

Annual  
**R**eport &  
Accounts  
2009



*...the clearing house of the Nigerian Stock Exchange*



*...the clearing house of the Nigerian Stock Exchange*

## ***MISSION STATEMENT***

*"To operate a world class Central Securities Depository (CSD), Digital Data Storage and Retrieval System and related services in a most reliable, efficient, secured and confidential manner"*

## FINANCIAL STATEMENTS

for the year ended 31 december 2009

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## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 16<sup>th</sup> Annual General Meeting of the CENTRAL SECURITIES CLEARING SYSTEM LIMITED will be held at the Hotel Sofitel Lagos Moorhouse, No. 1 Bankole Oki Street, Ikoyi, Lagos on Thursday November 25, 2010 at 1.00 p.m. to transact the following business:

### ORDINARY BUSINESS

1. To receive the financial statements of the Company for the year ended December 31, 2009 and the Reports of the Directors and the Auditors thereon;
2. To declare dividends;
3. To elect Directors in place of those retiring;
4. To authorize the Directors to fix the remuneration of the Auditors.

### SPECIAL BUSINESS

5. To determine and fix the remuneration of Directors.

### NOTE:

### PROXY

A shareholder or member entitled to attend and vote at the General Meeting is entitled to appoint a Proxy to attend and vote instead of himself. No person shall be appointed a Proxy who is not already a member of the company or the accredited representative of a member and qualified to vote, save that a corporation being a member of the company may appoint as its Proxy one of its directors or other authorized representative who is not a director of the company. Instruments of Proxy shall be deposited at the office of the company at least 48 hours before the time of holding the meeting duly stamped. Form of Proxy is contained in this Report.

Dated this ....day of .....2010

By Order of the Board

A handwritten signature in black ink, appearing to read 'Charles I. Ojo'.

**CHARLES I. OJO**  
Acting Company Secretary



## DIRECTORS, PROFESSIONAL ADVISERS, ETC.

### DIRECTORS:

Mr. Emmanuel Ikazoboh  
Professor (Mrs.) Ndi Okereke-Onyiuke, OON  
Dr. Onyewuchi C. Asinobi  
Mr. Herbert Wigwe  
Mr. Emmanuel Nnorom  
Mr. Chidi Agbapu  
Alhaji Umaru Kwairanga  
Mrs. Olufunmilayo Oyebadejo  
Dr. E nukora Joe Okoli

- Acting Chairman
- Chairman (up to August 2010)
- Managing Director/Chief Executive Officer
- Access Bank Plc
- United Bank for Africa Plc
- Emerging Capital Limited
- Finmal Finance Services Limited
- Institute of Capital Market Registrars
- National Social Insurance Trust Fund

### ACTING SECRETARY:

Charles I. Ojo

### REGISTERED

Stock Exchange House (1<sup>st</sup> Floor)

### OFFICE:

2/4 Customs Street, Lagos.

### AUDITORS:

Akintola Williams Deloitte  
(Chartered Accountants)

### BANKERS:

First Bank of Nigeria Plc  
Guaranty Trust Bank Plc  
Zenith Bank Plc  
United Bank for Africa Plc



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## CHAIRMAN'S ADDRESS



## CHAIRMAN'S ADDRESS

### **Distinguished Ladies and Gentlemen,**

It is my honour and privilege to welcome you all to the 16<sup>th</sup> Annual General Meeting of your Company. It is indeed important that we take stock of our activities every year so as to enable us evaluate our performance, identify areas of strengths and weaknesses and where necessary, welcome suggestions on how to better pursue our corporate goals.

Amongst others matters, I will be presenting to you, a review of developments in the Global Market and the Nigerian Market and shall also be presenting to you the Annual Report and financial statements for the year ended 31<sup>st</sup> December, 2009 for your consideration.

### **1. GLOBAL MARKET**

Following the monumental slump of the Global Market in 2008, the year 2009 started off on a low tone with many Countries of the world still deeply entangled in what could aptly be described as the worst economic crises since the Great Depression of the 1930s. Using the United States of America as a reference point, statistics show that in the first quarter of the year under review, its economy shrank at a pace of 6.4% thereby hitting an all time low in the last 27 years of the Country's history. Albeit, the American economy showed signs of springing up in the second quarter with a lessened dip in the economy at a pace of just 0.7 percent. Notwithstanding this fact, the American economy still did not attain stability with vestiges of growth until the third quarter of 2009.

The economic situation in the United States of America in the first 2 quarters of 2009 was not any different from the experience of most Countries of the World in the same year. Indeed, global economies continued to weaken in the first quarter of 2009, resulting in negative equity returns in all tracked markets except Brazil. The declines were at or near double-digit levels in Europe and the United Kingdom.

In reaction to this malaise, we witnessed counter reactive measures spawned by the Central Banks in most developed economies and some emerging economies including Nigeria in a bid to address the financial problems affecting their economies. Indeed, there is a common symmetry in the approach employed by the United States of America and Nigeria as both Governments are known to have injected colossal funds into their Banking Sectors to help stabilize them.

Thankfully, the Global Market is now on the mend despite infrequent faltering in the economies of some Countries of the World.

### **2. THE NIGERIAN CAPITAL MARKET**

Like other Countries of the world, the Nigerian Market equally felt the squeeze giving rise to the abysmal performance of most companies as shown in the annual results of quoted companies.

Rising unemployment, weakened purchasing power and weakened investor confidence further exerted downward pressure on the stock market. The impact of the global economic meltdown worsened the scenario as foreign investors shunned assets considered risky while local investors

sought refuge in short-term securities. Also, the initial negative reaction to the decision of most banks and insurance companies to make full provisions for their non-performing assets dampened investors' appetite and slowed down market recovery.

Given the above background, it is easy to appreciate your Company's operations results in the face of the unsettling realities in the year under review.

### 3. **OPERATIONS RESULTS**

#### a. **Market Turnover**

The value of the volume of transaction on the Exchange closed the year at N685.72 billion or 2.9% of GDP, down by 71.2% from the N2.4 trillion (10.4% of GDP) recorded in 2008. Average daily activity dropped from 775.65 million shares worth N9.55 billion in 2008 to 414.73 million shares valued at N2.8 billion in 2009.

