Parthian Partners Limited

Final Rating Report

Agusto&Co.

Research, Credit Ratings, Credit Risk Management

Parthian Partners Limited

Rating:

Bbb

Outlook: Stable
Issue Date: 29 Dec 2020
Expiry Date: 30 Jun 2021
Previous Rating: NA

Industry:
Securities Firm

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RATING RATIONALE

Agusto & Co. hereby assigns a "**Bbb**" rating to Parthian Partners Limited ("PPL" or "the Company"). PPL's rating is upheld by a good liquidity and funding profile, improving profitability, support from owners and good capitalisation. The rating is, however, constrained by increasing exposure to interest rate risk and credit risk, the lack of dedicated risk management capacity and sizeable non-earning assets. The impact of the COVID-19 pandemic on the Nigerian economy and the financial markets have also been taken into cognisance.

PPL is a Securities and Exchange Commission licensed and FMDQ Securities Exchange Limited registered inter-dealer broker. The Company provides wholesale brokerage services for transactions among market dealers and between market dealers and investors including pension fund administrators, fund managers, banks and international financial institutions. PPL primarily facilitates trading in the fixed income securities of the Federal Government of Nigeria (FGN) and other issuers.

As at 31 December 2019, the Company had total assets of ₦1.2 billion. Short-term investments of ₦465 million accounted for the largest share of total assets at 38%. The short-term investment portfolio comprised local currency (LCY) holdings of FGN treasury bills (42.8%) and foreign currency (FCY) holdings of FGN Eurobonds (39.0%) and Eurobonds of Nigerian commercial banks (18.2%). We consider PPL's investments in FGN treasury bills to be low risk given the relatively short maturities and "Aaa" credit quality on our national rating scale. The investments in Eurobonds, however, bear notable risk given Agusto & Co.'s sovereign credit rating of "B" with a negative outlook for the FGN and the relatively long term-to-maturity of the FGN Eurobonds in particular.

Cash & bank balances of ₦335 million as at 31 December 2019 contributed the second largest share of the Company's total assets with 27.2%. PPL's cash & bank balances were largely with commercial banks Agusto & Co. considers to be of investment grade credit quality. As at 31 December 2019, PPL's third largest asset class was the investment in subsidiary (PSL Capital Limited) of ₦320 million, which accounted for 26% of total assets. The subsidiary has a broker/dealer licence from the Securities and Exchange Commission but was yet to begin full-scale operations. The investment in subsidiary thus remains a non-earning asset.

During the financial year ended 31 December 2019, PPL generated net earnings of ₦761 million. The majority or 68% of the Company's income was generated from the core business of matching trades among dealers or between dealers and investors, which we view positively. Investment income from the proprietary portfolio contributed the second largest share of PPL's earnings with 30.5%. The Company recorded a profit before tax (PBT) of ₦242 million and pre-tax return on average assets (ROA) and pre-tax return on average equity (ROE) of 22.5% and 26.1% respectively. PPL's ROE surpassed the average return on one-year FGN treasury certificates of 13.9% in 2019. In the nine months to 30 September 2020, PPL recorded a PBT of ₦519 million, which was 2.2x the 2019 full year figure. The Company's annualised ROA and ROE thus improved notably to 26.2% and 57% respectively.

As at 31 December 2019, PPL had shareholders' funds of ₦1.2 billion, which was considerably higher than the minimum regulatory requirement of ₦50 million for inter-dealer brokers. Our estimate of the Company's Basel I capital adequacy (adjusted capital to risk weighted assets) ratio stood at 261%, which implied a sizeable buffer was available for periods of uncertainty. PPL's equity funded 77.7% of total assets and provided a stable base of funding to meet short-term working capital and long-term capital investment requirements. The Company's liquidity is supported by sizeable holdings of FGN securities, FGN Eurobonds and cash & bank balances totalling ₦800 million as at 31 December 2019. As at the same date, the Company's liquidity (liquid assets to total assets) ratio stood at 65%, which was better than our benchmark of 60% for investment and securities firms.

