of defined benefit asset	-	(12,252)	-		(12,252)
Deferred tax impact	-	3,676	-	-	3,676
Transfer to retained earnings	-	159,713		(159,713)	-
Total comprehensive income	-	5,151,379	(153,529)	(159,713)	4,838,137
Transactions with equity holders:					
Deposit for shares		-			-
Dividends	-	(1,050,000)		-	(1,050,000)
Balance at 31 DEC 2017	**5,000,000**	**25,088,882**	**(153,529)**	**-**	**29,935,353**

CENTRAL SECURITIES CLEARING SYSTEM PLC

Notes to the Financial Statements

5 FEES

	DEC 2018 YTD	DEC 2017 YTD
	N	N
Eligibility Fees (a)	30,185,128	24,622,500
Depository Fees (b)	1,253,496,007	905,988,130
Transaction Fees (c)	3,314,496,353	3,403,415,734
	4,598,177,488	4,334,026,364

a. Eligibility fees are annual renewal fees paid by stockbroking firms

b. Depository fees are annual fee (including fees for initial deposit of shares) by Issuers on the basis of their market Capitalization at last trading day of December of the preceding year

c. Equity transaction fees are fees for equities traded on the NSE,

6 INTEREST INCOME

	DEC 2018 YTD	DEC 2017 YTD
	N	N
Cash & Cash Equivalent	73,704,077	40,388,036
Treasury Bills	970,243,346	1,575,584,956
FGN Bonds	2,531,138,652	1,877,510,120
State Govts Bonds	495,647,631	513,112,522
Corporate Bonds	144,952,798	184,665,511
	4,215,686,503	**4,191,261,145**

7A PRODUCTS AND SERVICES

	DEC 2018 YTD	DEC 2017 YTD
	N	N
Data Storage & Document Mgt (a)	24,344,113	27,278,820
Website Subcription Fees	35,778,226	38,446,000
Collateral Management Fee	40,256,838	-
	100,379,178	**65,724,820.29**

7B OTHER OPERATING INCOME

	DEC 2018 YTD	DEC 2017 YTD
	N	N
X-Alert Handling fees	3,225,828	6,230,516
Nominal Fees (b)	89,685,983	40,301,534
Miscellaneous Income	830,748	9,072,857
Profit on Disposal of Assets	11,346,224	4,153,450
Statement of Stock Position Fees	16,014,840	11,384,911
Settlement Banks Participation fee	20,000,000	19,000,000
Collateral Management Fee	-	24,646,369
Special Accounts Fee	11,775,750	13,175,500
Legal Entity Identifier Subscription	4,900,000	4,997,393
Staff Loan Interest	-	245,603
Gains on Foreign Exchange	-	5,149,969
DMO Services - FG Savings Bond	1,695,252	1,817,157
	159,474,625	**140,175,259**

(a) See Note 27

(b) Nominal fees include fees for error trade corrections and service charges.

8 DEPRECIATION & AMORTIZATION EXPENSES

	DEC 2018 YTD	DEC 2017 YTD
	N	N
Depreciation of PPE	127,705,279	80,106,863
Amortization of Intangible Assets	361,110,824	112,077,761
	488,816,103	192,184,624

9 STAFF COST

	DEC 2018 YTD	DEC 2017 YTD
	N	N
Salaries & Allowances	572,074,283	670,135,477
Staff Training & Development	64,557,088	38,154,275
Staff Welfare	72,441,605	56,447,569
Medical Expenses	47,535,468	34,367,406
Performance Bonus (a)	-	269,231,608
Pension Fund Contribution	67,422,428	56,511,263
Staff Long Service Benefit Scheme	34,299,378 -	12,818,000
	858,330,250	**1,112,029,597**

(a)

