

CO-LINK INVESTMENT MANAGEMENT COMPANY LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2015



SOLA OYETAYO & CO.

Audit | Tax | Consulting | Advisory



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CORPORATE INFORMATION

DIRECTORS:	Mr. Hameed A. Ajani	-	Chairman
	Mr. Adelana Haastrup	-	Managing Director/CEO
	Mrs. Ibiroonke Haastrup	-	Director/Chief Operating Officer
	Mr. Ariyo Olushekun	-	Director
	Mr. Ignatius M. Adegunle	-	Director
	Mr. Obafemi Oye	-	Director
	Mr. Adeoye Mapaderun	-	Director – Appointed 23/4/2015

MANAGEMENT STAFF:	Mr. Adelana Haastrup	Managing Director/CEO
	Mrs Ibiroonke Haastrup	Chief Operation Officer
	Mr. Awodele Abiola	Financial Controller
	Mr. Biodun Durojaiye	Head, Business Development
	Mr. Adeniyi Adegbite	Internal Audit

REGISTERED OFFICE:

Motorways Centre
Block B, 2nd Floor
1, Motorways Avenue
Alausa-Ikeja
Lagos.

COMPANY SECRETARY:

Akinsec Consulting
(Chartered Secretaries)
7, Funsho Williams Avenue
Ojuelegba, Surulere
Lagos.

AUDITORS:

Sola Oyetayo & Co.
33, Ogunlowo Street
Off Obafemi Awolowo Way
Ikeja, Lagos.

BANKERS:

Skye Bank Plc
46, Opebi Road, Ikeja
Lagos.

Sterling Bank Plc

9 Aromire Avenue
Ikeja, Lagos.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I, once again, welcome you delightedly to another Annual General Meeting of Co-Link Investment Management Company Limited and hereby present to you the 2015 Audited Financial Statements of your Company.

Economic Overview

The drop in crude oil prices and the attendant effect on the nation's foreign reserves of in 2015 highlighted the weakness of our economy. Despite the change in Government on 29th May, 2015 and the high expectation of stable economic environment, the fundamental challenges of a monolithic economy made it difficult for Nigeria to realize her full economic. The inability of the Government to pass the budget within the shortest possible period and embark on implementation created its own additional stress for the economy, as economic actors could not read the economic direction. The Central Bank of Nigeria's pronouncements on foreign exchange availability and the Naira depreciation in particular increased the cost of doing business.

In spite of tough operating environment, your Company remained focused on delivering a good performance. We promised in our last Annual General Meeting to pay attention to efficiency as well as create good quality assets. Our performance in 2015 bears testimony to the efforts of Management at fulfilling that promise.

Performance Measurement

Our Company sustained its track record of posting profit. During the year under review, Gross Revenue came to ₦250.59m from ₦286.21m in 2014, while Profit Before Tax came to ₦37.64m against that of ₦32.01m in 2014. Despite the drop in Gross Revenue, your Company was able to achieve a better Profit Before Tax on the back of reduction in loan impairment charges.

Total Assets stood at ₦1.28b as against the ₦1.42b in 2014 as a result of drop in Placement and Borrowings. Our Balance Sheet remains strong as we have large percentage of the Operating Fund in Placement convertible to Equity, which reduces our dependence on external funding with its attendant vagaries.

Earning Per Share and Dividends

Your Company's Earning Per Share improved from 0.81k in 2014 to 1.41k in 2015. The Board of Directors is recommending a dividend payment of 33k. The consideration of 33k is better than the 30k paid in 2014, an increase of 10%.

Future Economic Outlook

We do not envision a quick or an immediate economic turn-around. However, we expect that with the passage of 2016 Budget, economic activities would receive a boost.

As confidence in the economy gradually rebounds, the path of business as well as income earning opportunities would be wider.

In 2016, your Company will focus more on creating high quality Lending Assets in line with the dictates of the Board of Directors' approved assets allocation.

In the years ahead, we will continue to navigate the economic environment with a view to creating value for all stakeholders.

Thank you.

Hameed Ayodele Ajani
Chairman

REPORT OF THE DIRECTORS

1. ACCOUNTS

The Directors present their report together with the financial statements of the Company for the year ended 31 December 2015.

2. RESULTS

	2015	2014
Profit for the Year Before Taxation	37,640,235	32,011,701
Taxation	<u>(2,441,461)</u>	<u>(6,978,566)</u>
Profit Attributable to Equity Owners of the Company	<u>35,198,774</u>	<u>25,033,135</u>

3. LEGAL FORM

The Company was incorporated in Nigeria under the Companies and Allied Matters Act (CAP C20) Laws of the Federation of Nigeria, 2004 as a Private Limited Liability Company on 17th June, 1993. It was licensed by the Central Bank of Nigeria to practice as a Finance Company and also licensed by the Securities and Exchange Commission as Investment Advisers.

4. PRINCIPAL ACTIVITIES

The company is principally engaged in the business of LPO/Contract financing, Joint Venture Trade and Project Financing, and Management of Equity funds on behalf of self and clients.

5. DIRECTORS AND DIRECTORS' INTEREST

The names of the Directors who served during the period are listed on page 1 of this report

The interests of the Directors in the Paid-Up Share Capital of the Company as at 31 December 2015 as notified by them for the purpose of sections 275 of the Companies and Allied Matters Act 1990 (CAP C20) LFN 2004, are as follows:

	Ordinary Share of N1.00 each	
	2015	2014
Mr. Adelana Haastrup	7,500,000	7,500,000
Mrs. Ibronke Haastrup	7,500,000	7,500,000
Mr. Obafemi Oye	4,500,000	4,500,000
Mr. Hameed Ajani	100,000	100,000
Mr. Ariyo Olushekun	150,000	150,000
Mr. Ignatius Adegunle	666,667	666,667

REPORT OF THE DIRECTORS (Cont'd)

5. BENEFICIAL OWNERSHIP

The Company is 100% Nigerian owned.

6. BOARD MEETINGS

During the year, the Company held four Board Meetings.

7. RECORD OF DIRECTORS' ATTENDANCE

In accordance with Section 258(2) of the Companies and Allied Matters Act 1990, CAP C20 LFN 2004, the record of the Directors' attendance at Directors' Meetings during the period under review is available for inspection at the Annual General Meeting.

8. BOARD COMMITTEES

The Board being the apex decision making body, met four times during the year to provide strategic direction, set policies and provide leadership directions in accomplishing the Company's objectives. In performing its oversight function, and in conformity with the Code of Best Practices in Corporate Governance, the Board operates through the following committees; Assets & Liabilities Committee, Board Audit Committee, Board Credit Committee and IT Committee.

9. FRAUD & FORGERY

There was no occurrence of fraud or forgery in the year under review.

10. EMPLOYMENT AND EMPLOYEES

1) Employment Policy

It is the policy of the Company that there should be no discrimination in considering application for employment including those from disabled persons. All employees are given equal opportunities for self-development.

2) Health, Safety at Work and Welfare of Employees

Health and safety regulations are in force within the premises of the Company. We do all we can to keep our workplace safe and healthy. Safety is a collective responsibility and we, together with our employees take responsibility for a safe and healthy workplace.

REPORT OF THE DIRECTORS (Cont'd)

3) Employee Involvement and Training

The Company is committed to keeping employees fully informed as much as possible regarding the Company's performance and progress and seeking their views wherever practicable on matters, which particularly affect them as employees.

Management's professional and technical expertise is the Company's major assets and investment in developing such skills continues.

The Company's expanding skill-base has been extended to a range of training provided and has broadened opportunities for career development within the organization.

11. POST BALANCE SHEET EVENTS

There are no significant developments since the year-end, which could materially affect the state of affairs of the Company as at 31st December, 2015 and the profit for the year ended on that date which has not been adequately provided for.

12. INDEPENDENT AUDITORS

Messrs. Sola Oyetayo & Co. have indicated their willingness to continue in office as auditors in accordance with the provisions of Section 357(2) of the Companies and Allied Matters Act 1990 (CAP C20) Laws of the Federation of Nigeria, 2004 and a resolution would be proposed at the Annual General Meeting to fix their remuneration.

LAGOS, NIGERIA.

BY THE ORDER OF THE BOARD

AKINSEC CONSULTING
(Corporate Secretaries)
FRC/2014/ICSAN/00000008050

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies and Allied Matters Act 1990, CAP C20 Laws of the Federation of Nigeria, 2004 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company:

- (a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act (CAP C20) Laws of the Federation of Nigeria, 2004.
- (b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- (c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, and are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in accordance with International Reporting Standards and in the manner required by the Companies and Allied Matters Act 1990 (CAP C20) Laws of the Federation of Nigeria, 2004 and The Bank and Other Financial Institution Acts of Nigeria, LFN 2004.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit or loss. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Board of Directors by:

Mr. Adelana Haastrup
Managing Director/CEO
FRC/2014/IODN/00000006084

Mr. Ariyo Olushekun
Director
FRCN/2014/CISN/000005926

Mr. Abiola Awodele
Financial Controller
FRCN/2014/ICAN/0000006231

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF CO-LINK INVESTMENT MANAGEMENT COMPANY LIMITED

We have audited the accompanying financial statements of CO-LINK INVESTMENT MANAGEMENT COMPANY LIMITED. These financial statements comprise the Statement of Financial Position as at December 31, 2015, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of Significant Accounting Policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act 1990, CAP C20, LFN 2004, the Financial Reporting Council of Nigeria Act, 2011, the Bank and other financial institution Act of Nigeria and relevant Central Bank of Nigeria LFN 2004 Circulars and Guidelines. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of affairs of the Company as at December 31, 2015 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, The Bank and Other Financial Institution Act of Nigeria, LFN 2004 and in the manner required by the Companies and Allied Matters Act 1990, CAP C20, LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Report on Other Legal and Regulatory Requirements

The Companies and Allied Matters Act, 1990 CAP C20, LFN 2004 and the Banks and Other Financial Institutions Act 1991 (as amended) require that in carrying out our audit, we consider and report on the following matters. We confirm that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii) In our opinion, proper books of account have been kept by the entity so far as appears from our examination of those books;
- iii) The statement of financial position, statement of profit or loss and other comprehensive income are in agreement with the books of account;
- iv) As disclosed in note 37, the Company did not contravene any relevant circulars and guidelines issued by the Central Bank of Nigeria.

Akeem Taofik, FCA

FRC/2014/ICAN/000000006160

For: **Sola Oyetayo & Co.**

Lagos, Nigeria.

