RC: 224798

CORPORATE INFORMATION

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

MANAGEMENT STAFF:	Mr. Adelana Haastrup	Managing Director/CEO
	Mrs Ibironke 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.

First City Monument Bank
1, Motor Way, Alausa
Ikeja, lagos.

Sterling Bank Plc
9, Aromire Avenue
Ikeja, Lagos.

CHAIRMAN'S STATEMENT

Our distinguished shareholders, on behalf of the Board of Directors, I welcome you all to this year's Annual General Meeting of our company.

Before I present the Annual Report and the Financial Statements for the year ended December 2016, permit me to review the business environment under which your Company operated.

MACRO-ECONOMIC OVERVIEW

For the first time in 29 years, the Nigerian economy witnessed recession in 2016. In the year under review, Nigeria experienced severe shocks in the production and exports of crude oil and gas due to the restiveness in the Niger Delta. The decline in the international price of crude oil and the vandalization of crude oil and gas pipelines led to a sharp drop in the external reserves and the continued devaluation of the Naira.

The fundamental challenges of the economy continued in 2016; the low purchasing power continued to impact negatively on business activities, the lack of foreign exchange obviously constrained capacity utilization while galloping inflation persisted.

Regardless of the prevalent tough operating environment in 2016, your company recorded above average performance.

PERFORMANCE MEASUREMENT

Profit & Loss
During the year under review, Gross Revenue dropped to ₦243.70m from ₦250.57m in 2015, while Profit Before Tax rose to ₦44.71m against ₦37.64m in the previous year. Despite the decline in Gross Income, your company posted a Profit After Tax of ₦49.32m including a tax credit of N4.61m. This is an improvement compared with ₦35.19m Profit After Tax posted in 2015.

Balance Sheet
Total Assets stood at ₦1.32b against the ₦1.28b recorded in 2015. The Balance Sheet continued to rely more on Tier I &II Capital for strength and stability.

Earning Per Share
Your company's Earning Per Share improved from ₦1.14 in 2015 to ₦1.60 in 2016. The Board of Directors is recommending a dividend payment of ₦0.35 per share subject to CBN approval.

Corporate Governance
During the year under review, your company demonstrated to the regulatory authorities and customers' strict adherence to the codes of corporate ethics in all her business operations.

FUTURE ECONOMIC OUTLOOK

With the determination of Government to revamp the ailing economy, expectation of positive developments in the critical sectors of the economy would surely strengthen our measured confidence in achieving our 2017 performance and business growth objectives. We expect that our business strategy will push our performance further up on the scale.

CONCLUSION

In conclusion, I will like to thank our directors for their guidance and support for our company. My appreciation also goes to the Management and Staff who contributed in no small measure to the success of our business. Let me also extend my thanks to our various customers for their patronage and the confidence we both earned.
I look forward to a promising future for our company.

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 2016.

2. **RESULTS**

	2016	2015
Profit Before Tax	44,710,905	37,640,235
Income Tax Credit/(Charge)	4,613,950	(2,441,461)
Profit After Tax	49,324,855	35,198,774

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 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 2016 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	
	2016	2015
Mr. Adelana Haastrup	7,500,000	7,500,000
Mrs. Ibironke 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 five 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, 2016 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

23rd February 2017

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 believe 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/000000006084

Mr. Ariyo Olushekun
Director
FRCN/2014/CISN/0000005926

SOLA OYETAYO & CO.

33, Ogunlowo Street
Off Obafemi Awolowo Way, Ikeja
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Lagos

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REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF CO-LINK INVESTMENT MANAGEMENT LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **CO-LINK INVESTMENT MANAGEMENT LIMITED** comprise statement of financial position as at 31 December 2016, Statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2016, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria 2004, the Financial Reporting Council Act 2011, and the Banks and other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

Basis for Opinion

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

Responsibilities of Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act CAP C20, Laws of the Federation of Nigeria, 2004, the Financial Reporting Council Act, 2011 and the Banks and other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, has no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

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

(i) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

(ii) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

(iii) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(iv) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause an entity to cease to continue as a going concern

(v) evaluate the overall presentation, structure and content of the financial statements, including the disclosures in accordance with the International Financial Reporting Standards, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Furthermore, we communicated to management and directors regarding, among other matters, our planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that were identified during our audit.

We informed the directors that we complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Compliance with the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004 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 agree with the books of account;

Compliance with Section 27 (2) of the Banks and the other Financial Institutions Act of Nigeria.

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/00000006160
For: **Sola Oyetayo & Co.**
April 24, 2017
Lagos, Nigeria.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
0080234

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTE	2016	2015
		₦	₦
Interest Income	8	217,524,100	223,642,298
Interest Expense	9	(131,392,199)	(132,527,666)
Net Interest Income		86,131,901	91,114,632
Fee and Commission Income	10	4,148,733	7,746,320
Fee and Commission Expense		-	-
		4,148,733	7,746,320
Investment Income	11	6,150,600	8,455,423
Other Income	12	15,878,435	10,730,447
		22,029,035	19,185,870
Loan Impairment Charges	13	(6,571,933)	(13,508,507)
Personnel Expenses		(29,994,776)	(30,003,768)
Administration and General Expenses		(28,541,903)	(30,429,170)
Depreciation Expenses		(2,490,152)	(6,465,142)
		(67,598,764)	(80,406,587)
Profit Before Tax		44,710,905	37,640,235
Income Tax Credit/(Charge)	25	4,613,950	(2,441,461)
Profit After Tax		49,324,855	35,198,774
Total Profit or Loss Attributable to Owners of the Company		49,324,855	35,198,774
		49,324,855	35,198,774
Basic Earnings Per Share (kobo)	14	1.60	1.14

