REPORT OF THE APPRAISAL OF THE BOARD OF DIRECTORS OF eTRANZACT INTERNATIONAL PLC FOR THE YEAR ENDED DECEMBER 31, 2016

Section 15.1 of the Securities and Exchange Commission (SEC) Code of Corporate governance for Public Companies (SEC Code) makes it mandatory for a Public Company to undertake evaluation of its Board on an annual basis. In compliance with the SEC Code, the Board of Directors of eTranzact International PLC ("eTranzact") engaged PAC Solicitors to evaluate the performance of the Board for the year ended December, 31 2016 with specific focus on self-assessment and peer review of individual Directors.

Our evaluation process involved administration of questionnaires and interviews with Directors and comprehensive review of relevant corporate and statutory documents including minutes of Board and Committee meetings, Board Charter, Board papers, Terms of Reference of Board Committees, Memorandum and Articles of Association and approved policies.

In undertaking the Board appraisal, we considered the following key corporate governance areas:

i. Board Structure and Composition
ii. Board Operations and Effectiveness
iii. Performance Measurement
iv. Risk Management and Compliance
v. Transparency and Disclosure

The Board comprised of ten Directors as at December 31, 2016. This consisted of three Executive Directors including the Managing Director and seven Non-Executive Directors including the Chairman. Two Non-Executive Directors were appointed during the year.

The Board was adequately composed and structured in the light of regulations on the minimum number of Directors and right mixture of Executive and Non-Executive Directors. There was a satisfactory blend of competencies and diversity of experience with Directors possessing the requisite skill to supervise the operations of eTranzact as well as the performance of Management.

The Board discharged its oversight responsibilities during the year under review. It reviewed and approved the Finance Policy, Board Charter, Board Selection Criteria, Dividend Policy and Enterprise Management Policy Manual and Framework. It also approved the Strategy Framework which details the Company's five year target objectives.

The result of the Self-Assessment and Peer Review of individual Directors against set criteria was generally satisfactory. It revealed Director's understanding of one another and the Board's commitment to the growth of the Company.

We affirm that the performance of the Board during the period under review is substantially in compliance with the requirements of the SEC Code. We also recommend amongst other things, that the Board should address the issues we highlighted on continuing training of Board members and Board membership. The details of our findings and other recommendations are contained in our Report.

Yours faithfully,
For: PAC Solicitors

Elizabeth I. Uba- Onugobu

PAC SOLICITORS
VALUE FOCUSED

FRC/2015/NBA/0000000/6266
16, Kofo Abayomi Street
Victoria Island, Lagos
Tel: 09099298887
E-mail: info@pacsolicitors.com

REPORT OF THE DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 2016

The Directors are pleased to present their annual report on the affairs of the Company together with the Audited Financial Statements for the year ended December 31, 2016.

LEGAL FORM AND PRINCIPAL ACTIVITIES

The Company was incorporated as a Private Limited Company on 7th May, 2003. It converted and registered as a Public Limited Liability Company on the 25th June 2009 and its shares were listed on The Nigerian Stock Exchange on 7th August ,2009. The Principal activity of the Company is the provision of all facets of electronic payment technology and maintenance services.

DIVIDENDS

The Board of Directors recommend the payment of a dividend of 10 kobo per share which translates to Four Hundred and Twenty Million Naira (N420,000,000.00). If approved, dividend will be paid to members whose names appear on the Register of Members as at close of business on Friday June 23, 2017.

OPERATING RESULTS

The summary of the operating results for the year is as follows:

	2016 N'000	2015 N'000
Turnover	10,404,501	8,671,880
Gross profit	2,903,919	2,472,339
Operating profit/(loss)	620,180	850,951
Profit Before Tax	865,131	1,063,945
Taxation	(415,645)	(359,241)
Profit after Tax	**449,486**	**704,704**

SHAREHOLDERS WITH MORE THAN 5% INTEREST

NAME OF THE COMPANY	DECEMBER 2016		December 2015	
	Number of shares	%	Number of shares	%
ETRANZACT GLOBAL LIMITED	2,113,903,449	50.33%	2,113,903,449	50.33%
SYBASE NIGERIA BUSINESS SOLUTIONS LTD	600,082,000	14.29%	600,082,000	14.29%
BLUE ACCOUNT GASL NOMINEE LTD	257,761,669	6.14%	257,761,669	6.14%
ECOBANK TRANSNATIONAL INCORPORATED	240,000,000	5.71%	240,000,000	5.71%
MULTI-HARVEST PROPERTIES LIMITED	233,000,000	5.55%	233,000,000	5.55%
ACCESS BANK NIG. PLC	229,477,314	5.46%	229,477,314	5.46%

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED DECEMBER 31, 2016

SHARE CAPITAL

As at 31st December 2016, the authorised share capital of the Company is Two Billion, One Hundred Million Naira (N2,100,000,000) divided into Four Billion, Two Hundred Million(4,200,000,000) ordinary shares of 50k each.