STATEMENT OF PROFIT OR LOSS

	NOTES	2015 N	2014 N
Interest Income	8	223,642,298	266,089,501
Interest Expense	9	(132,527,666)	(135,750,837)
Net Interest Income		<u>91,114,632</u>	<u>130,338,664</u>
Fee and Commission Income	10	7,746,320	4,795,544
Fee and Commission Expense		<u>7,746,320</u>	<u>-</u>
		<u>7,746,320</u>	<u>4,795,544</u>
Investment Income	11	8,455,423	11,898,203
Other Income	12	10,730,447	3,434,231
		<u>19,185,870</u>	<u>15,332,433</u>
Loan Impairment Charges	13	(13,508,507)	(55,916,871)
Personnel Expenses		(30,003,768)	(29,340,567)
Administration and General Expenses		(30,429,170)	(26,510,918)
Depreciation and Amortization Expenses		(6,465,142)	(6,686,585)
		<u>(80,406,587)</u>	<u>(118,454,941)</u>
Profit Before Tax		37,640,235	32,011,701
Income Tax Expense	25	(2,441,461)	(6,978,566)
Profit After Tax		<u>35,198,774</u>	<u>25,033,135</u>
Total Profit or Loss Attributable to Owners of the Company		<u>35,198,774</u>	<u>25,033,135</u>
		<u>35,198,774</u>	<u>25,033,135</u>
Basic Earnings Per Share (kobo)	14	1.14	0.81

STATEMENT OF OTHER COMPREHENSIVE INCOME

	Notes	2015	2014
		N	N
Profit for the Year		35,198,774	25,033,135
		<u>35,198,774</u>	<u>25,033,135</u>
Net Change in Fair Value on Available-for-Sale Financial Assets		(28,362,591)	(66,401,964)
Total Other Comprehensive Income for the Year Net of Tax		<u>(28,362,591)</u>	<u>(66,401,964)</u>
Total Comprehensive Income for the Year		<u>6,836,183</u>	<u>(41,368,830)</u>
Attributable to Equity Holders		<u>6,836,183</u>	<u>(41,368,830)</u>

STATEMENT OF FINANCIAL POSITION

		2015	2014
ASSETS	NOTES	N	N
Cash and Cash Equivalents	14	870,845,647	1,000,726,152
Loans and Advances	15	310,545,724	295,917,945
Available for Sale Financial Assets	16	82,334,638	106,106,912
Prepayments and Other Receivables	17	10,217,881	5,403,434
Investment Properties	18	4,761,199	4,761,199
Property, Plant and Equipment	19	4,373,555	10,838,697
TOTAL ASSETS		1,283,078,646	1,423,754,339
LIABILITIES			
Financial Liabilities Measured at Amortized Cost	20	1,078,225,395	1,178,650,280
Accruals and Other Payables	21	17,089,862	20,458,742
Bank Overdraft	22	-	31,566,193
Income Tax Liability	23	1,569,653	5,184,250
Deferred Tax Liability	24	7,707,218	6,835,410
TOTAL LIABILITIES		1,104,592,129	1,242,694,875
EQUITY			
Share Capital	25	30,916,667	30,916,667
Share Premium	26	1,833,333	1,833,333
Statutory Reserve	27	31,323,043	26,043,227
Retained Earnings	28	118,239,275	133,418,379
Available for Sale Reserves	29	(50,695,179)	(22,332,588)
Non-Distributable Regulatory Reserve	30	46,869,377	11,180,446
TOTAL EQUITY		178,486,517	181,059,464
TOTAL LIABILITIES AND EQUITY		1,283,078,646	1,423,754,339

The financial statements were approved by the Board of Directors on 23 February 2016

Signed on its behalf by:

Mr Adelana Haastrup
Managing Director/CEO
FRCN/2014/IODN/0000006084

Mr. Ariyo Olushekun
Director
FRCN/2014/CISN/0000005626

Mr Abiola Awodele
Financial Controller
FRCN/2014/ICAN/0000006231

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

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Statutory Reserve	Available- for- Sale Reserve	Non- Distributable Regulatory Reserve	Retained Earnings	Total Reserves	Total Equity
	N	N	N	N	N	N	N	N
Balance at 31 December 2013	30,916,667	1,833,333	22,288,257	44,069,376	22,859,196	130,341,940	221,392,102	252,308,769
Correction of Prior Year Error	-	-	-	-	-	(16,895,476)	(16,895,476)	(16,895,476)
Profit for the Year	-	-	3,754,970	-	-	25,033,135	28,788,105	28,788,105
Statutory Transfer	-	-	-	-	-	(3,754,970)	(3,754,970)	(3,754,970)
Dividend Paid	-	-	-	-	-	(12,985,000)	(12,985,000)	(12,985,000)
Transfer from Retained Earnings	-	-	-	-	(11,678,750)	11,678,750	-	-
Other Comprehensive Income	-	-	-	(66,401,964)	-	-	(66,401,964)	(66,401,964)
Balance at 31 December 2014	30,916,667	1,833,333	26,043,227	(22,332,588)	11,180,446	133,418,378	150,142,796	181,059,463
Correction of Prior Year Error	-	-	-	-	-	(134,130)	(134,130)	(134,130)
Profit for the Year	-	-	5,279,816	-	-	35,198,774	40,478,590	40,478,590
Statutory Transfer	-	-	-	-	-	(5,279,816)	(5,279,816)	(5,279,816)
Dividend Paid	-	-	-	-	-	(9,275,000)	(9,275,000)	(9,275,000)
Transfer from Retained Earnings	-	-	-	-	35,688,931	(35,688,931)	-	-
Other Comprehensive Income	-	-	-	(28,362,591)	-	-	(28,362,591)	(28,362,591)
Balance at 31 December 2015	30,916,667	1,833,333	31,323,043	(50,695,179)	46,869,377	118,239,275	147,569,850	178,486,517

STATEMENT OF CASH FLOWS

	Notes	2015 N	2014 N
Cash Flows Operating Activities			
Profit Before Tax for the Year		37,640,235	32,011,701
Adjustments for:			
Depreciation of Property, Plant & Equipment		6,465,142	6,686,585
Dividends Received		(8,455,423)	(6,388,835)
(Gain)/Loss on Foreign Exchange		(29,235)	-
Dividend Paid		9,275,000	12,985,000
Interest Received		(223,642,298)	(261,412,738)
Interest Paid		132,527,666	135,736,370
		<u>(46,218,914)</u>	<u>(80,381,917)</u>
Changes in Loans and Advances		(14,627,780)	110,914,966
Changes in Other Assets		(18,813,894)	50,887,296
Changes in Liabilities		(138,850,544)	82,517,637
Income Tax Paid		(5,184,250)	(6,660,808)
Net Cash Flows from Operating Activities		<u>(223,695,382)</u>	<u>157,277,174</u>
Investing Activities			
Purchase of Property, Plant and Equipment		-	(931,245)
Dividend Received		8,455,423	-
Net Cash Flows Used in Investing Activities		<u>8,455,423</u>	<u>(931,245)</u>
Financing Activities			
Bank Overdraft		-	(31,566,193)
Dividend Paid		(9,275,000)	(12,985,000)
Interest Received		227,132,885	238,553,541
Interest Paid		(132,527,666)	(135,750,837)
Net Cash Flows from Financing Activities		<u>85,330,219</u>	<u>58,251,511</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		(129,909,740)	214,597,440
Cash and Cash Equivalents at the Beginning of the Year	16	1,000,726,152	786,128,712
Effect of Exchange Rate on Cash		29,235	-
Cash and Cash Equivalents at End of the Year	16	<u>870,845,647</u>	<u>1,000,726,152</u>
Cash and Cash Equivalents Comprise of:			
Cash at Hand		11,360	4,654
Bank Balances		15,834,287	589,991
Placements with Banks and Other Financial Institutions		855,000,000	1,000,131,507
		<u>870,845,647</u>	<u>1,000,726,152</u>

NOTES TO THE FINANCIAL STATEMENTS

1.0 REPORTING ENTITY

The accompanying financial statements comprise the financial statements of Co-link Investment Management Company Limited (referred to as the 'Company'). The Company is a limited liability Company incorporated in Nigeria on the 17 June 1993 under the Companies and Allied Matters Act CAP C20 LFN 2004. It was licensed by the Central Bank of Nigeria to practise as a Finance company and also licensed by the Securities and Exchange Commission as investment advisers. The principal activities of the Company include the business of LPO/Contract Financing, Joint Venture Trade, Project Financing, and Management of Equity Fund on behalf of itself and the clients. The company registered office and principal place of business is at 1, Motorways Avenue, Motorways Centre, Alausa, Ikeja, Lagos.

2.0 GOING CONCERN

These financial statements have been prepared on the going concern basis. The company has no intention or need to reduce substantially its business operations. The management and shareholders have the intention to further develop the business of the Company. The management believes that the going concern assumption is appropriate for the company due to its sufficient capital adequacy ratio and projected liquidity, and based on historical experience that short-term obligations will be refinanced in the normal course of business. Liquidity ratio and continuous evaluation of the current ratio of the Company is carried out to ensure that there are no going concern threats to the operations of the Company.

3.0 BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

3.1 Composition of Financial Statement

The financial statements are drawn up in naira, the functional currency of Nigeria, in accordance with International Financial Reporting Standards (IFRS). These are the company's first full financial statements prepared under IFRS which comprise:

- Statement of profit or loss
- Statement of other comprehensive Income
- Statement of financial position
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements.
- Other national disclosures
 - Valued added statement
 - Five-year financial summary

3.2 Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). The financial statements comply with the Company and Allied Matters Act of Nigeria, Bank and Other Financial Institution Act, Financial Reporting Council of Nigeria Act, and relevant Central Bank of Nigeria circulars.

The financial statements were authorised for issue by the Board of Directors on 23, February, 2016.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3.3 Basis of Measurement

The financial statement have been prepared on the historical cost convention, land are measured at cost based on the company policy except for available for sale financial assets measured at fair value through other comprehensive income.

3.4 Functional and Presentation Currency

Items included in the financial statements of the company are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "functional currency"). This financial statement is presented in Nigerian Naira ("N"), which is the company's functional currency.

3.5 Significant Estimates and Management's Judgment

The preparation of the company's financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the reporting date and the reported amount of income and expenses during the period ended. Management evaluates its estimates and judgments on an on-going basis. Management based its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4.0 ADOPTION OF NEW AND REVISED IFRS STANDARDS

4.1 New and Revised Accounting Standards and Interpretations in Issue But Not Yet Effective

The following revisions to accounting standards and pronouncements that are applicable to the company were issued but are not yet effective. Where IFRSs listed below permit early adoption, the company has elected not to apply them in the preparation of these financial statements.

The full impact of these IFRSs is currently being assessed by the company, but none of these pronouncements are expected to result in any material adjustments to the financial statements.

Standard	Description	Effective Year
IFRS 9	Financial Instruments	1-Jan-18
Amendment to IFRS 5	Non current assets held for Sale and Discontinued Operations	1-Jul-16
Amendment to IFRS 7	Financial Instruments: Disclosures	1-Jul-16
IFRS 15	Revenue from Contracts with Customers	1-Jan-17
Amendments to IAS 19	Employee Benefits	1-Jul-16
Amendments to IAS 16 and IAS 38	Property, Plant and Equipment and Intangible Assets	1-Jan-16
IFRS 16	Leases	1-Jan-19
Amendments to IAS 12	Income Taxes	1-Jan-17

Commentaries on these new standards/amendments are provided below:

IFRS 9 Financial Instruments

The issue of IFRS 9 completed the process of IAS 39 Financial Instruments: Recognition and Measurement. This standard provides full guidance for the classification, recognition and measurement, impairment, hedge accounting and de-recognition of financial instruments.

This standard introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. The standard allows financial assets to be categorised as “fair value through other comprehensive” in certain circumstance which is irrevocable. The requirements for financial liabilities were largely carried forward unchanged from IAS 39.

The standard introduces a single impairment model to all financial instruments, based on “expected loss” instead of “incurred loss” under IAS 39, for the measurement of impairment loss on financial assets

The standard also provides requirements for hedging accounting that aligns the accounting treatment with the risk management activities of an entity, in addition to enhanced disclosures which will provide better information about risk management and the effect of hedging accounting on the financial statements

IFRS 9 carries forward the de-recognition requirements of financial assets and liabilities from IAS 39.