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTE	2016	2015
		₦	₦
Profit for the Year		49,324,855	35,198,774
		49,324,855	35,198,774
Net Change in Fair Value on Available-for-Sale Financial Assets	31	(14,569,015)	(28,362,591)
Total Other Comprehensive Income for the Year Net of Tax		(14,569,015)	(28,362,591)
Total Comprehensive Income for the Year		34,755,840	6,836,183
Attributable to Equity Holders		34,755,840	6,836,183

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		2016	2015
ASSETS	**NOTE**	**₦**	**₦**
Cash and Cash Equivalents	14	24,606,741	870,845,647
Financial assets held to maturity	15	769,888,983	-
Loans and Advances	16	371,281,064	310,545,724
Available for Sale Financial Assets	17	67,821,746	82,334,638
Prepayments and Other Receivables	18	11,694,209	10,217,881
Assets held for Sale	19	53,729,157	-
Investment Properties	20	4,761,199	4,761,199
Property, Plant and Equipment	21	6,831,403	4,373,555
TOTAL ASSETS		1,310,614,502	1,283,078,644
LIABILITIES			
Financial Liabilities Measured at Amortized Cost	22	1,028,864,192	1,078,225,395
Accruals and Other Payables	23	39,208,880	17,089,862
Bank Overdraft	24	48,013,870	-
Income Tax	25	1,705,731	1,569,653
Deferred Tax	26	1,387,537	7,707,218
TOTAL LIABILITIES		1,119,180,210	1,104,592,128
EQUITY			
Share Capital	27	30,916,668	30,916,667
Share Premium	28	1,833,333	1,833,333
Statutory Reserves	29	36,255,528	31,323,043
Retained Earnings	30	168,888,985	118,239,275
Available for Sale Reserves	31	(65,264,194)	(50,695,179)
Non-Distributable Regulatory Reserves	32	18,803,972	46,869,377
TOTAL EQUITY		191,434,292	178,486,516
TOTAL LIABILITIES AND EQUITY		1,310,614,502	1,283,078,644

The financial statements were approved by the Board of Directors on 23rd February 2017.
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/00000006231

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital	Share Premium	Statutory Reserve	Available-for- Sale Reserve	Non-Distributable Regulatory Reserve	Retained Earnings	Total Reserves	Total Equity
	₦	₦	₦	₦	₦	₦	₦	₦
Balance at 31 December 2014	30,916,667	1,833,333	26,043,227	(22,332,588)	11,180,446	133,418,379	150,142,797	181,059,464
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	118,239,276	147,569,850	178,486,518
Correction of Prior Year Error	-	-	-	-	(11,180,445)	(425,121)	(425,121)	(11,605,566)
Profit for the Year	-	-	4,932,485	-	-	49,324,855	54,257,340	54,257,340
Statutory Transfer	-	-	-	-	-	(4,932,485)	(4,932,485)	(4,932,485)
Dividend Paid	-	-	-	-		(10,202,500)	(10,202,500)	(10,202,500)
Transfer to Retained Earnings	-	-	-	-	(16,884,960)	16,884,960	-	-
Other Comprehensive Income	-	-	-	(14,569,015)	-	-	(14,569,015)	(14,569,015)
Balance at 31 December 2016	30,916,667	1,833,333	36,255,528	(65,264,194)	18,803,972	168,888,985	171,698,069	191,434,292

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTE	2016	2015
		₦	₦
Cash Flows Operating Activities			
Profit Before Tax		44,710,905	37,640,235
Adjustments for:			
Depreciation of Property, Plant & Equipment	21.2	2,490,152	6,465,142
Dividend Received	11	(3,816,013)	(8,455,423)
(Gain)/Loss on Foreign Exchange	12	(86,735)	(29,235)
Prior year Adjustment		(425,121)	(134,130)
Stock Loss		(56,123)	-
Other Adjustment		(11,180,443)	-
		31,636,622	35,486,589
Changes in Loans and Advances		(60,735,340)	(14,627,780)
Changes in Other Assets		(1,476,328)	(18,813,894)
Changes in Liabilities		(27,242,185)	(125,950,828)
Income Tax Paid	25.3	(1,569,653)	(5,184,250)
Net Cash Flows from Operating Activities		(59,386,884)	(129,090,163)
Investing Activities			
Dividend Received	11	3,816,013	8,455,423
Investments	15	(769,888,983)	-
Assets Held for Sale	19	(53,729,157)	-
Purchase of Property, Plant and Equipment	21.2	(4,948,000)	-
Net Cash Flows Used in Investing Activities		(824,750,127)	8,455,423
Financing Activities			
Bank Overdraft	24	48,013,870	-
Dividend Paid	30	(10,202,500)	(9,275,000)
Net Cash Flows from Financing Activities		37,811,370	(9,275,000)
Net Increase/(Decrease) in Cash and Cash Equivalents		(846,325,641)	(129,909,740)
Cash and Cash Equivalents at 1 January	14	870,845,647	1,000,726,152
Effect of Exchange Rate on bank balances	12	86,735	29,235
Cash and Cash Equivalents at 31 December	14	24,606,741	870,845,647
Cash and Cash Equivalents Comprise of:			
Cash at Hand		7,575	11,360
Bank Balances		1,599,166	15,834,287
Placements with Banks and Other Financial Institutions		23,000,000	855,000,000
		24,606,741	870,845,647

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 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 Statements

These financial statements comprise:

- Statement of profit or loss
- Statement of comprehensive Income
- Statement of financial position
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements.