CENTRAL SECURITIES CLEARING SYSTEM PLC

Notes to the Financial Statements

10a Administrative Expenses

	DEC 2018 YTD	DEC 2017 YTD
	N	N
Rent & Rates	84,192,518	57,889,650
Publicity/Enlightenment	17,347,690	1,267,716
Telephone/Communication	5,935,760	5,809,922
Office Equipment Maintenance	11,502,301	12,272,217
Generator Diesel Expense	30,811,980	47,031,170
Electricity/Energy/Water	8,609,097	6,405,300
Motor Vehicle Maintenance	12,718,540	10,966,479
Motor Vehicle Fuel Expense	3,828,502	2,278,849
Office Building Maintenance	4,064,038	3,045,838
Computer/IT Maintenance	144,257,847	129,063,324
Printing & Stationeries	10,019,675	8,399,140
Audit Fees/Expenses	23,100,000	23,100,000
Professional/Consulting Fees	94,986,687	54,747,113
Travels & Accommodation	41,497,381	28,049,293
Insurance	26,757,833	44,548,239
Entertainment	3,011,860	1,477,158
Corporate & Brand Communications	16,937,059	11,720,420
Industrial Training fund	15,141,677	4,316,899
Newspapers & Periodicals	1,175,486	1,295,600
Filing, Processing Fees	287,300	182,600
Legal Expenses	46,562,800	49,078,600
Annual Subscriptions	18,556,411	18,473,429
NSITF(Management Contribution)	2,538,738	2,149,777
AGM Expenses	13,848,657	10,070,728
Other Admin (Outsourced staff) Expenses	55,325,421	33,929,183
Sponsorship	25,305,000	12,000,000
Swift Running Cost	1,945,703	2,775,041
Corporate Social Responsibility	5,727,500	6,192,800
Project Meridian - Incidental Expenses (a)	-	8,774,450
Investor Relations Expense	3,500,000	2,116,410
Loss on Disposal of Assets	-	271,386
Legal Entity Identifier Remittance	-	3,271,012
Software License Fees	175,444,367	95,054,035
	904,937,826	698,023,779

10b	**PRODUCTS AND SERVICES**	**DEC 2018 YTD**	**DEC 2017 YTD**
		N	**N**
	Digital Centre Services Expenses	37,360,150	47,110,678
	Business Development	12,000,000	-
	Legal Entity Identifier Remittance	2,848,909	-
		52,209,059	47,110,678
11	**OTHER EXPENSES**		
		DEC 2018 YTD	**DEC 2017 YTD**
		N	**N**
	Bank Charges etc	13,417,300.05	12,220,819
	Directors Fees	152,993,898	132,582,499
	Directors' Expenses (a)	239,404,923	383,147,643
	Loss on Foreign Exchange	-	69,714,820
	Provision for Bad Debts	-	5,138,387
	Investor Protection Expenses	-	925
		405,816,120	602,805,092
12	**TAXATION**		
		DEC 2018 YTD	**DEC 2017 YTD**
	Current Year Provisions:	**N**	**N**
	Income tax	575,521,926	1,004,683,467
	Education Tax	38,368,128	42,676,015
	Information Technology Levy	63,894,951	63,481,554
	Excess Dividend Tax Paid	595,681,559	-
		1,273,466,564	**1,110,841,036**

CENTRAL SECURITIES CLEARING SYSTEM PLC

Notes to the Financial Statements

NON-CURRENT ASSETS

13 **PROPERTY,PLANT & EQUIPMENT**

Depreciation/Amortization Rate	2%	20%	20%	25%	20%		
DESCRIPTION	**LAND & BUILDING (a)**	**MOTOR VEHICLE**	**FURNITURE & FITTINGS**	**COMPUTER EQUIPMENT**	**OFFICE EQUIPMENT**	**WORK IN PROGRESS**	**TOTAL**
Cost:	N	N	N	N	N		N
As at JAN 1 2018	-	264,080,000.00	131,533,756.85	913,808,111.05	156,812,864.69	18,397,500.00	1,484,632,232.59
Additions		160,323,500.00	19,658,005.00	51,089,333.41	212,000.00	192,677,606.30	423,960,444.71
Disposals	-	(91,935,000.00)	(14,693,100.00)	(57,286,802.80)	(37,865,927.00)	-	(201,780,829.80)
As at DEC 31, 2018	-	332,468,500.00	136,498,661.85	907,610,641.66	119,158,937.69	211,075,106.30	1,706,811,847.50
Accumulated Depreciation:							
As at JAN 1 2018	-	142,315,899.19	102,619,793.82	770,930,466.62	98,469,673.80	-	1,114,335,833.43
Current charge		53,471,184.03	6,832,758.46	50,872,150.56	16,529,185.67	-	127,705,278.72
Disposals	-	(77,830,809.53)	(13,536,483.36)	(55,935,585.41)	(34,179,893.78)	-	(181,482,772.08)
As at DEC 31, 2018	-	117,956,273.69	95,916,068.92	765,867,031.77	80,818,965.69	-	1,060,558,340.07
Net Book Value							
As at DEC 31, 2018	-	214,512,226	40,582,593	141,743,610	38,339,972	211,075,106	**646,253,507**
As at DEC 31, 2017	-	121,764,101	28,913,963	142,877,644	58,343,191	14,852,147	**366,751,046**

