ZENITH BANK (UK) LIMITED

Directors' Report and Financial Statements

For the year ended 31 December 2013

Registered number 05713749

ZENITH BANK (UK) LIMITED

Directors' report, Strategic report and financial statements for the year ended 31 December 2013

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Officers and professional advisers

Directors

Godwin Emefiele	Chairman
John Weguelin	Chief Executive
Peter Amangbo	Non Executive
Quentin Aylward	Non Executive
David Somers	Non Executive
Llewellyn Charles Llewellyn	Non Executive
Anthony Uzoebo	Executive Business Development

Company secretary
Sue McBride

Registered office
39 Cornhill
London
EC3V 3ND

Bankers
Barclays Bank Plc, London
Citigroup, London
Deutsche Bank AG, Germany

Solicitors
Mishcon de Reya Solicitors
London

Denton Wilde Sapte LLP
London

Berwin Leighton Paisner LLP
London

Independent Auditor
KPMG Audit Plc
Chartered Accountants
London

Directors' report

The directors present their annual report and the audited statutory financial statements of Zenith Bank (UK) Limited (the "Company" or the "Bank") for the year ended 31 December 2013.

Principal activities

The Company is authorised under The Financial Services and Markets Act 2000, (as amended 2012). It is authorised and regulated by the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ('PRA').

The Company is a wholly owned subsidiary of Zenith Bank PLC (the "Parent') a leading Nigerian financial institution. The Company markets and offers a range of banking products and services with its target market being West African companies, international corporations, commodity traders, investment banks, governments and supranational organisations as well as High Net Worth Individuals.

The Company generates revenues through the extension of credit to corporate clients and High Net Worth Individuals, participating in revolving credit facilities, syndicated structured trade finance facilities, the distribution of Government, bank and corporate securities and eurobonds, processing of Letters of Credit and related trade services and payments.

Supporting these activities is the Treasury Department which prudently manages the Bank's capital, liquidity and the asset and liability mismatches arising from the Company's activities. The Company's main competitors are international banks and other West African financial institutions operating within the international financial services industry. The Company does not have any branches outside the United Kingdom.

The Chief Executive, John Weguelin was appointed on 19 April 2013, following the resignation of the previous Chief Executive Andrew Martin.

2013 proved to be another successful year for the Company continuing the "controlled growth" theme which has been a key feature of the Bank's development. The success of the Company has enabled us to move from a start-up model to that of an established successful bank operating in a major financial centre. Our original strategic goals of growth, stability and sustainable revenue generation have been achieved with the current year continuing the growth we have experienced as a Company to date.

Trade business has continued to expand and has also included dealing as a correspondent and trade finance bank for the Central Bank of Nigeria. Our profile has continued to rise with recognition as a confirming bank within key OECD markets. We continue to build on these relationships for the long term, to address the needs of our customers, whilst maintaining the high standards of service we have set.

Commercial banking has seen a particularly pleasing increase in business as we have continued to invest in West African assets and created products to build on key relationships developed over the last few years.

The support and relationship with our parent has enabled the Company to build on these keys areas and reflect value and sustainability to our shareholders.

The future will see the continued growth of these established businesses in conjunction with the further development of our Wealth Management business as the Company seeks to work with the wider group to address the needs of High Networth Individuals both within and outside the Zenith family.

At this juncture I wish to thank all of our valued customers and our staff for their valued support.

Going Concern

The Company's business activities together with the factors likely to affect its future development and position are set out in the Business Review section of the Strategic Report on pages 5 to 7. The directors have satisfied themselves that there is no reason to believe that a material uncertainly exists that may cast significant doubt about the ability of the Company to continue the year on year growth in profitability and the directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Capital

No further addition to Capital in 2013. Information on the Company's capital structure is detailed in the Statement of Changes in Equity on page 11 of the financial statements.

Results and dividend

The Bank's profit for the year after taxation amounted to £7.67 million (2012: £5.23 million). The directors do not recommend the payment of a dividend for the year ended 31 December 2013 (2012: Nil).

Directors and directors' interests

The directors who held office during the year were as follows

Godwin Emefiele	Chairman
Andrew Martin	Chief Executive (Resigned 19 April 2013)
John Weguelin	Chief Executive (Appointed 19 April 2013) Executive Director (Appointed 12 July 2013)
Udom Emmanuel	Non Executive (Resigned 28 October 2013)
Quentin Aylward	Non Executive
Renier Lemmens	Non Executive (Resigned on 15 March 2013)
Llewellyn Charles Llewellyn	Non Executive
Peter Amangbo	Non Executive (Appointed 17 December 2013)
David Somers	Non Executive (Appointed 29 November 2013)
Anthony Uzoebo	Executive Business Development
Martin Lynch	Company Secretary (Resigned 29 November 2013)
Sue McBride	Company Secretary (Appointed 29 November 2013)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

Employees

The Company recognises its social and statutory duty as an equal opportunities employer and builds its business in the belief that people from different cultures and different walks of life create value. The Bank believes that it has the right mix of people and the fusion of different ideas that provides the essential components for progress and success.

A commitment to equality and diversity helps the Bank to attract and retain talented staff. The Bank wants the best people to help meet its business priorities and supports existing employees to realise and achieve their full potential. The Bank is committed to employee development and training in order to maintain and develop the knowledge, skills and competence of employees to ensure excellent service to clients and stakeholders.

Policy on payment of creditors

The Company's policy in relation to all of its suppliers is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms. The Company does not follow any code or standard on payment practice but it is the Company's policy to pay all of its suppliers within 30 days of receipt of the goods or services.

Political and Charitable Contributions

During the year the Company made charitable donations of £1,166 (2012: £5,828) to several registered charities. No payments were made to political parties (2012: Nil).

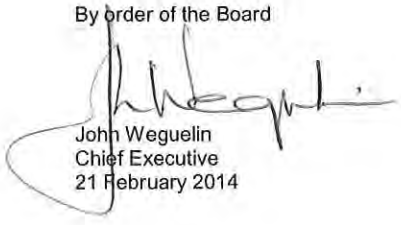
Auditor

In accordance with the Company's Articles of Association, a resolution for the re-appointment of KPMG Audit Plc as auditor of the Company is to be proposed at the next meeting of the Company's Board of Directors on 21 February 2014.

Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board



John Weguelin
Chief Executive
21 February 2014

39 Cornhill
London
EC3V 3ND

Statement of directors' responsibilities in respect of the Strategic Report and the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRS as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Approved by the Board of Directors

and signed on behalf of the Board

John Weguelin

Chief Executive

21 February 2014

Company registration no. 05713749

Strategic Report

Strategic Review

During the course of the year Management completed a 5 year strategy for the business. Entitled "Controlled Growth" the strategy reaffirmed the business model that has been established for the business and identified a number of strategic imperatives to deliver substantial growth in the future.

- Zenith Bank (UK) Limited is a wholly owned subsidiary of Zenith Bank Plc, authorised on 30th March 2007 (the first new Nigerian Bank to be approved by the UK regulatory authority in 25 years)
- The Company's main revenue streams are generated from Corporate Banking, Correspondent Banking, Trade Finance, Treasury and Securities and Wealth Management.
- From inception the Company has successfully moved forward with a strategy of controlled growth in terms of profits, systems and staff.
- Our service to clients is supported by extensive knowledge of our markets, highly experienced staff, and an established infrastructure. We offer a high degree of flexibility to address our client needs whilst maintaining a strong compliance culture.
- Our mission is to be the international platform for the Zenith Group and to our customers globally. We look to become the leading UK Bank providing a specialist range of financial services within Africa.

Core Markets

The Company's target markets are:

- Trade Finance and working capital for West African and Sub-Sahara Corporates.
- Correspondent and Cash Management Solutions to Financial Institutions, Governments and Parastatals.
- High Net Worth Individuals.
- Supporting the Zenith Group and its customers.

2013 Business review

The results for the year are set out in the Statement of Comprehensive Income on page 9. The Company's primary objectives are:

- to create sustainable growth,
- to support the Parent's customer relationships by providing international banking and capital market services,
- to improve existing customer relationships by increasing the range of products and services available to customers,
- to ensure that the risks inherent in the businesses are subject to robust controls and risk management oversight,
- to ensure that new and enhanced technologies are implemented to support the business, and
- to build and develop leadership capability and management expertise.