SHARE CAPITAL HISTORY

The Company was incorporated in 2003 as a Private Limited Liability Company with an initial authorized share capital of N1,000,000 divided into 1,000,000 ordinary shares of N1.00 each. In 2005, the Company increased its share capital to N350,000,000 divided into 350,000,000 ordinary shares of N1.00 each. In 2008, the Company further increased its share capital to N2,100,000,000 divided into 4,200,000,000 ordinary shares of 50kobo each and was listed on The Nigerian Stock Exchange in 2009.

As at date, the Company has an authorised share capital of N2,100,000,000 divided into 4,200,000,000 ordinary shares of 50kobo each and a paid up share capital of N2,100,000,000 divided into 4,200,000,000 ordinary shares of 50kobo each.

The initial authorized share capital of the Company and subsequent changes to it are shown in the table below:

Year	Authorised Share Capital (N) Increase	
	FROM (₦)	TO (₦)
2003	1,000,000	No Change
2005	1,000,000	350,000,000
2008	350,000,000	2,100,000,000

SHAREHOLDING RANGE ANALYSIS

Range	No. of Holders	Holders %	Holders Cum.	Units	Units%	Units Cum.
1 - 1,000	306	56.56%	306	105,746	0.00%	105,746
1,001 - 5,000	62	11.46%	368	163,088	0.00%	268,834
5,001 - 10,000	18	3.33%	386	153,155	0.00%	421,989
10,001 - 50,000	27	4.99%	413	828,648	0.02%	1,250,637
50,001 - 100,000	17	3.14%	430	1,596,234	0.04%	2,846,871
100,001 - 500,000	71	13.12%	501	16,345,232	0.39%	19,192,103
500,001 - 1,000,000	7	1.29%	508	5,368,197	0.13%	24,560,300
1,000,001 - 5,000,000	13	2.40%	521	42,074,626	1.00%	66,634,926
5,000,001 - 10,000,000	4	0.74%	525	36,287,696	0.86%	102,922,622
10,000,001 - ABOVE	16	2.96%	541	4,097,077,378	97.55%	4,200,000,000
Grand Total	**541**	**100.00%**		**4,200,000,000**	**100.00%**	

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED DECEMBER 31, 2016

DIRECTORS INTERESTS IN SHARES

The Directors of the Company who held office during the year together with their interests in the shares of the Company at December 31, 2016 are shown below:

NAME OF DIRECTOR & COMPANY	DECEMBER 31, 2016			DECEMBER 31, 2015		
	Direct Holdings	Indirect Holdings	%	Direct Holdings	Indirect Holdings	%
Mr. Felix Ohiwerei (MultiHarvest Properties Limited)	*****	233,000,000	5.55	*****	233,000,000	5.55
Mr. Valentine Obi (Sybase Nigeria Business Solutions)	*****	600,082,000	14.29	*****	600,082,000	14.29
Mr. Bayo Adeyemo	3,000,000	*****	0.07	3,000,000	*****	0.07
Mr. Anthony Egbuna (eTranzact Global Limited)	*****	2,113,903,449	50.33	*****	2,113,903,449	50.33
Mr. Victor Etuokwu (Access bank PLC)	*****	229,477,314	5.46	*****	229,477,314	5.46
Mr. Sullivan Akala	47,141,642	*****	1.12	41,563,847	*****	0.99
Mr. Ike Eze	3,119,759	*****	0.07	376,594	*****	0.01
Mr. Wole Abegunde (Meristem Securities Limited)	*****	50,400,000	1.20	*****	50,400,000	1.20

DIRECTORS INTEREST IN CONTRACTS

For the purpose of section 277 of the Companies and Allied Matters Act, CAP C20 LFN 2004, Three (3) of the Directors had direct or indirect interest in contracts and or transactions with the company during the year.

Related Director	Name of Company	Interest in entity	Services to the Company
Mr Wole Abegunde	Meristem Group	Director	Registrars and Stock Brokers
Mr Bayo Adeyemo	Puzzles Technology Group	Director	Technology Solution deployment Partners
Mr Anthony Egbuna	African Capital Alliance	Vice President	Purchase of services

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment for the period are shown in Notes 15 in the Financial Statements. In the opinion of the Directors, market value of property, plant and equipment is not less than the value shown in the Financial Statements.