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 is also prepared in the manner required by the Company and Allied Matters Act, Bank and Other Financial Institution Act, Financial Reporting Council of Nigeria Act, and relevant Central Bank of Nigeria circulars and guidelines.

The financial statements were authorised for issue by the Board of Directors on 23, February, 2017.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

3.3 Basis of Measurement

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the company considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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 ("₦"), 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 Standards and Interpretations Effective 31 December 2016

The company adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date initial application of 1 January 2016:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contribution
- Amendments to IFSs Annual Improvements to IFRSs 2010-2012 cycle and 20111-2013 cycle
- Amendments to IAS 16 & IAS 38 Clarification of Acceptable methods of Depreciation and Amortization
- The company has applied the amendments to IFRs included in the annual improvement to IFRs 2010-2012 cycle and 2011-2013 cycle for the first time in the current year. The application of the amendments has had no impact on the disclosure or amounts recognised in the company's financial statements.

4.2 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 company will apply relevant Standards when they become effective.

Standard	Content	Effective year
IFRS 9	Financial Instruments	1-Jan-18
IFRS 15	Revenue from Contract with Customers	1-Jan-17
IFRS 16	Leases	1-Jan-19
IFRS 2	Classification and measurement of share-baed payment transactions	1-Jan-18
IAS 7	Disclosure Initiative (Statement of Cash Flows)	1-Jan-18
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (Income Tax)	1-Jan-17
IAS 40	Investment Property	1-Jan-18
IFRIC 22	Foreign Currency Transaction and Advances Consideration	1-Jan-18

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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 if hedging accounting on the financial statement.

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 recognise impairment loss including its timing and the classification of its financial assets. However, it is yet to assess the impact on the financial statement and do not intend to apply it earlier than the mandatory effective date.

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 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 statement and do not intend to apply it earlier than the mandatory effective date.

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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.

IFRS 2 - Classification and Measurement of Share-based Payment Transactions

This relates to the classification and measurement of share-based payment transactions. The amendments address three main areas:

1) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction
2) The classification of a share-based payment transaction with net settlement features for withholding tax obligations
3) The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendments are intended to eliminate diversity in practice, but are narrow in scope and address. Specific areas of classification and measurement.

IAS 7 Disclosure Initiative (Statement of Cash Flows)

This require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendments are intended to provide information to help investors better understand changes in a company's debt.

IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses (Income Tax)

It seeks to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. It requires that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

It is also intended to remove existing divergence in practice in recognising deferred tax assets for unrealised losses.

IAS 40 Amendment in Investment Property

The amendment provides further guidance on the transfers into or of investment property.
Such a transfer is possible only when there is a change in use of the property and that happens only that property meets or ceases to meet the definition of investment property.

Consequently, a mere change in management's intentions is not sufficient evidence of change in use.

IFRIC 22 Foreign Currency Transaction and Advance Consideration

Clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt pays or receives foreign currency consideration when the related item has to be recognised using fair value measurement basis the related item is translated using the exchange rate on the date that

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

(iv) **Dividend**

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

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 because 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 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 per their credit risk characteristics for calculating an estimated collective loss. This reflects impairment losses that the company has incurred because 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 because 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 per 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 considered when calculating the appropriate level of impairment allowances by adjusting the impairment allowances derived solely from historical loss experience.

Write-off 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 asset". 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 if 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**

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

- company income tax (based on taxable income (or loss) for the period; and
- minimum tax (determined based on the sum of 0.125% of revenue in excess of N500,000.00 and the highest of 0.25% of revenue of N500,000.00, 0.5% of gross profit, 0.25% of paid-up share capital and 0.5% of net assets)

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

(ii) **Deferred Tax**

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

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

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

(iii) **Information Technology Levy**

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

(iv) **Education Tax**

This represents 2% of assessable profit in accordance with the provision of the Tertiary Education Tax Act 2011

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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 employee's 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 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 considers 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). Thus, 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 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 re-organisations 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 Property**

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. The investment property is Land hence, its not depreciated.

5.11 **Earnings Per Share**

The company presents basic and diluted earnings per share (EPS) date 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 few 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.

5.13 ASSETS HELD FOR SALE

Non-current assets or disposal group comprising assets and liabilities, are classified as held-for sale if its highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups are generally measured at lower of their carrying amount and fair value less cost to sale. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefits assets which continue to be measured in accordance with the company's other accounting policies. Impairment losses on initial classification as held-for - distribution and subsequent gains and losses on re-measurement are recognised in profit or loss.

6.0 DETERMINATION OF FAIR VALUES

6.1 Fair Value Hierarchy

A few 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

6.3 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.

6.4 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.

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:

2016

Asset	NOTE	Level 1	Level 2	Level 3	Total
Available-for-Sale Financial Asset		₦	₦	₦	₦
Quoted Shares	17	67,821,746	-	-	67,821,746
		67,821,746	-	-	67,821,746

2015

Asset	Note	Level 1	Level 2	Level 3	Total
Available-for-Sale Financial Asset		₦	₦	₦	₦
Quoted Shares	17	82,334,638	-	-	82,334,638
		82,334,638	-	-	82,334,638

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 are 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 emphasizes 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 and concentration risks through all credit levels of selection, administration and control. Some of the policies 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 per 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 crystalisation 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 2016 and 31December 2015 respectively, are represented by the net carrying amounts of the financial assets.