The bulk of the transactions were in equities, which accounted for N685.3 billion or 99.94% of the total value compared to N2.376 trillion or 99.85% recorded in 2008. Transactions in industrial Bonds sector accounted for N412.8 million or 0.06% compared to N3.53 billion or 0.15% in 2008, while transactions in the State Government bonds sector were very minimal, accounting for only N119,530. The Preference Stocks subsector was inactive in 2009. It is interesting to note that your Company was actively involved in the clearing and settlement of these securities.

#### b. **Financial Performance**

Your Company recorded a turnover of N4.56 billion compared to N11.15 billion in the previous year thereby representing a decrease of 59%. Profit after Tax stood at N1.15 billion as against N4.2 billion indicating a decrease in 72.6%. Shareholders' funds rose from N10.77 billion in 2008 to N11.17 billion.

#### c. **Dividend**

Based on our avowed objective of ensuring returns on your investments, I wish to announce to you that the Board has recommended the distribution of the total sum of N500, 000,000.00 (Five Hundred Million Naira) as dividends at 10k on every issued share held by an investor as at December 31, 2009.

### 4. **RATINGS**

In the area of ratings, your Company has continuously interfaced with renowned Central Securities Depositories rating Agency, Thomas Murray, with a view to appraising its processes and clients' service ethics. The feedback has thus far been positive and the commendations impressive. We do expect to improve upon the A- rating at the end of the next rating exercise which will be completed by the first quarter of 2011.

### 5. **DEVELOPMENTS AT CSCS**

Your Company during the year under review charted new and profound courses amongst which are:



- The commencement of the Data Exchange Initiative geared towards establishing a data link between your Company, the Stock Broking Firms, Registrars, Custodians and Settlement Banks with a view to obviating the possibility of loss of securities/transaction data as well as other relevant documents. So far, the link has been test run with the Registrars and plans are currently underway to test run same link with Stock Broking Firms, Settlement Banks and Custodians. We envisage that the link with all Participants will be fully operational by the end of December 2010; and
- Inter-connectivity with the Central Bank of Nigeria to ensure that effective delivery versus payment is achieved in the area of clearing and settlement of Bonds. We are optimistic that these new initiatives will further boost Market fluidity, increase investors' confidence and ultimately guarantee more capital market earnings.

## **6. STAFF MATTERS**

Your Company takes pride in the quality of its workforce and to further ensure that its members of staff continuously remain relevant and are able to meet with increasing clientele demands, premium is placed on participation in relevant trainings for their self development. I use this opportunity to thank our employees and also to urge them not to rest on their oars as they endeavour to achieve the goals of the Company.

## **7. FUTURE OUTLOOK**

The Road to recovery of the Market has been steep but evidently, the worst days appear to be far behind us. Going forward, your Company is working on further improving and standardizing its services through valuable inputs from notable outfits amongst which are the Standards Organization of Nigeria (SON); representatives of the International Organization for Standardization (ISO) in Nigeria, Thomas Murray; the global rating agency for Central Securities Depositories and the Association of National Numbering Agencies (ANNA); a globally recognized organization responsible for the issuing of International Securities Identification Numbers (ISIN) codes.

We are particularly pleased to mention that your Company is currently working with SON on obtaining ISO certification for its operations.

We are equally looking at processing Commercial Papers (CPs) and Bankers Acceptance (BAs) as directed by the CBN for proper control and monitoring of this Market Segment. To this end, we have had several meetings with the Stakeholders comprising representatives of the Financial Markets Dealers Association of Nigeria (FMDA), the CBN, Rating Agencies, and Issuers to fine-tune the transaction processes. We are currently awaiting the directives of CBN for full deployment of the CPs and BAs.

Your Company, in conjunction with The Exchange and the Securities and Exchange Commission (SEC), is currently driving the initiative for full dematerialization of listed securities. This would further increase the cache of Clients who employ the services of your Company and indeed promote better public appreciation of our services. It is instructive to

also mention that a time table specifying a cut off date for full dematerialization has been drawn by SEC to ensure that this initiative is actualized.

Also, your Company is considering expanding its business to include the provision of Depository related services to unquoted Companies.

In the area of legislation, your Company is working on ensuring that, alongside the Investments and Securities Act (ISA) which supports its founding, a Law is passed that further recognizes its existence and also codifies its operations and activities. Presently, the selection process for the appointment of a competent Law Firm to assist with drafting a Central Securities Depository (CSD) Bill for the assent of the National Assembly has begun. We are optimistic that this Law will be in place in the near future.

#### 8. **APPRECIATION**

In conclusion, on behalf of the Board of Directors, I wish to express our sincere gratitude to you all for your commitment and support for the Company. I think it is also necessary to commend my Colleagues on the Board and the Management of the Company for welcoming me on Board and also for their continued dexterity in the handling of Company's businesses.

In conclusion, I wish us all fruitful deliberations and journeying mercies back to our respective destinations at the end of this meeting.

Thank you for your attention.

A handwritten signature in black ink, appearing to read 'Emmanuel Ikazoboh'.

**Mr. Emmanuel Ikazoboh**

**Acting Chairman**

## RESULTS AT A GLANCE

### MAJOR PROFIT AND LOSS ACCOUNT ITEMS

	2009 N'000	2008 N'000
Turnover	4,247,484	10,781,906
Profit before Taxation	1,667,370	6,453,970
Taxation	508,271	2,159,707

### MAJOR BALANCE SHEET ITEMS

Fixed assets	914,053	1,328,776
Share capital	5,000,000	5,000,000
Shareholders' fund	11,179,765	10,775,838
Total assets	12,598,789	15,681,300

### PER =N=1 SHARE DATE:

Earnings	23k	86k
Net assets	224k	216k
Number of employees	113	113



## REPORT OF THE DIRECTORS

for the year ended 31 December, 2009

The Directors have the pleasure of submitting their Annual Report for the year ended December 31, 2009.