Development and performance of the business during the financial year

The Company returned a profit before tax of £10.06 million for the year, an increase of £3.13 million over the previous year. The increase in profits related to a number of factors but mainly an increase in volumes together with enhanced yields on the corporate loan book and associated loan fees and related services. Overall the Company's revenues increased by 27.61% over the previous year reflecting the buoyant economic climate in Africa and West Africa and the increased investor appetite for African risk during the year ended 31 December 2013.

Corporate and Correspondent Banking

During the year the Company continued its disciplined lending approach. Loans and advances to customers increased year on year by £28 million or 12% reflecting a significant increase in demand tempered by the bank's prudent approach to lending. The revenues received on the corporate lending portfolio of £12 million accounted for 42% of the Company's interest revenues for the year. The loan portfolio continues to be balanced with established concentrations of geographic and industry specialisation.

The Company did not incur any impairment on its portfolio during the year.

Trade Finance

The Company's trade finance business continued to expand in terms of transactions and volumes during the year but with fee income of £3 million, slightly below the 2012 figure. The Company's market continues to be predominantly Nigerian although the year witnessed increased activity from Ghana, Gambia and Sierra Leone.

Fixed Income

Non-trading debt securities held increased overall by £17.6 million or 16% compared to the previous year. The resultant net interest Income increased by £1.3 Million or 22% during the year reflecting a reduction in lower yielding assets and their replacement with higher yielding bonds.

In accordance with the United Kingdom regulatory liquidity regime the Bank maintained a portfolio of AAA rated highly liquid UK gilts and supranational issued eurobonds throughout the year. This portfolio was churned regularly during the year under review. In addition the various portfolios are carefully managed and diversified with regard to maturity and credit exposure

Treasury

The mandate of the Company's Treasury operation is to prudently manage liquidity and asset and liability mismatches arising from the Company's funding activities. The Treasury operation also actively seeks to reduce the funding cost of the Company.

In addition the Treasury department actively trades a number of foreign currency products including spot, forwards, non-deliverable forwards and FX options. It also uses interest rate products including financial futures and options on futures. Treasury trading revenue amounted to £0.73 million representing a decrease of 72% over the previous year.

In line with the Banks strategy for focusing on customer business and sustainable revenues generated for customers business the Bank took the decision to exit a small proprietary futures trading business during the year which had been loss making.

Wealth Management

Wealth Management has a "High Net Worth" client base largely resident in the West African region who are in the main existing clients of the Zenith Group. The department offers a specialised range of high quality and professional banking and investment management products and services including advice on Investment products and Investment Mortgages for properties in Central London in addition to traditional Wealth Management products and services.

After reviewing of the business during the year the Bank decided to restructure the business integrating it into the business model of the Bank and relocating it to the Banks main offices in Cornhill. This, along with a revised strategy which is more closely aligned with the group's customers' needs was completed in 2013 significantly reducing the cost base of the business and repositioning it to become a positive contributor in the future.

Principal risks and uncertainties

The Company is firmly committed to the management of risk recognising that sound internal risk management is essential to its prudent operation, particularly with the growing complexity, diversity and volatility of markets, facilitated by rapid advances in technology and communications. Risk management is given a high priority throughout the Company and is integral to the management of the business.

Responsibility for risk management policies, limits and the level of risks assumed lies with the Board of Directors. The Board charges management with developing, presenting, updating and implementing these policies, controls and limits. The risk management structure is designed to provide assurance that no single event, or combination of events, will materially affect the well-being of the Company.

The Company's Board of Directors, Audit and Risk Committee, Executive Committee, Credit Committee, Asset and Liability Committee and Market Risk Committee assist in assessing market trends, economic and political developments, and providing strategic direction for all aspects of risk management. Additionally, the Audit and Risk Committee of the Board provides a forum for in-depth review and analysis of the risks relating to the Company.

Active, hands-on senior management involvement plays a key role in the identification, evaluation and management of all risks. All credit and new product decisions require direct senior management approval and the loan portfolio is continuously reviewed with assistance from the parent. Management is supported by a comprehensive structure of independent controls, analysis, reporting processes and periodic examination by the Bank's Internal Audit Department.

The Company has in place an extensive range of limits, controls and management information systems to facilitate an effective management overview. All limits are approved by the Board of Directors and its sub-Committees and reviewed at least annually. Limit compliance reports are submitted to the Audit & Risk Committee.

The following basic elements of sound risk management are applied to all the banks financial products and services:

- appropriate review by the Board of Directors and senior management
- adequate risk management processes which integrate product risk limits
- sound measurement procedures and information systems
- continuous risk monitoring and frequent management reporting
- segregation of duties, comprehensive internal controls and Internal audit procedures

The Company uses derivative instruments to manage future cash flows or cash requirements arising in the normal course of activities.

Disclosures relating to the Company's principal risks are detailed in Note 24 are as follows:

Market Risk

Liquidity Risk

Sovereign Risk

Operational Risk

Credit Risk

Foreign Exchange Risk

Interest Rate Risk

By order of the Board

John Weguelin
Chief Executive
21 February 2014

39 Cornhill
London
EC3V 3ND

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZENITH BANK (UK) LIMITED

We have audited the financial statements of Zenith Bank (UK) Limited for the year ended 31 December 2013 set out on pages 9 to 41. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

SAMER HIJAZI

Samer Hijazi, Senior Statutory Auditor

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square, London, E14 5GL

London

21 February 2014

Statement of Comprehensive Income
For the Year Ended 31 December 2013

	Note	Year Ended 31December 2013 £	Year Ended 31December 2012 £
Income			
Interest Income	4	28,518,012	15,116,657
Interest Expense		(15,179,027)	(7,289,584)
Net Interest Income		**13,338,985**	**7,827,073**
Fees and Commission Income	5	4,366,386	4,044,857
Other Income		727,684	2,573,067
Operating Income		**18,433,055**	**14,444,997**
Expenses			
Personnel Expenses	6	(5,188,618)	(4,630,847)
Depreciation and amortisation		(761,420)	(584,051)
Other Expenses		(2,423,272)	(2,302,011)
Operating Profit/(Loss) before Tax		**10,059,745**	**6,928,088**
Taxation	9	(2,386,826)	(1,696,136)
Profit for the year		**7,672,919**	**5,231,952**
Other Comprehensive Income for the year		-	-
Total comprehensive income attributable to equity holders		**7,672,919**	**5,231,952**

The 2012 and 2013 results are all from continuing operations.

The notes on pages 13 to 41 are an integral part of these financial statements

Statement of Financial Position

At 31 December 2013

	Note	31 December 2013 £	31 December 2012 £
Assets			
Cash and Cash equivalents	10	119,758,144	125,827,641
Loans and Advances to Banks	11	270,069,035	76,078,225
Loans and Advances to customers	12	265,311,190	237,794,910
Securities Trading	13	62,069,977	58,615,627
Securities Investment	14	128,290,277	110,703,457
Property, Plant and Equipment	15	508,180	792,741
Intangible Assets	16	469,422	520,450
Deferred Tax Assets	17	137,013	146,656
Other Assets	18	3,383,238	584,023
Total Assets		**849,996,476**	**611,063,730**
Liabilities			
Deposits from Banks	19	662,795,365	467,664,981
Deposits from Customers	20	109,159,094	74,161,619
Other Liabilities	21	3,533,014	2,401,046
Total Liabilities		**775, 487,473**	**544,227,646**
Equity			
Capital	25	53,459,131	53,459,131
Retained Earnings		21,049,872	13,376,953
Total equity attributable to the equity holders of the bank		**74,509,003**	**66,836,084**
Total liabilities and equity		**849,996,476**	**611,063,730**

These statutory financial statements were approved by the board of directors on 21 February 2014 and were signed on its behalf by

John Weguelin
Chief Executive

Godwin Emefiele
Chairman

The notes on pages 13 to 41 are an integral part of these financial statements
Company registration no: 05713749

Statement of Financial Position

At 31 December 2013

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John Weguelin
Chief Executive

Godwin Emefiele
Chairman

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Company registration no: 05713749

Statement of Changes in Equity

For the year 31 December 2013

	Share Capital £	Retained Earnings £	Total Equity £
Balance as at 1 January 2013	**53,459,131**	**13,376,953**	**66,836,084**
Profit for the year	-	7,672,919	7,672,919
Shares Issued	-	-	-
Balance at 31 December 2013	**53,459,131**	**21,049,872**	**74,509,003**
Balance as at 1January 2012	**35,001,000**	**8,108,518**	**43,109,518**
Profit for the year	-	5,231,952	5,231,952
Transfer from reserves	-	36,483	36,483
Shares Issued	18,458,131	-	18,458,131
Balance at 31 December 2012	**53,459,131**	**13,376,953**	**66,836,084**