Maximum exposure to credit risk before collateral held or other credit enhancements

Classification	2016 ₦	2015 ₦
Cash and Cash Equivalents		
Cash in hand & balances Held with Banks	1,606,741	15,845,647
Placements with Banks and other Financial Institutions	23,000,000	855,000,000
Investments	769,888,983	-
	794,495,724	870,845,647
Loans and Advances		
Loans to Individuals	2,330,988	6,198,568
Loans to Corporate Organisations	402,238,106	376,975,745
	404,569,094	383,174,313
Financial Assets Available-for-Sale	67,821,746	82,334,638
Total	1,266,886,564	1,336,354,598
Loans Exposure to Total Exposure	32%	29%
Other Exposures to Total Exposure	68%	71%

The table information above show a worst-case scenario of credit risk exposure to the Company as at 31 December 2016 and 31 December 2015 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

2016

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	**₦**
Cash in hand & balances Held with Banks	1,606,741
Placements with Banks and other Financial Institutions	23,000,000
Investments	769,888,983
	794,495,724

Industry/Classification	**Loan to Individual**	**Loans to Corporate Bodies**	**Total Loans and Advances**
	₦	**₦**	**₦**
Food/Beverages	-	92,052,223	92,052,223
Manufacturing	-	78,979,453	78,979,453
Telecom /Aviation	-	66,445,458	66,445,458
Oil and Gas	-	4,567,923	4,567,923
Construction & Real Estate	-	13,065,000	13,065,000
General Commerce	-	32,151,764	32,151,764
Individual	2,330,988		2,330,988
Education	-	67,812,478	67,812,478
Security		1,663,451	1,663,451
Export		5,050,000	5,050,000
Power		10,305,966	10,305,966
Banking / Finance		30,144,390	30,144,390
	2,330,988	402,238,106	404,569,094

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	**₦**
Cash in hand & balances Held with Banks	15,845,647
Placements with Banks and other Financial Institutions	855,000,000
Investments	-
	870,845,647

Industry/Classification	**Loan to Individual**	**Loans to Corporate Bodies**	**Total Loans and Advances**
	₦	**₦**	**₦**
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	-	32,270,124.00	32,270,124
Government	-	15,749,513	15,749,513
Individual	6,198,568	-	6,198,568
Education	-	18,569,385	18,569,385
	6,198,568	376,975,745	383,174,313

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

Analysis of Loans and Advances

2016

	Loans and Advances to Individual	Loans and Advances to Corporate Bodies	Total
	₦	₦	₦
Neither Past Due nor Impaired	-	202,840,246	202,840,246
Past Due Not Impaired	4,967,411	96,366,032	101,333,443
Individually Impaired	-	100,395,405	100,395,405
Gross	4,967,411	399,601,683	404,569,094
Less Allowances for Impairment			
Individually Impaired	1,639,245	31,648,785	33,288,030
Total Allowance	1,639,245	31,648,785	33,288,030
Net Loans and Advances	3,328,166	367,952,898	371,281,064

2015

	Loans and Advances to Individual	Loans and Advances to Corporate Bodies	Total
	₦	₦	₦
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	6,198,568	376,975,745	383,174,313
Less Allowances for Impairment			
Individually Impaired	1,354,728	71,273,861	72,628,589
Total Allowance	1,354,728	71,273,861	72,628,589
Net Loans and Advances	4,843,840	305,701,884	310,545,724

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 Analysis of Loan

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

Age	2016 Loans and Advances to Individuals	2016 Loans and Advances to Corporate Bodies	2016 Total	2015 Loans and Advances to Individuals	2015 Loans and Advances to Corporate Bodies	2015 Total
	₦	₦	₦	₦	₦	₦
0-90 days	2,330,980	119,329,433	121,660,413	-	112,996,420	112,996,420
91-180 days	-	71,439,219	71,439,219	-	50,819,347	50,819,347
181-365 days	-	71,985,410	71,985,410	6,198,568	34,789,916	40,988,484
Above 365	-	139,484,052	139,484,052	-	178,370,062	178,370,062
	2,330,980	402,238,114	404,569,094	6,198,568	376,975,745	383,174,313

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:

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:

	2016 Gross Loans	2016 Collateral	2015 Gross Loans	2015 Collateral
	₦	₦	₦	₦
Against Individually Impaired	208,178,101	208,178,101	219,358,546	219,358,546
Against Past Due but not Impaired	112,996,420	112,996,420	112,996,420	112,996,420
Against Past Due but Impaired	83,394,573	83,394,573	50,819,347	50,819,347
	404,569,094	404,569,094	383,174,313	383,174,313

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 table is the contractual, undiscounted cash flow on the financial assets and liabilities.

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

Carrying Amount

	2016	2015
Financial Assets	₦	₦
Cash and Cash Equivalents	24,606,741	870,845,647
Investments	769,888,983	-
Loans and Advances	404,569,094	310,545,724
Available-for-Sale Financial Assets	67,821,746	82,334,638
	1,266,886,564	1,263,726,009
Financial Liabilities		
Long Term Placement	992,777,730	988,831,987
Client Current Account	36,086,462	89,393,408
	1,028,864,192	1,078,225,395
Funding Gap - Assets (Liabilities)	238,022,372	185,500,614

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 to adopt and implement the decisions necessary to maintain the capital at a level that ensures the realization 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 2016 (2015: 2% and 2%). This rate has been determined based on the average market volatility in interest rate in the previous 12months.

