



# **CENTRAL SECURITIES CLEARING SYSTEM PLC**


## **MANAGEMENT ACCOUNTS**

**AS AT 30TH JUNE 2018**



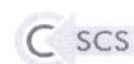
## Statement of financial position for the period ended

		JUNE 2018	JUNE 2017
		N	N
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	470,914,382	219,549,084
Intangible assets	14	1,231,631,534	68,062,529
Investments	15(a)	22,105,884,651	16,906,712,470
Capital Work in Progress	24	-	1,503,617,006
Deferred tax assets	21	38,297,792	2,860,172
<b>Total non-current assets</b>		<b>23,846,728,358</b>	<b>18,700,801,261</b>
<b>CURRENT ASSETS</b>			
Short Term Investments	15(b)	6,865,235,000	9,032,964,868
Cash and Bank Balances	16	440,331,022	488,595,158
Trade Debtors	17	135,595,434	116,509,629
Others Assets & Receivables	18	485,471,456	785,273,480
<b>Total current assets</b>		<b>7,926,632,911</b>	<b>10,423,343,136</b>
<b>Total assets</b>		<b>31,773,361,269</b>	<b>29,124,144,397</b>
<b>EQUITY</b>			
Share Capital	19	5,000,000,000	5,000,000,000
Retained Earnings	20	24,121,814,668	22,201,632,841
<b>Total equity</b>		<b>29,121,814,668</b>	<b>27,201,632,841</b>
<b>CURRENT LIABILITIES</b>			
Payables and Accruals	22	789,290,140	683,507,635
Current Tax Liabilities	25	726,361,566	444,450,954
Other Liabilities	26	433,376,330	297,015,748
Unearned Income	27	702,518,564	497,537,218
<b>Total current liabilities</b>		<b>2,651,546,601</b>	<b>1,922,511,555</b>
<b>Total liabilities</b>		<b>2,651,546,601</b>	<b>1,922,511,555</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>31,773,361,269</b>	<b>29,124,144,397</b>

  
**Idibore Ali**  
 Head, Accounts

  
**Haruna Jalo-Waziri**  
 Managing Director

## CENTRAL SECURITIES CLEARING SYSTEM PLC



## INCOME STATEMENT FOR THE PERIOD ENDED

	NOTES	Mar-18 N	Jun-18 N	Jun-17 N
Fees	5	1,527,448,175	2,768,948,196	1,726,816,331
Products and Services	7a	26,620,922	58,173,497	53,562,902
Other Operating Income	7b	67,530,848	86,822,190	48,218,431
<b>TOTAL OPERATING INCOME</b>		<b>1,621,599,945</b>	<b>2,913,943,883</b>	<b>1,828,597,664</b>
Depreciation and Amortisation Cost	8	117,594,753	239,142,537	71,819,175
Staff Cost	9	235,523,954	505,200,985	689,994,415
Administrative Expenses	10a	170,844,231	358,906,922	344,246,863
Products and Services	10b	5,774,686	13,486,483	23,985,758
Other Expenses	11	42,244,354	148,472,263	363,765,840
<b>TOTAL OPERATING EXPENSES</b>		<b>571,981,979</b>	<b>1,265,209,191</b>	<b>1,493,812,052</b>
<b>OPERATING PROFIT</b>		<b>1,049,617,966</b>	<b>1,648,734,692</b>	<b>334,785,612</b>
Interest Income	6	1,079,140,464	2,148,881,605	1,995,660,766
<b>PROFIT BEFORE TAX</b>		<b>2,128,758,430</b>	<b>3,797,616,298</b>	<b>2,330,446,378</b>
TAX PAID & PROVISIONS	12	357,684,917	1,111,157,749	226,027,676
<b>PROFIT AFTER TAX</b>		<b>1,771,073,514</b>	<b>2,686,458,548</b>	<b>2,104,418,702</b>

