



**Secure Electronic Technology PLC**  
...gaming Entertainment Empowerment

Nigeria's foremost organisation providing the platform for the convergence of gaming and electronic service processing.

# ANNUAL REPORT 2016



	<b>Pages</b>
Notice of Annual General Meeting	3
Financial Highlights	4
Corporate Information	5
Chairman's Statement	6
Report of the Directors	8
Report of the Audit Committee	13
Statement of Directors Responsibilities	14
Report of the Independent Auditors	15
Accounting Policies	16
Statement of Financial Position	20
Statement of Comprehensive Income	21
Statement of Changes in Equity	22
Statement of Cash Flow	23
Notes on the Financial Statements	24
Notes to the Account	25
Statement of Value Added	30
Five Year Financial Summary	31
Detailed Statement of Comprehensive Income	32
Unclaimed Dividend	33
Proxy Form	36
e-Dividend Activation Form	38





**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the members of SECURE ELECTRONIC TECHNOLOGY PLC will hold on Wednesday, 5th July, 2017 at The Events Warehouse, Plot CDE Industrial Crescent, off town planning, Ilupeju, Lagos at 12pm to transact the following business:

**Ordinary Business**

1. To lay before the members the Audited Financial Statements for the year ended 31<sup>st</sup> December 2016 and the reports of the Directors, Auditors and Audit Committee thereon.
2. To re-elect Directors
3. To re-appoint the Auditors.
4. To re-elect/elect members of the Audit Committee.

**Special Business**

- A. To approve the remuneration of the Directors for the year ending 31<sup>st</sup> December 2016.

Dated this 26th day of May, 2017. By order of the Board.

Immaculata Mbaso  
Company Secretary

**NOTES:**

**I PROXY**

A member of the company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her place. A proxy for a corporation may vote on a show of hands and on a poll. A proxy need not be a member of the company.

To be valid, a proxy Form, if intended to be used, should be duly stamped by the Commissioner for Stamp Duties and deposited at the Registered office of the Company being No 107 Bamgbose Street Lagos Island, Lagos not later than 48 hours before the time fixed for the meeting.

**II AUDIT COMMITTEE**

In accordance with Section 359(5) of the Companies and Allied Matters Act, Cap C20, LFN 2004, any member may nominate a shareholder as a member of the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least 21 (twenty-one) days before the Annual General Meeting.

**III RE-ELECTION OF DIRECTORS RETIRING BY ROTATION**

In accordance with the provisions of the Company's Articles of Association, Chief Emmanuel Iwuanyanwu OFR, Oloye J.A.O Olopade OFR, Mr. Tunde Ayeni CON, Otunba Deji Osibogun all retire by rotation and being eligible, offer themselves for re-election.

**IV RIGHTS OF SECURITIES' HOLDERS TO ASK QUESTIONS**

Securities' Holders have a right to ask questions not only at the Meeting, but also in writing prior to the Meeting, and such questions must be submitted to the Company on or before Monday, 3rd July, 2017.



# FINANCIAL HIGHLIGHTS

## FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016



	Percentage Change		
	2016	2015	%
	N'000	N'000	
Revenue	7,469,905	7,642,672	(2)
Prizes/Winn ings	(4,400,465)	(4,454,140)	(1)
Dealers Commissions	(2,734,521)	(2,872,010)	(5)
Administrative/Finance Charges Expenses	(272,513)	(260,397)	(4)
Profit / Loss before Taxation	62,406	56,125	63
Taxation	38,317	29,940	28
Profit for the Year	100,723	86,065	17
Total Equity	5,757,606	5,656,883	2
Total Equity and Liabilities	6,496,926	6,317,611	2
Cash and Cash Equivalents	4,725	2,890	63
Earnings per 50k Share (Kobo)	1.79	1.53	17
Numbers of Shares Issued	5,631,540	5,631,540	0



## Directors

Chief Jonathan A.O. Olopade (OFR)  
 Dr. Odunlami Kola-Daisi  
 Chief Mazen Boumatar  
 Otunba Deji Osibogun  
 Mr. Collins Chikeluba  
 Mr. John Olatunde Ayeni  
 Chief Alex Duduyemi (OFR)  
 Mr. Akin Areola  
 Dr. Muyiwa Oladimeji [Line Caro Nig. Ltd.]  
 Mr. Sikiru Baruwa [Nujuum Venture Ltd.]  
 Mrs. Nwadiuto Iheakanwa [Chief Iwuanyanwu]  
 Mrs. Funke Agbor

Chairman  
 Executive Vice-Chairman/Chief Executive Officer  
 Director  
 Director  
 Director  
 Director  
 Director  
 Executive Director  
 Director  
 Alternate Director  
 Alternate Director  
 Alternate Director

### Date of Incorporation:

Date listed on the Stock Exchange:

3<sup>rd</sup> January, 2000

14<sup>th</sup> December, 2012

### Secretary

Immaculata Amaka Mbaso  
 The Agbeke House  
 107, Bamgbose Street  
 Lagos Island  
 Lagos.

### Auditors

Sulaimon & Co.  
 (Chartered Accountants)  
 Olabode House - 2<sup>nd</sup> Floor  
 217/219, Ikorodu Road, Ilupeju  
 P.O. Box 1316, Yaba  
 Lagos.

### Legal Adviser

Ogunsanya & Ogunsanya  
 Ule Atinuke House (4<sup>th</sup> Floor)  
 39 Ahmed Onibudo Street  
 Victoria Island  
 Lagos

### Bankers

Heritage Bank Limited  
 Sterling Bank Plc  
 Zenith Bank Plc  
 Guaranty Trust Bank Plc  
 Access Bank Plc  
 United Bank for Africa Plc  
 Skye Bank Plc

### Registered Office

The Agbeke House  
 107, Bamgbose Street  
 Lagos Island  
 Lagos.

### Registrars

PAC Registrars Limited  
 No. 122, Bode Thomas Street  
 Surulere  
 P.O. Box 1169, Mushin





**Chief Jonathan A. O. Olopade (OFR)**  
**Chairman**

**D**istinguished Shareholders, late last year, we lost a rare Gem, our Immediate Past Chairman of Blessed memory, in the person of Chief Rasheed-Abiodun Gbadamosi (OFR). He served meritoriously on the board of our company. His achievement cannot be quantified and over emphasized; he led the new and modern Secure Electronic Technology Plc. During his tenor and life time, the company returned to profitability and also became self-dependent. We signed new partnership with world class business organizations, that has positioned us to be very competitive, we also built our own technology and stopped total reliance on third party. Chief Gbadamosi was part of the delegation that went to Rhode Island to sign the first major lottery partnership for our great Company. His selflessness and dedication helped to resolve governmental issues and he handled our relationship with regulatory bodies with uttermost professionalism. He made sacrifices for the progress of the Organisation and was always ready to help. He will be fondly remembered by us; we inaugurated the RAG football competition in his honour last year, this will be an annual competition. We shall also be proposing other form of charitable works in his honour.