14 **INTANGIBLE ASSETS**

	20%		
DESCRIPTION	**PURCHASED SOFTWARE**	**LEASEHOLD IMPROVEMENT**	**TOTAL**
Cost	N	N	N
As at JAN 1 2018	3,542,796,143	75,467,437	3,618,263,580
Additions	26,268,010	-	26,268,010
Disposals	-	-	-
As at DEC 31, 2018	3,569,064,153	75,467,437	3,644,531,590
Accumulated Amortisation			
As at JAN 1 2018	2,150,107,865	60,617,290	2,210,725,155
Current charge	350,449,406	10,661,419	361,110,824
Reclassifcations/Disposals	-	-	-
As at DEC 31, 2018	2,500,557,271	71,278,709	2,571,835,980
Net Book Value			
As at DEC 31, 2018	**1,068,506,882**	**4,188,728**	**1,072,695,610**
As at DEC 31, 2017	1,392,688,278	18,397,500	1,411,085,778

(a) The Company has no land & building at the moment.

Notes to the Financial Statements

15(a) **INVESTMENT**

	Dec-18	Dec-17
	N	N
FG Bonds **(a)**	20,416,806,532	16,987,534,000
State Govts Bonds **(b)**	2,882,712,186	3,441,061,000
Corporate Bonds **(c)**	145,941,246	1,280,581,000
Deposit for Equity - Insurance Repository	9,999,999	-
NG Clearing Limited	62,500,000	-
Deposit for Shares - NG Clearing Ltd	670,500,000	-
Acquisition Clearing Account	-	1,762,000
	24,188,459,963	**21,710,938,000**

CURRENT ASSETS:

15(b) **SHORT TERM INVESTMENTS**

	N	N
Treasury Bills	3,681,555,971	5,418,936,000
Short-term Deposits (Call Deposit)	20,303	-
Short-term Deposits (Unclaimed Dividend)	75,408,418	-
Short-term Deposits (Capital Express Assurance:Gratuity Fund)	220,560,814	-
	3,977,545,503	**5,418,935,998**

16 **Bank & Cash Balances**

	N	N
Guaranty Trust Bank Plc (a)	316,269,721	244,123,115
Sterling Bank Plc	387,768	49,957
Zenith Bank Plc	37,071,302	7,793,826
First Bank of Nigeria Limited	10,481,221	10,429,493
Access Bank Plc	7,739,396	3,618,107
Union Bank Plc	1,019,074	1,019,074
Fidelity Bank Plc	3,102,366	48,553,241
United Bank for Africa Plc	3,733,185	4,744,453
Stanbic IBTC Bank Plc	7,046	7,046
Keystone Bank Plc	2,633,533,842	-
Cash in Hand - Foreign Currency	-	39,600
Cash Imprest	400,000	250,000
Short-term Deposits	-	1,684,296,000
	3,013,744,921	**2,004,923,912**

(a) This includes about $141,509.27 purchased for payment to TCS Bancs Vendor.

17 **TRADE DEBTORS**

	N	N
Trade Debtors - Bond Dealers	7,179,636	3,684,376
Trade Debtors - Quoted Companies	102,841,479	73,630,224
Trade Debtors - Stockbroking Firms - Eligibility	3,541,591	6,350,215
Trade Debtors - Stockbroking Firms- Trans. Fees	22,570,523	24,649,821
Trade Debtors - Settlement Banks	8,403,193	1,000,000
Trade Debtors - Sales & Bus. Dev.	33,419,429	27,156,396
Provision for Impairment (a)	(120,920,828)	(120,920,828)
	57,035,022	**15,550,203**