## Statement of cash flows



for the period ended 30 JUN 2018

<i>In thousands of Naira</i>	Notes	30-Jun 2018	30-Jun 2017
<b>Cash flows from operating activities</b>			
Profit for the period		2,686,459	2,104,419
<i>Adjustments for:</i>			
Income tax expense recognised in profit/loss		1,111,158	208,867
Amortisation of intangible assets		175,907	31,253
Depreciation of property and equipment		63,236	40,566
Interest income		(2,090,517)	(1,984,550)
Defined benefit Charge			
Profit on disposal of property and equipment		(600)	(4,146)
		<b>1,945,641</b>	<b>396,409</b>
Tax paid		(909,651)	(345,523)
Contribution to Gratuity Scheme			
<i>Changes in operating assets and liabilities</i>			
Trade and other receivables		199,592	73,862
Other assets		(22,365)	(215,642)
Payables and accruals		713,477	1,084,744
Other liabilities		18,117	217,387
<b>Net cash flows from operating activities</b>		<b>1,944,812</b>	<b>1,211,237</b>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment		120,765	(8,812)
Purchase of intangible asset		-	(338,781)
Proceeds on disposal of property and equipment		-	4,146
Net disposal/(purchase)of investments (treasury bills)		(2,779,902)	2,516,884
Net purchase of investment (bonds & fixed deposits)		(982,507)	(4,745,882)
Interest received		3,632,184	2,116,716
<b>Net cash flows used in investing activities</b>		<b>(9,460)</b>	<b>(455,729)</b>
<b>Cash flows from financing activities:</b>			
Dividend paid		(3,500,000)	(1,050,000)
<b>Net cash flows used in financing activities</b>		<b>(3,500,000)</b>	<b>(1,050,000)</b>
Net decrease in cash and cash equivalents		(1,564,648)	(294,493)
Cash and cash equivalents, beginning of the period		2,004,979	783,088
<b>Cash and cash equivalents, end of the period</b>		<b>440,331</b>	<b>488,595</b>



## Statement of changes in equity

for the period ended 30 JUN 2018



30 JUN 2018

<i>In thousands of Naira</i>	Share capital	Retained earnings	Other components of equity	Total
Balance at 1 January 2018	5,000,000	25,088,882	(153,526)	29,935,356
Profit for the period	-	2,686,459	-	2,686,459
Other comprehensive income:				
Remeasurement of defined benefit asset	-	-	-	-
Income tax impact	-	-	-	-
Total other comprehensive income	-	2,686,459	-	2,686,459
<i>Transactions with equity holders:</i>				
Deposit for shares				-
Dividends	-	(3,500,000)	-	(3,500,000)
<b>Balance at 30 JUN 2018</b>	<b>5,000,000</b>	<b>24,275,341</b>	<b>(153,526)</b>	<b>29,121,815</b>

30 JUN 2017

<i>In thousands of Naira</i>	Share capital	Retained earnings	Other components of equity	Total
Balance at 1 January 2017	5,000,000	20,924,284	159,713	26,083,997
Profit for the year	-	2,104,419	-	2,104,419
Other comprehensive income:				
Remeasurement of defined benefit asset	-	-	-	-
Income tax impact	-	-	-	-
Total comprehensive income	-	2,104,419		2,104,419
<i>Transactions with equity holders:</i>				
Deposit for shares		63,217		63,217
Dividends	-	(1,050,000)	-	(1,050,000)
<b>Balance at 30 JUN 2017</b>	<b>5,000,000</b>	<b>22,041,920</b>	<b>159,713</b>	<b>27,201,633</b>

# CENTRAL SECURITIES CLEARING SYSTEM PLC



## Notes to the Financial Statements

### 5 FEES

	<b>Mar-18</b>	<b>Jun-18</b>	<b>Jun-17</b>
	<b>N</b>	<b>N</b>	<b>N</b>
Eligibility Fees (a)	5,444,625	12,145,875	14,516,423
Depository Fees (b)	314,343,313	618,300,210	444,432,226
Transaction Fees (c)	1,207,660,236	2,138,502,110	1,267,867,682
	<u>1,527,448,175</u>	<u>2,768,948,196</u>	<u>1,726,816,331</u>

- a. Eligibility fees are annual renewal fees paid by stockbroking firms as participants of the CSD
- b. Depository fees are annual fee (including fees for initial deposit of shares) by Issuers on the basis of their market Capitalization at first trading day of December of the preceding year
- c. Equity transaction fees are fees for equities traded on the NSE, FMDQ and NASD respectively

