



25

years of non-stop innovation

2009
Annual Report
and Accounts





We Retired Atlas

In Greek mythology, Atlas was condemned to hold the sky on his shoulders for all eternity when the Titans were defeated. His effort is the reason why the sky does not fall.

We retired Atlas in Nigeria's digital world. Using innovative technology, Chams provides the digital infrastructure for the needs of various institutions, from banks to public sector agencies, telecommunication firms to schools.

Chams is involved when you use an ATM card, when you use a recharge card, when you use a biometric ID card or flash your driver's license, when you access the National Health Insurance Scheme and, soon, when you use your new multi-purpose National Identity Card.

So remember, if your digital world is sophisticated in its structure and processes, there's a power behind the throne.



Chams PLC

...innovation in the future tense



Our Envisioned Future

A company of Nigerian origin, we will be extremely influential and highly visible in global technology. Our trusted cutting edge technology will enhance the quality of life in a manner that glorifies God. We would be an employer of first choice.

Our Vision

To be the leading provider of innovative and beneficial technologies that improve the quality of life.

Our Mission

To design and deploy innovative and beneficial technologies, while creating value for all our stakeholders.

Our Core Values

1. Create a healthy and dynamic work environment characterized by **Z-CASE**
 - **Z**ero tolerance for excuses
 - **C**andor
 - **A**n entrepreneurial spirit,
 - **S**trong bonds between past and present Chams family
 - **E**xcitement
2. It is imperative to delight our customers by making our technologies available 24/7
3. We commit to giving back to society through group activities that will positively impact on our communities.
4. Faith in God

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Never Stand Still

25 years of non-stop innovation

Searching for and responding to opportunities in the environment and market place have been the key characteristics of doing business at Chams. Chams is an entrepreneurial business wholly built on satisfying the needs of today's customers, anticipating future needs and developing competencies, products and services that enable our customers, corporate or individual, enjoy in full the benefits of Information and Communication Technology.

In the Beginning...

Mighty oaks from tiny acorns do spring.

The Chams group evolved from a one-room operation in Surulere, Lagos, to become the future of ICT in Nigeria. Our former name, Computer Hardware and Maintenance Services, offers a glimpse into our operations in those early years.

Chams pioneered services in Local, Metropolitan, and Wide Area Networking. We then moved on to become a pioneer and leader in solutions to help people and organizations manage the resources of time, money and space better, using the platform of information and communication technology, all these driven by competences in electronics and computer engineering.

Over the past 25 years of our incorporation, our erstwhile departments have evolved into full-fledged subsidiaries; companies with proven competences in transactional, prometric, and biometric identification with applications in the financial, healthcare, and corporate and other public fields. We are also involved in developing, building and maintenance of ICT infrastructure across the nation through companies like ChamsAccess, ChamsSwitch, Supercard, CardCentre, ChamsMobile, and PayMaster.

Chams is a regional resource centre for identification solutions for clients ranging from corporations, educational bodies to national governments.

The Chams Group is focused on the mission of designing and deploying innovative technologies that enhance lives as well as glorify God. Our passion is to translate Information Technology to Innovative Technology in the lives of our clients and customers. **We recognise and cherish that culture. We call it innovation in the future tense.**

“The world has moved away from a cash-based economy to a cashless one, and we at Chams Plc and its various subsidiaries are committed to helping Nigeria move seamlessly with the world trend of a cashless, contactless based economy with the various solutions and products we deploy.”

Pioneering Smart Solutions

Synonymous with innovation, Chams pioneered in Nigeria the following:

- Computer Maintenance
- LAN, MAN and WAN networking solutions
- The card/identity revolution
- One-stop card-based service terminal (ChamsAccess Service Terminal, CAST)
- World record cybermalls.