Table 1: Financial Data for PPL

	31 December 2019	31 December 2018
Total Assets	₦1.2 billion	₦0.9 billion
Net Earnings	₦761 million	₦351 billion*
Pre-tax return on average assets	22.5%	3.4%
Pre-tax return on average equity	26.1%	3.5%

**9 Months*

Strengths

- Good liquidity and funding profile
- Support from owners
- Stable and experienced management team
- Good capitalisation levels and low leverage

Weaknesses

- Lack of dedicated risk management capacity
- Increasing exposure to interest rate risk and credit risk
- Significant non-earning assets

Challenges

- Managing investment risk in the face of the weak macroeconomic climate
- Maintaining profitability in an adverse business environment
- Heightened political risks in Nigeria

COMPANY PROFILE

Parthian Partners Limited ("PPL" or "the Company") was incorporated as a private limited liability company in Nigeria in 2012. PPL subsequently obtained a licence to operate as an inter-dealer broker from the Securities and Exchange Commission (SEC) in 2013. The company is one of six FMDQ Securities Exchange Limited (FMDQ) registered inter-dealer brokers in Nigeria. PPL's outstanding shares are held by a total of eight individuals and one corporate entity.

The Company provides wholesale brokerage services for transactions among market dealers and between market dealers and investors including pension fund administrators, fund managers, banks and international financial institutions. PPL facilitates trading in Federal Government of Nigeria (FGN) Bonds and Treasury Bills, State Government Bonds, Local Contractor Bonds, Corporate Bonds and Eurobonds. The Company has a wholly-owned subsidiary, PSL Capital Limited, which was established in 2019.

PPL is governed by a six-member Board of Directors ("the Board"), which is chaired by Mr Adedotun Sulaiman. The Company's operations are led by Mr Oluseye Olusoga, who is the Managing Director. The members of the Board jointly own 59.96% of PPL. The Company's registered office is situated at 22A Udi Street, Osborne Foreshore Estate, Lagos. The Company had an average staff strength of 24 employees during the financial year ended 31 December 2019.

Table 2: Board of Directors

Directors	Position	Direct Shareholding
Mr Adedotun Sulaiman	Chairman	19.44%
Mr Oluseye Olusoga	Managing Director	19.77%
Mr Bismarck Rewance	Non-Executive Director	1.50%
Mr Adebayo Adeola	Non-Executive Director	19.25%
Mr Rilwan Belo-Osagie	Non-Executive Director (Independent)	Nil
Mr Abraham Nwankwo	Non-Executive Director (Independent)	Nil

Business Structure

PPL has six core units: Global Markets, Finance, Information Technology, Human Resources, Compliance and Internal Audit. The heads of the Global Markets, Finance, Information Technology and Human Resources units report to the Chief Operating Officer (COO), who in turn reports to the Managing Director/CEO. The Compliance Officer primarily reports to the Managing Director/CEO while the Internal Audit function is outsourced to PwC (PricewaterhouseCoopers), who primarily report to the Board. The Company also outsources legal services to law firm Udo-Udoma & Belo-Osagie.

Business Strategy

PPL's primary strategy is to leverage the domestic and international networks of the Company's management, board of directors and ownership to establish new relationships and deepen the client base. PPL's sizeable balance sheet and technology driven processes provide a competitive edge in the onboarding of domestic and international clients. The Company has acquired a broker/dealer licence for subsidiary PSL Capital Limited to provide securities trading services to retail investors as well as the wholesale market as permitted by the inter-dealer broker licence. PPL's strategy, through PSL Capital Limited, is to drive the retail market with technology platforms including apps that allow customers to trade from their mobile devices.

Information Technology

PPL has a software development team comprising frontend and backend developers that create proprietary applications for various functions including human resources, dealing and settlement and the "i-Invest" app for the trading of FGN treasury bills by retail customers. The Company also uses enterprise technology solutions such as the Bloomberg Terminal for trading and Sage for accounting and finance. PPL's data is stored in the cloud using the Amazon Web Services (AWS) platform, which facilitated remote work with minimal disruptions during the lockdown due to the COVID-19 pandemic in the first half of 2020.

