LECON FINANCIAL SERVICES LIMITED

LECON RC7763
LECON Financial Services Limited

FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2016

Grant Thornton
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LECON FINANCIAL SERVICES LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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LECON FINANCIAL SERVICES LIMITED
RC NO. 7763

CORPORATE INFORMATION

DIRECTORS:	MR. PITAN OLUKAYODE	CHAIRMAN
	MR. IBRAHIM BETSO	MANAGING DIRECTOR
	MR. WAHEED OLAGUNJU	DIRECTOR
	MR. JONATHAN TOBIN	DIRECTOR
	MR DAKUKU PETERSIDE	DIRECTOR
	ALH. GAMBO AHMED	ALTERNATE TO MR DAKUKU PETERSIDE

SECRETARY: BOI INVESTMENT AND TRUST COMPANY LIMITED
23 MARINA
BOI BUILDING
LAGOS.

REGISTERED OFFICE: 23 MARINA
BOI BUILDING
LAGOS.

INDEPENDENT AUDITORS: GRANT THORNTON
(CHARTERED ACCOUNTANTS)
3RD & 4TH FLOORS
NO 294, HERBERT MACAULAY WAY
SABO - YABA
LAGOS, NIGERIA.

PRINCIPAL BANKERS: FIRST BANK OF NIGERIA PLC
HERITAGE BANK LIMITED
ACCESS BANK PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors submit their report together with the audited Financial Statements of the Company for the year ended 31 December 2016.

LEGAL FORM
The company was incorporated in Nigeria as a private limited liability company on 6 November 1970.

PRINCIPAL ACTIVITY
The principal activity of the company is the leasing of capital goods.

DIRECTORS AND DIRECTORS' INTERESTS
The present directors of the company are listed on page 2.

DETAILS OF SHAREHOLDING
The issued and fully paid shares of the company as at 31 December 2016 were beneficially held as follows:

	Ordinary shares of 50k each			
	2016 Units	**%**	**2015 Units**	**%**
Bank of Industry Limited	540,487,504	81.3	540,487,504	81.3
Nigerian Maritime Administration and Safety Agency (NIMASA)	100,000,000	15.1	100,000,000	15.1
Trustees for the company's employees	8,000,000	1.2	8,000,000	1.2
Royal Exchange Assurance of Nigeria Plc	1,050,000	0.2	1,050,000	0.2
Industrial & General Ins. Ltd	2,250,000	0.3	2,250,000	0.3
Alhaji Gidado Idris	12,500,000	1.9	12,500,000	1.9
R. Z. Abashiya (Mrs)	12,500	Negligible	12,500	0
	664,300,004	**100**	**664,300,004**	**100**

RECORD OF DIRECTORS' ATTENDANCE

In accordance with section 258(2) of the Company and Allied Matters Act, CAP C20 LFN, 2004, the record of Directors' attendance at Directors' meetings during the financial year under review is available for inspection at the Annual General Meeting.

CORPORATE GOVERNANCE

The Board consists of five Directors chaired by Mr. Waheed Olagunju. The Board met three times during the year under review. The Board has focus on its responsibilities and has perfected its operational strategies to ensure optimum performance of the company.

The Non- Executive Directors have been operating in such a way that their independence have not been impaired. The Managing Director is a separate individual from the Chairman.

The Annual General Meeting (AGM) provides unique opportunity to communicate with shareholders. At the AGM, shareholders receive the annual reports and ask questions concerning the company's operations.

DONATIONS

No donation was given to political parties during the year

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipments during the year are shown in note 17 on page 31. In the opinion of the directors, the estimated market value of the company's properties are not lower than the value shown in the accounts.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

During the year, the company continued to consolidate on the gains of the restructuring exercise and concentrated more on Portfolio management and booking of new leases.

EMPLOYMENT AND EMPLOYEES

Employment of disabled persons

It is the policy of the company that there is no discrimination in considering applications for employment including those from physically challenged persons. All employees whether or not physically challenged are given equal opportunities to develop their experience and knowledge and to qualify for promotion in furtherance of their careers. The company has one physically challenged person in its employment as at 31 December 2016.

Employee involvement and training

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

Management, professional and technical expertise are the company's major assets and investments in developing such skills would continue.

Incentive schemes designed to meet the circumstances of each individual are implemented wherever appropriate and some of these schemes include bonuses, promotions, wage reviews etc.

Health, safety at work and welfare of employees

Health and safety regulations are in force within the company's premises and employees are aware of existing regulations. The company provides subsidies to all levels of employees for medical, transportation, housing etc.

Auditors

In accordance with section 357(2) of the Companies and Allied Matters Act, CAP C20 LFN, 2004, the auditors, Grant Thornton have indicated their willingness to continue in office. A resolution will be proposed authorising the directors to determine their remuneration.

BY ORDER OF THE BOARD
LAGOS, NIGERIA

LECON FINANCIAL SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the company at the end of each financial year and of the profit or loss for that period and comply with the Companies and Allied Matters Act, CAP C20 LFN, 2004. In so doing, they ensure that:

- proper accounting records are maintained;
- applicable accounting standards are followed;
- suitable accounting policies are adopted and consistently applied;
- internal contol procedures are instituted which as far as is reasonably possible, safeguard the assets, prevent and detect fraud and other irregularities;
- judgements and estimates made are reasonable and prudent, and
- the going concern basis is used, unless it is inappropriate to presume that the company will continue in business.

Mr. Waheed Olagunju
Director
FRC/2015/IODN/00000009957

Mr. Betso Ibrahim
Managing Director
FRC/2016/NIM/00000012516

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of LECON Financial Services Limited

Chartered Accountants

Grant Thornton Nigeria
3rd & 4th Floors
294 Herbert Macaulay Way
Sabo - Yaba
P. O. Box 5996
Surulere, Lagos
Nigeria.

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Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **LECON Financial Services Limited** (the Company), which comprise the statement of financial position as at **31 December 2016**, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at **31 December 2016**, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Financial Reporting Council of Nigeria Act No. 6, 2011, Banks and other Financial Institutions Act CAP B3 LFN 2004 and the provision of the Companies and Allied Matters Act, CAP C20 LFN, 2004.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code),* and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, Banks and other Financial Institutions Act CAP B3 LFN 2004, Companies and Allied Matters Cat CAP C20 LFN 2004 and for such internal control as management determines 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, management is 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 to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's 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 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:

i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

v) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transaction and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements
The Companies and Allied Matters Act, CAP C20, LFN 2004 requires that in carrying out our audit we consider and report to you on the following mattes. 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 purpose of our audit.

ii) In our opinion, proper books of account have been kept by the company; and

iii) Our examination of advances under finance lease was carried out in accordance with the Prudential Guidelines issued by the Central Bank of Nigeria (CBN).

iii) The Company's Statement of Financial Position and Statement of Comprehensive Income are in agreement with the books of account.

15 August 2017

Uchenna Okigbo, FCA
FRC/2016/ICAN/00000015653
FOR: GRANT THORNTON
(CHARTERED ACCOUNTANTS)
LAGOS, NIGERIA.

