

CHAMS PLC AND ITS SUBSIDIARY COMPANIES
FINANCIAL STATEMENTS
31 DECEMBER 2013

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CHAMS PLC AND ITS SUBSIDIARY COMPANIES

We have audited the accompanying financial statements of Chams Plc and its subsidiary Companies ('together the Group') for the financial year ended 31 December 2013, which comprises the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements which include the significant accounting policies and other explanatory notes

Directors' responsibility for the financial statements

2. The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, in compliance with relevant provisions of the Financial Reporting Council of Nigeria Act, No 6, 2011 and the Companies and Allied Matters Act, CAP C20 LFN 2004. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

4 In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the group financial position as at 31 December 2013 and of the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the relevant provisions of the Financial Reporting Council of Nigeria Act No 6, 2011 and the Companies and Allied Matters Act, CAP C20 LFN 2004.

Report on other legal requirements

5. 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 matters. We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) in our opinion, proper books of account have been kept by the Company; and
- iii) the Company's statement of financial position and profit and loss and other comprehensive income statement are in agreement with the books of account.

Lagos, Nigeria
31 March 2014

Akibayo
Olugbemiga A. Akibayo
ACA, FRC/2013/ICAN/0000001076
For: BDO Professional Services
Chartered Accountants



Chams Plc and its Subsidiary Companies

3

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2013.

	Notes	Group		Company	
		2013 N'000	2012 N'000	2013 N'000	2012 N'000
Revenue	7	3 439 197	2 835 704	3 142 035	2 604 113
Cost of sales		(1 589 411)	(533 969)	(1 405 554)	(396 322)
Gross profit		1 849 786	2 301 735	1 736 481	2 207 791
Other operating income	8	22 342	542 709	20 042	171 440
Administrative expenses		(1 551 931)	(2 444 684)	(910 405)	(1 439 414)
Profit from operations		320 197	399 760	846 118	939 817
Finance expenses	9	(216 472)	(230 133)	(211 942)	(224 887)
Finance income	9	3 198	-	-	-
Net finance expenses		(213 274)	(230 133)	(211 942)	(224 887)
Profit before taxation		106 923	169 627	634 176	714 930
Tax expense	19(a)	81 541	(82 088)	89 106	(77 586)
Profit for the year after taxation		188 464	87 539	723 282	637 344
		-	-	-	-
Other Comprehensive Income:					
Item that will not be reclassified to profit or loss		-	-	-	-
Item that may be reclassified to profit or loss		-	-	-	-
Total Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		188 464	87 539	723 282	637 344
Loss attributable to non controlling interest		(132 567)	(51 377)	-	-
Profit attributable to Parent		321 031	138 916	723 282	637 344
Total comprehensive income		188 464	87 539	723 282	637 344
Basic earnings per share (Kobo)	10	7k	3k	15k	14k
Diluted earnings per share (Kobo)	10	7k	3k	15k	14k

The accompanying notes to the financial statements on pages 8 to 45 and non-IFRS statements on pages 46 and 47 form part of these financial statements.

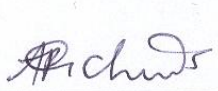
Auditors' report, pages 1 and 2.

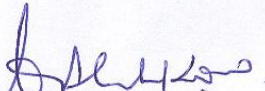
Chams Plc and its Subsidiary Companies
Consolidated Statement of Financial Position
For the Year Ended 31 December 2013

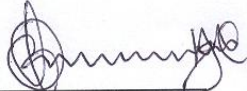
4

		Group		Company	
	Notes	2013	2012	2013	2012
		N'000	N'000	N'000	N'000
Assets					
Non-current assets					
Property, plant and equipment	11	1,682,203	2,056,248	1,164,419	1,234,336
Investment project	12	151,236	99,738	150,936	99,438
Intangible assets	13	98,703	135,113	98,703	105,113
Investment in subsidiaries	14	-	-	1,845,985	1,845,985
Available for sale financial assets	16	100,000	100,000	100,000	100,000
		2,032,142	2,391,099	3,360,043	3,384,872
Current assets					
Inventories	17	935,909	986,737	240,491	159,681
Trade and other receivables	18	7,484,052	4,995,079	8,506,073	7,088,108
Cash and cash equivalents	28	137,526	159,792	98,645	32,471
Deferred tax asset	19(c)	129,126	184,686	129,126	184,686
		8,686,613	6,326,294	8,974,335	7,464,946
Total assets		10,718,755	8,717,393	12,334,378	10,849,818
Liabilities					
Non-current liabilities					
Deferred tax liability	19(c)	-	210,688	-	210,688
Current liabilities					
Trade and other payables	20	4,574,337	2,472,567	2,744,125	1,637,170
Loans and borrowings	21	940,523	1,091,994	907,610	1,082,281
Corporate tax liability	19(e)	526,148	452,561	490,295	424,273
Due to related companies	22	-	-	-	26,340
		6,041,008	4,017,122	4,142,030	3,170,064
Total liabilities		6,041,008	4,227,810	4,142,030	3,380,752
Net assets		4,677,747	4,489,583	8,192,348	7,469,066
Issued capital and reserves attributable to owners of the parent					
Share capital	23	2,348,030	2,348,030	2,348,030	2,348,030
Share premium	24	5,458,750	5,458,750	5,458,750	5,458,750
Capital redemption reserve	25	131,094	78,571	-	-
Retained earnings	26	(2,892,657)	(3,613,136)	385,568	(337,714)
		5,045,217	4,272,215	8,192,348	7,469,066
Non-controlling interest	27	(367,470)	217,368	-	-
Total equity		4,677,747	4,489,583	8,192,348	7,469,066

The financial statements and notes on pages 3 to 47 were approved by the Board of Directors on 31 March 2014 and signed on its behalf by:


Rev. Ayodeji Richards
Chairman
FRC/2013/ICAN/00000004386


Sir. Demola Aladekomo
Managing Director
FRC/2013/NSE/00000004336


Mayowa Olaniyan
GM, Finance and Accounts
FRC/2013/ICAN/00000004330

The accompanying notes to the financial statements on pages 8 to 45 and non-IFRS statement on pages 46 and 47 form part of these financial statements.

Auditors' report, pages 1 and 2.

Chams Plc and its Subsidiary Companies
Statement of changes in equity
For the Year Ended 31 December 2013

5

Group	Share capital N'000	Share premium N'000	Capital reserve N'000	Retained earnings N'000	Total attributable to equity holders of parent N'000	Non-controlling interest N'000	Total equity N'000
1 January 2013	2 348 030	5 458 750	78 571	(3 613 136)	4 272 215	217 368	4 489 583
Adjustments	-	-	(300)	-	(300)	-	(300)
	2 348 030	5 458 750	78 271	(3 613 136)	4 271 915	217 368	4 489 283
Profit for the year	-	-	-	321 031	321 031	(132 567)	188 464
Other comprehensive Income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	321 031	321 031	(132 567)	188 464
Transaction with owners recorded directly in equity	-	-	-	-	-	-	-
31 December 2013	2 348 030	5 458 750	78 271	(3 292 105)	4 592 946	84 801	4 677 747

	Share capital N'000	Share premium N'000	Capital reserve N'000	Retained earnings N'000	Total attributable to equity holders of parent N'000	Non-controlling interest N'000	Total equity N'000
1 January 2012	2 348 030	5 458 750	(329 252)	(3 795 071)	3 682 457	328 758	4 011 215
Goodwill on consolidation	-	-	407 823	57 387	465 210	-	465 210
Prior year Adjustment	-	-	-	(14 368)	(14 368)	(60 013)	(74 381)
	2 348 030	5 458 750	78 571	(3 752 052)	4 133 299	268 745	4 402 044
Profit/(Loss) for the year	-	-	-	138 916	138 916	(51 377)	87 539
Other comprehensive Income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	138 916	138 916	(51 377)	87 539
Transaction with owners recorded directly in equity	-	-	-	-	-	-	-
31 December 2012	2 348 030	5 458 750	78 571	(3 613 136)	4 272 215	217 368	4 489 583

The accompanying notes to the financial statements on pages 8 to 45 and non IFRS statements on pages 46 and 47 form part of these financial statements.

Auditors' report, pages 1 and 2.

Chams Plc
Statement of changes in equity
For the Year Ended 31 December 2013

Company

1 January 2013

Profit for the year
Other comprehensive income net of tax

Total comprehensive income

Transaction with owners and recorded directly in equity

31 December 2013

	Share capital N'000	Share premium N'000	Retained earnings N'000	Total equity N'000
1 January 2013	2 348 030	5 458 750	(337 714)	7 469 066
Profit for the year	-	-	723 282	723 282
Other comprehensive income net of tax	-	-	-	-
Total comprehensive income	-	-	723 282	723 282
Transaction with owners and recorded directly in equity	-	-	-	-
31 December 2013	2 348 030	5 458 750	385 568	8 192 348

1 January 2012

Profit for the year
Other comprehensive income net of tax

Total comprehensive income

Transaction with owners and recorded directly in equity

31 December 2012

	Share capital N'000	Share premium N'000	Retained earnings N'000	Total equity N'000
1 January 2012	2 348 030	5 458 750	(975 058)	6 831 722
Profit for the year	-	-	637 344	637 344
Other comprehensive income net of tax	-	-	-	-
Total comprehensive income	-	-	637 344	637 344
Transaction with owners and recorded directly in equity	-	-	-	-
31 December 2012	2 348 030	5 458 750	(337 714)	7 469 066

The accompanying notes to the financial statements on pages 8 to 45 and non IFRS statements on pages 46 and 47 form part of these financial statements.

Auditors' report, pages 1 and 2.

Chams Plc and its Subsidiary Companies
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2013.