Management Team

Mr Oluseye Olusoga is the pioneer Managing Director/CEO of PPL. Prior to this, Mr Olusoga was the Head of the European Credit and Index team at Citigroup in London. He has also worked as a trader in Global Markets at Citigroup in London and in Debt Capital Market at Lehman Brothers London. Mr Olusoga has experience in trading commodities, FX rates and credit.

He holds a First Class (Hons) degree in Electronic Engineering from the University of Surrey and is an Alumni of the Said Business School Oxford and Warwick Business School in the UK. He is also an Alumni of the Lagos Business School and was a member of the Capital Market Master Plan Committee.

The Company's senior management team includes:

- Mr Babajide Lawani — Chief Operating Officer
- Mrs Ola Oladele — Vice President, Global Markets
- Mrs Adekemi Akinyede — Head, Human Resources

INTER-DEALER BROKERAGE IN NIGERIA

There are six inter-dealer brokers in Nigeria registered with the FMDQ to act as intermediaries between dealers and between dealers and investors including pension fund administrators, banks, insurance companies, asset managers and international financial institutions. There are also 11 broker/dealers registered with the FMDQ who provide some competition for inter-dealer brokers in the intermediation between dealers and 40 FMDQ-registered domestic investors including pension fund administrators, insurance companies, asset managers and corporate treasurers.

Table 3: FMDQ Registered Inter-Dealer Brokers

S/N	Company
1	Alonati IDB Limited
2	Dane Investments Limited
3	ICAP African Brokers Limited
4	Krosk Partners Limited
5	Parthian Partners Limited
6	Zedcap Partners Limited

Inter-dealer brokers facilitate trading in FGN Bonds, Promissory Notes and Treasury Bills, State Government Bonds, Local Contractor Bonds, Corporate Bonds and Eurobonds. Inter-dealer brokers also facilitate structured transactions such as bond repos using the FMDQ's Global Market Repo Agreement. Inter-dealer brokers are thus generally agnostic to rates as transactions maintain the matched principle of linking willing buyers and willing sellers. Inter-dealer brokers, therefore, do not take on a significant amount of counterparty risk with transactions not appearing on balance sheets except where there is a pending settlement with the settlement bank. Notwithstanding, this minimal settlement risk means clients, particularly international investors, prefer inter-dealer brokers with a reasonable amount of capital to limit losses.

The fixed income securities market in Nigeria continues to grow with the FMDQ exchange recording a turnover of around ₦47 trillion in quarter three of 2020. The biggest market players are the pension fund administrators and banks. The depth of the client base is a key determinant of success for inter-dealer brokers as the more relationships there are with dealers and investors the higher the likelihood of successfully matching trades. Inter-dealer brokers thus require extensive business networks to establish relationships with market players. Inter-dealer brokers also need to demonstrate a strong capacity to efficiently complete trades to onboard clients and persistent relationship management skills to participate actively in trades.

Given the competition from other inter-dealer brokers and broker/dealers, pricing is also a key determinant of success as investors are sensitive to returns and thus generally look for the best deal. Inter-dealer brokers also provide clients with some macroeconomic and fixed income research as a value add to sustain the relationship. The larger inter-dealer brokers enjoy a significant share of the market and are able to earn a sizeable amount of income while the smaller inter-deal brokers have much smaller shares of the market and generally struggle to break even.

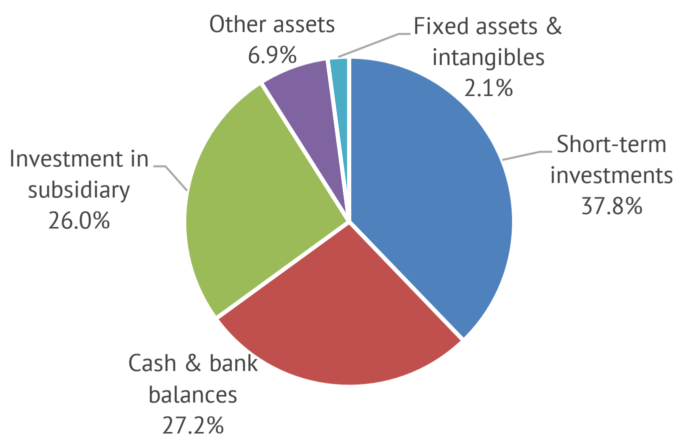
ANALYSTS' COMMENTS

Audited Financials Used: 12 Months to Dec 2019, 9 Months to Dec 2018 and 12 Months to March 2018