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LECON FINANCIAL SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 ₦'000	2015 ₦'000
INCOME			
Lease Rentals Income		996,697	1,431,450
Interest Income	5	63,054	29,663
Fees and Commission Income	7	598	180
Total Revenue		**1,060,349**	**1,461,293**
Other Income	8	937,214	982,395
Gross Income		**1,997,563**	**2,443,688**
EXPENSES			
Interest Expenses	6	185,215	598,429
Staff Cost	10	122,293	87,260
Depreciation and Amortisation	11	886,423	1,000,807
Administrative Expenses	12	343,825	356,616
Impairment Charges	9	124,202	15,370
Defined Benefit Cost	13	38,380	27,951
		1,700,338	**2,086,433**
Profit Before Taxation		**297,225**	**357,255**
Income Tax Expense	24.1	(58,620)	(269,557)
Profit After Income Tax Expenses		**238,605**	**87,698**
Deferred Tax (Expenses)/Credit	24.2	(150,982)	325,854
Profit for the year		**87,623**	**413,552**
Other comprehensive income, net of income tax			
Actuarial Loss	29	(6,362)	(63,342)
Total Comprehensive Income for the Year		**81,261**	**350,210**
Earnings per Share (in kobo)		**13**	**62**

Note: The notes on pages 13 to 53 form an integral part of these financial statements.

LECON FINANCIAL SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Notes	31-Dec-16 ₦'000	31-Dec-15 ₦'000
Cash and Cash Equivalent		14	707,591	806,230
Other Assets		15	358,283	399,662
Investments		16	38,268	108,861
Advances Under Finance Lease - (Net)		17	705,590	1,157,111
Investment Property		18	39,482	41,241
Non-Current Assets Held for Sale		19	542,430	1,096,353
Intangible Assets		20	-	771
Property and Equipment		23	1,052,148	1,069,889
Deferred Taxation Asset		24.5	164,302	315,285
Total Assets			**3,608,094**	**4,995,403**
Liabilities				
Employee Benefit Obligation		21	195,730	213,673
Other Liabilities		22	3,289,009	3,397,188
Income Taxation Payable		24.4	261,706	355,526
Borrowings		25	1,999,599	3,248,226
Total Liabilities	**(a)**		**5,746,044**	**7,214,613**
Capital and Reserves				
Share Capital		29	332,150	332,150
Share Premium			81,028	81,028
Statutory Reserve		26	122,524	109,277
Revenue Reserve		27	(2,614,247)	(2,688,622)
Actuarial Reserve		28	(59,405)	(53,043)
Total Equity Attributable to Owners	**(b)**		**(2,137,950)**	**(2,219,210)**
Total Liabilities and Equity	**(a+b)**		**3,608,094**	**4,995,403**

The notes on pages 13 to 53 form an integral part of these financial statements.

These accounts were approved by the Board of Directors on 14th August, 2017 and signed on its behalf by:

Mr. Waheed Olagunju
Director
FRC/2015/IODN/00000009957

Mr. Betso Ibrahim
Managing Director
FRC/2016/NIM/00000012516

Mr. Udochi Emmanuel
Head, Financial Reporting
FRC/2013/ICAN/00000000832

LECON FINANCIAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2016

	Share Capital ₦'000	Share Premium ₦'000	Statutory Reserve ₦'000	Revenue Reserve ₦'000	Actuarial Reserve ₦'000	Total ₦'000
Year Ended 31 December 2015						
Balance at 1 January 2015	332,150	81,028	96,127	(3,089,024)	10,299	(2,569,420)
New deposit						-
Profit for the year	-	-	-	413,552	-	413,552
Transfer to Statutory Reserve			13,150	(13,150)		-
Actuarial Loss	-	-	-	-	(63,342)	(63,342)
Balance as at 31 December 2015	**332,150**	**81,028**	**109,277**	**(2,688,622)**	**(53,043)**	**(2,219,210)**
Year Ended 31 December 2016						
Balance at 1 January 2016	332,150	81,028	109,277	(2,688,623)	(53,043)	(2,219,211)
Profit for the year	-	-	-	87,623		87,623
Transfer to Statutory Reserve			13,247	(13,247)		-
Other Comprehensive Income	-	-	-	-	(6,362)	(6,362)
Balance as at 31 December 2016	**332,150**	**81,028**	**122,524**	**(2,614,247)**	**(59,405)**	**(2,137,950)**

LECON FINANCIAL SERVICES LIMITED

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2016

	31-Dec-16	31-Dec-15
Cash flow from Operating Activities:	**₦'000**	**₦'000**
Profit or Loss Before Tax	297,225	357,255
Adjustments:		
Depreciation	885,652	1,000,807
Amortisation	771	
Impairment Loss	124,202	15,370
Defined benefit obligation (Service and Interest Cost)	(24,305)	25,532
Loss on Sale of Property and Equipment	68,546	97,212
Operating Profit Before Working Capital Changes	**1,352,091**	**1,496,176**
Working Capital Changes:		
Loans and Receivables/Investments	(12,230)	94,365
Equipment Under Lease	451,521	832,943
Other Liabilities	(108,179)	(59,225)
	331,112	868,083
Cash Generated from Operation	**1,683,203**	**2,364,259**
Tax Paid	(152,440)	-
Net Cash Flow from Operating Activities	**1,530,762**	**2,364,259**
Investing Activities:		
Purchase of Property and Equipment	(876,926)	(581,051)
Proceeds from Sale of Property and Equipment	496,150	217,822
Purchase of Intangible Asset		(771)
Net Cash (used in)/from Investing Activities	**(380,776)**	**(364,000)**
Financing Activities:		
Proceeds of Equity Issued	-	3,000,000
Increase/(Decrease) in Borrowings	(1,248,626)	(4,470,053)
Net Cash (used in)/from Financing Activities	**(1,248,626)**	**(1,470;053)**
Net Cash Flow for the year	**(98,639)**	**530,206**
Cash and Cash Equivalents at 1 January	806,230	276,024
Cash and Cash Equivalents at 31 December	**707,591**	**806,230**
Cash and Cash Equivalents	**707,591**	**806,230**

Note: The notes on pages 13 to 53 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENED DECEMBER 2016

1 REPORTING ENTITY

LECON was incorporated as a private limited liability company under the name Leasing Company of Nigeria Limited. LECON is a subsidiary of Bank of Industry Limited. LECON's registered address is 23 Marina Road, Lagos. LECON is primarily engaged in providing financial assistance in the leasing of capital goods to the general public. LECON's shares are not quoted in a public market and it does not file its financial statements with a securities and exchange commission for the purpose of issuing any class of instruments in a public market.

2 Application of New and Revised Standards

2.1 *New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements*

In the current year, the company has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016.

The impact of the application of these standards is set out below:

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The company has applied these amendments for the first time in the current year. The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.
The application of these amendments has no impact on the company's financial statements as the company did not have any such transactions in the current year.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.
The company has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the company, and should be separated into the share of items that, in accordance with other IFRSs: (I) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENED DECEMBER 2016

1 REPORTING ENTITY

LECON was incorporated as a private limited liability company under the name Leasing Company of Nigeria Limited. LECON is a subsidiary of Bank of Industry Limited. LECON's registered address is 23 Marina Road, Lagos. LECON is primarily engaged in providing financial assistance in the leasing of capital goods to the general public. LECON's shares are not quoted in a public market and it does not file its financial statements with a securities and exchange commission for the purpose of issuing any class of instruments in a public market.

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A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The application of these amendments has no impact on the company's financial statements as the company did not have any such transactions in the current year.

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In addition, the amendments clarify that an entity's share of other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the company, and should be separated into the share of items that, in accordance with other IFRSs: (I) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or companying of the notes.