Partners, Guests, Ladies and Gentlemen, it is my pleasure to welcome you to the Tenth Annual General

Meeting of your company and present to you the Annual Report and Accounts of the company for the year ended 31 December 2016.

#### **Economy and Business Environment**

Nigeria's economy came to be defined by recession and devaluation in 2016, pressing home the point that Nigeria's growth and exchange rate stability in the decade-and-half from 2000 to 2014 had been entirely dependent on favourable global commodity cycles. Weak commodity prices brought Nigeria's growth to a very abrupt halt and inflicted heavy bouts of devaluation to the naira. It should be noted that Nigeria's growth would have been more resilient if the country had a better rail transport system to supplement the transport sector and energy infrastructure that would have underpinned higher value addition in industry. Both the recession and devaluation resulted from the foreign exchange shortage inflicted by the collapse in Nigeria's annual exports receipts from about US\$100 billion up till 2014, to less than US\$50 billion since 2015, because of the fall in oil price.

Inflation went up as high as 18.55 percent, while GDP dropped to a negative of -2.34, the export receipt went down from US\$100 Billion in 2014 to less than US\$50 billion because of the fall in oil price. 2016 was a challenging year as there was acute scarcity of foreign exchange as the country's sole source of external financing dwindled; this adversely impacted many businesses and in the overall, the entire economy. Two quarters of back to back negative growth heralded the reality of Nigeria's economy being in a recession. The Government must ease the burden of doing business, demystify the issue of double taxation especially for specialised industries like the lottery business, and build infrastructures (particularly rail and energy). These and many more will encourage foreign direct investment into the country.

#### **Our Business**

Our business continued to build on the strategic business plan initiated from the year 2015, we have moved to a full blown implementation stage of these focal points by the use of modern day technology to provide world class gaming experience to our stakeholders. Our exclusive mobile gaming platform withstood the test as customers embraced it with open arms. A lot of potential lies in this product.

We have repositioned our brand new XGD terminals for the ticket based game; these terminals are being used by our agents across the nation.



We have also introduced additional lottery indoor games to complement the existing games, bringing the total game output to four. We acknowledge the fact that competition is becoming stiffer in the market, we have however created a niche and a name for our brand which will continue as market leader in gilt-edged technology based gaming. Hopefully and in a very short time profitability will follow.

### Financials

Our revenue fell marginally by 2% from N7.6billion in 2015 to N7.4 Billion in 2016; however operating profit went up by 12% as a result of a decrease in prize payout and dealers commission in the year 2016, compared with 2015. We have however managed to keep Administrative expenses at a marginal growth of 4 % year on year. The profit for the year witnessed an increase of 17% and earnings per share increased with the same margin.

### Regulation

Introduced the change of guard and the hope for the future. We are constantly relating with the primary regulator of our business, the National Lottery Regulatory Commission (NLRC) keeping them abreast of the latest trends in the industry and enjoy a cordial relationship stemming from mutual understanding and co-operation. We are hopeful that the necessary amendment to the Lottery Act will soon be passed by the legislators to create an enabling environment for all stakeholders in the industry. We believe this will help improve and increase the contribution of the lottery and gaming industry to the Nigerian economy.

### Mobile Gaming

We have successfully carried out a pilot scheme for our mobile/online gaming; these games can be played across virtually all mobile platforms. The aim is to bring gaming to the doorsteps of players without their having to leave the comfort of their houses. With the dedication from our marketing team, technical partners and our affiliate company we are recording about 1,000 registered users per week and believe this will ramp up as the mobile gaming platform gets more and more attractive compared to the traditional Brick and Mortar styled gaming. Mobile is the future without a doubt.

### Payment

Our payment arm has maintained its stand as a force to be reckoned with in the payment space. It has thrived and sustains its core business over the years. There are plans for expansion; this is evident in its effort to develop a more robust platform that can handle multiple functions at the same time. With

renewed effort and a process of re-engineering, this arm is well positioned to win new market in the year 2017.

### Corporate Social Responsibility

We are a socially responsible organization and we aim to keep giving back to the society that we have benefited from. During the year under review, we carried out two medical missions in Ijora Badia community in conjunction with Apapa -Iganmu LCDA in Lagos State. We invited medical experts from the United State to cater for the medical needs of the people in these communities and their environs. In addition to free consultation, essential drugs were distributed to the sick. We plan to continue in this vein, spreading the mission to other regions in the country.

We have also not stopped the funding of some identified less privileged individuals for medical treatment.

### Future

The future is here at last and that future is mobile gaming and employing the use of technology to drive Sales; very soon the brick and mortar business will be seriously challenged. We are poised to build, enhance and expand our existing mobile/ online channels to take advantage of this future. Our next move would be to make our brand a household name, this we want to achieve by embarking on aggressive and well co-ordinated marketing strategies as defined in our Five year strategic plan.

Our goal is to ensure that all our games are available on mobile phone; Nigeria is now 100% penetrated adult-wise, and data is getting more available each day. The future is indeed bright.

### Conclusion

Over the years, slowly but surely, your Company has restructured its business to ensure that technology does not only continue to drive its innovative product sales, but sits in the forefront of everything we say and do.

We have positioned your Company to be ready to take advantage of the revolution that technology is advancing over the next few years. With Artificial Intelligence taking over from human beings, then the brick and mortar must be threatened.



Chief Jonathan A. O. Olopade (OFR)  
Chairman



# REPORT OF THE DIRECTORS

## FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016



The directors hereby submit to the members of Secure Electronic Technology Plc their report, together with the audited financial statements for the Year Ended 31<sup>st</sup> December, 2016.

### 1. Principal Activities

The activities of the company have been the operations of Lottery, Airtime Vending, Revenue Collection, Card Payments and Treasury/Assets Management.

### 2. Results for the Year

	NOTES	2016 N'000	2015 N'000
Gross Income	11	7,469,905	7,642,672
Operating Profit		63,542	56,824
Financial Charges		(1,136)	(699)
Profit Before Tax		62,406	56,125
Impairment Loss	0	0	(0)
Income Taxation	10 (40,236)	0	(37,572)
Deferred Taxation	2 78,553	38,317	67,512
Profit After Tax		100,723	86,065
Loss Brought Forward		(3,360,969)	(3,447,034)
Other Comprehensive Income			0
Loss Carried Forward		(3,260,246)	(3,360,969)

### 3. Dividend

The Directors did not recommend the payment of dividend during the year.

### 4.. Board of Directors

The following persons served as Directors during the year.