ASSET QUALITY

As at 31 December 2019, PPL had total assets of ₦1.2 billion, which represented an increase of 33.9% from ₦0.9 billion at the end of the prior year. The growth in total assets was due to a cash build up for a bid to acquire an asset from the Asset Management Corporation of Nigeria (AMCON). The cash build up was largely funded by amounts due to a related party and retained earnings. Short-term investments made using the Company's proprietary funds accounted for the largest share of total assets at 38% as at 31 December 2019. PPL's short-term investment portfolio, which stood at ₦465 million, comprised local currency (LCY) holdings of FGN treasury bills (42.8%) and foreign currency (FCY) holdings of FGN Eurobonds (39.0%) and the Eurobonds of Nigerian commercial banks (18.2%).

Figure 1: Breakdown of PPL's assets



We consider the Company's investments in FGN treasury bills to be low risk given the relatively short maturities and "Aaa" credit quality on our national rating scale. PPL's investments in Eurobonds, however, bear notable risk given Agusto & Co.'s sovereign credit rating of "B" with a negative outlook for the FGN and the relatively long term-to-maturity (and duration) of the FGN Eurobonds in particular. The Eurobond portfolio is thus susceptible to losses from increases in yields due to global market forces or a deterioration in the FGN's credit quality as well as the higher default risk of exposures to speculative grade obligors. Notwithstanding, we note that such losses may be compensated for by expected appreciation of the US Dollar versus the Naira, given Nigeria's long-term structural trade problems. As at 30 September 2020, based on unaudited accounts, the Company's short-term investments stood at ₦791 million, representing a 70.1% increase from 2019 as retained earnings in the first three quarters of 2020 boosted the proprietary portfolio. However, the lower yields on FGN securities and the devaluation of the Naira in 2020 led to a shift from FGN treasury bills to longer maturity FGN securities and FGN Eurobonds, resulting in moderately higher interest rate risk.

PPL's cash & bank balances of ₦335 million as at 31 December 2019 contributed the second largest share of total assets with 27.2%. Cash & bank balances were significantly increased from ₦55 million at the end of the prior financial year as the Company had to make cash pledges for the bid to acquire an asset from AMCON. PPL's cash & bank balances were largely with commercial banks Agusto & Co. considers to be of investment grade credit quality. As at 30 September 2020, the Company's cash & bank balances remained high at ₦322 million based on unaudited numbers.

As at 31 December 2019, PPL's third largest asset class was the investment in subsidiary (PSL Capital Limited) of ₦320 million, which accounted for 26% of total assets. The subsidiary has a broker/dealer licence from the SEC and was yet to begin full-scale operations. The investment in subsidiary therefore remains a non-earning asset, which is expected to take a number of years to earn returns that would be commensurate with the ₦320 million deployed given the intense competition in the stockbroking business in Nigeria. We note that the Company is bidding to acquire an asset from AMCON that would furnish the subsidiary with additional financial institution licences if successful. Notwithstanding, we believe – in the best case scenario – a few years would be required to bring the subsidiary up to a satisfactory level of profitability.

In our opinion, PPL's asset quality is satisfactory.

Risk Management

PPL's Board is responsible for setting the risk appetite, principles, philosophy and strategy of the Company and overseeing the implementation of the risk management framework. PPL's Managing Director/CEO is charged with monitoring compliance with risk management policies and reporting to the Board on compliance by every unit. The Company also has a designated risk champion, who is responsible for maintaining the risk register, monitoring risk events and escalating high impact risk events to senior management.