1. **Results**

The profit for the year after Tax was N1, 159,099,000 (One Billion One Hundred and Fifty Nine Million Ninety Nine Thousand Naira)

2. **Dividends**

The Directors recommended the distribution of the total sum of N500, 000,000.00 (Five Hundred Million Naira) as dividends at 10k per share subject to approval by Shareholders.

3. **Directors**

- 3.1 The Directors of the company who served during the year are listed on page 3.
- 3.2 Dr. Eukora Joe Okoli retires at this Annual General Meeting and will not be seeking re- election.

4. **Auditors**

The Auditor, Messrs Akintola Williams Deloitte is willing to continue in office and a resolution will be proposed to authorize the Directors to determine their remuneration.

5. **Disclosure of information to the Auditor**

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

6. **Fixed Assets**

The details on the Company's fixed assets are captured on page 17. The Directors confirm that the actual market value of these assets is consistent with the value shown in the financial statements.

7. **Post Balance Sheet Events**

There is no significant post balance sheet event which could have an impact on the state of affairs of the Company as at December 31, 2009 which has not been sufficiently provided for or disclosed in the financial statement.

8. **Employment and Employees**

The Company takes pride in its members of staff and it ensures that certain conditions highlighted below, which is necessary for their self improvement and welfare, are given careful consideration.

a. **Health and Safety**

The Company places a premium of health and safety measures around its workplace. Beyond

these measures, the Company equally has retainers with competent medical organizations who render health care services to its employees and their families when the situation arises.

**b. Training and Development**

The Company is mindful of the need for continuous development of its employees hence its efforts and a quota of its resources are channeled towards identifying relevant training programme in furtherance of this objective.

**c. Inter-office Communications**

The company places great emphasis on communications between Management and Staff to ensure qualitative performance and work output.

**BY ORDER OF THE BOARD**

A handwritten signature in black ink, appearing to read 'Charles I. Ojo', is positioned above the typed name.

**CHARLES I. OJO**  
ACTING COMPANY SECRETARY

LAGOS, NIGERIA.

October 6, 2010



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## REPORT OF THE AUDITORS

To the members of central securities clearing system limited

### Report on the Financial Statements

We have audited the accompanying financial statements of Central Securities Clearing System Limited, set out on pages 12 to 29 which comprise the balance sheet as at 31 December 2009, the income statement, statement of cash flows, statement of value added for the year then ended, summary of the significant accounting policies, financial summary and other explanatory information.

### Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies and Allied Matters Act CAP C20 LFN 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the Company has kept proper accounting records and the financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Companies and Allied Matters Act CAP C20 LFN 2004.

The financial statements give a true and fair view of the financial position of Central Securities Clearing System Limited as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with the Statement of Accounting Standards issued by the Nigerian Accounting Standards Board.



Member of  
Deloitte Touche Tohmatsu

### Chartered Accountants

Lagos, Nigeria

6 October, 2010.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 december 2009

The following are the statement of significant accounting policies adopted by the Company in the preparation of its financial statements.

1. **Basis of accounting**  
The financial statements are prepared under the historical cost convention.
2. **Turnover**  
Turnover comprises the value of fees payable for services rendered and interest income.
3. **Investments**  
Investments in unlisted equities are held as long term and stated at cost. Provisions are made for permanent diminution in value.
4. **Fixed assets**  
Fixed assets are stated at cost less accumulated depreciation.
5. **Depreciation**  
Depreciation of fixed assets is calculated to write off the cost over the expected useful life of the asset concerned on a straight line basis at the following annual rates: %
 

Leasehold building-	in equal installments over the period of the lease	
Motor vehicles	-	25
Furniture, fixtures and fittings	-	12.5
Office equipment	-	20
Computer equipment	-	25
6. **Income recognition**
  - i. **Depository fees**  
Depository fees represent the annual fees charged on quoted companies on the Nigerian Stock Exchange at a rate of 0.0125% of market capitalization and is accounted for on an accrual basis.
  - ii. **Eligibility fees**  
Eligibility fee of N25,000 is charged on stock broking firms and is accounted for on an accrual basis.
  - iii. **Transaction fees**  
Transaction fees are based on value of shares traded on the Nigeria Stock Exchange charged on the investors at 0.35% of sales, this was reduced to 0.30% in October of 2008 and is accounted for on an accrual basis.
  - iv. **Participation fees**  
Participation fee of N250, 000 is charged annually on settlement banks appointed by NSE/CSCS



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## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 december 2009

### V. Interest income

Interest income is accounted for on accrual basis.

### 7. Debtors

Debtors are stated after making provision for balances considered bad or doubtful of recovery.

### 8. Exchange rates

Transactions in foreign currencies are translated into Naira at the rates of exchange ruling at the dates of the transactions. Foreign currency balances are converted to Naira at the rates of exchange ruling at the balance sheet date. Differences arising therefrom are taken to the profit and loss account.

### 9. Taxation

Provision for taxation is made by the liability method and calculated at the current rate of taxation on the differences between the net book value of fixed assets qualifying for capital allowances and their corresponding tax written down value.

### 10. Retirement benefits

#### i Gratuities

Liabilities in respect of employees' terminal benefits are based on the employees' years of service and their annual emoluments. These schemes include staff gratuity scheme and group life insurance scheme. The gratuity and group life insurance are fully funded by the company and annual contributions charged to profit and loss account.

#### ii Pension scheme

Employer contributes 20% while the employees contribute 5% of basic salary and allowances to the pension scheme respectively to make a total contribution of 25% in line with the Pension Reform Act 2004. The Company's contribution to the pension scheme each year is charged to the profit and loss account.

### 11. Provision

Provision is recognised when the company has a present obligation whether legal or constructive as a result of a past event for which it is probable that an inflow of resources embodying economic benefits will be required to settle the obligation in accordance with the statement of accounting standards (SAS 23).

### 12. Dividend


Dividend distribution to the company's shareholders is recognized as a liability in the financial statements in the year in which the dividend is approved by the shareholders.



## BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	2009 N'000	2008 N'000
<b>ASSETS</b>			
Fixed assets	2	914,053	1,328,776
Long term investments	3	200,000	-
Debtors and prepayments	4	1,873,843	1,340,821
Bank balances and deposits	5	9,610,893	13,011,703
<b>TOTAL ASSETS</b>		<b>12,598,789</b>	<b>15,681,300</b>
<b>LIABILITIES</b>			
Creditors	6	316,985	1,632,544
Taxation	7	767,018	2,180,262
Deferred taxation	8	-	265,541
Staff gratuity and pensions	21	335,021	827,115
		1,419,024	4,905,462
<b>CAPITAL AND RESERVES</b>			
Share capital	10	5,000,000	5,000,000
Share premium	11	-	-
General reserve	12	6,179,765	5,775,838
		11,179,765	10,775,838
<b>SHAREHOLDERS' FUNDS</b>		<b>12,598,789</b>	<b>15,681,300</b>

The financial statements on pages 12 to 29 were approved by the Board of Directors on 6 October 2010 and signed on its behalf by:

  
 \_\_\_\_\_  
 Onyewuchi C. Asinobi  
 (MD/CEO)

  
 \_\_\_\_\_  
 Herbert Wigwe  
 (Director)

Directors

The accounting policies on pages 12 and 13 and notes on pages 17 to 27 form part of these financial statements



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## PROFIT AND LOSS ACCOUNT

for the year ended 31 december 2009

	Note	2009 N'000	2008 N'000
<b>INCOME</b>			
Turnover	13	4,247,484	10,781,906
Other operating income	14	317,101	374,005
		<u>4,564,585</u>	<u>11,155,911</u>
<b>CHARGES</b>			
Administrative expenses		(2,880,300)	(4,690,895)
Bank charges		(16,915)	(11,046)
		<u>1,667,370</u>	<u>6,453,970</u>
Profit before taxation	15	1,667,370	6,453,970
Taxation	7	(508,271)	(2,159,707)
		<u>1,159,099</u>	<u>4,294,263</u>
Profit after taxation transferred to general reserve	12		
		<u>23</u>	<u>86</u>
Earnings per share (kobo) - Basic	16		

## STATEMENT OF CASH FLOWS

for the year ended 31 december 2009

	Note	2009 N'000	2008 N'000
<b>Cash flows from operating activities</b>			
Gross income		4,564,585	11,155,911
Payments to suppliers and employees		<u>(2,251,464)</u>	<u>(3,920,710)</u>
		2,313,121	7,235,201
<b>Changes in operating assets and liabilities</b>			
Increase in debtors and prepayments		(570,096)	(337,189)
(Decrease)/increase in creditors		(1,315,559)	547,554
(Decrease)/increase in staff gratuity and pensions		<u>(492,094)</u>	<u>827,115</u>
		(64,628)	8,272,681
Tax paid	7	<u>(2,187,056)</u>	<u>(1,756,293)</u>
Net cash(used in)/provided by operating activities	17	<u>(2,251,684)</u>	<u>6,516,388</u>
<b>Cash flows from investing activities</b>			
Purchase of fixed assets	2	(182,211)	(593,707)
Purchase of investment	3	<u>(200,000)</u>	<u>-</u>
Net cash used by investing activities		<u>(382,211)</u>	<u>(593,707)</u>
<b>Cash flows from financing activities</b>			
Dividend paid	12	(750,000)	(399,656)
Interest paid		<u>(16,915)</u>	<u>(11,046)</u>
Net cash used by financing activities		<u>(766,915)</u>	<u>(410,702)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(3,400,810)	5,511,979
<b>Cash and cash equivalents at 1 January</b>		<u>13,011,703</u>	<u>7,499,724</u>
<b>Cash and cash equivalents at 31 December</b>	18	<u><b>9,610,893</b></u>	<u><b>13,011,703</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2009

### 1. The Company

#### 1.1 Legal form

The Company was incorporated in Nigeria as a private limited liability company on 29 July 1992 and commenced operations on 14 April 1997.

#### 1.2 Principal activities

The principal activities of the Company are to function as central depositories for all share certificates of quoted securities including government stocks; clearing and settlement of stocks traded on the floors of the Nigerian Stock Exchange; to provide custodian services for share certificates of local and foreign investors and act as sub-registrars for all quoted securities in conjunction with registrars of quoted companies.

### 2. Fixed assets

	Land and building	Motor vehicles	Furniture fittings &	Office equipment	Computer equipment	Total
	N'000	N'000	N'000	N'000	N'000	N'000
<b>Cost</b>						
At 1 January	237,588	175,595	54,461	127,049	2,407,183	3,001,876
Additions	-	44,100	35,176	4,487	98,448	182,211
At 31 December	237,588	219,695	89,637	131,536	2,505,631	3,184,087
<b>Depreciation</b>						
At 1 January	20,283	112,479	16,495	65,145	1,458,698	1,673,100
Charge for the year	4,752	32,675	9,027	18,674	531,806	596,934
At 31 December	25,035	145,154	25,522	83,819	1,990,504	2,270,034
<b>Net book value</b>						
At 31 December 2009	<u>212,553</u>	<u>74,541</u>	<u>64,115</u>	<u>47,717</u>	<u>515,127</u>	<u>914,053</u>
At 31 December 2008	<u>217,305</u>	<u>63,116</u>	<u>37,966</u>	<u>61,904</u>	<u>948,485</u>	<u>1,328,776</u>

### 3. Long term investments

This represents 5% unlisted equity holdings in Exchange Data Systems Limited. The company was launched on March, 2010 and has commenced operations.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2009 cont'd

	2009 N'000	2008 N'000
<b>4. Debtors and prepayments</b>		
Trade debtors	673,726	854,050
Staff debtors	86,208	134,034
Due from Nigerian Stock Exchange (Note 4.1)	1,262,412	402,400
Intercontinental Bank Plc - Western Textile Mills Plc		
shareholders' funds (Note 6.1)	8,782	8,782
Other debtors	<u>83,258</u>	<u>145,024</u>
	2,114,386	1,544,290
Provision for doubtful accounts (Note 4.2)	<u>(240,543)</u>	<u>(203,469)</u>
	<u><b>1,873,843</b></u>	<u><b>1,340,821</b></u>

4.1 This represents various domiciliary fees received from quoted companies on behalf of Central Securities Clearing System Limited during the year.