### 6 INTEREST INCOME

	<b>Mar-18</b>	<b>Jun-18</b>	<b>Jun-17</b>
	<b>N</b>	<b>N</b>	<b>N</b>
Cash & Cash Equivalent	22,911,281	58,364,255	11,110,684
Treasury Bills	317,143,352	608,294,932	673,235,067
FGN Bonds	567,656,683	1,141,313,735	971,158,814
State Govts Bonds	125,447,024	249,682,243	248,435,780
Corporate Bonds	45,982,124	91,226,440	91,720,420
	<u>1,079,140,464</u>	<u>2,148,881,605</u>	<u>1,995,660,766</u>

### 7A PRODUCTS AND SERVICES

	<b>Mar-18</b>	<b>Jun-18</b>	<b>Jun-17</b>
	<b>N</b>	<b>N</b>	<b>N</b>
Data Storage & Document Mgt (a)	1,971,362	9,830,990	9,754,788
Website Subscription Fees	13,085,400	23,439,447	21,090,000
Collateral Management Fee	7,631,410	17,650,310	13,074,364
Special Accounts Fee	2,695,250	4,952,750	7,325,000
Legal Entity Identifier Subscription	1,237,500	2,300,000	2,318,750
	<u>26,620,922</u>	<u>58,173,497</u>	<u>53,562,902.08</u>

# CENTRAL SECURITIES CLEARING SYSTEM PLC



## Notes to the Financial Statements

### 7B OTHER OPERATING INCOME

	Mar-18 N	Jun-18 N	Jun-17 N
X-Alert Handling fees	-	-	-
Statement of Stock Position Fees	3,040,360	10,992,782	5,907,759
Settlement Banks Participation fee	4,750,000	9,500,000	9,500,000
Other Fees (b)	59,182,322	64,203,035	7,071,883
Miscellaneous Income	336,278	601,377	129,039
Profit on Disposal of Assets	-	600,000	4,145,960
Staff Loan Interest	-	-	222,848
DMO Services - FG Savings Bond	221,888	924,996	877,252
Write Back of Provision for Bad Debts	-	-	20,363,690
	<b>67,530,848</b>	<b>86,822,190</b>	<b>48,218,431</b>

(a) See Note 27

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

### 8 DEPRECIATION & AMORTIZATION EXPENSES

	Mar-18 N	Jun-18 N	Jun-17 N
Depreciation of PPE	29,932,865	63,235,647	40,566,477
Amortization of Intangible Assets	87,661,888	175,906,890	31,252,698
	<b>117,594,753</b>	<b>239,142,537</b>	<b>71,819,175</b>

### 9 STAFF COST

	Mar-18 N	Jun-18 N	Jun-17 N
Salaries & Allowances	191,737,099	403,820,604	338,796,674
Staff Training & Development	4,727,644	18,558,042	30,088,714
Staff Welfare	7,104,342	18,133,387	15,255,124
Medical Expenses	13,874,005	29,063,255	20,541,271
Performance Bonus (a)	-	-	258,238,486
Pension Fund Contribution	18,080,865	35,625,697	27,074,146
	<b>235,523,954</b>	<b>505,200,985</b>	<b>689,994,415</b>