Defying the odds

Managing threats from the larger environment are as important as coping with competition in the business world. The Chams Group has learnt the fine art of managing the challenges of the Nigerian business environment. Our response has been to develop strategic initiatives that have in turn changed the shape, structure and focus of the Chams business while retaining our core essence and values. A major setback in 2002 arising from the socio-political environment of Nigerian business informed our strategic re-direction from contracting to provision of ICT infrastructure.

With different dynamics from contracting, which is at best, seasonal, the “retail” nature of this option ensures for Chams a steady source of multiple income streams. From this experience, we created three departments, which have now evolved into full subsidiaries. In addition, we moved into a business area that allows for better forecasting. We



reaped big lately from this newly endowed capability: our financial experts were able to project profits accruable to Chams, given specific parameters. We projected a profit of N1.3billion for 2007, N2.5billion for 2008, N4.05billion for 2009, and N8.9billion for 2010. However, this would be dependent on our ability to raise the N5 billion in the second private placement of our company. As a reflection of the confidence reposed in the company, the placement was oversubscribed by over 300 percent! The Board adopted a resolution to take only 25 percent of the value oversubscribed. This is a vindication of our corporate attitude towards challenges: in difficult times, our cup may be half-full; it is never half-empty.

Taking things Further...

Our subsidiaries follow the Chams DNA of searching for and tapping opportunities. Each subsidiary represents a corporate commitment to expand the opportunities in the specific area, to focus and to deepen the market in that area for the mutual benefit of our customers and ourselves.

Now, the structure of Chams is a well-rounded hendecagon, with Chams at the centre and its subsidiaries forming each of its faces. Some are still business units, though, and not

yet full subsidiaries. The following are the faces of Chams:

ChamsAccess Limited: The face of Chams deploying across the nation the premium automated teller machines and self-service Chams Access Service Terminals (CAST), the service centre of the future.

ChamsSwitch Limited: Set up to build an enabling infrastructure to ensure unimpeded expansion of all other e-payment initiatives of the Chams Group, to provide infrastructural support for the public sector projects and fill major gaps identified among the existing players in the e-payment sector.

ChamsMobile Limited: A mobile payment platform that will allow users carry out transactions through their mobile phones. These transactions range from funds transfer and airtime top-up to balance enquiry etc. The ChamsMobile platform will work with all mobile phones, all banks and all telecommunications networks

PayMaster Limited: specialises in the deployment of POS terminals with e-payment, vouchers, identity, loyalty, and micro-financing banking applications.

CardCentre Limited is the operator of the world's largest card manufacturing and personalizing factory. It also has smart/chip card expertise. Engaging efficient and effective



technologies for card personalization, identity cards, enrolment logistics and access control, Card Centre is the “power behind the throne” for a lot of the ATM and identity cards in circulation in the nation.

SuperCARD Limited: Huge capabilities in large-scale enrolment and biometric solution systems. We have leveraged these capabilities creatively in the identity challenges facing Nigerian tertiary institutions as well as certain states and the federal government.

Terminals & Printers: With expertise and experience in sales, installation and maintenance of Data-Card Printers in Nigeria and sales of terminals and Access control.

Naira.com: is focused on providing a world-class online multi transactional portal. It is a primary ecommerce portal equipped with a one stop payment and transactions platform that enables secure online transactions, payment services and banking solutions. Naira.com is integrated with major payment platforms (Interswitch, E-Tranzact, VPay, and Visa).

ChamsCity: fast becoming the major hub for large-scale and nation-wide biometric; data management; on-line, real-time examinations, conferences etc. It offers a unique infrastructural backbone for the realization of

national identification schemes and projects, among other applications.

Public Sector: interfaces with the government and public sector for the Chams’ group. It handles major Nigerian government ID Projects, NHIS Health Cards, drivers’ licenses for the Federal Road Safety Corps, pension cards for the Pension Commission, and Voters Cards for the Independent National Electoral Commission, among others. It is also the interface for the dealings of the Group with regional governments in need of Chams’ service.