The standard will affect the manner with which the company calculates and recognises impairment loss including its timing and also the classification of its financial assets. However, it is yet to assess the impact on the financial statements and do not intend to apply it earlier than the mandatory effective date.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

Amendments to IFRS 5 - Non Current Asset Held for Sale and Discontinued Operations

Amends IFRS 5 with specific guidance on changes in disposal methods, for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases for which held for distribution accounting is discontinued. The amendment clarifies that changing from one of these disposal methods to the other should not be considered to be a new disposal plan, rather it is a continuation of the original plan.

Amendments to IFRS 7 - Financial Instruments: Disclosures

Amends IFRS 7 to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures. An entity is required to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. It also clarifies the applicability of IFRS 7 on offsetting disclosures to condensed interim financial statements. It states that these IFRS 7 disclosures are not required in the condensed interim financial report.

IFRS 15 - Revenue from Contracts with Customers

This standard provides comprehensive model for all entities in accounting for revenue arising from contracts with customers. It replaced the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The core principle of the standard is that an entity should recognise revenue to show the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition which are as follows:

1. Identification of the contract with a customer;
2. Identification of the performance obligations in the contract;
3. Determination of the transaction price;
4. Allocation of the transaction price to the performance obligations in the contracts; and
5. Recognition of revenue when (or as) the entity satisfies a performance obligation

An entity recognizes revenue when (or as) a performance obligation is satisfied i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance is now added to deal with specific scenarios. Furthermore, the standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improved guidance for multiple-element arrangements.

The company is yet to assess the impact on the financial statements and do not intend to apply it earlier than the mandatory effective date.

Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions

Amends IAS 19 to clarify that high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

Amendments to IAS 16 and IAS 38- Property, Plant and Equipment and Intangible Assets

This amendment clarifies that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefit embodied in an intangible asset.

IFRS 16 Leases

This is a new standard which sets out the principles for the recognition, measurement, presentation and disclosures of leases for both parties to a contract i.e. the customer (lessee) and the supplier (Lessor). It replaces the previous leases standard, IAS 17 Leases, and related interpretations. Some of the highlights are as follows:

1. Carry forward of the lessor accounting requirements in IAS 17. Lessor continues to classify its leases as operating leases or finance leases, and account for those two types of leases differently.
2. Lessee will now recognize assets and liabilities for all leases i.e. no more operating leases, with a term of more than 12 months, unless the underlying asset is of low value e.g. lease of a personal computer; and depreciate the lease assets. Interest is calculated on all lease liabilities and recognized in the income statement.
3. Separation of lease components from service components of the contract and applies lease accounting to only for lease components. But also include an option for lessee to account for both components as a single lease, instead of separating those components.

Early application is permitted if IFRS 15 Revenue from Contracts with Customers is applied. Management are yet to assess the impact on this standard and does not intend to adopt same earlier than the effective date.

Amendments to IAS 12 Income Tax

Amendments to IAS 12 Income Taxes relates to the amendments, Recognition of Deferred Tax Assets for Unrealized Losses, clarify how to account for deferred tax assets related to debt instruments measured at fair value. Early application is permitted.

The company does not have any debt instruments measured at fair value and as such this amendment will have no impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5.0 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies which have been consistently applied in the preparation of the financial statements are set out below.

5.1 Interest, Fees and Commission

(i) Interest

Interest is recognised as interest income and interest expense in the statements of profit or loss for all interest bearing financial instruments classified Held to maturity or other loans and receivables. Interest is recognised in 'Interest income' and 'Interest expense' respectively in the income statement. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability (or company of assets and liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating effective interest, the company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses.

The calculation includes all amounts paid or received by the company that are an integral part of the effective rate of a financial instrument, including transactions costs and all other premiums and discounts. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term. Interest on impaired financial assets is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fees and Commission

Fee income is earned from a diverse range of services provided by the Company to its customers. Fee income is accounted for as follows:

- Income earned on the execution of a significant transaction is recognised as revenue when the transaction is completed (for example, fees arising from negotiating, or participating in the negotiation of, a transaction for a third-party, such as an arrangement for the acquisition of loans, shares or other securities).
- Income earned from the provision of services is recognised as revenue as the services are provided (for example, asset management, portfolio and other management advisory and service fees, including wealth management and financial planning).
- Income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate (for example, certain loan commitment, arrangement and processing fees.) and recorded in 'Interest income'. Commitment fees, together with related direct costs, for loan facilities where drawdown is probable are deferred and recognized as an adjustment to the effective interest on the loan once drawn. Commitment fees in relation to facilities where drawdown is not probable are recognised over the term of the commitment.

(iii) Net Trading Income and Brokerage Income

Net trading and brokerage income comprises all income earned from the sales of the company proprietary shares, brokerage fees, and arbitrage income. gains and losses from changes in the fair value of financial assets and financial liabilities held for trading and available for sale together with the related interest income and expense.

(iv) Dividend

Dividend income is recognised when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5.2 Determination of Fair Value

All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received). In certain circumstances, however, the fair value will be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets, such as interest rate yield curves, option volatilities and currency rates. When such evidence exists, the company recognizes a trading gain or loss on inception of the financial instrument, being the difference between the transaction price and the fair value.

When unobservable market data have a significant impact on the valuation of financial instruments, the entire initial difference in fair value indicated by the valuation model from the transaction price is not recognised immediately in the income statement but is recognised over the life of the transaction on an appropriate basis, or when the inputs become observable, or the transaction matures or is closed out, or when the company enters into an offsetting transaction. Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued.

Factors include for example, the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the market place, the maturity of market modelling and the nature of the transaction (bespoke or generic). To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be more subjective, depending on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities or other analytical techniques.

If the fair value of a financial asset measured at fair value becomes negative, the financial instrument is recorded as a financial liability until the fair value becomes positive, at which time the financial instrument is recorded as a financial asset.

5.3 Financial Assets and Financial Liabilities

All financial assets and liabilities are recognised in the company's financial position on trade date.

(i) Financial Assets

Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as available for sale, which are transaction costs are expensed in profit or loss.

(ii) Financial Asset classes and Initial Recognition

The company classifies its financial assets in the following categories: loans and receivables; held-to-maturity investments and available-for-sale financial assets. Management determines the classification of financial assets and liabilities at the time of initial recognition and the classification is dependent on the nature and purpose of the financial assets.

(iii) Loans and Receivables

The company's loans and receivable comprises loans and advances and other receivables. Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately in the near term.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(iv) **Held to Maturity**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and where the company has the positive intention and ability to hold to maturity. They are initially recorded at fair value plus any directly attributable transaction costs, and subsequently measured at amortized cost, using the effective interest method less accumulated impairment losses.

(v) **Available for Sale (AFS)**

Available-for-sale assets are non-derivative financial assets that are classified as available for sale and are not categorized into any of the other categories described above. Available-for-sale financial assets are initially measured at fair value plus direct and incremental transaction costs and subsequently measured at fair value, and changes therein are recognised in other comprehensive income in Available-for-sale investments – fair value gains/(losses) until the financial assets are either sold or become impaired.

When available-for-sale financial assets are sold, cumulative gains or losses previously recognised in other comprehensive income are recognised in the statement of profit or loss as Net realized gain on sale of investments AFS'.

Dividend on available for sale equity instruments are recognised in profit or loss when the company's right to receive the dividend is established.

(vi) **Valuation of Financial Instruments**

Our accounting policy for determining the fair value of financial instruments is as described above. The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgment to calculate a fair value than those based wholly on observable inputs.

(vii) **De-recognition of Financial Assets**

The company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(vii) **Classes of Financial Liabilities**

Financial liabilities are either classified as financial liabilities at fair value through profit or loss or other liabilities.

(ix) **Other Financial Liabilities**

Other financial liabilities, including borrowings, are measured at amortized cost using the effective interest rate method, except for held for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss.

(x) **De-recognition of Financial Liabilities**

The company derecognizes financial liabilities when, and only when, the company's obligations are discharged, cancelled or expire.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(xi) **Impairment of Financial Assets**

Identification and Measurement

The company assesses at each financial reporting date whether there is objective evidence that a financial asset or company of financial assets, other than those held at fair value through profit or loss, are impaired.

These are impaired, and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date (a loss event) and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the company of financial assets that can be reliably estimated. The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- a) Significant financial difficulty of the issuer or obligor;
- b) A breach of contract, such as a default or delinquency in interest or principal payments;
- c) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- d) It becomes probable that the borrower will enter into liquidation or other financial reorganization;
- e) The disappearance of an active market for that financial asset because of financial difficulties;
- f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
- g) Adverse changes in the payment status of borrowers in the portfolio;
- h) National or local economic conditions that correlate with defaults on the assets in the portfolio.

This may occur, for example, where a loss of principal is probable or the interest rate charged on the loan is lower than the cost of funding. On inception of the loan, the loan to be held is recorded at its fair value and subsequently measured at amortized cost using the effective interest method. However, where the initial fair value is lower than the cash amount advanced (for example, due to the rate of interest charged on the loan being below the market rate of interest), the write-down is charged to the income statement. The write-down will be recovered over the life of the loan, through the recognition of interest income using the effective interest method, unless the loan becomes impaired. The write-down is recorded as a reduction to other operating income.

Individually Assessed Loans and Advances

For all loans that meet the criteria for individual assessment, the company assesses on a case-by-case basis at each balance sheet date whether there is any objective evidence that a loan is impaired. For those loans where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- a) aggregate exposure to the customer;
- b) the viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;

- c) the amount and timing of expected receipts and recoveries; — the likely dividend available on liquidation or bankruptcy;
- d) the extent of other creditors' commitments ranking ahead of, or paripassu with, the company and the likelihood of other creditors continuing to support the company;
- e) the complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- f) the realizable value of security (or other credit mitigants) and likelihood of successful repossession;
- g) the likely deduction of any costs involved in recovery of amounts outstanding;
- h) the ability of the borrower to obtain, and make payments in, the currency of the loan if not denominated in local currency; and when available, the secondary market price of the debt.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

- i) Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate, and comparing the resultant present value with the loan's current carrying amount.

Collectively Assessed Loans and Advances

Impairment is assessed on a collective basis in two circumstances:

- To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- For homogeneous companies of loans that are not considered individually significant.

Incurred but not yet Identified Impairment

Individually assessed loans for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the company has incurred as a result of events occurring before the balance sheet date, which the company is not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future.

As soon as information becomes available which identifies losses on individual loans within the company, those loans are removed from the company and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- historical loss experience in portfolios of similar credit risk characteristics (for example, by industry sector, loan grade or product);
- the estimated period between impairment occurring and the loss being identified and evidenced by the establishment of an appropriate allowance against the individual loan; and
- management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the balance sheet date is likely to be greater or less than that suggested by historical experience.

The period between a loss occurring and its identification is estimated by local management for each identified portfolio.

Homogeneous Groups of Loans and Advances

Statistical methods are used to determine impairment losses on a collective basis for homogeneous group of loans that are not considered individually significant, because individual loan assessment is impracticable. Losses in these groups of loans are recorded on an individual basis when individual loans are written off, at which point they are removed from the group. Due to limitations of empirical information, management utilized a combination of a basic formulaic approach based on historical loss rate experience.

