



MANAGEMENT ACCOUNT
FOR THE PERIOD TO 30TH SEPTEMBER 2018

RESORT SAVINGS & LOANS PLC
MANAGEMENT ACCOUNTS
FOR THE PERIOD TO 30TH SEPTEMBER 2018

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RESORT SAVINGS & LOANS PLC

STATEMENT TO THE NIGERIAN STOCK EXCHANGE AND SHAREHOLDERS ON THE UNAUDITED RESULTS AS AT 30TH SEPTEMBER 2018
The Directors of RESORT SAVINGS & LOANS PLC hereby announce the result of the company for the 9 months ended 30TH SEPTEMBER 2018
with the comparative figures for the corresponding period the previous years as follows:

STATEMENT OF FINANCIAL POSITION		30-Sep-18	30-Sep-17	31-Dec-17
ASSETS		=N=		=N=
	NOTES			
Cash and Other Short Term Funds	1	70,530,988	54,583,953	63,757,060
Placements with Local Banks		111,867,409	112,424,838	111,815,295
Mortgage Loans	2	138,147,786	1,063,465,757	125,836,790
Mortgage Loans - NHF		2,531,248,739	2,029,583,739	2,531,248,739
Loans and Other Advances	3	703,656,320	207,394,363	290,962,729
Investments		1,937,083,348	2,070,963,443	1,938,888,939
Other Assets		168,598,097	244,325,277	165,655,684
Fixed Assets		50,008,416	57,813,052	76,218,843
		5,711,141,103	5,840,554,422	5,304,384,079
FINANCED BY:				
Paid Up Capital		5,664,866,202	5,664,866,202	5,664,866,202
Statutory Reserves		97,754,000	97,754,000	97,754,000
Regulatory Risk Reserves		6,066,419,000	6,107,062,063	6,066,419,000
Reserves		(14,934,732,000)	(14,000,781,471)	(14,934,732,000)
Profit and Loss Accounts		(43,564,629)	(233,838,869)	(1,027,593,584)
Deposit for shares		-	-	-
Shareholders' Funds		(3,149,257,427)	(2,364,938,076)	(4,133,286,382)
Deposits and Current Accounts	4	4,952,627,698	4,460,234,826	4,538,614,468
NHF Loan		2,531,248,739	2,531,248,739	2,531,248,739
Other Liabilities		1,376,522,093	1,214,008,933	2,367,807,255
		5,711,141,103	5,840,554,422	5,304,384,079


Olajemi Rabi
Managing Director/CEO
FRC/2013/ICAN/00000001648


Chairman
Senator Sunday Olawale Fajinmi
FRC/2018/CPN/00000018225


Israel Kolawole Adesina
Executive Director/COO
FRC/2013/ICAN/00000001652

This Financial Statements was approved on 16th November 2018

STATEMENT OF COMPREHENSIVE INCOME

	CUMMULATIVE	SECOND QUARTER	CUMMULATIVE	SECOND QUARTER	TO YEAR END	ANNUAL
	30-Sep-18	30-Sep-18	30-Sep-17	30-Sep-17	31-Dec-17	GROWTH
	=N=		=N=	=N=	=N=	%
Interest Income	525,458,232	192,043,078	314,353,566	96,989,669	422,348,220	67%
Interest Expense	335,590,793	117,108,675	330,672,503	112,615,398	455,954,338	1%
Net Interest Income	189,867,439	153,239,319	(693,207)	53,696,963	(33,606,118)	-665%
Net Interest Income %	36%	80%	-32%	-5%	-8%	
Other Income	4,488,769	699,407	35,771,934	7,000,535	74,876,830	-87%
Recoveries & Others	-	-	-	-	-	
Net Earnings	194,356,208	153,938,726	35,078,727	60,697,498	41,270,712	371%
Net Earnings %	37%	68%	11%	6%	8%	
Operating Costs						
Staff Costs	147,360,046	42,724,485	131,012,538	40,604,989	332,195,019	12%
Administrative Expenses	47,189,983	8,512,931	47,053,944	13,797,097	386,360,664	0%
Office Expenses	10,464,730	2,839,100	17,264,780	4,914,820	28,100,440	-39%
ICT Expenses	534,500	217,000	3,352,688	23,000	4,080,688	-84%
Depreciation	27,110,427	6,734,506	44,664,960	13,636,471	57,868,127	-39%
Provision For Loan Losses - General	231,000	-	-	-	-	
Provision For Loan Losses - Specific	-	-	-	-	-	
Bad Debts Written Off	-	-	9,942,957	-	260,259,360	-100%
Total Operating Costs	232,890,686	61,028,023	253,291,867	72,976,377	1,068,864,296	-8%
Net Profit/(Loss)	(43,564,629)	20,257,271	(152,237,298)	(9,964,022)	(1,027,593,584)	-71%
Net Profit/(Loss) %	-8%	7%	-70%	-6%	-243%	