ChamsVarsity: the training and knowledge acquisition division of Chams Plc; put in place to bridge the gap in ICT and Management education in Nigeria by providing quality ICT education in the sector. With a drive to create a strong army of ICT Professionals in its fully equipped world-class facilities.

Committed People, I am Chams

Operating at the cutting edge of a fast growing sector, Chams relies on the very best human capital available in the Nigerian market. The Chams people are competent, committed and passionate. We take great pains to select from hundreds of potentials to ensure that we bring into the family only the

people with the right attitude to service, the can-do and team spirit.

Value is the driving force in our relationships, with our people and with clients.

We extend this value offering to our non-business relationships. Making a valuable contribution has been the driving force behind our corporate social responsibility interventions.

We are visible in the field of development and encouragement of the arts and culture of our society with the novel Chams Theatre Series. Now in its third year, the Chams Theatre Series seeks to elevate the standard of theatrical performances in the country. Chams Theatre Series has featured English and Yoruba theatrical adaptations of two works of renowned Yoruba novelist, the late Daniel Olorunfemi Fagunwa. To mark the country's 50th anniversary, we are working with Africa's first Nobel Laureate Professor Wole Soyinka to stage *Dance of the Forests*—one of his earlier works.

At Chams, we are committed to doing our part in seeking the resolution of societal ills and problems. We also organize quarterly: The Chams Soup Kitchen. 2008 saw us in a destitute colony in Ebute Metta; as well as the Ikoyi and Kirikiri prisons. In 2009, we shared this passion and care to the children at the Modupe Cole Centre, Red Cross, Maximum, Minimum and female prisons and the Old People's home in Yaba.

With the full support and backing of management, we are seeing a number of our staffers getting involved in instructional and mentoring activities in our community. We encourage direct intervention by our staff members to affect the society.

One other rewarding relationship we have initiated and nurtured for over fifteen years is that with Data Card Worldwide, USA. A global name in the card personalization industry, Data card is a solution provider for every segment of the market, especially for the pre-issuance, issuance, and post-issuance stage of the card cycle. Chams has had an exclusive technical and commercial relationship with Datacard since 1995. We also have established strategic relationships with industry greats like King Teller, Apple, Microsoft, Gemplus, Ingenico, Kronos, Dermalog, Nets and AMTEL in order to offer the very best products and seamless services to our clients.

A place in history

At the opening of ChamsCity, in Lagos and Abuja, the palpable feeling among the gathered dignitaries, members of the scientific community, ICT professionals,

and members of the fourth estate of the realm was that of history in the making. If anything, the recognition by the Guinness Book of World Records served to reiterate this feeling. What is all the more significant is the fact that there are going to be 30 such "cities" across Nigeria. It is a veritable bank of IT infrastructure for the nation.

This is just one of the epic stories coming from the house of Chams. We made history when we finished in record time the 70 million voters' card contract in 2007. The opening of the biggest card personalization plant in the world in Abuja was also historic. **History will record another feat when a Nigerian company successfully implements the National Identity Management Solution.** The Federal Government of Nigeria commissioned Chams to carry out this national assignment in 2007. We are starting the implementation of the pilot stage of this project during the fourth quarter of 2010. Various committees on the legal, financial, and technical aspects of the work have done a lot in the definition of the roles and responsibilities of the various partners of the implementing consortium. This project would deliver superlative benefits to Nigerians in terms of access to credit, pension, identification, and social services as well as secure payment platforms - among other, even yet-to-be-defined possibilities.

The global environment is presently experiencing a revolution in the financial, economic, social, and even political landscape, when phenomena hitherto considered as "unthinkable" are becoming reality. We at Chams find it an auspicious time to be numbered as citizens of the global corporate world in the ICT sector. Chams took a symbolic step to affirm this international citizenship when it changed its profile from Chams Nigeria Plc to become Chams Plc. Standing on the pinnacle of innovation in ICT, we can tell the world that the Future is Global. The world-class processes, products, and services that our clients have long experienced got onto the radar of folks at the International Organization for Standardization. January 2008 saw Chams Plc being recognized with the ISO 9001:2000 Certification after the company submitted for a qualifying audit. This recognition ensures that our quality management system is set to the highest standards via an approved and documented process. Moreover, in line with our avowed intent of becoming the leading provider of innovative and beneficial technologies that improve the quality of life and glorify God, we are now able to broaden and expand the reach of our wide range of products and services, even beyond our shores. After all, we are a champion of a key ingredient of Globalisation, the ICT.