## Notes to the Financial Statements

## 10a Administrative Expenses

	Mar-18	Jun-18	Jun-17
	N	N	N
Rent & Rates	15,246,776	36,053,259	30,058,173
Publicity/Enlightenment	588,000	1,718,690	462,774
Telephone/Communication	316,925	2,854,903	3,539,125
Office Equipment Maintenance	3,535,250	5,740,791	7,358,080
Generator Diesel Expense	7,851,786	16,540,641	25,784,546
Electricity/Energy/Water	607,529	1,072,743	189,177
Motor Vehicle Maintenance	2,991,100	5,188,935	6,936,324
Motor Vehicle Fuel Expense	920,343	2,180,654	905,507
Office Building Maintenance	649,350	1,826,550	1,369,600
Computer/IT Maintenance	38,323,181	58,889,269	45,402,888
Printing & Stationeries	2,329,740	4,404,214	3,500,430
Audit Fees/Expenses	5,775,000	11,550,000	9,000,000
Professional/Consulting Fees	22,867,957	45,765,775	11,378,610
Travels & Accommodation	21,666,437	44,349,290	15,210,956
Insurance	6,087,149	12,388,190	26,424,644
Entertainment	221,170	715,320	430,730
Corporate & Brand Communications	7,052,379	8,352,379	5,267,715
Industrial Training fund	393,997	12,138,431	7,811,312
Newspapers & Periodicals	260,750	614,350	723,500
Filing, Processing Fees	2,600	35,300	18,500
Legal Expenses	1,238,750	9,646,700	37,483,130
Annual Subscriptions	5,585,280	10,804,578	9,170,751
NSITF(Management Contribution)	-	2,538,738	2,149,777
AGM Expenses	-	10,882,287	6,295,968
Other Admin (Outsourced staff) Expenses	6,055,476	15,044,886	17,553,740
Sponsorship	5,855,000	11,355,000	8,000,000
Swift Running Cost	-	-	1,346,742
Corporate Social Responsibility	227,500	227,500	-
Project Meridian - Incidental Expenses (a)	-	-	9,401,890
Investor Relations Expense	-	3,500,000	1,833,900
Loss on Disposal of Assets	-	-	271,386
Software License Fees	19,438,589	22,527,549	48,966,989
Write Off equity NSE Nominee Ltd etc	110,000	-	-
	170,844,231	358,906,922	344,246,863



# CENTRAL SECURITIES CLEARING SYSTEM PLC



## Notes to the Financial Statements

### 10b PRODUCTS AND SERVICES

	Mar-18	Jun-18	Jun-17
	N	N	N
Digital Centre Services Expenses	5,325,702	12,588,515	22,706,342
Legal Entity Identifier Remittance	448,984	897,969	1,279,416
	<u>5,774,686</u>	<u>13,486,483</u>	<u>23,985,758</u>

### 11 OTHER EXPENSES

	Mar-18	Jun-18	Jun-17
	N	N	N
Bank Charges etc	2,574,372	5,211,880.72	6,939,323
Directors Fees	7,116,667	67,045,000	59,390,833
Directors' Expenses (a)	32,553,316	76,215,382	297,434,759
Investor Protection Expenses	-	-	925
	<u>42,244,354</u>	<u>148,472,263</u>	<u>363,765,840</u>

### 12 TAXATION

	Mar-18	Jun-18	Jun-17
Current Year Provisions:	N	N	N
Income tax	315,372,499	449,280,528	188,763,608
Education Tax	21,024,833	29,952,035	11,440,219
Information Technology Levy	21,287,584	36,243,627	25,823,849
Excess Dividend Tax Paid	-	595,681,559	-
	<u>357,684,917</u>	<u>1,111,157,749</u>	<u>226,027,676</u>

CENTRAL SECURITIES CLEARING SYSTEM PLC



Notes to the Financial Statements

NON-CURRENT ASSETS

13 PROPERTY, PLANT & EQUIPMENT

Depreciation/Amortization Rate	2% LAND & BUILDING (a)	20% MOTOR VEHICLE	20% FURNITURE & FITTINGS	25% COMPUTER EQUIPMENT	20% OFFICE EQUIPMENT	WORK IN PROGRESS	TOTAL
<b>Cost:</b>							
As at JAN 1 2018	N	N	N	N	N		N
Additions	-	264,080,000	131,533,757	913,808,111	156,812,865	18,397,500	1,484,632,233
Disposals	-	76,794,250	-	2,460,307	-	40,317,372	119,571,929
As at JUN 30, 2018	-	340,874,250	132,925,457	916,268,418	156,812,865	58,714,872	1,604,204,162
<b>Accumulated Depreciation:</b>							
As at JAN 1 2018	-	142,315,899	102,619,794	770,930,467	98,469,674	-	1,114,335,833
Current charge	-	26,340,347	3,102,292	25,092,731	8,700,278	-	63,235,647
Disposals	-	-	-	-	-	-	-
As at JUN 30, 2018	-	168,656,246	105,722,086	796,023,197	107,169,952	-	1,177,571,480
<b>Net Book Value</b>							
As at JUN 30, 2018	-	172,218,004	27,203,371	120,245,221	49,642,913	58,714,872	426,632,682
As at JUN 30, 2017	-	42,325,000	31,557,015	58,918,559	41,944,377	44,804,133	219,549,084