The notes on pages 13 to 41 are an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2013	Notes	2013	2012
		£	£
Cash flows from operating activities			
Profit for the period		7,672,919	5,231,952
Adjustments for:			
Depreciation of property, plant and equipment	7	413,782	255,337
Amortization of intangible assets	7	347,638	328,714
Income tax expense	9	2,386,826	1,696,136
Change in loans and advances to banks	11	(193,990,810)	(14,659,225)
Change in loans and advances to customers	12	(27,516,280)	(72,540,579)
Change in trading securities	13	(3,454,350)	1,004,827
Change in other assets	18	(2,799,216)	183,296
Change in deposits from banks	19	195,130,384	51,198,910
Change in deposits from customers	20	34,997,475	39,858,099
Change in other liabilities excluding tax		930,910	274,720
Income tax paid		(2,194,624)	(1,674,305)
Net cash from / (used in) operating activities		**11,924,654**	**11,157,882**
Cash flows from investing activities			
Change in investment securities	14	(17,586,820)	(8,861,658)
Acquisition of property, plant and equipment	15	(129,221)	(233,396)
Proceeds from sale of property, plant and equipment		18,500	-
Acquisition of intangible assets	16	(296,610)	(320,212)
Net cash used in investing activities		**(17,994,151)**	**(9,415,266)**
Cash flows from financing activities			
Proceeds from issue of share capital	25	-	18,458,131
Net cash from financing activities		**-**	**18,458,131**
Net increase/(decrease) of cash and cash equivalents		**(6,069,497)**	**20,200,747**
Cash and cash equivalents as at 01 January		125,827,641	105,626,894
Cash and cash equivalents at 31 December	**10**	**119,758,144**	**125,827,641**

The notes on pages 13 to 41 are an integral part of these financial statements.

1 General information

Zenith Bank (UK) Limited ('the Company) is a private company, limited by shares. The Company was incorporated in England and Wales in 2006. The Company's registered office (and principal place of business) is situated in England, and is currently at 39, Cornhill, London EC3V 3ND. The Company is fully owned by the parent and ultimate parent undertaking, Zenith Bank Plc, a Bank incorporated in Nigeria. The Company primarily provides trade finance, treasury services, correspondent banking, commercial banking, wealth management, and asset management to customers.

The Company is an authorised person under the Financial Services and Markets Act 2000 (as amended 2012). It is authorised and regulated by the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ('PRA).

Statement of compliance

The financial statements have been prepared accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with Companies Act 2006.

2 Basis of preparation and significant accounting policies

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As the company is not separately rated it relies on funding lines made available from the parent. The directors have satisfied themselves that there is no reason to believe that a material uncertainty exists that may cast significant doubt about the ability or willingness of the parent to continue with the current financing arrangements. Also the current financial projections reflect that the company will continue to be profitable in the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the directors' report and accounts.

Changes in Accounting Policies

The Company adopted IFRS for the first time for the year ending 31 December 2012.

The financial statements have been prepared in the Company's functional and presentation currency, Pound Sterling (sterling). They are prepared on the historical cost basis except for the following material items in the statement of financial position:

- Financial assets and liabilities held for trading are measured at fair value.
- Financial instruments designated at fair value through profit and loss are measured at fair value.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the company's financial statements.

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in 'Interest income' and 'Interest expense' in the statement of comprehensive income using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, cash flows are estimated considering all contractual terms of the financial instrument excluding future credit losses. The calculation includes all amounts paid or received that are an integral part of the effective interest rate, including fees and commission income, transaction costs and all other premiums or discounts.

Interest income and expense on those interest bearing Financial Instruments that are held for trading and designated as fair value are recognised in 'other income'.

Interest on impaired financial assets is recognised at the original effective interest rate of the financial asset applied to the carrying amount as reduced by any allowance for impairment.

Fee and commission income

The Company earns fee income from a diverse range of services it provides to its customers. Fee income is accounted for as follows:

(i) if the income is earned on the execution of a significant act it is recognised as revenue when the significant act has been completed (for example, fees arising from negotiating, or participating in the negotiation of a transaction for a third party such as the arrangement for the acquisition of securities);

(ii) if the income is earned as services are provided it is recognised as revenue as the services are provided (for example, documentary credit confirmation fees, custody and banking service fees);

(iii) if the income is an integral part of the effective interest rate of a financial instrument it is recognised as an adjustment to the effective interest rate (for example, loan origination fees) and recorded in fee and commission income; and

(iv) the Company provides certain guarantee facilities which are dependent on uncertain future events. These facilities include surety, fidelity, performance, bid and advance payment bonds. In each case, the guarantees given by the Company are covered by matching counter-indemnities provided by a third party. Fees and commissions arising from the provision of such services are recognised rateably over the period for which the service is provided.

Foreign currencies

The Directors regard Sterling as the currency of the primary economic environment in which the Company operates. Accordingly Sterling is regarded as being the functional currency of the Company, which is also the reporting currency of the Company.

Income and expense in foreign currencies are recorded in Sterling at the rate of exchange prevailing at the time of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the income statement.

Non-monetary assets and liabilities in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction.

Income tax

Income tax on the profit or loss for the year comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in shareholders' equity.

Current tax is the tax expected to be payable on the taxable profit for the year calculated using tax rates enacted or substantially enacted by the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carry amount of assets and liabilities in the statement of financial position and the amount attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled.

Derivatives held for risk management purposes

Derivatives

The Company uses derivative financial instruments for risk management purposes. The Company uses forward foreign exchange, interest rate and other derivative products. Derivatives that are not held for trading are fair valued through the Statement of Comprehensive Income.

Fair values are obtained from quoted market prices in active markets or by using valuation techniques, including recent market transactions, where an active market does not exist. All derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative.

Financial assets

The Company has classified its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments.

Management has determined the classification of its investments at 1 January 2012 as it is the final comparative period and thereafter on initial recognition.

Financial Liabilities

Financial liabilities are measured either at amortised cost or fair value if designated at fair value through profit or loss. Financial liabilities at fair value through profit or loss are those liabilities that are held for trading and are measured at fair value through profit or loss and not amortised cost.

Financial assets at fair value through profit and loss

Financial assets are classified as fair value through profit and loss where the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages and has a recent actual pattern of short-term profit-taking.

Loans and advances

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

Loans to customers and banks are classified as loans and advances and are initially recorded at fair value plus any attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method, less impairment losses, where applicable.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Were the Company to sell other than an insignificant amount of held-to maturity assets the entire category would be tainted and reclassified as available for sale. The Company's management has not identified any assets as falling within this category.

De-recognition of financial assets and liabilities

Financial assets are de-recognised when the rights to receive cash flows from the assets have expired or where the Company has transferred its contractual right to receive the cash flows of the financial assets and either:

i. substantially all the risks and rewards of ownership have been transferred; or
ii. substantially all the risks and rewards have neither been retained nor transferred but control is not retained.

Financial liabilities are de-recognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or portfolio of financial assets is impaired. A financial asset or a portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or portfolio of financial assets that can be reliably estimated. Objective evidence that a financial asset or portfolio of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- the Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
  observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
- adverse changes in the payment status of borrowers in the portfolio; or
- national or local economic conditions that correlate with defaults on the assets in the portfolio.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Company's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for Companies of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a portfolio of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Company and historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for Companies assets reflect and are directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the portfolio and their magnitude). These estimates also take into account the extent to which individual assets within the portfolio have been subjected to specific review. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery of these amounts and, for collateralized loans, when the proceeds from the realisation of security have been received.

If in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent it is now excessive by reducing the loan impairment allowance account. The amount of any reversal is recognised in the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation calculated on a straight line basis to write off the assets over their estimated useful lives as follows:

Leasehold improvements 10 years or the length of the lease if less
Equipment 3 years
Motor vehicles 4 years
Furniture, fixtures and fittings 5 years

Leasehold premises improvements comprises the Company's offices in London. All equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

The capitalised cost of computer software is amortised over 3 years using the straight line method.

Cash and cash equivalents

Cash and cash equivalents include unrestricted highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition, and include cash, notes and coin, treasury bills and other eligible bills, professional market placements to banks, amounts held at correspondents and certificates of deposit.