The management of PPL's proprietary funds is guided by the Company's Capital Management Policy (CMP). The Global Markets team is responsible for managing the proprietary portfolio in line with the CMP, which sets the objective of preserving long-term purchasing power while providing a relatively predictable and growing stream of income. The CMP only permits investment in money market and fixed income securities in LCY or FCY. Sovereign and corporate FCY bonds must have minimum credit ratings of "CCC" and "B-" respectively from a major international rating agency to qualify for investment while sovereign LCY bonds must have a minimum "B-" credit rating. Sub-national and corporate LCY bonds must have a minimum "A+" credit rating from a major SEC registered credit rating agency to qualify for investment. All investments must be approved by the Head of Global Markets.

All matched trading transactions are originated by the Global Markets team through regular client calls and discussions and are carried out on the Bloomberg Terminal. The Global Markets team uses a maker-checker system in recording transactions to limit errors and ensure there is some segregation of duties. The Compliance Officer is involved in the process of client onboarding, checking regulatory requirements have been met including anti-money laundering and terrorism financing provisions by searching international databases for blacklisted individuals and entities. The Compliance Officer also conducts monthly reviews of the weekly local backup of PPL's data, which is stored and backed up on the AWS platform daily. The Company's internal auditors (PwC) conduct annual risk-based audits of each unit and report the findings to the Board of Directors.

In our view, PPL has a satisfactory risk management structure for current operations. However, with the rise in the business size and complexity, dedicated risk management capacity is required to provide more independent checks and balances.

Earnings and Performance

During the financial year ended 31 December 2019, PPL generated net earnings of ₦761 million, representing a sizeable 105.5% increase from the nine months ended 31 December 2018. The significant growth was due to the continued expansion of the securities market and the Company's client base and the change of PPL's financial year end to December from March. The majority or 68% of the Company's income was generated from the core business of matching trades among dealers or between dealers and investors, which we view positively with respect to the sustainability of earnings. Investment income from the proprietary portfolio contributed the second largest share of PPL's earnings with 30.5%. In our view, the income from the proprietary portfolio is less sustainable given the volatility of yields and therefore asset valuations and the increased investment in subsidiaries.

In the review period, the Company had a cost to income ratio of 68.2%, which was significantly improved from 93.7% in the prior year. The improvement in the cost to income ratio was largely due to the sizeable increase in net earnings while PPL's operations remained relatively lean. The Company recorded a profit before tax (PBT) of ₦242 million, which represented a considerable 10.3 times increase from the prior nine months' ₦22.6 million. PPL thus recorded vastly improved profitability ratios with a pre-tax return on average assets (ROA) of 22.5% (2018 annualised: 3.4%) and a pre-tax return on average equity (ROE) of 26.1% (2018 annualised: 3.5%). The Company's ROE surpassed the average return on one-year FGN treasury certificates of 13.9% in 2019.

Based on unaudited accounts for the first three quarters of 2020, PPL had net earnings of ₦821 million, which surpassed the figure recorded for the 2019 full year by 7.9%. The Company's income in 2020 was primarily driven by the core matched trading business as pension fund administrators, who are compelled by regulation, continued to trade in LCY securities despite lower yields. The demand for Eurobonds from other local investors including insurance companies and asset managers also increased significantly as yields declined and the US Dollar appreciated against the Naira. In the nine months to 30 September 2020, PPL recorded a PBT of ₦519 million, which was 2.2x the 2019 full year figure. The Company's annualised ROA and ROE thus improved notably to 26.2% and 57% respectively.

In our view, PPL's profitability is improving. However, greater consistency must be demonstrated.

Capital & Leverage

As at 31 December 2019, PPL had shareholders' funds of ₦1.2 billion, which represented a 33.9% increase from the figure at the end of the prior financial year. The rise in shareholders' funds was driven by retained earnings during the review period. The Company's shareholders' funds were considerably higher than the minimum regulatory requirement of ₦50 million for inter-dealer brokers. Our estimate of PPL's Basel I capital adequacy (adjusted capital to risk weighted assets) ratio stood at 261%, which implied a sizeable buffer was available for periods of uncertainty. The Company's liabilities, which did not include any interest-bearing liabilities, stood at ₦274 million as at 31 December 2019. PPL thus had a debt to equity ratio of 0.4x, which was significantly below our threshold of 3x.