14 INTANGIBLE ASSETS

DESCRIPTION	20% PURCHASED SOFTWARE	LEASEHOLD IMPROVEMENT	TOTAL
<b>Cost</b>			
As at JAN 1 2018	N	N	N
Additions	3,542,796,143	75,467,437	3,618,263,580
Disposals	-	-	-
As at JUN 30, 2018	3,542,796,143	75,467,437	3,618,263,580
<b>Accumulated Amortisation</b>			
As at JAN 1 2018	2,150,107,865	60,617,290	2,210,725,155
Current charge	169,938,217	5,968,674	175,906,890
Reclassifications/Disposals	-	-	-
As at JUN 30, 2018	2,320,046,082	66,585,964	2,386,632,046
<b>Net Book Value</b>			
As at JUN 30, 2018	1,222,750,061	8,881,473	1,231,631,534
As at JUN 30, 2017	44,007,778	24,054,751	68,062,529

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

# CENTRAL SECURITIES CLEARING SYSTEM PLC



## Notes to the Financial Statements

### 15(a) INVESTMENT

	Jun-18 N	Jun-17 N
FG Bonds (a)	16,950,723,168	12,861,215,254
State Govts Bonds (b)	3,149,743,524	2,707,050,696
Corporate Bonds (c)	1,262,417,959	1,298,342,212
Deposit for Equity - Insurance Repository	9,999,999	33,731,308
NG Clearing Limited	62,500,000	6,263,000
Deposit for Shares - NG Clearing Ltd	670,500,000	
Acquisition Clearing Account	-	
Equity Investments (15ai)	-	110,000
	<b>22,105,884,651</b>	<b>16,906,712,470</b>
(a) MTM value as at 30 June 2018 of N16.49billion (with net fair value adjustment of negative N301.60million)		
(b) MTM value as at 30 June 2018 of N3.23billion (with net fair value adjustment of positive N167.10million)		
(c) MTM value as at 30 June 2018 of N1.20billion (with fair value adjustment of negative N40.66million)		

### 15(ai) Equity Investments (a)

	N	N
NSE Consult Ltd	-	10,000
NSE Nominees	-	100,000
	-	<b>110,000</b>

(a) Note: These are Equity investment in NSE subsidiaries has been written off according to the Board resolution dated March 4, 2017

### CURRENT ASSETS:

### 15(b) SHORT TERM INVESTMENTS

	N	N
Treasury Bills (a)	5,984,967,628	7,751,182,753
Cash Equivalent (Deposits)	559,706,560	1,281,782,117
Short-term Deposits (Capital Express Assurance:Gratuity Fund)	320,560,814	-
	<b>6,865,235,000</b>	<b>9,032,964,868</b>
(a) MTM value as at 30 June 2018 of N5.88billion (with fair value adjustment of negative N220.95million)		

### 16 Bank & Cash Balances

	N	N
Guaranty Trust Bank Plc (a)	200,891,073	352,204,200
Sterling Bank Plc	7,368,135	1,098,478
Zenith Bank Plc	45,803,711	117,725,249
First Bank of Nigeria Limited	139,397,443	10,070,407
Access Bank Plc	6,687,419	2,592,390
Union Bank Plc	1,019,074	1,019,074
Fidelity Bank Plc	33,895,022	2,977,658
United Bank for Africa Plc	4,758,088	599,035
Stanbic IBTC Bank Plc	7,046	7,046
Cash in Hand - Foreign Currency	39,600	51,620
Cash Imprest	464,410	250,000
	<b>440,331,022</b>	<b>488,595,158</b>

