FMDQ

...empowering the OTC markets

2013

ANNUAL REPORT & ACCOUNTS

Global Competitiveness | Operational Excellence | Liquidity | Diversity

FMDQ OTC PLC

2013 ANNUAL REPORT & ACCOUNTS

FMDQ OTC

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Content

NOTICE OF THE SECOND ANNUAL GENERAL MEETING OF FMDQ OTC PLC (RC 929657) (THE "COMPANY")

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting ("AGM") of members of the Company will be held at the Company's head office located at 1, Olosa Street, Victoria Island, Lagos on Thursday July 31, 2014 at 10.00AM prompt to transact the following businesses:

Ordinary Business

1. Presentation of the Financial Statements of the Company for the year ended December 31, 2013 together with all of the Reports of the Directors and Auditors thereon.

2. Appointment of External Auditors and to determine their remuneration.

3. Election of Directors.

4. Appointment of Members of the Audit Committee.

Notes:

Proxy

A member of the Company is entitled to appoint a proxy to attend and vote at the AGM on their behalf. A proxy need not be a member of the Company.

A proxy form is attached to this notice. For the instrument of proxy to be valid for the purpose of the AGM, it must be completed, stamped and deposited at the head office of the Company at 1, Olosa Street, Victoria Island, Lagos not less than 48 hours before the time fixed for holding the AGM.

Audit Committee

In accordance with section 359 (5) of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004, any member of the Company 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 21days before the AGM.

Dated this 10th day of July, 2014

By Order of the Board

G. Elias & Co.
Company Secretary

BACKGROUND

History

FMDQ OTC PLC (FMDQ) is an organisation with the strategic intent of bringing about revolutionary changes and fostering the development of the Nigerian over-the-counter (OTC) financial markets. FMDQ, which was registered by the Securities and Exchange Commission (SEC)as an OTC market securities exchange in November 2012, brings together Nigeria's fixed income and currency operations under a single market governance structure.

The creation of FMDQ is linked to the market development initiatives of the Financial Markets Dealers Association (FMDA) (formerly known as the Money Market Association of Nigeria - MMAN).

FMDA (then MMAN) began as an informal body of treasurers of banks operating in Nigeria in 1976; it was later formalised and registered on May 12, 1989 under the Land (Perpetual Act) Cap.98 with registration No. 5373.

In it's almost three decades of existence in Nigeria, FMDA has been at the forefront of the development of the inter-bank markets.

The early ideas towards the creation of an FMDQ-type organisation can be traced to 2001 when FMDA fashioned out for itself a vision tagged "VISION 2006". The vision reaffirmed its drive to be "an influential self-regulatory body that is a reference point for credible economic information, committed to people and market development."

The objectives of the vision were as follows:

- To promote ethical conduct and enhance the skills and competencies of members to global standards
- To build economic research capabilities
- To develop infrastructure and promote conditions necessary for market deepening
- To establish a body that will regulate the entire profession
- To influence public opinion and government policies

Further to this, the idea of an OTC securities exchange was promoted by FMDA in line with its vision to create an enabling system for bringing Nigeria's thin, dispersed yet high-potential OTC market under a single governance agreement. This gave rise to the birth of FMDQ.

Evolution of FMDQ

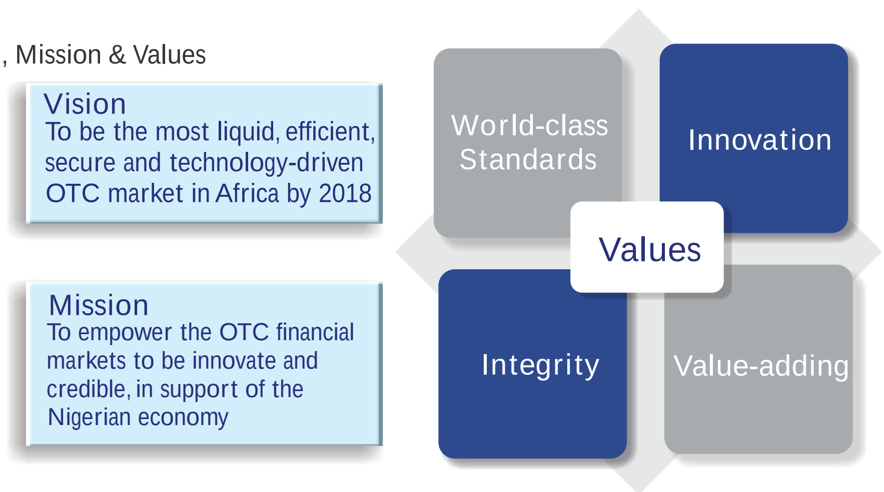
FMDQ's key mandate is to bridge the current gaps in the Nigerian OTC financial markets via the following measures:

- Bringing Nigeria's thin, dispersed and high-potential OTC markets under a single robust market governance structure and as a single platform
- Building an integrated debt capital market with high network effects
- Aggregating pre-trade and real-time post-trade data to promote transparency
- Promoting the best practice clearing and settlement arrangements for the OTC market

Company Profile

FMDQ is a SEC- registered OTC securities exchange, with a vision to become the most liquid, efficient, secure and technology-driven OTC platform in Africa by 2018, through its mission to empower the Nigerian OTC financial markets to be innovative and credible, in support of the Nigerian economy.

Vision, Mission & Values

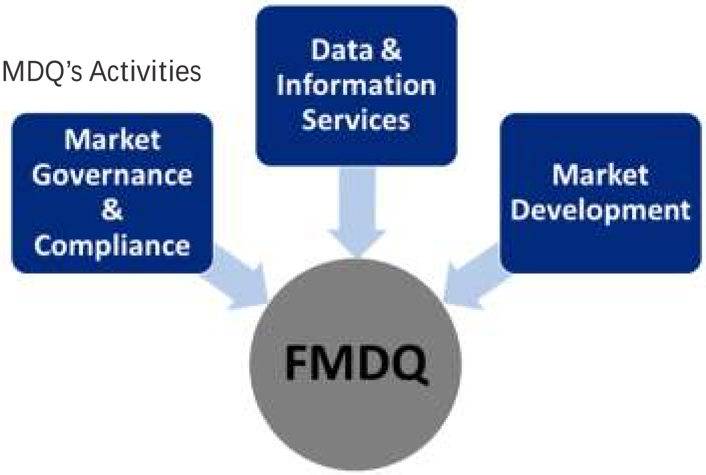


Whilst complementing other existing securities exchanges and providing world-class market governance for capital transfer, FMDQ's primary focus is on the OTC markets – fixed income (money, treasury bills, and bonds), currencies and derivatives.

The creation of FMDQ marks a landmark in the development of the Nigerian financial markets as it uniquely combines functions of a securities exchange in organising and deepening the OTC markets; and a self-regulatory organisation (SRO) in coordinating and regulating the activities of the members in the markets under its governance.

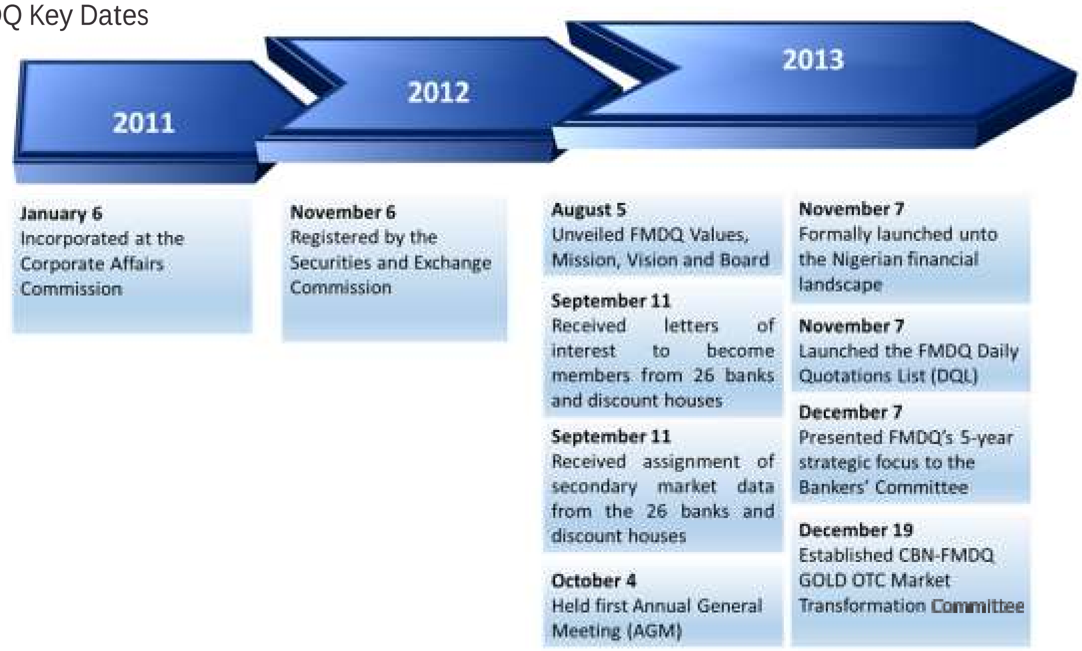
The company seeks to achieve its overall objectives by carrying out activities in the following three (3) broad categories:

Broad Categories of FMDQ's Activities



- Market Governance & Compliance: maintaining market confidence, credibility and integrity through documentation, surveillance and enforcement of market rules
- Market Development: ensuring market efficiency and liquidity by driving product innovation and institutionalising robust market architecture (membership relationships, trade execution, trade data repository, straight-through-processing (STP), clearing, market interventions and risk management etc.)
- Data & Information Services: developing databases of OTC market data and information to position FMDQ as the market information repository servicing the needs of the regulators, operators, investors and numerous other local and international stakeholders

FMDQ Key Dates



Value Proposition

Driven by its compelling value proposition - "GOLD" Agenda (Global Competitiveness, Operational Excellence, Liquidity and Diversity) for the transformation of the OTC financial markets, FMDQ, as a change agent, began instituting requisite financial market infrastructure to drive transparency, governance, market oversight, credibility and market liquidity to power growth in the Nigeria's OTC financial markets with a view to protecting investor interests.

FMDQ GOLD Agenda

Each element of the "GOLD" Agenda presents opportunities for reforms with far reaching implications for the development of the Nigerian financial markets.

Global Competitiveness: FMDQ will employ robust legal, regulatory frameworks and comprehensive mediation and arbitration procedures to support its operations taking a cue from global markets.

Operational Excellence: FMDQ intends to work with other financial markets infrastructure operators and the regulators to ensure that the market optimally leverages technology to promote price discovery, data transparency, STP, clearing arrangements etc.

Liquidity: As a key mandate of FMDQ for the development of the financial markets, the company will energise existing markets – the repo market, listing of corporate debt issues and securitizations etc. Similarly, FMDQ is driving the upgrade and enforcement of quoting standards and governance over benchmarks and indices.

Diversity: FMDQ will actively seek opportunities for product development and innovation, linkages with other securities exchanges, clearing arrangements and self-regulatory organisations. These initiatives will be supported by active investor education & awareness as well as market advocacy activities.

Memberships

In building its network effects and driving the debt capital market integration, FMDQ intends to operate with diverse membership classes which consist of the following:

Dealing Members: These are the FMDQ-licenced members that make market on money market, debt securities and currencies traded OTC on the FMDQ platform. Dealing Members must be registered with the SEC to carry on business as OTC Dealers. There are currently 26 FMDQ-licenced Dealing Members.

Associate Members: There are three (3) categories of associate membership:

- Clients: These are the end-users of the products traded on the platform, and include pension managers, fund managers and corporates
- Inter-Dealer Brokers: These are SEC-registered brokerage firms that act as intermediaries amongst Dealing Members only
- Brokers: These are SEC-registered brokerage firms that act as intermediaries between Dealing Members and Clients only

Registration Members: These are the members sponsoring issuers that desire listings and quotations privileges on the FMDQ platform. The Registration Members must be registered with either SEC or the CBN depending on the function they intend to perform. There are two categories of registration membership:

- Listing Members: These are issuing houses sponsoring issuers of publicly offered or privately placed fixed income securities, such as, supra-national bonds, sub-national bonds, government agency bonds, corporate bonds, asset-back securities, mortgage-backed securities and fixed income related-mutual funds on the FMDQ platform
- Quotation Members: These are issuing, paying and collecting agents sponsoring issuers of commercial papers on the FMDQ platform

FMDQ Membership Structure

Shareholders' Information

FMDQ was an initiative spurred out of the necessity to empower the Nigerian OTC financial markets to be globally competitive. The company is owned by the CBN, FMDA, NSE Consult Limited (a fully-owned subsidiary of The Nigerian Stock Exchange) and as well as 24 banks and discount houses operating in Nigeria.