**NOTES TO THE FINANCIAL STATEMENTS**  
year ended 31 december 2009

	2009 N'000	2008 N'000
<b>4.2 Provision for doubtful accounts</b>		
At 1 January	203,469	32,865
Written off in the year	-	(9,690)
	<u>203,469</u>	<u>23,175</u>
<b>4.2.1 Additional provision (Note</b>	90,775	190,639
Provision no longer required	(53,701)	(10,345)
Per profit and loss account	37,074	180,294
At 31 December	<u><u>240,543</u></u>	<u><u>203,469</u></u>

4.2.1 Included in the additional provision that arose during prior year are the transactions fee of N91.22 million and N23.24 million receivable from All states securities and Transglobe Investment and Finance company respectively. Full provision was made for these amounts because of the financial status of these companies.

	2009 N'000	2008 N'000
<b>5. Bank balances and deposits</b>		
Current accounts	182,948	284,145
Short-term deposits	9,427,945	12,727,558
	<u><u>9,610,893</u></u>	<u><u>13,011,703</u></u>
<b>6. Creditors (Due within one year)</b>		
Information technology levy (Note 6.3)	16,674	-
Sundry creditors and accruals	187,484	535,321
Staff productivity bonus	100,000	1,088,441
Interest received in advance	4,045	-
Western Textile Mills Plc - Shareholders' funds (Note 6.1)	8,782	8,782
	<u><u>316,985</u></u>	<u><u>1,632,544</u></u>
<b>6.1 Western Textile Mills Plc - Shareholders' funds</b>	4,818	4,818
Western Textile Mills Plc - Shareholders' funds	3,964	3,964
interest/expenditure	<u><u>8,782</u></u>	<u><u>8,782</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 december 2009

### 6.2 Western Textile Mills Plc - shareholders' funds

At the extra ordinary meeting of Western Textile Mills Plc held on 10 February 2002, it was resolved that the funds should be operated under the custodian service of the Central Securities Clearing System Limited and placed with a bank while the interest derived from the account should be used to publish names of outstanding claimants in some daily Newspapers and settle the bank's operating charges.

No amount was paid to shareholders from the bank account on behalf of Western Textile Mills Plc during the year (2008 - Nil).

### 6.3 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.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 december 2009

### 7. Taxation

	2009 N'000	2008 N'000
Income tax	723,828	2,002,677
Education tax	49,984	147,210
Deferred taxation (Note 8)	<u>(265,541)</u>	<u>9,820</u>
<b>Per profit and loss account</b>	<b>508,271</b>	<b>2,159,707</b>
At 1 January	2,180,262	1,786,668
Payment during the year	(2,187,056)	(1,756,293)
Deferred taxation (Note 8)	<u>265,541</u>	<u>(9,820)</u>
<b>Per balance sheet</b>	<b><u>767,018</u></b>	<b><u>2,180,262</u></b>

The charge for income tax in these accounts is based on the provisions of the Companies Income Tax Act, CAP C21 LFN 2004. Education tax is based on the provisions of the Education Tax Act, CAP E4 LFN 2004.

### 8. Deferred taxation

	2009 N'000	2008 N'000
At 1 January	265,541	255,721
Charge for the year	<u>(265,541)</u>	<u>9,820</u>
At 31 December	<u>-</u>	<u>265,541</u>

The deferred tax charge for the current year was an asset of N199.4 million which was not recognized in these financial statements.

### 9. Dividend

In respect of the current year, the Directors propose that a dividend of 10kobo per ordinary share will be paid to the shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Dividend to shareholders is now accounted for on the date of declaration as they do not meet the criteria of present obligation. The proposed dividend is subject to a withholding tax at the appropriate tax rate and is payable to all shareholders whose names appear on the Register of Members as at 31 December 2009. The total estimated dividend to be paid is N500,000,000.



**NOTES TO THE FINANCIAL STATEMENTS**  
year ended 31 december 2009

	2009 N'000	2008 N'000
<b>10. Share capital</b>		
<b>Authorised:</b>		
5,000,000,000 ordinary shares of N1 each	<u>5,000,000</u>	<u>5,000,000</u>
<b>Issued and fully paid:</b>		
At 1 January	5,000,000	1,000,000
Bonus issue:- Share premium	-	1,597,274
- General reserve	-	<u>2,402,726</u>
At 31 December	<u>5,000,000</u>	<u>5,000,000</u>

At the annual general meeting held on 18th September 2008, approval was given to issue and allot bonus shares of N4 billion in the ratio of four new shares for every one share held as at 31 December 2007.

	2009 N'000	2008 N'000
<b>11. Share premium</b>		
At 1 January	-	1,597,274
Bonus issue	-	<u>(1,597,274)</u>
At 31 December	<u>-</u>	<u>-</u>
<b>12. General reserve</b>		
At 1 January	5,775,838	4,283,957
Bonus issue	-	(2,402,726)
Payment of dividend (Note 12.1)	(750,000)	(399,656)
Prior year adjustment (Note 12.2)	(5,172)	-
Transfer from profit and loss account	<u>1,159,099</u>	<u>4,294,263</u>
At 31 December	<u>6,179,765</u>	<u>5,775,838</u>

**12.1**

In accordance with SAS 23, proposed dividend no longer qualify to be recognized in the financial statements as they do not constitute present obligations of the Company since they are usually proposed and declared after the balance sheet date. Therefore, proposed dividend for 2009 has been shown as note 9 to the financial statements and the paid dividend with the corresponding liability has been transferred to general reserve.