## Notes to the Financial Statements

	Jun-18 N	Jun-17 N
<b>17 TRADE DEBTORS</b>		
Trade Debtors - Bond Dealers	5,266,505	3,873,717
Trade Debtors - Quoted Companies	186,731,455	157,557,682
Trade Debtors - Stockbroking Firms - Eligibility	3,851,630	9,424,997
Trade Debtors - Stockbroking Firms- Trans. Fees	22,787,734	253,251,370
Trade Debtors - Settlement Banks	3,000,000	3,026,250
Trade Debtors - Sales & Bus. Dev.	34,878,939	38,361,621
Provision for Impairment (a)	(120,920,828)	(348,986,007)
	<b>135,595,434</b>	<b>116,509,629</b>
<b>(a) Analysis of impairment:</b>		
Stockbroking Firm	25,611,718	253,489,758
Quoted Companies	67,584,093	76,026,690
Sales & Bus. Dev.	23,859,619	16,755,129
Bond Dealers	3,865,399	2,714,430
	<b>120,920,828</b>	<b>348,986,007</b>



## Notes to the Financial Statements

## 18 OTHER RECEIVABLES/ASSETS

	Jun-18 N	Jun-17 N
Withholding Tax Recoverable	24,504,380	72,130,262
Prepayment - Rent	42,827,426	43,129,042
Prepaid Staff Housing Allowance	58,344,823	53,712,631
Prepaid Soft Furniture Allowance	35,006,894	31,591,979
Prepaid Education Allowance	17,503,447	19,334,434
Amount due from Insurance Repository	44,944,375	-
Amount due from NG Clearing Limited	34,510,502	-
Prepaid Expenses (a)	201,252,517	261,606,779
Staff Debtors/Cash Advance	6,553,889	1,693,365
Plan Assets (b)	-	248,101,000
Trade Debtors	7,954,508	
Other Assets (c)	12,068,696	53,973,990
	<b>485,471,456</b>	<b>785,273,480</b>
	<b>N</b>	<b>N</b>
a <b>Prepaid Expenses:</b>		
Directors transport/holiday Allowance	109,592,744	153,284,059
Mgt Staff Holiday Allowance	25,145,334	22,239,378
Insurance Premium	8,103,975	12,707,710
CIS Sponsorship	15,000,000	25,000,000
Int'l Health Plan for Exco -Axa Mansard and 2016 HMO Premium	4,527,642	787,702
Annual IBM Support & Maintenance on AS 400/Equator Licence-IBM	17,472,788	28,152,626
Others-Microsoft Open Value, Trend Micro, IP Access Mainone Cable etc	21,410,033	19,435,303
	<b>201,252,517</b>	<b>261,606,779</b>
	<b>N</b>	<b>N</b>
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.		
	<b>N</b>	<b>N</b>
c <b>Other Assets:</b>		
FGNBOND Half Yr Coupon PMT	10,475,239.78	42,680,817
Dafinone Consulting - Sage VIP Payroll	1,117,012	1,117,012
Medical Expenses recoverable (i)	526,029	619,503
Insurance Claims Receivable	323,500	-
Sundry Stocks (tokens & Biometric devices)	10,102,155	9,556,658
	<b>22,543,936</b>	<b>53,973,990</b>

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	<b>5,000,000,000</b>	<b>5,000,000,000</b>

# CENTRAL SECURITIES CLEARING SYSTEM PLC

## Notes to the Financial Statements



### 20 RETAINED EARNINGS

	Jun-18	Jun-17
General Reserve	21,435,356,120	20,097,214,139
Retained Earning - current year	2,686,458,548	2,104,418,702
	<b>24,121,814,668</b>	<b>22,201,632,841</b>

### NON-CURRENT LIABILITIES:

21 <b>Deferred tax asset/(liabilities)</b>		
Deferred Taxation	38,297,792	2,860,172
	<b>38,297,792</b>	<b>2,860,172</b>