List of Shareholders

S/N	Institution
1	Access Bank PLC
2	Associated Discount House Limited
3	Central Bank of Nigeria
4	Consolidated Discounts Limited
5	Diamond Bank PLC
6	Ecobank Nigeria Limited
7	Enterprise Bank Limited
8	Express Discount House Limited (In liquidation)
9	Fidelity Bank PLC
10	Financial Markets Dealers Association
11	First Bank of Nigeria Limited
12	First City Monument Bank Limited
13	FSDH Merchant Bank Limited
14	Guaranty Trust Bank PLC
15	Kakawa Discount House Limited
16	Keystone Bank Limited
17	Mainstreet Bank Limited
18	NSE Consult Limited
19	Skye Bank PLC
20	Stanbic IBTC Bank PLC
21	Standard Chartered Bank Nigeria Limited
22	Sterling Bank PLC
23	Union Bank of Nigeria PLC
24	United Bank For Africa PLC
25	Unity Bank PLC
26	Wema Bank PLC
27	Zenith Bank PLC

SUSTAINABILITY STRATEGY

The Securities and Exchange Commission, Nigeria registered FMDQ to function as an OTC market, thereby giving FMDQ dual responsibilities of being a securities exchange (a market organiser and service provider) and SRO in the Nigerian eco system. The development of the business will focus on the value created for the stakeholders and FMDQ's ability to influence the issuers, investors and the members towards ensuring market liquidity.

FMDQ Twin Functions

FMDQ's core business functions and areas that present long-term value opportunities are as follows:

Securities Exchange

- Trading – FMDQ provides a platform for the Dealing Members to execute secondary market trades in the most efficient manner either by quoting to other Dealing Members via the trading systems or obtaining best execution prices through the brokers

- Listings and Quotations – FMDQ intends to provide listing and quotation services to issuers wishing to ensure liquidity and visibility of their fixed income and money market securities

- Market Development – To drive the GOLD agenda of the Nigerian OTC market, FMDQ acts as the springboard for product innovation and design of robust market architecture

- Technology – FMDQ, in partnership with key technology solution providers, deployed trading and market surveillance systems that are fit-for-purpose to improve market liquidity, integrity and credibility

- Market Services – Accurate and timely prices and market data are supplied to stakeholders further ensuring market liquidity and transparency

Self-Regulatory Organisation

As an SRO, FMDQ will be the front-line regulator for the OTC markets under its governance. It aims to maintain market confidence, credibility and integrity through robust regulation, documentation, surveillance, investigations and enforcement of market rules. The Regulation & Examination Division (RED) in FMDQ has responsibility for the SRO function. RED will regulate and supervise its members' activities and conduct through the Regulation and Examination Groups respectively.

FMDQ will work closely with its primary regulator - SEC, whilst liaising closely with the Central Bank of Nigeria (CBN) and Debt Management Office (DMO). FMDQ will maintain very strong interfaces with the CBN being the primary regulator of the foreign exchange market and regulator of some of FMDQ Dealing Members i.e. banks operating in Nigeria. The DMO regulates the primary dealership system of the domestic sovereign bonds market and for this reason FMDQ also maintains close interface with the regulator.

FMDQ's interfaces with these government agencies will cover the following activities:

- Adoption and enforcement of pre-existing rules and regulations of the respective regulatory agencies, and formulation of new rules
- Licencing of members and facilitating the SEC registration of institutions and sponsored individuals
- Market monitoring and surveillance functions
- Regular reporting of market statistics and front-line regulatory activities
- Compliance support for the rules of the regulatory agencies

Stakeholder Engagement Process

FMDQ's success as a market organiser and SRO will largely depend on the support of its stakeholders (domestic and international). Therefore, the company will strive to develop and maintain participative, collaborative and informative engagement with various stakeholders with a progressive view to integrating this into our business development and daily operations.

We will adopt a systematic process which involves identifying key stakeholder groups. We will categorise them according to the issue or subject and prioritise them according to their strategic importance. This will inform our engagement approach which ultimately will be based on the engagement objectives and the stakeholders' levels of interest and influence.

The process and results of our stakeholder engagement would be recorded, reviewed and reported to the relevant Board Committee where appropriate, for accountability and transparency.

The engagement activities will take on many forms, both formal and informal, ranging from public consultations on major market initiatives, structured meetings with market regulators to seminars and workshops for industry associations and investors. With these on-going dialogues, mutual understanding of the relationships, views and expectations would be enhanced, enabling us to make more informed decisions, and to better assess and manage the resulting impact. At FMDQ, stakeholder engagement will be about developing relationships with our stakeholders towards creating value and bases for mutual benefits. Whether it is in relation to a new business initiative, an internal operational change or a market-wide concern, we intend to engage with our stakeholders in order to assess opportunities and threats, identify existing or potential conflicts of interest, garner support and decide on the appropriate actions to take while monitoring progress and impact.

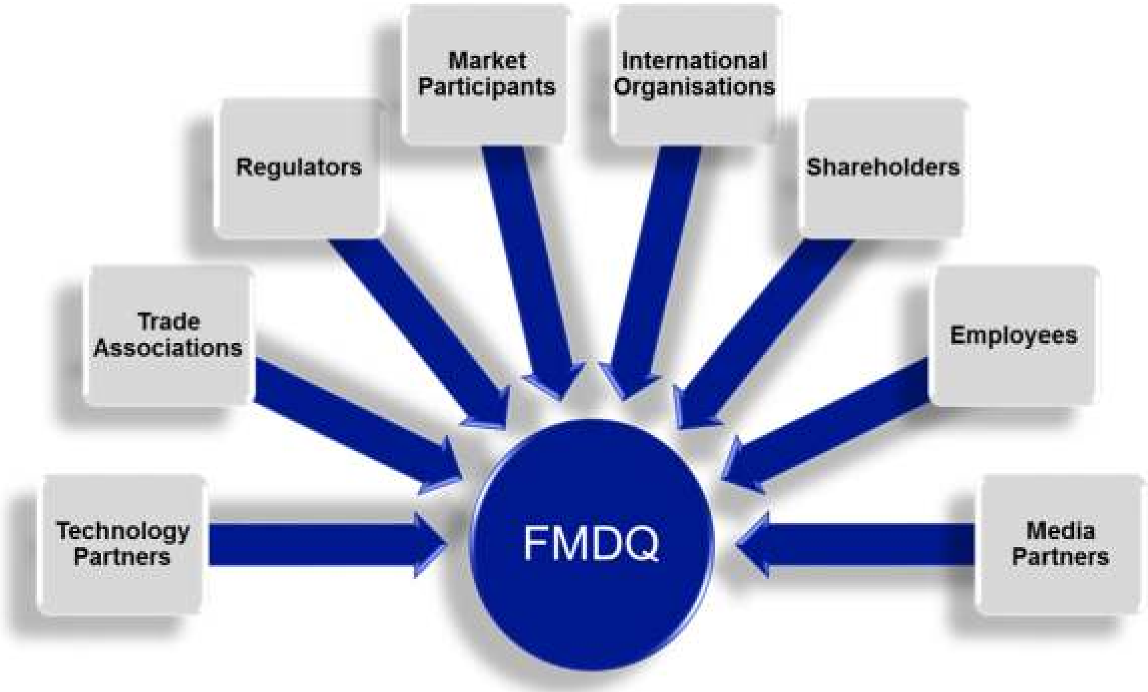
Our Stakeholder Management process will be driven by three (3) steps:

- Stakeholder Identification
- Stakeholder Analysis
- Stakeholder Communication and Engagement

Stakeholder Identification

Through differing market and regulatory interfaces, FMDQ will be effectively involved in collaborative and informative engagement with the following stakeholders:

FMDQ Stakeholders



Stakeholder Analysis

Each stakeholder group is further analysed for effective engagement using a reporting model which covers the following items:

Stakeholder Engagement and Communication

At the final step, stakeholders will be engaged through the alignment of their objectives with FMDQ's "GOLD" implementation agenda for the Nigerian OTC financial markets. Stakeholders will drive this through technical advisory services, market visibility studies, knowledge sharing, capacity building initiatives, networking opportunities and access to research databases and libraries.

Value for Stakeholders

FMDQ has various stakeholders: its members, the regulators, government agencies, trading systems vendors, strategic partners, issuers, investors and end users. The methods that will be adapted in running the business and the ensuing market transformation will address the needs of these stakeholders, ultimately creating economic value for all FMDQ's interested parties.

Value Created and Corresponding market Impact

Value Created	Market Transformation
Price Transformation and Market Transparency	▪ Credible, reliable and consistent source of financial markets trading, closing, model and market-supplied indicative prices/rates for price formation and valuation ▪ Price discovery: pre-trade, trade and post-trade data; and general market information - sizing, products, research reports and analytics ▪ Reliable trading systems with online real-time surveillance capabilities
Product and Market Innovation	▪ Diversification of fixed income products ▪ Introduction of hedging products ▪ Reliable fixed income benchmarks and indexes ▪ Improved market architecture ▪ Credible yield curves and fixings
Quotations, Listings and Market Liquidity Enhancement	▪ Admission and registration of debt securities ▪ Liquid fixed income and derivative markets ▪ Bond specialist system for liquidity in non-sovereign bonds
Market Governance and Supervision	▪ Rules, standards, agreements and surveillance ▪ Monitoring and Compliance principles based on global best practices ▪ Macro-prudential analysis and regulatory reporting
Economic Development Advocacy	▪ Financial markets support for debt financing structure for Small Medium Enterprises/Agriculture and Housing/Infrastructure

FMDQ is established to be a self-sustaining organisation and will seek to be profitable through sustainable revenue streams. The company will earn revenue from fees generated from listings, quotations and trading activities. Typical of the business model of securities exchanges, FMDQ will seek revenue diversification from other revenue sources such as membership dues and data sales.

KEY BUSINESS FOCUS AREAS

FMDQ focus has been placed on sustainable areas of the business where strategic initiatives have been and will be activated:

- Product and Market Development – this ensures liquidity and efficiency in the markets by driving product innovation and creating robust market architecture. Achievement in this area was the FMDQ Daily Quotations List (DQL) launched on November 7, 2013. We hope to deliver the FMDQ (FGN) Bond Index and NIBOR Reform in line with International Organisation of Securities Commission (IOSCO)'s standards. Other strategic initiatives being worked on are; Bond Specialist System, revival of the Commercial Papers market, Bi-lateral Repo with collateral management, Securities Lending and Tri-party Repo market, Loan Sale and Derivatives market

- Regulation – the focus here will be on maintaining market confidence, credibility and integrity through regulation, documentation, surveillance, investigations and enforcement. Some of the initiatives activated include the development of the FMDQ Codified Rule Books for the FGN Bonds, Treasury Bills, Money Market and Foreign Exchange markets; the FMDQ General Market Rules. Work has commenced on the FMDQ E-Bond Trading Rules, the FMDQ Infractions and Penalties Guide, the Bond Listing and Quotation Rules and the Commercial Paper Quotation Rules. Other strategic initiatives include defining of regulation for effective market architecture and establishment of FMDQ's market surveillance and members' examination function

- Technology – the application of robust trading and surveillance systems, with such characteristics as resilience, flexibility and efficiency is fundamental to FMDQ operations. The company will actively invest in its capabilities, skills and expertise in this area. FMDQ has commenced work on the FMDQ-Bloomberg E-Bond Trading and Surveillance System for fixed income starting with treasury bills and FGN bonds. This will be extended to cover all fixed income products. The FX trading and surveillance system is equally strategic and FMDQ has commenced work on it in collaboration with Thomson Reuters

- Stakeholders – FMDQ is committed to active engagement and discussion with its stakeholders, via periodic and properly organised sessions, meetings and workshops. The company will obtain regular feedback from its members on its offerings and ways in which it can better meet their needs. FMDQ will continue to engage with the members and regulators to champion innovative ways in which the Nigerian OTC market will become globally competitive

- People – FMDQ is also committed to investing in its people to ensure that its strategy is effectively executed. The organisation will reinforce its high performance culture through attracting, developing and retaining competent and passionate human capital

Key Success Factors of a Securities Exchange

Network Effects	Proprietary Indices	Proprietary Trading & Clearing Technology	Innovation

Key Success Factors for FMDQ

Comprehensive Market Standards & Business Rules
Competent Human Capital
Robust Information Technology Platform
Comprehensive Data Management Strategy
Strong Market & Business Intelligence Capacity
Excellent Project Management Skills (new business set-up)
Regulatory Interfaces & Agreements
Strategic Alliances

STRATEGIC JOURNEY

FMDQ OTC 5-Year Strategic Vision: 2014 – 2018

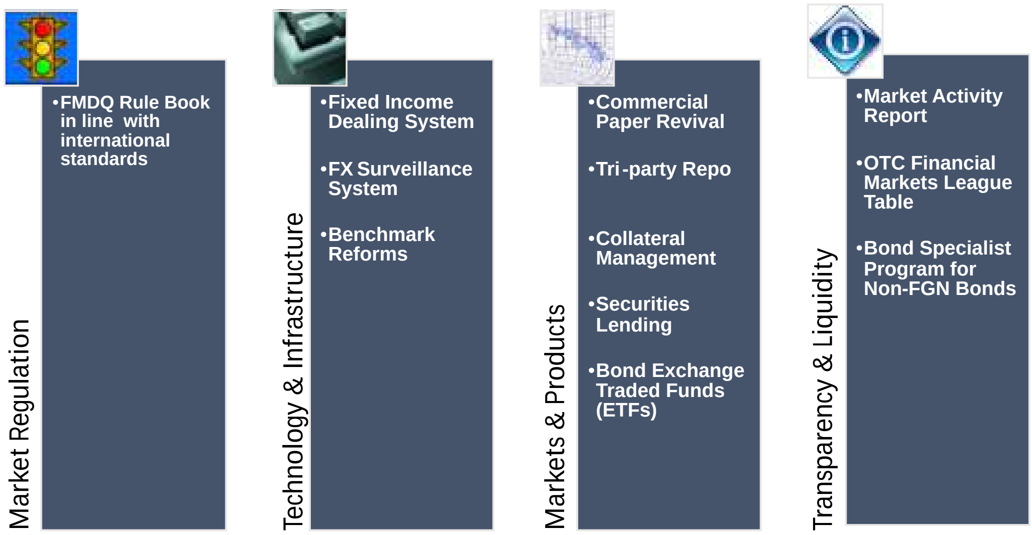
FMDQ's immediate focus has been on the growth of the existing spot markets and activation of defunct products or markets e.g. commercial papers. Its medium term focuses are on the development of new products and markets e.g. securities lending and loan sale. The medium-long term goals will focus on the development of the derivatives market. Overall the market development activities will be designed to promote liquidity, transparency, price discovery and diversity.