This methodology employs statistical analyses of historical data and experience of delinquency and default to estimate the amount of loans that will eventually be written off as a result of the events occurring before the balance sheet date which the company is not able to identify on an individual loan basis, and that can be reliably estimated. Under this methodology, loans are grouped into ranges according to the number of days past due and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency and ultimately prove irrecoverable.

In normal circumstances, historical experience provides the most objective and relevant information from which to assess inherent loss within each portfolio. In certain circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic, regulatory or behavioural conditions, such that the most recent trends in the portfolio risk factors are not fully reflected in the statistical models.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

These additional portfolio risk factors may include recent loan portfolio growth and product mix, unemployment rates, liquidation trends, geographic concentrations, loan product features (such as the ability of borrowers to repay adjustable-rate loans where reset interest rates give rise to increases in interest charges), economic conditions such as national and local trends in housing markets and interest rates, portfolio seasoning, account management policies and practices, current levels of write-offs, changes in laws and regulations and other items which can affect customer payment patterns on outstanding loans, such as natural disasters. These risk factors, where relevant, are taken into account when calculating the appropriate level of impairment allowances by adjusting the impairment allowances derived solely from historical loss experience.

Write-off of Loans and Advances

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realization of security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier. Subsequent recoveries of amounts previously written off are credited to the income statement.

Reversals of Impairment

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Assets Acquired in Exchange for Loans

Non-financial assets acquired in exchange for loans as part of an orderly realization are recorded as assets held for sale and reported in 'Other assets'. The asset acquired is recorded at the lower of its fair value (less costs to sell) and the carrying amount of the loan (net of impairment allowance) at the date of exchange. No depreciation is charged in respect of assets held for sale.

Any subsequent write-down of the acquired asset to fair value less costs to sell is recognised in the income statement, in 'Other operating income'. Any subsequent increase in the fair value less costs to sell, to the extent this does not exceed the cumulative write-down, is also recognised in 'Other operating income', together with any realized gains or losses on disposal

Renegotiated Loans

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement. These renegotiated loans are segregated from other parts of the loan portfolio for the purposes of collective impairment assessment, to reflect their risk profile. Loans subject to individual impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they remain impaired or should be considered past due. The carrying amounts of loans that have been classified as renegotiated retain this classification until maturity or de-recognition.

Collateral

The company obtains collateral where appropriate, from customers to manage their credit risk exposure to the customer. The collateral normally takes the form of a lien over the customer's assets and gives the company a claim on these assets for both existing and future customer in the event that the customer defaults. Collateral received in the form of securities is not recorded on the financial position. Collateral received in the form of cash is recorded on the financial position with a corresponding liability. These items are assigned to deposits received from company or other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest income respectively except for funding costs relating to trading activities which are recorded in net trading income.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5.4 Tax, Including Deferred Taxes

(i) Income Tax

Income tax comprises current tax and deferred tax. Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years and is recognised as an expense in the period in which profits arise. Current tax assets and liabilities are offset when the company intends to settle on a net basis and the legal right to offset exists. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

(ii) Deferred Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred income tax is determined using tax rates and legislation enacted or substantially enacted by the balance sheet date and is expected to apply when the deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets and liabilities are only offset when they arise in the same tax reporting company and where there is both the legal right and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

The recognition of a deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies.

Recognition of deferred tax assets is based on the evidence available about conditions at the balance sheet date, and requires significant judgments to be made regarding projections of loan impairment charges and the timing of recovery in the economy.

These judgments take into consideration the effect of both positive and negative evidence, including historical financial performance, projections of future taxable income, future reversals of existing taxable temporary differences, tax planning strategies and the availability of loss carry backs.

Projections of future taxable income are based on business plans, future capital requirements and ongoing tax planning strategies. These projections include assumptions general economic and political economic conditions, including unemployment levels and their impact on loan impairment charges, and availability of capital support from financial markets. These forecasts are consistent with the assumption that it is probable that the results of future operations will generate sufficient taxable income to support the deferred tax assets.

If any of these assumptions turned out to be materially incorrect, the full recovery of the deferred tax asset may no longer be probable and could result in a significant reduction of the deferred tax asset which would be recognised as a charge in the income statement.

5.5 **Earnings Per Share**

The company presents basic 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 at the reporting date.

5.6 **Cash and Cash Equivalents**

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than three months

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

5.7 **Employee Benefits**

(i) **Defined Contribution Plans**

The company operates a defined contribution retirement benefit plan for all qualifying employees in its service. The assets of the plan are held by government regulated publicly and privately administered pension fund administrators (PFA). Employees are entitled to join the scheme on confirmation of their employment. Employees and the company contributions are 8% and 10% respectively on basic, transport and housing. Where the employer decided to pay for the employee in addition to its contribution, the total contribution must not be less than 20% of the employees emolument as defined by the Pension Reform Act 2014. There are no further legal or constructive obligations with respect to the retirement benefit plan.

(ii) **Short-term Employee Benefits**

Short-term employee benefits, such as salaries, paid absences, and other benefits, are accounted for on an accruals 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 and can be measured reliably.

All expenses related to employee benefits are recognised in the profit or loss as staff costs.

5.8 **Property, Plant and Equipment**

Recognition and Measurement

Motor vehicles, office equipment, furniture, fixtures and fittings are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the company's management.

The aforementioned items of Property, plant and equipment are subsequently measured using the cost model; stated at cost less accumulated depreciation and accumulated impairment losses calculated on a straight-line basis to write-off the assets over their useful lives.

Depreciation

Depreciation is provided on the depreciable amount of items of property, plant and equipment on a straight-line basis over their estimated useful economic lives. The depreciable amount is the gross carrying amount, less the estimated residual value at the end of its useful economic life.

The company uses the following useful lives:

Items	Useful Lives (Years)
Motor Vehicles	4
Office Equipment	3
Furniture Fittings	2-3
Plant and Machinery	4

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances.

When deciding on depreciation rates and methods, the principal factors the company takes into account are the expected rate of technological developments and expected market requirements for, and the expected pattern of usage of, the assets. When reviewing residual values, the company estimates the amount that it would currently obtain for the disposal of the asset after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful economic life.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

Property, plant and equipment is subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

5.9 Impairment of Property, Plant and Equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level. Individual assets or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets or cash generating units carrying amounts exceed its recoverable amount, which is the higher of the fair value less costs to sell and value in use.

To determine the value in use, management estimates expected future cash flows from each cash generating unit and determine a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and assets enhancements. Discount factors are determined individually for each cash generating unit and reflects management assessment of respective risk profiles, such as market and asset-specific risk factors. There was no impairment trigger during the periods presented.

5.10 Investment in Real Estate

Investment property represents property (land or a building- or part of a building- or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

- (a) Use in the production or supply of goods or services or for administrative purposes; or
- (b) sale in the ordinary course of business

Initial Recognition

An investment property is initially measured at its cost. Transaction costs are included in the initial measurement.

Subsequent Measurement

subsequent measurement of investment property is at cost less accumulated depreciation and accumulated impairment loss.

5.11 Earnings Per Share

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held, if any. The company does not have any potential ordinary shares with dilutive effect at the reporting date.

5.12 Significant Management Judgement in Applying Accounting Policies and Estimation Uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant Management Judgement

The following are significant management judgements in applying the accounting policies of the company that have the most significant effect on the financial statements.

Estimation Uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income, and expenses is provided below. Actual results may be substantially different.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**Impairment**

In assessing impairment, management estimates the recoverable amounts of each asset or cash generating unit based on expected future cash flows and use an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful Lives of Depreciable Assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain highly technical equipment.

6.0 DETERMINATION OF FAIR VALUES**6.1 Fair Value Hierarchy**

A number of the company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. For financial reporting purposes, fair value measurements are categorized into Levels 1, 2 or 3 based on the degree to which the inputs to fair value measurements observable and the significant of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable for the asset or liability.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair values have been determined for measurement and/or disclosure purposes by the company based on the following methods.

6.2 Trade and Other Receivables/Payables

The fair value of trade and other receivables and trade and other payables approximates to the carrying values due to the short-term maturity of these instruments.

6.3 Available-for-Sale Financial Assets

The fair values of equity and debt securities are determined by reference to their quoted closing bid price at the reporting date. The available-for-sale financial instruments are quoted on Nigerian stock Exchange.

6.4 Cash and Cash Equivalents

The fair value of bank balances and cash and bank overdrafts approximates to the carrying value due to the short-term maturity of these instruments.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

2015

Asset	NOTE	Level 1	Level 2	Level 3	Total
		N	N	N	N
Available-for-Sale Financial Asset					
Quoted Shares	17	82,334,638	-	-	82,334,638
		<u>82,334,638</u>	<u>-</u>	<u>-</u>	<u>82,334,638</u>

2014

Asset	Note	Level 1	Level 2	Level 3	Total
		N	N	N	N
Available-for-Sale Financial Asset					
Quoted Shares	17	106,106,912	-	-	106,106,912
		<u>106,106,912</u>	<u>-</u>	<u>-</u>	<u>106,106,912</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

7.0 RISK MANAGEMENT

7.1 Enterprise Risk Review

The company's business operations necessitate the need for proper identification, measurement aggregation and effective management of risks and efficient utilisation of capital to derive an optimal risk and return ratio.

Risks associated with the business of the company include financial risks, namely, credit risk, liquidity risk, market risk (which includes currency risk, interest rate and other price (risks) as well as other risks such as operational risk, strategic risk, legal risk, reputational risk, taxation risk and regulatory risk.

7.2 Risk Management Philosophy/Strategy

- (a) The company considers sound risk management to be the foundation of a long lasting financial institution.
- (b) The company continues to adopt a wholistic and integrated approach to risk management.
- (c) Risk management is a shared responsibility. Therefore the Company aims to build a shared perspective on risks that are grounded in consensus.

- (d) Risk management is governed by well-defined policies which are clearly communicated.
- (e) Risk related issues are taken into consideration in all business decisions. The Company shall continually strive to maintain a conservative balance between risk and revenue consideration.

7.3 Risk Appetite

The Company's risk appetite is reviewed by the Board of Directors annually, at a level that minimizes erosion of earnings or capital due to avoidable losses or from fraud and operational inefficiencies. This reflects the conservative nature of the company as far as risk taking is concerned.

The Company employs a range of quantitative indicators to monitor the risk profile. Specific limits have been set in line with the company's risk appetite.

7.4 Risk Management Approach

The Company addresses the challenge of risks comprehensively through an enterprise-wide risk management framework by applying leading practices that is supported by a robust governance structure consisting of board level and executive management committees.

The Company manages its risks in a structured, systematic and transparent manner through a global risk policy which embeds comprehensive risk management processes into the organisation structure and risk measurement and monitoring activities. The structure ensures that the company's overall risk exposure within the parameters set by the Board.

The key features of the Company's risk management policy are:

- The Board of Directors provides overall risk management direction and oversight.
- The Company's risk appetite is approved by the Board of Directors.
- Risk management is embedded in the Company as an intrinsic process and it is a core competency of all its employees.
- The Company manages its credit, market, operational and liquidity risks in a co-ordinated manner within the organisation.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

The Company continually modifies and enhances its risk management policies and systems to reflect changes in markets, products and international best practices. Training, individual responsibility and accountability, together with a disciplined and cautious culture of control, lie at the heart of the Company's management of risk.