In our opinion, the Company has low leverage and is well capitalised for current business risks.

Liquidity & Funding

As at 31 December 2019, PPL's primary source of funding was equity of ₦1.2 billion, which funded 77.7% of total assets. The remainder 22.3% of the Company's total assets were funded by non-interest bearing liabilities of ₦274 million. PPL's considerable shareholders' funds provided a stable base of funding to meet short-term working capital and long-term capital investment requirements.

PPL's liquidity is supported by sizeable holdings of FGN securities, FGN Eurobonds and cash & bank balances totalling ₦800 million as at 31 December 2019. As at the same date, the Company's liquidity (liquid assets to total assets) ratio stood at 65%, which was better than our benchmark of 60% for investment and securities firms.

In our opinion, PPL has a good liquidity and funding profile.

OWNERSHIP, MANAGEMENT & STAFF

PPL is owned by eight individuals and one corporate entity. The ownership of the Company is moderately diversified with no single shareholder holding more than 19.77% of the outstanding equity. This implies that no single entity has majority control of PPL or is able to make unilateral decisions regarding the affairs of the Company, which we view positively. PPL's largest shareholders include individuals with a significant amount of experience in the financial services industry.

Table 4: PPL's Shareholders

Shareholder	Shareholding
Oluseye Olusoga	19.77%
Adedotun Sulaiman	19.44%
Adebayo Adeola	19.25%
Fola Adeola	18.19%
Terra Nova Limited	10.92%
Olusola Labinjo	8.09%
Adekunle Alli (Jnr)	1.42%
Chris Erim-Onongha	1.42%
Bismarck Rewane	1.50%

PPL is governed by a six-member Board of Directors comprising one executive director and five non-executive directors including two independent members. In our view, the Company's Board has a good representation of non-executive directors and independent members. PPL's shareholders are also well represented with the members of the Board jointly controlling 59.96% of outstanding shares. The Board is chaired by Mr Adedotun Sulaiman, who has considerable experience in the financial services industry.

The Company's day-to-day operations are led by Mr Oluseye Olusoga, who is the Managing Director/CEO. The Managing Director is supported by a management team of three professionals with significant experience in the securities dealing business. PPL maintains a lean structure with an average staff strength of 25 employees in 2019. Staff productivity, measured by net earnings per staff, improved to ₦12.6 million (2018: ₦7.6 million) while net earnings were sufficient to cover staff cost 2.5 times, which was below our benchmark of 3x.

In our view, PPL's management team is competent and experienced while staff productivity is acceptable.

Table 5: PPL's Staff Information

	31 December 2019	31 December 2018	31 March 2018
Average Number of Employees	24	24	19
Staff Cost per Employee (₦'000)	12,636	7,593	8,420
Net Earnings per Staff (₦'000)	31,720	15,439	22,211
Net Earnings/Staff Cost (Times)	2.5	2.0	2.6
Staff Cost/Operating Expenses	58.4%	52.5%	51.9%

OUTLOOK

The COVID-19 pandemic has had a significant negative impact on economies across the globe in 2020. The effects of the global and domestic uncertainties have manifested in Nigeria with significant depreciation of the Naira and decline in purchasing power, lower income and higher unemployment. The recovery of the Nigerian economy has been slow in the second half of 2020 with the National Bureau of Statistics confirming a recession in the third quarter. The civil unrests witnessed in the fourth quarter and the second wave of the pandemic in the western world are additional threats to the recovery.

The fixed income securities market has continued to grow largely unimpeded by the economic difficulties in Nigeria. The low yields have driven corporate issuers to the market and the pension fund administrators, bound by regulation and continued inflows to the pension funds, have continued to invest in corporate and FGN bonds in primary and secondary markets. Investors not compelled by regulation such as asset managers and insurance fund managers have also driven demand for Eurobonds in an attempt to hedge against Naira devaluation and low yields. This has ensured that the market has remained active for inter-dealer brokers.