The attraction to the Nigerian debt securities will hinge heavily on the degree of transparency available through FMDQ. Therefore, the 2014 strategic focus of FMDQ as detailed in the 5-year strategic plan is Market Transparency and Trading Intensity. Desirous of entrenching governance and transparency in the market, FMDQ identified the need for robust price formation and discovery mechanisms and has embarked on market development initiatives that provide price and volume data to its stakeholders. Market data with detailed analyses will be made available to the relevant regulators, government agencies and other stakeholders.

The FMDQ Daily Quotations List (DQL) remains a landmark in the debt capital market. Our efforts to increase efficiency in the preparation and release of market data to promote transparency will continue into 2014.

In the financial year 2014, FMDQ will expand its focus on initiatives geared towards fostering trading intensity, even as it continues to consolidate on its market transparency drive. To achieve this, outlined below are few of the initiatives to be implemented in 2014:

FMDQ 2014 Initiatives



FMDQ Corporate Scorecard

The company will adopt a corporate scorecard with the four (4) broad spectrums described below as key performance indicators -

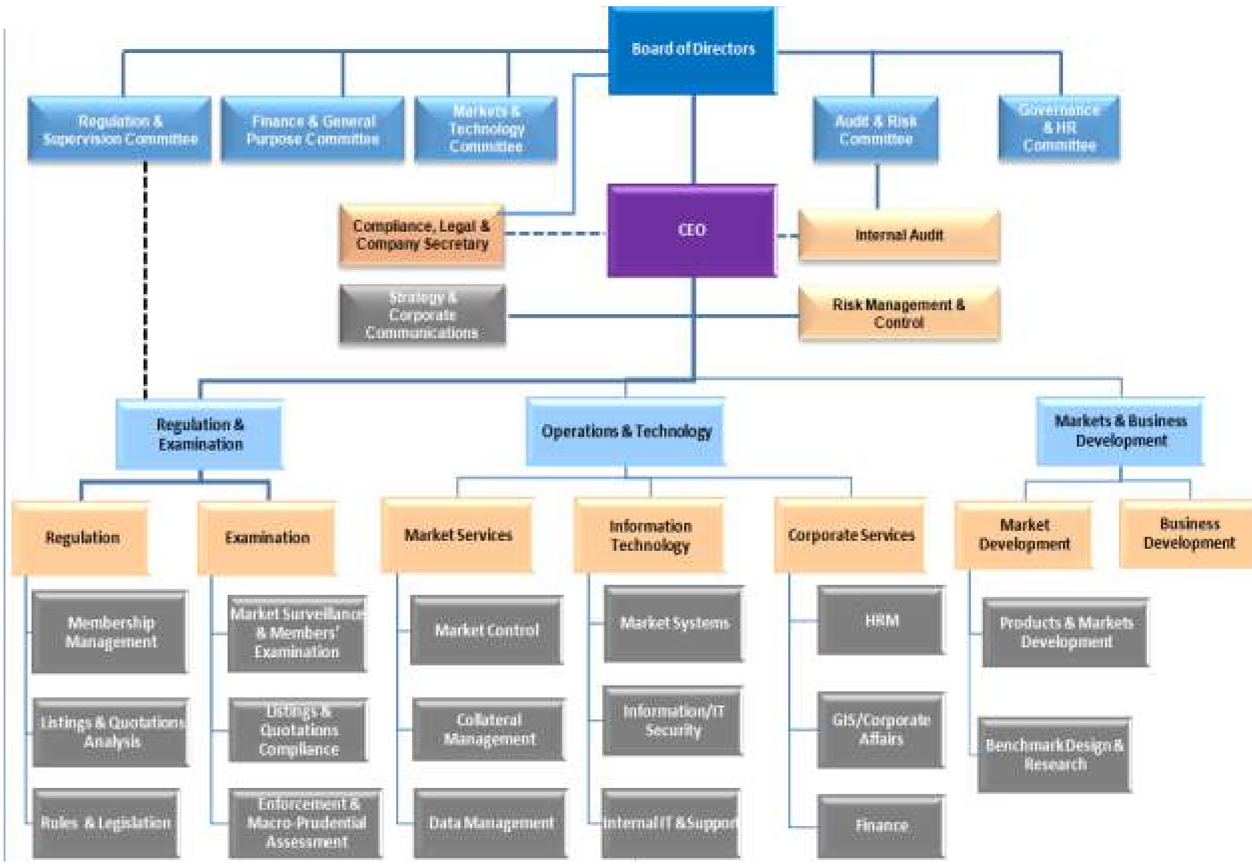
The table below presents FMDQ's objectives, 2013 performance and 2014 goals along the four spectrums

	Objectives	Performance	2014 Goals
BUSINESS PERFORMANCE	▪ Ensure efficient and effective utilisation of shareholders' funds ▪ To create economic value	▪ Identified and established revenue generating business lines including: ❖ Listings ❖ Quotations ❖ Memberships ❖ Trading Activities ▪ Identified revenue and value drivers such as ❖ Trading Intensity ❖ Market Turnover ❖ Product Liquidity	▪ Deliver financial performance in line with the annual budget approved by the Board through creating sustainable revenue streams
STRATEGY	▪ Reposition the Nigerian OTC market through: ❖ Price Formation & Transparency ❖ Product Innovation ❖ Market Governance & Development ❖ Listings & Quotations ❖ Liquidity Enhancement ❖ Economic Development Advocacy	▪ Launched the FMDQ Daily Quotations List (DQL) ▪ Established FMDQ Membership Structure ▪ Released first version of the FMDQ OTC Codified Rule Book	▪ Deliver all mandates scheduled for 2014 in line with the Board-approved Strategic Initiatives Plan

TECHNOLOGY	Objectives	Performance	2014 Goals
	▪ Foster efficient and secure trading, surveillance and settlement systems and processes in the financial market	▪ Commenced the customization and implementation of the FMDQ Bloomberg E-bond system for fixed income securities trading and surveillance ▪ Commenced discussions on the upgrade of the Reuters FX dealing system for surveillance	▪ Full implementation of trading and surveillance systems for fixed income securities and FX ▪ Commence integration of FMDQ's systems to external settlement systems for straight-through-processing (STP)

STAKEHOLDER ENGAGEMENTS	Objectives	Performance	2014 Goals
	▪ Promote maximum participative, collaborative and informative engagement with the diverse stakeholders integrated with FMDQ's business, development and daily operations	▪ Established Technical Advisory teams ▪ Obtained Board approval for the establishment of two (2) high powered Workgroups ▪ Designed the quarterly Market Development Stakeholders' Session ▪ Developed the Stakeholder Engagement Plan	▪ Activation of all Workgroups ▪ Implementation of Stakeholder Engagement Plan

ORGANISATION STRUCTURE



In order to deliver on its mission and achieve its strategic goals, FMDQ's business services will be driven by clearly separate business lines and staff functions with specific responsibilities.

Markets & Business Development Division (MBD)

This division is responsible for driving the market organising franchise of FMDQ through conducting market and business development-focused research and engagements. The output of the division's activities will be leveraged upon as part of the process of achieving FMDQ's core mandates.

The market development mandate covers product development, new market development, activation of extinct markets, upgrading the standards of existing markets, pre- and post-trade price discovery, review of market infrastructure to facilitate improved liquidity and efficiency, fixings and indices development to ensure transparency and market integrity; while the business development mandates cover development of FMDQ's network effects, and bond listings and money market instruments quotations franchise.

Regulation & Examination Division (RED)

The Regulation & Examination Division will drive FMDQ's self-regulatory function through its two (2) groups: Regulation and Examination. The Regulation Group covers membership management, listings and quotations analysis and the rules & legislation functions whilst the Examination Group covers market surveillance, members' examination, investigations, enforcement, listings and quotations compliance and macro-prudential analysis. The mandate for RED is to ensure its activities meet international standards in line with IOSCO.

In addition, RED's regulation of the OTC markets will align with SEC, CBN and DMO's rules and regulations, and global best practices. It will therefore review its regulations periodically and build FMDQ's alliances with global stakeholders to ensure alignment with leading market practices and regulatory policies.

Operations & Technology Division (OTD)

This division is responsible for the implementation of the appropriate technology in support of the market infrastructure agreed with members and the automation of FMDQ's operations across all the divisions. The division's mandate is to ensure that FMDQ operations are technology-driven in order to facilitate operational excellence and efficiency across the OTC markets under FMDQ's oversight.

The division will design and implement appropriate technology to support MBD and RED's activities; implement the organisation's enterprise systems requirements for risk management, human resources and finance. OTD also manages the organisation's website and Data Aggregator in delivering a high level of market transparency. Its Operations arm is responsible for the company's back office markets operations, corporate services, human resources and finance functions.

Compliance, Legal & Company Secretariat (CLC)

The CLC Group will coordinate the execution of FMDQ's legal, compliance and company secretariat functions. The Group has responsibilities to provide counsel and guidance to Management and the Board of Directors on legal matters; ensure compliance with SEC Rules and Regulations and liaise with the Commission on compliance issues. CLC will also facilitate smooth execution of all the company's secretarial responsibilities.

Risk Management & Control (RMC)

The RMC Group will be responsible for the enterprise-wide risk management and internal control management functions. The Group will also ensure that the Board-approved risk management frameworks, policies and strategies are implemented.

Strategy & Corporate Communications (SCC)

The SCC Unit is charged with coordinating the development, implementation and reporting of FMDQ's corporate strategy and strategic initiatives. It monitors business performance. The Unit is also responsible for coordinating the development, implementation and reporting of communication, press relations and events both within and outside FMDQ, as well as coordinating our response to enquiries from stakeholders including the general public.

Internal Audit (IAD)

The IAD Group will be required to review the implementation of corporate policies, plans and procedures, and conduct special investigations as required. The Group will also be responsible for preparing FMDQ's annual audit report and relating with the Board and external auditors on matters arising from their reports.

CHAIRMAN'S LETTER

Mr. Aigboje Aig-Imoukhuede, CON
Chairman, FMDQ OTC PLC

Dear Distinguished Shareholders,

I am pleased to welcome you to the 2nd Annual General Meeting of your company. It is with a great sense of fulfillment that I provide you with the record of stewardship of your Board and Management during the period under review.

FMDQ – An OTC Market Securities Exchange

The painful experiences of the recent global financial crisis underscored the critical role financial markets play in the development and sustenance of a nation's economy. We were reminded that for sustained economic growth and development, our nation's financial markets must be robust and resilient.

With this objective in mind, FMDA embarked on an initiative to establish a securities exchange that is globally competitive, liquid, mature and sophisticated in terms of products, conduct and regulation. FMDQ received its licence from the SEC on November 6, 2012 and commenced operations in 2013.

FMDQ's primary focus is the fixed income and currency markets – money, repo, treasury bills, bonds and foreign exchange with current emphasis on the vanilla products. As such, FMDQ plays a complementary role to other existing securities exchanges.

I would like to recognise and commend the spirit of collaboration that has enabled us achieve this major milestone. Whilst FMDQ may not be the first SRO, it satisfies the long yearning of stakeholders in the Nigerian financial system for the establishment of a credible and trusted SRO to fill gaps in the market.

CHAIRMAN'S LETTER Cont'd

Building Trusted Markets and Benchmarks

The year commenced with the recruitment of Mr. Bola Onadele. Koko as Managing Director/Chief Executive Office following a rigorous search process to identify an individual capable of successfully realising FMDQ's mandate.

We commenced the publication of the FMDQ DQL signaling our focus on market transparency and went on further to articulate our membership structure as a precursor to commencing our market oversight function.

We dedicated time and attention to developing a modest and dynamic 5-year strategic plan. The SEC, CBN and DMO were most supportive as we took steps to define and establish the frontline role of FMDQ. We benefitted significantly from the experience of other self-regulatory entities in Asia and North America.