The application of these amendments has not resulted in any impact on the financial performance or financial position of the company.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and

The company has applied these amendments for the first time in the current year. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or
b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The company already uses the straight-line method for depreciation and amortisation for its property and equipment, and intangible assets respectively, the application of these amendments has had no impact on the company's financial statements.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The company has applied these amendments for the first time in the current year. The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.
The application of these amendments has had no impact on the company's financial statements as the company is not engaged in agricultural activities.

Annual Improvements to IFRSs 2010-2014 Cycle

The Annual improvements to IFRSs 2010-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The Amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal company) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held for distribution accounting is discontinued.

2.1 Application of New and Revised Standards (contd.)

The amendments of IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds. the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of these amendments has had no effect on the company's financial statements.

2.2 New and Revised Standards issued but not yet effective (contd.)

The company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS	Financial Instruments[2]
IFRS	Revenue from Contracts with Customers[2]
IFRS	Leases[3]
Ame	Classification and Measurement of Share-based payment Transactions[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an investor and its Associate or joint Ventures[4]
Ame	Disclosure initiative[1]
Ame	Recognition of Deferred Tax Assets for Unrealised Losses[1]

[1]Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted

[2]Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

[3]Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted

[4]Effective for annual periods beginning on or after a date to be determined.

2.2 New and Revised Standards issued but not yet effective (contd.)

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2 **New and Revised Standards issued but not yet effective (contd.)**

IFRS 9 Financial Instruments (contd.)

The Company has engaged a review of the business model corresponding to the different portfolios of financial assets and of the characteristics of these financial assets, such as equity instruments and instrument whose cash flows are sole payments of principal and interest. This review will also support the designation of equity instruments at fair value through other comprehensive income when appropriate as per the business objective.

There is no expected impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

The impact of the new impairment model is also under review. This analysis requires the identification of the credit risk associated with the counterparties and, considering that the majority of the Company's financial assets are finance leases, integrates as well some statistical data reflecting the actual past experience of occurred loss for default.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict 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:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the company anticipate that the application of IFRS 15 in the future will not have a material impact on the amounts reported and disclosures made in the company's financial statements.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lease accounting, IFRs 16 substantially carries forward the lesser accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

In contrast, for finance leases where the company is a lessee, as the company has already recognised an asset and a related finance lease liability for the lease arrangement, and in cases where the company is a lessor (for both operating and finance leases), the directors of the Company do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the company's financial statements.

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

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for the equity-settled share-based payments.
2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
3. Modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
   i) the original liability is derecognised;
   ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
   iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. The directors of the company do not anticipate that the application of the amendments in the future will have a significant impact on the company's financial statement as the company does not have any cash-settled share-based payment arrangements or any withholding tax arrangement with tax authorities in relation to share-based payments.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (contd.)

The effective date of the amendments has yet to be set by the IASB, however, earlier application of the amendments is permitted. The directors of the Bank anticipate that the application of these amendments may have an impact on the company's financial statements in future periods should the Bank have an associate an such transaction arise.

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enables users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The directors of the Bank do not anticipate that the application of these amendments will have a material impact on the company's financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify the following:

1 Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;

2 When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;

3 The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

4 In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The directors of Company do not anticipate that the application of these amendments will have a material impact on the company's financial statements.

3 BASIS OF PREPARATION

3.1 Compliance with International Financial Reporting Standards

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRSs), as published by the International Accounting Standards Board (IASB), and the interpretations of these standards, issued by the International Financial Reporting Interpretations Committee (IFRIC). The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied.

3.2 Basis of measurement

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention, except for the revaluation of certain financial instruments, as set out in the principal accounting policies below and some investment properties that were revalue prior to transition. Historical cost is generally based on the fair value of the considerations given in exchange for the assets.

3.3 Functional and presentation currency

Items included in the financial statements of company are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency). These financial statements are presented in Nigerian Naira (₦), which is the entity's functional currency. The financial information has been rounded to the nearest thousand, except as otherwise indicated.

3.4 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the entity.

3.5 Critical accounting estimates

The preparation of financial statements in accordance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies to the financial statements. The Notes below sets out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.
The accounting policies that are deemed critical to the company's results and financial position, in terms of the materiality of the items to which the policy is applied, and which involve a high degree of judgement including the use of assumptions and estimation, are discussed below.

3.5.1 Impairment of financial assets

The company's accounting policy for losses arising from the impairment of financial assets is described in Note 9 to the Financial Statements. Impairment allowances represent management's best estimate of losses incurred in the financial assets at the balance sheet date.

3.5.2 Fair value of financial assets

The company's accounting policy for determining the fair value of financial assets is described on pages 24 the Financial Statements. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. 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. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

4 Significant accounting policies

4.1 Interest, fee and commissions

4.1.1 Interest

Interest is recognised in the income statement for all financial instruments except for those classified as held for trading or designated at fair value. Interest is recognised in Interest income and Interest expense respectively in the income statement using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability (or group 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 recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

4.1.2 Fees and commissions

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

4.1.2.1 Income earned on the execution of a significant transaction is recognised as revenue when the transaction is completed;

4.2 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 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 other prices for liabilities issued. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Fair values of financial instruments may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data, where current prices or observable market data are not available. Various factors influence the availability of observable inputs and these may vary from product to product and change over time.

Factors include, 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 modeling and the nature of transaction (bespoke or generic). To the extent the 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 observable 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.

4.3 Financial assets and liabilities

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

4.3.1 Financial assets

Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss, which are initially recognised at fair value.

4.3.1.1 Financial asset classes and initial recognition

The company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, 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.

4.3.1.1.1 Trading assets and liabilities

Treasury bills, debt securities, equity securities, deposits, and short positions in securities are classified as held for trading if they have been acquired or incurred principally for the purpose of selling or repurchasing in the near term, or they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

4.3.1.1.2 Advances under finance lease

When the company is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented as Advances under finance lease.

4.3.1.1.3 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 amortised costs, using the effective interest method less accumulated impairment losses.

4.3.1.1.4 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 recognizd 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 income statement as 'Net realized gain on sale of investment AFS'. Interest calculated using the effective interest rate method calculated over the asset's expected life. Premiums and/or discounts arising on the purchase of dated investment securities are included in the calculation of their effective interest rates. Foreign exchange gains and losses on securities AFS are recognised in profit or loss within other income.

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

A financial asset classified as available for sale that would have met the definition of loans and receivables on initial recognition may only be transferred from the available for sale classification where the company has the intention and the ability to hold the asset for foreseeable future or until maturity.

4.3.1.2 De-recognition of financial asset

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 recognise the financial asset and also recognises a collaterlised borrowing for the proceeds received.

4.4 Financial liabilities

4.4.1 Recognition

Financial liabilities are initially measured at fair value, plus transaction costs, except for those financial liabilities classified as at fair value through profit or loss, which are initially recognised at fair value.

4.4.2 Classes of Financial liabilities

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

4.4.2.1 Financial liabilities at fair value through profit and loss

See financial instrument at fair value through profit or loss above.

4.4.2.2 Other financial liabilities

Other financial liabilities, including borrowings, are measured at amortised 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.

4.4.2.3 De-recognition of financial liabilities

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

4.5 Impairment of financial assets

Identification and measurement

The company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets, other than those held at fair value through profit or loss, are impaired. These are impaired, and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the reporting 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 group 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
c) The lender, for economic or legal reasons relating to the
d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisations;
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

i) Adverse changes in the payment status of borrowers in the portfolio;
ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

If the company determines that there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. Interest and charges are accrued on all loans including those in arrears. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

4.6 Available for sale securities

At each reporting date an assessment is made of whether there is any objective evidence of impairment in the value of a financial asset. Impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Where such evidence exists, the difference between the financial asset's acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any previous impairment loss recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

Impairment losses for available-for-sale equity securities are recognised within 'impairment charges and provisions' for other liabilities and charges in the income statement.