The future starts today. And Chams is a global player in this brave new world!

Directors, Officers & Professional Advisers

Board of Directors

- **Prof Adebayo Dada Akinde** - *Chairman*
- **Mr Demola Aladekomo** - *Managing Director*
- **Chief Jacob Moroti Bankole** - *Member*
- **Alhaji Idi Mohammed Farouk** MFR - *Member*
- **Engr Akin Sawyerr** - *Member*
- **Alhaji Tunde Yusuf** - *Member*
- **Mr Femi Williams** - *Member*
- **Very Revd Ayo Richards** * - *Member*
**(Appointed in 2009)*

Company Secretary

- **Idowu Logile Esq**

Legal Adviser

- **Tony Uponi & Co**
Lewis Street
Lagos

Solicitors

- **PAC Solicitors**
Suite 18, Tafawa Balewa Square
Lagos

Registered Office

- 8 Louis Solomon Close, off Ahmadu Bello Way,
Victoria Island Lagos

Auditors

- **Akintola Williams Deloitte**
235 Ikorodu Road
Ilupeju,
Lagos

Registrars

- **First Registrars**
Plot 2 Abebe Village Road
Iganmu
Lagos

Bankers

- **UBA PLC**
Plot 226 Idowu Taylor Street
Victoria Island
Lagos
- **First Bank PLC**
Adeola Odeku
Victoria Island
Lagos
- **Zenith Bank PLC**
Ajose Adeogun
Victoria Island
Lagos
- **GTBank PLC**
Awolowo Road
Ikoyi
Lagos
- **Fidelity Bank PLC**
Kofo Abayomi Street
Victoria Island Lagos
- **Skye Bank PLC**
Adeola Hopewell Street
Victoria Island
Lagos
- **Equitorial Trust Bank**
Adeola Odeku
Victoria Island
Lagos
- **Access Bank PLC**
Awolowo Road
Ikoyi
Lagos
- **Wema PLC**
Idowu Taylor Street
Victoria Island
Lagos

CHAMS PLC

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Seventh Annual General Meeting of Chams Plc will hold on Wednesday 27th October, 2010 at Chams PLC, Plot 1288, Ahmadu Bello Way, Garki, Area 11, Abuja, at 11:00am to transact the following businesses:

ORDINARY BUSINESS

1. To lay before the members the Audited Financial Statements for the Year ended 31st December, 2009 and the Reports of the Directors, Auditors and Audit Committee thereon.
2. To elect/re-elect the Directors.
3. To fix the remuneration of the Directors.
4. To authorize the Directors to fix the remuneration of the Auditors.
5. To appoint the members of the Audit Committee.

Dated this 5th day of October, 2010.

BY ORDER OF THE BOARD

Idowu Logile Esq.

COMPANY SECRETARY

NOTES:

A. PROXIES

A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A blank proxy form is attached and if intended to be used, it should be duly completed and deposited at the Company, Chams PLC, 8 Louis Solomon Close, Victoris Island, Lagos not less than Forty-eight (48) hours before the time of holding the meeting.

B. AUDIT COMMITTEE

In accordance with section 359(6) of the Companies and Allied Matters Act, Cap C20 LFN 2004, any shareholder may nominate another shareholder for appointment as a member of the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least Twenty-one (21) days before the Annual General Meeting.



Chairman's Statement

Distinguished shareholders, members of the board of directors, it gives me great pleasure to welcome you to the Annual General Meeting of your company. This date is very monumental in the history of your company as it marks its 25th year anniversary as an organization. I therefore congratulate us all on this auspicious occasion.