Provisions

Provisions for restructuring costs and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

Employee benefits

The Company provides a defined contribution pension plan for its staff. The assets of the schemes are held separately from those of the Company. The Company pays contributions to the Zenith Retirement Benefit Scheme. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Guarantees

Financial guarantee contract liabilities are measured initially at their fair value and subsequently measured at the higher of:

- the amount of the obligation under the contract; or
- the amount initially recognised less, where appropriate, cumulative amortisation recognised.

Share capital

Share issue costs - Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares - Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders.

Earnings per share

The Company presents earnings per share data for its ordinary shares by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding in the period.

Deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without a quoted market price is based on discounted cash flows using market interest rates for debts with similar remaining maturity.

Loans written off

The amount of loan write off is assessed on a case by case basis with appropriate advice and counsel sought from the Parent, Zenith Bank plc. Full or partial write-offs of loans and advances are generally recorded when management believes there is no realistic prospect of a full recovery or interest and principal payments being made on a timely basis.

Forbearance practices

'Forbearance' is when a lender decides to modify the terms and conditions of a loan or debt security if the borrower is unable to meet them because it is in financial difficulty. Examples may include reducing interest rates, delaying payment of principal and amending or not enforcing covenants. As the financial crisis has continued, forbearance has become more common. As a result, investors and regulators also have an increased interest in financial institutions' accounting for and disclosure of, forbearance practices.

Repurchase and Reverse Repurchase Agreements

Securities purchased under resale agreements ("reverse repurchase agreements") and securities sold under agreements to repurchase ("repurchase agreements") are treated as collateralized financings and are recognized initially at fair value, being the amount of cash disbursed and received, respectively. The party disbursing the cash takes possession of the securities serving as collateral for the financing and having a market value equal to, or in excess of the principal amount loaned. The securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognized on, or derecognized from, the balance sheet, unless the risks and rewards of ownership are obtained or relinquished.

Future accounting developments

At 31 December 2013, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for the Company's financial statements as at 31 December 2013. In addition to the projects to complete financial instruments accounting, the IASB is continuing work on projects on revenue recognition and lease accounting, which together with the standards described below, will represent widespread and significant changes to accounting requirements.

Standards and Interpretations issued by the IASB but not endorsed by the EU

Standards applicable in 2013

In May 2011, the IASB also issued IFRS 13 'Fair Value Measurement'. This standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. IFRS 13 is required to be applied prospectively from the beginning of the first annual period in which it is applied. The disclosure requirements of IFRS 13 do not require comparative information to be provided for periods prior to initial application.

IFRS 13 establishes a single source of guidance for all fair value measurements required or permitted by IFRSs. The standard clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions, and enhances disclosures about fair value measurement. Based on the assessment performed to date, the Company does not expect IFRS 13 to have a material impact on the financial statements.

In December 2011, the IASB issued amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' which requires the disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendments are required to be applied retrospectively. Based on the assessment performed to date, the Company does not expect the amendments to IFRS 7 to have a material impact on the financial statements.

New standards and interpretations not yet adopted

In December 2011, the IASB issued amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' which clarified the requirements for offsetting financial instruments and addressed inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted and are required to be applied retrospectively. Based on the assessment performed to date, the Company does not expect the amendments to IAS 32 to have a material impact on the financial statements.

In November 2009, the IASB issued IFRS 9 'Financial Instruments' which introduced new requirements for the classification and measurement of financial assets. In October 2010, the IASB issued an amendment to IFRS 9 incorporating requirements for financial liabilities. Together, these changes represent the first phase in the IASB's planned replacement of IAS 39 'Financial Instruments: Recognition and Measurement'. The second and third phases in the IASB's project to replace IAS 39 will address the impairment of financial assets and general hedge accounting. Macro hedging is not included in the IFRS 9 project and will be addressed separately.

Following the IASB's decision in December 2011 to defer the effective date, the existing version of IFRS 9 is effective for annual periods beginning on or after 1 January 2015. IFRS 9 is required to be applied retrospectively but prior periods need not be restated. However, as a result of the IASB's decision that all phases of IFRS 9 will be applied from the same effective date and it now seems unlikely that the final standard will be issued in 2013, we expect that the mandatory effective date of IFRS 9 will be deferred at least until 1 January 2017. In November 2012, the IASB issued proposed amendments to IFRS 9 in respect of classification and measurement. Since the final requirements for classification and measurement are uncertain, it remains impracticable to quantify the effect of the existing IFRS 9 as at the date of the publication of these financial statements. The Company is currently in the process of evaluating the potential effect of this standard.

3 Critical accounting judgements and key sources of estimation uncertainty

The Company's principal accounting policies are set out above. UK company law and IFRS require the directors to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. The directors consider that the estimates made in respect of deferred tax are appropriate for the preparation of these financial statements.

4 Interest Income

	2013	2012
	£	£
Derived From		
Cash and cash equivalents	774,459	425,168
Loans and Advances to banks	8,510,676	1,941,213
Loans and Advances to customers	12,227,266	7,022,389
Investment securities	7,005,611	5,727,887
Total interest income	**28,518,012**	**15,116,657**

5 Fee and Commission income

	2013	2012
	£	£
Derived From		
Loans	1,128,092	780,914
Trade Finance	2,897,324	2,952,024
Other	340,970	311,919
Total fees and commissions	**4,366,386**	**4,044,857**

6 Information regarding directors and employees

Employment costs are as follows:	2013	2012
	£	£
Personnel expenses		
Wages and salaries	4,036,489	3,526,262
Pension contributions under defined contribution scheme	420,000	339,600
Compulsory social security obligations	382,928	538,849
Other expenses	349,201	226,136
	5,188,618	**4,630,847**

Information regarding directors and employees (continued)

Number of employees at year end	**54**	**48**
Average number of employees during the year	**52**	**46**

At the year end there were 19 (2012: 21) employees involved in client facing roles and 35 (2012: 27) in administration.

Included within employment costs are:

	2013	**2012**
	£	**£**
Directors' remuneration and fees		
Directors' Fees	736,788	606,225
Pension contributions	47,573	30,625
	784,361	**636,850**

The highest paid Director received emoluments excluding pension contribution totalling £238,912 (2012: £374,000) and pension of £18,614 (2012: £30,625). Retirement benefits are accrued under defined contribution schemes

7 Operating profit before tax

	2013	**2012**
	£	**£**
Operating profit before tax is stated after charging:		
Depreciation	413,782	255,337
Amortisation	347,638	328,714

8 Auditors' remuneration

	2013	**2012**
	£	**£**
Audit of UK statutory accounts	44,500	50,000
Audit of Group reporting package	40,000	50,000
	84,500	**100,000**
Non Audit services		
Other Services relating to corporation taxation	20,400	17,000
Other assurance related services	12,800	-
	33,200	**17,000**
	117,700	**117,000**

9 Taxation

The tax charge in the income statement for the year was £2,386,826 (2012: £1,696,136). The tax charge can be reconciled to the profit/(loss) per the income statement as follows:

Tax on Profit on Ordinary Activities

	2013	2012
Analysis of tax charge/(credit) in period:	£	£
UK Corporation tax at 23.25% (2012: 24.5%):		
-Current year tax charge	2,378,098	1,763,585
-Prior year adjustment to current tax (credit)/charge	(914)	(120,159)
	2,377,184	**1,643,426**
Deferred tax:		
-Current year deferred tax (credit)/charge	15,954	(27,367)
-Prior year adjustments to deferred tax charge/(credit)	(6,312)	80,077
	9,642	**52,710**
Tax charge on profits on ordinary activities	**2,386,826**	**1,696,136**
Effective tax rate	23.73%	24.48%

Factors affecting tax charge/(credit):	£	£
Profit on ordinary activities before taxation	10,059,745	6,928,088
Profit on ordinary activities multiplied by rate of UK corporation tax at 23.25% (2012: 24.50%)	2,338,891	1,697,382
Effects of:		
Expenses not deductible for tax purposes	34,559	26,886
Effect of rate change	20,602	11,950
Adjustment to tax charge in respect of previous periods	(7,226)	(40,082)
Total tax charge on profits on ordinary activities	**2,386,826**	**1,696,136**

The Directors have reviewed the level of the deferred tax asset carried forward and believe that this is fairly stated. The recovery of the recognised asset is dependent on the expected generation of future taxable profits.