Growth Priorities for 2014 and Beyond

Global activity has broadly strengthened and is expected to improve further in 2014 with much of the impetus for growth coming from advanced economies. However, there is increased financial volatility in emerging market economies, and increases in the cost of capital will likely weigh on growth. The imminent re-pricing of risks following the tapering of US quantitative easing exercise and heightened concerns around national elections call for our policymakers to adopt appropriate measures in line with changing fundamentals.

FMDQ is well positioned to empower banks, pension managers and other operators to play major roles in the economic development programs of the Federal Government of Nigeria. Nigeria urgently needs a virile debt capital market with world-class listing and quotation standards to support the improved business environment and the entrepreneurial energy of the private sector. There is no doubt that collaboration with all stakeholders will remain critical in the development of our market.

Conclusion

Our sincere appreciation goes to our shareholders, customers, employees and other stakeholders for their continued support for the Company. We look forward with great excitement to successful years ahead.

Aigboje Aig-Imoukhuede, CON
Chairman

CEO's REVIEW

Bola Onadele. Koko
Managing Director/Chief Executive Officer

The year 2013 was notable as it was marked by the formal launch and commencement of operations of FMDQ, following the registration by the SEC in 2012.

FMDQ promotes market development through the provision of infrastructure and governance structure in the Nigerian financial market, with its primary business focus on the OTC fixed income markets (money, repo, treasury bills, and bonds), currency and plain-vanilla risk management products.

FMDQ aims to contribute to the transformation of the Nigerian OTC financial markets via its "GOLD" Agenda. This represents FMDQ's compelling value proposition being global competitiveness, operational excellence, liquidity and diversity.

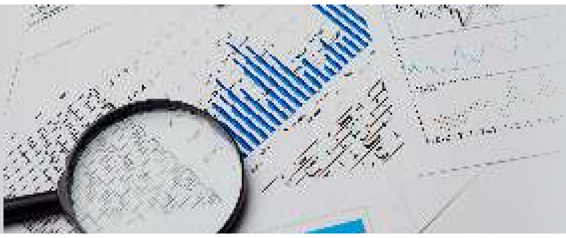
Financial Review

Revenue

Despite the challenges of the start-up year, I am pleased to inform you that FMDQ was able to record a revenue of N155.65 million in 2013. Transaction fee income of N76.47 million charged only in December 2013 accounted for 49% of the total revenue while interest income, sponsorships and income from other services accounted for the balance.

Control of Expenses

Total operating expenses increased to N289.01 million (2012: N51.88 million) as we ramped up business operations in 2013. Personnel, technology and operations costs constituted the principal components of our cost base. Management adopted a prudent approach with our business operations as expenses were tightly controlled to minimise



CEO'S REVIEW Cont'd

impact on shareholders' funds. It is worthy of mention that our Directors agreed to forgo much deserved directors' fees and allowances throughout the year.

At the tail end of the year, following the official launch of the company, more critical staff were employed and necessary external professional services were engaged. Management remains committed to operate the business at an optimal level and has taken concrete steps to ensure business growth in 2014.

Technology

Our analysis of the technology landscape in the Nigeria OTC financial markets in 2013 revealed that there was an urgent need for systems that will provide transparency to the OTC markets across all products. With the launch of FMDQ in November 2013, the Board approved the addition of Bloomberg E-Bond trading and market surveillance system to the two (2) existing trading systems in the OTC market i.e. Thomson Reuters Dealing 3000 Extra system and the ICAP Electronic Trading Community (ETC) inter-dealer brokerage system. However, none of the systems above provided surveillance opportunities to FMDQ and the regulators. A snapshot of the various trading mode in the OTC market is shown in Table *a* below.

Table *a*: Table showing products and the trading systems - 2013

S/N	Product	Trading Mode
1.	Foreign Exchange	Thomson Reuters Dealing 3000 Extra
2.	Money Market: ▪ Unsecured Placements/Borrowings ▪ Open-Buy-Backs/ Repos	Telephone
3.	Treasury Bills	▪ Thomson Reuters Dealing 3000 Extra ▪ ICAP ETC ▪ Telephone
4.	FGN Bonds	

To deliver immediate value at the lowest cost to the financial market, it was necessary (indeed, a matter of priority) for us to deploy a trading system for our flagship products – treasury bills and FGN bonds. A trading system for treasury bills and FGN bonds was to be a major value-add, capable of connecting various market participants and the Nigerian fixed income market with other parts of the global markets seamlessly.

The search for an ideal system was tasking. Two broad options were considered - develop a proprietary system, or purchase an existing system. In the end, we decided against developing a proprietary system as the cost, development time and the attendant risks of such a venture made the option unattractive in the immediate term. After reviewing existing systems (including those not

CEO'S REVIEW Cont'd

presently used in Nigeria), the Board approved in November 2013 the engagement of Bloomberg LP to deploy and implement the Bloomberg E-Bond as a fixed income trading system for the OTC market.

The E-Bond solution provides FMDQ the opportunity of being the central point for the trading systems' service to Dealing Members and other market participants. This will ensure we provide a single-focus to the fixed income trading system provider and accord us positioning for the trade data repository role.

The implementation of the FMDQ Bloomberg E-Bond system commenced in December 2013 and the system is expected to go live in March 2014.

Strengths and New Abilities

FMDQ offers key value propositions that set us apart from other securities exchanges in Nigeria. Our competitive strengths can be identified in the following areas:

- Liquid Market – We currently have 26 Dealing Members licenced to trade on our platform. These members, under the organisation of FMDQ, offer liquidity to all the products traded on our platform by making market in the products. A key initiative for the company is the implementation of a Bond Specialist System to boost liquidity in non-FGN bonds

- Product Diversity – Our platform offers electronic trading for a variety of Nigerian OTC market products – fixed income securities, money market and currencies. We recognise that the breadth and diversity of our product lines is beneficial to our overall performance and as a result we would engage in initiatives to further boost our performance

- Technology – Adopting world-class technology solutions customised to meet the needs of our market is key to the successful running of our business and our markets. We provide a platform that addresses the markets' desire for new functionality and automated trading, price formation, STP, market transparency, surveillance etc. We aim to improve our competitive advantage in this area by achieving operational reliability at high speed and low cost

CEO'S REVIEW Cont'd

Stakeholder Focus

At FMDQ, we recognise the critical importance of managing our diverse base of stakeholders; therefore we aim to ensure that our operations and relationships are based on fair and equitable treatment in all our counterparts. The organisation recognises that the relationship it has with its stakeholders is a reciprocal one and gives utmost importance to feedback, whilst effectively processing suggestions from these stakeholders to enhance its operations.

FMDQ, as a green-field securities exchange, appreciates that to sustainably progress, regular and efficient stakeholder engagement and management are imperative. As such, in the past year, we engaged in a number of sessions with various stakeholders some of which included:

- Formal reporting to the regulators (SEC, CBN and DMO)
- CEO presentation at the Bankers' Committee Retreat
- Structured meetings with the CBN on the formulation of the CBN-FMDQ GOLD OTC Market Transformation Committee (GOLD Committee)
- Regular engagements with Dealing Members on various topics of interest including new and existing product offerings/restructuring, technology infrastructure, transaction fees administration etc.
- Consultations with domestic and international exchanges and associations on best practices FMDQ will continue to emphasise its responsibility towards its stakeholders, both domestic and international, as the business progresses in the coming years through regular engagement and sensitisation processes including, but not limited to, high-level meetings, presentations, conferences, market notices, press releases, education etc.
- Regulators – We will continue to work closely with the regulators on all economic development initiatives impacting the Nigerian OTC markets in line with our mission to be innovative and credible in support of the Nigerian economy
- Dealing Members – We will engage with the Dealing Members on ways to continually improve liquidity and diversity in the OTC market, liaising on developing financial market products and infrastructure that are beneficial for the market. We will take any issues raised from our engagements very seriously and take appropriate actions to respond to the concerns

CEO'S REVIEW Cont'd

- Shareholders – This group of stakeholders will be engaged on a periodic basis and as when required on the organisation's performance, initiatives, costs, achievements etc.

- Buy-side/Issuers/Users/Trade Associations – FMDQ will host events periodically where issues of strategic and operational interests to these stakeholders will be communicated and deliberated. We will attempt to provide tailor-made offerings to suit the peculiar needs of the market participants

- Technology Partners – We will continue to partner with these group of stakeholders in line with our vision as a technology-driven company to automate procedures and provide systems aimed at enforcing greater transparency and credibility in our markets

- Employees – Our employees will be actively engaged on the organisation's values, policies, codes, ethics, strategy, initiatives, developments etc. as they form a key foundation towards sustainable progress for the company

- Media - We will actively develop and maintain effective business relationship with all our strategic partners to fuel collaborations and also promote growth through education of our markets and products

New Business Focus

Expanding Business Strategy
As FMDQ continues to implement its 5-year strategic plan, consolidating on each goal as it progresses, the securities exchange will continue to focus on boosting price discovery, transparency and further develop the cash markets.

To complement the advancement made on market transparency, focus will also be directed at ensuring market efficiency and liquidity by driving product innovation and institutionalising robust market architecture such as trade execution, trade data repository, STP and risk management (market intervention standards etc.).

We will thrive on the reintroduction of defunct products, such as commercial papers, restructuring of the repo market, activation of securities lending and development of the loan sale market. We will also commence feasibility studies on the derivative market ahead of our medium term goals.

Technology is a major enhancer for all our initiatives. We intend to employ technology regulation and examination franchises in order to position FMDQ as a world-class front-line regulator

CEO'S REVIEW Cont'd

The network effects of our markets will continue to be improved upon as we activate our membership classes in pursuit of our mission to integrate the capital market.

Outlook

The FMDQ team is excited by the opportunities ahead as we make good progress towards delivering on our 2018 strategic vision. Management is confident that as these efforts advance, FMDQ will increasingly be positioned as a growing, systemically important SRO, market organiser and business. We anticipate new revenue lines as we conclude on our listings and quotations processes.

We have made great strides in our journey towards empowering the OTC financial markets to be innovative and credible, in support of the Nigerian economy.

We will continue to forge ahead on our business strategy to organise, regulate, disseminate information and advocate in the Nigerian financial market.

Appreciation

Establishing FMDQ has challenged all of us to make huge sacrifices and develop the requisite structures to build a sustainable business. We would like to thank the Dealing Members for their willingness and continued support of the OTC securities exchange initiative. The regulators were also very supportive, appreciating that FMDQ is a greenfield venture. Our humble achievements to date would not have been possible without the support received from our Dealing Members and regulators – SEC, CBN and DMO.

As we position for the future, I want to pay tribute to the visionary leadership, personal sacrifice and enormous contributions made by our Chairman, Mr. Aigboje Aig-Imoukhuede, CON in securing the Bankers' Committee's support for an OTC securities exchange, numerous presentations to SEC for the registration of FMDQ and deliberations in establishing FMDQ. His passionate and well-informed counsel have had a major impact on FMDQ's operations. As Mr. Aig-Imoukhuede retires as Chairman of FMDQ in 2014, I wish him many more healthy years ahead.

Bola Onadele. Koko
Managing Director/Chief Executive Officer

GOVERNANCE STRUCTURE

The Board of Directors and Board Committees

As at December 2013, the Board of Directors were composed of eleven (11) non-executive directors and two (2) executive directors. The Board is headed by a Chairman who is elected from the non-executive directors.

The Board is required to meet at least four (4) times a year and more frequently, where necessary. Under the company's Articles of Association, the Board is empowered to create and delegate authority to Committees in order to effectively discharge its responsibilities. To this end, the Board established five (5) Committees to facilitate efficient decision-making and to assist in the execution of its duties, powers and authority.

Members of each Committee and its Chairman are nominated by the Board. The members of each Committee must have sufficient qualifications and experience to fulfil their duties in the Committee. The duties and responsibilities of each Committee are, in addition to those expressly delegated by the Board from time to time, set out in each Committee's charter.

Attendance at Board Meetings

Number of meetings held during the year - 5

No.	Name	Position	Attendance	Absent	Apologies
1.	Mr. Aigboje Aig-Imoukhuede, CON	Chairman	5/5	0/5	0/5
2.	Mr. Jibril Aku	Vice-Chairman	4/5	1/5	0/5
3.	Mr. Emeka Onwuka	NED*	5/5	0/5	0/5
4.	Mrs. Bola Adesola	NED	3/5	0/5	2/5
5.	Mr. Oscar N. Onyema	NED	3/5	1/5	1/5
6.	Alhaji Muhammad Nda	ID**	5/5	0/5	0/5
7.	Dr. Demola Sogunle	NED	4/5	0/5	1/5
8.	Mr. Laoye Jaiyeola	NED	4/5	1/5	0/5
9.	Mr. Yinka Sanni	NED	0/1	0/1	1/1
10.	Mr Akinsowon Dawodu	NED	3/5	0/5	2/5
11.	Mr. Sola Adegbesan	NED	4/5	1/5	0/5
12.	Mr. Bola Onadele. Koko	MD/CEO	3/3	0/3	0/3
13.	Mr. John Delaney	ED/COO***	5/5	0/5	0/5

*Non-Executive Director
**Independent Director
***COO – Chief Operating Officer

Committee Meetings

The various Committees were set-up to support and advise the Board in discharging its responsibility and shall exercise authority delegated to it by the Board in relation to matters as set out as in its mandate.