**12.2** This represents adjustment for unearned interest income and under-depreciation of fixed assets in prior year.

**NOTES TO THE FINANCIAL STATEMENTS**  
year ended 31 december 2009

	2009 N'000	2008 N'000
<b>13. Turnover</b>		
Eligibility fees	6,400	6,900
Depository	1,030,252	1,530,138
Transaction fees	2,057,201	8,147,085
Interest income	1,153,631	1,097,783
	<u><b>4,247,484</b></u>	<u><b>10,781,906</b></u>
<b>14. Other operating income</b>		
Data center subscriptions	58,902	135,753
Trade alert fee	84,000	84,000
Other fees	174,199	154,252
	<u><b>317,101</b></u>	<u><b>374,005</b></u>
<b>15. Profit before taxation</b>		
This is stated after charging:		
Depreciation	596,934	589,891
Directors' remuneration (note 19)	4,342	4,342
Auditors' remuneration	7,000	5,000
	<u><b>7,000</b></u>	<u><b>5,000</b></u>
<b>16. Earnings per share</b>		
Basic earnings per share (EPS) is calculated by dividing profit after taxation by the number of ordinary shares in issue during the year.		
Profit after taxation	<u>1,159,099</u>	<u>4,294,263</u>
Number of ordinary shares in issue as at period end	<u>5,000,000</u>	<u>5,000,000</u>
Basic earnings per share	<u><u>23</u></u>	<u><u>86</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
year ended 31 december 2009

**17. Reconciliation of profit after tax from operating activities**

Profit after tax

1,159,099

4,294,263

**Adjustment for non cash items:**

Depreciation

596,934

589,891

Provision for deferred taxation

(265,541)

9,820

Provisions for doubtful debts

37,074

180,294

Prior year adjustment

(5,172)

-

Bank interest

16,915

11,046

1,539,309

5,085,314

**Changes in assets and liabilities**

Increase in debtors

(570,096)

(337,189)

(1,315,559)

547,554

(Decrease)/increase in creditors

(1,413,244)

393,594

(Decrease)/increase in tax payable

(492,094)

827,115

(Decrease)/increase in staff gratuity and pensions

(2,251,684)

6,516,388

Net cash(used in)/provided by operating activities

**18. Cash and cash equivalents at 31 December**

Current accounts

182,948

284,145

Short term deposits

9,427,945

12,727,558

9,610,893

13,011,703

19. Chairman's and Directors' emoluments

	2009 N'000	2008 N'000
19.1 Fees:		
Chairman	200	200
Other Directors	1,050	1,050
	1,250	1,250
Emoluments as executive	3,092	3,092
	<b>4,342</b>	<b>4,342</b>

19.2 The number of Directors excluding the chairman whose emoluments fell within the following ranges were:

N	N	Number	Number
140,001 -	150,000	7	7
1,140,001 -	1,150,000	-	-
1,360,001 -	1,370,000	-	11
3,000,000 -	3,100,000	1	1
		<u>1</u>	<u>1</u>

**20.1** Number of employees in receipt of emoluments, (excluding allowances and pensions) within the following ranges were:

			2009 Number	2008 Number
	<b>N</b>	<b>N</b>		
	70,001	- 80,000	-	-
	80,001	- 90,000	4	4
	90,001	- 100,000	1	1
	100,001	- 110,000	9	9
	110,001	- 120,000	-	-
	120,001	- 130,000	-	-
	130,001	- 140,000	-	-
	140,001	- 150,000	-	-
	150,001	- 190,000	11	11
	190,001	- 200,000	7	7
	200,001	- 220,000	8	8
	220,001	- 230,000	2	2
	230,001	- 250,000	-	-
	250,001	- 370,000	5	5
	370,001	- 420,000	20	20
	420,001	- 430,000	0	0
	430,001	- 580,000	14	14
	580,001	- 700,000	-	-
	700,001	- 750,000	13	13
	840,001	- 850,000	2	2
	1,000,001	- 1,100,000	1	1
	1,000,001	- 1,150,000	5	5
	1,200,001	- 1,400,000	3	3
	1,500,000	- 1,550,000	1	1
	1,550,000	- 1,650,000	1	1
	1,650,000	- 2,050,000	1	1
	2,050,001	- 2,700,000	4	4
	2,700,001	- 3,100,000	1	1
			<u>1</u>	<u>1</u>

**20.2** Average number of persons employed in the financial year and the staff costs were as follows:

- Managerial	6	6
- Senior staff	66	66
- Junior staff	41	41
	<u>113</u>	<u>113</u>

**N'000**

**N'000**

**20.3 Staff Cost**

Salaries ,wages and allowances	942,241	1,965,724
Gratuity and pension costs	353,796	975,074
	<u>1,296,037</u>	<u>2,940,798</u>

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 december 2009

	2009 N'000	2008 N'000
<b>21. Staff gratuity and pensions</b>		
<b>21.1 Per profit and loss account</b>		
Provision for staff gratuity	327,137	73,256
Provision for pension scheme	26,659	901,818
	<u>353,796</u>	<u>975,074</u>
<b>21.2 Per balance sheet</b>		
At 1 January	827,115	-
Charge for the year	353,796	975,074
Payment to pension fund administrators	(845,890)	(147,959)
	<u>335,021</u>	<u>827,115</u>

### 21.3 Shortfall on valuation

The actuarial valuation as at 31 July 2009 of Central Securities Clearing System Limited Staff Gratuity Scheme, which was carried out by UTIB Insurance Brokers, disclosed a deficit of N515.749 million. The Directors have decided that this shortfall be charged to the profit and loss accounts.

## 22. Guarantees and other financial commitments

### 22.1 Contingent liabilities

There are pending litigations against the Company in which the Company is only a nominal party. Contingent liability Nil (2008 Nil). However, the Directors are of the opinion that the action will not succeed against the company.

### 22.2 Capital commitments

The Directors are of the opinion that all known liabilities and commitments which are relevant in assessing the state of affairs of the Company have been taken into account in the preparation of the financial statements.

### 22.3 Financial commitments

Commitment for capital expenditure authorised by the Directors but not provided for in these financial statements at 31 December 2009 - Nil (2008 : Nil).

## 23. Subsequent events review

There are no post-balance sheet events that could have had a material effect on the state of affairs of the company as at 31 December 2009 which have not been adequately provided for or disclosed.

## 24. Comparative figures

Certain comparative figures have been reclassified to give a more meaningful comparison with current year classification.

## 25. Related party transactions

A number of transactions were entered into with The Nigerian Stock Exchange. These include various domiciliary fees received from quoted companies on behalf of Central Securities Clearing System Limited during the year.