A reduction in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) was substantively enacted on 2 July 2013 and a further reduction to 20% (effective from 1 April 2015) was substantively enacted on the same date. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2013 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

10 Cash and Cash Equivalents

	2013	2012
	£	£
Petty Cash	62,602	113,961
Cash with Other Banks	33,071,962	39,016,263
Group Accounts	88,992	62,195
Money Market Placements	86,534,588	86,635,222
	119,758,144	**125,827,641**

11 Loans and advances to banks

	2013	2012
	£	£
Loans and advances to banks	270,069,035	76,078,225
	270,069,035	**76,078,225**

12 Loans and advances to customers

	2013	2012
	£	£
Loans to individuals	2,113,381	2,928,551
Loans and Advances to Corporates	263,197,809	234,866,359
	265,311,190	**237,794,910**

13 Securities Traded (Fair Value through Profit and Loss)

	2013	2012
	£	£
Treasury Bills	2,564,882	409,655
Eurobonds	59,505,095	58,205,972
	62,069,977	**58,615,627**

14 Securities investment (Amortised Cost)

	2013	2012
	£	£
Fixed interest Rate Eurobonds	121,162,516	106,683,262
Variable interest rate Eurobonds	7,127,761	4,020,195
	128,290,277	**110,703,457**

15 Property, plant and equipment

	Leasehold improvements £	Computer equipment £	Furniture £	Motor Vehicles £	Total £
Cost					
Balance at 1 January 2013	1,752,712	528,967	227,869	40,400	2,549,948
Additions	25,660	24,591	5,509	73,461	129,221
Disposals	-	-	-	(40,400)	(40,400)
Balance at 31 December 2013	**1,778,372**	**553,558**	**233,378**	**73,461**	**2,638,769**
Depreciation					
Balance at 1 January 2013	1,057,359	460,604	198,844	40,400	1,757,207
Charge for the year	342,395	32,168	25,490	13,729	413,782
Disposals	-	-	-	(40,400)	(40,400)
Balance at 31 December 2013	**1,399,754**	**492,772**	**224,334**	**13,729**	**2,130,589**
Net book value					
At 31 December 2013	**378,618**	**60,786**	**9,044**	**59,732**	**508,180**
At 31 December 2012	695,353	68,363	29,025	-	792,741
Cost					
Balance at 1 January 2012	1,594,993	456,562	224,597	40,400	2,316,552
Additions	157,719	72,405	3,272	-	233,396
Disposals	-	-	-	-	-
Balance at 31 December 2012	**1,752,712**	**528,967**	**227,869**	**40,400**	**2,549,948**
Depreciation					
Balance at 1 January 2012	889,562	399,042	178,954	34,312	1,501,870
Charge for the year	167,797	61,562	19,890	6,088	255,337
Disposals	-	-	-	-	-
Balance at 31 December 2012	**1,057,359**	**460,604**	**198,844**	**40,400**	**1,757,207**
Net book value					
At 31 December 2012	**695,353**	**68,363**	**29,025**	**-**	**792,741**

16 Intangible assets

	2013	2012
	£	£
Cost		
Balance at the beginning of the year	1,834,884	1,514,672
Additions	296,610	320,212
Balance at end of the year	**2,131,494**	**1,834,884**
Amortisation		
Balance at the beginning of the year	1,314,434	985,720
Charge for the year	347,638	328,714
Balance at end of the year	**1,662,072**	**1,314,434**
Net Book Value		
Balance at end of the year	**469,422**	**520,450**
Balance at the beginning of the year	520,450	528,952

The intangible assets relate to software licenses purchased, and software development.

17 Deferred tax

				2013 £
	Brought forward	Movement	Rate Change	Carried forward
Assets				
IFRS transitional adjustment	85,590	(9,613)	(9,820)	66,156
Accelerated capital allowances	54,132	21,173	(9,962)	65,344
Provisions	6,933	(601)	(820)	5,512
Total	**146,655**	**10,959**	**(20,602)**	**137,013**

18 Other assets

	2013	2012
	£	£
Prepayments	674,069	523,549
Derivative financial instruments (see Note 22)	129,421	26,733
Other Receivables	2,579,748	33,741
	3,383,238	**584,023**

19 Deposits from banks

	2013	2012
	£	£
Money Market Deposits	463,384,697	290,646,456
Deposits received for securities lent	93,895,453	77,000,598
Other deposits from banks	105,515,215	100,017,927
	662,795,365	**467,664,981**

20 Deposits from customers

	2013	2012
	£	£
Term deposits	50,047,995	47,580,857
Demand deposits	55,810,709	25,871,461
Saving deposits	3,300,390	709,301
	109,159,094	**74,161,619**

21 Other Liabilities

	2013	2012
	£	£
Derivative financial instruments (see Note 22)	774	-
Other taxes and social security costs	167,956	149,047
Current Tax Creditor	874,593	673,536
Other creditors	2,489,691	1,578,463
	3,533,014	**2,401,046**

22 Derivative financial instruments

	2013	2012
	£	£
Forward foreign exchange contracts:		
Receivable/(Payable)	126,278	2,269
Foreign exchange options	2,369	24,464
	128,647	**26,733**

Derivative financial instruments consist of short term foreign exchange contracts. These are held for day to day cash management rather than for trading purposes and are held at fair value. The forward contracts have intended settlement dates within twelve months. This is the only category of derivative instruments held by the Company as at 31 December 2013. All derivative financial instruments are considered to be level two i.e. are priced with reference to observable market data.

23 Commitments and contingencies

Pension commitments
The Company provides a defined pension contribution scheme for all staff. The assets of the scheme are held separately from those of the Company in independently administered funds.

During the year, pension costs of £420,000 (2012: £339,600) were charged to the income statement. The pension creditor as at balance sheet date was £27,561 (2012: £30,143)

Trade finance contingencies

	2013	2012
	£	£
Letters of credit (including cash backed)	84,364,650	69,298,577
Guarantees	18,828,167	31,057,486
Undrawn committed Facilities	5,765,282	9,126,199
	108,958,099	**109,482,262**

Commitment and Contingencies (continued)

Operating Leases

Non cancellable operating lease payables:

	2013	2012
	£	£
Less than 1 year	-	-
1 - 5 Years	576,882	752,050
Over 5 years	420,709	2,148,923
	997,591	**2,900,973**

24 Financial Instruments

Accounting classifications and fair values

Derivatives
Derivative instruments are carried at fair value and recognised through the Statement of Comprehensive Income. For instruments where a listed market price is available, fair value is equal to market value.

Fair value through profit and loss
The Company designates some investment securities at fair value, with fair value changes recognised immediately in the Statement of Comprehensive Income.

Held to maturity
Debt instruments with the Company's intention and ability to hold the investment to maturity. These instruments are carried at amortised cost using the effective interest rate method.

Other financial assets and financial liabilities
Other financial assets and financial liabilities are carried at amortised cost. Fair value of these instruments are calculated based upon the value of future cash flows discounted at the market value of interest at the balance sheet date. For all instruments not carried at fair value, the fair value is estimated to be approximately book value.

The fair value of each class of financial asset and financial liabilities are shown in the statement of financial position as follows:

	Loans and Receivables	Fair Value through P&L	Held to Maturity	Total carrying value
2013	**£**	**£**	**£**	**£**
Assets				
Cash and Cash equivalent deposits in banks	119,758,144	-	-	119,758,144
Loans and Advances to Banks	270,069,035	-	-	270,069,035
Loans and Advances to customers	265,311,190	-	-	265,311,190
Securities Trading	-	62,069,977	-	62,069,977
Securities Investment	-	-	128,290,277	128,290,277
Derivatives	-	129,421	-	129,421
Total assets	**655,138,369**	**62,199,398**	**128,290,277**	**845,628,044**

	Financial instruments at amortised cost	Fair Value through P&L	Total carrying value
	£	**£**	**£**
Liabilities			
Deposits from Banks	662,795,365	-	662,795,365
Deposits from Customers	109,159,094	-	109,159,094
Derivatives	-	774	774
Total Liabilities	**771,954,459**	**774**	**771,955,233**

2012	Financial instruments at amortised cost £	Fair Value through P&L £	Held to Maturity £	Total carrying value £
Assets				
Cash and Cash equivalent deposits in banks	125,827,641	-	-	125,827,641
Loans and Advances to Banks	76,078,225	-	-	76,078,225
Loans and Advances to customers	237,794,910	-	-	237,794,910
Securities Trading	-	58,615,627	-	58,615,627
Securities Investment	-	-	110,703,457	110,703,457
Derivatives	-	26,733	-	26,733
Total assets	**439,700,776**	**58,642,360**	**110,703,457**	**609,046,593**

	Financial instruments at amortised cost £	Fair Value through P&L £	Total carrying value £
Liabilities			
Deposits from Banks	467,664,981	-	467,664,981
Deposits from Customers	74,161,619	-	74,161,619
Derivatives	-	-	-
Total Liabilities	**541,826,600**	**-**	**541,826,600**

Financial Risk Management

The Company has exposure to the following risks from financial statements

Credit risk
Liquidity risk
Market risk
Operational risk
Foreign Exchange risk
Interest Rate Risk
Sovereign Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework
The Company is firmly committed to the management of risk, recognising that sound internal risk management is essential to its prudent operation, particularly with the growing complexity, diversity and volatility of markets, facilitated by advances in technology and communications. Risk management is given high priority throughout the Company and is integral to management of the business.