Board Governance and Human Resources Committee
The Committee was created to oversee the company's corporate governance structure. In addition to reviewing policies and procedures, the Committee recommends measures to promote best practices, corporate governance, business ethics and other standards for the company's business.

Number of meetings held during the year - 3

No.	Name	Position	Attendance	Absent	Apologies
1.	Mr. Emeka Onwuka	Chair	3/3	0/3	0/3
2.	Mrs. Bola Adesola	NED	2/3	0/3	1/3
3.	Mr. Bola Onadele. Koko	MD/CEO	3/3	0/3	0/3

Board Finance and General Purpose Committee
This Committee was created to oversee the company's financial strategy and structure with a view to recommending appropriate financial policies and measures to ensure the financial health of the company.

Number of meetings held during the year - 3

No.	Name	Position	Attendance	Absent	Apologies
1.	Mrs. Bola Adesola	Chair	2/3	0/3	1/3
2.	Mr. Emeka Onwuka	NED	3/3	0/3	0/3
3.	Mr. Akinsowon Dawodu	NED	2/3	0/3	1/3
4.	Mr. Bola Onadele. Koko	MD/CEO	3/3	0/3	0/3

Board Markets and Technology Committee
This Committee was established to ensure the company's ability to discharge its value proposition of global effectiveness, operational excellence, liquidity and diversity. It will achieve this by providing strategic market development oversight and ensuring the information technology strategy aligns with the business mandate and overall strategy.

Number of meetings held during the year - 3

No.	Name	Position	Attendance	Absent	Apologies
1.	Mr. Jibril Aku	Chair	1/3	0/3	2 /3
2.	Mr. Laoye Jaiyeola	NED	3/3	0/3	0/3
3.	Mr. John Delaney	COO	3/3	0/3	0/3
4.	Mr. Sola Adegbesan	NED	3/3	0/3	0/3
5.	Mr. Bola Onadele. Koko	MD/CEO	3/3	0/3	0/3

Board Regulation and Supervision Committee

This Committee provides oversight for the company in discharging its regulatory and supervisory functions as a self-regulatory organisation.

Number of meetings held during the year - 3

No.	Name	Position	Attendance	Absent	Apologies
1.	Mr. Oscar Onyema	Chairman	3/3	0/3	0/3
2.	Mr. Akinsowon Dawodu	NED	3/3	0/3	0/3
3.	Mr. Bola Onadele. Koko	MD/CEO	3/3	0/3	0/3

Board Audit and Risk Committee

This Committee provides oversight for the company's financial statements, reporting process, financial information, established system of internal control, independent auditors' qualification and independence, legal and compliance processes, and the enterprise risk management.

The Committee's activation was programmed for 2014.

Number of meetings held during the year - 0

No.	Name	Position	Attendance	Absent	Apologies
1.	Alhaji Muhammad Nda	Chairman	N/A	N/A	N/A
2.	Mr. Oscar N. Onyema	NED			
3.	Dr. Demola Sogunle	NED			
4.	Mr. Laoye Jaiyeola	NED			

RISK MANAGEMENT

Risk Management Framework

FMDQ will create value for its stakeholders -government, regulators, shareholders, members, employees, other securities exchanges, domestic and international organisations, media, educational institutions and the society, by identifying and proactively addressing risks and opportunities. FMDQ's Enterprise Risk Management (ERM) framework will provide for managing risks and assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring progress.

FMDQ is in the process of documenting its ERM framework which will take into account the opportunities and risks that may arise with respect to the company's objectives and its current responsibilities as a market operator (a securities exchange for listing, quoting and trading of fixed income, currencies and derivatives products) and as a self-regulator (regulating members' activities and assessing issuers' post-listing and quoting compliance).

The company will employ either the centralised, decentralised and hybrid risk management approaches, depending on the nature and significance of the risks in relation to the achievement of set objectives. The guiding principles are:

1. Comprehensive risk identification (including risks associated with our members)
2. Sound measurement methodologies
3. Proactive risk management for early detection of risks and robust mitigation strategies
4. Rigorous monitoring of risks
5. Timely reporting (including communication with apex regulators and other key stakeholders)

Risk Governance

Risk governance will entail adequate oversight of risk management at both Board and Management levels.

The Board has the ultimate responsibility for sound and prudent risk management. This is in addition to being responsible for reviewing and approving business strategies and policies, determining the suitable risk appetite and tolerance levels to support the business activities and approving the risk management strategy to ensure Management applies effective risk controls.

The Board through the Board Audit and Risk Committee (BARC) will determine FMDQ's risk capacity, risk appetite and tolerance in relation to its objectives, and articulate means of balancing key risks and opportunities. BARC will have the overall responsibility of reviewing key risks and mitigation strategies, and ensuring the effectiveness of the risk management policy and other controls.

The Board, BARC and Management will participate jointly in frequent and active discussions on the risk management framework, policy and procedures.

On the other hand, Management will have the primary responsibility of determining FMDQ's risk profile and will also ensure that the ERM framework is effectively implemented within all areas of the respective business units and that adopted risk management procedures are effective.

The risk management function at FMDQ will be a specialist Group, independent of other operational areas, even in reporting line. The personnel staffing the Group will have the appropriate qualifications and experience to completely understand the risks associated with all of FMDQ's activities. The Enterprise Risk Manager will champion the implementation of the ERM framework and provide an independent view regarding proposed business plans and transactions.

Risk Management Philosophy

FMDQ's risk management philosophy will reflect shared beliefs and attitudes that characterise how risk management ought to be viewed and considered across the organisation.

BARC will provide risk management oversight, which amongst others, allows them ensure that the risk management philosophy is consistent with stakeholder expectations/industry best practices, and make necessary adjustments in the event of any misalignment.

Risk Management Process

FMDQ risk management process will comprise communication and consultation with external and internal stakeholders, establishment of organisational objectives, risk assessment, risk treatment, monitoring and review. The results of the risk management process will be reported to BARC and Management to aid their oversight capacity in order to gain assurance that risks are being managed within approved risk levels. BARC will be presented with additional reports to improve its understanding of the risk management process and the risks identified through this process.

BOARD OF DIRECTORS

BOARD OF DIRECTORS

FMDQ Transition Board Members

FMDQ currently has a 12-man Board of Directors, comprising 10 non-executive directors, 1 executive director and 1 independent director. They were strategically selected to give broad yet specialised representation considering FMDQ's dual securities exchange and SRO status. Each member of the Board has a minimum of 10 years' experience in the financial markets. The Board members are profiled as follows:

Aigboje Aig-Imoukhuede, CON

Board Chairman, FMDQ OTC PLC

Mr. Aig-Imoukhuede is the Chairman, Board of Trustees of the Financial Markets Dealers Association (FMDA) and former Group Managing Director/Chief Executive Officer of Access Bank PLC.

He is a member of the Nigerian Economic Intelligence Management Team and First Vice President of the Nigerian Stock Exchange.

He was also Treasurer and Executive Director of Guaranty Trust Bank PLC at different times.

Jibril Aku

Board Vice Chairman and Chair, Board Markets and Technology Committee

Mr. Aku is a member of the Board of Trustees of FMDA, Chairman of the FMDA NIBOR Commitee and a past President, Money Market Association of Nigeria (now FMDA).

He is the Managing Director/Chief Executive Officer of Ecobank Nigeria Limited.

He is a former Executive Director of Afribank PLC (now Mainstreet Bank Limited) and former Treasurer of Citibank Nigeria Limited.

BOARD OF DIRECTORS

Bola Adesola

Chair, Board Finance and General Purpose Committee

Mrs. Adesola is a member of the Board of Trustees of FMDA and the Managing Director/Chief Executive Officer of Standard Chartered Bank Nigeria Limited.
She is a former Executive Director of First Bank of Nigeria PLC, former MD/CEO of Kakawa Discount House Limited, and former Treasurer of Citibank Tanzania.

Emeka Onwuka

Chair, Board Governance and HR Committee

Mr. Onwuka is a member of the Board of Trustees of FMDA, and former Chairman of Enterprise Bank Limited.
He was also Treasurer and Group Managing Director/Chief Executive Officer of Diamond Bank PLC at different times.

Oscar N. Onyema

Chair, Board Regulation and Supervision Committee

Mr. Onyema is the Chief Executive Officer of The Nigerian Stock Exchange.
He is the Chairman of the Central Securities Clearing System (CSCS) PLC, and Vice President of the African Securities Exchanges Association (ASEA).

Muhammad Nda

Chair, Board Audit and Risk Committee

Alhaji Nda is the Chairman of Midland Advisors Limited.
He is also a former Director, Foreign Operations (including FX Markets & Reserves Management) of the Central Bank of Nigeria (CBN), and a former Director of Currency Operations at the CBN.

BOARD OF DIRECTORS

Yinka Sanni

Director

Mr. Sanni is the Chief Executive Officer of Stanbic IBTC PLC.
He once served as the CEO of IBTC Pension Managers Ltd.
He was also a Non-Executive Director of IBTC Chartered Bank PLC and a Director at Stanbic IBTC Asset Management Ltd.
He has extensive experience in credit and marketing, corporate finance, asset management and stock broking.
As the MD/CEO of Stanbic IBTC Bank PLC, he is Chair of the Financial Markets Sub-Committee of the Bankers' Committee.

Laoye Jaiyeola

Director

Mr. Jaiyeola is a member of the Board of Trustees of FMDA.
He is the Managing Director/Chief Executive Officer of Kakawa Discount House Limited and its former Treasurer. He is a Director of the Nigerian Economic Summit Group.
Mr. Jaiyeola is the immediate past President of The Chartered Institute of Bankers of Nigeria (CIBN) and a past President of MMAN (now FMDA)

Demola Sogunle Ph.D.

Director

Dr. Sogunle is the CEO, Stanbic IBTC Pension Managers Limited.
He is the former Head of Risk Management and Chief Compliance Officer of Stanbic IBTC Bank PLC.
He was also the Head of Treasury and Financial Services for Stanbic IBTC Bank PLC.

Akinsowon Dawodu

Director

Mr. Dawodu is the immediate past President of FMDA and currently a member of the Governing Council.
He is the Chief Operating Officer of Citibank Nigeria Limited and was also the bank's Treasurer.
He is a member of the Board of Trustees of the CFA Society of Nigeria.

BOARD OF DIRECTORS

Sola Adegbesan

Director

Mr. Adegbesan is the President of FMDA and Chairman of the FMDA Governing Council.
He is the Head of Global Markets at Stanbic IBTC Bank PLC and Director of Stanbic IBTC Stockbrokers Limited.

Bola Onadele (Koko)

Managing Director/ Chief Executive Officer

Mr. Onadele is a member of the Board of Trustees of FMDA and former Chairman of the Market Development Committee of FMDA.
He was also World Bank-IFC Country Manager of the Efficient Securities Market Infrastructure Development (ESMID) program.
During his banking career, he was the Chief Operating Officer of Leadbank PLC, MD/Chief Executive of Trust Bank of Africa, Treasurer of FCMB and Chief Dealer at Citibank Nigeria.

MANAGEMENT TEAM

MANAGEMENT TEAM

Mr. Bola Onadele. Koko
MD/CEO

Dipo Odeyemi
Operations & Technology

Patrick Ajunwoko
Operations & Technology

Kaodi Ugoji
Regulation & Examination

Ebenezer Nwoji
Regulation & Examination

Jumoke Olaniyan
Market & Business Development

Tumi Sekoni
Market & Business Development

FINANCIAL STATEMENTS

Directors' Report

For the year ended 31 December 2013

The Directors present their annual report on the affairs of FMDQ OTC PLC ("the Company") together with the audited financial statements and auditor's report for the year ended 31 December 2013.

(a) Legal form and principal activity

FMDQ OTC PLC was incorporated in Nigeria under the Companies and Allied Matters Act on 6th January 2011 as a public liability company, and was licensed by the Securities and Exchange Commission on 6th November 2012 to perform the functions of an Over -the-Counter Market in the Capital Market.

The Company commenced operations on 1 January 2013.

(b) Principal activities

The principal activities of the Company is to develop, control, operate, manage and oversee the over-the-counter market platform for trading securities.

(c) Reporting framework

During the 2012 financial year, the Company adopted the International Financial Reporting Standards (IFRS) in compliance with the requirements of the Financial Reporting Council.

(d) Operating results

Highlights of the Company's operating results for the year are as follows:

In thousands of Naira	31 December 2013	31 December 2012
Total Revenue	155,653	80,275
(Loss)/Profit before tax	(133,355)	28,392
Taxation	-	-
(Loss)/Profit after taxation	(133,355)	28,392

(e) Proposed dividend

No dividend was proposed by the Board of Directors in respect of the financial year ended 31 December 2013. (December 2012: Nil).