Reversals of impairment of equity shares are not recognised in the income statement, increases in the fair value of equity shares after impairment are recognised directly in equity.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as all other financial assets above. Reversals of impairment of debt instruments are recognised in the income statement.

4.7 Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less any impairment losses and depreciation calculated on a straight line basis to write-off the assets over their useful lives.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included profit or loss in the period in which the property is derecognised.

4.8 Property, plant and equipment

4.8.1 Recognition and measurement

Equipment, fixtures and fittings are stated at cost less any impairment losses and depreciation calculated on a straight-line basis to write-off the assets over their useful lives.

The cost of the relevant property, plant and equipment includes and is made up of expenditures that are directly attributable to the acquisition of the assets. Additions and subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the assets and the cost of the asset can be measured reliably. All other repairs and maintenance are charged to the profit or loss statement during the period in which they were incurred.

4.8.2 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 annual rates in calculating depreciation:

	%
Buildings	2
Motor vehicles	$33^{1/3}$
Furniture, fittings and Equipment	25

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

When deciding on depreciation rates and methods, the principal factors the company takes into account are the expected rate of technological development 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.

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.

4.8.3 Derecognition

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are recognised in the income statement during the period in which they were incurred.

4.9 Intangible assets

4.9.1 Computers software

Computer software is stated at cost, less amortisation and accumulated impairment losses, if any.

The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised where the software is controlled by the company, and where it is probable that future economic benefits that exceed its cost will flow from its use over more than one year. Costs associated with maintaining software are recognised as an expense during the period when they are incurred.

4.10 Impairment of tangible and intangible assets excluding goodwill

At each reporting date, or more frequently where events or changes in circumstances dictate, tangible and intangible assets, are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review For the purpose of conducting impairment reviews, cash-generating units are the lowest level at which management monitors the return on investment on assets. The impairment review includes the comparison of the carrying amount of the assets with its recoverable amount. The recoverable amount of the asset is the higher of the assets or the cash-generating unit's fair value less cost to sell and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

The carrying values of tangible and intangible assets, excluding goodwill, are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it occurs. In subsequent years, the company assesses whether indications exist that impairment losses previously recognised for tangible and intangible assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is recalculated and, if required, its carrying amount is increased to the revised recoverable amount. The increase is recognised in operating income as an impairment reversal. An impairment reversal is recognised only if it arise from a change in the assumptions that were used to calculate the recoverable amount. The increase in an asset's carrying amount due to an impairment reversal is limited to the depreciated amount that would have been recognised had the original impairment not occurred.

Issued financial instruments or their components are classified as liabilities where the contractual arrangement results in the entity having a present obligation to either deliver cash or another financial asset to the holder, to exchange financial instruments on terms that are potentially unfavourable or to satisfy the obligation otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares. Issued financial instruments, or their components, are classified as equity where they meet the definition of equity and confer on the holder a residual interest in the assets of the company. The components of issued financial instruments that contain both liability and equity elements are accounted for separately with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component.

4.11 Share capital

4.11.1 Share issue costs

Incremental costs directly attributable to the issue of new shares or options including those issued on the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

4.11.2 Dividend on ordinary shares

Dividend on ordinary shares is recognised in equity in the period in which it is approved by the company's shareholders. Dividend declared after the reporting date is dealt with in the subsequent period.

4.12 Employee benefits

4.12.1 Post-employment benefits

The company has a defined contribution plan. The company operates a defined contribution plan, based on a percentage of pensionable earnings funded by both the company and qualifying employees under a mandatory scheme governed by the Pension Reform Act of 2014. The employer contribute 10% and employee contribute 8% of pensionable earnings hence an amount of 18% in total in contributions to these plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

4.13 Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated. The amount recognised is the best estimate of the expenditure required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

4.14 Taxes, including deferred taxes

4.14.1 Income tax

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

4.14.2 Deferred tax

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

4.14.2.1 Deferred tax asset

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

Recognition of deferred tax assets is based on the evidence available about conditions at the reporting date, and requires significant judgemnts to be made regarding projections of loan impairment charges and the timing of recovery in the economy. These judgments take into consideration the effect of both positive and negative evidence, including historical financial performance, projections of future taxable income, future reversals of existing taxable temporary difference, tax planning strategies and the availability of loss carrybacks.

4.14.2.2 Taxes, including deferred taxes continued

Projections of future taxable income are based on business plans, future capital requirement and ongoing tax planning strategies. These forecasts are consistent with the assumption that it is probable that the results of future operations will generate sufficient taxable income to support the deferred tax assets. if any of these assumptions turned out to be materially incorrect, the full recovery of the deferred tax asset may no longer be probable and could result in a significant reduction of the deferred tax asset which would be recognised as a charge in the income statement.

4.15 Lease

Leases are accounted for in accordance with IAS 17 and IFRIC 4. They are divided into finance leases and operating leases.

Lease in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease in terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

4.15.1 As the Lessee

4.15.1.1 Operating Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentive received from the lessor) are charged to the income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

4.15.1.2 Finance Lease

Leases, where the company has substantially all the risks and rewards of ownership, are classified as finance leases and capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the leasee. All other leases are classified as operating leases.

4.15.2 As the Lessor

Amounts due from leases under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

4.16 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.

4.17 Valuation of Financial Instruments

The accounting policy for determining the fair value of financial instruments is described in the "note 2.2" 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.

Valuation techniques used to calculate fair values are discussed in Note 3.6.2 above. The main assumptions and estimates which management consider when applying a model with valuation techniques are:

i). The likelihood and expected timing of future cash flows on the instrument. These cash flows are usually governed by the terms of the instrument, although judgment may be required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt. Future cash flows may be sensitive to changes in market rates;

ii) Selecting an appropriate discount rate for the instrument. The determination of this is based on the assessment of what a market participant would regard as the appropriate spread of the rate for the instrument over the appropriate rate; and iii). Judgment to determine what model to use to calculate fair value in areas where the choice of valuation model is particularly subjective, for example, when valuing complex derivative products.

When applying a model with unobservable inputs, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. For these instruments, the fair value measurement is less reliable. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions. However, in most cases there is some market observable inputs even when unobservable inputs are significant. Given the uncertainty and subjective nature of valuing financial instruments at fair value, it is possible that the outcomes in the next financial year could differ from the assumption used, and this could in a material adjustment to the carrying amount of financial instruments measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D)

		31-Dec-16 ₦'000	31-Dec-15 ₦'000
5	**Interest Income**		
	Interest income on financial assets carried at amortised cost:		
	Treasury Operations	63,054	29,663
		63,054	**29,663**

The total represent interest income on financial assets that are not recorded at fair value through profit or loss, as required by IFRS 7.20(b).

6	**Interest Expenses**		
	Interest Expense on Borrowings	185,215	598,429
		185,215	**598,429**

The total represent interest expense on financial liabilities that are not recorded at fair value through profit or loss, as required by IFRS 7.20(b).

7	**Fees and Commission Income**		
	Admin Fees	455	180
	Commercial Service Income	143	-
		598	**180**

Commercial service income refers to income from other financial services such as LPO financing and related transactions. Admin fees relates to non refundable lease processing fees received from prospective lessees.