Chief Jonathan A.O. Olopade (OFR)	Chairman
Dr. Odunlami Kola-Daisi	Executive Vice-Chairman/CEO
Chief Mazen Boumatar	Director
Otunba Deji Osibogun	Director
Mr. Collins Chikeluba	Director
Mr. John Olatunde Ayeni	Director
Chief Alex Duduyemi (OFR)	Director
Mr. Akin Areola	Executive Director
Dr. Muyiwa Oladimeji [Line Caro Nig. Ltd.]	Director
Mr. Sikiru Baruwa [Nujuum Venture Ltd.]	Alternate Director
Mrs. Nwadiuto Iheakanwa [Chief Iwuanyanwu]	Alternate Director
Mrs. Funke Agbor	Alternate Director

In pursuance of Section 259, of the Companies and Allied Matters Act all the Directors retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-election.



# REPORT OF THE DIRECTORS

## FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016



### 5. Directors Interests

The Interest of each Director in the shares of the company as recorded in the register of members for the purpose of Section 275 of the Companies and Allied Matters Act, CAP C201. FN 2004 was as follows:

**Shareholdings of 50K each as at 31<sup>ST</sup> December, 2016 and as at the date the Account was signed by the Board of Directors**

#### Name of Directors

Name of Directors	Direct Units	Indirect Units	Total Units	As % of Total Holdings of 5,967,741,936
Chief Rasheed Gbadamosi, OFR (Deceased)	2,000,000	0	2,000,000	0.03
Mr. Tunde Ayeni	117,647,058	0	117,647,058	1.97
Chief Jonathan Olopade, OFR	72,170,312	0	72,170,312	1.21
Mrs. Nwadiuto Iheakanwa (Chief Iwuanyanwu)	30,000,000	0	30,000,000	0.50
Mr. Ben Bruce [Silverbird Production Limited]	0	60,000,000	60,000,000	1.01
Mr. Collins Chikeluba	9,999,980	0	9,999,980	0.17
Dr. Odunlami Kola-Daisi (ICM Limited)	0	610,138,699	610,138,699	10.22
Otunba Deji Osibogun	10,000,000	0	10,000,000	0.17
Mr. Akin Areola	2,700,000	0	2,700,000	0.05
Chief Alex Duduyemi	14,000,000	0	14,000,000	0.23
Mr. Sikiru Baruwa (Nujuum Venture Limited)	0	663,015,000	663,015,000	11.11
Chief Mazen Boumatar	4,000,000	0	4,000,000	0.07
Dr. Muiyiwa Oladimeji (Line Caro Nig. Ltd.)	0	140,000,000	40,000,000	2.35
	<u>262,517,350</u>	<u>1,473,153,699</u>	<u>1,735,671,049</u>	<u>29.08</u>

### 6. Directors' Responsibilities

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the company at the end of each financial year, and of the profit or loss for that period, and comply with the Companies and Allied Matters Act, CAP C201.FN 2004. In doing so they ensure that:-

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

### 7(a) Analysis of Shareholdings

Range	No of Shareholders	% of Shareholders	No of Shareholdings	% of Shareholding
1-1,000	1,198	40.51	1,099,949	0.02
1,001-5,000	977	33.04	2,522,538	0.04
5,001-10,000	236	7.98	2,003,179	0.03
10,001-50,000	222	7.51	5,668,491	0.09
50,001-100,000	60	2.03	4,936,481	0.08
100,001-500,000	132	4.46	30,834,649	0.52
500,001-1,000,000	31	1.05	23,664,292	0.40
1,000,0001-50,000,000	79	2.67	1,105,019,900	18.52
50,000,001-9,999,999,999	22	0.74	4,791,992,457	80.30
	<u>2,957</u>	<u>100.00</u>	<u>5,967,741,936</u>	<u>100.00</u>



# REPORT OF THE DIRECTORS

## FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016



### 7(b) Shareholders with 5% and above Holdings

Shareholder's Name	Shareholding	% Shareholding
Chief Kola-Daisi	465,000,000	7.79
ICM Limited	610,138,699	10.22
Nujuum Ventures Limited	663,015,000	11.11
Strand Capital Partners Limited	840,796,328	14.09
IPO 2008 Warehoused Shares	336,202,200	5.63

### 8. Corporate Governance/Board Committees

The company adopt a responsible attitude towards corporate governance and, in line with the code of best practice in corporate governance; the Board have established the following committees:

#### (i) Board of Directors

The Board of Directors met four (4) times and attendance as follows:

	1	2	3	4
NAMES	14/4/16	29/6/16	21/9/16	15/12/16
Chief Rasheed Gbadamosi, OFR (Deceased)	A	P	A	A
Dr. Odunlami Kola-Daisi	P	P	P	P
Chief Jonathan A.O. Olopade (OFR)	P	P	P	P
Chief Mazen Boumatar	P	P	P	P
Otunba Deji Osibogun	A	A	P	A
Mr. Collins Chikeluba	P	P	P	P
Chief Alex Duduyemi (OFR)	P	A	P	P
Mr. Akin Areola	A	A	A	P
Dr. Muiyiwa Oladimeji [Line Caro Nig. Ltd]	A	P	P	P
Mr. Sikiru Baruwa [Nujuum Venture Ltd.]	P	P	A	P
Mrs. Nwadiuto Iheakanwa [Chief Iwuanyanwu]	P	P	P	P
Mrs. Funke Agbor	A	A	P	A
M. Tunde Ayeni (CON)	A	A	P	A

#### (ii) Audit Committee

In accordance with Section 359(4) of the Companies and Allied Matters Act of Nigeria, member of the Audit committee of the company were elected at the Annual General Meeting (AGM) held on 8th September, 2014. Members that serve on the Audit Committee during the year, Audit Committee led by a non-executive director, Mr. Ibrahim Oruma as the Chairman. The Audit Committee met four (4) times in the year at the Corporate Head Office located at 107, Bamgbose Street, Lagos island Lagos.

Those present for the four meetings were:

	1	2	3	4
NAMES	18/3/16	28/6/16	12/9/16	15/12/16
Mr. Peter Eyanuku	P	P	P	P
Dr. Odunlami Kola-Daisi	P	P	P	P
Mr. Sikiru Baruwa	A	P	A	P
Mr. Godwin Anono	P	P	P	P
Mrs Nwadiuto Iheakanwa – Chairman	P	P	P	P
Mr. Wakilu Apete	A	A	P	P

**Key:** P = Present

A = Absent with Apology



### Corporate Social Responsibility

As a socially responsible organisation, the company through its Foundation (NSL Foundation) has continued to live up to its level of corporate social responsibility with the sponsorship of good causes as well as social and sports development.

#### 9. **Property, Plant and Equipment**

Movements in Property, Plant and Equipment during the year are shown in Note 1 on Page 27. In the opinion of the Directors, the market value of the company's properties is not less than the value shown in the accounts.