The Board of Directors is committed to managing compliance with a robust compliance framework to enforce compliance with applicable laws, rules and standards issued by the industry regulators and other law enforcement agencies, market conventions, codes of practices promoted by industry associations.

The Company's culture emphasises high standard of ethical behaviours at all levels of the company. Therefore the Company's board of directors promote sound organisation.

7.5 Methodology for Risk Rating

The risk management strategy is to develop an integrated approach to risk assessment, measurement, monitoring and control that captures all risk in all aspects of the Company's activities.

All activities in the company have been profiled and the key risk drivers and threats in them identified. Mitigation and control techniques are then determined in tackling each of these threats. These techniques are implemented as risk policies and procedures that drive the strategic direction and risk appetite as specified by the board. Techniques employed in meeting these objectives culminate in the following roles for the risk control functions of the Company:

- Develop and implement procedures and practices that translate the board's goals, objectives and risk tolerance into operating standards that are well understood by staff.
- Establish lines of authority and responsibility for managing individual risk element in line with the Board's overall direction.
- Risk identification, measurement, monitoring and control procedures.
- Establish effective internal controls that cover each risk management process.
- Ensure that the Company's risk management processes are properly documented.
- Create adequate awareness to make risk management part of the corporate culture of the Company.
- Ensure that risk remains within the boundaries established by the Board.
- Ensure that business lines comply with risk parameters and prudent limits established by the Board.

Risk Management structures and processes are continually reviewed to ensure, their adequacy and appropriateness for the Company's risk and opportunity profile as well as bringing them up to date with changes in strategy, business environment, evolving thoughts and trends in risk management.

7.6 Credit Risk

Credit risk is defined as the likelihood that a customer or counterparty is unable to meet the contracted financial obligations resulting in a default situation and/or financial loss. Credit exposures arise principally in credit-related risk that is embedded in loans and advances and investments.

The Company has dedicated credit standards, policies and procedures to control and monitor intrinsic concentration risks through all credit levels of selection, administration and control. Some of the policies and are:

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

- Credit is only extended to suitable and well identified customers and never where there is any doubt as to the ethical standards and record of the intending borrower or customer will be determined by the regulatory guidelines, clearly defined internal policies, debt service capability and balance sheet management guidelines.
- Credit is not extended to customers where source of repayment is unknown or speculative, and also where the destination of funds is unknown. There must be clear and verifiable purpose for the use of funds.
- Credit is not given to a customer where the ability of the customer to meet obligations is based on the most optimistic forecast of events. Risk considerations will always have priority over business and profit consideration.
- The primary source of repayment for all credits must be from identifiable cash flow from the counterparty's normal business operations or other financial arrangements. The realization of security remains a fall back option.

- A pricing model that reflects variations in the risk profile of various credits to ensure that higher risks are compensated by higher returns is adopted.
- All insiders' related credits are limited to regulatory and strict internal limits and are disclosed as required
- The consequences of non-compliance with the credit policy and credit indiscipline are communicated to all staff and implemented.

(i) **Credit Process**

All credit presented for approval are required to be in conformity with the documented and communicated Risk Acceptance Criteria (RAC). As part of credit appraisal process, the Company will have to satisfy itself in the following areas:

- Credit assessment of the borrower's industry and macro-economic factors
- The purpose of credit and source of repayment.
- The track record/repayment history of the borrower where applicable.
- Assess/evaluate the repayment capacity of the borrower.
- The Proposed terms and conditions and covenants.
- Adequacy and enforceability of collateral.
- Approval from appropriate authority.

(ii) **Company Credit Management**

Co-link Investment Management Limited dynamic and proactive approach in managing credit risk is a key element in achieving its strategic objective of maintaining and further enhancing its asset quality and credit portfolio risk profile. The conservative, prudent and well-established credit standards, policies and procedures, risk methodologies and framework, to deal with emerging risks and challenges with a high level of confidence and determination.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

The framework for credit risk at the company is well defined and institutionally predicated on:

- Clear tolerance limits and risk appetite set at the Board level, well communicated, and periodically reviewed and monitored to adjust as appropriate.
- Well defined target market and risk asset acceptance criteria.
- Rigorous financial, credit and overall risk analysis for each customer/transaction.
- Portfolio quality examined on regular basis according to key performance indicators mechanism and periodic stress testing.
- Concentrations together with mitigation strategies are continuously assessed.

- Early warning system is continually validated and modified to ensure proper functioning for risk identification.
- Systematic and objective credit risk rating methodologies that are based on quantitative, qualitative and expert judgment.
- Systematic credit limits management enabling the company to monitor its credit exposure on daily basis at borrower, industry, credit risk rating and credit facility type levels.
- Solid documentation and collateral management process with proper coverage and top-up triggers and follow-ups.
- Annual and interim individual credit reviews to ensure detection of weakness signs or warning signals and considering proper remedies.

(iii) **Company Credit Risk Limits**

In managing credit risk, the Company applies credit risk limits among other techniques. This is the practice of stipulating a maximum amount that the individual or counterparty can obtain as loan. Internal and regulatory limits are strictly adhered to. Through this, the Company not only protects itself, but also in a sense, protects the counterparty from borrowing more than they are capable of paying. The company continues to focus on its concentration and intrinsic risks and further manage them to a more comfortable level. A thorough analysis of economic factors, market forecasting and prediction based on historical evidence is used to mitigate the crystallisation of these risks.

(iv) **Company Credit Risk Monitoring**

The Company's exposures are continuously monitored through a system of triggers and early-warning signals aimed at detecting symptoms which could result in deterioration of credit risk quality. The triggers and early-warning systems are supplemented by facility utilisation and collateral valuation monitoring together with a review of upcoming credit facility expiration and market intelligence to enable timely corrective action by management. The results of the monitoring process are reflected in the internal rating process in a quarterly review activity.

Credit risk is monitored on an ongoing basis with formal weekly, monthly and quarterly reporting to ensure senior management awareness of shifts in credit quality and portfolio performance along with changing external factors such as economic and business cycles.

The capabilities of the credit review team has been strengthened in order to improve the facility monitoring activity and assure good quality Risk Assets Portfolio across the Company. A specialised and focused loan recovery and workout team handles the management and collection of problem credit facilities.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(v) **Credit Risk Mitigation, Collateral and Other Credit Enhancements**

Portfolio diversification is the cornerstone of the Company's credit risk mitigation strategy which is implemented through customer and industry limit structures. Nevertheless, Co-Link Investment Management limited uses a variety of techniques to manage the credit risk arising from credit risk from its

lending activities. Enforceable legal documentation establishes the company's direct, irrevocable and unconditional recourse to any collateral, security or other credit enhancements provided.

(vi) **Collateral Security**

A key mitigation step employed by the Company in its credit risk management process includes the use of collateral securities to secure its loans and advances as alternative sources of repayment during adverse conditions. All credit facilities to our customers are to be secured and the security instrument and documentations must be perfected and all conditions precedent must be met before drawdown or disbursement is allowed. Collateral analysis includes a good description of the collateral and its value.

Collateral securities that are pledged must be in negotiable form and usually fall under the following categories:

- Real estate, plant and equipment collateral (usually all asset or mortgage debenture or charge) which have to be registered and enforceable under Nigerian law;
- Stocks and shares of publicly quoted companies;
- Domiciliation of contracts proceeds;
- Documents of title to goods such as shipping documents consigned to the order of Finance and Commercial services limited
- Letter of lien.

Collateral securities are usually valued and inspected prior to disbursement and on a regular basis thereafter until full repayment of the exposure. We regularly conduct a review of collateral documentation in respect of all credits in the company.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(vii) **Maximum Exposure to Credit Risk before Collateral Held or Credit Enhancements**

The Company's maximum exposure to credit risk at 31 December 2015 and 31 December 2014 respectively, are represented by the net carrying amounts of the financial assets.

Classification	2015	2014
	N	N
Cash and Cash Equivalents		
Balances Held with Banks	15,834,287	590
Placements with Banks and other Financial Institutions	855,000,000	1,000,000,000
	<u>870,834,287</u>	<u>1,000,000,590</u>
Loans and Advances		
Loans to Individuals	6,198,568	834,431
Loans to Corporate Organisations	376,975,745	419,577,873
	<u>383,174,313</u>	<u>420,412,304</u>
Financial Assets Available-for-Sale	<u>82,334,638</u>	<u>106,106,912</u>
Total	<u>1,336,343,238</u>	<u>1,526,519,806</u>
Loans Exposure to Total Exposure	<u>29%</u>	<u>28%</u>
Other Exposures to Total Exposure	<u>71%</u>	<u>72%</u>

The table information above show a worst-case scenario of credit risk exposure to the Company as at 31 December 2015 and 31 December 2014 without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on amounts reported in the statements of financial position.

The Directors are confident in their ability to continue to control exposure to credit risk which can result from both its Loans and Advances portfolio.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

Credit exposure to Balance Sheet Items by Industry Sectors

2015

The following table breaks down the Company's credit exposure at gross amounts (without taking into account any collateral held or other credit support), as categorised by the industry sectors of the Company's counterparties.

Cash and Cash Equivalents	N
Balances Held with Banks	15,834,287
Placements with Banks and other Financial Institutions	855,000,000
	<u>870,834,287</u>

Industry/Classification	Loan to Individual	Loans to Corporate Bodies	Total Loans and Advances
	N	N	N
Food/Beverages	-	49,472,277	49,472,277
Manufacturing	-	114,478,427	114,478,427
Telecom /Aviation	-	13,199,894	13,199,894
Oil and Gas	-	8,055,149	8,055,149
Construction & Real Estate	-	50,548,028	50,548,028
General Commerce	-	74,632,948	74,632,948
Capital Market & Financial Institutions	-	32,270,124	32,270,124
Government	-	15,749,513	15,749,513
Individual	6,198,568	-	6,198,568
Education	-	18,569,385	18,569,385
	<u>6,198,568</u>	<u>376,975,745</u>	<u>383,174,313</u>

2014

The following table breaks down the Company's credit exposure at gross amounts (without taking into account any collateral held or other credit support), as categorised by the industry sectors of the Company's counterparties.