POST BALANCE SHEET EVENTS

There are no significant post balance sheet events which could have had a material effect on the state of affairs of the Company as at December 31, 2016 and on the profit for the year ended on that date which have not been adequately provided for or disclosed.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 2016

ENTERPRISE RISK MANAGEMENT AND COMPLIANCE

Introduction/Overview

eTranzact has a functional and approved Enterprise Risk Management (ERM) Framework and Manual that consists of a comprehensive set of policies, standards, procedures and processes designed to identify, measure, monitor, mitigate and report significant risk exposures in a consistent and effective manner, the whole universe of inherent and residual risks facing the Company. The framework is patterned after the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Framework, Basel II framework and CBN regulations and is subject to annual review. The ERM assist eTranzact to align its risk appetite to the approved business strategy, enhance risk response decisions, reduce operational surprises and losses, seize opportunities, and improve capital deployment.

Risk management philosophy

The risk management philosophy of the company is drawn from its mission and vision statements and strive to maintain an appropriate balance between risk/opportunity and revenue consideration while ensuring strong commitment to the following key indices:

- Excellent service delivery to our customers and Partners
- Sound performance reporting and adherence to good corporate governance
- Consistent shareholder value creation.

eTranzact will only assume risks that fall within its risk appetite with commensurate returns whilst complying with all government regulations and embracing international best practices. The company will not take any action that will compromise its integrity.

Role and responsibilities

The key players in the risk management framework are as follows:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework via the Board Risk Committee. The Board Risk Committee is responsible for approving and monitoring the company risk policies and do report regularly to the Board of Directors on their activities. The Board Committee is assisted by the Risk and Compliance function and the Executive Management Committee in identifying and assessing risks arising from day to day activities of the company.

The Risk Committee at the board and management levels are responsible for reviewing, recommending and approving risk management policies, procedures and profiles including risk philosophy, risk appetite and risk tolerance of the Company. The Chief Risk Officer is responsible for development and implementation of company's risk management frameworks, policies and processes.

eTranzact utilizes qualified auditors to provide an independent assurance evaluation function, which validates management's assertions about the effectiveness of risk management processes and the internal control environment. These evaluations are provided to the Board and senior management.

The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles/obligations and appreciate the importance of risk management.

The key component of the ERM framework are risk identification, assessment/measurement, Control and reporting:

1. **Risk Identification:** The Company identifies risks by evaluating the potential impact of internal and external factors on business transactions and activities. This involves the development of a comprehensive list of sources of risks and events that might have an impact on the company's objectives.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 2016

2. **Risk Measurement/Assessment**: The Company uses a variety of methodologies such as risk rating/ranking, benchmarking to best practice, calculating probable loss to measure and assess risk. The risks that have been identified earlier are prioritized and considered against the existing control environment in lieu of impact and likelihood.

3. **Risk Mitigation and Control**: This component of the framework is concerned with identifying risk treatment options for treating assessed risks, evaluating the options, preparing treatment plans and implementing them. The Company reviews risk management policies and systems regularly to reflect changes in markets, products and emerging best practice. Risk team in conjunction with business teams develop strategies for mitigation of identified risks such as appropriate limits setting, controls implementation, process/products reviews.

4. **Risk Monitoring and Reporting**: This involves Risk Dashboard reporting and status update to support decision making in the company. Key initiatives tracking to ensure on-going compliance with the approved risk policies and set guidelines for periodic reporting to relevant management and Board committee. In addition, risk exposures and adherence to approved risk limits are monitored regularly, by means of reliable and up-to-date systems for continuous improvement.

   Enterprise Risk Management is critical for eTranzact business success and is given the highest priority by the board and Management to address both traditional risk such as operational risk, Market risk, liquidity risk, credit risk, settlement risk apart from evolving risks including and not limited to business strategy risks, compliance/financial crime risk, regulatory risk, reputational risk, legal risk, people risk, third party risk and IT/cyber security risk that the company is exposed to. Some of which are discussed in brief in the subsequent pages while others are already addressed as part of notes to the financial statements (Section 32.1- 32.8: Financial instruments).

Operational Risk - The risk of direct and/or indirect losses may arise from inadequacy or failure of internal processes, people, systems, or external events, including legal risk but not strategic risk. Major sources of operational risk include: operational processes, Information and communication technology, outsourcing activities, service providers, strategy implementation, mergers and acquisitions, fraud, error, regulatory compliance, staff, social and environmental factors. Operational risks are managed through the following tools:

* Risk and Control Self-Assessment (RCSA)
* Key risk indicators (KRIs) and Risk Registers
* Losses and loss events data collection /reporting
* Risk Mitigation Controls
* Training and awareness
* Quality Manual and Standard Operating Procedures
* Fraud Risk Management initiatives
* Minimum control standards
* Service Level Agreements
* Business Continuity Management (BCM) in line with ISO 22301 Standards