PPL, as one of the largest inter-dealer brokers, continues to grow along with Nigeria's fixed income securities market. The Company has also invested in obtaining a broker/dealer licence and has begun offering services to the retail market. PPL plans to obtain more operating licences and to offer new products and services such as currency trading, trade financing and hedging solutions which would have an impact on income in the medium term. We expect the Company's profitability to remain acceptable while capitalisation and the liquidity and funding profile remain good in the near term.

We hereby attach a "**stable**" outlook to the rating.

FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION AS AT	31-Dec-19		31-Dec-18		31-Mar-18	
	₦'000		₦'000		₦'000	
ASSETS						
Cash & bank balances	334,808	27.2%	55,409	6.0%	78,963	8.5%
Short term investments	464,820	37.8%	814,939	88.7%	726,616	78.1%
Direct loans & advances - net	-	-	-	-	-	-
Advances under finance leases - net	-	-	-	-	-	-
Total loans (net)	-	-	-	-	-	-
Total other assets	84,813	6.9%	18,973	2.1%	35,181	3.8%
Funds under management (FUM)	-	-	-	-	54,215	5.8%
Total other long term investments	320,000	26.0%	-	-	-	-
Total fixed assets & intangibles	26,055	2.1%	29,791	3.2%	34,907	3.8%
TOTAL ASSETS	**1,230,496**	**100.0%**	**919,112**	**100.0%**	**929,882**	100.0%
LIABILITIES & EQUITY	**=N='000**		**=N='000**		**=N='000**	
Total interest bearing liabilities	-	-	-	-	-	-
Total other liabilities	274,398	22.3%	20,280	2.2%	61,740	6.6%
Funds under management (FUM)	-	-	-	-	-	-
Total liabilities	274,398	22.3%	20,280	2.2%	61,740	6.6%
Share Capital	176,577	14.4%	173,577	18.9%	170,577	18.3%
Share Premium	564,063	45.8%	549,063	59.7%	534,063	57.4%
Statutory Reserve	-	-	-	-	-	-
Irredeemable Debentures	-	-	-	-	-	-
Revaluation Surplus	-	-	-	-	-	-
Bonus Issue Reserve	-	-	-	-	-	-
Other Non-distributable Reserves	-	-	-	-	-	-
Revenue Reserve	215,458	17.5%	176,192	19.2%	163,502	17.6%
Shareholders' equity	956,098	77.7%	898,832	97.8%	868,142	93.4%
TOTAL LIABILITIES & EQUITY	1,230,496	**100%**	919,112	**100%**	929,882	**100%**

INCOME STATEMENT FOR THE YEAR ENDED	31-Dec-19		31-Dec-18*		31-Mar-18	
	₦'000		₦'000		₦'000	
Portfolio Management	-	-	-	-	-	-
Securities Trading & Dealing	232,042	30.5%	84,045	22.7%	92,078	21.8%
Financial Advisory	-	-	-	-	-	-
Fees & Commissions	517,800	68.0%	275,070	74.2%	329,762	78.1%
Other income	11,449	1.5%	11,428	3.1%	177	0.0%
Investment income	761,291	100.0%	370,543	100%	422,017	100%
Interest income	-	-	-	-	-	-
Interest expense - clients	-	-	-	-	-	-
Net interest income	-	-	-	-	-	-
Net earnings	761,291	100.0%	370,543	100.0%	422,017	100.0%
Staff costs	(303,253)	-39.8%	(182,225)	-49%	(159,973)	-38%
Depreciation expense	(13,810)	-1.8%	(13,233)	-4%	(15,364)	-4%
Other operating expenses	(202,467)	-26.6%	(151,847)	-41%	(132,684)	-31%
Total operating expenses	(519,530)	-68.2%	(347,305)	-94%	(308,021)	-73%
Profit (loss) before taxation	241,761	31.8%	23,238	6%	113,996	27%
Tax (expense)/benefit	(8,275)	-1.1%	(665)	0%	(6,052)	-1%
Profit (loss) after taxation	233,486	30.7%	22,573	6%	107,944	26%
				-		-
Non -operating income (expense) - net	-	-	-	-	-	-
Statutory reserve	-	-	-	-	-	-
Capital redemption	-	-	-	-	-	-
Proposed dividends	(194,220)	-25.5%	-	-	-	-
Script issues	-	-	-	-	-	-
Other appropriations/adjustments	-	-	(9,883)	-2.7%	-	-
Retained profit	39,266		12,690		107,944	
Profit retained b/fwd	176,192		2,008,112		1,900,168	
Profit retained c/fwd	215,458		2,020,802		2,008,112	