Cash and Cash Equivalents	N
Balances Held with Banks	589,991
Placements with Banks and other Financial Institutions	1,000,131,507
	<u>1,000,721,498</u>

Industry/Classification	Loan to Individual	Loans to Corporate Bodies	Total Loans and Advances
	N	N	N
Food/Beverages	-	82,676,182	82,676,182
Manufacturing	-	74,159,506	74,159,506
Telecom /Aviation	-	75,098,520	75,098,520
Oil and Gas	-	65,286,921	65,286,921
Construction & Real Estate	-	39,906,287	39,906,287
General Commerce	-	51,724,474	51,724,474
Capital Market & Financial Institutions	-	627,474.00	627,474
Government	-	29,562,898	29,562,898
Individual	834,431	-	834,431
Others	-	535,610	535,610
	<u>834,431</u>	<u>419,577,873</u>	<u>420,412,304</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

Analysis of Loans and Advances

2015

	Loans and Advances to Individual N	Loans and Advances to Corporate Bodies N	Total N
Neither Past Due nor Impaired	-	214,020,691	214,020,691
Past Due Not Impaired	6,198,568	96,366,032	102,564,600
Individually Impaired	-	66,589,022	66,589,022
Gross	<u>6,198,568</u>	<u>376,975,745</u>	<u>383,174,313</u>
Less Allowances for Impairment			
Individually Impaired	1,354,728	71,273,861	72,628,589
Total Allowance	<u>1,354,728</u>	<u>71,273,861</u>	<u>72,628,589</u>
Net Loans and Advances	<u>4,843,840</u>	<u>305,701,884</u>	<u>310,545,724</u>

2014

	Loans and Advances to Individual N	Loans and Advances to Corporate Bodies N	Total N
Neither Past Due nor Impaired	-	185,276,979	185,276,979
Past Due Not Impaired	-	74,350,883	74,350,883
Individually Impaired	1,378,483	159,405,959	160,784,442
Gross	<u>1,378,483</u>	<u>419,033,821</u>	<u>420,412,304</u>
Less Allowances for Impairment			
Individually Impaired	1,378,483	123,115,876	124,494,359
Total Allowance	<u>1,378,483</u>	<u>123,115,876</u>	<u>124,494,359</u>
Net Loans and Advances	<u>-</u>	<u>295,917,945</u>	<u>295,917,944</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

Aged Analysis of Loan Advances

Gross amount of loans and advances by class to customers that were past due but not impaired are as follows:

Age	2015		2014	
	Loans and Advances to Individuals	Loans and Advances to Corporate Bodies	Loans and Advances to Individuals	Loans and Advances to Corporate Bodies
	N	N	N	N
0-90 days	-	112,996,420		242,196,210
91-180 days	-	50,819,347	1,378,483	83,149,368
181-365 days	6,198,568	34,789,916	-	93,688,243
Above 365	-	178,370,062		
	<u>6,198,568</u>	<u>376,975,745</u>	<u>1,378,483</u>	<u>419,033,821</u>

Summary of Collaterals Pledged Against Loans and Advances

An estimate of the fair value of any collateral and other security enhancements held against loans and advances to customers and is shown below:

	2015		2014	
	Gross Loans	Collateral	Gross Loans	Collateral
	N	N	N	N
Against Individually Impaired	219,358,546	219,358,546	256,584,974	256,584,974
Against Past Due but not Impaired	112,996,420	112,996,420	74,815,849	74,815,849
Against Past Due but Impaired	<u>50,819,347</u>	<u>50,819,347</u>	<u>89,011,481</u>	<u>89,011,481</u>
	<u>383,174,313</u>	<u>383,174,313</u>	<u>420,412,304</u>	<u>420,412,304</u>

There are no under-collaterised loans and advances in current and prior year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

7.7 Liquidity Risk

Liquidity risk is the potential loss arising from the Company's inability to meet its obligation as they fall due or to fund increase in assets without incurring unacceptable cost or losses.

Liquidity risk is not viewed in isolation, because financial risks are not mutually exclusive and liquidity is often triggered by consequences of other bank risks such as credit, market and operational risks.

The following table shows the contractual maturities at year end of the Group's financial assets and liabilities and represents actual and in some cases assumed obligation expected for the assets or liability to be recovered or settled. These figures do not include elements of future income or costs.

Residual contractual maturities of financial assets and liabilities.

Liquidity Risk

The following tables show the undiscounted cash flows on the Company's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The Gross nominal inflow /(outflow) disclosed in the

Gross nominal (undiscounted) maturities of financial assets and liabilities.

Carrying Amount

	2015	2014
	N	N
Financial Assets		
Cash and Cash Equivalents	870,845,647	1,000,726,152
Loans and Advances	310,545,724	295,917,945
Available-for-Sale Financial Assets	82,334,638	106,106,912
	<u>1,263,726,010</u>	<u>1,402,751,009</u>
Financial Liabilities		
Long Term Placement	988,831,987	1,164,092,448
Client Current Account	89,393,408	14,557,832
	<u>1,078,225,395</u>	<u>1,178,650,280</u>
Funding Gap - Assets (Liabilities)	<u>185,500,614</u>	<u>224,100,729</u>

7.7.1 Liquidity Risk Management Process

The Company has a sound and robust liquidity risk management framework that ensures that sufficient liquidity, including a cushion of unencumbered and high quality liquid assets are maintained at all times, to enable the Company withstand a range of stress events, including those that might involve loss or impairment of funding sources.

The Company maintains adequate liquid assets to manage any liquidity stress situation.

7.7.2 Capital Management

The strategy for assessing and managing the impact of our business plans on present and future regulatory capital forms an integral part of the Company's strategic plan. Specifically, the Company

considers how the present and future capital requirement will be managed and met against projected capital requirements. This is based on the Company's assessment and against the supervisory/regulatory capital requirements taking account of the Company business strategy and value creation to all its stakeholders.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

The Company prides itself in maintaining very healthy capital adequacy ratio. Capital levels are determined either based on internal assessments or regulatory requirements. The Capital Adequacy of the Company is reviewed regularly to meet regulatory requirements and standard of international best practices in order to adopt and implement the decisions necessary to maintain the capital at a level that ensures the realisation of the business plan with a certain safety margin.

The Company undertakes a regular monitoring of capital adequacy and the application of regulatory capital by deploying internal systems based on the guidelines provided by the Central Bank of Nigeria (CBN).

The Company has consistently met and surpassed the minimum capital adequacy requirements applicable in all areas of operations. Most of the Company's capital is Tier 1 (Core Capital) which consists of essentially share capital, and reserves created by appropriation of retained earnings.

The Company's capital plan is linked to its business expansion strategy which anticipates the need for growth and expansion. The capital plan sufficiently meets regulatory requirements as well as providing adequate cover for the Company's risk profile.

The following sources of funds are available to the Company to meet its capital growth requirements:

- Profit from operations: The Company has consistently reported good profit which can easily be retained to support the capital base.
- Issue of shares: The Company can successfully raise desired funds for its operations and needs through private placement.
- Bank loans: Long term/ short term loan.

7.8 Market Risk

The Company undertakes activities which give rise to a considerable level of market risk exposures (i.e the risk that the fair value of future cash flows of our trading and investment positions or other financial instrument will fluctuate because of changes in market prices). Market risk can arise from adverse changes in interest rates, foreign exchange rates, equity prices, commodity prices and other relevant factors such as Market volatilities. The objective of market risk management activities is to continually manage and control market risk exposure within acceptable parameters, while optimizing the return of risks taken.

7.8.1 Management of Market Risk

The Company's market risk objectives, policies and processes are aimed at instituting a model that objectively identifies, measures and manages market risks in the Company and ensure that:

- The individuals who take or manage risk clearly understand it.
- The Company's risk exposure is within established limits.
- Risk taking decisions are in line with business strategy and objectives set by the Board of Directors.
- The expected payoffs compensate for the risks taken.
- Sufficient capital, as a buffer, is available to take risk.

7.8.2 Sensitivity Analysis - Market Risk

The following table shows the sensitivity of profit and equity in regards to the company's financial assets and financial liabilities of interest rate 'all other things being equal'.

It assumes a +2% and -2% change (using the existing average borrowing rate) in interest rate for the year ended 31 December 2015 (2014: 2% and 2%). This rate has been determined based on the average market volatility in interest rate in the previous 12 months.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

7.9 Operational Risk

Operational risk is the risk of loss resulting from inadequate and/or failed internal processes, people and systems or from external events, including legal risk and any other risks that is deemed fit on an ongoing basis but exclude reputation & strategic risk. Operational risk exists in all products and business activities. Operational risk is considered as a critical risk faced by the Company.

The Company proactively identifies, assesses and manages all operational risks by aligning the people, technology and processes with best risk management Practices towards enhancing stakeholder's value and sustaining industry leadership.

Operational risk objectives include the following:

- To provide clear and consistent direction in all operations of the company.
- To provide a standardised framework and appropriate guidelines for creating and managing all operational risk exposures.
- To enable the company, identify and analyse events (both internal and external) that impact on its business.

7.10 Strategic Risk

Strategic risk examines the impact of design and implementation of business models and decisions, on earnings and capital as well as the responsiveness to industry changes. This responsibility is taken quite seriously by the Board and Executive management of the Company and deliberate steps are taken quite seriously to ensure that the right models are employed and appropriately communicated to all decision makers in the Company. The execution, processes and constant reviews ensures that strategic objectives are achieved.

7.11 Legal Risk

Legal risk is defined as the risk of loss due to defective contractual arrangements, legal liability (both criminal and civil) incurred during operations by the inability of the organization to enforce its rights, or by failure to address identified concerns to the appropriate authorities where changes in the law are proposed.

The Company manages this risk by monitoring new legislation, creation of awareness of legislation amongst employees, identification of significant legal risks as well as assessing the potential impact.

Legal risk management in the Company is also being enhanced by appropriate product risk review and management of contractual obligations via well documented Service Level Agreements and other contractual documents. The Company also has a team of well experienced professionals who handle legal issues within the Company.

7.12 **Reputational Risk**

It is recognised that the Company's reputation may suffer adversely due to bad publicity, non-compliance with regulatory rules and legislation, which may lead to a significant drop in new business and/or significant increase in the number of lapses and/or withdrawals. The Company promotes sound business ethics among its employees. The Company also strives to maintain quality customer services and procedures, and business operations that enable compliance with regulatory rules and legislation in order to minimise the risk of a drop in the reputation of the Company.

The Company did not record any issue with major reputational effect in the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

	2015	2014
	N	N
8 INTEREST INCOME		
Loans and Advances to Customers	98,976,607	154,531,540
Placement with Banks and Other Financial Institutions	124,665,691	111,557,961
	<u>223,642,298</u>	<u>266,089,501</u>
9 INTEREST EXPENSES		
Interest on Placement	132,160,271	135,537,701
Interest Loss on Deposit	-	14,467
Interest on Overdraft	367,395	198,669
Payments to Account Holders and Placements	<u>132,527,666</u>	<u>135,750,837</u>
Net Interest Income	<u>91,114,632</u>	<u>130,338,664</u>
10 FEE AND COMMISSION		
Commission on Turnover	1,592,657	1,656,226
Admin Fee	926,000	55,000
Registration Fee	100,000	-
Investment Advisory Fee	<u>5,127,663</u>	<u>3,084,318</u>
	<u>7,746,320</u>	<u>4,795,544</u>
11 INVESTMENT INCOME		
Dividend Income	4,568,396	6,388,835
Securities Income	<u>3,887,027</u>	<u>5,509,368</u>
	<u>8,455,423</u>	<u>11,898,203</u>
12 OTHER INCOME		
Brokerage /Arbitrage	9,151,212	1,634,231
Bad Debts Recovered	1,550,000	1,800,000
Foreign exchange Gain	29,235	-
	<u>10,730,447</u>	<u>3,434,231</u>
13 IMPAIRMENT CHARGES ON LOANS AND ADVANCES		
Individual Impairment	1,397,568	54,538,388
Collective Impairment	<u>12,110,939</u>	<u>1,378,483</u>
	<u>13,508,507</u>	<u>55,916,871</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