(f) Directors and their interests

The directors who held office during the year and to the date of this report were:

Aigboje Aig-Imoukhuede	Chairman (appointed effective March 7 2012)
Bola Onadele. Koko	Managing Director/Chief Executive Officer (appointed effective June 13 2013)
John Delaney	Chief Operating Officer (resigned effective February 28 2014)
Jibril Aku	Director (appointed effective February 22 2012)
Muhammad Nda	Director (appointed effective February 22 2012)
Emeka Onwuka	Director (appointed effective February 22 2012)
Oscar Onyema	Director (appointed effective February 20 2013)
Demola Sogunle	Director (appointed effective February 22 2012)
Bola Adesola	Director (appointed effective February 22 2012)
Laoye Jaiyeola	Director (appointed effective February 22 2012)
Yinka Sanni	Director (appointed effective October 4 2013)
Akinsowon Dawodu	Director (appointed effective January 6 2011)
Sola Adegbesan	Director (appointed effective June 13 2013)

None of the directors has interest in the shareholding of the Company as required to be disclosed under section 275 of the Companies and Allied Matters Act (CAMA) of Nigeria.

(g) Directors' interest in contracts

None of the directors has notified the Company for the purpose of section 277 of the Companies and Allied Matters Act of Nigeria, of their direct or indirect interest in contracts or proposed contracts with the company during the year.

(h) Major Shareholding

According to the register of members, no shareholder other than the under-mentioned held more than 5% of the issued share capital of the Company as at 31 December 2013.

Name	2013 No. of shares	2013 % Holding	2012 No. of shares	2012 % Holding
Central Bank of Nigeria	100,000,000	18.69%	100,000,000	18.69%

The analysis of the distribution of the shares of the Company at the end of the financial year is as follows:

Share range	No. of Shareholders	% Holding	No. of holdings
Local shareholders			
1-15,000,000	25	81.31%	435,000,000
15,000,000 and above	1	18.69%	100,000,000
	26	100%	535,000,000

(i) Property and equipment

Information relating to changes in property and equipment is given in Note 15 to the financial statements.statements.

(j) Charitable contributions and other donations

The Company made no charitable contributions and donations during the year. (2012: Nil).

(k) Employment of disabled persons

The Company had no disabled person in its employment as at 31 December 2013 (2012: Nil). The applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort will be made to ensure that their employment with the Company continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

(l) Health, safety and welfare at work

The Company enforces strict health and safety rules and practices at the work environment, which are reviewed and tested regularly. The Company retains top-class private hospitals where medical facilities are provided for staff and their immediate families at the Company's expense. Fire prevention and fire-fighting equipment are installed in strategic locations within the Company's premises.

(m) Employee consultation and training

The Company places considerable value on the involvement of its employees and has a policy of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the Company.

The Company places emphasis on employee development and training. Consequently, in-house training was organised with additional training from educational institutions for its employees.

(n) Events after the end of the reporting period

During the year, the Board of Directors of FMDQ OTC PLC and the Governing Council of the Financial Market Dealers Association (FMDA) agreed to exchange liabilities due to FMDA of N76,888,888 for 64,074,074 ordinary shares of FMDQ at N1.20 per share. Accord ingly the liability was reclassified to deposit for shares in equity. The shares have been allotted subsequent to year end and share certificate issued to FMDA as at 20 January 2014.

Furthermore, in the 2012 financial year, the Company received N50million from NSE Consult Limited as payment for 41,666,667 unit of shares of FMDQ. The shares have been allotted subsequent to year end and share certificate issued to NSE Consult as at 20 January 2014.

In addition, FMDQ increased its authorised share capital from N535,000,000 to N1,000,000,000. The certificate of increase in share capital was registered with the Corporate Affairs Commission on 15 May 2014.

(o) Auditors

Messrs KPMG Professional Services, have indicated their willingness to continue in office as auditors, in accordance with section 357 (2) of the Companies and Allied Matters Act of Nigeria.

BY ORDER OF THE BOARD

G. ELIAS & CO.
Sign...
Date.........
LEGAL PRACTITIONERS

For :
Company Secretary
18 July 2014
FRC/2013/NBA/00000004915

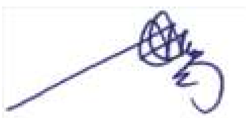
Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2013

The directors accept responsibility for the preparation of the financial statements set out on pages 52 to 78 that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe that the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Mr. Aigboje Aig-Imoukhuede, CON
Chairman
18 July 2014
FRC/2013/CIBN/00000001999

Mr. Bola Onadele. Koko
Managing Director/CEO
18 July 2014
FRC/2014/ICAN/00000008637

INDEPENDENT AUDITOR'S REPORT

To the members of **FMDQ OTC PLC**

We have audited the accompanying financial statements of FMDQ OTC PLC (“the Company”), which comprise the statement of financial position as at 31 December 2013, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 52 to 78.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, 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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of FMDQ OTC PLC (“the Company") as at 31 December 2013, and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

Report on Other Legal and Regulatory Requirements

Compliance with the Requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Signed:

Akinyemi J. Ashade, FCA
FRC/2013/ICAN/00000000786
For: KPMG Professional Services
Chartered Accountants
18 July 2014
Lagos, Nigeria

Statement of comprehensive income

For the year ended 31 December 2013

In thousands of Naira	**Notes**	31 December 2013	31 December 2012
Transaction fees	7	76,467	-
Interest income	8	50,968	80,275
Other income	9	28,218	-
Operating income		155,653	80,275
Personnel expenses	10	(70,095)	(20,783)
Other operating expenses	11	(207,288)	(29,662)
Depreciation and amortisation	16,17	(11,625)	(1,438)
(Loss)/Profit before income tax		(133,355)	28,392
Income tax expense	12	-	-
(Loss)/Profit after tax		(133,355)	28,392
Other comprehensive income, net of income tax:			
Total comprehensive income for the year		(133,355)	28,392

The accompanying notes form an integral part of these financial statements.

Statement of financial position

As at 31 December 2013

In thousands of Naira	**Notes**	31 December 2013	31 December 2012
ASSETS			
Cash and cash equivalents	13	26,258	52,788
Investment securities	14	352,319	562,551
Property and equipment	15	94,719	11,962
Intangible asset	16	35,614	-
Other assets	17	122,820	8,980
Total assets		631,730	636,281
LIABILITIES			
Other liabilities	18	90,445	88,530
Total liabilities		90,445	88,530
EQUITY			
Share capital	19	535,000	535,000
Retained earnings		(120,604)	12,751
Deposit for shares		126,889	
Total equity		541,285	547,751
Total liabilities and equity		631,730	636,281

These financial statements were approved by the Board of Directors on 18 July 2014 and signed on behalf of the board of directors by:

_______________________________) Mr. Aigboje Aig -Imoukhuede (Chairman)
FRC/2013/CIBN/00000001999

_______________________________) Mr. Bola Onadele (Managing Director/CEO)
FRC/2014/ICAN/00000008637

Additionally certified by:

_______________________________) Adekunle Adesuyi (Financial Controller)
FRC/2014/ICAN/00000008584

Statement of changes in equity

(a) ***For the year ended 31 December 2013***

In thousands of Naira	Share capital	Deposit for shares	Retained earnings	Total equity
Balance at 1 January 2013	535,000	-	12,751	547,751
Total comprehensive income for the year:				
Loss for the year	-	-	(133,355)	(133,355)
Total comprehensive income for the year	-	-	(133,355)	(133,355)
Transactions with owners, recorded directly in equity:				
Proceeds from share subscription		126,889	-	126,889
Balance at 31 December 2013	535,000	126,889	(120,604)	541,285

(b) ***For the year ended 31 December 2012***

In thousands of Naira	Share capital	Deposit for shares	Retained earnings	Total equity
Balance at 1 January 2012	535,000	-	(15,641)	519,359
Total comprehensive income for the year:				
Profit for the year	-	-	28,392	28,392
Total comprehensive income for the year	-	-	28,392	28,392
Balance at 31 December 2012	535,000	-	12,751	547,751

Statement of cash flows

For the year ended 31 December 2013

In thousands of Naira	Notes	31 December 2013	31 December 2012
Cash flows from operating activities			
(Loss)/Profit for the year		(133,355)	28,392
Adjustments for:			
Depreciation of property and equipment	15	8,486	1,438
Amortisation of intangible asset	16	3,139	-
		(121,730)	29,830
Changes in:			
Other assets		(113,840)	(8,980)
Other liabilities		92,924	53,033
Net cash generated from/(used in) investing activities		(142,646)	73,883
Cash flows from investing activities			
Acquisition of property and equipment	15	(91,243)	(13,400)
Acquisition of intangible asset	16	(2,873)	-
(Disposal)/Acquisition of investment securities		210,232	(562,551)
Net cash generated from/(used in) investing activities		116,116	(575,951)
Net decrease in cash and cash equivalents		(26,530)	(502,068)
Cash and cash equivalents at beginning of year		52,788	554,856
Cash and cash equivalents at end of the year		26,258	52,788

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable on taxable income or loss for the year, using tax rates enacted or substantively enacted at the financial position date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

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

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

(d) Financial instruments

(i) Recognition

Financial instruments include all financial assets and liabilities. These instruments are typically held for liquidity and investment. All financial instruments are initially recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. Financial instruments are recognised (derecognised) on the date the Company commits to purchase or sell the instruments (trade date accounting).

(ii) Classification and subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification:

(a) Held-to-maturity

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

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

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Company has collected substantially all of the asset's original principal; and
- sales or reclassifications attributable to non-recurring isolated events beyond the Company's control that could not have been reasonably anticipated.

(b) Financial assets held at fair value through profit or loss

This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as trading if acquired principally for the purpose of selling in the short term.

Financial assets may be designated at fair value through profit or loss when:

- The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis; or

Notes to the Financial statements
For the year ended 31 December 2013

1 Reporting entity

FMDQ OTC PLC (the 'Company') is a public liability company incorporated in Nigeria under the Companies and Allied Matters Act. The Company was incorporated on 6th January 2011 and commenced operations in January 2013. The address of its registered office is 1 Olosa Street, Victoria Island, Lagos.

FMDQ OTC PLC's principal activities is to function as an over-the-counter market, which makes it a securities exchange. It is regulated by the Securities and Exchange Commission.

2 Basis of preparation

(a) *Statement of compliance with International Financial Reporting Standards*
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the directors on 18 July 2014.

(b) *Basis of measurement*
These financial statements are prepared on the historical cost basis.

(c) *Functional and presentation currency*
The financial statements are presented in Naira, which is the Company's functional currency. Except where indicated, financial information presented in Naira has been rounded to the nearest thousand.

(d) *Use of estimates and judgments*
The preparation of financial statements in conformity to IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or the period of the revision and future periods, if the revision affects both current and future years.

Information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 5.

3 Significant accounting policies
The accounting policies set out below have been consistently applied to all years presented in these financial statements.

(a) Transaction fees
Fee income on the Company's principal activity as an OTC platform are recognised in the period in which the services are rendered.

(b) Interest
Interest income are recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

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

Interest income presented in the statement of comprehensive income include interest on financial assets measured at amortised cost calculated on an effective interest rate basis.

(c) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable on taxable income or loss for the year, using tax rates enacted or substantively enacted at the financial position date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

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

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

(d) Financial instruments

(i) Recognition

Financial instruments include all financial assets and liabilities. These instruments are typically held for Liquidity and investment. All financial instruments are initially recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss. Financial instruments are recognised (derecognised) on the date the Company commits to purchase or sell the instruments (trade date accounting).

(ii) Classification and subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification:

(a) Held-to-maturity

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

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

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Company has collected substantially all of the asset's original principal; and
- sales or reclassifications attributable to non-recurring isolated events beyond the Company's control that could not have been reasonably anticipated.

(b) Financial assets held at fair value through profit or loss

This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as trading if acquired principally for the purpose of selling in the short term.

Financial assets may be designated at fair value through profit or loss when:

- The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis; or

- A group of financial assets is managed and its performance evaluated on a fair value basis.

Subsequent to initial recognition, the fair values are remeasured at each reporting date. All gains and losses arising from changes therein are recognised in the income statement in 'net trading income' for trading assets, and in 'net income from other financial instruments carried at fair value' for financial assets designated at fair value through profit or loss at inception.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in net trading income. Trading assets are not reclassified subsequent to their initial recognition.

(c) *Available-for-sale*

Available-for-sale investments are non-derivative investments that were designated by the Company as available-for-sale or are not classified as another category of financial assets, or strategic capital investments held for an indefinite year of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. All other available-for-sale investments were carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it otherwise would have met the definition of loans and receivables and if the Company has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

(d) *Loans and receivables*

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

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

When the Company purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo or stock borrowing"), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Company's financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(iii) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(iv) Fair value measurement

Policy applicable before 1 January 2013

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets.

Subsequent to initial recognition, the fair values of financial instruments are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is unlisted, the fair value is determined by using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated cash flows are based on management's best estimates and the discount rate is a market-related rate at the balance sheet date from a financial asset with similar terms and conditions. Where pricing models are used, inputs are based on observable market indicators at the balance sheet date and profits or losses are only recognized to the extent that they relate to changes in factors that market participants will consider in a selling price.

For investments in unquoted investment securities for which the fair value is not reliably measurable, these assets are carried at cost.