#### 10. **Donations and Charitable Gifts**

The company did not make any donation or gift to any political party, political association or for any political purpose during the year.

#### 11. **Post Statement of Financial Position Events**

There are no significant post balance sheet events for which provision has not been made.

#### 12. **Employment and Employees**

##### (i) **Employment of Disabled Persons:**

It is the policy of the company that there should be no discrimination in considering applications for employment including those from disabled persons. All employees whether or not disabled are given equal opportunities to develop. However, no disabled person was employed by the company during the period.

##### (ii) **Employees' Involvement and Training:**

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

##### (iii) **Health, Safety at Work and Welfare of Employees:**

Health and Safety regulations are in force within the premises of the Company.

#### 13. **Acquisition of Own Shares**

The Company did not purchase any of its own shares during the period.

#### 14. **Audit Committee**

In accordance with section 359(4) of the Companies and Allied Matters Act of Nigeria, members of the Audit Committee of the Company were elected at the Annual General Meeting held on 28th November, 2014. Members that served on the Audit Committee during the year comprise:

- Mrs Nwadiuto Iheakanwa	-	Chairman
- Mr. Sikiru Baruwa	-	Member
- Mr. Peter Eyanuku	-	Member
- Mr. Godwin Anono	-	Member
- Dr. Odunlami Kola Daisi	-	Member
- Mr. Wakilu Apete	-	Member

#### 15. **Effectiveness of Internal Control System**

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the assets of the Company. The system of internal control is to provide reasonable assurance against material misstatement, prevent and detect fraud and other irregularities. There is an effective internal control function within the Company which gives reasonable assurance against any material misstatement or loss. The responsibilities include oversight functions of internal audit and control risk assessment and compliance, continuity and contingency planning, and formalisation and improvement of the company's business processes.



**16. Disclosures**

**(a) Borrowings and maturity dates**

The details of the borrowings and maturity dates are stated in Note 8 to the financial statements.

**(b) Risk Management and Compliance System**

The directors are responsible for the total process of risk management as well as expressing their opinion on the effectiveness of the process. The risk management framework is integrated into the day-to-day operations of the business and provides guidelines and standards for administering the acceptance and on-going management of key risks such as operational, reputational, financial, market, technology and compliance risk. The directors are of the view that effective internal audit function exists in the Company and that risk management control and compliance system are operating efficiently and effectively in all respect.

The company has a structured Risk Management process in place and undertakes at least annually a thorough Risk Assessment covering all aspects of the business. The Risk Assessment is based on the two criteria "Business Impact" and Likelihood of Occurrence". For every identified Business risk, mitigating measure are implemented by the Company.

**(c) Sustainability Initiatives**

The company pays adequate attention to the interest of its stakeholders such as its employees, host community, the customers and the general public. Also, the Company is sensitive to Nigeria's social and cultural diversity and promotes as much as possible national interests as well as national ethos and values without compromising global aspirations where applicable. The Company has a culture of integrity and zero tolerance to corruption and corrupt practices.

**(d) Related Party Transactions**

The Company does not have any contractual relationship with related companies in the ordinary course of business.

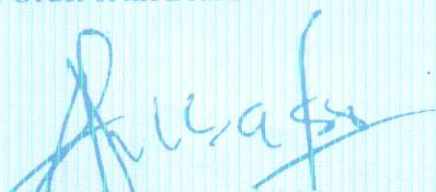
**17. Bribery and Corruption**

We condemn any form of bribery and corruption. Our employees must never, directly or through intermediaries, offer or promise any personal or improper financial or other advantage in order to obtain or retain a business or other advantage from a third party, whether public or private. Nor must they accept any such advantage in return for any preferential treatment of a third party. Moreover, employees must refrain from any activity or behaviour that could give rise to the appearance or suspicion of such conduct or the attempt thereof.

**18. Auditors**

The Auditors, Messrs Sulaimon & Co. (Chartered Accountants) have indicated their willingness to continue in office as Auditors in accordance with Section 357 (2) of the Companies and Allied Matters Act CAP C201:FN 2004.

**By Order of the Board**



**FRC/2017/NBA/00000016501**

**Secretary to the Board**

**Secure Electronic Technology Plc**

**Lagos**

**Nigeria**

**22<sup>nd</sup> March, 2017**



# REPORT OF THE AUDIT COMMITTEE

TO THE MEMBERS OF SECURE ELECTRONICS TECHNOLOGY PLC



In compliance with Section 359 (6) of the Companies and Allied Matters Act CAP C201.FN 2004 of Nigeria, we have reviewed the Financial Statements of Secure Electronic Technology Plc for the year ended 31<sup>st</sup> December, 2016 and hereby state as follows:

- (1) The scope and planning of the audit were adequate in our opinion;
- (2) The accounting policies of the company conformed with the statutory requirements and agreed ethical practices.
- (3) The Internal Control and Internal Audit functions were operating effectively.
- (4) The External Auditors findings as stated in the Management letter are being dealt with satisfactorily by the management.

A handwritten signature in blue ink, appearing to read 'Nwadiuto Iheakanwa', is written over a horizontal dashed line.

**Mrs Nwadiuto Iheakanwa**  
**Chairman, Audit Committee**

**22<sup>nd</sup> March, 2017**

## **Members**

Mrs. Nwadiuto Iheakanwa  
Dr. Odunlami Kola-Daisi  
Mr. Sikiru Baruwa  
Mr. Peter Eyanuku  
Mr. Godwin Anono  
Mr. Wakilu Apete

- Chairman

## **NOTE**

Please note that we have obtained a letter of waiver from Financial Reporting Council of Nigeria for Mrs Nwadiuto Iheakanwa which allows her to sign as the Chairman, Audit Committee.



## STATEMENT OF DIRECTORS RESPONSIBILITIES



In accordance with the provision of Sections 334 and 335 of the Companies and Allied Matters Act (CAPC20) Laws of the Federation of Nigeria, 2004, the Company's Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and its results for that year. This responsibility includes ensuring that:

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

The Director accepts responsibility for these financial statements which have been prepared using the appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with the International Financial Reporting Standards, Financial Reporting Council of Nigeria Act No. 6 2011 and the Companies and Allied Matters Act (CAP C20) Laws of the Federation of Nigeria, 2004.

The Directors are of the opinion that these financial statements give a true and fair view of the state of affairs of the Company as at the end of the financial year and its results for the year. They further accept responsibility for the maintenance of the accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors that indicate that the company will not remain a going concern for twelve months from the date of the statements.