	2015	2014
	N	N
14 CASH AND CASH EQUIVALENTS		
Cash at Hand	11,360	4,654
Bank Balances	15,834,287	589,991
Placements with Banks and Other Financial Institutions	855,000,000	1,000,131,507
	<u>870,845,647</u>	<u>1,000,726,152</u>
15 LOANS AND ADVANCES		
Loans and Advances to Customers	362,528,439	382,894,763
Lending Interest Receivables	20,645,874	37,517,541
	<u>383,174,313</u>	<u>420,412,304</u>
Impairment Allowance		
At 1 January	124,494,359	69,194,598
Correction of Prior Period Error		34,039,642
Recovered	(28,785,500)	-
Bad debt written off (Impairment no longer required)	(36,588,777)	(34,656,752)
Charge for the Year	13,508,507	55,916,871
At 31 December	<u>72,628,589</u>	<u>124,494,359</u>
Net Loans and Advances	<u>310,545,724</u>	<u>295,917,945</u>
15.1 Analysis of Loans and Advances by Category of Impairment		
Analysis of Gross Loans		
Classification	2015	2014
	N	N
Loans to Individual	1,354,728	1,378,483
Loans to Corporate Bodies	71,273,861	123,115,876
	<u>72,628,589</u>	<u>124,494,359</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

	2015	2014
	N	N
15.2 Analysis by Security		
Secured Against Real Estate	178,743,762	137,933,633
Otherwise Secured (Domiciliation of Payments)	134,223,819	193,631,713
Unsecured(Personal Guarantee/ Stock Hypothecation)	70,206,732	88,846,958
Total Loans	<u>383,174,313</u>	<u>420,412,304</u>
15.3 Analysis of Loans and Advances by Sector		
Food/Health	49,472,277	82,676,182
Manufacturing	114,478,427	74,159,506
Telecominucations	13,199,894	75,098,520
Oil and Gas	8,055,149	65,286,921
Building and Construction	109,668,110	39,906,287
Trade and Commerce	47,782,990	51,724,474
Govt. and Parastatals	15,749,513	29,562,898
Education	18,569,385	-
Hotel	-	834,431
Personal	6,198,568	627,474
Power	-	535610
Total by sector	<u>383,174,313</u>	<u>420,412,304</u>
15.4 Age Analysis of Loans and Advances		
Between 1 and 3 Months	184,857,931	187,039,366
Between 3 and 6 Months	85,638,745	66,087,181
Between 6 Months and 1 Year	108,666,971	73,597,514
Over 1 Year	4,010,666	93,688,243
Gross Loans	<u>383,174,313</u>	<u>420,412,304</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

	2015	2014
	N	N
16 AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Listed Equity Securities	133,029,817	128,439,500
Fair Value Loss	(50,695,179)	(22,332,588)
	<u>82,334,638</u>	<u>106,106,912</u>
17 PREPAYMENTS AND OTHER RECEIVABLES		
Rent and Insurance Receivables	2,718,525	4,462,738
Fixed Dep Interest Receivable	7,499,356	920,548
Staff Loan	-	20,148
	<u>10,217,881</u>	<u>5,403,434</u>
18 INVESTMENT PROPERTY		
At 1 January	4,761,199	4,761,199
At 31 December	<u>4,761,199</u>	<u>4,761,199</u>

These are properties taken over by the company which were previously held as collateral for underlying lending arrangements that, subsequent to origination, have defaulted.

This property is under litigation. The customer who pledges the land as collateral filed a court action seeking to set aside the Certificate of occupancy of the company on the land, claiming ownership and also seeks for an order of injunction to stop the company from disposing the property. Hence, the right of the company to dispose off the property is subject to this litigation.

The land which approximates 9900, 2475q meters of land is located at Owode Onirin, Kosofe Local Government area of Lagos State. The company has elected to measure this property at cost both initially and subsequently. Since land is not depreciable asset, its cost is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19 **PROPERTY, PLANT AND EQUIPMENT**

19.1 **Carrying Amounts of Property, Plant and Equipment**

	2015	2014
	N	N
Office Equipment	10	98,477
Furniture & Fittings	227,232	313,488
Motor Vehicles	4,146,313	10,426,732
Building-Leasehold Improvement	-	5,244,190
	<u>4,373,555</u>	<u>16,082,887</u>

19.2 **Reconciliation of Property, Plant and Equipment Cost**

	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
	N	N	N	N
At 1/1/2014	4,753,199	1,096,978	27,914,812	33,764,989
Additions During the Year	475,000	456,245	-	931,245
Reclassification	2,000,405	922,443	(2,793,112)	129,736
At 31/12/2014	<u>7,228,604</u>	<u>2,475,666</u>	<u>25,121,700</u>	<u>34,825,970</u>
At 31/12/2015	<u>7,228,604</u>	<u>2,475,666</u>	<u>25,121,700</u>	<u>34,825,970</u>

Property, Plant and Equipment (cont'd)

Accumulated Depreciation and Impairment

At 1/1/2014	4,570,527	1,092,590	11,315,835	16,978,952
Charge for the Year	262,400	143,757	6,280,428	6,686,585
Reclassification	2,297,200	925,831	(2,901,295)	321,736
Disposals	-	-	-	-
At 31/12/2014	<u>7,130,127</u>	<u>2,162,178</u>	<u>14,694,968</u>	<u>23,987,273</u>
At 1/1/2015	7,130,127	2,162,178	14,694,968	23,987,273
Charge for the Year	98,467	86,256	6,280,419	6,465,142
At 31/12/2015	<u>7,228,594</u>	<u>2,248,434</u>	<u>20,975,387</u>	<u>30,452,415</u>

Carrying Amount

At 31/12/2015	<u>10</u>	<u>227,232</u>	<u>4,146,313</u>	<u>4,373,555</u>
At 31/12/2014	<u>98,477</u>	<u>313,488</u>	<u>10,426,732</u>	<u>10,838,697</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

	2015	2014
	N	N
20 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST		
Term Placement	988,831,987	1,164,092,448
Client Current Account	89,393,408	14,557,832
	<u>1,078,225,395</u>	<u>1,178,650,280</u>
The maturity profile of financial liabilities is as follows:		
Under 1 Month		-
1 - 3 Months	32,871,166	26,917,944
3 - 6 Months	82,896,359	302,342,925
6 Months-1 Year	219,697,455	236,670,089
Above One Year	742,760,414	613,129,878
	<u>1,078,225,395</u>	<u>1,179,060,836</u>
21 ACCRUALS AND OTHER PAYABLES		
Directors Current Accounts	3,084,928	3,300,517
Sundry Payables	2,194,132	5,999,869
Interest in Advance	8,320,215	11,158,356
Interest Suspence on Loan	3,490,587	-
	<u>17,089,862</u>	<u>20,458,742</u>
The balance of N8,320,215 (2014: N11, 158,356 represents amount received on fixed deposit as interest in advance.		
22 BANK OVERDRAFT	<u>-</u>	<u>31,566,193</u>
23 INCOME TAX		
23.1 Amount Recognised in Profit or Loss		
Company Income Tax	1,193,251	4,489,337
Deffered Tax	871,808	1,794,316
Education Tax	-	374,796
Information Technology Development Levy	376,402	320,117
	<u>2,441,461</u>	<u>6,978,566</u>
Corporation Tax is calaculated at 30 per cent (2014:30 percent) of the estimated taxable profit for the year. The charge for taxation in these fiancial statements is based on the provisions of the Companies Income Tax Act, CAP,C21, LFN, 2004 as ammended. The charge for education tax of 2 percent (2014: 2 percent) is based on the provisions of Education Tax Act, CAp E4 LFN, 2004. The charge in 2015 is based on Minum Tax which has specific tax rule that are different from the normal income tax computation rule. hence reconciliation will not be presented		
23.2 Reconciliation of Income Tax Expenses		
The Income tax expenses can be reconciled to accounting profit as follows:		
Accounting Profit	<u>37,640,235</u>	<u>32,011,701</u>
Tax rate at 30% (2014: 30%)		9,603,510
Effect of Income Exempted from Tax		(3,498,315)
Effect of Dis-allowed Expenses		257,037
Effect of Capital Allowance and Other Allowances		(188,768)
Effect of Education Tax at 2%		484,984
Effect of NITD at 1%		320,117
Income Tax Expense in Profit or Loss		<u>6,978,566</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

	2015	2014
	N	N
23.3 Amount Recognised in Statement of Financial Position		
At 1 January	5,184,250	6,660,808
Charge to Profit or Loss	1,569,653	5,184,250
Payment During the Year	<u>(5,184,250)</u>	<u>(6,660,808)</u>
At 31 December	<u><u>1,569,653</u></u>	<u><u>5,184,250</u></u>
24 DEFERRED TAX		
At 1 January	6,835,410	5,041,094
Charge/(Recovery) During the Year	871,808	1,794,316
At 31 December	<u><u>7,707,218</u></u>	<u><u>6,835,410</u></u>
24.1 The movement in deferred tax liabilities is attributable to temporary difference which arose from property, plant and equipment.		
Movement in Temporary Difference		
At January	22,784,700	16,803,647
Charge for the year	2,906,025	5,981,053
At 31 December	<u><u>25,690,725</u></u>	<u><u>22,784,700</u></u>
25 SHARE CAPITAL		
25.1 Authorized Share	<u><u>110,000,000</u></u>	<u><u>110,000,000</u></u>
110,000,000 Ordinary Shares at N 1.00 each		
25.2 Issued and Fully Paid		
30,916,667 Ordinary Shares of N 1.00 each (December 31 2014: 30,916,667 Ordinary Shares of N1.00 each).	<u><u>30,916,667</u></u>	<u><u>30,916,667</u></u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

	2015 N	2014 N
26 SHARE PREMIUM	<u>1,833,333</u>	<u>1,833,333</u>
Share premium is the excess paid by shareholders over the nominal value for their shares		
27 STATUTORY RESERVES		
At 1 January	26,043,227	22,288,257
Transfer from Profit or Loss Account	<u>5,279,816</u>	<u>3,754,970</u>
At 31 December	<u>31,323,043</u>	<u>26,043,227</u>
28 RETAINED EARNINGS		
At 1 January	133,418,379	130,341,940
Correction of Prior Period Error	(134,130)	(16,895,476)
Profit or Loss	35,198,774	25,033,135
Transfer to Statutory Reserve	(5,279,816)	(3,754,970)
Transfer to Regulatory Reserve	(35,688,931)	11,678,750
Dividend Paid	<u>(9,275,000)</u>	<u>(12,985,000)</u>
At 31 December	<u>118,239,276</u>	<u>133,418,379</u>
29 FAIR VALUE RESERVE		
At 1 January	(22,332,588)	44,069,376
Transfer from Other Comprehensive Income	<u>(28,362,591)</u>	<u>(66,401,964)</u>
At 31 December	<u>(50,695,179)</u>	<u>(22,332,588)</u>
30 NON-DISTRIBUTABLE REGULATORY RESERVE		
At 1 January	11,180,446	22,859,196
Transfer from Retained Earnings	<u>35,688,931</u>	<u>(11,678,750)</u>
At 31 December	<u>46,869,377</u>	<u>11,180,446</u>

Other Regulatory Reserves

The other regulatory reserve includes movements in the following reserves

- (i) **Statutory Reserves:** Nigerian banking regulations require the Bank to make an annual appropriation to statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of 1991 (amended), an appropriation of 15% of profit after tax is made if the statutory reserve is less than paid-up share capital and 10% of profit after tax if the statutory reserve is greater than the paid up share capital. The company appropriated N 5,279,816 representing 15% of its Profit after tax to statutory reserve.
- (ii) **Fair Value Reserve:** The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.
- (iii) **Regulatory Risk Reserve:** The regulatory risk reserves warehouses the difference between the impairment balance on loans and advances as determined in accordance with the provisions of Prudential guidelines of Central Bank of Nigeria as opposed to the requirement of IAS 39 Incurred loss model. The key component of CBN Prudential Guidelines is the inclusion of 1% General Loan Loss provisioning of performing loans in the entity impairment figures not required by IAS 39.
- (iv) **Retained Earnings:** Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 PROFIT BEFORE TAX FROM CONTINUING OPERATION