Policy applicable from 1 January 2013

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference in recognized in Income statement on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Company measures the assets and long positions at a bid price and liabilities and short positions at an ask price. Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to see a net long position (or paid to transfer a net short position) for a particular exposure. Those portfolio level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Company recognises transfers between levels of fair value hierarchy as of the end of the reporting period during which the change has occurred.

(v) Impairment of financial assets

(i) Assets carried at amortised cost

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the obligor, default or delinquency by a borrower resulting in a breach of contract, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

If there is an objective evidence of impairment on loan and receivable or a held-to-maturity asset, the amount of the loss is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows (excluding future credit losses that have not been incurred) discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables and held-to-maturity investments. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the balance sheet date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent year, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in the income statement, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

(vi) **Offsetting**

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

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

(vii) **Derecognition of financial instruments**

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost.

(e) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(f) Property and equipment

(i) *Recognition and measurement*

Items of property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) *Subsequent costs*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. The costs of the day-to-day repairs and maintenance of property and equipment are recognised in profit or loss as incurred.

(iii) *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of items of property and equipment, to their residual values over the estimated useful lives. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

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

Leasehold improvements	3 years
Motor vehicles	4 years
Furniture, fittings and equipments	4 years
Computer equipment	3 years

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

(iv) *De-recognition*

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(i) Intangible assets

Computer software

Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses.
Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. Software has a finite useful life, the estimated useful life of software is five years. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(j) Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent basis can be identified.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation decrease.

(k) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(l) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due in respect of service rendered before the end of the reporting period. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value at the reporting date.

The company operates a defined contribution pension scheme in line with the provisions of the Pension Reform Act 2004, with contributions based on the sum of employees' basic salary, housing and transport allowance in the ratio 7.5% by the employee and 7.5% by the employer. The company's contribution to this scheme is charged to the profit and loss account in the period to which they relate. Contributions to the scheme are managed by appointed pension managers on behalf of the beneficiary staff in line with the provisions of the Pension Reform Act.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Termination benefits for voluntary redundancies are recognised if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iii) Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(m) Share capital and reserves

(i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) *Dividend on ordinary shares*

Dividends on the Company's ordinary shares are recognised in equity in the year in which they are paid or, if earlier, approved by the Company's shareholders. Dividends for the year that were declared after the year end of the reporting period are dealt with in subsequent events note.

(o) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. Those that may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

Pronouncement	Title	Effective date
IFRS 9 (amended)	Financial Instruments IFRS 9 will replace the existing standard on the recognition and measurement of financial instruments and requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The accounting for financial assets differs in various other areas to existing requirements such as embedded derivatives and the recognition of fair value adjustments in other comprehensive income. All changes in the fair value of financial liabilities that are designated at fair value through profit or loss due to changes in own credit risk will be required to be recognised within other comprehensive income.	Annual periods beginning on or after 1 January 2018
IAS 32 (amendments)	Offsetting Financial Assets and Financial Liabilities The amendments to IAS 32 clarify the requirements for offsetting of financial assets and liabilities.	Annual periods beginning on or after 1 January 2014
IAS 36 (amendments)	Impairment of Assets Amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.	Annual periods beginning on or after 1 January 2014

IFRIC 21	Levies IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies: • The liability is recognised progressively if the obligating event occurs over a period of time • If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.	Annual periods beginning on or after 1 January 2014

These standards do not have any impact on these financial statement.

4 Financial risk management

(a) Introduction and overview

FMDQ OTC PLC's vision is to be the most liquid, efficient secure and technology-driven OTC market in Africa by 2018. Its mission is to empower the OTC financial markets to be innovative and credible, in support of the Nigerian economy. In pursuing its vision, the Company has identified the need to focus on risk management. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company has exposure to the following risks from financial operations:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents and investment securities.

The Company has exposure to credit risk as it routinely executes transactions with counterparties which comprise mainly of the Central Bank of Nigeria and the Nigerian Commercial banks.

(i) Exposure to credit risk

The Company's exposure to credit risk is influenced mainly by the characteristics of its bankers and Dealing Members. Management considers the default risk of the industry in which the bankers and operate based on economic factors as this may have an influence on credit risk.

The Company is exposed to credit risk on its balances with Banks, fees receivable on OTC transactions and investment securities. In 2013, 97% (2012: 100%) of the Company's revenue was attributable to interest income and fees earned on OTC transactions.

(ii) Held to maturity investments (HTM)

The Company limits its exposure to credit risk by investing only in highly liquid money market instruments issued by the Central Bank of Nigeria.

The Company did not have any held to maturity investments that were impaired as at 31 December 2013.

(iii) Cash and cash equivalents

The Company held cash and cash equivalents with maturity profile of less than 3 months with local banks, assessed to have good credit ratings based on the Company's policy.

The carrying amount of the Company's financial assets which represent the maximum exposure to credit risk at the reporting date were as follows:

In thousands of Naira	Note	31 December 2013	31 December 2012
Cash and cash equivalents	15	-	-
Investment securities	14	352,319	562,551
Other assets (excluding prepayments)	17	85,683	-
		438,002	562,551

(c) Liquidity risk

Liquidity risk is the potential loss arising from the Company's inability to meet its obligations as they fall due or to fund increases in assets without incurring unacceptable costs or losses. Liquidity risk is not viewed in isolation, because financial risks are not mutually exclusive and liquidity risk is often triggered by consequences of other company's risks such as credit, market and operational risks.

The Company maintains adequate liquid assets and marketable securities sufficient to manage any liquidity stress situation.

(i) Maturity analysis for financial assets and financial liabilities

The table below presents the cash flows payable by the Company under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows because the Company manages the inherent liquidity risk based on expected undiscounted cash flows.

31 December 2013

In thousands of Naira	Note	Carrying amount	Gross nominal inflow/(outflow)	Up to 3 months	3 - 6 months	6months - 1 year	Over 1 year
Cash and cash equivalents	13	-	-	55	-	-	-
Investment securities	14	352,319	357,974	-	357,974	-	-
Other assets (excluding prepayments)	17	85,683	85,683	83,716	-	-	1,967
		438,002	443,657	83,771	357,974	-	1,967
Other liabilities	19	-	90,445	-	90,445	-	-
		-	90,445	-	90,445	-	-
Gap (asset - liabilities)		438,002	353,212	83,771	267,529	-	1,967

31 December 2012

In thousands of Naira	Note	Carrying amount	Gross nominal inflow/(outflow)	Up to 3 months	3 - 6 months	6months - 1 year	Over 1 year
Cash and cash equivalents	13	-	-	-	-	-	-
Investment securities	14	562,551	574,900	-	574,900	-	-
		562,551	574,900	-	574,900	-	-
Other liabilities	19	-	-	-	88,530	-	-
		-	-	-	88,530	-	-
Gap (asset - liabilities)		562,551	574,900	-	486,370	-	-

As part of the management of its liquidity risk, the Company holds liquid assets comprising of cash and cash equivalents and securities for which there is an active and liquid market so that they can be readily sold to meet liquidity requirements.

(d) **Market risk**

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) *Exposure to interest risk*

The Company is exposed to a considerable level of interest rate risk (i.e. the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates). Similar to the last financial year, interest rate was fairly volatile. These changes could have a negative impact on the net interest income, if not properly managed. The Company however, has a significant portion of its investments in non-rate sensitive assets. This greatly assists it in managing its exposure to interest rate risks.

Management is of the view that the assessed impact of interest rate volatility has not been significant on capital or earnings of the Company.

The table below summarizes the Company's interest rate gap position:

Analysis of the Company's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position was as follows:

Sensitivity of projected net interest income (Treasury bills)

Scenario level	1%
In thousands of Naira	
31 December 2013	
Increase	509.68
Decrease	(509.68)
31 December 2012	
Increase	802.75
Decrease	(802.75)

(e) Operational risk

Operational Risk is the risk of loss resulting from inadequate and /or failed internal processes, people and systems or from external events, including legal risk and any other risks that is deemed fit on an ongoing basis. Operational risk exists in all products and business activities.

The Company proactively identifies, assesses and manages all operational risks by aligning the people, technology and processes with best risk management practices towards enhancing stake holder's value.

(i) *Legal risk*

Legal risk is defined as the risk of loss due to defective contractual arrangements, legal liability (both criminal and civil) incurred during operations by the inability of the organization to enforce its rights, or by failure to address identified concerns to the appropriate authorities where changes in the law are proposed.

The Company manages this risk by monitoring new legislation, creation of awareness of legislation amongst employees, identification of significant legal risks as well as assessing the potential impact of these.

Legal risks management in the Company is also being enhanced by appropriate product risk review and management of contractual obligations via well documented Service Level Agreements and other contractual documents.

(ii) *Reputational risk*

It is recognized that the Company's reputation may suffer adversely due to bad publicity, non-compliance with regulatory rules and legislation, which may lead to a significant drop in new business and/or a significant increase in the number of lapses and/or withdrawals.

The Company promotes sound business ethics among its employees.

The Company also strives to maintain quality customer services and procedures, and business operations that enable compliance with regulatory rules and legislation in order to minimize the risk of a drop in the reputation of the Company.

The Company did not record any issue with major reputational effect in the financial year.

(iii) *Taxation risk*

Taxation risk refers to the risk that new taxation laws will adversely affect the Company and/or the loss of non-compliance with tax laws.

The taxation risk is managed by monitoring applicable tax laws, maintaining operational policies that enable the Company to comply with taxation laws and, where required, seeking the advice of tax specialists.

This risk is well managed within the Company.

(iv) *Regulatory risk*

The Company manages the regulatory risk it is potentially exposed to by monitoring new regulatory rules and applicable laws, and the identification of significant regulatory risks. The Company strives to maintain appropriate procedures, processes and policies that enable it to comply with applicable regulation.

The Company has continued to maintain zero tolerance posture for any regulatory breaches in all its area of operations.

(v) *IT and technological risks*

The Company is exposed to IT and technological risks; these risks could stem mainly from failure to implement effective information and cyber security policies and procedures. This could disrupt operations and cause financial losses that could result in a decrease in earnings. An externally caused information security incident, such as a hacker attack or virus could materially interrupt business operations or cause disclosure or modification of sensitive or confidential client or competitive information and could result in material financial loss, loss of competitive position, regulatory actions, breach of client contracts, reputational harm or legal liability, which, in turn, could cause a decline in the Company's earnings.

Appropriate policies and IT controls are however in place to check any form of information risk and or disruption to operations.

(f) Capital management

The strategy for assessing and managing the impact of our business plans on present and future regulatory capital forms an integral part of the Company's strategic plan. Specifically, the Company considers how the present and future capital requirements will be managed and met against projected capital requirements. This is based on the Company's assessment, taking account of the Company business strategy and value creation to all its stakeholders.

In thousands of naira	Note	2013	2012
Paid up share capital	19	535,000	535,000
Shareholders' funds		541,285	547,751

5 Use of estimates and judgements

These disclosures supplement the commentary in financial risk management. Key sources of estimation uncertainty are as disclosed below:

(a) *Determining fair values*

The Company's policy on fair value measurements is discussed under note 3(d)(iv).

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

(i) Level 1 : Quoted market price(unadjusted) in an active market for an identical instrument.

(ii) Level 2 : Valuation techniques based on observable inputs, either directly - i.e. , as prices - or indirectly - i.e. derived from prices. This category includes instruments valued using : quoted market prices in active markets for similar instruments ; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

(iii) Level 3 : Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data. Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques. This category includes unquoted equity securities.

There were no financial instruments measured at fair value at the end of the reporting period.

Financial instruments not measured at fair value

The following table sets out the categorisation into levels of the fair value hierarchy of financial instruments not measured at fair value. For financial liabilities and cash and cash equivalents for which tair value could not be reliably determined, the carrying amounts approximates their fair value.

31 December 2013

In thousands of Naira	Note	Level 1	Level 2	Level 3	Total
Financial Assets					
Investment securities	6	351,844	-	-	351,844
		351,844	-	-	351,844

31 December 2012

In thousands of Naira	Note	Level 1	Level 2	Level 3	Total
Financial Assets					
Investment securities	6	562,836	-	-	562,836
		562,836	-	-	562,836

(b) *Allowance for impairment losses*

Assets accounted for at amortised cost are evaluated for impairment on a basis described in Note 3(d)(v).

The specific component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and estimate of cash flows considered recoverable are independently approved by the financial control function.

(c) *Financial asset and liability classification*

The Company's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

(i) In classifying financial assets as held-to-maturity, the Company has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by Note 3(d)(ii).

Details of the Company's accounting classification and measurement basis of financial assets and liabilities are given in note 6.

(d) Depreciation and carrying value of property and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

(e) Recognition of deferred tax assets:

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

Deferred tax is not recognised for:

• temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

• temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and

• taxable temporary differences arising on the initial recognition of goodwill.

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

6 Financial assets and liabilities

Accounting classification, measurement basis and fair values

The table below sets out the Company's classification of each class of financial assets and liabilities, and their fair values.