STATEMENT OF CHANGES IN EQUITY AS AT		Equity Share	Statutory Reserve	Retained Earnings	Regulatory Risk Reserves	Total
		N	N	N	N	N
Year Ended 31 December 2017						
Balance at 1 January 2017		5,664,866,202	97,754,000	6,107,062,000	(14,000,780,518)	(2,131,098,316)
		-	-	(40,642,991)	40,642,991	-
Profit for the year 2017(Reduction)		-	-	-	-	-
Transfer for the year		-	-	6,066,419,009	(14,907,567,156)	(8,841,148,147)
		-	-	-	-	-
		-	-	-	-	-
Balance at 31 December 2017		5,664,866,202	97,754,000	12,132,838,018	(28,867,704,683)	(10,972,246,464)
Balance at 1 January 2016		5,664,866,202	97,754,000	12,132,838,018	(28,867,704,683)	(10,972,246,464)
		-	-	-	-	-
Profi/(Loss) for the year(addition)		-	-	(43,564,629)	-	(43,564,629)
		-	-	-	-	-
		-	-	-	-	-
Balance at	30-Sep-18	5,664,866,202	97,754,000	12,089,273,389	(28,867,704,683)	(11,015,811,093)
Equity Position as	30-Sep-18	5,664,866,202	97,754,000	12,089,273,389	(28,867,704,683)	(11,015,811,093)
Equity Position as	30-Sep-17	5,664,866,202	5,664,866,202	5,664,866,202	5,664,866,202	5,664,866,202
Equity Position as at	1-Jan-18	5,664,866,202	97,754,000	12,132,838,018	(28,867,704,683)	(10,972,246,464)

CASH FLOW STATEMENT FOR THE PERIOD ENDED

	30-Sep-18	30-Sep-17
	=N=	
OPERATING ACTIVITIES		
Increase/(Decrease) in Mortgage loans	12,310,996	(153,012,599)
Increase/(Decrease) NHF loans	-	(18,654,957)
Increase/(Decrease) in other loans	412,693,591	235,474,887
		-
	425,004,587	63,807,331
	-	
INVESTING ACTIVITIES		
Acquisition/Disposal of Investments	(1,805,591)	(1,805,591)
Acquisition Of Fixed assets	(26,210,427)	(51,922,270)
	(28,016,018)	(53,727,861)
	-	
FINANCING ACTIVITIES		
Fund from shares issued	-	-
Increase/(Settlement) of deposit	414,013,230	262,279,570
Increase or (Decrease) in other liabilities	(991,285,162)	(324,555,663)
Increase/(Reduction) in other assets	-	(61,049,478)
	(577,271,932)	(123,325,572)
	-	
Net Increase In cash and cash equivalent	6,826,042	(9,792,320)
Cash and cash equivalents at beginning	175,572,355	176,801,111
Cash and cash equivalents at end	182,398,397	167,008,791