## STATEMENT OF VALUE ADDED for the year ended 31 december 2009

	2009 N'000	%	2008 N'000	%
Turnover - Local	4,564,585		11,155,911	
Bought in services - Local	<u>(987,570)</u>		<u>(1,216,252)</u>	
Value added	<u><b>3,577,015</b></u>	<u><b>100</b></u>	<u><b>9,939,659</b></u>	<u><b>100</b></u>
<b>Applied as follows:</b>				
<b>To pay employees:</b>				
Staff salaries, and other benefits	1,296,037	37	2,940,798	30
<b>To pay government:</b>				
Taxation	773,812	22	2,149,887	22
Information technology levy	16,674	-	-	-
<b>To provide for replacement of assets, expansion of business and payment of dividend to shareholders:</b>				
- Deferred taxation	(265,541)	(8)	9,820	-
- Depreciation	596,934	17	589,891	6
- Retained profit	<u>1,159,099</u>	<u>32</u>	<u>4,249,263</u>	<u>42</u>
	<u><b>3,577,015</b></u>	<u><b>100</b></u>	<u><b>9,939,659</b></u>	<u><b>100</b></u>

Value added represents the additional wealth which the Company has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth among employees, government and that retained for future creation of more wealth.

## FIVE YEAR FINANCIAL SUMMARY

### ASSETS EMPLOYED

Bank balances and deposits	9,610,893	13,011,703	7,499,724	2,212,426	1,502,301
Long term investments	200,000	-	-	-	-
Debtors and prepayments	1,873,843	1,340,821	1,183,926	466,007	185,202
Fixed assets	914,053	1,328,776	1,324,960	1,507,424	1,749,247
	<b>12,598,789</b>	<b>15,681,300</b>	<b>10,008,610</b>	<b>4,185,857</b>	<b>3,436,750</b>

### CURRENT LIABILITIES

Creditors	316,985	1,632,544	1,084,990	253,536	332,356
Taxation	767,018	2,180,262	1,786,668	261,303	96,279
Deferred taxation	-	265,541	255,721	254,137	287,088
Staff gratuity and pensions	335,021	827,115	-	-	137,481
	<b>1,419,024</b>	<b>4,905,462</b>	<b>3,127,379</b>	<b>768,976</b>	<b>853,204</b>

### CAPITAL AND RESERVES

Share capital	5,000,000	5,000,000	1,000,000	941,540	916,540
Share premium	-	-	1,597,274	1,494,586	1,432,086
General reserve	6,179,765	5,775,838	4,283,957	980,755	234,920

### SHAREHOLDERS' FUNDS

	<b>11,179,765</b>	<b>10,775,838</b>	<b>6,881,231</b>	<b>3,416,881</b>	<b>2,583,546</b>
	<b>12,598,789</b>	<b>15,681,300</b>	<b>10,008,610</b>	<b>4,185,857</b>	<b>3,436,750</b>

### TURNOVER AND OPERATING PROFIT

Turnover	4,564,585	11,155,911	8,627,701	2,385,799	1,294,694
Profit before taxation	1,667,370	6,453,970	5,360,868	961,142	560,203
Taxation	(508,271)	(2,159,707)	(1,775,204)	(215,307)	(326,044)
Profit after taxation	1,159,099	4,294,263	3,585,664	745,835	234,159
Dividend	-	(750,000)	(399,656)	(282,462)	(137,481)

### PER N1 SHARE DATA

Earnings-Basic	23k	86k	359k	79k	26k
Net assets per share	224k	216k	688k	363k	282k
Dividend per share	-	15k	40k	30k	15k
Dividend cover (times)	-	1.4	8.9	2.6	1.7

Basic earnings and dividend per share are based on profit after tax and number of ordinary shares of N1 in issue at 31 December.

Net assets per share is based on number of ordinary shares in issue at 31 December.