People Risk - Though seen as a subset of operational risk is categorized into intentional or dishonest acts (frauds, unauthorized policy and procedure breaches, collusion, or sabotage) and unintentional causes (mistakes or errors due to lack of awareness of policies and procedures) both of which can lead to losses. The Company maintains zero tolerance for all dishonest acts and enforces codes of ethical conduct for all staff via the Staff Handbook. Management has implemented a number of control measures, including increasing on-site reviews, reconciliations, dual custody, segregation of duties, increased control awareness trainings, screening workers, and disciplining staff involved in

REPORT OF THE DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 2016

dishonest behaviors. In addition, appropriate occupational Health and Safety procedures and best practices have been adopted to ensure health and safety of all staff, customers and visitors to the Firms's premises

Financial Crime/Compliance risk: This is the risk of failure to monitor, report and act on financial crimes, thereby exposing eTranzact to losses and penalties. Financial crimes include offences involving money laundering, fraud or dishonesty, and market abuse. The compliance polices which are a subset of the Enterprise risk management framework include:

* Anti-Money Laundering/Counter Terrorist Financing (AML/CFT)
* Know Your Customer (KYC) Policy
* Anti-Corruption policy
* Whistle Blowing Policy
* Transaction Monitoring and Reporting;

The Risk and Compliance team ensure effective management of compliance risk using the above. In line with the Company's commitment to instill the best corporate governance practices, the company has established a whistle blowing procedure outsourced to KPMG ethics line that ensures anonymity for whistle-blowers. The line enables our internal and external stakeholders to report unethical activities or identified breaches of corporate governance code affecting eTranzact, so that the company can take measures to address them before they escalate into future liabilities, business threats and losses. Such cases can be reported through the Company website or KPMG's Ethics lines or emails, details of which are provided below:

* KPMG Telephone lines: 0703-000-0026; 0703-000-0027; 0808-822-8888; 08099936366; 07058890140
* E-Mail: kpmgethicsline@ng.kpmg.com
* Website : http://www.etranzact.com/etranzact/whistle-blowing.html

The Chief Risk Officer is responsible for monitoring and reporting on whistle-blowing.
And the quarterly reports are rendered to the Board Committees.

Legal risk: Legal risk is the risk arising from the type and nature of the company's contractual agreements. It also involves the risk that contracts may render the Company or any part thereof, particularly vulnerable to litigation. These risks, if not addressed, may result in unspecified erosion of value.

Regulatory risk: This is the risk of non-compliance with applicable financial services regulatory rules and regulation that could expose the company to penalties. It may also include the risk that a change in laws and regulation or increased complexity in local and international regulatory environment may materially impact the company. This also includes capital adequacy risk which is the risk that the Company has insufficient capital resources to meet minimum regulatory capital requirements or the risk that capital resources may be inadequate to absorb unexpected losses under severely stressed conditions or may arise due to inefficient utilization of available capital resources.

Technology/Cyber security risk: Technology risk is that which impacts on the integrity of the company's information systems and technology infrastructure. It is also the risk associated with missing the benefit of adopting a technology that could have enhanced operational efficiency. Given the significance of IT in the company's operations and the increasing relevance of cyber security, the need to effectively and proactively manage inherent technology and electronic payment risk is crucial to the company. Therefore continuous evaluation and implementation of appropriate risk mitigation in the IT infrastructure/architecture are done in line with best practices and certified to Standards like Payment Card Industry Data Security Standard (PCI DSS) since 2012. The Company was awarded the dual International

REPORT OF THE DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 2016

Organization for Standardization certification for ISO/IEC 27001 for Information Security and ISO 20000 for IT Service Management by the British Standard Institute (BSI) in 2016.

The Company manages the information security and e-payment risks through the following mechanism and means:

* development and implementation of IT Risk Management framework and information security policy in line with PCI DSS and ISO 27001
* proactive, continuous risk assessment and monitoring of information technology infrastructure, network and electronic payment products/services
* formulation, implementation and tracking of appropriate risk treatment plans/Dashboards to address identified IT/e-payment risks
* periodic vulnerability assessment and penetration testing of eTranzact's network and systems
* conducting information security awareness and risk training for staff/customer
* adoption of CMMI practices, secure development practices such as OWASP framework, and
* ensuring Business continuity and Disaster recovery capability through maintenance of an alternate processing center/recovery site in line with ISO 22301 Framework.

The Business continuity & Disaster recovery program is implemented and designed to ensure the firm can respond to an incident while safeguarding the interests of our stakeholders, ensuring the safety of employees, protecting our reputation/brand, and providing framework for building resilience and capability for effective response to business disruption. The Disaster recovery document specifies how each Information Technology components can be recovered, which includes infrastructure, people, systems and third party support, and subsequent test procedures and processes.