### CURRENT LIABILITIES:

	N	N
22 <b>Payable &amp; Accruals</b>		
Sundry Creditors (a)	158,386,909	102,223,018
Audit Fees	10,135,000	8,675,000
Dumez - Divestment Fund	231,649	231,649
National Housing Fund	490,567	484,280
Staff Pension Fund	2,402,449	8,174,710
Staff Retirement Benefits/Employee Benefit Obligations	280,917,499	
CSCS/NSE X-Alert (b)	3,608,572	10,469,956
Accrued Expenses (d)	30,358,625	37,391,034
Accruals-TCS India	5,460,000	257,619,501
Payables to Insurance Repository	9,999,999	-
Payables to NG Clearing Limited	62,500,000	-
Trade Creditors (c)	7,146,368	7,902,608
Other payables (Accrued Perf Bonus)	217,652,502	258,238,486
	<b>789,290,140</b>	<b>683,507,635</b>

#### (a) Sundry Creditors:

	N	N
Direct Credits into Banks(Unresolved)	24,560,846	14,827,036
AdonaiNet - Uncollected Trade Alert fees	79,299,341	79,299,341
Stale Cheques	3,113,071	3,113,071
Trade Debtors Credit Bal/Excess State Bond Coupon	21,037,404	244,000
Accruals	28,048,606	4,739,571
	<b>156,059,267</b>	<b>102,223,018</b>

b) This amount is the balance of fees and cost of the X-Alert to be shared between CSCS & NSE

c) These are trade debtors accounts with credit balances

#### d) **Accrued Expenses:**

Accrued 13th month/leave allw/holiday allw	21,324,512	21,318,259
Legal Fees :Wema Vs CSCS	-	16,072,775
IBM ServiceSuit Contract Accruals	9,034,113	-
	<b>30,358,625</b>	<b>37,391,034</b>

### 24 Capital Work in Progress

	N	N
NEW CSD SOFTWARE (a)	-	1,503,617,006
Carrying amount	-	<b>1,503,617,006</b>

(a) Capital Work in Progress represents expenditures on the implementation of the new CSD application - Project Meridian broken down as: N

Hardware & database	-	285,121,321
Software- TCS Bancs	-	1,218,495,684
	-	<b>1,503,617,006</b>

The project went live on 23 October 2017 and the costs were capitalized effective November 2017



Notes to the Financial Statements

25 CURRENT TAX LIABILITIES

	Jun-18 N	Jun-17 N
Education Tax	27,262,538	8,813,002
Withholding Tax (Corporate)	9,128,016	6,976,585
Withholding Tax (Individual)	12,416,506	5,835,258
VAT Input	24,846,252	51,558,542
VAT - Depository Fee	28,379,364	605,821
Income Tax	500,822,823	270,099,178
Information Technology Levy	36,443,457	26,023,681
Personal Income Tax (PAYE)	87,062,611	74,538,889
	<b>726,361,566</b>	<b>444,450,954</b>

26 OTHER LIABILITIES

	N	N
Unclaimed Dividend - 2014 & 2015 & 2016	60,192,245	100,481,394
Unclaimed Dividend (2013,2012,2011,2010 etc)	9,313,453	27,756,547
CSCS Individual Divestment	1,290,000	1,290,000
AdonaiNet Nigeria Ltd	7,691,699	7,691,699
CSCS Share Buy-Back	692,761	364,636
Seven Up Bottling Company MTO	42,320,500	-
Depository Fee Suspense	35,395,083	36,292,369
Accrued Directors Allowance (a)	36,512,500	43,625,000
Amount Due to Inv & Sec Tribunal	269,897,862	72,287,084
Fidelity-CSCS PLC/Vetiva Griffin 30 ETF/Lotus Halal	-	29,929,771.8
	<b>433,376,330</b>	<b>297,015,748</b>

**Accrued Directors Allowances:**

(a) Accrued Directors' Fees/Holiday Allowance	55,808,943	26,512,500
Accrued Directors' Severance Provision	12,500,000	7,500,000
	<b>68,308,943</b>	<b>34,012,500</b>

27 UNEARNED INCOME

	N	N
Depository Fees	628,686,627	426,273,890
Eligibility Fees	3,290,000	3,325,000
Settlement Banks	9,500,000	9,500,000
Sales & Bus. Development (a)	14,068,152	13,253,939
Legal Entity Identifier	2,112,500	2,266,143
Collateral Management	17,480,333	1,251,579
Others (AMCON)	27,380,952	41,666,667
	<b>702,518,564</b>	<b>497,537,218</b>