NOTES TO THE FINANCIAL STATEMENT	30-Sep-18 =N=	30-Sep-17 =N=	31-Dec-17 =N=
1 Cash and Other Short Term Funds			
Vault Balances	11,501,984	7,591,658	8,474,238
Petty Cash Balance	6,831	6,831	6,831
Cash Reserve Balance (CBN)	-	-	-
Legal Retention Fee (FMBN)	-	-	-
Bank Balance	59,022,174	46,985,465	55,275,991
	70,530,988	54,583,953	63,757,060
2 Mortgage Loans	=N=	=N=	=N=
MORTGAGE FACILITIES-SHORT TERM (<5YRS)	115,056,848	35,640,234	133,004,424
MORTGAGE FACILITIES - LONG TERM (>5YRS)	(14,197,801)	1,572,472,510	85,812,316
STAFF LOANS - RENT RESQUE	-	-	-
STAFF LOANS - MORTGAGE LOAN	41,300,181	63,900,846	48,077,190
Provision for Loan Losses - Specific	(2,499,100)	(591,827,697)	(138,388,200)
Provision for Loan Losses - General	(1,512,342)	(16,720,136)	(2,668,939)
Interest in Suspense	-	-	-
	138,147,786	1,063,465,757	125,836,790
3 Loans and Other Advances	=N=	=N=	=N=
Term Loan	130,491,691	13,455,313	195,724,856
Secured Against Leased Equipment	-	2,241,968	1,434,066
Overdraft	3,413,739,916	373,822,802	2,797,331,023
Share Purchase Loans	-	-	-
Staff Loans	1,823,755	1,845,882	1,826,129
Gross Loans and Advances	3,546,055,362	391,365,964	2,996,316,073
Provision for Loan Losses - Specific	(2,763,752,558)	(147,956,924)	(2,629,375,800)
Provision for Loan Losses - General	(67,155,000)	(24,523,194)	(64,486,061)
Interest in Suspense	(11,491,483)	(11,491,483)	(11,491,483)
	703,656,320	207,394,363	290,962,729

	30-Sep-18	30-Sep-17	31-Dec-17
	=N=	=N=	=N=
4 Deposits and Current Accounts			
SAVING ACCOUNT -GENERAL	485,063,467	475,314,296	466,934,064
SAVING ACCOUNT -NHF	573,804,827	538,431,137	547,125,882
REDACOS	10,673,642	10,133,842	10,408,342
STAFF ACCOUNTS	-	-	-
RIMPLAN	85,767,764	80,564,091	85,686,246
High Yield Flexi account	14,359,966	14,241,466	14,241,466
CHECKING & CASH MANAGEMENT ACCOUNT	781,356,628	693,815,579	712,201,142
CALL ACCOUNTS	5,075,713	5,075,713	5,075,713
TERM DEPOSIT	2,996,525,691	2,642,658,702	2,696,941,613
	4,952,627,698	4,460,234,826	4,538,614,468
5 Interest Income	=N=	=N=	=N=
INT.INCOME- OVERDRAWN	389,125,480	109,513,652	164,544,934
INT.INCOME- TERM LOANS	11,174,323	61,084,954	65,883,720
INT.INCOME- MORGAGE FACILITIES-SHORT TERM(5YRS)	7,746,495	9,173,764	11,994,581
INT.INCOME- MORGAGE FACILITIES- LONG TERM(5YRS)	108,375,041	123,445,983	162,547,784
INT.INCOME- LEASES	54,155	728,194	815,087
INT.INCOME- SHARE PURCHASE	-	3,434	3,434
INT.INCOME- CALL PLACEMENTS	-	-	-
INT.INCOME- FIXED PLACEMENTS	47,875	114,148	129,994
INT.INCOME-STAFF LOANS	5,225,432	8,704,598	10,920,655
INTEREST INCOME - EASY LIFE	-	-	-
RIMPLAN	-	-	-
INT.INCOME-NHF	-	-	-
INT.INCOME-OTHERS	3,709,432	1,584,840	5,508,030
	525,458,232	314,353,566	422,348,220
6 Interest Expense	=N=	=N=	=N=
INT. EXPENSE- SAVINGS- INDIVIDUAL	8,814,216	8,812,085	11,788,206
INT. EXPENSE- SAVINGS- CORPOATE	341,894	241,663	324,427
INT. EXPENSE- SAVINGS- KIDDIES	565,925	500,333	677,410
INT. EXPENSE- SAVINGS-REMOCOS	38,311	37,875	49,904
INT. EXPENSE- CALL DEPOSITS	113,890	390,565	428,946
INT. EXPENSE- FIXED DEPOSITS- INDIVIDUALS	208,130,670	187,475,150	253,369,634
INT. EXPENSE- FIXED DEPOSITS- CORPORATE	86,180,931	75,042,659	102,902,763
INT. EXPENSE- FIXED DEPOSITS- FINANCIAL INSTITUTIONS	-	-	-
INT. EXPENSE- OTHERS	29,112,083	37,414,537	64,371,633
INT. EXPENSES - RIMPLAN	2,292,873	1,939,802	2,639,743
INT. EXPENSES - Mortgage Deposits	-	-	-
INT. EXPENSE-LEASE	-	18,817,833	19,401,672
INT. EXPENSE-LOAN	-	-	-
	335,590,793	330,672,503	455,954,338