The company has deployed and is continually deploying a number of security and control solutions including two-factor authentication solutions, robust web application firewall, Database activity monitoring, centralized audit log and network access security solution to ensure the security of web /critical applications and its global network infrastructure respectively. In addition to setting up a 24/7 transaction monitoring/fraud desk and technical support team as part of its internal control framework and service management support framework respectively.

HUMAN RESOURCES

I Employment Policy

The Company gives equal opportunity to all applicants including disabled persons. All employees whether or not disabled are given equal opportunity for career growth and development. As at December 31 2016, no disabled person applied for employment in the Company.

II Health, Safety and Welfare of Employees

The Company places high importance on the health, safety and welfare of its employees. It ensures that the work environment is safe. Employees are entitled to graduated medical allowances. Hazard allowances are also paid to employees who are exposed to hazards in the course of their duties. Incentive schemes which include bonus, promotions, salaries and wage increase and employers contribution to pension schemes are also implemented.

III Employees Involvement and Training

The Company is of the opinion that its employees are an invaluable asset and as such equip them with skills and knowledge necessary to keep them up to date and enhance efficiency on their jobs. The employees are considerably involved in major policy matters affecting them and are informed on various factors affecting the performance of the Company. This is achieved through formal and informal meetings. All employees are exposed to trainings, workshops and seminars that are necessary to enhance their knowledge and skill. The Company encourages continuing knowledge development of its employees.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED DECEMBER 31, 2016

CHARITABLE GIFTS AND DONATIONS

The Company identifies with the aspirations of the community and the environment in which it operates. The company made contributions amounting to N5,000,000 during the year in support of the Federal Governments "Home Grown School Feeding Programme". The program is expected to boost the health and learning capacity of children as a result of improved nutrition. It will also enhance national employment prospects, boost economic activities in the agricultural and health sectors and improve the overall wellbeing of many Nigerians.

FORMAT OF ACCOUNTS

The Financial Statements have been prepared in accordance with the standards and requirements of the International Financial Reporting Standards (IFRS). The Directors consider that the format adopted in this account is the most suitable for the Company's purposes.

AUDITORS

The Auditors, Akintola Williams Deloitte have indicated their willingness to continue in accordance with section 357(2) of the Companies and Allied Matters Act Cap C20 LFN 2004.

BY ORDER OF THE BOARD

Adedurotimi Omowunmi Adetoun
PAC SOLICITORS (Company Secretary)
FRC/2015/NBA/00000011201
16, Kofo Abayomi Street,
Victoria Island, Lagos State
Tel: 09099298887, 08063480070

REPORT OF THE STATUTORY AUDIT COMMITTEE FOR THE PERIOD ENDED DECEMBER 31, 2016

To the members of eTranzact International PLC
In accordance with the provision of Section 359 (6) of the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004, we, the members of the Audit Committee of eTranzact International PLC confirm that:

* In our opinion, the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices.

* We reviewed the plan and scope of both the external and internal audit and were satisfied that they reinforce the Company's internal control.

* We reviewed the Audited Financial Statements of the Company and were satisfied with the External Auditors report that they received Management's cooperation and responses in the course of their audit.

DrIchaba

Dominic Ichaba
Chairman, Audit Committee
FRC/2014/NBA/00000006264

Dated this 29th day of March 2017

Members of the Audit Committee

1.	**Mr. Dominic Ichaba**	-	Shareholder/Chairman
2.	**Mr. Robert Ibekwe**	-	Shareholder
3.	**Mr. Mathias Dafur**	-	Shareholder
4.	**Mr. Wole Abegunde**	-	Director
5.	**Mr. Bayo Adeyemo**	-	Director
6.	**Mr. Adeyinka Asekun**	-	Director

NB: The Financial Reporting Council of Nigeria granted a waiver for the Chairman of the Audit Committee Mr. Dominic Ichaba, who is not a professional member of an accounting body established by Act of National Assembly in Nigeria to attest to the Financial Statements for the year ended December 31, 2016.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

The Directors of **eTranzact International Plc** are responsible for the preparation of the financial statements that give a true and fair view of the financial position of the Company as at 31 December 2016, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance 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.

In preparing the financial statements, the Directors are responsible for:

* Properly selecting and applying accounting policies;
* Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
* Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
* Making an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for:

* Designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
* Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
* Maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
* Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
* Preventing and detecting fraud and other irregularities.

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

The financial statements of the Company for the year ended 31 December 2016 were approved by the directors on the 29th March, 2017.