(a) **Analysis of impairment:**

Stockbroking Firm	25,611,718	26,412,375
Quoted Companies	67,584,093	39,033,259
Sales & Bus. Dev.	23,859,619	16,755,129
Bond Dealers	3,865,399	2,714,430
	120,920,828	**84,915,193**

18 OTHER RECEIVABLES/ASSETS

	Dec-18	Dec-17
	N	N
Withholding Tax Recoverable	24,870,821	16,252,967
Prepayment - Rent	52,069,417	13,379,167
Amount due from Insuarance Repository	44,990,875	-
Amount due from NG Clearing Limited	34,510,502	44,865,000
Deposit for shares-NG Clearing Ltd	-	670,500,000
Prepaid Expenses **(a)**	156,006,407	149,277,866
Staff Debtors/Cash Advance	9,146,994	1,322,409
Trade Debtors	4,602,454	-
Other Assets **(c)**	124,005,196	57,308,000
	440,997,758	**952,905,409**

a **Prepaid Expenses:**

	N	N
Directors transport/holiday Allowance	45,764,732	92,580,159
DB2 and Websphere	44,407,850	-
Broadbased Comm Ltd - 15 Mbps Fiber Link	-	336,000
Graduate Trainee Program	22,735,395	-
Insurance Premium	17,437,828	10,262,039
CIS Sponsorship	10,000,000	20,000,000
Health Insurance-Axa Mansaard/Bupa	9,100,860	4,186,046
Annual IBM Support & Maintenance on AS 400/Equator Licen	-	41,412,968
Others-Microsoft Open Value, Trend Micro, IP Access Mainor	6,559,742	12,208,246
	156,006,407	**180,985,458**

b Plan Assets consist of the total defined benefit net assets (Staff Long Services Severance scheme). The gratuity scheme was terminated by a resolution of the Board at its meeting of 14 Novembers 2017. The processes of winding down the scheme by payments to staff have commenced.

c **Other Assets:**

	N	N
NMA Investment & Securities Ltd	111,317,260	-
State Bond /FGN Bond Coupon Receivable	-	44,417,260
Dafinone Consulting - Sage VIP Payroll	1,117,012	1,117,012
Medical Expenses recoverable **(i)**	1,270,686	974,124
Insurance claims receivable	356,498	323,500
Sundry Stocks (tokens & Biometric devices)	9,943,739	9,359,245
	124,005,196	**56,191,141**

18c **(i)** Medical Expenses recoverable from AXA Mansard HMO

19 EQUITY

	N	N
Authorized Shared Capital	5,000,000,000	5,000,000,000
Share Capital Fully paid	**5,000,000,000**	**5,000,000,000**

CENTRAL SECURITIES CLEARING SYSTEM PLC

20 RETAINED EARNINGS

	Dec-18	Dec-17
General Reserve	21,415,350,257	20,025,829,220
Retained Earning - current year	5,090,141,871	4,980,192,780
	26,505,492,128	**25,006,022,000**

NON-CURRENT LIABILITIES:

21 Deferred tax asset/(liabilities)

Deferred Taxation	38,297,792	38,297,792
	38,297,792	**38,297,792**

CURRENT LIABILITIES:

22 Payable & Accruals

	N	N
Sundry Creditors **(a)**	137,214,535	192,709,075
Audit Fees	21,685,000	13,375,000
Dumez - Divestment Fund	231,649	-
National Housing Fund	675,614	485,110
Staff Pension Fund	3,772,296	102,098
Staff Retirement Benefits/Employee Benefit Obligations	116,158,340	-
Unearned Income	-	66,833,748
Accrued Expenses **(d)**	357,816,032	8,605,174
Accruals-TCS India	1,500,000	5,460,000
Payables to Insuarance Repository	9,999,999	-
Payables to NG Clearing Limited	62,500,000	62,500,000
Trade Creditors **(c)**	(5,036)	-
Other payables (Accured Perf Bonus)	-	454,223,608
	711,548,429	**804,293,813**

(a) **Sundry Creditors:**

	N	N
Direct Credits into Banks(Unresolved)/Excess Payment	11,975,508	62,139,624
AdonaiNet - Uncollected Trade Alert fees	79,299,341	93,328,249
Stale Cheques	2,951,927	12,438,667
Trade Debtors Credit Bal/Excess State Bond Coupon	21,037,404	-
Accruals	21,950,355	24,802,535
	137,214,535	**192,709,075**

c) These are vendors balance

d) **Accrued Expenses:**

IT accruals	100,192,695	-
Admin accruals	236,008,523	-
Legal Fees	14,632,000	-
IBM ServiceSuit Contract Accruals	6,982,813	8,605,174
	357,816,032	8,605,174