**9 Months*

KEY RATIOS	31-Dec-19	31-Dec-18	31-Mar-18
PROFITABILITY			
Revenue Growth	105.5%	-12.2%	21.8%
Operating profit margin	31.8%	6.3%	27.0%
Operating expenses/ net earnings	68.2%	93.7%	73.0%
Return on average equity (pre-tax)	26.1%	3.5%	20.6%
Return on average assets (pre-tax)	22.5%	3.4%	17.4%
Gross earnings/Total assets & contingents (average)	70.8%	40.1%	64.5%
LIQUIDITY & FUNDING			
Liquid assets/total assets	65%	95%	92%
Liquid assets/short term IBD	N/A	N/A	N/A
Liquid assets/ Managed funds	N/A	N/A	N/A
Adjusted capital & long term debt/illiquid assets	277%	3109%	3671%
CAPITAL & LEVERAGE			
Adjusted capital/risk weighted assets	261%	342%	267%
Gross debt/equity (times)	0.3	0.0	0.1
Gross debt/Adjusted equity (times)	0.4	0.0	0.1
IBD (net of cash) as % of equity without revaluation	-56%	-49%	-47%
IBD (net of cash) as % of adjusted capital	-53%	-6%	-9%
Interest cover	N/A	N/A	N/A
STAFF INFORMATION			
Average number of employees	24	24	19
Staff cost per employee (₦'000)	12,636	7,593	8,420
Net earnings per staff (₦'000)	31,720	15,439	22,211
Staff cost/Net earnings	40%	49%	38%
Staff costs/Operating expenses	58%	52%	52%
OTHER KEY INFORMATION			
Year operations started	2013	2013	2013
Age (in years)	7	6	5
Number of offices	1	1	1

RATING DEFINITIONS

Aaa	A financial institution of impeccable financial condition and overwhelming capacity to meet obligations as and when they fall due. Adverse changes in the environment (macro-economic, political and regulatory) are unlikely to lead to deterioration in financial condition or an impairment of the ability to meet its obligations as and when they fall due. In our opinion, regulatory and/or shareholder support will be obtained, if required.
Aa	A financial institution of very good financial condition and strong capacity to meet its obligations as and when they fall due. Adverse changes in the environment (macro-economic, political and regulatory) will result in a slight increase the risk attributable to an exposure to this financial institution. However, financial condition and ability to meet obligations as and when they fall due should remain strong. Although regulatory support is not assured, shareholder support will be obtained, if required.
A	A financial institution of good financial condition and strong capacity to meet its obligations. Adverse changes in the environment (macro-economic, political and regulatory) will result in a medium increase in the risk attributable to an exposure to this financial institution. However, financial condition and ability to meet obligations as and when they fall due should remain largely unchanged. In our opinion, shareholder support should be obtainable, if required.
Bbb	A financial institution of satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due. It may have one major weakness which, if addressed, should not impair its ability to meet obligations as and when due. Adverse changes in the environment (macro-economic, political and regulatory) will result in a medium increase in the risk attributable to an exposure to this financial institution.
Bb	Financial condition is satisfactory and ability to meet obligations as and when they fall due exists. May have one or more major weaknesses. Adverse changes in the environment (macro-economic, political and regulatory) will increase risk significantly.
B	Financial condition is weak but obligations are still being met as and when they fall due. Has more than one major weakness and may require external support, which, in our opinion, is not assured. Adverse changes in the environment (macro-economic, political and regulatory) will increase risk significantly.
C	Financial condition is very weak. Net worth is likely to be negative and obligations may already be in default.
D	In default.

Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

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