7

		Group		Company	
	Notes	2013	2012	2013	2012
		N'000	N'000	N'000	N'000
Profit after taxation		188 464	87 539	723 282	637 344
Adjustments for:					
Profit on sale of property, plant and equipment		-	(115 877)	-	(113 377)
Finance costs	9	216 472	230 133	205 678	219 831
Depreciation	11	322 468	615 643	86 763	328 602
Amortisation	13(a)	36 410	25 118	6 450	10 118
Assets adjustment		40 000	24 522	(41)	24 522
Movement in diminution in investment			21 339	-	(343 399)
Movement in value of investments		-	(1 211)	-	-
Stocks/Assets written off		-	15 633	-	-
Loss on disposal of property, plant and equipment		32 506	-	-	-
Non controlling interest		-	(111 390)	-	-
Adjustments		-	79 313	-	-
Movement in capital reserves		-	407 823	-	-
Deferred tax	18	(155 128)	185	(155 128)	185
Changes in assets and liabilities:					
Change in inventory		50 828	93 043	(80 810)	17 899
Change in trade and other receivables		(2 488 973)	(1 808 315)	(1 417 965)	(1 588 978)
Change in trade and other payables		2 101 770	133 858	1 080 615	319 571
(Decrease)/increase in current income tax payable		73 587	59 426	66 022	54 925
Change in amount due to related company		-	(755)	-	26 340
Total adjustments		229 940	(331 512)	(208 416)	(1 043 761)
Net cash provided/(by absorbed in) operating activities		418 404	(243 973)	514 866	(406 417)
Cash flows from investing activities					
Net proceeds from sale of property, plant and equipment			422 755	-	420 255
Purchase of property, plant and equipment	11	(21 229)	(793)	(16 846)	(501)
Additions to investment projects	12	(51 498)	-	(51 498)	-
Purchase of investment		-	(4 394)	-	(3 183)
Net cash (used)/ provided by investing activities		(72 727)	417 568	(68 344)	416 571
Cash flows from financing activities					
Term loan repayment		-	-	-	-
Finance expenses		(216 472)	(230 133)	(205 678)	(219 831)
Net cash provided by financing activities		(216 472)	(230 133)	(205 678)	(219 831)
Net increase/(decrease) in cash and cash equivalents		129 205	(56 538)	240 844	(209 677)
Cash and cash equivalents at the beginning of the year		(932 202)	(875 664)	(1 049 809)	(840 132)
Cash and cash equivalents at the end of the year	28	(802 997)	(932 202)	(808 965)	(1 049 809)

The accompanying notes to the financial statements on pages 8 to 45 and non-IFRS statements on pages 46 and 47 form part of these financial statements.

Auditors' report, pages 1 and 2.

Chams Plc and its Subsidiary Companies
Financial statements, 31 December 2013
Notes to the Financial Statements

8

1. History of the Company and nature of operations

Chams Plc (The Company) was incorporated as a limited liability Company on 10 September 1985 and became a public Company on 4 September 2008. The Company was listed on the floor of the Nigerian Stock Exchange on 8 September 2008. The principal activities of Chams Plc and its subsidiaries (the Group) include identity management, payment collections and transactional systems. The Company's registered office is located at 8, Louis Solomon Close, Victoria Island, Lagos.

2 Basis of preparation

- a) The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and the requirements of the Companies and Allied Matters Act, CAP C20, LFN, 2004, where the provisions of IFRS are in conflict with the requirements of the companies and Allied Matters Act, CAP C20, LFN 2004, IFRS supersedes.
- b) The financial statements were authorised for issue by the Board of Directors on 31 March 2014. The consolidated financial statements have been prepared on the historical cost basis.
- c) Functional and presentation currency.
These financial statements are presented in Naira, which is the Company's functional currency. Amounts are rounded to the nearest thousands, unless otherwise stated
- d) The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies. Areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4

3 New standards, interpretations and amendments effective from 1 January 2013

A number of new standards, interpretations and amendments effective for the first time for the year beginning on, or after 1 January 2013, have been adopted in these financial statements. The nature and effect of each new standard, interpretation and amendment adopted by the Company is detailed below. Not all new standards and interpretations effective for the first time for the year beginning on, or after 1 January 2013 affected the Company's annual financial statements.

(a) Standards likely to have a financial impact

IFRS Reference	Affected Standard(s)	Nature of change	Application date	Impact on initial Application
IFRS 9 (issued November 2009 and amended October 2010)	Financial instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in IAS 39 have been eliminated. Under IFRS 9, there are three categories of financial assets: - Amortised cost - Fair value through profit or loss - Fair value through other comprehensive The following requirements have generally been carried forward unchanged from IAS 39 Financial Instruments: Recognition and Measurement into IFRS 9: - Classification and measurement of financial liabilities - Derecognition requirements for financial assets and liabilities. However, IFRS 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the fair value of a financial liability that is designated at fair value through profit or loss (using the fair value option) that relates to changes in the reporting entity's own credit risk are normally recognised in other comprehensive income. The changes are to be applied prospectively from the date of adoption.	To be determined	The effective date of IFRS 9 is still to be determined. The entity has not yet made an assessment of the impact of these amendments. The entity has financial assets classified as available for sale, on adoption of the standard these will be remeasured to Fair Value through profit and loss. The entity does not have any financial liabilities designated at fair value through profit or loss.
IFRS 9 (Amended December 2011)	Amendments to IFRS 9 Financial Instruments Mandatory Effective Date of IFRS 9 and Transition Disclosures	Defers the effective date of IFRS 9 to 1 January 2015. Entities are no longer required (but are still permitted) to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods commencing on or after 1 January 2015.	As comparatives are no longer required to be restated, if an entity takes advantage of the relief there will be no impact on comparative information that is presented in the financial statements. However, additional disclosures will be required on transactions, including the quantitative effects of reclassifying financial assets on transition.
IFRS 9 (issued November 2013)	Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS. 39)	Makes three amendments to IFRS 9: - Adds New hedge accounting requirements into IFRS 9- Defers the effective date of IFRS 9. - Makes available for early adoption the presentation of changes in 'own credit' in other comprehensive income (OCI) for financial liabilities that are accounted for using the fair value option without the need to apply the other requirements of IFRS 9.		The effective date of IFRS 9, for periods beginning on or after 1 January 2015, has been deleted with the effective date now being left open until all other outstanding phases of IFRS 9 have been completed. The entity has not yet made an assessment of the impact of these amendments.

IFRS Reference	Affected Standard(s)	Nature of change	Application date	Impact on initial Application
		Under the new hedge accounting requirements: '- The 80-125% highly effective Threshold has been removed - Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable. - When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI - Net foreign exchange cash flow positions can qualify for hedge accounting.		
IFRS 10 (amended October 2012)	Amendment to IFRS 10 Consolidated Financial Statements: Investment Entities	The amendment defines an investment entity and requires a parent that is an investment entity to measure its investment in particular subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. The amendment prescribes three criteria that must be met in order for an entity to be defined as an Investment Entity, as well as four 'typical characteristics' to consider in assessing the criteria. The amendment also introduces disclosure requirements for investment entities into IFRS 12 Disclosure of Interest in Other Entities and amends IAS 27 Separate Financial Statements.	Annual reporting periods commencing on or after 1 January 2014	The management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's invested held during the year or comparative periods covered by these financial statements.
IAS 19 (amended November 2013)	Amendment to IAS 19 Employee Benefits: Defined Benefit Plans: Employee Contributions.	The amendment introduces a narrow scope amendment that: - Provides a practical expedient to certain contributions from employees or third parties to a defined benefit plan, but only those contributions that are independent of the number of years of service. - clarify the treatment of contributions from employees or third parties to a defined benefit plan that are not subject to the practical expedient. These are accounted for in the same way that the gross benefit is attributed in accordance with IAS 19.70.	Annual reporting periods commencing on or after 1 January 2014	Payments are independent of the number of years of service and the company already accounts for this in accordance with IAS 19-93 {(a) (b)} and will elect to do so again once the amendment is effective. When this amendment is first adopted for 31 December 2014 year end, there will be no impact in respect of the accounting treatment for offsetting the entity's financial assets and financial liabilities.
IAS 32 (amended November 2011)	Amendment to IAS 32 Financial instruments: Presentation Offsetting financial assets and financial liabilities.	The amendments has clarified and expanded the application guidance in relation to the offsetting of financial assets and financial liabilities in respect of: (a) The meaning of currently has a legally enforceable right of setoff (b) The application of simultaneous realisation and settlement (c) The offsetting of collateral amounts (d) The unit of account for applying the offsetting requirements.		When this amendment is first adopted for 31 December 2014 year end, there will be no impact in respect of the accounting treatment for offsetting the entity's financial assets and financial liabilities.

(b) Standards likely to have a disclosure impact only

IFRS Reference	Title and Affected Standard(s)	Nature of change	Application date	Impact on initial Application
IFRIC 21 (issued May 2013)	Levies	The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.	Periods commencing on or after 1 January 2014	There will be no impact relating to the timing or recognition of the entities levies until when this interpretation is first adopted.
IFRS 12 (issued May 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for <u>unconsolidated structured entities</u>	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structures.
IFRS 7 (amended December 2011)	Amendment to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	Additional disclosures required in relation to information about rights of offset and related arrangements for financial instruments under an enforceable master netting arrangement (or similar arrangement). Minimum disclosure requirements, in a tabular format that splits financial assets and financial liabilities, are: (a) Gross financial assets and liabilities under a master netting (or similar) agreement (b) The amounts offset under IAS 32 (c) The net amount presented in the statement of financial position (i.e. (a) - (b)) (d) The amounts subject to an enforceable master netting agreement (or similar) not included in the amount offset under IAS 32 (i.e. (b), being those that fail to meet the offsetting criteria as well as those related to financial collateral (e) The net of (d) less (c) (d). Also required is the description of the nature of the right of set-off, in relation to amount presented under (d) above.		As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. Currently, the entity does not have (and is unlikely to have) any enforceable master netting (or similar) arrangements in place, and therefore the amendment will not add any additional quantitative and qualitative disclosures.
IAS 36 (amended May 2013)	Amendment to IAS 36 Impairment of Assets Recoverable amount disclosures for non-financial assets	- Require the disclosure of the recoverable amount of an asset (or CGU) only in periods in which impairment has been recorded or reversed in respect of that assets/(or CGU) - Expand and clarify the disclosure requirements when an asset (CGUs) recoverable amount has been determined on the basis of fair value less disposal. - Specifically Require the disclosure of the discount rate when an asset (or CGU) has been impaired (or impairment reversed) where the recoverable amount has been determined based on fair value less costs of disposal using a present value technique.	1 January 2014	As this is a disclosure standard only, there will be no impact on amounts recognised in the primary financial statements. However, the amount of information disclosed regarding impairment may be reduced.