8	**Other Income**		
	Property Rental Income	12,000	12,000
	Legal Fees Income	9,226	7,054
	Lease Computation Fee	12,699	10,413
	Interest on Current Account	171	20
	Bad Debts Recovered	55,017	491,395
	Sundry Income	632,616	87,722
	Forex Gain	215,485	373,791
		937,214	**982,395**

Other income relates to income earned from other activities other than the company principal activities. Interest received relates to income earned on placement with banks. The provision no longer required represents provision in respect of lease rental now treated bad debts recovered and gain on foreign gain.

9	**Impairment Charges**	124,202	15,370
		124,202	**15,370**

Impairment loss has been provided based on probability of defaults; where there is a breach of contract, such as a default or delinquency in interest or principal payments of leases. Allowance for impairment of leases is made in accordance with the International Accounting Standard (IAS) 36.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D)

		31-Dec-16 ₦'000	31-Dec-15 ₦'000
10	**Staff Cost**		
	Basic Salary	17,828	13,879
	Allowances	104,465	73,381
		122,293	**87,260**

Staff cost relates to cost incured in retaining the existing personnel as well as hiring the new ones.

11	**Depreciation and Amortisation**		
	Depreciation	885,652	1,000,807
	Amortisation	771	-
		886,423	**1,000,807**

The company's depreciation policy is consistent with prior year and the applicable rates have been applied on the property, plant and equipment. Items of property and equipment are depreciated from the date they are availabble for use while, the lease items are depreciated based on the tenor of the lease and the depreciation starts at the commencement of the lease. Depreciation is calculated to write off the cost of items of the property and equipment less their estimated residual values using the striaght line basis over the estimated useful lives. Depreciation is recognised in profit or loss.

12	**Administrative Expenses**	343,825	356,616
		343,825	**356,616**

Adminstrative Expenses are mainly comprised of rent and rates, transport cost, subscription, entertianment, directors fee, repair and maintenance, general office expenses, lease asset insurance, stationeries, lease monitoring expenses, training cost, corporate advert, telephone, professional fee, library expenses, and bank charges.

13	**Defined Benefit Cost**		
	Service Cost	15,294	11,561
	Interest Cost	23,086	15,912
		38,380	**27,951**

Staff gratutity are the service cost and interest cost on staff gratuity for the year ended 31 December 2016 which have been valued by an expert in line with IAS 19 requirements.

14	**Cash and Cash Equivalent**		
	Cash in Hand	123	58
	Balances with Local Banks	50,990	103,699
	Fixed Deposits with Local Banks	656,478	702,473
		707,591	806,230

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

			31-Dec-16 ₦'000	31-Dec-15 ₦'000
15	**Other Assets**			
	Prepayment		158,109	187,238
	Other Sundry Accounts		790,966	669,884
	Deposit for Property, Plant and Equipment		-	9,130
			949,075	866,252
	Less Impairment Allowance	15	(590,792)	(466,590)
			358,283	**399,662**

Other assets relates to prepayment on furniture and rent. While other sundry accounts balances comprises of commercial services receivables, trade deposit,sundry receivables, VAT receivable, WHT claimable, Haulage Oil and Gas current account, Cherrywood Furniture Ltd. current account and Bullion Movement Ltd current account and also deposit made for PPE that is yet to be available for use.

15.1	**Specific Allowance for Impairment**			
	Balance at the Beginning of the year		466,590	451,220
	Impairment Loss for the year		124,202	15,370
	Balance at 31 December		**590,792**	**466,590**
16	**Investments**			
	Debt Securities	16.1	21,000	91,593
	Equity Securities	16.2	17,268	17,268
			38,268	**108,861**
16.1	**Debt Securities**			
	Debenture		1,005,375	1,088,008
	Less: Impairment allowance	16.1.1	(984,375)	(996,415)
			21,000	**91,593**
16.1.1	**Impairment allowance**			
	Opening Balance		996,415	996,415
	Addition/writeback during the year		(12,040)	-
	Closing balance		**984,375**	**996,415**

Debt securities relate to investment in debenture and Provision for dimunition in value relates to Provision for bad investment made by the company.

16.2	**Equity Securities**			
	Available for Sales at Cost			
	Staff Banefits Fund Investments		6,463	6,463
	Unquoted ordinary shares at cost		10,805	10,805
			17,268	17,268

Available for sale (AFS) equity security are to be carried at fair value, however, due to the unavailability of reliable market information or inputs for valuation techniques they are being carried at cost in line with acceptable basis under IFRS.

			31-Dec-16 ₦'000	31-Dec-15 ₦'000
17	**Advances Under Finance Lease**			
	Gross Investment in Lease		2,112,373	2,845,911
	Unearned Finance Lease Income		(28,396)	(96,053)
	Present Value of Minimum Lease Payment		2,083,977	2,749,858
	Allowance for Uncollectible Lease Payments	17.1	(1,377,699)	(1,592,747)
	Collective impairment (Investment in Finance Lease)		(688)	-
			705,590	**1,157,111**
17.1	**Allowance for uncollectable Lease payments:**			
	Opening balance		1,592,747	2,254,327
	Addition/writeback during the year		(215,048)	(661,580)
			1,377,699	**1,592,747**

Advances Under Finance Lease relates to Gross investment in Lease from Investment in Finance Lease and Lease Rental Debtors while Allowance for Uncollectible Lease Payments is from Provision from Rental Debtors.

		31-Dec-16 ₦'000	31-Dec-15 ₦'000
18	**Investment Property**		
	Cost		
	Balance as at 01 January 2016	70,405	70,405
	Balance as at 31 December 2016	**70,405**	**70,405**
	Accumulated Depreciation		
	Balance as at 01 January 2016	29,164	27,404
	Charge for the year	1,760	1,760
	Balance as at 31 December 2016	**30,923**	**29,164**
	Net Book Value	**39,482**	**41,241**

Investment Property comprises of Land & Building that are leased out to third parties for Rental Income. There is no reliable measurement of the fair value, so the asset is stated at cost in line with IAS 40.53

		31-Dec-16 ₦'000	31-Dec-15 ₦'000
19	**Non - Current Assets Held for Sale**		
	Opening Net Book Value	1,096,353	1,407,850
	Cost of Assets Disposed	(898,633)	(505,344)
	Accumulated Depreciation of Assets Disposed	344,710	193,847
		542,430	**1,096,353**

Non-Current Assets Held for Sale comprises of Lease Commercial vehicles that were repossessed from the Leasee, which are now available for disposal.

		31-Dec-16	31-Dec-15
		₦'000	₦'000
20	**Intangible Asset**		
	Cost		
	Balance as at 01 January 2016	771	771
	Additions		
	Balance as at 31 December 2016	**771**	**771**
	Accumulated Depreciation		
	Balance as at 01 January 2016	-	-
	Charge for the year	**771**	
	Balance as at 31 December 2016	**771**	-
	Net Book Value: 31 December 2016	-	**771**

Intangible Asset are software purchased from reputable vendor which are customised to suit the company's information technology needs. However, full amortisation was made during the year

21	**Employee Benefit Obligation**		
	Defined benefit obligation - opening	213,673	124,799
	Service cost	15,295	11,561
	Interest cost	23,086	15,912
	Benefits paid by the employer	(62,686)	(1,941)
	Actuarial gain - change in assumption	(16,954)	19,377
	Actuarial loss - experience adjustment	23,316	43,965
	Balance as at 31 December	**195,730**	**213,673**

The Company operates an unfunded defined benefits scheme for its qualifying employees. An employee is entitiled to the benefits of the gratuity as long as the employee has spent not less than 5 years in the the service before he retires or withdraws. The retirement age is the date on which the employee attains the age of 60 or 35 years in service whichever comes first. The defined benefits plan is a plan that defines the amount of benefit that each employee is entitiled to on retirement. The defined benefit liability is discounted using the market yields at the reporting date of government bonds that are denominated in the currency in which benefits will be paid, and that have a maturity approximating to the terms of the related pension liability. The most recent actuarial evaluations of the present value of the defined benefit obligations were carried out by HR Nigeria Limited. The present value of the defined benefit obligation and the related current and past service cost were measured using the Projected Unit Credit Method.