# CENTRAL SECURITIES CLEARING SYSTEM PLC

## Notes to the Financial Statements



### 28 CONTINGENT LIABILITY

There are pending litigations against the company some of which the Company is only a nominal party and a matter under arbitration with Adonai Net Ltd. Contingent liability as at 31 December 2017 was N3.496billion against claims by the company in the sum of N272.75million. There has been no significant change as at June 2018 in the litigations involving the Company. There is a garnishee order nissi on the company for the sum of N68.4million in the case of NMA Investment & Securities Ltd Vs. CSCS & ors. The order has been executed and the funds transferred to the Deputy Registrar of the Federal High Court pending the final determination of the case at the Supreme Court.



## **Statement of Accounting Policies**

### **1. Description of business**

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

### **2. Basis of preparation**

#### **(a) Statement of compliance**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) including IAS 34 annual Financial Reporting as issued by the International Accounting Standard Board (IASB) and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

Details of the accounting policies consistently applied by the Company for all periods presented in the financial statements are included in Note 4.

#### **(b) Functional and presentation currency**

The financial statements are presented in Nigerian Naira, which is the functional currency of the Company. Except 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 period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 5.

### **3. Changes in accounting policies**

There are no new standards and amendments to standards that may have material impact on the reported balances as at 31 December 2017.

## Statement of Accounting Policies

### 4. Significant accounting policies

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

#### a. Foreign currency

##### (i) Foreign currency transactions

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

#### b. Revenue recognition

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

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

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

- Depository fees represent the annual fees charged on quoted companies on the Nigerian Stock Exchange at a rate of market capitalisation.
- Eligibility Fees are charged on stock broking firms.
- Transaction fees are based on values of shares traded on the Nigerian Stock Exchange or any other authorized / organized Securities Trading Platform charged on the investors at a percentage of sales.
- Participation fee is charged annually on settlement banks appointed by Nigerian Stock Exchange/ CSCS.

##### (ii) Interest income

Interest income from a financial asset is recognised in income statement using effective interest rate method. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

##### (iii) Collateral Management Fees

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

#### c) Dividends distribution

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

#### d) Earnings per share

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

#### e) Employee benefits

##### (i) Short term employee benefits

## **Statement of Accounting Policies**

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



## Statement of Accounting Policies

### l) Financial liabilities

#### i Trade payables

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

#### ii) Other liabilities

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

### m) 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.

### n) 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.

### o) Provisions, Contingent assets and Contingent liabilities

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

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

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

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

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



## Statement of Accounting Policies

### (ii) Retirement benefit costs

#### (a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due in respect of service rendered before the end of the reporting period. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Contributions to a defined contribution that are due for more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value at the reporting date. The Company operates a funded defined contribution retirement benefit scheme for its employees under the provisions of the Pension Reform Act 2014 (as amended). The employer contributes 10% while the employee contributes 8% of the qualifying employee's salary.

### f) Taxation

#### i) Current tax

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

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

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

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

## Statement of Accounting Policies

### ii) Deferred tax

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

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

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

### iii) Information technology levy

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

### iv) Education tax

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

## g) Plant and equipment

### i) Recognition and measurement

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

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

### ii) Subsequent expenditure

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

### iii) Depreciation

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

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

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



## Statement of Accounting Policies

### iv) De-recognition

An item of plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

### v) Capital Work in progress

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

### h) Intangible assets

#### (i) Initial recognition and measurement

- Intangible assets acquired separately

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

#### ii) Subsequent Expenditure

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

#### iii) Amortisation

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

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

Software License	Over License term
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### 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 when the asset is derecognised.

### i) Impairment of non-current assets

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

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

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

## Statement of Accounting Policies

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



## Statement of Accounting Policies

### j) Financial assets

#### i) Investment securities

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

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

#### ii) Trade receivables

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

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

#### ii) Other receivables

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

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

#### iii) Cash and cash equivalents

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

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

#### v) Impairment of financial assets

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

#### - Assets carried at amortized cost

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

#### k) Other assets

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