Responsibility for risk management policies and limits in the level of risks assumed lies with the Board of Directors. The Board charges management with developing, presenting, updating and implementing these policies, controls and limits. The structure is designed to provide assurance that no single event or combination of events will materially affect the well-being of the company.

The Company's Board of Directors, Asset and Liability Committee which monitors compliance with risk management, assists in assessing market trends, economic and political developments, and providing global strategic direction for all aspects of risk management. Additionally in 2011, a new Risk Committee, Market Risk was implemented to provide a forum for in-depth review and analysis of the market risks to which the Company is subject.

Active, hands-on senior management plays a key role in the identification, evaluation and management of all risks.

The following fundamental principles of sound risk management are applied to all financial instruments including derivatives:
Appropriate review by the Board of Directors and senior management
Adequate risk management processes
Sound measurement and information systems
Segregation of duties, comprehensive internal controls and internal audit procedures.

Credit Risk Management

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

The Company mainly lends and takes risk on the major West African corporate and financial institutions who, in the main, are long established customers of the Zenith Group, and UK and European trading companies against an underlying trade transaction evidenced by an incoming Nigerian bank letter of credit.

International interbank lending will predominantly be to investment grade rated organisations and in line with the Credit Scoring Policy & Procedures Manual. All limits are set against the Company's capital resources as set out in its Credit Policy & Procedures Manual. Retail lending will only be to well-known and established customers of the Group in accordance with strict credit and security parameters.

The Company's Credit Policies and Procedures Manual covers the credit procedures, limits, delegated authorities and risk grading issues for the Company, taking account of the Company's appetite for risk. The Company's objective is to have a high quality, diversified loan portfolio which will generate profits commensurate with the risks and the Company's target return on investments, and enable the Company to identify potential problem loans and keeping non-performing assets and provisions to a minimum.

The ultimate responsibility for Credit Risk rests with the Board of Directors, who have delegated this responsibility to the Board Credit Committee ("BCC") chaired by a Non-Executive Director. In turn responsibility for credit has been delegated to the Management Credit Committee ("MCC") which is chaired by the CEO.

The MCC is responsible for reviewing and approving all credit matters which are submitted to it in line with approved policies and within its delegated authority, and is supported in this process by Risk Management. The day to day management of facilities within limits and guidelines set by the MCC will be the responsibility of the business line departments. Risk Management is responsible for monitoring compliance with these limits.

All credit applications and reviews are submitted to Risk Management for independent assessment prior to being forwarded to the approval process. Any application in excess of limits delegated to the MCC must be submitted to the Group Credit Committee ("GCC") for final approval and carry the support of the MCC. All such approved facilities are forwarded to the BCC for ratification at each subsequent BCC meeting.

The limits and procedures policy helps to define marketing plans for targeting business, covering exceptions and new products. It covers the formalising of limits and the process involved in achieving them. All limits in the company are based on the Company's own capital resources, with limits covering countries, sovereign entities, banks and commercial entities and individuals. These limits operate within the PRA's Large Exposure requirements within the CRR, as outlined in The PRA's Approach to Banking Supervision (1).

All limits are set against the company's capital resources and dependent on the individual internal credit risk grade of the counterparty. International money market and foreign exchange limits are dependent on the credit rating of the counterparty and the internal credit risk grade ("CRG"). Essentially Companies with a CRG of "1" have limits up to 100% of capital resources, a CRG of "2" is set at 85%, a CRG of "3" at 40% and

a CRG of "4" or greater at a maximum of 25% (apart from exceptions detailed below). All limits include foreign exchange, securities and other items in terms of policy.

Nigerian limits are dealt with as a separate item in terms of policy. Exposure to the company's parent Zenith Bank Plc and its subsidiaries will be aggregated and may not exceed a maximum of 25% of capital resources. Any exposure to the Central Bank of Nigeria and the Nigerian Government will also be aggregated and will be limited to a maximum of 25% of capital resources. In respect to the top 6 Nigerian banks, where such banks have a CRG of "4" or better, then the limit for these banks may be increased to 75% of capital resources. All other potential Nigerian business will be kept to a maximum of 25% of capital resources and will also require the independent support of the company's parent.

Further limits delegated to the MCC include "back-to-back" letters of credit up to 25% of capital resources and 100% cash covered facilities up to 100% of capital resources. Any other limit not mentioned here will require the final approval of the BCC, and will include the support of the MCC and the support of the parent where a Corporate entity is concerned.

All country limits are determined in accordance with the Credit Scoring Policy & Procedures Manual and all country limits override any individual customer limits.

Unless otherwise specified any Nigerian or corporate business will require the formal approval of the Group Credit Committee of Zenith Bank Plc in Lagos, Nigeria.

Medium and long term limits may not exceed 300% of capital resources at any time, except that OECD Export Credit Agency covered debt (which is weighted 0% for capital adequacy purposes) is excluded from this limit.

The portfolio of Investment mortgages is limited to 100% of capital at any one time. Individual Investment mortgages cannot exceed 6.25% of the Company's capital resources, with a loan to value maximum of 50% and a maximum maturity of 4 years. Personal loans to individuals are limited to a maximum of 3% of the Company's capital base on a fully secured basis.

Forbearance practices

There have been no forbearance practices in 2013 (2012: Nil).

Collateral

Collateral and security can be an important mitigant of credit risk.

The Company routinely obtains collateral and security and ensures that any collateral held is sufficiently liquid legally effective enforceable and regularly reassessed.

The maximum exposure to credit risk at the statement of financial position date was £191,265,133 (2012: £145,749,037).

In the normal course of business, the Company receives collateral on certain transactions to reduce its exposure to counterparty credit risk.

The following table reflects the collateral received by product type by the Company.

Collateral Analysis

	2013	2012
	£	£
Bonds	-	3,288,557
Cash	311,594,685	162,025,542
Government	29,592,292	-
Property	2,928,116	2,810,000
	344,115,093	**168,124,099**

Sovereign risk

The Company has established procedures to manage country risk. During the year there continued to be periods of significant volatility in Eurozone and Emerging Market bond markets. Securities borrowing and lending transactions are always secured, with the collateral taking the form of securities or cash received or advanced. The transfer of securities to counterparties and securities borrowed are not reflected in the Statement of Financial Position. Cash collateral received or advanced is recorded as a liability under "Deposits from banks" or asset under "Cash and Cash equivalents" respectively.

The table below summarises maximum exposure to credit risk as at statement of financial position date by geographical area.

2013	Europe	GIIPS	Nigeria	Rest of Africa	Rest of the World	Total
Assets						
Cash and Cash Equivalents	84,351,389	-	89,021	247	35,317,487	119,758,144
Loans and Advances to Banks	-	-	59,728,691	162,386,803	47,953,541	270,069,035
Loans and Advances to customers	148,449,654	-	77,139,663	14,980,221	24,741,652	265,311,190
Securities Trading	10,417,759	-	3,147,267	-	48,504,951	62,069,977
Securities Investments	18,087,694	-	16,864,716	66,125,266	27,212,601	128,290,277
Total assets	**261,306,496**	**-**	**156,969,358**	**243,492,537**	**183,730,232**	**845,498,623**

2012	Europe	GIIPS	Nigeria	Rest of Africa	Rest of the World	Total
Assets						
Cash and Cash Equivalents	94,474,674	-	72,796	444,760	30,835,411	125,827,641
Loans and Advances to Banks	-	6,152,710	52,153,399	11,654,806	6,117,310	76,078,225
Loans and Advances to customers	105,671,220	-	94,737,768	25,274,692	12,111,230	237,794,910
Securities Trading	603,404	-	409,655	-	57,602,568	58,615,627
Securities Investments	12,812,773	-	39,362,636	37,864,422	20,663,626	110,703,457
Total assets	**213,562,071**	**6,152,710**	**186,736,254**	**75,238,680**	**127,330,145**	**609,019,860**

An analysis of the credit quality of the maximum credit exposure, based on rating agency Fitch and Moody ratings where applicable. These are grouped by Credit Quality Steps (CQS).