Dated this 22<sup>nd</sup> March, 2017

Signed on Behalf of The Board Of Directors By:

.....  
**Olufunke Abimbola Agbor**  
Chairman

**FRC/2014/MBA/00000006524**

.....  
**Dr. Odunlami Kola-Daisi**  
Managing Director/Chief Executive  
**FRC/2013/CISN/00000003178**



# INDEPENDENT AUDITORS REPORT

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016



We have audited the accompanying financial statements of Secure Electronic Technology Plc ("the Company") which comprise the Financial position as at 31st December, 2016, the statement of comprehensive income, statement of cash flows and value added statement for the year ended, and the statement of accounting policies, notes to the financial statements and the five year financial summary as set out on pages 16 to 31.

## Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with Statements of Accounting Standards applicable in Nigeria, and in the manner required by the Companies and Allied Matters Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers 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 entity's internal controls. 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.

## Key Audit Matters

Key audit matters are those of most significance in the audit of this financial statement. We confirm that there were no unresolved key audit matters.

## Report on Other Legal and Regulatory Requirements

- (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, in so far as it appears from our examination of those books.
- (iii) The company's statements of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

James Olusola Bolujoko  
Engagement Partner  
FRC/2013/ICAN/00000001840  
For: SULAIMON & CO.  
Chartered Accountants  
Lagos, Nigeria  
22<sup>nd</sup> March, 2017



# ACCOUNTING POLICIES

## FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016



A summary of the principal accounting policies, all of which have been consistently Applied throughout the current and preceding years, is set out below:

### 1. **Basis for the Preparation of Accounts**

These financial statements are prepared in accordance with International Financial Reporting Standards.

### 2. **Turnover**

Turnover represents the value of Lottery tickets, amount realised from Airtime vended, Revenue Collection, Treasury and Assets Management exclusive of VAT and net of trade discounts and volume rebates.

### 3. **Property, Plant and Equipment**

- (i) Property, Plant and Equipment are stated at cost less accumulated Depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset.
- (ii) The costs of the day-to-day servicing of Property, Plant and Equipment are recognized in the Statement of Comprehensive Income as incurred.
- (iii) On disposal of previously revalued Property, Plant and Equipment, an amount equal to the revaluation surplus attributable to that asset is transferred from revaluation reserve to revenue reserve.
- (iv) Property, Plant and Equipment being constructed or developed for future use are disclosed as assets in progress.
- (v) Gains or losses on the disposal of Property, Plant and Equipment are determined by reference to their carrying values and are included in the Statement of Comprehensive Income.

### 4. **Depreciation of Property, Plant and Equipment**

Depreciation is calculated to write off the cost or valuation of Assets on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Leasehold Improvements	-	2% or period of lease, whichever is lower
Furniture and Fittings	-	20%
Motor Vehicles	-	25%
Generator	-	25%
Terminals and Equipment	-	25%
Office Equipment	-	25%
Computer/Software Equipment	-	20%
Draw Machine	-	20%

### 5. **Recognition and measurement**

Purchases and sales of investments are recognised on the trade date, which is the date on which the company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise.



**6. Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

**7. Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all the amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that debtor will enter bankruptcy and default or delinquency in payment (more than 30 days overdue), are the indicators that trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within administrative costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative costs in the income statement. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

**8. Provisions, contingent liabilities and contingent assets**

Provisions are liabilities that are uncertain in timing or amount.

Provisions are recognised when: the company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are normally made for restructuring costs and legal claims.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company has a present obligation as a result of past events but is not recognised because it is not likely that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated. Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to eventuate.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. A contingent asset is not recognised rather they are disclosed in the financial statements when they arise.

**9. Retirement benefits**

The company operates a funded, Contributory Retirement Benefit Scheme. Contributions to the scheme, which are compliant with the Pension Reform Act 2004, are based on transport, housing and basic allowances in the ratio 8% by the employee and 10% by the employer. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee service in the current and prior periods. The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the company and employees.

The company contributions to these schemes are recognised as employee benefit expense in the period to which they relate.



**10. Payables**

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**11. Share Capital**

Ordinary shares are classified as equity. Share issue costs net of tax are charged to share premium account.

**12. Cash and Cash Equivalents**

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

**13. Current and Deferred Income Tax**

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation.

Education tax is provided at 2% of assessable profits of companies operating within Nigeria.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Current and deferred income tax is determined using tax rates and laws enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

**14. Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings, using the effective interest method.

**15. Provisions**

A provision is recognised if, as a result of a past event, the Company has present obligations (legal or constructive) that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle such obligation.

**16. Unclaimed Dividends**

Unclaimed dividends are amounts payable to shareholders in respect of dividends previously declared which have remained unclaimed by the shareholder. In compliance with Section 385 of the Companies and Allied Matters Act Cap. C20, Laws of the Federation of Nigeria 2004, unclaimed dividend after twelve (12) years are transferred to revenue reserves.



**17. Segment Reporting**

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

Segment information is presented in respect of the Company's business and geographical segments, where applicable. The Company's primary format for segment reporting is based on geographical segments. The geographical segments are determined by management based on the Company's internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**18. Impairment**

The carrying value of assets is reviewed at each Financial Position date to determine whether there is any indication of impairment. If any such indications exist, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income except where they relate to previously revalued assets, in which case, they are recognised directly against any revaluation surplus to the extent that an amount is included in the revaluation reserve account for the related assets, with any remaining loss recognised in the profit and loss account.

Sales between agents, as disclosed in the segment information, are based on prices generally equivalent to commercially available prices.

Sales of services are recognised in the period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.



**STATEMENT OF FINANCIAL POSITION**  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016



		2016	2015
ASSETS EMPLOYED:	NOTES	=N= '000	=N=' 000
<b>Non-Current Assets</b>			
Property, Plant and Equipment	1	5,254,849	5,296,490
Deferred Income Tax Asset	2	924,418	845,865
		<u>6,179,267</u>	<u>6,142,355</u>
<b>Current Assets</b>			
Trade Receivable and Prepayments	3	312,934	172,366
Cash and Bank Balances	4	4,725	2,890
Total Current Assets		<u>317,659</u>	<u>175,256</u>
<b>Total Assets</b>		<u><u>6,496,926</u></u>	<u><u>6,317,611</u></u>
<b>EQUITY</b>			
<b>Equity attributable to owners</b>			
Share Capital	5	2,815,770	2,815,770
Share Premium	6	6,202,082	6,202,082
Retained Earnings	7	(3,260,246)	(3,360,969)
		<u>5,757,606</u>	<u>5,656,883</u>
<b>LIABILITIES</b>			
<b>Non Current Liabilities</b>			
Bank Overdraft	8	145	0
Borrowings		0	0
		<u>145</u>	<u>0</u>
<b>Current Liabilities :</b>			
Trade and Other Payables	9	410,835	372,624
Current Income Tax	10	328,340	288,104
		<u>739,175</u>	<u>660,728</u>
<b>Total Liabilities</b>		<u>739,320</u>	<u>660,728</u>
<b>Total Equity and Liabilities</b>		<u><u>6,496,926</u></u>	<u><u>6,317,611</u></u>

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

.....) Dr. Odunlami Kola-Daisi FRC/2013/CISN/00000003178

.....) Olufunke Abimbola Agbor FRC/2014/MBA/00000006524

.....) Mr. Olumide Soyele FRC/2013/ICAN/00000003139

The accompany notes on pages 24 to 29 and significant accounting policies on pages 16 to 22 form an integral part of these financial Statements.