31 December 2013 *In thousands of Naira*	Note	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Investment securities	14	352,319	-	-	-	352,319	351,844
		352,319	85,683	-	-	438,002	437,527

31 December 2012 *In thousands of Naira*	Note	Held-to-maturity	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value
Investment securities	14	562,551	-	-	-	562,551	562,836
		562,551	-	-	-	562,551	562,836

7 Transaction fees

Transaction fees income comprises fees earned on the over the counter (OTC) transactions carried on by the Company's Dealing Members.

8 Interest income

In thousands of Naira	31 December 2013	31 December 2012
Cash and cash equivalents:		
-Treasury bills	47,455	80,275
-Fixed Deposit	3,513	-
	50,968	80,275

9 Other income

In thousands of Naira	31 December 2013	31 December 2012
Sponsorship income	19,100	-
Post Trade Monitor services	4,118	-
Others	5,000	-
	28,218	-

10 Personnel expenses

In thousands of Naira	31 December 2013	31 December 2012
Wages and salaries	69,378	20,783
Pension cost	717	-
	70,095	20,783

(i) Employees earning over N60,000, other than Directors, whose duties were wholly or mainly discharged in Nigeria, received emoluments in the following ranges:

	31 December 2013	31 December 2012
N2,000,001 - N3,000,000	4	-
N3,000,001 - N4,000,000	2	-
N4,000,001 - N5,000,000	1	-
N6,000,001 - N7,000,000	2	-
N8,000,001 - N9,000,000	1	-
Above N9,000,000	3	1
	13	1

(ii) The average number of full time persons employed during the year by the Company was as follows:

	31 December 2013	31 December 2012
Management staff	4	1
Non management staff	9	-
	13	1

(iii) Directors' remuneration

In thousands of Naira	31-Dec 2013	31 December 2012
Highest paid director	16,667	-
	16,667	-

(i) No allowance or fee was paid to any of the Non-Executive Directors during the period.
(ii) The Director's Emolument represents the MD/CEO's salary for the period.

11 Other operating expenses

In thousands of Naira	31 December 2013	31 December 2012
Directors' emoluments	16,667	-
Auditor's remuneration	5,000	-
Professional fees	99,653	-
General administrative expenses	85,968	29,662
	207,288	29,662

12 Income tax expense

(a) The Company did not have any taxable profit for the year and it is not subject to minimum tax because the Company is still within its first four years of operation. Accordingly, no company income tax has been recorded in the financial statement.

(b) As at year end, the Company recorded a tax loss for which a deferred tax asset would ordinarily be recognized. However, the deferred tax asset has not been recognized because the Directors have determined that it is not probable that there will be future taxable profit to recover the deferred tax asset and accordingly, have not recognized any deferred tax asset. However, if the Company had recognised the deferred tax asset, the amount would have been N89.42million. (2012: N33.06million)

The unrecognised deferred tax can be analysed as follows: *In thousands of Naira*	31 December 2013	31 December 2012
Unrelieved losses	71,359	30,749
Un-utilised capital allowances	18,060	2,317
	89,419	33,066

13 Cash and cash equivalents

In thousands of Naira	31 December 2013	31 December 2012
Bank balances	15,305	52,788
Placements with banks	10,953	-
	26,258	52,788

14 Investment securities

In thousands of Naira	31 December 2013	31 December 2012
Held to maturity investments securities-Treasury bills	352,319	562,551
	352,319	562,551
Current	352,319	562,551
Non-current	-	-
	352,319	562,551

15 Property and equipment

The movement on these accounts during the year was as follows:

In thousands of Naira	Leasehold improvements	Motor vehicles	Furniture and fittings	Computer equipment	Total
Cost:					
Balance as at 1 January 2012	-	-	-	-	-
Additions	-	11,400	2,000	-	13,400
Balance as at 31 December 2012	-	11,400	2,000	-	13,400
Balance at 1 January 2013	-	11,400	2,000	-	13,400
Additions	22,823	58,250	4,623	5,547	91,243
Balance as at 31 December 2013	22,823	69,650	6,623	5,547	104,643
Depreciation and impairment losses					
Balance as at 1 January 2012	-	-	-	-	-
Depreciation for the year	-	1,188	250	-	1,438
Balance as at 31 December 2012	-	1,188	250	-	1,438
Balance as at 1 January 2013	-	1,188	250	-	1,438
Depreciation for the year	2,178	4,845	887	576	8,486
Balance as at 31 December 2013	2,178	6,033	1,137	576	9,924
Carrying amounts					
At 31 December 2012	-	10,212	1,750	-	11,962
At 31 December 2013	20,645	63,617	5,486	4,971	94,719

(a) There were no authorised or contracted capital commitments as at the end of the reporting period (31 December 2012: Nil).

(b) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (31 December 2012:Nil)

16 Intangible asset

In thousands of Naira	Computer software
Balance at 1 January 2013	-
Acquisitions	38,753
Balance as at 31 December 2013	38,753
Amortisation and impairment losses	
Balance at 1 January 2013	-
Amortisation for the year	3,139
Balance as at 31 December 2013	3,139
Carrying amounts	
At 31 December 2012	-
At 31 December 2013	35,614

17 Other assets

Other assets balance comprise

In thousands of Naira	31 December 2013	31 December 2012
Account receivables	81,728	-
Prepayments	37,137	8,980
Staff advances	1,967	-
Other receivables	1,988	-
	122,820	8,980
	122,820	8,980
Current	120,853	8,980
Non-current	1,967	-
	122,820	8,980

18 Other liabilities

Other liabilities

	31 December 2013	31 December 2012
Account Payables	47,316	88,530
Accruals	43,129	-
	90,445	88,530
Current	90,445	88,530
Non-current	-	-
	90,445	88,530

19 Capital and reserves

(a) *Share capital*

In thousands of Naira	31 December 2013	31 December 2012
Authorised - 535,000,000 Ordinary shares of 1Naira each (31 December 2012: 535,000,000 of N1.00 each)	535,000	535,000
Issued and fully paid 535,000,000 (31 December 2012: 535,000,000 Ordinary shares of N1 each	535,000	535,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Company. All ordinary shares rank pari-passu with the same rights and benefits at meetings of the Company.

(b) **Deposit for shares**

Deposit for shares holds the consideration on shares issued during the year which were alloted subsequent to year end.

In thousands of Naira	31 December 2013	31 December 2012
Balance, beginning of year	535,000	535,000
Balance, end of year	535,000	535,000

20 Related parties transactions

Transactions with related parties are summarised below and balances are reflected in note 14, 17 and 18 of the financial statements.

Key management is defined as members of the board and thus; transactions with the board are separately disclosed.

In thousands of Naira	2013	2012
Cash and cash equivalents (See (a) below)	26,258	52,788
Acquisition of intangible asset (see (b) below)	35,880	-
Account receivables (see (c) below)	81,728	-
	143,866	52,788

(a) Cash and cash equivalents is represented by bank balances and placements held with Guaranty Trust Bank, which is also a shareholder in the Company.

(b) The Company acquired a software, Post-Trade Monitor, for its operations from one of its shareholders- Financial Market Dealers' Association (FMDA).

(c) Accounts receivable is represented by transaction fees receivable from trades executed on the OTC platforms by the Dealing Members of the Company during the financial year. These Dealing Members are also shareholders in the Company.

21 Contingent liabilities, litigations and claims

The Company in its ordinary course of business, is presently not involved in any case as a defendant. (31 December 2012: Nil).

22 Events after the reporting period

During the year, the Board of Directors of FMDQ OTC PLC and the Governing Council of the Financial Market Dealers Association (FMDA) agreed to exchange liabilities due to FMDA of N76,888,888 for 64,074,074 ordinary shares of FMDQ at N1.20 per share. Accordingly the liability was reclassified to deposit for shares in equity. The shares have been allotted subsequent to year end and share certificate issued to FMDA as at 20 January 2014.

Furthermore, in the 2012 financial year, the Company received N50million from NSE Consult Limited as payment for 41,666,667 unit of shares in FMDQ. The shares have been allotted subsequent to year end and share certificate issued to NSE Consult as at 20 January 2014. In addition, FMDQ increased its authorized share capital from N535,000,000 to N1,000,000,000. The certificate of increase in share capital was registered with the Corporate Affairs Commission on 15 May 2014.

Other Financial Information
Value added statement
For the year ended 31 December 2013

In thousands of Naira	31 December 2013	%	31 December 2012	%
Operating income	155,653		80,275	
Brought in goods and services -local	(207,288)		(21,683)	
Value added	(51,635)	100	58,592	100
Applied to pay:				
- Employees as wages and salaries	70,095	(136)	20,783	35
Retained in the business:				
- For replacement of property and equipment	8,486	(16)	1,438	2
- For replacement of intangible asset	3,139	(6)	7,979	14
- To augment reserves	(133,355)	258	28,392	49
Value added	(51,635)	100	58,592	100

The Official Launch of FMDQ OTC PLC

L-R Mallam Sanusi Lamido Sanusi, CON, Governor, Central Bank of Nigeria (CBN); Mr. Aigboje Aig-Imoukhuede, CON, GMD/CEO Access Bank PLC and Chairman, Board of Directors, FMDQ OTC PLC; and Ms. Arunma Oteh, OON, DG, Securities and Exchange Commission (SEC)

L-R Ms. Patience Oniha, Director, Market Development Department, Debt Managment Office (DMO); Dr. Abraham Nwankwo, DG, DMO; and Dr. Demola Sogunle, CEO, Stanbic IBTC Pension Managers Ltd. and Director, FMDQ OTC PLC.

Ms. Arunma Oteh, OON, DG, SEC, formally launching the FMDQ Codified Rule Book at event

L-R Dr. (Mrs.) Sarah Alade, OON, Deputy Governor, Economic Policy, CBN; and Ms. Patience Oniha, Director, Market Development Department, DMO.

L-R Mr. Fola Adeola, OFR, Founder and Former MD, Guaranty Trust Bank PLC and Chairman, Fate Foundation; and Mr. Aigboje Aig-Imoukhuede, CON, GMD/CEO of Access Bank PLC and Chairman, Board of Directors, FMDQ OTC PLC.

L-R Alhaji Suleiman Barau, OON, Deputy Governor, Corporate Services, CBN and Mr. Jibril Aku, MD/CEO, Ecobank Nigeria Ltd. and Vice-Chairman, Board of Directors, FMDQ OTC PLC.

L-R Mr. Laoye Jaiyeola, MD/CEO, Kakawa Discount House Ltd. and Director, FMDQ OTC PLC; Mrs. Bola Adesola, MD/CEO, Standard Chartered Bank Nigeria Ltd and Director, FMDQ OTC PLC.

L-R Mr. Emeka Onwuka, Former Chairman, Enterprise Bank Ltd. and Director, FMDQ OTC PLC; and Mr. Yinka Sanni, CEO, Stanbic IBTC Bank PLC and Director, FMDQ OTC PLC.

L-R Mr. Bola Onadele. Koko, MD/CEO, FMDQ OTC PLC; Mr. Oscar N. Onyema, CEO, The Nigerian Stock Exchange (NSE) and Director, FMDQ OTC PLC.

L-R Mr. Ugo Okoroafor, Director of Communications, CBN; Mr. Emmanuel Ukeje, Director, Financial Markets Department, CBN and Alhaji Muhammad Nda, Former Director Foreign Operations, CBN; Chairman, Midland Advisors Ltd. and Director, FMDQ OTC PLC.

L-R Mr. Akinsowon Dawodu, Immediate Past President, Financial Markets Dealers Association (FMDA); Chief Operating Officer, Citibank Nigeria Ltd. and Director, FMDQ OTC PLC; and Mr. Sola Adegbesan, President, FMDA; Head of Global Markets, Stanbic IBTC Bank PLC, and Director, FMDQ OTC PLC.

L-R Mr. Andrew Moreton, Head Fixed Income Trading Sales, Bloomberg EMEA; Mr. Stefanos Thomatos, Regional Manager, Bloomberg EMEA; and Mr. Jack Delaney, Chief Operating Officer, FMDQ OTC PLC.

L-R Mr. Ayo Babatunde, Treasurer, Ecobank Nigeria Ltd. and Member Governing Council, FMDA; Mr. Tunde Kuponiyi, General Manager, Ecobank Nigeria Ltd., and Mr. Ini Ebong, Treasurer, First Bank Nigeria Ltd. and Member Governing Council, FMDA;

Dr. Wura Z. Abiola, Managing Director, FDHL-MT.

L-R Mr. Rudi Gibbs and other representatives of ICAP

CORPORATE INFORMATION

Chairman	Aigboje Aig-Imoukhuede, CON
Other Directors	Jibril Aku Muhammad Nda Emeka Onwuka Oscar Onyema Demola Sogunle Bola Adesola Laoye Jaiyeola Yinka Sanni Akinsowon Dawodu Sola Adegbesan
Managing Director/ Chief Executive Officer	Bola Onadele. Koko
Company Secretary	G. Elias & Co 2 Broad Street, Lagos
Registered Office	1 Olosa Street Victoria Island Lagos
Auditors	KPMG Professional Services KPMG Tower Bishop Aboyade Cole Street Victoria Island, Lagos Tel: (01) 2718955 www.kmpg.com/ng
Banker	Guaranty Trust Bank PLC
RC No.	929657