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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)

		2016	2015
		₦	₦
8	**INTEREST INCOME**		
	Loans and Advances to Customers	131,708,690	98,976,607
	Placement with Banks and Other Financial Institutions	85,815,410	124,665,691
		217,524,100	223,642,298
9	**INTEREST EXPENSES**		
	Interest on Placement	125,348,924	132,160,271
	Interest on Overdraft	6,043,275	367,395
	Payments to Account Holders and Placements	131,392,199	132,527,666
	Net Interest Income	86,131,901	91,114,632
10	**FEE AND COMMISSION**		
	Commission on Turnover	1,312,186	1,592,657
	Admin Fee	1,090,346	926,000
	Registration Fee	95,000	100,000
	Investment Advisory Fee	1,651,201	5,127,663
		4,148,733	7,746,320
11	**INVESTMENT INCOME**		
	Dividend Income	3,816,013	4,568,396
	Securities Income	2,334,587	3,887,027
		6,150,600	8,455,423
12	**OTHER INCOME**		
	Brokerage /Arbitrage	656,100	9,151,212
	Bad Debts Recovered	15,135,600	1,550,000
	Foreign Exchange Gain	86,735	29,235
		15,878,435	10,730,447
13	**IMPAIRMENT CHARGES ON LOANS AND ADVANCES**		
	Individual Impairment	839,245	1,397,568
	Collective Impairment	5,732,688	12,110,939
		6,571,933	13,508,507

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

		2016	2015
		₦	₦
14	**CASH AND CASH EQUIVALENTS**		
	Cash at Hand	7,575	11,360
	Bank Balances	1,599,166	15,834,287
	Placements with Banks and Other Financial Institutions	23,000,000	855,000,000
		24,606,741	870,845,647
15	**FINANCIAL ASSETS HELD TO MATURITY**		
	Federal Government of Nigeria (FGN) Bond	459,888,983	-
	Treasury bills	310,000,000	-
		769,888,983	-
16	**LOANS AND ADVANCES**		
	Loans and Advances to Customers	382,574,865	362,528,439
	Lending Interest Receivables	21,994,229	20,645,874
		404,569,094	383,174,313
	Impairment Allowance		
	At 1 January	72,628,589	124,494,359
	Transfer to Held for sale	(28,142,181)	-
	Recovered	-	(28,785,500)
	Bad debt written off (Impairment no longer required)	(17,770,311)	(36,588,777)
	Charge for the Year	6,571,933	13,508,507
	At 31 December	33,288,030	72,628,589
	Net Loans and Advances	371,281,064	310,545,724

16.1 **Analysis of Loans and Advances by Category of Impairment**
Analysis of Gross Loans

Classification	2016	2015
	₦	₦
Loans to Individual	1,639,245	1,354,728
Loans to Corporate Bodies	31,648,785	71,273,861
	33,288,030	72,628,589

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

		2016	2015
		₦	₦
16.2	**Analysis by Security**		
	Secured Against Real Estate	198,345,090	178,743,762
	Otherwise Secured (Domicilation of Payments)	152,152,895	134,223,819
	Unsecured(Personal Guarantee/ Stock Hupothetication)	54,071,109	70,206,732
	Total Loans	404,569,094	383,174,313
16.3	**Analysis of Loans and Advances by Sector**		
	Food/Health	92,052,223	49,472,277
	Manufacturing	78,979,453	114,478,427
	Telecominucations	66,445,458	13,199,894
	Oil and Gas	4,567,923	8,055,149
	Building and Construction	13,065,000	109,668,110
	Trade and Commerce	32,151,764	47,782,990
	Govt. and Parastatals	31,807,841	15,749,513
	Education	67,812,478	18,569,385
	Personal	2,330,988	6,198,568
	Power	10,305,966	-
	Export	5,050,000	-
		404,569,094	383,174,313
16.4	**Age Analysis of Loans and Advances**		
	Between 1 and 3 Months	199,136,202	184,857,931
	Between 3 and 6 Months	90,521,802	85,638,745
	Between 6 Months and 1 Year	76,366,684	108,666,971
	Over 1 Year	38,544,400	4,010,666
	Gross Loans	404,569,088	383,174,313

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

		2016	2015
		₦	₦
17	**AVAILABLE-FOR-SALE FINANCIAL ASSETS**		
	Listed Equity Securities	132,186,916	133,029,817
	Fair Value Loss	(64,365,170)	(50,695,179)
		67,821,746	82,334,638
18	**PREPAYMENTS AND OTHER RECEIVABLES**		
	Prepaid Rent and Insurance	2,770,528	2,718,525
	Fixed Dep Interest Receivable	8,923,681	7,499,356
		11,694,209	10,217,881
19	**ASSETS CLASSIFIED AS HELD FOR SALE**		
	Crawler Drilling Machines	53,729,157	-

These assets relate to collateral security held for loan and advances to customers which was taken over by the Company for the purpose of realisation and settlement of debt.

The Company committed to a plan to sell these assets and a sale is expected during 2017 as buyers have shown interest.

Impairment loss was recognised on the reclassification of the asset as held for sale. Their was no impairment lost at the date of reclassification.