**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016**



	NOTES	2016 =N= '000	2015 =N=' 000
Gross Income	11	7,469,905	7,642,672
Prizes/Winnings		(4,400,465)	(4,454,140)
		3,069,440	3,188,532
Dealers Commission		(2,734,521)	(2,872,010)
Net Income		334,919	316,522
Administrative Expenses		(271,377)	(259,698)
Operating Profit/Loss		63,542	56,824
Financial Charges	12	(1,136)	(699)
Profit Before Tax		62,406	56,125
Impairment Loss		0	0
		62,406	56,125
Income Tax	10	(40,236)	(37,572)
Deferred Tax	2	78,553	67,512
Profit After Tax		100,723	86,065
Earnings per Share (Kobo)		1.79	1.53

The accompany notes on pages 24 to 29 and significant accounting policies on pages 16 to 22 form an integral part of these financial Statements.



# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016



	NOTE	Share Capital =N='000	Share Premium =N='000	Retained Earnings =N='000	Total Equity =N='000
Balance as at 1st Jan. 2015					
Other Comprehensive Income					
Profit / (Loss) for the Year	5,6,7	2,815,770	6,202,082	(3,447,034)	5,570,818
Balance as at 31st Dec. 2015	7.1	0	0	-	-
		0	0	86,065	86,065
Balance as at 1st Jan. 2016		2,815,770	6,202,082	(3,360,969)	5,656,883
		2,815,770	6,202,082	(3,360,969)	5,656,883
Profit for the Year				100,723	100,723
Balance as at 31st Dec. 2016		2,815,770	6,202,082	(3,260,246)	5,757,606

The accompanying notes on pages 24 to 29 and significant accounting policies on pages 16 to 22 form an integral part of these financial Statements.



# CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016



	NOTES	2016 =N= '000	2015 =N=' 000
<b>Cashflow from operating activities</b>			
Net Profit/(Loss) for the Year		62,406	56,125
<b>Add Back :</b>			
Depreciation of Assets	1	42,156	40,694
Impairment Loss		<u>0</u>	<u>0</u>
<b>Cashflow before changes in working capital</b>		104,562	96,819
Changes in receivables		(140,568)	(9,949)
Changes in payables		38,212	(60,365)
Tax paid		<u>0</u>	<u>0</u>
<b>Net cash from operating activities</b>		<b>2,206</b>	<b>26,505</b>
<b>Cashflow from investing activities :</b>			
Purchase of fixed assets	1	<u>(516)</u>	<u>(25,413)</u>
<b>Net cashflow after investing activities</b>		<b>(516)</b>	<b>(25,413)</b>
<b>Cashflow from financing activities:</b>			
Share Premium		0	0
Bank Overdraft	8	145	
Other Comprehensive Income		<u>0</u>	<u>0</u>
<b>Net cashflow after financing activities</b>		<b>145</b>	<b>0</b>
<b>Net cashflow after financing activities</b>		<b>1,835</b>	<b>1,088</b>
Cash & Cash equivalents as at 1st Jan.		<u>2,890</u>	<u>1,802</u>
Cash & Cash equivalents as at 31st Dec.	19	<u><b>4,725</b></u>	<u><b>2,890</b></u>

The accompany notes on pages 24 to 29 and significant accounting policies on pages 16 to 22 form an integral part of these financial Statements.



# NOTE TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016



### 1 Property, Plant & Equipment (PPE)

a) The movement on these accounts during the Year was as follows:

	Leasehold Notes Improvement =N='000	Generator =N='000	Motor Vehicles =N='000	Furniture, Fittings =N='000	Terminal Equipment =N='000	Office Equipments =N='000	Computer/ Software Equipment =N='000	Draw Machine =N='000	Total =N='000
<b>Cost or deemed cost</b>									
As at 1st Jan. 2015	68,072	23,970	23,866	12,980	5,080,034	43,897	680,518	52,546	5,985,883
Reclassification	0	0	0	0	0	0	0	0	0
Additions	0	6,150	4,250	3,911	-	2,169	2,200	6,732	25,412
Transfer / Disposal	0	0	0	0	0	0	0	0	0
<b>As at 31st Dec 2015</b>	<b>68,072</b>	<b>30,120</b>	<b>28,116</b>	<b>16,891</b>	<b>5,080,034</b>	<b>46,066</b>	<b>682,718</b>	<b>59,278</b>	<b>6,011,295</b>
As at 1st Jan. 2016	68,072	30,120	28,116	16,891	5,080,034	46,066	682,718	59,278	6,011,295
Reclassification	0	0	0	0	0	0	0	0	0
Additions	0	0	0	350	0	50	116	0	516
Transfer / Disposal	0	0	0	0	0	0	0	0	0
<b>As at 31st Dec 2016</b>	<b>68,072</b>	<b>30,120</b>	<b>28,116</b>	<b>17,241</b>	<b>5,080,034</b>	<b>46,116</b>	<b>682,834</b>	<b>59,278</b>	<b>6,011,811</b>
<b>Depreciation:</b>									
Restated Opening Balance									
As at 1st Jan. 2015	5,444	23,970	23,866	12,969	0	43,688	511,663	52,512	674,112
Charged for the year	1,361	1,538	1,063	766	0	409	34,210	1,347	40,694
Transfer / Disposal	0	0	0	0	0	0	0	0	0
<b>As at 31st Dec 2015</b>	<b>6,805</b>	<b>25,508</b>	<b>24,929</b>	<b>13,735</b>	<b>0</b>	<b>44,097</b>	<b>545,873</b>	<b>53,859</b>	<b>714,806</b>
Restated Opening Balance									
As at 1st Jan. 2016	6,805	25,508	24,929	13,735	0	44,097	545,873	53,859	714,806
Charged for the Year	1,361	1,506	1,125	862	0	1,974	34,142	1,186	42,156
Transfer / Disposal									
<b>As at 31st Dec 2016</b>	<b>8,166</b>	<b>27,014</b>	<b>26,054</b>	<b>14,597</b>	<b>0</b>	<b>46,071</b>	<b>580,015</b>	<b>55,045</b>	<b>756,962</b>
<b>Carrying Amounts</b>									
As at 1st Jan. 2015	62,628	0	0	11	5,080,034	209	168,855	33	5,311,770
As at 31st Dec. 2015	61,267	4,612	3,187	3156	5,080,034	1,969	136,845	5,419	5,296,489
As at 1st Jan. 2016	61,267	4,612	3,187	3156	5,080,034	1,969	136,845	5,419	5,296,489
As at 31st Dec. 2016	59,906	3,106	2,062	2,644	5,080,034	45	102,819	4,233	5,254,849

### b) Property Plant & Equipment under construction

There were no Expenditure on capital work in progress during the year under review

### c) Capital Commitment

There were no Capital Commitment during the year under review.



# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016



	2016 =N= '000	2015 =N=' 000
<b>2 Deferred Taxation</b>		
Income Statement Amortisation Charge	78,553	67,507
Balance Brought Forward	845,865	778,358
Charge for the Period	78,553	67,507
Balance Carried Forward	924,418	845,865

Income tax deferred as at 31<sup>st</sup> December, 2016 arose as a result of differences between rates of depreciation adopted for accounting purposes and rates of Capital Allowance granted for tax purposes amounted to ₦924,418,000. The amount represents 30% [the Corporate Income Tax rate] of the difference between the net book value of assets qualifying for the capital allowance and their corresponding income tax written down value.

	=N= '000	=N=' 000
<b>3 Receivables &amp; Prepayments</b>		
Trade Receivables	237,679	97,566
Sundry Receivables	75,255	74,800
	312,934	172,366

The Carrying amount of accounts receivable and prepayments for 2015 and 2016 approximate to their fair Values

<b>4 Cash &amp; Bank Balances</b>		
Cash	7	13
Bank	4,718	2,877
	4,725	2,890

## 5 SHARE CAPITAL

### Authorised :

6 Billion Ordinary Shares of 50K each	3,000,000	3,000,000
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### Paid - up Capital :

5,631,540,000 Ordinary Shares of 50K each	2,815,770	2,815,770
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## 6 SHARE PREMIUM

This represents excess cash over nominal value	6,202,082	6,202,082
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## 7 Retained Earnings

Profit/(Loss) Brought Forward	(3,360,969)	(3,447,034)
Profit/(Loss) for the year	100,723	86,065
Profit/(Loss) Carried Forward	(3,260,246)	(3,360,969)

## 8 Bank Overdrafts & Loan

Bank Overdrafts	145	-
	145	-



# NOTES TO THE ACCOUNTS

## FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016



### 9 Payables and Accruals

Accruals	100,185	61,974
Other Payables	310,650	310,650
	<u>410,835</u>	<u>372,624</u>

The carrying amounts of accruals and other payables for 2015 and 2016 respectively approximate to their fair value.

### 10 Taxation

Balance Brought Forward	288,104	250,532
Provision for the Year	40,236	37,572
	<u>328,340</u>	<u>288,104</u>
Payment during the year	0	0
Balance Carried Forward	<u>328,340</u>	<u>288,104</u>

### 11 Gross Income

Gross Sales	<u>7,469,905</u>	<u>7,642,672</u>
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Gross Income comprises of Lottery Sales, Scratch Card Sales, Airtime Sales, Treasury/Asset Management and Revenue collection.

### 12 Bank Charges

Interest on Bank Overdraft and Charges	<u>1,136</u>	<u>699</u>
<b>Interest Expenses Comprise of:</b>		
- Interest on Loan Facilities	0	0
- Interest on Overdrafts	<u>1,136</u>	<u>699</u>
	<u>1,136</u>	<u>699</u>

### 13 Retirement Benefit Obligation

Defined Contribution Schemes	607	441
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The company and its employees make a joint Contribution of 18% of Basic Salary, Housing and Transport Allowance to each employees retirement Benefit savings account.

### 14 Earnings per share

Basic earnings per share are calculated by dividing the (loss)/profit attributable to equity holders of the Company by the number of ordinary shares in issue during the year.

	N'000	N'000
(Loss)/Profit attributable to equity holders of the company (Naira )	<u>100,723</u>	<u>86,065</u>
Number of ordinary shares in issues (thousand)	<u>5,631,540</u>	<u>5,631,540</u>
Basic earnings per share (Kobo)	1.79	1.53



# NOTES TO THE ACCOUNTS

## FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016



	2016 =N= '000	2015 =N= ' 000
<b>15 Operating profit</b>		
(Loss)/Profit:		
<b>Included in cost of sales</b>		
Cost of Ticket, Prize paid	4,400,465	4,454,140
<b>Included in selling and marketing costs</b>		
Dealers commission	2,734,521	2,872,010
<b>Included in administrative expenses:</b>		
Depreciation on property, plant and equipment	42,156	40,694
Auditors' remuneration	5,500	5,200
Consultancy services	14,589	14,185
Repairs and maintenance	6,644	7,832
	<u>68,889</u>	<u>67,911</u>
<b>16 Employee benefits expense</b>		
The following items are included within employee Benefits expenses:		
Wages and salaries	89,108	79,435
Staff welfare and csr	7,111	3,363
Pension costs – Defined contribution scheme	607	441
	<u>96,826</u>	<u>83,239</u>
<b>17 Finance (cost)/income</b>		
<b>Interest expenses:</b>		
Bank borrowings	1,136	699
Capitalised to qualifying property plant and equipment	0	0
	<u>1,136</u>	<u>699</u>
Borrowing costs were capitalized based on the respective actual borrowing rates.		
<b>18 Numbers</b>		
Key Management Personnel	8	8
Other Management Personnel	43	31
Staff Management Personnel	36	32
	<u>87</u>	<u>71</u>



# NOTES TO THE ACCOUNTS

## FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016



=N= '000

=N=' 000

### Average Cost per Staff

The table below shows the number of Employees Excluding Directors who earned over N50,000 as emoluments in the year and were within the bands stated

	2016 Number	2015 Number
50,0001 – 100,000	4	4
100,001 – 200,000	11	11
200,001 – 300,000	18	18
300,001 – 400,000	8	8
400,001 – 500,000	10	10
500,001 – 600,000	9	5
600,001 – 700,000	15	3
700,001 – 800,000	4	4
800,001 – 900,000	1	1
900,001 – 1,000,000	0	0
1,000,001 and above	7	7
	<u>87</u>	<u>71</u>

### 19 Cash & Cash Equivalents

these comprises:

Cash Balance	7	13
Bank Balance	4,718	2,877
	<u>4,725</u>	<u>2,890</u>

### 20 Chairman's and Directors Emoluments /Staff

#### a) Emoluments-Chairman

	0	0
-Other Directors	0	0
	<u>0</u>	<u>0</u>
-Directors Fees	0	0
-Directors Allowance	11,200	4,325
	<u>11,200</u>	<u>4,325</u>

#### b) The number of Directors excluding Chairman's whose Emoluments were within the following ranges were:

1,001 – 10,000	0	0
10,001 – 20,000	0	0
20,001 – 30,000	0	0
30,001 – 40,000	0	0
40,001 – 50,000	0	0
50,001 – 100,000	0	0
100,001 – 500,000	0	0
500001 and above	0	0



# NOTES TO THE ACCOUNTS

## FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016



	=N= '000	=N=' 000
<b>c) Staff Costs</b>		
-Salaries, Wages and Allowance	89,108	79,435
-Pension Fund Contribution	607	441

### **d) Loans and Other Transactions Favouring Directors and Officers**

During the year, the company did not guarantee loans in favour of any of the the Directors or Officer of the Company

## **21. Financial Instruments**

### **1) Non-derivative financial assets:**

The company initially recognises loans and receivables and deposits on the dates that they are originated. All other financial assets are recognised initially on trade date at which the company becomes a party to the contractual provisions of the instruments.