CENTRAL SECURITIES CLEARING SYSTEM PLC

Notes to the Financial Statements

25 CURRENT TAX LIABILITIES

	Dec-18	Dec-17
	N	N
Education Tax	35,678,631	40,048,798
Withholding Tax (Corporate)	11,518,271	7,885,913
Witholding Tax (Individual)	5,270,320	5,354,813
VAT Input	25,363,843	53,102,908
VAT - Depository Fee	27,759,370 -	3,837,881
Income Tax	627,064,221	371,057,067
Information Technology Levy	64,094,780	40,159,000
Personal Income Tax (PAYE)	94,883,538	68,994,382
	891,632,973	**582,765,000**

26 OTHER LIABILITIES

	N	N
Unclaimed Dividend - 2010	14,654,996	14,920,346
Unclaimed Dividend - 2011	2,951,249	2,996,249
Unclaimed Dividend - 2012	4,123,123	4,123,123
Unclaimed Dividend - 2013	5,523,330	5,716,830
Unclaimed Dividend - 2014	12,267,793	13,928,698
Unclaimed Dividend - 2015	11,119,521	13,404,531
Unclaimed Dividend - 2016	13,286,467	-
CSCS Individual Divestment	1,290,000	1,290,000
AdonaiNet Nigeria Ltd	7,691,699	7,691,699
CSCS Share Buy-Back	- 9,419,739	364,636
Seven Up Bottling Company MTO	42,320,500	-
Dumez - Divestment Fund	-	231,649
Depository Fee Suspense	35,395,083	-
Accrued Directors Allowance (a)	27,887,500	-
Amount Due to Inv & Sec Tribunal	89,750,691	118,072,000
Due to Employees	-	358,344,000
Indirect Tax	-	131,501,000
Fidelity-CSCS PLC/Vetiva Griffin 30 ETF/Lotus Halal	11,657,140.8	7,307,817
	270,499,353	**679,892,577**

Accrued Directors Allowances:		
(a) Accrued Directors' Fees/Hoilday Allowance	10,387,500	-
Accrued Directors' Severance Provision	17,500,000	-
	27,887,500	-

27 UNEARNED INCOME

	N	N
Sales & Bus. Development	12,791,863	13,654,441
Collateral Management	22,727,235	18,655,497
Others (AMCON)	20,238,095	34,523,810
	55,757,193	**66,833,748**

1 **Description of business**

Central Securities Clearing System Plc (CSCS) operates a computerized depository, clearing, settlement and delivery system for transactions in shares listed on The Nigerian Stock Exchange or any other authorized/ organized Securities Trading Platform. CSCS facilitates the delivery (transfer of shares from seller to buyer) and settlement (payment for bought shares) of securities transacted on the floors of The Nigerian Stock Exchange or any other authorized / organized Securities Trading Platform.It was licensed by the Securities and Exchange Commission as an agent for Central Depository, Clearing and Settlement of transactions in the capital market. The Company is domiciled in Nigeria with its registered office at The Stock Exchange Building, 2/4, Customs Street, Marina Lagos.

2 **Basis of preparation**

(a) **Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as

(b) **Functional and presentation currency**

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

(c) **Basis of measurement**

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

- Available-for-sale financial assets are measured at fair value through other comprehensive income.
- Plan assets are measured at fair value;
- Loans and receivables, held to maturity financial assets and liabilities are measured at amortised cost;

3 **Changes in accounting policies**

Except for the changes below, the Company has consistently applied the accounting policies as set out in note 4 to all periods presented in these financial statements.