(c) Standards not likely to have any impact

IFRS Reference	Affected Standard(s)	Nature of change	Application date	Impact on initial Application
IAS 27 (issued May 2011)	Separate Financial Statements	Requirements for consolidation removed and inserted into IFRS 10 Consolidated Financial Statements (mentioned in Standards likely to have a Financial Impact above) Disclosures removed and inserted into IFRS 12 Disclosure of Interests in Other Entities.	Annual periods commencing on or after 1 January 2013	Management does not anticipate a material impact on the Group's consolidated financial statements
IAS 28 (issued May 2011)	Investments in Associates and Joint Ventures	Disclosures removed and inserted into IFRS 12 Disclosure of Interests in Other Entities	Annual periods commencing on or after 1 January 2013	Management does not anticipate a material impact on the Group's consolidated financial statements
IFRS 10, IFRS 11, and IFRS 12 (amended June 2012)	Transition guidance - Consolidated financial statements, Joint arrangements, and Disclosures of Interests in other entities.	The amendments clarify certain aspects when an entity transactions from IAS 27 Consolidated and Separate Financial Statements/ SIC-12 Consolidation - Special Purpose Entities to the new consolidated standards IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other entities.	Annual periods commencing on or after 1 January 2013	Management does not anticipate a material impact on the Group's consolidated financial statements

4 **Significant accounting policies**

(i) **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue is the fair value of the consideration received net of taxes and discounts. Revenue from sales of goods is recognised when delivery has taken place and transfer of risks and reward of ownership has been completed. Revenue from service rendered is recognised immediately the service is completed and a service delivery form is issued. When services are provided in phases, revenue is recognised on completion of each phase of the project. Dividends are recognised when shareholders right to received payment is established.

Contract revenue is recognised in the income statement on percentage of completion method with the stage of completion being measured by reference to the actual work performed to date.

(ii) **Basis of consolidation**

a. **Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists when the group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

b. **Accounting method of acquisition**

The acquisition method of accounting is used to account for the purchase of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, plus any costs directly related to the acquisition. The excess of the cost of an acquisition over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill.

c. **Associates**

When the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. The Group's share of post-acquisition profits and losses is recognised in the consolidated statement of comprehensive income except that losses in excess of the Group's investment in the associate are not recognised unless there is obligation to make good those losses.

Profit and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investor's interest in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associates.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in the associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non financial assets.

d. **Joint venture**

Jointly controlled entities are included in the financial statements using proportionate consolidation. The share of each of the jointly controlled entity's assets, liabilities, income and expenses are combined on the line by line basis with those of the Group.

Profits and losses arising on transactions between the Group and jointly controlled entities are recognised only to the extent of unrelated investor's interest in the entity. The investor's share in the jointly controlled entity's profits and losses resulting from these transactions is eliminated against the asset or liability of the jointly controlled entity arising on the transaction.

The Group includes the assets its controls, its share of any income and the liabilities and expenses of jointly controlled operations and jointly controlled assets in accordance with the terms of the underlying contractual arrangement.

iii) **Segment reporting**

An operating segment is a component of an entity:

- (a) That engages in business activities from which it may earn revenues and incur expenses (including inter group transactions).
- (b) Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segments and assess its performance and
- (c) For which discrete financial information is available

The Company has three main business segments:

- Identity Management and solutions
- Payments, Collections and Transactional Systems
- ICT Training

Revenue and cost reporting are directly related to the segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers have been identified as the members of the management team including the Group Managing Director.

All reported revenue and related costs of each segments are reconciled.

a. **Identity management**

Chams is a regional resource centre for identification solutions for clients ranging from corporations, educational bodies to national government.

Our identity management activities will include prometrics, biometrics identification with applications in the financial, healthcare, corporate and other public fields.

- **Chamscity:** is the major hub for large and nationwide Biometrics, data management, online real-time examinations and conferences etc. It offers a unique infrastructural backbone for the realisation of net national identification schemes and projects.
- **Terminal and printers:** has expertise in sales, installation and maintenance of Data card Printers in Nigeria and sales of terminals and access control.

Under the Group Operations we provide identity management through our subsidiary companies such as:

Card Centre Limited

This is an operator of one of the world's largest card manufacturing and personalising factory. It also has Smart and Chip Card expertise engaging efficient and effective technologies for card personalisation, identity card enrolment logistic and access control.

b. Payments, collections and transactional systems

Our payments systems involve building, developing and maintenance of ICT infrastructures across the nation through our companies by helping Nigeria move seamlessly with the world's trend of cashless economy. Under the Group Operations, we provide payment platforms through our subsidiary companies such as:

ChamsAccess Limited

Deploys across the nation the premium automated teller machines and self-service Chams Access Service Terminals (CAST).

ChamsSwitch Limited

Set up to build an enabling infrastructure to ensure unimpeded expansion of all other E-payment initiatives of Chams Group.

ChamsMobile Limited/Naira.com

Setting up mobile payment platforms that will allow users carry out transactions through their mobile phones. These transactions ranges from funds transfer and airtime top-up to balance enquiry etc.

Paymaster Limited

Specialises in deployment of POS terminals with e-payment, vouchers, identity, loyalty, and more financing banking applications.

c. ICT Training

Through ChamsVarsity activities, we provide training and knowledge acquisition to bridge the gap in ICT management and education in Nigeria by providing quality ICT education in the sector.

d. All non current assets under each segment are geographically analysed.

e. Others: Terminal and printers and recharge card aspect of Card Center

Geographical location

Abuja	Lagos	Port-Harcourt
Chams Switch	Chams Plc	Chams City

v. Property, plant and equipment

Item of property, plant and equipment are measured at cost less depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When an item of property, plant and equipment is replaced, the carrying amount of such item of property, plant and equipment will include the cost of replacing the part of such an item when the cost is incurred. The carrying amount of those parts that are replaced is derecognised.

Depreciation is recognised in profit and loss on a straight line basis to write down the cost of each asset to its residual value over the estimated useful life of each part of an item of property, plant and equipment.

The expected useful lives of property, plant and equipment are as follows:

<u>Leasehold improvement</u>	Over the shorter of the useful life of the item
Building	50 years
Computers and other IT equipment	4 years
Furniture and fittings	4 years
Plant and machineries	7 years
Motor vehicles	4 years
IT Software	5 years

Derecognition

An item of property, plant and equipment is derecognised on disposal when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit and loss in the year the asset is derecognised.

At each statement of financial position date, the Group assesses whether there is any indication that an asset may be impaired. If any such exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest generating unit to which the asset belongs.

If there is an indication that an asset is impaired, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised immediately in the income statement.

vi. **Leases**

Leases in which substantially all the risks and rewards incidental to the ownership of the leased asset have been transferred to the Group (a finance lease), the asset is treated as if it has been purchased outright. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The interest element of the lease is charged to the consolidated statement of comprehensive income over the period of the lease. Leases other than finance lease are operating lease and are not recognised as assets in the books. lease expenses are charged to the statement of profit or loss and other comprehensive income.

vii. **Investment property**

An investment property is an investment in land and building held primarily for generating income or capital appreciation and not occupied substantially for use in the operation of the Group.

Initial measurement is at cost, while subsequent recognition is at fair value. Investment property measured at fair value is reassessed every year and changes in carrying value are recognised in the consolidated statement of profit or loss.

viii. **Intangible asset**

Internally generated intangible assets are primarily comprised of internally developed software. Such software as well as other internally generated assets for internal use are valued at cost and amortised over their useful lives. Impairments are recorded if the carrying amount of the asset exceeds the recoverable amount.

Development costs include, in addition to those costs attributable to the development of the asset, an appropriate proportion of overhead costs. Borrowing costs are capitalised to the extent that they are material and related to the period over which the asset is generated. The estimated useful life of software is 5 years which is assessed for impairment every year.

ix. **Goodwill**

Goodwill represents an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately re-organised.

Cost comprises of assets given, liabilities assumed and equity instruments issued, plus the amount of any non controlling interests in the business acquired plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in case of contingent consideration classified as financial liability, measured subsequently through profit and loss.

Goodwill is capitalized as an intangible asset with any impairment (The Company is required to test on annual basis whether goodwill has suffered impairment) in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

x. **Inventories**

Inventories of raw materials are valued at lower of purchase cost (based on weighted average cost, including related costs) and their net realizable value. A write down is recorded if net realizable value is less than the book value.

Write down on inventories of spare parts and consumables are calculated by comparing book value and probable net realizable value after a specific analysis of obsolescence of inventory.

xi. **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less. For the purpose of the statement of cash flows, bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

xii. **Borrowings costs**

Borrowing costs are interest and other costs that the entity incurs in connection with the borrowing of funds. Borrowing costs on qualifying capital expenditure are capitalized while others are expensed.

xiii. **Employee benefits**

a) **Short - term employee benefits**

All short term employee benefits payable within 12 months after service is rendered, the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period should be recognized in that period. All benefits that are due or outstanding as at the end of the year are accrued for.

b) **Defined contribution plans**

The cost to be recognized in the period is the contributory pension payable by employer (i.e. 7.5% of Basic, Housing and Transport) and the employee contributes in exchange for service rendered by employees during the period (e.g. pension contribution scheme). The cost is recognized as an expense in income statement when they fall due.

c) **Termination benefits**

Termination benefits would be recognized when and only when, the Group is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The Group shall recognize termination benefits as an expense when the Group is demonstrably committed with a detailed formal plan for the termination without realistic possibility of withdrawal.

xiv. **Income tax**

Expenses on income tax comprise current and deferred tax. Current tax is the expected tax payable on taxable income or loss for the year, using tax rates enacted by the Government. Current tax assets and liabilities will be offset on the statement of financial position. Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividend by the Group are recognized at the same time as the liability to pay the related dividend is recognized.

xv. **Share capital**

Financial instruments issued by the Group are classified as equity only to extent that they do not meet the definition of a financial liability or financial asset.