		2013	2012
		£	£
CQS	**Assets**		
	Cash and Cash equivalent		
1	Rated AAA to AA-	3,045,589	27,145,961
2	Rated A+ TO A-	84,969,043	84,630,535
3	Rated BBB+ TO BBB-	25,759,516	-
4	Rated BB+ TO BB-		-
5	Rated B+ TO B-	88,992	14,038,438
	Unrated	5,895,004	12,707
		119,758,144	**125,827,641**
	Loans and Advances to Banks		
1	Rated AAA to AA-	-	-
2	Rated A+ TO A-	-	6,764,521
3	Rated BBB+ TO BBB-	-	-
4	Rated BB+ TO BB-	6,031,934	-
5	Rated B+ TO B-	209,609,567	52,047,689
	Unrated	54,427,534	17,266,015
		270,069,035	**76,078,225**
	Loans and Advances to customers		
	Neither past due nor impaired	265,311,190	237,794,910
	Past Due but not impaired	-	-
		265,311,190	**237,794,910**

Financial Instruments (continued)

	Securities Trading		
1	Rated AAA to AA-	58,913,642	58,205,972
2	Rated A+ TO A-	-	
3	Rated BBB+ TO BBB-	-	-
4	Rated BB+ TO BB-	3,156,335	409,655
5	Rated B+ TO B-	-	
	Unrated	-	-
		62,069,977	**58,615,627**
	Securities Investment		
1	Rated AAA to AA-	304,218	16,748,565
2	Rated A+ TO A-	9,241,843	9,523,611
3	Rated BBB+ TO BBB-	26,104,756	26,422,303
4	Rated BB+ TO BB-	5,469,145	6,141,620
5	Rated B+ TO B-	62,120,442	51,867,358
	Unrated	25,049,873	-
		128,290,277	**110,703,457**

The below summarises the credit exposure to Loans and Advances to customers as at the statement of financial position date by industry:

Industry	**2013**	**2012**
	Loans to Customer	**Loans to Customer**
Agriculture	7,248,215	17,979,487
Hotels and Restaurants	9,080,391	12,325,607
Individuals	1,596,251	1,642,689
Manufacturing	60,843,840	81,114,948
Mining	66,674,349	14,665,116
Real Estate	709,626	1,285,862
Transport and Storage	46,678,803	49,161,387
Wholesale	72,479,715	59,619,814
	265,311,190	**237,794,910**

Financial Instruments (continued)

Liquidity Risk
Liquidity Risk Management

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.

Liquidity management is achieved by balancing cash flows within forward rolling time bands so that under normal conditions the Company is comfortably placed to meet all its payment obligations as they fall due. The immediate focus should be short term because as assets and liabilities run off and are replaced the pattern of the Company's more distant cash flow engagements will be reconstituted many times over before their settlement time draws near. This does not mean that the Company should disregard the longer end of its book. In a positive yield curve environment the classical route to a self-induced liquidity crisis is to borrow short and lend long in pursuit of enhanced interest return. This practice of maturity mismatching is, in moderation, an accepted function of a Company but disciplines are needed to ensure that it is not carried to excess. The Company has developed an Individual Liquidity Adequacy Assessment (ILAA) document as required by the PRA. The Company has also developed a suite of stress tests and limits, the results of which are reviewed by senior management on a regular basis.

The responsibility for ensuring that the Company can meet its obligations as they fall due rests with the company's management. Under the regulations the Company must satisfy the PRA on an on-going basis that it has a prudent liquidity policy and adequate management systems in place to ensure that the policy is adhered at all times.

- The Board of Directors is ultimately responsible for ensuring that the liquidity policy remains relevant and up-to-date at all times and is consistent with the company's business activities and expressed risk tolerance.
- The Asset and Liability Committee ("ALCO") is responsible for reviewing the policy and recommending it to the Board of Directors. ALCO is supported by Risk Management, which is responsible for monitoring compliance with the policy on a daily basis.
- The Company has developed an ILAA model (Individual Liquidity Adequacy Assessment) as required by the PRA, which includes a series of stress tests and limits. This is managed on a daily basis.
- The responsibility for the day-to-day management of the Company's liquidity position is delegated to the Company's Treasurer and is managed by the funding desk in the Treasury Department.
- The responsibility for the day to day monitoring of the Company's liquidity position is delegated to the Risk Management department, which supports ALCO in the assurance of compliance with the Company's liquidity risk management framework and policy.

Please note the total amount of the repurchase agreements outstanding at the year-end of £93,895,453 (2012: £77,000,598) is included in Securities within the balance sheet.

Liquidity	Less than 3 months	Between 3 & 12 months	1 to 5 Years	Greater than 5 years	Carrying amount
2013	**£**	**£**	**£**	**£**	**£**
Assets					
Cash and Cash equivalents	119,758,144	-	-	-	119,758,144
Loans and Advances to Banks	106,226,412	150,879,478	12,963,145	-	270,069,035
Loans and Advances to customers	100,743,244	107,972,572	48,698,380	7,896,994	265,311,190
Securities Trading	4,428,488	16,897,311	40,744,178	-	62,069,977
Securities Investment	642,442	36,779,198	85,770,067	5,098,570	128,290,277
Derivatives	129,421	-	-	-	129,421
Total assets	**331,928,151**	**312,528,559**	**188,175,770**	**12,995,564**	**845,628,044**

Financial Instruments (continued)

	Less than 3 months	Between 3 & 12 months	1 to 5 Years	Greater than 5 years	Carrying amount
Liabilities					
Deposits from Banks	368,449,857	252,428,385	41,917,123	-	662,795,365
Deposits from Customers	107,409,085	1,750,009	-	-	109,159,094
Total Liabilities	**475,858,942**	**254,178,394**	**41,917,123**	**-**	**771,954,459**

	Less than 3 months	Between 3 & 12 months	1 to 5 Years	Greater than 5 years	Carrying amount
2012		**£**	**£**	**£**	**£**
Assets					
Cash and Cash equivalents	125,827,641	-	-	-	125,827,641
Loans and Advances to Banks	40,533,793	26,353,151	9,191,281	-	76,078,225
Loans and Advances to customers	83,651,853	71,247,666	76,127,410	6,767,981	237,794,910
Securities Trading	330,927	33,058,432	25,226,268	-	58,615,627
Securities Investment	3,697,337	632,727	106,373,393	-	110,703,457
Derivatives	26,733	-	-	-	26,733
Total assets	**254,068,284**	**131,291,976**	**216,918,352**	**6,767,981**	**609,046,593**
Liabilities					
Deposits from Banks	350,273,816	69,276,433	48,114,732	-	467,664,981
Deposits from Customers	70,435,443	3,726,176	-	-	74,161,619
Derivatives	-	-	-	-	-
Total Liabilities	**420,709,259**	**73,002,609**	**48,114,732**	**-**	**541,826,600**

Market Risk

Market Risk management

Market Risk is the risk of loss from changes in market prices and rates, the correlations among them, and their levels of volatility.

The Company's trading activities are accounted for on a mark-to-market basis, and financial assets, financial liabilities and derivatives which form part of such activities are accounted for at fair value through the profit and loss account.

The Company's trading activities are limited to transactions in financial instruments mainly comprising the trading of foreign exchange and debt securities. Market risk is primarily to currencies and interest rates. Exposure to those markets together with a description of the risk management policies arising from both banking and trading activities are set out below. Market risk exposures are measured and monitored daily and are formally reviewed weekly by the Company's Asset and Liability Committee.

Financial Instruments (continued)

Exchange rate Risk

The Company makes loans and takes deposits in a number of currencies. Payments made on behalf of customers in one currency may be met from balances held in another currency. Further, the Company is active in the international foreign exchange markets both for own account trading and for the management of Company assets and liabilities. The table below sets out the concentrations of the currency assets and liabilities in the Company's statement of financial position.

The Company manages its exposures to foreign exchange risk by way of limits on the size of permitted positions, both intra-day and overnight. Overnight positions are protected by stop-loss orders placed with reputable correspondent banks. The size of the position limits is consistent with the amount of profit that the Company is prepared to place at risk in the foreign exchange markets.