## CSCS DIRECTORS



**Mr Emmanuel Ikazoboh**  
Acting Chairman



**Mr Herbert Wigwe**  
Director



**Alhaji Umaru Kwairanga**  
Director



**Mr Emmanuel Nnorom**  
Director



**Mr Chidi Agbapu**  
Director



**Mrs. Olufunmilayo Oyebadejo**  
Director



**Dr Enukora Okoli**  
Director

## MANAGEMENT TEAM



**Dr. Onyewuchi Asinobi**  
Managing Director/CEO



**Mr Peter Egunbiyi**  
General Manager (Operations)



**Mr. Ardiyel Dafur**  
General Manager  
(Finance/Administration)



**Mr Joe Mekiliuwa**  
Deputy General Manager/  
Head, Computer Department



**Mrs Pauline Onyenwe**  
Deputy General Manager/  
Head, Depository Department



**Mr Austin Ene**  
Assistant GM (Data Centre)



**Bond Unit**



**Lien Unit**



**Lien Unit**



**Server Room, CSCS Head Office**



**Facilities at CSCS Digital Centre, Parkview Estate, Ikoyi**





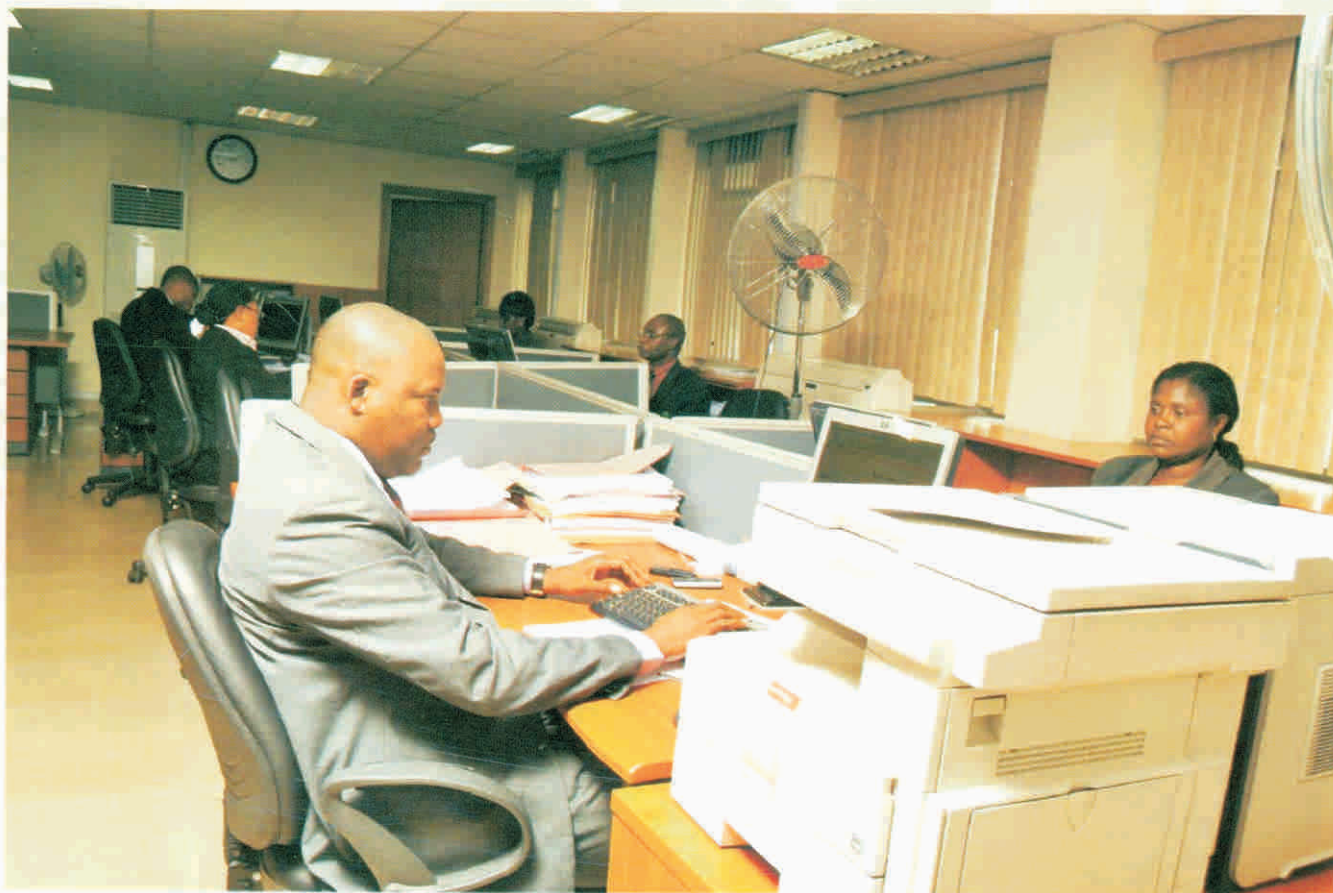
**Audit Unit**



**Registrars' Unit**



**Computer Department**



**Depository Department**



...the clearing house of the Nigerian Stock Exchange

# proxy form

**THE 16<sup>TH</sup> ANNUAL GENERAL MEETING OF THE CENTRAL SECURITIES CLEARING SYSTEM LIMITED TO BE HELD AT 1.00 PM ON THURSDAY NOVEMBER 25, 2010 AT THE HOTEL SOFITEL LAGOS MOORHOUSE, NO. 1 BANKOLE OKI STREET, IKOYI, LAGOS.**

I/WE, ....., of .....

Being a member/members of Resort Savings and Loans PLC hereby appoint \*\*

..... Of .....

Or failing him, the Chairman of the meeting to act as my/our proxy and vote for me/us and on my/our behalf at the 16<sup>th</sup> Annual General Meeting of the Company to be held on Thursday November 25, 2010 and at any adjournment thereof.

Dated this.....day of .....2010

Shareholder's Signature

NUMBER OF SHARES

**NOTE:**

1. A Member (Shareholder) entitled to attend and vote at the General Meeting is entitled to appoint a proxy in his stead. The above proxy form has been prepared to enable you exercise your right to vote in case you cannot personally attend the meeting.
2. As provided for in the Form, the Chairman of the meeting has been entered on the form to ensure that someone will be at the meeting to act as your proxy, however if you wish, you may insert in the blank space on the form (marked \*\*) the name of any person, whether a member of a Company or not, who will attend the meeting and vote on your behalf.



**IF YOU ARE UNABLE TO ATTEND THE MEETING, READ THE FOLLOWING INSTRUCTIONS VERY CAREFULLY:**

- a. Write your name in BLOCK LETTER on the proxy form where marked \* in the case of joint shareholders, any of them may complete this form but the names of all joint holders must be inserted.
- b. Write the name of your proxy (if any) where marked \*\*
- c. Please sign and post the proxy form so as to reach the address overleaf not less than 48 hours before the time fixed for the meeting.
- d. If executed by a corporate body, the proxy form should be sealed with the Common Seal.
- e. The Proxy must produce the admission form to obtain entrance to the building.
- f. This proxy form should NOT be completed and sent to the Company if the member will be attending the meeting. Before posting the above form, please tear off this part and retain it for admission to the meeting.

**N.B: The manner in which the proxy is to vote should be indicated by inserting "x" in the appropriate space**

S/N	PROPOSED RESOLUTIONS	FOR	AGAINST
<b>ORDINARY BUSINESS</b>			
1.	To receive the financial statements of the Company for the year ended December 31, 2009 and the Reports of the Directors and the Auditors thereon		
2.	To declare dividends		
3.	To elect Directors in place of those retiring		
4.	To authorize the Directors to fix the remuneration of the Auditors		
<b>SPECIAL BUSINESS</b>			
5.	To determine and fix the remuneration of Directors		



...the clearing house of the Nigerian Stock Exchange

## ADMISSION FORM

### THE CENTRAL SECURITIES CLEARING SYSTEM LIMITED

#### 16<sup>TH</sup> ANNUAL GENERAL MEETING

Please admit only the shareholder named on this form or his duly appointed Proxy to the 16<sup>th</sup> Annual General Meeting being held at the Hotel Sofitel Lagos MoorHouse, No. 1 Bankole Oki Street, Ikoyi, Lagos.

Name of shareholder (s) ..... Signature of Person attending \*\*\* .....

Note:

\*\*\* You are requested to sign this form at the entrance to the venue at the Annual General Meeting.