22	**Other Liabilities**		
	Accruals	8,663	10,676
	Other Credit Balances	150,262	252,504
	Staff Benefit Fund Payable	126,477	130,401
	Dividend Payable	1,268	1,268
	Deposit for equity issue	3,002,339	3,002,339
		3,289,009	**3,397,188**

The staff benefit fund of N126.5m are provision for post employment benefits. These balances were however not professionally valued by an Actuaries for the year ended 31 December 2016 as required by IAS 19.

23 PROPERTY AND EQUIPMENT

		Equipment Under Lease					
	Office/Res Furniture & Equip. ₦'000	Lease Furniture and Equipment ₦'000	Lease Agric Equip. ₦'000	Lease Plant & Mach. ₦'000	Lease Motor Vehicles ₦'000	Motor Vehicles ₦'000	TOTAL ₦'000
Cost							
As at 1 January 2016	32,373	52,772	395	898,435	2,980,412	118,440	4,082,827
Additions during the year	1,678	-	-	-	852,057	23,190	876,926
Disposal	(4,832)	-	-	(273,894)	(541,454)	(32,340)	(852,520)
As at 31 December 2016	**29,219**	**52,772**	**395**	**624,541**	**3,291,016**	**109,290**	**4,107,233**
Depreciation							
As at 1 January 2016	25,908	52,772	395	898,435	1,957,459	77,969	3,012,938
Charges for the year	2,688	-	-	-	853,241	27,963	883,892
Disposal	(3,413)	-	-	(273,894)	(541,454)	(22,986)	(841,746)
As at 31 December 2016	**25,375**	**52,581**	**395**	**624,541**	**2,269,247**	**82,946**	**3,055,085**
CARRYING AMOUNT							
As at 31 December 2015	**6,465**	-	-	-	**1,022,953**	**40,471**	**1,069,889**
As at 31 December 2016	**3,844**	**191**	-	-	**1,021,769**	**26,344**	**1,052,148**

		31-Dec-16	31-Dec-15
		₦'000	₦'000
24	**Taxation**		
24.1	**Income Tax Recognised in Income Statement**		
	Current Tax		
	Company Income Tax	239,720	242,089
	Education Tax	19,036	27,468
	Information Technology Levy	2,950	-
	Over provision in prior years	(203,086)	-
	Total Income Tax Expenses Recognised in the current year	**58,620**	**269,557**

The Tax Rate used for the 2016 Tax Computation is the Corporate Tax Rate of 30% payable by Corporate Entities in Nigeria and 2% for Education Tax.

		31-Dec-16	31-Dec-15
24.2	**Deferred Tax**		
	Deferred Tax Credit Recognised in the current year	150,982	(325,854)
	Total Deferred Tax Expenses Recognised in the current year	**150,982**	**(325,854)**
24.3	**Income Tax Reconciliation**		
	Profit Before Taxation	**297,225**	**357,255**
	Income Tax Expenses Calculated at 30% of PBT (2015: 30%)	89,168	107,177
	Effect of Income that is exempt from Taxation	(88,047)	211
	Effect of disallowable expenses	284,214	304,853
	Effect of Balancing Charge	144,540	2,633
	Effect of Tax Incentive	(190,361)	(172,562)
	Effect of Education Tax	19,036	27,468
	Effect of Information Technology	2,950	-
	Effect of over provision in prior years	(203,086)	-
		58,413	**269,779**
24.4	**Taxation Payable**		
	At 1 January	355,526	85,969
	Charge for the year	261,706	269,557
		617,232	355,526
	Over provision in prior years	(203,086)	
	Paid during the year	(152,440)	-
	At 31 December	**261,706**	**355,526**
24.5	**Deferred Taxation**		
	At 1 January	(315,285)	10,569
	Recognised in the year	150,982	(325,854)
	At December 31	**(164,302)**	**(315,285)**

		31-Dec-16 ₦'000	31-Dec-15 ₦'000
25	**Borrowings**		
	Balance as at 01 January	3,248,226	7,718,279
	Repayment	(1,447,297)	(4,903,136)
		1,800,929	**2,815,143**
	Interest Payable	198,670	433,083
	At 31 December	**1,999,599**	**3,248,226**

The borrowings is the outstanding amount of loan obtained from Bank of Industry Limited, NIMASA and African Export-Import Bank (AFREXIM Bank) to finance various leases

26	**Statutory Reserve**		
	At 1 January	109,277	96,127
	Movement in the year	-	13,150
	At 31 December	**(900)**	**109,277**

Statutory reserve is 15% of profit after income tax for the year in line with Central Bank of Nigeria Revised Guidelines for Finance Companies in Nigeria April 2015.

27	**Revenue Reserve**		
	At 1 January	(2,675,472)	(3,089,024)
	Profit/(Loss) for the year	87,623	413,552
	Transfer to statutory Reserve	(13,247)	(13,150)
	At 31 December	**(2,587,849)**	**(2,675,472)**

Revenue Reserve reflects the movement of the profit or loss

28	**Actuarial Reserve**		
	At 1 January	(53,043)	10,299
	Actuarial Gain/(Loss) for the year	(6,362)	(63,342)
	At 31 December	**(59,405)**	**(53,043)**

This represents the (gains)/loss on actuarial valuation of staff gratuity.

29	**Share Capital**		
	Authorised:		
	4,000,000,000 ordinary shares of 50 kobo each	**2,000,000**	**2,000,000**
	Issued and fully paid:		
	664,300,004 ordinary shares of 50 kobo each	**332,150**	**332,150**

The share capital of LECON consist only of fully paid ordinary shares with a norminal value of 50k each.

30 Financial risk management

(a) Introduction and overview

The company has exposure to the following risks from financial instruments:

* credit risk
* liquidity risk
* Market risk

This note presents information about LECON's exposure to each of the above risks, LECON's objectives, policies and processes for measuring and managing risk, and LECON's management of capital.

(b) Credit Risk

LECON defines credit risk as the risk that arises from the potential that an obligor is either unwilling to perform an obligation or its ability to perform such obligation is impaired resulting in economic loss to the company.

In spite of the care and caution exercised in approving facilities within the company's credit process, it is not unlikely that some facilities granted may become bad and doubtful as a result of adverse changes in the operating environment which may seriously affect the leasee.

All facility decisions have inherent in them an element of risk to the company and this is the company's principal risk area.

Principal credit Objective

LECON's principal credit objective as set out in the LECON's Risk management framework is to manage risks in order that its over all risk exposure is kept at prudential levels and consistent with the available capital through periodic review of different types of credit exposures.