(i) *Disclosure Inititaive (Ammendments to IAS 7)*

(ii) *Recognition of Deferred Tax Assets for Unrealized Losses (Ammendments to IAS 12)*

The above mentioned amendments to the IFRS standards, adopted on 1 January 2017, did not have any effect on the Company and Company's previously reported financial results or disclosures and had no material impact on the Company's accounting

4 **Significant accounting policies**

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

(a) Basis of consolidation

(i) **Subsidiaries**

Subsidiaries are entities controlled by the Company. The Company 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 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 Company loses control over a subsidiary, the Company derecognizes 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-Company balances and transactions, and any unrealized income and expenses arising from intra-Company transactions, are eliminated in preparing the financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(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 Company'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 Company's interest in equity-accounted investee represents interest in a joint venture. A joint venture is an arrangement in which the Company has joint control whereby the Company has right to the net assets on arrangement basis rather than the right to its asset and obligations to its liabilities.

Interest in joint ventures are accounted for using the equity method. They are initially recognised at cost, which include transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share of the profit or loss and OCI of equity-accounted investee, until the date on which the significant influence ceases.
Investment in subsidiaries and equity-accounted investees are measured at cost less impairment in the separate financial statements.

(b) **Foreign currency**

(i) **Foreign currency transactions**

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the dates of the transactions.Foreign currency differences are generally recognised in profit or loss. (However, foreign currency differences arising from the translation of the available-for-sale equity investments 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

(c) **Revenue recognition**

(i) **Revenue from rendering of services**

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any discounts or rebates allowed by the Company.

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

- Depository fees represent the annual fees charged on companies quoted on the Nigerian Stock Exchange at a rate of market capitalisation.
- Eligibility Fees are charged on stock broking firms.
- Transaction fees are based on values of shares traded on the Nigerian Stock Exchange or any other authorized / organized Securities Trading Platform charged on the investors at a percentage of sales.
- Over The Counter (OTC) transaction fee is charged on transactions relating to trading in bonds and commercial papers.

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

(ii) **Interest income**

Interest income from a financial asset is recognised in income statement using 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.

(iii) **Collateral Management Fees**

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

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

(f) Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss to ordinary shareholders of the Company by the weighted average number or 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 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

A defined benefit plan is a post-employment benefit plan other than a defined contributory plan. The Company's obligation in

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the 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 recognized immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(h) Taxation

(i) Current tax

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

Total amount of tax payable under the Companies Income Tax Act (CITA) is determined on the higher of two components namely:

- company income tax (based on taxable income (or loss)) for the year; or

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

Taxes based on taxable profit for the year are presented as current income tax in line with IAS 12, whereas taxes which are based on gross amount are outside the scope of IAS 12 and therefore are not presented as current income tax.

Minimum tax

The Company pays minimum tax in accordance with the Company Income (Amendment) Act, 2007, where in any year of assessment, the ascertainment of total assessable profits from all sources of the Company results in a loss or where the Company's ascertained total profits results in no tax payable or tax payable is less than the minimum tax. Minimum taxes are recognised as a separate line item in the statement of profit or loss and other comprehensive income under taxation.

(ii) **Deferred tax**

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

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

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

(iii) **Information technology levy**

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

(iv) **Education tax**

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

(i) Property and equipment

(i) **Recognition and measurement**

Property and equipment is carried at the cost of acquisition or construction and depreciated over its estimated useful life. An impairment loss is recognized in addition if an asset's recoverable amount falls below its carrying amount.
The cost of acquisition comprises the acquisition price plus ancillary and subsequent acquisition costs, less any reduction received on the acquisition price. The cost of self-constructed property and equipment comprises the direct cost of materials, direct manufacturing expenses, and appropriate allocations of material and manufacturing overheads. Where an obligation exists to remove an asset or restore a site to its former condition at the end of its useful life, the present value of the related future payments is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability

(ii) **Subsequent expenditure**

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

(iii) **Depreciation**

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.

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

(iv) **De-recognition**

An item of property 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.

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

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

(iii) **Amortisation**

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

Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, profit or loss account 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 depreciated

(iv) **De-recognition**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from 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 period end. They are transferred to intangible asset class upon completion. Items classified as software under development are not

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 Company 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

(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 Company of assets that generates cash inflows that are largely independent of the cash inflows from other assets or Companys 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.

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 amortization, if no impairment loss had been recognized. Reversals of impairment losses are recognized 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 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.