The Group's ordinary shares are classified as equity instruments.

xvi. **Foreign currency transactions**

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at each reporting date are retranslated to the functional currency at exchange rates as at the date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

Non monetary items are not re-translated at year end and are measured at historical cost (translated using the exchange rates at the transaction dates,) except for non monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

xvii. **Provisions, Contingent Assets and Liabilities**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required from the group and the amounts can be estimated reliably. Timing or amounts of the outflow may still be uncertain.

Provisions are measured at the estimated amounts required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are discounted to their present values when the time value of money is material.

xviii. **Financial Instruments**

Recognition, Initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instruments and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables
- Financial assets at fair value through profit or loss (FVTPL)
- Held-to-maturity (HTM) investments
- Available-for-sale (AFS) financial assets

All financial assets except for those at FVTPL are subject to review for impairment at least yearly to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

All income and expenses relating to financial assets that are recognised in the profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The group's cash and cash equivalents, trade and other receivables fall into this category of financial instruments.

Individual significant receivables are considered for impairment when they are past due or when objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

HTM investments

HTM investments are non derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the group has the intention and ability to hold them until maturity.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment including impairment losses are recognised in profit or loss.

AFS financial assets

AFS financial assets are non derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The group's AFS financial assets include unquoted equity investment in Joint Komputer Kompany Limited.

The equity investment in Joint Komputer Kompany Limited is measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest is calculated using the effective interest rate method and dividends are recognised in profit or loss within finance income.

Reversals and impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes certain estimates and assumptions regarding the future. Estimates are based on factors including historical experience and expectations of future events that management believes to be reasonable. However, given the judgmental nature of such estimates, actual results could be different from assumptions used. The estimates and assumptions that can have significant risks of causing material adjustments to the carrying amounts of assets and liabilities are set out below:

a. **POWER TO EXERCISE SIGNIFICANT INFLUENCE**

When the Company holds less than 20% of voting rights in an investment but the Company has the power to exercise significant influence, such an investment is treated as an associate. Where the Company holds over 20% of voting rights (but not over 50%) and the Company does not exercise significant influence, the investment is treated as an available – for – sale investment.

b. **LEGAL PROCEEDINGS**

In accordance with IFRS, the Group recognizes a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of cost of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Application of these accounting principles to legal cases requires the Group's management to make determinations about various factual and legal matters beyond control. The Company reviews outstanding legal cases following developments in the legal proceedings and at each reporting date in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case(including the progress after the date of the financial statements but before those statements are issued), the opinion or views of legal advisers, experience on similar cases and any decision of the Company's management as to how it will respond to the litigation, claims or assessment.

c. **DETERMINATION OF FAIR VALUES OF INTANGIBLE ASSETS IN BUSINESS COMBINATIONS**

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that would have been avoided as a result of the trademark or a patent being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sales of assets

6 **FINANCIAL INSTRUMENTS- RISK MANAGEMENT**

The Company is exposed through its operations to the following financial risks:

- Foreign exchange risk
- Interest rate risk
- Liquidity risk
- Credit risk

Foreign Exchange Risk

Most of the Group's transactions are carried out in Nigerian Naira (N). Exposures to currency exchange rates arise from the Group's overseas purchases of goods and raw materials, which are primarily denominated in US dollars (USD). To mitigate the Group's exposure to foreign currency risk, non-Naira cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies.

Generally, the Group's risk management procedures distinguish short term foreign currency cash flows (due within 6 months) from longer term cash flows (due after 6 months). Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward exchange contracts are mainly entered into for significant long term foreign currency exposures that are not expected to be offset by other currency transactions.

Interest rate risk

The Group's policy is to minimize interest rate cash flow risk exposures by choosing short term borrowings (mainly overdrafts). At 31 December 2012, the Group is exposed to changes in market interest rates through short term bank borrowings at variable interest rates. There are no borrowings at fixed interest rates. The exposure to interest rates for the Group's money market funds is considered immaterial.

Liquidity risk

Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by forecasting cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands: on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Group's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. Cash flows from trade and other receivables are all contractually due within six months.

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk through creating receivables to customers, placing deposits etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 December, 2012.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the reported financial assets that are not impaired or past due for each of the 31 December reporting dates under review are of good credit quality.

Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management considers the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

PRINCIPAL FINANCIAL INSTRUMENTS

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Bank overdraft
- Fixed rate bank loans

The group's internal auditors periodically review the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risks as far as possible without unduly affecting the Company's competitiveness and flexibility.

Chams Plc and its Subsidiary Companies
Notes Forming Part of the Financial Statements
For the Year Ended 31 December 2013

7(a) <u>Segment information (Group)</u>	Identity management & Solution	Others	Total
	2013 N'000	2013 N'000	2013 N'000
Revenue	2 967 070	472 127	3 439 197
Cost of sales	<u>(1 124 047)</u>	<u>(465 364)</u>	<u>(1 589 411)</u>
Gross profit	<u>1 843 023</u>	<u>6 763</u>	<u>1 849 786</u>
Total gross profit from external customers	<u>1 843 023</u>	<u>6 763</u>	<u>1 849 786</u>
Group gross profit per consolidated statement of comprehensive income	1 843 023	6 763	1 849 786
Depreciation	<u>(182 086)</u>	<u>(115 294)</u>	<u>(297 380)</u>
Segment profit/ (loss)	<u>1 660 937</u>	<u>(108 531)</u>	<u>1 552 406</u>
Other operating income			22 342
Depreciation of head office building			(25 088)
Finance expenses			(216 472)
Finance income			3 198
Administrative expenses			<u>(1 229 463)</u>
Group profit before tax			<u>106 923</u>
Segment financial position as at 31 December 2013			
Property plant and equipment (carrying amount)	1 030 013	652 190	1 682 203
Long term investments	-	100 000	100 000
Intangible assets	98 703	-	98 703
Investment projects	43 484	107 752	151 236
Deferred taxation	129 126	-	129 126
Current assets	8 169 430	1 320 485	9 489 915
Current liabilities	<u>(5 927 421)</u>	<u>(1 046 015)</u>	<u>6 899 850</u>
Net assets as at 31 December 2013	<u>3 543 335</u>	<u>1 134 412</u>	<u>4 677 747</u>

Chams Plc and its Subsidiary Companies
Notes Forming Part of the Financial Statements
For the Year Ended 31 December 2013

(b) <u>Segment information (Group)</u>	Identity management & Solution	Others	Total
	2012 N'000	2012 N'000	2012 N'000
Revenue	2 446 424	389 280	2 835 704
Cost of sales	(377 628)	(156 341)	(533 969)
Gross profit	2 068 796	232 939	2 301 735
Total gross profit from external customers	2 068 796	232 939	2 301 735
Group gross profit per consolidated statement of comprehensive income	2 068 796	232 939	2 301 735
Depreciation	(347 788)	(212 348)	(560 136)
Amortisation	-	-	-
Segment profit	1 721 008	20 591	1 741 599
Other operating income			542 709
Depreciation of head office building			(55 110)
Finance income			-
Finance expenses			(230 113)
Administrative expenses			(1 829 438)
Group loss before tax for the year ended 31 December 2012			169 647
Segment financial position as at 31 December 2012			
Property plant and equipment (carrying amount)	1 276 724	779 524	2 056 248
Long term investments	-	127 920	127 920
Intangible assets	135 113	-	135 113
Investment projects	20 649	51 169	71 818
Deferred taxation	(210 688)	-	(210 688)
Current assets	5 444 409	881 885	6 326 294
Current liabilities	(3 457 135)	(559 987)	(4 017 122)
Net assets 31 December 2012	3 209 072	1 280 511	4 489 583

Chams Plc and its Subsidiary Companies
Notes Forming Part of the Financial Statements
For the Period Ended 31 December 2013

(c) <u>Segment information (Company)</u>	Identity management & Solution	Others	Total
	2013 N'000	2013 N'000	2013 N'000
Revenue	2 740 256	401 779	3 142 035
Cost of sales	(1 166 610)	(238 944)	(1 405 554)
Gross profit	1 573 646	162 835	1 736 481
Total gross profit from external customers	1 573 646	162 835	1 736 481
Gross profit per statement of comprehensive income	1 573 646	162 835	1 736 481
Depreciation	(56 852)	(4 823)	(61 675)
Segment Profit	1 516 794	158 012	1 674 806
Other operating income			20 042
Other expenses			-
Depreciation of head office building			(25 088)
Finance expenses			(211 942)
Administrative expenses			(823 642)
Company profit before tax as at 31 December 2013			634 176
Segment financial position as at 31 December 2013			
Property plant and equipment (carrying amount)	1 061 484	102 935	1 164 419
Long term investments	420 897	1 525 088	1 945 985
Intangible assets	98 703	-	98 703
Investment projects	43 397	107 539	150 936
Deferred taxation	129 126	-	129 126
Current assets	7 697 641	1 147 568	8 845 209
Current liabilities	(3 437 885)	(704 145)	(4 142 030)
Net assets	6 013 363	2 178 985	8 192 348

Chams Plc and its Subsidiary Companies
Notes Forming Part of the Financial Statements
For the Period Ended 31 December 2013

26

<u>Segment information Company</u>	Identity management & Solution	Others	Total
	2012 N'000	2012 N'000	2012 N'000
Revenue	2 271 119	332 994	2 604 113
Cost of sales	(252 361)	(143 961)	(396 322)
Gross Profit	<u>2 018 758</u>	<u>189 033</u>	<u>2 207 791</u>
Total Gross Profit from external customers	<u>2 018 758</u>	<u>189 033</u>	<u>2 207 791</u>
Gross revenue per			
Statement of comprehensive income	2 018 758	189 033	2 207 791
Depreciation	(229 460)	(46 566)	(276 026)
Segment profit	<u>1 789 298</u>	<u>142 467</u>	<u>1 931 765</u>
Other operating income			171 440
Other expenses			
Depreciation of head office building			(52 576)
Finance expenses			(224 887)
Administrative expenses			(1 110 812)
Profit before tax as at 31 December 2012			<u>714 930</u>