1. Ensure that management as well as individuals responsible for credit risk management possess the required expertise and skill to accomplish risk management function.
2. Ensure the company implements sound methodology that facilitates the identification, measurement, monitoring and control of credit risk.
3. Approve the company's overall risk tolerance in relation to credit risk based on the recommendation of the Chief Risk Officer;
4. Ensure that detailed policies and procedures for credit risk exposure creation management and recovery are in place and Credit risk management.

Final Authority and Responsibility for activities that expose the company to credit risk rest on the Board of Directors. The Board however, may delegate this authoriry to the Board Credit Committee, Management Credit Committee or other officers with credit risk management responsibilities.

The Board Credit Committee is responsible for approving the following:
1. Credit risk management strategy, policies and standards;
2. Credit products, processes and approving authorities;
3. Credit risk appetite and limits; and
4. Credit requests above the Managing Director's (Credit) level, including those going to the full Board as a recommendation.

LECON also have a Management Credit Committee charged with the responsibility of:
1. Implementation of risk strategy approved by the Board of Directors;
2. Developing policies and procedures for identifying, measuring and controlling risk;
3. Reviewing risk reports on a regular and timely basis;
4. Providing all reports required by the Board and its committees for the effective performance risk management oversight
5. Review proposals in respect of credit policies and standards and endorse them to the Board of Directors for approval;
6. Define credit approval framework in line with the Company's policy;
7. Review credit policy changes initiated by the Management of the Company and endorse to the Board of Directors for approval;
8. Ensure compliance with the Company's policies and statutory requirments prescribed by the regulatory/supervisory authorities.
9. Review and recommend to the Board of Credit Committee facilities beyond Management approval limits;
10. Review and recommend exceptions/write-offs, waives and discounts on non-performing credit facilities within specialised limits.

LECON also have a Risk Management Department that monitors compliance with the company's risk policies and processes. The head of the department is therefore the Chief Risk Officer of the company.

Responsibilities include:
1. Developing risk analysis guidelines for the company;
2. Ensuring compliance with Central Bank of Nigeria Monetary Policy guideline;
3. Reviewing credit proposal
4. Identifying lapses in the credit apraisal process, prior to approval of the credit approving authority.
5. Independently rate the credit risk attached to each credit facility/proposal.

6. Reviewing placement and investment limits.
7. Issues company wide portfolio review report on a monthly basis to help effective leasee administration.
8. Makes recommendations to the MD/CEO on improvements to the credit process.
9. Pre-disbursement audit and vetting of credit documents.
10. Recovery, loan work out and turn around functions as well as making recommendations for wirte-offs

The department should detect and apply corrective solutions to potential problem leases early enough thus keeping non-performing assets to a minimum.

Credit Risk Score Guide

Score	Brief Description	Guidance
Low Risk	Excellent business credit; superior asset quality, excellent liquidity and debt capacity/coverage and excellent management, flourishing industrial sector with depth, excellent competitive position and other excellent critical success factors.	Low risk that the facility will not be retired as agreed (less than 0.5 probability) No reasonably foreseeably vulnerability will impede repayment per agreed upon terms.
Medium Risk	Average business credit, superior asset quality, liquidity and debt capacity/coverage and excellent management, industrial sector just surviving competitive position and other critical success factors generally on average.	Modest risk that the facility will not be retired as agreed (0.5 probability), from the primary source of repayment, but clearly identified alternative source of repayment exists. Risk of loss or non-performing status under realistic economic scenario is likely.
High Risk	Below average business credit, poor asset quality, poor liquidity and debt capacity/coverage and poor management failing industrial sector below average competitive position and other below average critical success factors. Management weakness. Critical success factors below average. To be put on Watch list.	Below average credit with significant risk that facility will not be retired as agreed (greater than 0.5 probability). No clearly identified alternative source or repayment. High risk of loss of principal or interest under most probable vulnerabilities, should they occur. tight management for "C" rated critical conditions precedent to attaining its portforlio quality objectives. Our exposure should be managed down except where it could be managed up to a B rating within a short time.

Financial risk management (cont'd)

For Non Corporate Leases

Score	Brief Description	Guidance
Low Risk	Steady income earners employed by a blue cheep company, flaunting industrial sector with depth such as multinational companies, Oil and Gas sector, telecom etc, enterpreneurs.	Low risk that the facility will not be retired as agreed (less than 0.5 probability). No reasonably foreseeable vulnerability will impede repayment per agreed upon terms.
Medium Risk	Steady income but employed in local manufacturing companies, Medium scale industries, civil service, schools etc, enterpreneurs.	Modest risk that the facility will not be retired as agreed (0.5 probability); from the primary source of repayment, but clearly identified alternative source of repayment exists. Risk of loss or non performing status under realistic economic scenario is moderate.
High Risk	Unemployed, local contractors, traders with unsteady income.	Below average credit with significant risk that facility will not be retired as agreed (greater than 0.5 probability. No clearly identified alternative source of repayment. High risk of loss of principal or interest under most probable vulnerabilities, should they occur. Tight management for "C" rated critical conditions precendent to attaining its portfolio quality objectives.

Credit Risk Control & Mitigation policy

A major element of the company's credit process is the monitoring of leases and advances and the identification of potential bad debts. Watch list and problem loan management include policies on:

i) Identification and management of bad leases
ii) Provision for losses

Potential problems will be identified, appropriately risk-rated and placed on Management attention in sufficient time to permit re-structure and improvement on the position. It is the responsibility of Head of Operators Department to identify promptly, facilities that fall into these categories and review them with appropriate strategies and action plans to restore them to performing status.

Foreign Currency Exchange Risk

Foreign currency risk is the potential loss due to adverse movements in markets foreign exchange rates.

The company is exposed to foreign currency risk through its foreign cash holdings

Management of foreign Currency risk

The company manages its foreign currency risk through by limiting the amount of cash it holds in foreign currency

Below is the company's sensitivity to increase and decrease in Naira against the US dollars and pounds. The management believes that the stated percentage movement in either direction is reasonably possible at the balance sheet date.The sensitivity analysis below includes outstanding denominated assets as there were no liabilities denominated in foreign currency. A positive number indicate an increase in profit where Naira strenghtens by the stated percentage against the respective currencies for the stated pecentage increase or decrease in the rate ,there would be an equal and opposite impact on profit and the balances would be negative

2016	**N'000**
Naira strenghtens by 1% against the US dollar	
(Profit/(loss)	400
Naira weakens by 1% against the US dollar	
(Profit/(loss)	(400)
Naira strenghtens by 6% against the pounds	
(Profit/(loss)	0
Naira weakens by 6% against the pounds	
(Profit/(loss)	(0)

2015	N'000
Naira strenghtens by 1% against the US dollar	
(Profit/(loss)	51
Naira weakens by 1% against the US dollar	
(Profit/(loss)	-51
Naira strenghtens by 6% against the pounds	
(Profit/(loss)	4
Naira weakens by 6% against the pounds	
(Profit/(loss)	(4)

Liquidity Risk

This is the risk that the company might not be able to meet with its obligations as they fall due.

Management of Liquidity Risk

The ultimate responsibility for liquidity risk management rest with the Board of Directors, which has established an appropriate risk management framework for the management of the company short, medium and long term funding and liquidity management requirements. This function has been delegated to the asset and liability management committee of the company. This committee meets on bi-weekly to monitor liquidity profile of the company. The company also manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D)

The table below shows the undiscounted cash flows on the company's financial 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 liability or commitment.