(l) **Financial assets**

(i) **Investment securities**

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity. Investment securities comprise treasury bills of original maturity of more than 90 days and Investment in Federal Government, State Government and Corporate Bonds. These are classified as held-to-maturity financial assets. A sale or reclassification of more than insignificant amount of the portfolio of held-to-maturity investments results in carrying the entire investments as available-for-sale (tainting), and would prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sale or reclassification in any of the following circumstances will not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's value.
- Sales or reclassifications after the Company has collected substantially all of the asset's original principal; and
- Sales or reclassifications that are attributable to non-recurring isolated events beyond the Company's control that could not

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

(ii) **Trade receivables**

Trade receivables are carried at original invoice amount less any impairment for doubtful debts. Impairment allowances are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. When a trade receivable is determined to be uncollectable it is written off, firstly against any impairment allowance available and then to profit or loss. Subsequent recoveries of amounts previously provided for are credited to profit or loss. Long-term receivables are discounted where the effect is material.
Trade receivables are initially measured at fair value and subsequently measured at amortized cost.

(iii) **Other receivables**

Other receivables comprise 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 where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. Other receivables are initially measured at fair value and subsequently measured at amortized cost.

(iv) **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and highly liquid investments with maturities of three months or less when acquired. They are readily convertible into known amounts of cash and are held for cash management purposes and to meet short term obligations. Cash and cash equivalent are initially measured at fair value and subsequently measured at amortized cost.

(v) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive income. Interest calculated using the effective interest method is recognised in 'Interest income', with dividend income included in other operating income. When available-for-sale financial assets are sold or impaired, the cumulative gain or loss recognised in

(vi) **Impairment of non-derivative financial assets**

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

The following factors are considered in assessing objective evidence of impairment:
- whether the customer is more than 180 days past due;
- initiation of bankruptcy proceedings;
- there is an observable data indicating that there is a measurable decrease in the estimated future cash flows of a Company of financial assets, although the decrease cannot yet be identified with specific individual financial assets.
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- adverse changes in the payment status of borrowers or issuers;

Assets carried at amortized cost

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

(m) **Other assets**

Other assets comprise mainly of prepayments, and sundry stocks. They are stated at cost less amortised amounts. They are amortized to expense by the straight-line method or according to performance of the underlying transaction.

(n) **Financial liabilities**

(i) **Trade payables**

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

(ii) **Other liabilities**

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

(o) **Amortised cost concept**

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

(p) Fair value measurement

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

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

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

(q) Derecognition of financial assets and financial liabilities

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

Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

(r) Provisions

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

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 recognized at the present value of the expected cash outflow. Claims for reimbursements from third parties are capitalized separately if their realization is virtually certain.

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

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

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

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 recognized as finance cost.

(s) Contingent assets and liabilities

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 Company. Contingent assets are disclosed in the financial statements when they arise.

Contingent liability is the 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 Company. However, they are recognised, if it is probable that an outflow of economic resources will be required to settle the obligation and the

(t) Other operating expenses

All other operating expenses are accounted for on accrual basis

(u) Segment reporting

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

(v) New standards and interpretations not yet adopted

A number of new standards, amendment to standards and interpretation are effective for annual years beginning after 1 January 2016, and have not been applied in preparing these financial statements. The Company does not plan to adopt these standards early. Those which may be relevant to the Company are set out below. For some of the new standards, the Company has completed the assessment of their potential impacts while the evaluation of likely effect of the others are still ongoing.

(i) **- *IFRS 15 Revenue from contracts with customers***

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces the previous revenue standard IAS 18 Revenue, and the related Interpretations on revenue recognition. The standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards and provides a single principle based framework to be applied to all contracts with customers that are in scope of the standard. Under the new standard revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. The standard introduces a new five step model to recognize revenue as performance obligations in a contract are satisfied. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments, and as such will impact the businesses that earn fee and commission revenue.

On April 12, 2016, the IASB issued amendments to IFRS 15 Revenue from Contracts with Customers. The amendments provide additional clarification on the identification of a performance obligation in a contract, determining the principal and agent in an agreement, and determining whether licensing revenues should be recognized at a point in time or over a specific period. The amendments also provide additional practical expedients that can be used on transition to the standard.

The Company will adopt the standard and its amendments in the financial year beginning on 1 January, 2018 and plans to use the modified retrospective approach. Under this approach, the Company will recognize the cumulative effect of initially applying the standard as an adjustment to the opening balances of retained earnings as of 1 January, 2018, without restating comparative periods. Additional disclosures will be required in order to explain any significant changes between reported results and results had the previous revenue standard been applied.