Segment financial position as at 31 December 2012

Property plant and equipment (carrying amount)	1 001 787	232 549	1 234 336
Long term investments	426 871	1 546 734	1 973 605
Intangible assets	20 649	51 169	71 818
Investment projects	105 113	-	105 113
Deferred taxation	(210 688)	-	(210 688)
Current assets	6 503 460	961 486	7 464 946
Current liabilities	(2 761 760)	(408 304)	(3 170 064)
Net assets as at 31 December 2012	<u>5 085 432</u>	<u>2 383 634</u>	<u>7 469 066</u>

	Group		Company	
	2013 N'000	2012 N'000	2013 N'000	2012 N'000
8 Other operating income				
Rental Income	16 355	57 341	16 355	57 341
Miscellaneous income	5 987	3 813	3 687	722
Interest received	-	1 472	-	-
Profit from disposal of property, plant and equipment	-	115 877	-	113 377
Investment recovery	-	364 206	-	-
Total	<u>22 342</u>	<u>542 709</u>	<u>20 042</u>	<u>171 440</u>

Chams Plc and its Subsidiary Companies
Notes Forming Part of the Financial Statements
For the Year Ended 31 December 2013

27

Finance income and expense

	Group		Company	
	2013 N'000	2012 N'000	2013 N'000	2012 N'000
9 Finance income				
Interest received on bank deposits	3 198	-	-	-
Total finance income	3 198	-	-	-
Finance expenses	N'000	N'000	N'000	N'000
Interest expense on loans and overdraft	209 200	222 955	205 678	219 831
Bank Charges	7 272	7 178	6 264	5 056
Total finance expenses	216 472	230 133	211 942	224 887
Net finance expense recognised in income statement	213 274	230 133	211 942	224 887

	Group		Company	
	N'000	N'000	N'000	N'000
10 <u>Earnings per share</u>				
Earnings for the year and earnings used in basic EPS	321 031	138 916	723 282	637 344
Earnings used in diluted EPS	321 031	138 916	723 282	637 344
Denominator	'000	'000	'000	'000
Weighted average number of shares used in basic EPS	4 696 060	4 696 060	4 696 060	4 696 060
Weighted average number of shares used in diluted EPS	4 696 060	4 696 060	4 696 060	4 696 060
	7k	3k	15k	14k

Chams Plc and its Subsidiary Companies
Notes Forming Part of the Financial Statements
For the Year Ended 31 December 2013

28

11(a) Property, plant and equipment (Group)

<u>Cost</u>	Land N'000	Building N'000	Plant and machinery N'000	Fixtures and fittings N'000	Computer equipment N'000	Equipment N'000	Motor Vehicle N'000	Total N'000
Balance at 1 January 2013	100 583	1 258 320	1 111 610	495 757	389 371	1 192 515	180 103	4 728 259
Additions	-	-	1 396	872	2 751	5 140	11 070	21 229
Disposals	-	-	(275 178)	-	(21)	(19)	-	(275 218)
Assets Written off	-	-	-	-	-	-	(10 858)	(10 858)
Adjustments	-	-	-	(1 880)	-	-	-	(1 880)
Balance at 31 December 2013	100 583	1 258 320	837 828	494 749	392 101	1 197 636	180 315	4 461 532
Balance at 1 January 2012	100 583	1 258 320	1 111 610	506 683	388 921	1 192 279	189 746	4 748 142
Additions	-	-	-	107	450	236	-	793
Disposals	-	-	-	(11 033)	-	-	(5 043)	(16 076)
Assets written off	-	-	-	-	-	-	(4 600)	(4 600)
Balance at 31 December 2012	100 583	1 258 320	1 111 610	495 757	389 371	1 192 515	180 103	4 728 259
<u>Accumulated depreciation</u>								
Balance at 1 January 2013	-	171 607	671 123	323 984	261 967	1 071 458	171 872	2 672 011
Depreciation charge for the year	-	25 088	166 241	10 668	86 118	26 788	7 565	322 468
Disposals	-	-	(202 692)	-	-	-	-	(202 692)
Adjustments	-	-	-	(2 071)	-	191	(10 578)	(12 458)
Balance at 31 December 2013	-	196 695	634 672	332 581	348 085	1 098 437	168 859	2 779 329
Balance at 1 January 2012	-	135 482	490 785	255 397	181 002	841 477	152 225	2 056 368
Depreciation charge for the year	-	36 125	180 338	68 587	80 965	229 981	19 647	615 643
Balance at 31 December 2012	-	171 607	671 123	323 984	261 967	1 071 458	171 872	2 672 011
<u>Carrying amount as at:</u>								
Balance at 31 December 2013	₦100 583	₦1 061 625	₦203 156	₦162 168	₦44 016	₦99 199	₦11 456	₦1 682 203
Balance at 31 December 2012	₦100 583	₦1 086 713	₦440 487	₦171 773	₦127 404	₦121 057	₦8 231	₦2 056 248

Chams Plc and its Subsidiary Companies
Notes Forming Part of the Financial Statements
For the Year Ended 31 December 2013

29

11(b) Property, plant and equipment (Company)

<u>Cost</u>	Land N'000	Building N'000	Plant and machinery N'000	Fixtures and fittings N'000	Computer equipment N'000	Equipment N'000	Motor Vehicle N'000	Total N'000
Balance at 1 January 2013	44 146	1 258 321	84 437	241 005	48 529	929 676	116 798	2 722 912
Additions	-	-	-	796	-	4 980	11 070	16 846
Balance at 31 December 2013	44 146	1 258 321	84 437	241 801	48 529	934 656	127 868	2 739 758
Balance at 1 January 2012	351 024	1 258 321	84 437	241 005	48 079	929 625	116 798	3 029 289
Additions	-	-	-	-	450	51	-	501
Disposals	(306 878)	-	-	-	-	-	-	(306 878)
Balance at 31 December 2012	44 146	1 258 321	84 437	241 005	48 529	929 676	116 798	2 722 912
<u>Accumulated depreciation</u>								
Balance at 1 January 2013	-	171 607	52 443	234 069	19 749	898 321	112 387	1 488 576
Depreciation charge for the year	-	25 088	11 990	7 029	11 850	25 655	5 151	86 763
Balance at 31 December 2013	-	196 695	64 433	241 098	31 599	923 976	117 538	1 575 339
Balance at 1 January 2012	-	135 482	40 071	176 555	10 269	700 808	96 789	1 159 974
Depreciation charge for the year	-	36 125	12 372	57 514	9 480	197 513	15 598	328 602
Balance at 31 December 2012	-	171 607	52 443	234 069	19 749	898 321	112 387	1 488 576
<u>Carrying amount as at:</u>								
31st December 2013	₦44 146	₦1 061 626	₦20 004	₦703	₦16 930	₦10 680	₦10 330	₦1 164 419
31st December 2012	₦44 146	₦1 086 714	₦31 994	₦6 936	₦28 780	₦31 355	₦4 411	₦1 234 336

Chams Plc and its Subsidiary Companies
Notes Forming Part of the Financial Statements
For the Year Ended 31 December 2013

12	Investment projects:	Group		Company	
		2013	2012	2013	2012
		N'000	N'000	N'000	N'000
	Investment projects				
	Chams Varsity	4 083	4 083	4 083	4 083
	Chams.Net	40 796	40 796	40 796	40 796
	Chams Wallet	6 290	6 290	6 290	6 290
	Chams Consortium	72 147	20 649	72 147	20 649
	Chams Mobile Limited	27 920	27 920	27 620	27 620
	Total	151 236	99 738	150 936	99 438

Investment projects represent expenses incurred on behalf of Chams Varsity, Chams.Net and Chams Wallet divisions, and will be converted to shares when these divisions become subsidiaries.

ChamsAccess Limited

Deploys across the nation the premium automated teller machines and self - service Chams Access Service Terminals (CAST)

ChamsSwitch Limited

Set up to build an enabling infrastructure to ensure unimpeded expansion of all other E-payment initiatives of Chams Group

ChamsMobile Limited

Setting up more mobile payment platforms that will allow users to carry out transactions through their mobile phones.

These transactions range from funds transfer and airtime top-up to balance enquiry etc.

Paymaster Limited

Specialises in deployment of POS terminals with e-payment, vouchers, identity, loyalty and more financing & banking applications.

Chams Plc and its Subsidiary Companies
Notes Forming Part of the Financial Statements
For the Year Ended 31st December 2013.

31

13(a) Intangible assets - Group

	NCC Licences	Software Development	Total
<u>Cost</u>	N'000	N'000	N'000
Balance at 1 January 2013	150 000	125 349	275 349
Additions - externally acquired	-	-	-
Additions - internally developed	-	-	-
Balance at 31 December 2013	150 000	125 349	275 349
Balance at 1 January 2012	150 000	125 349	275 349
Additions - externally acquired	-	-	-
Additions - internally developed	-	-	-
Balance at 31 December 2012	150 000	125 349	275 349
<u>Amortisation</u>			
Balance at 1 January 2013	120 000	20 236	140 236
Amortisation charge for the year	30 000	6 410	36 410
Balance at 31 December 2013	150 000	26 646	176 646
Balance at 1 January 2012	105 000	10 118	115 118
Amortisation charge for the year	15 000	10 118	25 118
Balance at 31 December 2012	120 000	20 236	140 236
<u>Carrying amount as at:</u>			
31 December 2013	-	98 703	98 703
31 December 2012	30 000	105 113	135 113

Intangible assets represent the value of NCC licence acquired from SmartCity by Card Center Nigeria Limited and Software Development Cost acquired from Supercard Limited by Chams Plc recognised in the books in 2011. These assets have a lifespan of 10 years, which should be amortized by straight line method at 10% p.a.

13(b) Intangible assets - Company

<u>Cost</u>	Software Development N'000	Total N'000
Balance at 1 January 2013	125 349	125 349
Additions - externally acquired	-	-
Additions - internally developed	-	-
Balance at 31 December 2013	125 349	125 349
Balance at 1 January 2012	125 349	125 349
Additions - externally acquired	-	-
Additions - internally developed	-	-
Balance at 31 December 2012	125 349	125 349
<u>Amortisation</u>		
Balance at 1 January 2013	20 236	20 236
Amortisation charge for the year	6 410	6 410
Balance at 31 December 2013	26 646	26 646
Balance at 1 January 2012	10 118	10 118
Amortisation charge for the year	10 118	10 118
Balance at 31 December 2012	20 236	20 236
<u>Carrying amount as at:</u>		
31 December 2013	₦98 703	₦98 703
31 December 2012	₦105 113	₦105 113

Intangible assets represent the value of Software Development Cost acquired from Supercard Limited by Chams Plc recognised in the books in 2011.