Company Residual maturities of financial assets and labilities

31 December,2016

in thousands of Naira	Carrying amount	Gross nominal inflow/ outflow	Less than 1 year	Less than 2 year	Less than 3 year	Less than 4 year	Less than 5 year	Above 5 year
Non- derivative assets:								
Cash and Cash Equivalent	707,591	707,591	707,591	-	-	-	-	-
Loans Advances & Investment in Fin. Lease	706,278	706,278	690,585	6,443	7,456	9,040	11,108	29,421
Prepayment & Other Assets	358,283	358,283	358,283	-	-	-	-	-
	1,772,152	1,772,152	1,756,459	6,443	7,456	9,040	11,108	29,421
Non- derivative Liabilities:								
Other liabilities	286,669	286,669	286,669	-	-	-	-	-
Borrowing	1,999,599	1,999,599	1,999,599	-	-	-	-	-
	2,286,268	2,286,268	2,286,268	-	-	-	-	-
Gap(Asset - Liabilities)	(514,116)	(514,116)	(529,809)	6,443	7,456	9,040	11,108	29,421
cumulative liquidity gap			(529,809)	(523,366)	(515,910)	(506,871)	(495,762)	(466,341)

31 December,2015

in thousands of Naira	Carrying amount	Gross nominal inflow/ outflow	Less than 1 year	Less than 2 year	Less than 3 year	Less than 4 year	Less than 5 year	Above 5 year
Non- derivative assets:								
Cash and Cash Equivalent	806,230	806,230	806,230	-	-	-	-	-
Loans Advances & investment in fin lease	1,157,111	1,157,111	457,276	699,835	6,443	7,456	9,040	35,864
Prepayments,accrued income & other assets	399,662	399,662	399,662	-	-	-	-	-
	2,363,003	2,363,003	1,663,168	699,835	6,443	7,456	9,040	35,864
Non- derivative Liabilities:								
Other liabilities	394,849	394,849	394,849	-	-	-	-	-
Borrowing	3,248,226	3,248,226	3,248,226	-	-	-	-	-
	3,643,075	3,643,075	3,643,075	-	-	-	-	-
Gap(Asset - Liabilities)	(1,280,072)	(1,280,072)	(1,979,907)	699,835	6,443	7,456	9,040	35,864
cumulative liquidity gap			(1,979,907)	(1,280,072)	(1,273,629)	(1,266,173)	(1,257,134)	(1,221,270)

		31-Dec-16	31-Dec-15
		₦'000	₦'000
31	**Chairman's and Directors' Emoluments**		
	Emoluments:		
	Chairman	45	45
	Other Directors	185	185
		230	230
	Emolument as Executive	586	586
		816	816

		₦	31-Dec-16	31-Dec-15
32	**Employees and Employment**			
(a)	**Employees remunerated at higher rates**	₦	Number	Number
		100,001 - 200,000		1
		200,001 - 300,000	1	2
		300,001 - 400,000	2	9
		400,001 - 500,000	9	6
		500,001 and above	13	9

(b) **Staff**

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

	31-Dec-16	31-Dec-15
	Number	Number
Managerial	4	5
Senior Staff	19	19
Junior Staff	2	3
	25	27

33 Guarantees and other Financial Commitments

(i) Staff end of service commitments

The company operates a provident fund scheme for the benefits of its employees. These benefits based on each employee's years of service and terminal salary.

The assets of the scheme are held in a separate fund administered by BOI Investment and Trust company Limited. The related costs are charged to the profit and loss account.

(ii) Financial Commitments

The Directors are of the opinion that all known liabilities and commitments have been taken into account in the preparation of these accounts.

34 Authorization of Financial Statements

The financial statements for the year ended 31 December 2016 were approved by the Board of Directors on .14th. August. 2017.....

OTHER NATIONAL DISCLOSURES

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 ₦'000	%	2015 ₦'000	%
Gross Income	1,997,563		2,443,688	
Bought in Purchase and Services	(563,569)		(343,640)	
Value Added	**1,433,994**	**100**	**2,100,048**	**100**
APPLIED AS FOLLOWS:				
To Pay Employee:				
Salaries, Wages and Other Benefits	122,293	9	87,260	4
To pay Government:				
Income and Education Taxes	152,440	11		-
To Pay Providers of Capital:				
Interest	185,215	13	598,429	28
Assets Replacement Provision:				
Depreciation	886,423	62	1,000,807	48
To Provide for the Future:				
Revenue Reserve	87,623	6.1	413,552	19.7
	1,433,994	**100**	**2,100,048**	**100**

Value Added represents the additional wealth which the company has been able to create by its own and its employees' efforts. The statement shows the allocation of the wealth between employees, government and that retained for the creation of more wealth.

LECON FINANCIAL SERVICES LIMITED

FIVE-YEAR FINANCIAL SUMMARY
AS AT 31 DECEMBER 2016

	Notes	31-Dec-16 ₦'000 IFRS	31-Dec-15 ₦'000 IFRS	31-Dec-14 ₦'000 IFRS	31-Dec-13 ₦'000 IFRS	31-Dec-12 ₦'000 IFRS
Cash and Cash Equivalent	14	707,591	806,230	276,025	438,499	1,026,364
Other Assets	15	358,283	399,662	470,625	592,222	1,335,748
Investments	16	38,268	108,861	147,632	159,672	76,318
Advances Under Finance Lease - (Net)	17	705,590	1,157,111	1,990,053	3,560,164	5,435,678
Investment Property	18	39,482	41,241	43,001	44,427	46,185
Non-Current Assets Held for Sale	19	542,430	1,096,353	1,407,850	-	-
Intangible Assets	20	-	771	-	-	-
Property and Equipment	23	1,052,148	1,069,889	1,491,424	3,491,827	750,300
Deferred Taxation Asset	24.4	164,302	315,285	-	-	-
Total Assets		3,608,094	4,995,403	5,826,610	8,286,811	8,670,593
Liabilities						
Employee Benefit Obligation	21	195,730	213,673	124,799	-	-
Other Liabilities	22	3,289,009	3,397,188	454,074	778,545	382,276
Income Taxation Payable	24.3	261,706	355,526	85,969	44,886	33,957
Deferred Taxation	23.3	-	-	10,569	10,569	10,569
Borrowings	25	1,999,599	3,248,226	7,718,279	9,558,809	7,882,432
Total Liabilities		5,746,044	7,214,613	8,393,690	10,392,809	8,309,234
Capital and Reserves						
Share Capital	29	332,150	332,150	332,150	332,150	332,150
Share Premium		81,028	81,028	81,028	81,028	81,028
Statutory Reserve	26	122,524	109,277	96,127	96,127	96,127
Revenue Reserve	27	(2,614,247)	(2,688,622)	(3,089,023)	(2,581,253)	(147,946)
Deposit for Equity Issue				2,339	2,339	-
Actuarial Reserve	28	(59,405)	(53,043)	10,299	(36,389)	-
Total Equity Attributable to Owners		(2,137,950)	(2,219,210)	(2,567,080)	(2,105,998)	361,359
Total Liabilities and Equity		3,608,094	4,995,403	5,826,610	8,286,811	8,670,593
Gross Income		1,997,563	2,443,688	2,497,372	2,889,726	1,819,112
Profit/(Loss) Before Taxation		297,225	357,255	(570,419)	(2,419,584)	103,207
Profit/(Loss) After Taxation		87,623	413,552	(611,501)	(2,433,307)	90,252
				-	-	-
Earnings per share (Kobo)		13	62	(92)	(366)	14

Earnings per share are calculated based on the company's profit/(loss) after taxation and on the number of issued and fully paid ordinary shares at the end of each financial year.