On behalf of the Directors of the Company

Mr Valentine Obi
Chief Executive Officer
FRC/2014/IODN/00000007265

Dr. Felix Ohiwerei
Chairman
FRC/2013/IODN/00000003888

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF eTRANZACT INTERNATIONAL PLC

Report on the Audit of the Financial Statements

Opinion
We have audited the accompanying financial statements of **eTranzact International Plc** which comprise the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of eTranzact International Plc as at 31 December 2016 and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act Cap C20 LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Recoverability of deposits for shares	
As disclosed in Note 18 and Note 36, the company has made deposits totaling N896 million to Collendos Nigeria Limited ("Collendos") representing the expected cost of acquisition of shares in Collendos, which has significant investment in Cowrie Business Solutions Limited ("Cowrie"). Cowrie previously purchased a building called Fortune Towers, which is currently partly occupied by eTranzact International plc. Upon finalization of the investment in Collendos, eTranzact International Plc will become part owners of the building. Currently, the ownership of the building is subject to litigation, and the conclusion of the investment process is dependent on the outcome of the litigation. Of the total deposit of N896 million, N232 million was paid to Cowrie, while the balance of N664 million is held by Collendos in an interest yielding time deposit account. Our audit focus is directed to the uncertainty concerning the recoverability of the balance of N232 million in the event of an unfavorable outcome of the litigation, and the significant judgement required by the Directors in assessing the recoverability of the deposit. We obtained and reviewed the shareholders agreement as well as evidence of the deposits made to Collendos to obtain an understanding of the transaction and ensure the existence of the deposits.	We obtained independent confirmation of the status of the litigation from the external solicitors handling the case. They were optimistic about the favourable outcome of the case. We also obtained confirmation of the amount of funds being held on a deposit account and we discussed the Directors' assessment of the recoverability of the deposits for shares with the Board of Directors. We reviewed the Company's disclosures in Notes 18 and 36 and concluded that the disclosures of the uncertainties involved are adequate. The results of our procedures allowed us to conclude that management's assumptions and judgement in relation to this matter are appropriate

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF eTRANZACT INTERNATIONAL PLC

Other Information
As at the date of this report, the financial statements do not contain any other information.

Responsibilities of the Directors 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 the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, Financial Reporting Council 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
* Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
* Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the Company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
* Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee and the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF eTRANZACT INTERNATIONAL PLC

We also provide the audit committee and directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee and the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the benefits derivable by the public from such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFN 2004 we expressly state that:

i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii) The Company has kept proper books of account, so far as appears from our examination of those books.

iii) The Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

Jelili Adebisi, FCA
FRC/2013/ICAN/000000004247
For: Akintola Williams Deloitte
Chartered Accountants
Lagos, Nigeria
31 March, 2017

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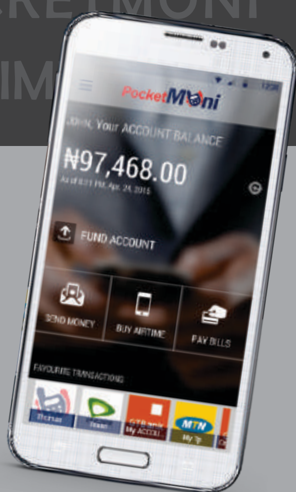

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2016 ANNUAL REPORT & ACCOUNTS

FINANCIAL STATEMENTS

RC No. 480173

etranzact

eTranzact International Plc

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	31/12/2016 N'000	31/12/2015 N'000
Continuing operations			
Revenue	5	10,404,501	8,671,880
Cost of sales	6	(7,500,582)	(6,199,541)
Gross profit		**2,903,919**	**2,472,339**
Selling and marketing costs	7	(107,502)	(108,870)
Administrative expenses	8	(2,176,237)	(1,512,518)
Operating profit		**620,180**	**850,951**
Investment income	10	156,766	185,598
Other gains and losses	11	88,185	27,396
Profit before tax		**865,131**	**1,063,945**
Taxation	13	(415,645)	(359,241)
Profit for the year		**449,486**	**704,704**
There is no other comprehensive income for the year, hence the profit for the year is equal to the total comprehensive income.			
Earnings per share			
Basic and diluted earnings per share (kobo)	14	**11**	**17**

The notes on pages 62 to 96 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	31/12/2016 N'000	31/12/2015 N'000
Non-current assets			
Property, plant and equipment	15	584,653	374,717
Investment property	16	645,917	645,917
Intangible assets	17	215,310	218,562
Deferred tax asset	19	-	27,803
Available for sale asset	18	-	-
Deposit for shares	18	895,530	232,275
Total non-current assets		**2,341,410**	**1,499,274**
Current assets			
Inventories	21	209,302	259,755
Trade and other receivables	22	853,823	944,426
Other assets	20	99,259	53,304
Cash and bank balances	23	3,407,472	3,077,117
Total current assets		**4,569,856**	**4,334,602**
Total assets		**6,911,266**	**5,833,876**
Non current liabilities			
Deferred taxation	19	13,850	-
Current liabilities			
Trade and other payables	24	2,667,261	1,814,375
Current tax liabilities	13	722,481	541,312
Total current liabilities		**3,389,742**	**2,355,687**
Total liabilities		**3,403,592**	**2,355,687**
Equity			
Share capital	25	2,100,000	2,100,000
Share premium account	26	646,875	646,875
Retained earnings	27	760,800	731,314
Total equity attributable to owners of the company		**3,507,675**	**3,478,189**
Total equity and Liabilities		**6,911,266**	**5,833,876**