	2015 N	2014 N
This is arrived at after Charging /(Crediting):		
Depreciation and Amortization Expenses		
Depreciation of Property, Plant and Equipment	<u>6,465,142</u>	<u>6,686,585</u>
Personnel Expenses		
Salaries and Allowances	17,828,768	17,270,567
Directors' Remuneration	12,000,000	12,000,000
Medical, Staff Welfare	<u>175,000</u>	<u>70,000</u>
	<u>30,003,768</u>	<u>29,340,567</u>
Profit on Disposal of Property, Plant and Equipment		
Auditors Remuneration	1,000,000	1,000,000

32 EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

Profit Attributable to Ordinary Shareholders from Continuing Operations

	2015 N	2014 N
Profit for the Year	<u>35,198,774</u>	<u>25,033,135</u>
Number of Ordinary Shares in Issue at Reporting Date 30,917,667 Ordinary of N1.00 each	<u>30,916,667</u>	<u>30,916,667</u>
Time Weighted Average Number of Ordinary Shares	<u>30,916,667</u>	<u>30,916,667</u>
Basic Earnings per Share (kobo)	<u>114</u>	<u>81</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33 CONTINGENT LIABILITIES

There are no contingent liabilities at 31 December, 2015 (2014:Nil)

34 CAPITAL COMMITMENTS

There are no capital commitments at 31 December, 2015 (2014:Nil)

35 RELATED PARTY TRANSACTION

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Details of transactions between the company and its related party are disclosed below:

35.1 KEY MANAGEMENT PERSONNEL

Key management personnel is defined as members of the Board of Directors of the Company, including their close members of family and entity over which they exercise control. Close members of family are those family members who may be expected to influence, or be influenced that individual in the dealings with the Company.

Nature of Relationship

The key management personnel's that engaged in related-party transactions with the Company during the year are the directors

During the year, the company entered into related party transactions with key management personnel and company

The Balance	2015 N	2014 N
Directors Current Account	3,084,928	3,300,517
Long Term Fund Placement by 5H Limited	988,831,987	1,164,092,448
	<u>991,916,915</u>	<u>1,167,392,966</u>

35.2 Compensation of Key Management Personnel

Aggregate compensations paid to key management personnel during the period is as follows:

Salaries and Wages, including Bonuses	12,000,000	12,000,000
Fees and Sitting Allowances	370,000	110,718
	<u>12,370,000</u>	<u>12,110,718</u>

36 EVENTS AFTER THE REPORTING DATE

No material transactions occurred between 31 December 2015 and the date the financial statements were signed requiring disclosure in or adjustment to the annual financial statements for the year ended 31 December, 2015.

37 CONTRAVENTIONS

The Company did not contravene any guidelines, circulars and applicable legislations during the reporting year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

STATEMENT OF PRUDENTIAL ADJUSTMENTS

Provisions under prudential guidelines are determined using the time based provisioning prescribed by the Revised Central Bank of Nigeria (CBN) Prudential Guidelines. This is at variance with the incurred loss model required by IFRS under IAS 39. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.

Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks which Finance houses are also required to apply in Nigeria requires the company to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted.

Provisions for loans recognised in the profit or loss should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserves should be treated as follows:

- 1) Prudential Provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the general reserve account to a "regulatory risk reserve".
- 2) Prudential Provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the non-distributable regulatory reserve is thereafter reversed to the retained earnings.

In the 2015 financial year, the company transferred the sum of N35, 668,931 (2014: (N11, 678,750) from its retained earnings to its non-distributive regulatory risk reserve within the Statement of Changes in Equity. The sum represents the difference between the Central Bank of Nigeria (CBN) Provision for Loan Losses calculated base on the prudential guideline amounting to N49,917,438 and the Loan Impairment allowance determined in accordance with provisions of IAS 39 amounting to N13,508,507. This transfer takes the total reserve to N46,869,377. Included in this amount recommended by the Central Bank of Nigeria is N1,094,658 which relates to 1% general loan losses provisioning on performing loans.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

STATEMENT OF PRUDENTIAL ADJUSTMENTS (Cont'd)

2015

STATEMENT OF PRUDENTIAL ADJUSTMENT

	Specific N	General N	Total N
Impairment Allowance as per IAS 39	13,508,507	-	13,508,507
	12,110,939	1,397,568	13,508,507
Loan Loss Provision as per CBN Prudential Guideline	(48,102,780)	(1,094,658)	(49,197,438)
Amount Transferred to Regulatory Risk Reserve	(35,991,841)	302,910	(35,688,931)
	Specific	General	Total
At 1 January	11,180,446	-	11,180,446
Transfer During the Year	35,688,931	-	35,688,931
At 31 December	46,869,377	-	46,869,377

2014

Statement of Prudential Adjustment

	Specific N	General N	Total N
Impairment Allowance as per IAS 39	124,494,359	-	124,494,359
	124,494,359	-	124,494,359
Loan Loss Provision as per CBN Prudential Guideline	(108,577,523)	(4,736,390)	(113,313,913)
Amount Transferred to Regulatory Risk Reserve	15,916,836	(4,736,390)	11,180,446
	Specific	General	Total
At 1 January	22,859,196	-	22,859,196
Transfer During the Year	(11,678,750)	-	(11,678,750)
At 31 December	11,180,446	-	11,180,446

OTHER NATIONAL DISCLOSURES

STATEMENT OF VALUED ADDED

	2015		2014	
	N	%		%
Gross Income	250,574,488		286,217,479	
Value of Services - Local	(26,388,557)		(134,802,826)	
	<u>224,185,931</u>		<u>151,414,653</u>	
Loan Impairment Losses	13,508,507		(55,916,871)	
Value Added	<u><u>210,677,425</u></u>	<u>100</u>	<u><u>207,331,524</u></u>	<u>100</u>
Applied as follows:				
In Payment to Government:				
Taxation	1,569,653	1	6,978,566	3
In Payment to Employee:				
Salaries & Wages	30,003,768	14	29,340,567	14
In Payment to Providers of Capital:				
Interest Expenses	132,160,271	63	135,537,701	65
Retained in Business for Expansion and Development:				
Depreciation	6,465,142	3	6,686,585	3
Statutory Transfer	5,279,816	3	3,754,970	2
Profit for the Year	35,198,774	17	25,033,135	12
	<u><u>210,677,425</u></u>	<u>100</u>	<u><u>207,331,524</u></u>	<u>100</u>

OTHER NATIONAL DISCLOSURES (Cont'd)

FINANCIAL SUMMARY

	2015	2014	2013	2012	2011
	N	N	N	N	N
ASSETS					
Cash & Cash equivalents	870,845,647	1,000,726,152	786,128,711	655,607,476	459,852,711
Loans & Advances	310,545,724	295,917,945	406,832,911	396,326,025	207,503,539
Investment	82,334,638	106,106,912	159,481,511	140,299,302	89,182,921
Prepayments & Other Assets	10,217,881	5,403,434	3,008,819	5,738,203	2,217,856
Investment Property	4,761,199	4,761,199	4,761,199	7,533,492	4,761,199
Fixed Assets	4,373,555	10,838,697	16,807,014	13,682,229	3,690,218
Total Assets	1,283,078,646	1,423,754,339	1,377,020,165	1,219,186,727	767,208,444
LIABILITIES					
Financial Liabilities Measured at Amortized Cost	1,078,225,395	1,178,650,280	1,096,132,643	971,316,480	655,373,888
Accruals and Other Payables	17,089,862	20,458,742	16,896,997	15,063,003	22,432,435
Bank Overdraft	-	31,566,193	-	57,254,540	10,257,690
Income Tax Liability	1,569,653	5,184,250	6,660,808	6,028,017	12,843,570
Deferred Tax Liability	7,707,218	6,835,410	5,041,094	2,295,265	-
Total Liabilities	1,104,592,129	1,242,694,875	1,124,731,543	1,051,957,305	700,907,583
EQUITY					
Ordinary Share Capital	30,916,667	30,916,667	30,916,667	30,916,667	30,916,667
Share Premium	1,833,333	1,833,333	1,833,333	1,833,333	1,833,333
Statutory Reserve	31,323,043	26,043,227	22,288,257	16,736,114	13,332,396
Revenue Reserves	118,239,275	133,418,379	130,341,940	72,577,654	89,977,514
Fair Value Reserves	(50,695,179)	(22,332,588)	44,069,376	14,986,879	(69,759,049)
Non-distributable regulatory Reserves	46,869,377	11,180,446	22,859,196	30,178,774	-
Total Equity	178,486,517	181,059,464	252,308,769	167,229,421	66,300,861
TOTAL LIABILITIES AND EQUITY	1,283,078,646	1,423,754,340	1,377,040,313	1,219,186,727	767,208,444

DETAILED ADMINISTRATIVE EXPENSES

FOR MANAGEMENT USE ONLY

	2015	2014
	N	N
Legal & Professional Fees	744,995	2,114,400
Donations & Subscriptions	759,430	778,615
Printing & Stationery	1,128,125	1,190,295
Telephone, Postage & Electricity	1,711,458	1,326,463
Office Running Expenses	697,244	890,165
Rents & Rates	3,259,500	3,208,336
Audit Fee	1,000,000	1,000,000
Motor Running Expenses	1,584,760	402,580
Entertainment Expenses	235,000	369,000
Newspapers and Periodicals	129,800	113,500
Service Charge	1,934,400	2,293,248
Board & AGM Expenses	1,172,400	1,107,180
Repairs & Maintenance Expenses	73,800	118,850
Insurance Expenses	812,143	1,044,037
Computer Expenses	139,000	87,000
Transport & Travelling	6,796,140	5,304,854
Diesle/Fuel	1,504,000	1,630,915
Staff Training	150,000	682,300
Utility	503,216	421,713
Bank Charges & Commission	137,895	83,366
Employer Contribution	568,401	553,834
Bad Debt Recoverable Expenses	4,581,075	451,250
Registration Expenses	100,000	475,000
Bad-Debt Written Off	-	864,016
Interest Loss Account	136,850	-
Advertisement	20,500	-
Custodian fee	138,039	-
Website	411,000	-
Loss on Foreign Exchange	<u>30,429,170</u>	<u>26,510,918</u>
	<u>30,429,170</u>	<u>26,510,918</u>
	-	-
Gain (Loss) on Foreign Exchange Resulting from Conversion	Skye Bank	Skye Bank
As per Account	39,520	39,520
As per Computation @ N196.5 (CBN ruling rate as at 31, December 2015 (\$250.44))	<u>49,306</u>	<u>41,949</u>
Exchange Gain/(Loss)	<u>9,786</u>	<u>2,429</u>
	<u>9,786</u>	<u>2,429</u>
	Sterling Bank	Sterling Bank
As per Account	88,485	88,485
As per Computation @ N196.5 (CBN ruling rate as at 31, December 2015 (\$549.28))	<u>107,934</u>	<u>92,004</u>
Exchange Gain/(Loss)	<u>19,449</u>	<u>3,520</u>
	<u>19,449</u>	<u>3,520</u>