The standard does not apply to revenue associated with financial instruments, and therefore, will not impact the Company's revenue from interest income and gains from trading financial instruments which are covered under IFRS 9 Financial Instruments. The implementation of the standard is led by the Finance Department in coordination with the business segments. The area of focus for the Company's assessment of impact is revenue from fees. While the assessment is not complete, the timing of recognition and measurement of the Company's revenue from fees within the scope of this standard is not expected to materially change. The Company is also evaluating the additional disclosures that may be relevant and required.

(ii) **- *IFRS 9 Financial instruments***

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

This standard will not have a significant impact on the Company which will include changes in the measurement basis of the Company's financial assets to amortised cost, fair value through profit or loss. Even though the measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model which is expected to increase the provision for bad debt recognised in the Company. The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

Estimated impact of the adoption of IFRS 9

The Company is required to adopt IFRS 9 Financial Instruments from 1 January 2018. The Company has assessed the estimated impact that the initial application of IFRS 9 will have on its consolidated financial statements. The estimated impact of the adoption of these standards on the Company's equity as at 1 January 2018 is based on assessments undertaken to date and is summarised below. The actual impacts of adopting the standards at 1 January 2018 may change because the new accounting policies are subject to change when the Company presents its first financial statement that include the date of initial application.

IFRS 9:

(1) Classification:

The Company currently measures its financial assets using either amortised cost or fair value depending on the classification. The Company does not expect any material impact in the measurement of its financial assets under IFRS 9.

(2) Impairment

This will have significant impact as the group will now include forward looking information in its impairment determination for Treasury bills through the use of Expected Credit Loss (ECL) model. The group will adopt the simplified model for impairment assessment for its other receivable. The Group is discussing the most cost effective approach to development of the ECL model for its treasury bills.

The approach to impairment assessment under IFRS 9 will be determined by the final classification adopted in 2018.

(v) **IFRIC 22: Foreign currency transactions and advance consideration (effective for periods beginning on or after 1 January 2018; early adoption is permitted).**

The amendments provide guidance on the transaction date to be used in determining the exchange rate for translation of foreign currency transactions involving an advance payment or receipt.

The amendments clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The interpretation applies when a Company pays or receives consideration in a foreign currency; and recognises a non-monetary asset or liability – e.g. non-refundable advance consideration – before recognising the related item.

The Group will adopt the amendments for the year ending 31 December 2018.

(vi) **IFRS 16: Leases (effective for periods beginning on or after 1 January 2019; early adoption is permitted only for entities that adopt IFRS 15 Revenue from Contracts with Customers, at or before the date of initial application of IFRS 16).**

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as operating leases or finance leases as required by IAS 17 and introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

-assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and

- depreciation of lease assets separately from interest on lease liabilities in the profit or loss

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is yet to carry out an assessment to determine the impact that the initial application of IFRS 16 could have on its business; however, the Group will adopt the standard for the year ending 31 December 2019.

5 **Use of Judgements**

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

Use of Estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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. Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed below.

(a) **Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2017 include:

i) **Impairment losses of financial assets**

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

In the application of the Group'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 uses 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.

ii) **Recognition of deferred tax asset/liability**

Deferredtax is recognizedon temporary differences between the carryingamounts of assets and liabilities in the Company's financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rate that is expected to apply in the year in which the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting year, to recover or settle the carrying amount of its liabilities. Significant management judgement is required to determine the amount of deferred tax assetthat can be recognized, based upon the likely timing and the level of future taxable profits

iii) **Income tax**

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

iv) **Defined benefit obligation**

The Group sponsored a defined benefit plan for its qualifying employees. The plan was terminated during the current year. The Group 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.

b) **Measurement of fair values**

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

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and report directly to the chief financial officer.

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

Significant valuation issues are reported to the Board Audit Committee.

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

(i) Level 1 : Quoted market price (unadjusted) in an active market for an identical instrument.

(ii) Level 2 : Valuation techniques based on observable inputs, either directly- i.e. as prices or indirectly - i.e. derived from prices. This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

(iii) Level 3 : Valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences

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 determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bonds and equity prices, foreign currency exchange rates, equity and equity index prices volatilities and correlations. The objective of valuation techniques is to

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.