The financial statements were approved by the Board of Directors on the 29 March, 2017 and signed on its behalf by:

Mr. Valentine Obi	**Dr. Felix Ohiwerei**	**Mr. Niyi Toluwalope**
Chief Executive Officer	**Chairman**	**Chief Financial Officer**
FRC/2014/IODN/00000007265	**FRC/2013/IODN/00000003888**	**FRC/2013/ICAN/00000002251**

The notes on pages 62 to 96 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital N'000	Share premium N'000	Retained earnings N'000	Total N'000
At 1 January 2015	**2,100,000**	**646,875**	**236,610**	**2,983,485**
Profit for the year	-	-	704,704	704,704
Total comprehensive income	**-**	**-**	**704,704**	**704,704**
Dividend paid during the year on 2014 account (5k per share)			(210,000)	(210,000)
At 31 December 2015	**2,100,000**	**646,875**	**731,314**	**3,478,189**
Profit for the year	-	-	449,486	449,486
Total comprehensive income	**-**	**-**	**449,486**	**449,486**
Dividend paid during the year on 2015 account (10k per share)			(420,000)	(420,000)
At 31 December 2016	**2,100,000**	**646,875**	**760,800**	**3,507,675**

STATEMENT OF CASHFLOWS

	Note	31/12/2016 N'000	31/12/2015 N'000
Cashflows from operating activities			
Cash receipt from customers		10,538,450	8,644,489
Cash paid to suppliers and employees		(8,731,425)	(7,230,615)
Cash generated from operations		1,807,025	1,413,874
Income taxes paid	13	(192,823)	(68,427)
Net cash generated by operating activities	30	**1,614,202**	**1,345,447**
Cashflows from investing activities			
Purchase of property, plant and equipment	15	(364,076)	(169,912)
Additions to intangible assets	17	(38,319)	(17,908)
Interest receivable and similar income		156,766	185,598
Proceeds from sale of Property, plant and equipment		200	132
Net cash used in investing activities		**(245,429)**	**(2,090)**
Cashflows from financing activities			
Dividend paid to shareholders during the year	27	(420,000)	(210,000)
Deposit for Shares	18	(663,255)	-
Net cash used in financing activities		**(1,083,255)**	**(210,000)**
Net increase in cash and cash equivalents		285,518	1,133,357
Effects of exchange rate on year end bank balances		44,837	8,371
Cash and cash equivalents at beginning of year		3,077,117	1,935,389
Cash and cash equivalents at end of year	23	**3,407,472**	**3,077,117**

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NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1.0 Description of business

eTranzact International Plc was incorporated as a Private Limited Liability Company in 2003. It became a Public Limited Liability Company in 2009 and has since been quoted on The Nigerian Stock Exchange. The majority shareholder is eTranzact Global, a company incorporated in British Virgin Islands, with a shareholding of 50.33% while the remaining shareholding is held by diverse group of shareholders including institutional investors.

The company is a payment technology provider principally engaged in the processing of all facets of electronic payment transactions using its switching platform. It also provides maintenance and software development services. The switching platform processes transactions across various channels which includes:

* Mobile Phones (GSM, CDMA or Analog)
* Web (using any internet browser in a secured transaction)
* POS (Point of Sale)
* ATM (Automated Teller Machines)
* Other mobile devices
* Bank branches

1.1 Composition of financial statements

The financial statements are drawn up in naira, the functional currency of eTranzact International Plc. in accordance with International Financial Reporting Standards (IFRS):

* Statement of profit or loss and other comprehensive income
* Statement of financial position
* Statement of changes in equity
* Statement of cash flows
* Notes to the financial statements

1.2 Financial period

These financial statements cover the financial year ended 31 December 2016, with comparative amounts for the financial year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 Accounting standards and interpretations effective as at reporting date

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of on or after 1 January 2016.

Pronouncement	Nature of change / Impact	Impact
Amendments to IAS 1 Disclosure initiative	The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material. It gives basis for aggregating and disaggregating information for disclosure purpose.	This has been applied appropriately in the presentation of these financial statements.
IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortisation	IAS 16 prohibits entities from using a revenue-based depreciation method for items of property, plant and equipment. IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset.	No impact
Annual Improvements 2012-2014 Cycle	IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued. IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.	These standards have no effect on the financial statements

NOTES TO THE FINANCIAL STATEMENTS

2.2 Accounting standards and interpretations issued but not yet effective

The following revisions to accounting standards and pronouncements that are applicable to the Company were issued but are not yet effective. Where IFRSs and IFRIC Interpretations listed below permits, early adoption is permitted, the Company has elected not to early adopt any of them in the preparation of these financial statements.