Foreign exchange exposure arises from normal banking activities, particularly from the receipt of deposits and the placement of funds denominated in foreign currencies. It is the policy of the Company to match the currencies and its assets and liabilities as far as practicable. It is also the policy of the Company to adhere to the limits laid down by the Board in respect of the "overall net open position". The tables below give details of the Company's net foreign currency exposures as at 31 December 2013 as a basis of disclosing the Company's foreign currency sensitivity analysis.

2013	**Sterling**	**US Dollars**	**Other**	**Total**
	£	**£**	**£**	**£**
Assets	**69,651,757**	**762,710,366**	**17,634,353**	**849,996,476**
Liabilities	**(70,237,186)**	**(760,207,174)**	**(19,552,116)**	**(849,996,476)**
Derivative Foreign Exchange Contracts	**649,159**	**2,547**	**(682,147)**	**(30,441)**
Net Assets/(Liabilities)	**(63,730)**	**(2,505,739)**	**2,599,909**	**(30,441)**
2012	Sterling	US Dollars	Other	Total
	£	£	£	£
Assets	34,896,743	559,242,630	16,924,359	611,063,732
Liabilities	(34,719,371)	(558,902,478)	(17,441,883)	(611,063,732)
Derivative Foreign Exchange Contracts	(2,579)	(602)	2,954	(227)
Net Asset/(Liabilities)	(179,951)	(340,754)	520,478	(227)

Foreign Currency sensitivity

Foreign currency sensitivity analysis has been performed on the foreign currency exposures inherent in the Company's financial assets and financial liabilities at the reporting date4s presented, net of FX derivatives.

Financial Instruments (continued)

The sensitivity analysis provides an indication of the impact on the company's profit or loss of reasonably possible changes in the currency exposures embedded within the functional currency environment in which the

Company operates reasonable possible changes are based on an analysis of historical currency volatility, together with any relevant assumptions regarding near-term future volatility.

The Company believes that for each foreign currency net exposure it is reasonable to assume a 5% appreciation / deprecation against the Company's functional currency. If all other variables are held constant the tables below present the impact on the company profit or loss if these currency movements had occurred.

2013	US Dollars	Euro	Other
	£	£	£
Net foreign Currency Exposure	(2,505,733)	3,835	2,603,695
Impact of 5% increase in foreign currency: GBP Rate	(125,287)	192	130,188
Impact of 5% decrease in foreign currency: GBP Rate	125,287	(192)	(130,185)

2012	US Dollars	Euro	Other
	£	£	£
Net foreign Currency Exposure	(340,754)	11,562	508,916
Impact of 5% increase in foreign currency: GBP Rate	(17,038)	578	25,446
Impact of 5% decrease in foreign currency: GBP Rate	17,038	(578)	(25,446)

Interest rate risk

The Company is exposed to Company's ALCO (Asset and Liability Committee) meet weekly to monitor these issues, which in turn is assisted by Risk and changes in interest rates in various currencies arising from gaps in the future dates of repricing of assets, liabilities and derivative instruments. The Company manages part of that risk by match funding certain deposits to loans. A change of 1% in interest rates at the Statement of Financial Position date would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the Statement of Financial Position date and had been applied to risk exposures existing at that date.

Profit or Loss (net of tax)	31 Dec 2013	31 Dec 2012
	£	£
Increase	(1,056,738)	(846,577)
Decrease	1,056,738	846,577

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, human behaviour and systems, or from external events.

Financial Instruments (continued)

Operational risks are managed and controlled within the individual business lines and a wide variety of checks and balances to address operational risks have been developed as an important part of the Company's risk management culture.

The Company maintains an Operational Risk policy and further mitigates risk as follows:
- by recruiting experienced professional and well qualified staff,
- adoption of industry best practice in all operations,
- on-going consultation with risk management experts to ensure processes remain robust, and
- institutionalisation of due diligence procedures to meet regulatory requirements.

Operational risk is taken as a necessary consequence of the Company undertaking its core business and it is the Company's policy to minimise its risks to the extent possible through any entity wide control framework

setting quantitative limits and through the use of internal audit, risk management and compliance. The company aims to minimise operational risk at all times through a strong and well-resourced control and operational infrastructure.

The Board Risk and Audit Committee seek to ensure strong governance at all times.

Capital Management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 31 December 2013 was £74,509,003 (2012: £66,836,084). Regulatory capital is determined in accordance with the requirements of the FCA and the PRA in the UK. Total Regulatory Capital as at 31 December 2013 was £72,342,265 (2012: £62,082,926).

Capital adequacy and the use of regulatory capital are monitored daily by the company's management, employing techniques based on the guidelines developed by the Basel Committee and European Community Directives as implemented by the FCA and the PRA in the UK, for supervisory purposes, who requires each company to maintain a ratio of total regulatory capital to risk- weighted exposures at or above a level determined for each institution.

The Company's regulatory capital is divided into 1 tier: Tier 1 capital, which is the total of the issued share capital and retained earnings less intangible assets;

	2013	2012
Capital Resources	£	£
Tier one Capital		
Shareholders' Funds	72,342,265	62,082,926
Total Tier 1 capital	**72,342,265**	**62,082,926**

Critical accounting judgements in applying the Company's accounting policies

Fair value hierarchy

The Company measures fair value using the following fair value hierarchy:

Level 1 fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2 fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices), and

Level 3 fair value measurements using inputs for the asset or liability that are not based on observable market data (ie unobservable inputs)

The following table outlines the fair value hierarchy of instruments carried at fair value:

Financial Instruments (continued)

2013	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Securities trading	59,505,095	2,564,882	-	62,069,977
Securities investment	128,290,277	-	-	128,290,277
Derivatives	-	128,647	-	128,647
	187,795,372	**2,693,529**	**-**	**190,488,901**

2012	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Securities trading	58,205,972	409,655	-	58,615,627
Securities investment	110,703,457	-	-	110,703,457
Derivatives	-	26,733	-	26,723
	168,909,429	**436,388**	**-**	**169,345,817**

25 Share Capital

	2013 £	2012 £
Ordinary shares of £1 each		
Issued:		
35,001,000 ordinary shares of £1 each	35,001,000	35,001,000
30,000,000 ordinary shares of US$1 each	18,458,131	18,458,131
	53,459,131	**53,459,131**

Allocated called up and fully paid

At 31 December 2013 the issued share capital comprised of 35,001,000 ordinary shares with a par value of £1 each (2012: 35,001,0000) and 30,000,000 ordinary shares of US$1 each issued in May 2012. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company. All shares rank equally with regards to the Company's residual assets.

26 Earnings per share

At 31 December 2013 the earnings per share were 11.80 pence (2012: 11.43 pence). The diluted earnings per share calculation is not relevant as there are no convertible securities to be exercised. The earnings per share are calculated using profit after tax as the numerator. The weighted average number of ordinary shares is used as the denominator.

27 Related party transactions

Key management personnel are considered to be the Directors. Disclosures regarding Directors emoluments and other transactions are given in note 6.

A number of banking transactions were entered into with related counterparties within the Zenith Bank Plc Group in the normal course of business. These include loans and deposits. Outstanding balances at the end of the year and related party income for the year are as follows:

Related party transactions (continued)

	2013	2012
	£	£
Assets		
Amounts due from parent company	49,562,153	31,178,444
Amounts due from fellow subsidiaries	160,149,810	11,725,631
	209,711,963	**42,904,075**
Liabilities		
Amounts due from parent company	410,273,087	260,564,453
Amounts due from fellow subsidiaries	8,504,429	6,901,527
	418,777,516	**267,465,980**
Fees and Commissions		
Parent Company	2,438,245	2,011,938
Fellow Subsidiaries	314,105	476,975
	2,752,350	**2,488,913**
Interest Income		
Parent Company	1,105,605	428,393
Fellow Subsidiaries	6,259,166	11,799
	7,364,771	**440,192**
Interest Expense		
Parent Company	11,908,903	5,482,625
Fellow Subsidiaries	2,752	6,980
	11,911,655	**5,489,605**

28 Ultimate parent company and controlling party

The Company's immediate and ultimate parent and controlling party is Zenith Bank Plc, a company incorporated in Nigeria. Group accounts into which the company is consolidated are available from Head Office at Plot 84, Ajose Adeogun Street, Victoria Island, Lagos, Nigeria.