		2016	2015
20	**INVESTMENT PROPERTY**		
	At 1 January	4,761,199	4,761,199
	At 31 December	4,761,199	4,761,199

These are properties taken over by the company which were previously held as collateral for underlying lending arrangements that, after origination, have defaulted. This property is under litigation. The customer who pledged 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 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)

21 PROPERTY, PLANT AND EQUIPMENT

21.1 Carrying Amounts of Property, Plant and Equipment

	2016 ₦	2015 ₦
Office Equipment	56,031	10
Furniture & Fittings	140,976	227,232
Motor Vehicles	2,151,313	4,146,313
Plant and Machinery	4,483,083	-
	6,831,403	4,373,555

21.2 Reconciliation of Property, Plant and Equipment

Cost	Office Equipment ₦	Furniture & Fittings ₦	Motor Vehicles ₦	Plant and Machinery ₦	Total ₦
At January 2015	7,228,604	2,475,666	25,121,700	-	34,825,970
At 31December 2015	7,228,604	2,475,666	25,121,700	-	34,825,970
Additions During the Year	270,000	-	-	4,678,000	4,948,000
At 31December 2016	7,498,604	2,475,666	25,121,700	4,678,000	39,773,970
PROPERTY,PLANT AND EQUIPMENT (cont'd)					
Accumulated Depreciation					
At 1 January 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 December 2015	7,228,594	2,248,434	20,975,387	-	30,452,415
Charge for the Year	213,979	86,256	1,995,000	194,917	2,490,152
At 31 December 2016	7,442,573	2,334,690	22,970,387	194,917	32,942,567
Carrying Amount					
At 31 December 2016	56,031	140,976	2,151,313	4,483,083	6,831,403
At 31 December 2015	10	227,232	4,146,313	-	4,373,555

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

		2016	2015
		₦	₦
22	**FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST**		
	Term Placement	992,777,730	988,831,987
	Client Current Account	36,086,462	89,393,408
		1,028,864,192	1,078,225,395
	The maturity profile of financial liabilities is as follows:		
	Under 1 Month		-
	1 - 3 Months	-	32,871,166
	3 - 6 Months	47,127,531	82,896,359
	6 Months-1 Year	-	219,697,455
	Above One Year	981,736,661	742,760,415
		1,028,864,192	1,078,225,395
23	**ACCRUALS AND OTHER PAYABLES**		
	Directors Current Accounts	745,393	3,084,928
	Sundry Payables	1,148,945	2,194,132
	Interest in Advance	37,314,542	8,320,215
	Interest Suspence on Loan	-	3,490,587
		39,208,880	17,089,862
24	**BANK OVERDRAFT**	48,013,870	-

This represents a standby overdraft facility obtained from First City Monument Bank Plc subject to maximum of N200million (default trigger set at N220million). The interest rate is 17.5% (floating) plus 4.50% per annum and presently increased to 23% (up to the reporting date) due to changes in market conditions. The facility was obtained to augment the company's working capital but not limited to support trade finance LPO/Contract finance, leasing etc. The facility is secured over the company's FGN bond valued at N450million and personal guarantee of the MD/CEO supported by notarised statement of his personal networth.The repayment period is 12months with maturity date 31 March 2017 which aligns with that of the bond.

		2016	2015
25	**INCOME TAX**		
25.1	**Amount Recognised in Profit or Loss**		
	Company Income Tax	1,258,622	1,193,251
	Defered Tax	(6,319,681)	871,808
	Information Technology Development Levy	447,109	376,402
		(4,613,950)	2,441,461

Corporation Tax is calaculated at 30 per cent (2015:30 percent) of the estimated taxable profit for the year. The charge for taxation in these fiancial statments is based on the provisions of the Companies Income Tax as ammended. The charge for education tax of 2 percent (2015: 2 percent) is based on the provisions of Tetiary Education Tax Act,

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

		2016	2015
		₦	₦
25.2	**Reconciliation of Income Tax Expenses**		
	The Income tax expenses can be reconciled to accounting profit as follows:		
	Accounting Profit	44,710,905	37,640,235
	Tax rate at 30% (2015: 30%)	13,413,271	11,292,070
	Effect of Income Exempted from Tax	(20,215,529)	(19,145,955)
	Effect of Dis-allowed Expenses	2,718,625	5,992,095
	Effect of NITD at 1%	447,109	376,402
	Deferred tax recovery	(6,319,681)	261,542
	Minimum tax adjustment	5,342,254	3,665,306
	Income Tax Expense in Profit or Loss	(4,613,950)	2,441,461
	Effect tax rate	-10%	6%
25.3	**Amount Recognised in Statement of Financial Position**		
	At 1 January	1,569,653	5,184,250
	Charge to Profit or Loss	1,705,731	1,569,653
	Payment During the Year	(1,569,653)	(5,184,250)
	At 31 December	1,705,731	1,569,653
26	**DEFERRED TAX**		
	At 1 January	7,707,218	6,835,410
	Charge/(Recovery) During the Year	(6,319,681)	871,808
	At 31 December	1,387,537	7,707,218

26.1 The movement in deferred tax liabilities is attributable to temporary difference which arose from property, plant and equipment.