	30-Sep-18	30-Sep-17	31-Dec-17
	=N=	=N=	=N=
7 Administrative Expenses			
RENT & RATES	2,843,670	5,564,513	8,195,602
WATER EXPENSES	34,100	99,600	127,150
ELECTRICITY	1,084,300	1,576,900	1,917,200
REPAIR & MAINTENANCE- RESIDENTIAL	-	-	-
ADVERTS & PROMOTIONS	2,358,000	72,408	1,592,408
BUSINESS DEVELOPMENT	2,252,200	267,730	429,245
TRANSPORT	142,200	231,350	609,750
AUDIT FEES/CONSULTANCY	-	-	4,000,000
Motor Repair and Maintenance	6,908,600	3,440,055	6,968,055
MOTOR RUNNING EXPENSES	3,830,490	7,081,825	11,619,475
Fuel and Lubricants	-	2,097,700	-
PROFESSIONAL FEES	-	2,008,641	130,203,203
INSURANCE	-	1,042,885	1,786,885
DONATIONS & GIFTS	11,423,836	-	-
LEGAL FEES	9,099,700	4,743,000	12,804,957
STATUTORY CHARGES	-	1,046,059	184,787,349
CREDIT ADMINISTRATIONS EXPENSES	-	-	-
DIRECTORS' EXPENSES	-	-	-
AGM/BOARD MEETING EXPENSES	240,100	-	1,042,000
GENERAL ADM EXPENSES	-	612,000	-
MEDICAL BILLS	862,850	-	70,900
CHEQUE BOOKS/ SAVINGS & DEPOSIT SLIP	-	55,900	-
ESTATE EXPENSES	-	-	890,865
NDIC DEPOSIT INSURANCE PREMIUM	-	814,865	486,000
FACILITY MANAGEMENT ACCOUNT-RESORT COURT	5,743,091	88,000	15,897,455
BANK/FINANCIAL CHARGES	60,144	13,983,091	2,023,061
COMMISSION EXPENSES	225,102	1,755,748	(431,156)
AGENCY	40,000	52,673	-
NHF FEES (EXPENSE)	-	130,000	-
SMS EXPENSE ACCOUNT	-	100,000	100,000
LOSS ON CAPITAL MARKET ACTIVITIES	-	-	1,046,059
PENALTY	-	-	-
STATIONERIES	41,600	189,000	194,200
	47,189,983	47,053,944	386,360,664

SPECIFIC NOTES TO THE MANAGEMENT ACCOUNTS FOR THE PERIOD ENDING 30TH SEPTEMBER, 2018

The Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

Financial Instruments at fair value through profit or loss are measured at fair value.
Available-for-sale financial assets are measured at fair value.
Investment Properties are measured at fair value.
The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized past service cost and unrecognized actuarial losses.

The accounting policies set out below have been applied consistently to all periods presented in the financial statement and in preparing the opening IFRS financial statements as of January 1, 2012 for the purposes of transition to IFRS.

Interest

Interest income and expenses are recognised in profit or loss using effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to carrying amount of the financial asset or liability. When calculating the effective interest rate, the bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest on available-for-sale investment securities calculated on an effective interest basis;

Fees and Commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including project management fee and processing fees are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

Tax Expense

The tax expense represents the sum of the current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

(i) Current Tax

The current tax is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible. The bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of the previous years.