Chams Plc and its Subsidiary Companies
Notes Forming Part of the Financial Statements
For the Year Ended 31 December 2013

14 Investment in subsidiaries

a) Composition of the Group

Name of the Subsidiary	Country of incorporation and principal place of business	Principal Activities	Proportion of ownership Interests held by the Group	
			31 December 2013	31 December 2012
Card Centre Nigeria Limited	Nigeria	Printing of payment/ financial cards	99.07%	99.97%
Cham Access Limited	Nigeria	Development of ATM, POS, printers and terminals	68.37%	68.37%
Cham Switch Limited	Nigeria	Processing of electronic payme	84%	84%

b) Subsidiary with material non-controlling interests

The Group includes one subsidiary, Chams Access Limited with material non-controlling interests (NCI):

Name	Proportion of ownership interest and voting rights held by the NCI		Profit allocated to NCI		Accumulated NCI	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	N'000	N'000	N'000	N'000	N'000	N'000
	31.63	31.63	(99 549)	(9 845)	(556 702)	(480 794)
Chams Access Ltd						

No dividends were paid on the NCI during the years 2013 and 2012.

Summarised financial information for Chams Access Limited intragroup eliminations, is set out below:

	2013 N'000	2012 N'000
Non-current assets	698 854	951 732
Current assets	277 792	522 607
Total assets	976 646	1 474 339
Non-current liabilities	1 517 374	1 517 374
Current liabilities	111 847	116 680
Total liabilities	1 629 221	1 634 054
Equity attributable to owners of the parent		
Non-controlling interests		
	2013 N'000	2012 N'000
Revenue	112 818	7 020
Profit for the year attributable to owners of the parent	(215 180)	(42 895)
Profit for the year attributable to NCI	(99 549)	(19 845)
Profit for the year	(314 729)	(62 740)
Other comprehensive income for the year		
(all attributable to owners of the parent)	-	-
Total comprehensive income for the year attributable to owners of the parent	-	-
Total comprehensive income for the year attributable to NCI	(314 729)	(62 740)
Total comprehensive income for the year	(314 729)	(62 740)

c) **Loss of control over a subsidiary during the year**

The Group did not lose any control in any subsidiary during 2013 and 2012.

d) **Interest in unconsolidated structured entities**

The Group has no interests in unconsolidated structured entities

e) **Investment in associate**

The Group's only investment in associate is in Paymaster Limited. No dividend were received from Paymaster Limited during the 2013 and 2012. The investment in Paymaster Limited has been fully provided for based on diminution in value.

	Group		Company	
	2013	2012	2013	2012
	N'000	N'000	N'000	N'000
f) Analysis of investment in subsidiaries				
Card Centre Nigeria Limited	-	-	1 531 302	1 531 302
Chams Access Limited	-	-	810 600	810 600
Chams Switch Limited	-	-	599 251	599 251
	<u>-</u>	<u>-</u>	<u>2 941 153</u>	<u>2 941 153</u>
Impairment provision for value of subsidiaries				
Card centre Limited	-	-	(981 798)	(981 798)
Chams Access	-	-	(113 370)	(113 370)
Net investment in subsidiaries	<u>-</u>	<u>-</u>	<u>1 845 985</u>	<u>1 845 985</u>
15) Investment in equity accounted entities				
Paymaster Nigeria Limited	263 471	263 471	263 471	263 471
Impairment allowance for value of investment	<u>(263 471)</u>	<u>(263 471)</u>	<u>(263 471)</u>	<u>(263 471)</u>
Net investment in associate	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
16) Available for sale financial assets				
Unitec Nigeria Limited	1 500	1 500	1 500	1 500
Joint Komputer Kompany Limited	<u>100 000</u>	<u>100 000</u>	<u>100 000</u>	<u>100 000</u>
	101 500	101 500	101 500	101 500
Impairment provision	<u>(1 500)</u>	<u>(1 500)</u>	<u>(1 500)</u>	<u>(1 500)</u>
Net Investemnt in equity accounted enties	<u>100 000</u>	<u>100 000</u>	<u>100 000</u>	<u>100 000</u>
17) Inventories				
	N'000	N'000	N'000	N'000
Terminals and consumables	786 109	967 663	99 110	149 681
Work in progress	141 381	10 000	141 381	10 000
Goods in transit	<u>8 419</u>	<u>9 074</u>	<u>-</u>	<u>-</u>
	<u>935 909</u>	<u>986 737</u>	<u>240 491</u>	<u>159 681</u>

Chams Plc and its Subsidiary Companies
Notes Forming Part of the Financial Statements
For the Year Ended 31 December 2013

35

18(a) **Trade and other receivables**

	Group		Company	
	2013 N'000	2012 N'000	2013 N'000	2012 N'000
Trade receivables	5 655 598	3 912 645	5 036 098	3 593 494
Less: provision for impairment of trade receivables (18(d))	(847 692)	(523 587)	(522 755)	(474 312)
Trade receivables - net	4 807 906	3 389 058	4 513 343	3 119 182
Receivables from subsidiary companies (Note 18(g(i)))	-	-	937 076	925 152
Receivables from related parties (Note 18(g(ii)))	295 648	287 002	267 310	257 397
Loan to related Company	-	-	527 378	527 378
Total financial assets other than cash and cash equivalents classified as loans and receivables	5 103 554	3 676 060	6 245 107	4 829 109
Prepayments	74 342	65 090	74 334	65 090
Other receivables (Note 18(c))	2 306 156	1 253 929	2 186 632	2 193 909
Total trade and other receivables	7 484 052	4 995 079	8 506 073	7 088 108

(b) **Other receivables**

	2013 N'000	2012 N'000	2013 N'000	2012 N'000
Other receivables				
Withholding tax	72 427	37 825	37 697	37 825
Directors current account	328 904	-	320 548	285 451
Staff debtors	112 033	125 483	95 793	125 483
other receivables	954 733	256 020	894 535	910 549
Deposit for shares- Chams Access	1 000 000	1 000 000	1 000 000	1 000 000
Less impairment allowance for staff loans and directors current account (Note 18(e))	(161 941)	(165 399)	(161 941)	(165 399)
Total other receivables	2 306 156	1 253 929	2 186 632	2 193 909

(c) Term loan represents loan given to Chams Access Limited at interest free rate

(d) ***Movement in impairment allowance for trade receivables***

	N'000	N'000	N'000	N'000
Balance at beginning of the year	523 587	347 213	474 312	262 480
Additions during the year	324 105	176 374	48 443	211 832
Balance at the end of the year	847 692	523 587	522 755	474 312

(e) **Movement in impairment allowance for staff loans and other receivables**

	2013 N'000	2012 N'000	2013 N'000	2012 N'000
Balance at beginning of the year:				
Staff debtors	99 249	57 175	99 249	57 175
Directors current account	66 150	-	66 150	-
	165 399	57 175	165 399	57 175
Additions/(write back) during the year :				
Directors current account	-	66 150	-	66 150
Staff debtors	(3 458)	42 074	(3 458)	42 074
Balance at the end of the year	161 941	165 399	161 941	165 399

Allowance for doubtful receivables was made on trade and other receivables which have been past due.
Receivables are considered to be past due when they exceed the credit period granted.

(g) Receivables from subsidiaries and other related parties

	N'000	N'000	N'000	N'000
(i) Receivables from subsidiaries				
Card Centre Nigeria Limited	-	-	754 966	748 903
Supercard Nigeria Limited	-	-	-	2 967
Chams Switch Limited	-	-	153 772	147 743
Chams Mobile Limited	-	-	28 338	25 539
	-	-	937 076	925 152
(ii) Receivables from related parties				
Smart City Limited	5 000	5 000	5 000	5 000
Chams Consortium	20 180	12 367	20 180	12 367
Paymaster Nigeria Limited	242 130	240 070	242 130	240 030
Chams mobile	28 338	29 565		
	295 648	287 002	267 310	257 397

Included in trade receivables at the end of the year in the financial statements are amounts of N1.50 billion and N1.60 billion (31 December 2012: N1.5 billion: N nill) due from Osun State Government and Dermalog/Bankers Committee respectively. These balances constitute about 62% of total trade receivables at the end of the year. Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because they relate to customers with no default history and the amounts are considered recoverable.

The ageing analysis of trade receivables that are past due but not impaired is stated below:

	2013	2012	2013	2012
	N'000	N'000	N'000	N'000
Up to 3 months	3 413 626	1 637 084	3 413 626	1 637 084
3 to 6 months	785 955	637 084	785 955	637 084
6 to 12 months	188 550	557 261	188 550	557 261
	4 388 131	2 831 429	4 388 131	2 831 429

Movements in the impairment allowance for trade receivables are disclosed in note 18(d) and 18(e)

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

Chams Plc and its Subsidiary Companies
Notes Forming Part of the Financial Statements
For the Year Ended 31 December 2013

37

19(a) Income tax	2013		Company	
	2013	2012	2013	2012
	N'000	N'000	N'000	N'000
Current tax expense				
Current tax on loss for the year:				
Company income tax	-	-	-	-
Minimum Tax	52 008	45 489	44 443	40 987
Education tax	15 237	25 746	15 237	25 746
NITDA Levy	6 342		6 342	
Capital Gains Tax	-	10 668	-	10 668
	73 587	81 903	66 022	77 401
Deferred tax expense				
Originating and reversal of temporary differences	(155 128)	185	(155 128)	185
Total current tax	(81 541)	82 088	(89 106)	77 586

- (b) The reasons for the difference between the actual tax charge for the year and the standard rate of corporate tax in Nigeria applied to profits for the year are as follows:

	2013	2012	2013	2012
	N'000	N'000	N'000	N'000
Profit/(Loss) for the year	106 923	714 930	634 176	714 930
corporate tax at the domestic rate of 30% (2011: 30%)	190 253	214 449	190 253	214 449
Effect of income that is exempt from taxation	(1 037)	(34 199)	(1 037)	(34 199)
Effect of expenses that are not deductible in	38 306		38 306	205 929
Losses relieved	(52 126)	(386 179)	(52 126)	(386 179)
Capital allowances absorbed	(152 373)	-	(152 373)	-
Total profit	(23 024)	-	(23 024)	-
Minimum Tax	44 443	40 987	44 443	40 987
Education tax	15 237	25 745	15 237	25 745
Capital Gains Tax	0	10 668	-	10 668
NITDA Levy	6 342	-	6 342	-
Originating and reversal of temporary differences	-155 128	-	-155 128	185
Tax expense/(income)	(89 106)	77 586	(89 106)	77 586

(c) Group	Opening					Closing
	Balance at 31	Recognize in net	Recogniz	Recognise	Reclassify	Balance at
	December	income	e in OCI	directly in equity	from equity to	December
	2012	N'000	N'000	N'000	net income	2013
	N'000				N'000	N'000
Deferred tax liabilities						
Revaluation Surplus on PPE	122 230	-	-	-	-	122 230
Unrealised Exchange Gain	185	-	-	-	-	185
Excess of NBV over TWDV	88 273	-155 128	-	-	-	-66 855
Deferred tax liability	210 688	(155 128)	-	-	-	55 560
Deferred tax assets	N'000	N'000	N'000	N'000	N'000	N'000
Losses carried forward	-	-	-	-	-	-
Unutilised capital allowances	184 686	-	-	-	-	184 686
Investment Allowance	-	-	-	-	-	-
Deferred tax assets	184 686	-	-	-	-	184 686
2013 net deferred tax liability movement	26 002	(155 128)	-	-	-	-129 126

38

	Group		Company	
	2013	2012	2013	2012
	N'000	N'000	N'000	N'000
(e) Statement of Financial Position				
Balance as at 1 January	452 561	393 134	424 273	369 348
Charge/(Writeback) for the year	73 587	81 902	66 022	77 400
Deferred tax	-	-	-	-
	526 148	475 036	490 295	446 748
Payment during the year	-	(22 475)	-	(22 475)
Per Statement of Financial Position	526 148	452 561	490 295	424 273

(g) Education tax for the Group and the Company is computed at 2% of assessable profit in line with Education Tax Act CAP E4 LFN, 2004 as amended

The fair value of trade and other payables classified as financial liabilities measured at amortised cost was based on cash flows discounted.

Non Current borrowings represent an overdraft obtained from Skye bank which has now been transferred to term loan at 15% p.a.
Current borrowings are purely overdrafts from Access bank (19% p.a) and Wema bank (20% p.a)

Security on Facility

1. Admission into mortgage debenture on Head Office property.
2. Domiciliation of contract proceeds upon utilization of CFF

Personal Guarantee of Sir Demola Aladekomo, Managing Director
 Personal Guarantee of two directors of Chams Plc supported by statements of Net worth
 All Assets Debenture

Chams Plc and its Subsidiary Companies
Notes Forming Part of the Financial Statements
For the Year Ended 31 December 2013

39

22 **Due to related party**

	Group		Company	
	2013	2012	2013	2012
	N'000	N'000	N'000	N'000
Chams Access	-	-	-	26 340
PayMaster Nig. Ltd (Associates)	-	-	-	-
Smart City Limited	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>26 340</u>

The Group has not made any provision for bad or doubtful debts in respect of related party debtors nor has any guarantee been given nor received during 2013 or 2012 regarding related party transactions.

23 **Share capital**

	Group		Company	
	Value	Value	Value	Value
	N'000	N'000	N'000	N'000
Authorised:				
10 billion ordinary shares of 50 kobo each	<u>5 000 000</u>	<u>5 000 000</u>	<u>5 000 000</u>	<u>5 000 000</u>
	Number	Number	Number	Number
	N'000	N'000	N'000	N'000
10 billion ordinary shares of 50k each	<u>10 000 000</u>	<u>10 000 000</u>	<u>10 000 000</u>	<u>10 000 000</u>
Issued and fully paid:	Value	Value	Value	Value
	N'000	N'000	N'000	N'000
4,696,060,000 ordinary shares of 50 kobo each	<u>2 348 030</u>	<u>2 348 030</u>	<u>2 348 030</u>	<u>2 348 030</u>
	Number	Number	Number	Number
	'000	'000	'000	'000
4,696,060,000 ordinary share of 50k each	<u>4 696 000</u>	<u>4 696 000</u>	<u>4 696 000</u>	<u>4 696 000</u>

24 **Share premium**

	N'000	N'000	N'000	N'000
Balance at 31 December	<u>5 458 750</u>	<u>5 458 750</u>	<u>5 458 750</u>	<u>5 458 750</u>

25 **Capital reserve**

	2013	2012	2013	2012
	N'000	N'000	N'000	N'000
Capital reserve				
Opening balance	78 571	(329 252)	1 169 473	1 169 473
Capital reserve on consolidation	<u>52 523</u>	<u>407 823</u>	<u>-</u>	<u>-</u>
Closing balance	<u>131 094</u>	<u>78 571</u>	<u>1 169 473</u>	<u>1 169 473</u>

26 **Revenue reserve**

Balance at 1 January (restated)	(3 213 688)	(3 752 051)	(337 714)	(975 058)
Opening balance as restated	(3 213 688)	(3 752 051)	(337 714)	(975 058)
Profit for the year	<u>321 031</u>	<u>138 916</u>	<u>723 282</u>	<u>637 344</u>
Balance at 31 December	<u>(2 892 657)</u>	<u>(3 613 135)</u>	<u>385 568</u>	<u>(337 714)</u>

27 **Non-controlling interests**

	GROUP		COMPANY	
	2013	2012	2013	2012
	N'000	N'000	N'000	N'000
Share capital	601 583	601 583	-	-
Share premium	24 710	24 710	-	-
Revenue reserves	<u>(993 763)</u>	<u>(408 925)</u>	<u>-</u>	<u>-</u>
At 31 December	<u>(367 470)</u>	<u>217 368</u>	<u>-</u>	<u>-</u>

	Group		Company	
28 <u>Cash and cash equivalents</u>	2013	2012	2013	2012
	N'000	N'000	N'000	N'000
Comprises:				
Bank and cash balances	137 526	159 792	98 645	32 471
Bank overdraft/borrowings	(940 523)	(1 091 994)	(907 610)	(1 082 281)
	(802 997)	(932 202)	(808 965)	(1 049 810)

29. **Financial instruments**

Accounting classification and fair value of financial assets and liabilities

The table below sets out the carrying amounts and fair values of the Group's financial assets and financial liabilities:

	Held for trading carried at fair value N'000	Loans and receivables carried at amortised cost N'000	Available for sale investments carried at cost N'000	Total carrying amount N'000	Fair value N'000
31 December 2013					
Financial assets					
Cash and cash equivalents	-	137 526	-	137 526	-
Investment in JKK	-	-	100 000	100 000	100 000
Trade and other receivable	-	7 484 052	-	-	-
	-	7 621 578	100 000	237 526	100 000
Financial liabilities	-	-	-	-	-
Trade and other payables	-	4 574 337	-	4 574 337	-
Loans and borrowings	-	940 523	-	940 523	-
	-	5 514 860	-	5 514 860	-
31 December 2012					
Financial assets					
Cash and cash equivalents	-	159 792	-	159 792	159 792
Investment in JKK	-	-	100 000	100 000	100 000
Trade and other receivable	-	4 995 079	-	4 995 079	4 995 079
	-	5 154 871	100 000	5 254 871	5 254 871
Financial liabilities	-	-	-	-	-
Trade and other payables	-	2 472 567	-	2 472 567	2 472 567
Loans and borrowings	-	1 091 994	-	1 091 994	1 091 994
	-	3 564 561	-	3 564 561	3 564 561

30 **Financial Risk Management**

The Group is exposed through its operations to the following risks:

- Reputational risk
- Technology risk
- Legal Risk
- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price risk, and
- Economic government/political risk.

In common with all other business, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Investments in unquoted equity securities
- Trade and other payables
- Bank overdrafts
- Floating-rate bank loans
- Forward currency contracts

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives quarterly reports from the Financial Controller through which it reviews and monitors performance. The Group's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by business practices.

The Finance Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered from the Finance Committee.

The Finance Committee determines concentrations of credit risk by quarterly monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' ageing analysis. In monitoring the customers' credit risk, the Group ensures that substantial amount of the outstanding balance is paid before future credit sales are made to the customers.

Credit risk also arises from cash and cash equivalents with banks and financial institutions. For banks and financial institutions, the Group consider banks that have been approved by the Central Bank of Nigeria.

Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 16.

Cash in bank and short-term deposits

A significant amount of cash is held with the following institutions:

	31 December 2013	31 December 2012
	Cash at Bank	Cash at Bank
	N'000	N'000
Zenith International Bank Plc	83 780	3 355
UBA	7 795	10 072
	<u>91 575</u>	<u>13 427</u>

The Finance Committee monitors the utilisation of the credit limits regularly and at the reporting date does not expect any losses from non-performance by the counterparties.

Market risk

Market risk arises from the Group's use of tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk) or other market factors (other price risk)

Fair value and cash flow interest rate risk

The Group is exposed to cash flow interest rate from borrowings at floating rate. It is currently Group policy that all existing floating rate borrowings are restructured to fixed rates in order to mitigate against frequent fluctuation in interest rate. This policy is managed across the Group by individual treasury units. Although the board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

During 2013 and 2012, the Group's borrowings at variable rate were denominated in Naira

The Group analyses the interest rate exposure on a quarterly basis. A sensitivity analysis is performed by applying a simulation technique to the liabilities that represent major interest bearing positions.

Based on the various scenarios the Group then manages its cash-flow interest rate risk by changing from using floating-to-fixed interest rate. The Group has adopted a No borrowing policy in order to eliminate exposure to interest rate.

At 31 December 2013, if interest rates on Naira - denominated borrowings had been 5% basis points higher/lower with all other variables held constant, profit before tax for the year would have been N117,746 (2012: N96,100) mainly as a result of higher/lower interest expenses on floating rate borrowing. The directors consider that 5% is the maximum likely change in Naira interest rates over the next year, being the period up to the next point at which the Group expects to make these disclosures.