	2016	2015
At January	25,690,725	22,784,700
Charge for the Year	(21,065,600)	2,906,025
At 31 December	4,625,125	25,690,725

		2016	2015
27	**SHARE CAPITAL**		
27.1	**Authorized Share**	110,000,000	110,000,000
	110,000,000 Ordinary Shares at N 1.00 each		
27.2	**Issued and Fully Paid**		
	30,916,667 Ordinary Shares of N 1.00 each (31 December 2014: 30,916,667 Ordinary Shares of N1.00 each).	30,916,667	30,916,667

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

		2016	2015
		₦	₦
28	**SHARE PREMIUM**	1,833,333	1,833,333
	Share premium is the excess paid by shareholders over the nominal value for their shares		
29	**STATUTORY RESERVES**		
	At 1 January	31,323,043	26,043,227
	Transfer from Profit or Loss	4,932,485	5,279,816
	At 31 December	36,255,528	31,323,043
30	**RETAINED EARNINGS**		
	At 1 January	118,239,276	133,418,379
	Correction of Prior Period Error (Note 30.1)	(425,121)	(134,130)
	Profit or Loss	49,324,855	35,198,774
	Transfer to Statutory Reserve	(4,932,485)	(5,279,816)
	Transfer to Regulatory Reserve	16,884,960	(35,688,931)
	Dividend Paid	(10,202,500)	(9,275,000)
	At 31 December	168,888,985	118,239,276
30.1	**Correction of Prior Period Error**		
31	**FAIR VALUE RESERVE**		
	At 1 January	(50,695,179)	(22,332,588)
	Transfer from Other Comprhensive Income	(14,569,015)	(28,362,591)
	At 31 December	(65,264,194)	(50,695,179)
32	**NON-DISTRIBUTABLE REGULATORY RESERVE**		
	At 1 January	46,869,377	11,180,446
	Reversal	(11,180,445)	-
	Transfer from Retained Earnings	(16,884,960)	35,688,931
	At 31 December	18,803,972	46,869,377

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 4,932,486 repesenting 10% 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)

33 PROFIT BEFORE TAX FROM CONTINUING OPERATION

	2016	2015
	₦	₦
This is arrived at after Charging:		
Depreciation Expenses		
Property, Plant and Equipment	2,490,152	6,465,142
Personnel Expenses		
Salaries and Allowances	17,969,776	17,828,768
Directors' Remuneration	12,000,000	12,000,000
Medical, Staff Welfare	25,000	175,000
	29,994,776	30,003,768
Auditors Remuneration	1,000,000	1,000,000

34 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

	2016	2015
	₦	₦
Profit for the Year	49,324,855	35,198,774
Number of Ordinary Shares in Issue at Reporting Date 30,917,667 Ordinary of N1.00 each	30,916,667	30,916,667
Time Weighted Average Number of Ordinary Shares	30,916,667	30,916,667
Basic Earnings per Share (kobo)	160	114

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

35 **CONTINGENT LIABILITIES**

There are no contingent liabilities at 31 December, 2016 (2015:Nil)

36 **CAPITAL COMMITMENTS**

There are no capital commitments at 31 December, 2016 (2015:Nil)

37 **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:

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

	2016	2015
Trading Transactions	₦	₦
Long Term Fund Placement	137,200,000	-
Outstanding balances at 31 December 2016		
Directors Current Account	745,393	3,084,928
Long Term Fund Placement	992,777,730	988,831,987
	993,523,123	991,916,915

37.1 **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.

37.2 **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	1,402,250	1,172,400
	13,402,250	13,172,400

38 **EVENTS AFTER THE REPORTING DATE**

No material transactions occurred between 31 December 2016 and the date the financial statements were signed requiring disclosure in or adjustment to the annual financial statements for the year ended 31 December, 2016.

39 **CONTRAVENTIONS**

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

EXPLANATION TO STATEMENT OF PRUDENTIAL ADJUSTMENT

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. Because 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 2016 financial year, the company transferred the sum of N16, 884,960 from Non-distributable reserve to retained earnings. This was arrived at after comparing CBN prudential provision with IFRS impairment provision.

The adjusted CN provision amounted to N51, 224,582 in 2015, while the current CBN provision is N27, 767,689, the difference is (N23, 4356, 893).

The adjusted IFRS impairment of M26, 716,097 was arrived at after deducting the provisions of N17, 770,311 that were no longer required and N28, 142,181 that was reclassified and including in the carrying amount of assets held as collaterals for loans which was taken over and subsequently designated as Asset Held for Sale, while the current IFRS impairment (2016) is N33, 288,030, the difference between N26, 716,097 and N33, 288,030 is N6, 571,933.

The difference between (N23, 456,893) and N6, 571,933 resulted into N16, 844,960 which was transferred from the Non-distributable reserves to retained earnings. The Non-distributable reserve is now reduced to N18, 803,870.

STATEMENT OF PRUDENTIAL ADJUSTMENTS (Cont'd)

2016

STATEMENT OF PRUDENTIAL ADJUSTMENT

	Specific	General	Total
	₦	₦	₦
Impairment Allowance as per IAS 39	6,571,933	-	6,571,933
	6,571,933	-	6,571,933
Loan Loss Provision as per CBN Prudential Guideline	(23,456,893)	-	(23,456,893)
Amount Transferred to Regulatory Risk Reserve	(16,884,960)	-	(16,884,960)

	Specific	General	Total
At 1 January	46,869,377	-	46,869,377
Reversal	(11,180,445)		(11,180,445)
Transfer During the Year	(16,884,960)	-	(16,884,960)
At 31 December	18,803,972	-	18,803,972

2015

Statement of Prudential Adjustment

	Specific	General	Total
	₦	₦	₦
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

Further details relating to current year movements are provided below:

	Movements in the current year before adjustment				Computed at year end	Prudential Adjustment
	1-Jan-16	No longer required	Available for sale	31-Dec-16	2016	2016
	₦	₦	₦	₦	₦	₦
CBN provision	51,012,096	(212,486)	-	50,799,610	27,767,689	23,031,921
IFRS impairment	72,628,589	(17,770,311)	(28,142,181)	26,716,097	33,288,030	(6,571,933)