(ii) Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) Tax Exposure

In determining the amount of current and deferred tax, the bank takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that caused the bank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is

e Cash and Cash Equivalents

Cash and Cash Equivalents comprise of notes and coins on hand, demand deposits and other short term, highly liquid financial assets with original maturities of three months or less that are convertible to a known amount of cash which are subject to insignificant risk of changes in value, all of which are available for use by the bank unless otherwise stated. In the statement of financial position, bank overdrafts are included in current liabilities.

f Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

Loans and advances to customers include:

Those classified as Loans and Advances;

Those classified as Advances Under Mortgage;

Those classified as FMBN Loan (NHF);

Those designated as at fair value through profit or loss.

Loans and advances are initially measured at fair value plus incremental direct transaction cost, and subsequently measured at their amortised cost using the effective interest method. When the Bank chooses to designate the loans and advances as measured at the value through profit or loss, they are measured at fair value with face value changes recognised immediately in profit or loss.

Investment Securities

Investment securities are initially measured at the fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction cost, and subsequently accounted for depending on their reclassification as either held to maturity, fair value through profit or loss, or available for sale.

Available-for-sale

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of the financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot reliably be measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss. Impairment losses are recognised in profit or loss.

Other fair value changes, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

(ii) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available for sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Bank from reclassifying investment securities as held to maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstance would not trigger a reclassification.

Sales or reclassification that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

Sales or reclassification after the Bank has collected substantially all of the asset's original principal and;

Sales or reclassification attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

(iii) Fair value through profit or loss

The Bank designates some investments securities at fair value, with fair value changes recognised immediately in profit or loss.

Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or service or for administrative purposes. The Bank holds some investment property through building of estates for rental purposes and acquisition of Land from State Government. Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Property, Plant and Equipment

(i) Recognition and Measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- The cost of material and direct labour;
- Any other costs directly attributable to bringing the assets to a working condition for their intended use;
- - When the Bank has an obligation to remove the asset or restore the site, an estimate of the cost of dismantling and removing the items and restoring the site on which they are located; and
- Capitalised borrowing cost.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank. On-going repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of property and equipment are depreciated from the date they are available for the use or, in respect of self-constructed assets, from the date that the assets are completed and ready for use. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line basis over their estimated useful lives. Depreciation is recognised in profit or loss. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful life for the current and comparative periods of significant items of property, plant and equipment are as follows:

- Building
- Motor Vehicles
- Office Equipment
- Computer Hardware
- Furniture & Fittings

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible Assets

(i) Internally generated intangible assets - Computer software development costs.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from the bank's computer software program development is recognised only if all of the following conditions are met:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

After initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation period, amortisation method and residual value is reviewed at each financial year end. The residual value of intangible assets is assumed to be zero.

(ii) Purchased Computer Software

Intangible assets are measured initially at cost and are amortised on a straight-line basis over their useful lives.

After initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. The average amortisation period is as follows:

- | | |
|----------------------|-----------|
| - Computer Software: | 3-5 years |
|----------------------|-----------|

The residual value of intangible assets is assumed to be zero.

The asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount

Share Capital

Ordinary Shares

Ordinary shares are classified as equity and are recorded at the proceeds received net of incremental external costs directly attributable to the issue.

Financial Instruments

(i) Recognition and Measurement

Financial assets and financial liabilities are recognised in the statement of financial position when the bank becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Purchases and sales of financial instruments are measured on a trade-date basis.

Financial liabilities and equity instruments, issued by the bank, are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the bank after deducting all of its liabilities.

Financial assets are derecognised when and only when:

- The contractual rights to the cash flows from the financial assets expire; or
- The bank transfers the financial asset, including substantially all the risks and rewards of ownership of the asset.

A financial liabilities is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired. The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to another party and consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Investments made by bank which are classified as either held at fair value through profit or loss or available-for-sale, and are measured at subsequent reporting dates at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of quoted investments and unit trusts in active markets are based on current market prices. Since actual market prices are available in determining fair values, no significant estimates or valuation models are applied in determining the fair value of quoted financial instruments.