The company derecognises a financial assets when the contractual rights to the cash flows from the assets expire or it transfers the rights to receive contractual cash flow on the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when and only when the company has a legal right to offset the amounts and in terms either to settle on a net basis or to realise the assets and set the liability simultaneously.

The company's non-derivative financial assets are classified as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair values plus any directly attributable transaction cost. Subsequent to initial recognition loans and receivables are measured at the amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprises inter-company receivables and trade and other receivables.

Stock Exchange on 14th December, 2011. On the 2nd December, 2011 the Board of Directors through Special

### **Reporting Entity**

#### **a). The Company**

National Sports Lottery Limited was incorporated on 3<sup>rd</sup> January, 2000 but commenced operations in July, 2001. On the 9th July, 2011 the name National Sports Lottery Limited was by special resolution converted to a Public Company, National Sports Lottery Plc. The company was granted an exclusive license to carry out the business of lottery in Nigeria for Fifteen (15) years in December, 2001. The Company listed its entire Share Capital on the Nigerian Stock Exchange on 14th December, 2011. On the 2<sup>nd</sup> December, 2011 the Board of Directors through Special Resolution changed the name of the Company from National Sports Lottery Plc to Secure Electronic Technology Plc and this was approved by Corporate Affairs Commission (CAC) on 6th January, 2012

### **APPROVAL OF THE ACCOUNTS**

These financial statements were approved by the Directors of the Company on 22nd March, 2017.



# STATEMENT OF VALUE

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016



	2016		2015	
	=N= '000	%	=N=' 000	%
Turnover	7,469,905		7,642,672	
Bought in materials and services	(7,263,899)		(7,461,394)	
Value added	<u>206,006</u>		<u>181,278</u>	
Applied as follows :				
To pay employees's Salaries, wages and allowances	89,108	43	79,435	44
Directors	11,200	5	4,325	2
To pay net interest on borrowings and deposits				
Interest & Bank charges	1,136	1	699	1
To pay taxes to government				
Taxation	40,236		37,572	21
Deferred Taxation	(78,553)	(38)	(67,512)	(37)
To pay dividends to the shareholders				
To provide for maintenance of assets	42,156	20	40,694	22
Retained Profit for Company's growth.	<u>100,723</u>	<u>49</u>	<u>86,065</u>	<u>47</u>
	<u>206,006</u>	<u>100</u>	<u>181,278</u>	<u>100</u>

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



# FIVE YEAR FINANCIAL SUMMARY

## FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016



Capital Employed	2016 =N='000	2015 =N='000	2014 =N='000	2013 =N='000	2012 =N='000
Share Capital	2,815,770	2,815,770	2,815,770	2,815,770	2,815,770
Share Premium	6,202,082	6,202,082	6,202,082	6,202,082	7,253,168
Retained Earnings	(3,260,246)	(3,360,969)	(3,447,034)	(4,913,440)	(5,055,908)
	<u>5,757,606</u>	<u>5,656,883</u>	<u>5,570,818</u>	<u>4,104,412</u>	<u>5,013,030</u>
<b>Assets and Liabilities</b>					
Property, Plant and Equipment	5,254,849	5,296,490	5,311,762	5,350,023	5,397,035
Investment	0	0	0	0	0
Current Assets	1,242,077	1,021,121	942,736	3,752,072	4,686,049
Current Liabilities	(739,175)	(660,728)	(683,680)	(401,625)	(342,239)
Long Term Liabilities:					
Bank Loans	(145)	0	0	(4,596,058)	4,726,099
	<u>5,757,606</u>	<u>5,656,883</u>	<u>5,570,818</u>	<u>4,104,412</u>	<u>(5,013,030)</u>
Revenue	<u>7,469,905</u>	<u>7,642,672</u>	<u>7,247,108</u>	<u>6,515,083</u>	<u>(4,567,427)</u>
Profit/(Loss) before taxation	<u>62,406</u>	<u>56,125</u>	<u>43,175</u>	<u>91,801</u>	<u>225,600</u>
Profit/(Loss) after taxation	<u>100,723</u>	<u>86,065</u>	<u>75,015</u>	<u>142,468</u>	<u>(1,465,359)</u>
Dividend Paid	<u>-</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Earnings per share (Kobo)	<u>1.79</u>	<u>1.53</u>	<u>1.33</u>	<u>2.53</u>	<u>(26)</u>
Net Assets per share	<u>102</u>	<u>100</u>	<u>113</u>	<u>73</u>	<u>89</u>

Earnings per Share and Net Assets per share for the year is calculated on 5,631,540,000 ordinary shares of 50k each which was the number of shares in issued as at 31st December, 2016.



# DETAIL STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016



	2016	2015
	=N='000	=N='000
<b>Gross Income</b>	7,469,905	7,642,672
Prizes/Winnings	(4,400,465)	(4,454,140)
	<u>3,069,440</u>	<u>3,188,532</u>
Dealers Commission	(2,734,521)	(2,872,010)
<b>Gross Profit</b>	334,919	316,522
<b>Administrative Expenses</b>		
Salaries and Wages	89,108	79,435
Professional Fees	14,589	14,185
Audit Fees	5,500	5,200
Repairs and Maintenance	6,644	7,832
General Expenses	7,237	6,334
Electricity and Water Expenses	438	260
Public Relation Expenses	2,536	6,874
Motor Running Expenses	2,555	3,080
Printing and Stationeries	1,153	2,442
Depreciation	42,156	40,694
Transport and Travelling	14,603	15,339
Sales and Marketing Promotion	33,507	35,998
Fuel, Oil and Lubricant	14,635	11,242
Advertisement	620	3,425
Game Show Expenses	84	116
Directors Sitting Allowance	11,200	4,325
Communication	14,934	16,179
Staff Welfare and CSR	7,111	3,363
Security Expenses	1,467	1,953
Staff Terminal Benefit	1,300	1,422
	271,377	259,698
Interest on Bank Charges and Overdraft	1,136	699
	<u>(272,513)</u>	<u>(260,397)</u>
<b>Profit for the Year</b>	<u>62,406</u>	<u>56,125</u>