The full impact of these IFRSs and IFRIC Interpretations is currently being assessed by the company, but none of these pronouncements are expected to result in any material adjustments to the financial statements.

Pronouncement	Nature of change / Impact	Applicable on or after
IFRS 9 Financial Instruments	This standard will have a significant impact on the Company, which will include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Company.	1 January 2018
IFRS 15 Revenue from contracts with customers	The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. This new standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Company is currently in the process of performing a more detailed assessment of the impact of this standard. This standard supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC - 31 Revenue – Barter of Transactions Involving Advertising Services.	1 January 2018
IFRS 16 Leases	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
IAS 7 Disclosure initiative	The amendments require an entity to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities. No material impact is anticipated.	1 January 2017
Amendments to IFRS 2	Amendments to IFRS 2 – Classification and measurement of share - based payment transactions. The amendments provide clarification on the estimation of the fair value of a cash -settled share-based payment. The accounting for effects of vesting and non -vesting conditions should follow the same approach as for equity-settled share-based payments. The directors of the company do not anticipate that the application of the amendments in the future will have a significant impact on the Company's financial statements as the Company does not have any cash settled share-based payment arrangements.	1 January 2018
Amendments to IFRS 10 and IAS 28	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method are recognized in the parent's profit or loss only to the extent of the unrelated investor's interests in that associate or joint venture.	Yet to be determined

NOTES TO THE FINANCIAL STATEMENTS

2.2 Accounting standards and interpretations issued but not yet effective (cont'd)

Pronouncement	Nature of change / Impact	Applicable on or after
Amendments to IFRS 10 and IAS 28	The amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses. The amendments clarify: · Decreases below the cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows; · When an entity assesses whether taxable profits will be available against which it can utilize a deductible temporary difference, and the tax law restricts the utilization of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences; · The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that is probable that the entity will achieve this; · In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.	1 January 2017

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial statements

3. Significant accounting policies

3.1 Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

3.3 Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Revenue represents Mobile purchases of air-time, service and transaction fees on mobile devices, commissions earned on the usage of the switching platform, sale of Point-of-Sale device (POS) net of discounts and support incentives, VAT and other sales-related taxes. Discounts and support incentives are offset against revenue when it is probable that the criteria for the discount or incentive will be met and the amount can be reliably estimated.

The company earns revenue from the provision of all facets of electronic payment technology and maintenance services.

3.3.1 Revenue from sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

* the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
* the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
* the amount of revenue can be measured reliably;
* it is probable that the economic benefits associated with the transaction will flow to the company; and
* the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial statements

3.3.2 Rendering of services

Revenue from services rendered is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

* Installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period excluding idle time;

* Servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and

* Revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

Service fees predominantly represent payments by members with respect to their card programmes carrying the etranzact brand. Maintenance and other professional fees are recognised when services have been performed.

Transaction fees represent user fees for authorisation, clearing, settlement and other activities that facilitate transaction and information flow within the company. Revenue from electronic transaction is recognised based on the company's share of transaction fees.

The Company also earns revenue on inward money transfers into the country from Money Transfer Operators (MTO's). This is generated from two sources, a transaction fee on each money transfer activity through the platform and a mark up on the foreign exchange value being transfered for sourcing the naira equivalent required to settle local beneficiaries.

3.3.3 Interest Income

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the company and the amount can be reliably measured.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.3.4 Dividend Income

Dividend income from investment is recognized when the shareholder's right to receive payment has been established (provided that it is probable that economic benefits will flow to the company and the amount of income can be measured reliably).

3.4 Segment reporting

The company's business segments are presented based on the information reported to the chief operating decision maker for resource allocation and performance assessment.

NOTES TO THE FINANCIAL STATEMENTS

3.5 Foreign currency translation

The financial statements of eTranzact are presented in Naira, which is the company's functional currency. In preparing the financial statements, transactions in currencies other than the company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions.

Monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at each reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Any resulting exchange differences are included in administration expenses in the income statement, except for differences on available-for-sale non-monetary financial assets, which are included in the available-for-sale reserve in other comprehensive income. Non-monetary items of historic cost, that are denominated in foreign currency, are translated at the date of the original transaction, and are not re-translated.

Exchange differences arising on the settlement of monetary items are included in the income statement for the year.

3.6 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.6.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the period.

3.6.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be used. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.
The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.