(ii) Fair Value Hierarchy

Fair values are determined according to the following hierarchy based on the requirements in IFRS7 "Financial Instruments: Disclosures":

- | | | |
|---|----------|--|
| - | Level 1: | Quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets. |
| - | Level 2: | Valuation techniques using observable inputs: quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable. |
| - | Level 3: | Valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable. The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active, a valuation technique is used. |

(iii) De-recognition of Financial Instruments

Financial assets are derecognised when the contractual rights to receive cash flows from the investments have expired or on trade date when they have been transferred and the bank has also transferred substantially all risks and rewards of ownership. Non-cash financial assets pledged, where the counterparty has the right to sell or re-pledge the assets to a third party, are classified as pledged assets.

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

(iv) **Financial Assets**

Management determines the classification of financial assets at initial recognition; this classification depends on the nature and purpose of the financial asset. Financial assets are classified into the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity and
- available-for-sale financial assets.

• **Financial Assets at fair value through profit or loss**

This category has two components: those held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of generating a profit from short-term fluctuation in price or a security is included in a portfolio in which a pattern of short-term profit taking exists or if so designated by management at inception as held at fair value through profit or loss.

Financial assets designated at fair value through profit or loss at inception are those that are:

- Held to match liabilities that are linked to charges in fair value of these assets. The designation of these assets at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising gains and losses on them on different bases; or

- Managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the bank's key management personnel.

• **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the bank provides money, goods or services directly to a customer with no intention of trading the receivable. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reductions for impairment of financial assets. The carrying amount represents its fair value.

• **Available-for-sale**

Available-for-sale instruments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value on the statement of financial position.

• **Financial Assets at fair value through profit or loss**

This category has two components: those held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of generating a profit from short-term fluctuation in price or a security is included in a portfolio in which a pattern of short-term profit taking exists or if so designated by management at inception as held at fair value through profit or loss.

Financial assets designated at fair value through profit or loss at inception are those that are:

- Held to match liabilities that are linked to charges in fair value of these assets. The designation of these assets at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising gains and losses on them on different bases; or

- Managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the bank's key management personnel.

• **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the bank provides money, goods or services directly to a customer with no intention of trading the receivable. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reductions for impairment of financial assets. The carrying amount represents its fair value.

• **Available-for-sale**

Available-for-sale instruments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value on the statement of financial position.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(viii) **Offsetting of Financial Instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or, realise the asset and settle the liability simultaneously.

(ix) **Impairment of Financial Assets**
(i) **Assets Carried at Amortised Cost**

At each reporting date, the bank assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and 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 asset (a 'loss event') and that loss event(s) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The bank first assesses whether objective evidence of impairment exists individually for financial asset that are individually significant, and individually or collectively for financial assets that are not individually significant. If the bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it then includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial assets' 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 profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The reverse shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Asset Carried at Fair Value

At each reporting date, the bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from comprehensive income and recognised in profit or loss.

Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not subsequently reversed through profit or loss, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income. However, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Provisions

Provisions are liabilities of uncertain timing or amount, and are recognised when the bank has a present obligation as a result of a past event, and it is probable that the bank will be required to settle that obligation. Provisions are measured at the director's estimate of the expenditure required to settle that obligation at the end of each reporting period, and are discounted (at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability) to present value where the effect is material.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect of any item included in the same class of obligations may be small.

n Foreign Currency Transactions and Balances

Foreign Currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. The functional currency is the currency of the primary economic environment in which the entity operates, which is the Nigeria Naira.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items of historical cost in a foreign currency are not retranslated.

4 Financial Risk Management

(a) Introduction

The bank uses its financial skills to provide competitive mortgage banking services to a broad range of customers - Local and Foreign.

Risk Management is essential to help ensure business sustainability thereby providing customers and the shareholders with a long-term value proposition.

Key elements of risk management are:

- Strong corporate governance including relevant and reliable management information and internal control processes;
- Ensuring significant and relevant skills and services are available consistently to the bank;
 - Influencing the business and environment by being active participants in the relevant regulatory and business forums; and
 - Keeping abreast of technology and consumer trends and investing capital and resources where required.

The overall bank focus within an appropriate risk framework is to give value to the customers through effective and efficient execution of transactions.