Excess of IFRS transferred from prudential adjustment to general reserve	16,459,988

OTHER NATIONAL DISCLOSURES

STATEMENT OF VALUED ADDED

	2016		2015	
	₦	%		%
Gross Income	243,701,867		250,574,488	
Value of Services - Local	(23,609,417)		(38,079,637)	
	220,092,450		212,494,851	
Less: Loan Impairment Losses	6,571,933		13,508,507	
Value Added	213,520,517	100	198,986,344	100
Applied as follows:				
Payment to Government:				
Taxation	(4,613,950)	(2)	2,441,461	1
Payment to Employee:				
Salaries & Wages	29,994,776	14	30,003,768	15
Payment to Providers of Capital:				
Interest Expenses	131,392,199	62	132,527,666	67
Retained in Business for Expansion and Development:				
Depreciation	2,490,152	1	(6,465,142)	-3
Statutory Transfer	4,932,485	2	5,279,816	3
Profit for the Year	49,324,855	23	35,198,774	18
	213,520,517	100	198,986,344	100

OTHER NATIONAL DISCLOSURES (Cont'd)

FIVE YEAR FINANCIAL SUMMARY

	2016	2015	2014	2013	2012
ASSETS	₦	₦	₦	₦	₦
Cash & Cash equivalents	24,606,741	870,845,647	1,000,726,152	786,128,711	655,607,476
Investments	769,888,983	-	-	-	-
Loans & Advances	371,281,064	310,545,724	295,917,945	406,832,911	396,326,025
Available for sale financial assets	67,821,746	82,334,638	106,106,912	159,481,511	140,299,302
Prepayments & Other Assets	11,694,209	10,217,881	5,403,434	3,028,967	5,738,203
Asset Held for sale	53,729,157	-	-	-	-
Investment Property	4,761,199	4,761,199	4,761,199	4,761,199	7,533,492
Fixed Assets	6,831,403	4,373,555	10,838,697	16,807,014	13,682,229
Total Assets	1,310,614,502	1,283,078,644	1,423,754,339	1,377,040,313	1,219,186,727
LIABILITIES					
Financial Liabilities Measured at Amortized Cost	1,028,864,192	1,078,225,395	1,178,650,280	1,096,132,643	971,316,480
Accruals and Other Payables	39,208,880	17,089,862	20,458,742	16,896,997	15,063,003
Bank Overdraft	48,013,870	-	31,566,193	-	57,254,540
Income Tax	1,705,731	1,569,653	5,184,250	6,660,808	6,028,017
Deferred Tax	1,387,537	7,707,218	6,835,410	5,041,094	2,295,265
Total Liabilities	1,119,180,210	1,104,592,128	1,242,694,875	1,124,731,542	1,051,957,305
EQUITY					
Ordinary Share Capital	30,916,668	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	36,255,528	31,323,043	26,043,227	22,288,259	16,736,114
Revenue Reserves	168,888,985	118,239,275	133,418,379	130,341,940	72,577,654
Fair Value Reserves	(65,264,194)	(50,695,179)	(22,332,588)	44,069,376	14,986,879
Non-distributable regulatory Reserves	18,803,972	46,869,377	11,180,446	22,859,196	30,178,774
Total Equity	191,434,292	178,486,516	181,059,464	252,308,771	167,229,421
TOTAL LIABILITIES AND EQUITY	1,310,614,502	1,283,078,644	1,423,754,339	1,377,040,313	767,208,444

DETAILED ADMINISTRATIVE EXPENSES

FOR MANAGEMENT USE ONLY

	2016	2015
	₦	₦
Legal & Professional Fees	777,250	744,995
Donations & Subscriptions	1,180,880	759,430
Printing & Stationery	263,905	1,128,125
Telephone, Postage & Electricity	1,538,075	1,711,458
Office Running Expenses	1,049,530	697,244
Rents & Rates	3,662,900	3,259,500
Audit Fee	1,000,000	1,000,000
Motor Running Expenses	1,705,015	1,584,760
Entertainment Expenses	131,000	235,000
Newspapers and Periodicals	128,400	129,800
Service Charge	1,999,320	1,934,400
Board & AGM Expenses	1,402,250	1,172,400
Repairs & Maintenanace Expenses	380,400	73,800
Insurance Expenses	627,260	812,143
Computer Expenses	230,864	139,000
Transport & Travelling	6,088,920	6,796,140
Diesle/Fuel	1,732,750	1,504,000
Staff Training	207,000	150,000
Utility	1,081,750	503,216
Bank Charges & Commission	1,063,187	137,894
Employer Contribution	615,901	568,401
Bad Debt Recoverable Expenses	769,125	4,581,075
Registration Expenses	100,000	100,000
Interest Loss Account	138,406	136,850
Advertisement	473,160	20,500
Custodian fee	92,655	138,039
Website	102,000	411,000
	28,541,903	30,429,170

Gain (Loss) on Foreign Exchange Resulting from Conversion	Skye Bank	Skye Bank
As per Account	49,306	-
As per Computation @ N304.50 (CBN rulling rate as at 31, December 2016 ($251.41)	76,554	-
Exchange Gain/(Loss)	27,248	9,786

	Sterling Bank	Sterling Bank
As per Account	107,934	
As per Computation @ N304.50 (CBN rulling rate as at 31, December 2015 ($549.82)	167,420	
Exchange Gain/(Loss)	59,486	19,449

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