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

In order to monitor the continuing effectiveness of this policy, the Board receives a monthly forecast, analysed by the major currencies held by the Group, of liabilities due for settlement and expected cash reserves.

The Group is currently not exposed to foreign exchange risk as it does not have any liability to be settled in foreign currency.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days. The Group also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on a portion of its long-term borrowing.

The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to seek for overdraft facilities. The Group currently maintain a "no borrowing Philosophy".

The liquidity risk of each entity is managed by the treasury function within the entity. To ensure efficiency in liquidity management, the treasury unit manages the funds for each projects within the Group. Projects within each entity are seen as being self funding.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Below 1 year N'000	Between 1 to 2 years N'000	Above 3 years N'000	Total N'000
At 31 December 2013				
Trade and other payables	4 574 337	-	-	4 574 337
Loans and borrowings	940 523	-	-	940 523
Total	5 514 860	-	-	5 514 860

	Between 1 year N'000	Between 1 to 2 years N'000	Above 3 years N'000	Total N'000
At 31 December 2012				
Trade and other payables	2 472 567	-	-	2 472 567
Loans and borrowings	1 091 994	-	-	1 091 994
Total	3 564 561	-	-	3 564 561

Capital Disclosures

The Group monitors "adjusted capital" which comprises all components of equity (i.e. share capital share premium, non-controlling interest, retained earnings, and revaluation reserves)

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the debt to adjusted capital ratio. This ratio is calculated as net debt adjusted capital as defined above. Net debt is calculated as total debt (as shown in the consolidated statement of financial position) less cash and cash equivalents.

Due to recent market uncertainty, the Group's strategy is to preserve a strong cash base and achieve a debt-to-adjusted-capital ratio of approximately 10-12% (2012: 12-15%). The objective of this strategy is to secure access to finance at reasonable cost by maintaining a high credit rating. The debt-to-adjusted-capital ratios at 31 December 2013 and at 31 December 2012 were as follows:

	2013	2012
	N'000	N'000
Loans and borrowings	940 523	1 091 994
Less: cash and cash equivalents	<u>(137 526)</u>	<u>(159 792)</u>
Net debt	<u>802 997</u>	<u>932 202</u>
Total equity	<u>4 677 747</u>	<u>4 489 583</u>
Total adjusted capital	<u>3 874 750</u>	<u>3 557 381</u>
Debt to adjusted capital ratio (%)	<u>20.72%</u>	<u>26.20%</u>

The decrease in the debt to adjusted capital ratio during 2013 resulted primarily from the increase in equity due to the profit.

31. **Guarantees and other financial commitments**

Capital commitments

There were no capital commitments authorised by the Directors as at 31 December, 2013 (2012 - Nil).

Contingent liabilities

The Directors are of the opinion that there were no contingent liabilities in respect of actions against the company, accordingly no provision has been made in these consolidated financial statements as at 31 December 2013 (2012 - Nil).

32. **Subsequent events review**

In the opinion of the Directors, there were no significant post balance sheet events that could have material effect on the state of affairs of the Company and its subsidiaries as at 31 December 2013 and on the loss for the year ended on that date, which have not been adequately provided for or disclosed in these consolidated financial statements.

33. Related party transactions

Related parties include the Board of Directors, the Group Executive Board, the Group Managing Director, close family members and companies which are controlled by these individuals.

During the year, the Company transacted business to/from its subsidiaries and associated companies. These transactions were conducted on an arms length basis in the ordinary course of business.

The related party transactions arose among others from rents due and payments to suppliers. As at 31 December 2013 balances due from and to related Companies were as stated in Notes 16 and 18 to the consolidated financial statements respectively. The significant transactions with the related parties are disclosed below:

Transactions with Subsidiaries

- Rent and service charges to Chams Access is N8,329,779
- Rent and service charges to CardCentre Nigeria Limited is N22,946,392.73

Transactions with Associates

- Rent and service charges to PayMaster is N7,789,779
- Working capital loan to Paymaster from Chams Plc is N13,597,597

Other related parties

- Working capital loan to Chams Consortium from Chams Plc is N6,500,000

34. Staff Costs

Information regarding Directors and Employees
Staff Costs (including directors) Comprise:

	Group		Company	
	2013 N'000	2012 N'000	2013 N'000	2012 N'000
Wages and salaries	422 540	350 087	201 211	211 276
Pension contribution	15 117	22 935	14 062	17 303
	437 657	373 022	215 273	228 579
Emoluments of Directors of the company were -				
Fee:				
Chairman	3 110	3 110	1 350	1 350
Other Directors	20 484	21 126	6 600	7 242
	23 594	24 236	7 950	8 592
Fees (excluding pensions contributions) include amounts paid to				
The Chairman	1 460	1 460	1 350	1 350
The highest paid Director	1 460	1 460	1 350	1 350

**CHAMS PLC
AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2013**

46

	GROUP				COMPANY			
	2013 N'000	%	2012 N'000	%	2013 N'000	%	2012 N'000	%
Sales of products and services	3 439 197		2 835 704		3 142 035		2 604 113	
Other income	22 342		542 709		20 042		171 440	
	3 461 539		3 378 413		3 162 077		2 775 553	
Bought in materials and services:-								
- Imported	(2 378 019)		(456 895)		-		(294 068)	
- Local	-		(1 529 603)		(2 162 641)		(984 487)	
Value added /(eroded)	1 083 520	-	1 391 915	100	999 436	100	1 496 998	100
Applied as follows:								
To pay employees:								
Employees' wages, salaries and other benefits	437 657	40	373 087	27	215 273	22	228 579	15
To pay Government:								
Income tax	(81 541)	(8)	71 235	5	(89 106)	(9)	66 733	5
Capital gains tax	-	-	10 668	1	-	-	10 668	1
To pay providers of capital:								
Finance costs	216 472	20	230 133	17	211 942	21	224 887	15
To provide for replacement of assets and growth:								
- Depreciation	322 468	30	619 068	44	93 173	9	328 602	22
- Deferred tax	-	-	185	-	-	-	185	-
- Profit and loss account	188 464	17	87 539	6	568 154	57	637 344	42
	1 083 520	100	1 391 915	100	999 436	100	1 496 998	100

Value added represents the additional wealth which the Company and its subsidiaries have been able to create by their own and their employees' efforts. This statement shows the allocation of that wealth among all stakeholders and amount retained for the future creation of more wealth.

**CHAMS PLC
AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED FINANCIAL SUMMARY
31 DECEMBER 2013**

47

	GROUP					COMPANY				
	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009
		N'000	N'000	N'000	N'000		N'000	N'000	N'000	N'000
ASSETS/(LIABILITIES)										
Property, plant and equipment	1 682 203	2 056 248	2 998 652	3 855 407	4 767 027	1 164 419	1 234 336	1 869 315	2 345 090	2 585 872
Intangible assets	98 703	135 113	160 231	-	-	98 703	105 113	115 231	-	-
Long term investments	100 000	100 000	126 709	126 709	132 325	1 973 605	1 973 605	1 630 204	1 894 907	2 653 263
Investment projects	151 236	99 738	93 157	103 160	122 142	123 316	71 818	93 157	103 160	122 142
Net current assets	2 645 605	2 309 172	658 282	1 092 275	2 680 919	4 832 305	4 294 882	3 149 631	3 038 595	3 866 527
Provision for liabilities and charges	-	(210 688)	(25 816)	(25 817)	(509 870)	-	(210 688)	(25 816)	(63)	(475 817)
	4 677 747	4 489 583	4 011 215	5 151 734	7 192 543	8 192 348	7 469 066	6 831 722	7 381 689	8 751 987
CAPITAL AND RESERVES										
Share capital	2 348 030	2 348 030	2 348 030	2 348 030	2 348 030	2 348 030	2 348 300	2 348 030	2 348 030	2 348 030
Share premium	5 458 750	5 458 750	5 458 750	5 458 750	5 458 750	5 458 750	5 458 750	5 458 750	5 458 750	5 458 750
Fixed assets revaluation reserve	-	-	1 222 297	1 878 283	1 878 283	-	-	1 222 296	1 063 702	1 063 702
Revenue reserve	(2 892 657)	(3 613 136)	(5 017 368)	(4 548 443)	(2 716 025)	(783 905)	(1 507 187)	(2 144 531)	(1 488 793)	(118 495)
Capital reserve	131 094	78 571	(329 252)	(253 090)	349 859	1 169 473	1 169 473	-	-	-
Goodwill	-	-	-	-	-	-	-	(52 823)	-	-
Non-controlling interests	(367 470)	217 368	328 758	268 204	(126 354)	-	-	-	-	-
Total equity	4 677 747	4 489 583	4 011 215	5 151 734	7 192 543	8 192 348	7 469 336	6 831 722	7 381 689	8 751 987
TURNOVER AND PROFIT										
Turnover	3 439 197	2 835 705	1 777 737	1 484 915	988 615	3 142 035	2 604 113	1 309 435	791 756	319 819
Profit/(loss) before taxation and extraordinary item	106 923	169 627	(1 198 400)	(1 801 323)	(2 474 699)	634 176	714 930	(596 618)	(1 205 986)	(641 275)
Taxation	81 541	(82 088)	(38 582)	(424 710)	140 540	89 106	(77 586)	36 054	(438 992)	119 427
Extraordinary item	-	-	-	(409 669)	-	-	-	-	-	745 990
Profit/(loss) after taxation and extraordinary item	188 464	87 539	(1 236 982)	(1 791 898)	(2 873 094)	723 282	637 344	(632 672)	(1 147 700)	(992 645)
Attributable to:										
Owners of the Company	321 031	138 916	(1 101 562)	(1 609 820)	(2 591 029)	723 282	637 344	(632 672)	(1 147 700)	(992 645)
Non controlling interest	(132 567)	(51 377)	(135 420)	(182 078)	(282 065)	-	-	-	-	-
PER SHARE DATA (Kobo):										
Earnings/(losses) per share										
Basic	7	3	(26)	(34)	(61)	15	14	(13)	(24)	(37)
Earnings per share										
Diluted	7	3	(26)	(34)	(61)	15	14	(13)	(24)	(37)
Net assets per share	100	96	85	110	153	174	737	34	157	186