As is customary, I hereby present a summary of significant developments in the operating environment that affected our operations and performance scorecard for the year ended 31 December 2009. Additionally, I will broadly share with you the outlook for the year 2010.

Overview of Prevailing Economic Situation

Whilst it appeared that the developed economies were beginning to recover from the protracted effect of the global economic meltdown that hit the world economies in 2007, the Nigerian economy this year was under severe pressure by the attendant factors of the global recession. This manifested in significant declines in economic activity, huge liquidity squeeze, restiveness in the Niger Delta, which affected the production of crude oil, general erosion of wealth and the capital flight from the Nigerian Capital Market.

To salvage the situation, major and unprecedented changes were introduced in the regulatory environment, especially the financial service sector. These changes created challenges of survival for emerging businesses and the government alike; in turn, it resulted in acute shakeup for many businesses, bank bailouts, and severe collateral damage in the country especially financial service industry.

The impact of the global crisis might have been worse, save that your company was built on a strong and enduring foundation, sound corporate governance, integrity, and exceptional intellectual capacity. It is noteworthy that your company was able to navigate the challenging year by converting the various challenges to opportunities.

Still within this infamous year under review, your company got a triple B rating (Investment grade) from Augusto & Co being the first in the IT INDUSTRY to get such rating. The report signifies that your company has a qualified and experienced management team, adequate working capital, and low leverage amongst others. It also showed that your company has satisfactory financial conditions and adequate capacity to meet its obligations as and when due.

The need to boost its operating capacity and with the peculiarities of the prevailing economic conditions, led your company to approach some banks for facilities which made up over 55% of the total creditors in the balance sheet. Your company has since been working with both local and foreign investors to enhance group expansion and profitability of the organization.

The financial support provided for your company are from two notable banks namely: Skye Bank (N200M) and ETB (N500M)

Company performance

Following the corporate business strategy of building infrastructure and driving performance from the corporate private sector rather than undue concentration on the Public Sector as we had erstwhile done, your

company continued to build infrastructure and enhance its operating capacity to take position in the private sector. In this vein, we established two new business units – ChamsVarsity and Naira.Com. We also opened two new ChamsCity centres in Port Harcourt and Benin, in addition to the existing centres.

ChamsCity – owing to the peculiar economic situation in the country, which almost made project funding unworkable, as both local and international banks, were wary and or reluctant to provide funds for the Nigerian market, we were able to set up additional two ChamsCity centres in Port Harcourt and Benin. The existing centres have been optimized in usage as it has become the hub of e testing – conducted for PTDF exams nationwide; platform for training – Microsoft, SAP etc.

Naira.com – is a one-stop transaction portal that offers aggregated information service, transactions services and infrastructure service. No sooner than they went live later in 2009 after a long period of pilot testing, they were immediately signed up by Leaders and Company, publishers of Thisday Newspaper and organizers of the annual Thisday Music Concert to handle the e-ticketing for ThisDay Music Festival. They also collaborated with Microsoft International to provide online and onsite registration and payment for the Microsoft partner and developer training which held in Nigeria. Naira.com was also responsible for handling the e-ticketing for our Chams Theatre Series 2.

Naira.com has since then built a considerable database of merchants signed up on their portal. They have also provided infrastructure services for both private; religious and government institutions by helping them revamp their websites and developing payment applet solutions for such sites. The number of hits on the Naira.com site has continued to grow since they went live.

ChamsVarsity – is the training arm of your company, responsible for managing the annual Chams Management Trainee programme. The unit was within the Human Capital department and was responsible for equipping and entrenching management trainee in the company values, culture, and requisite business skills. The unit saw to the recruitment of three sets of management trainees in 2007, 2008 and 2009.

With the experience garnered over the years regarding the knowledge gap for requisite ICT skills amongst graduates and undergraduates, the board in 2009 ratified the establishment of ChamsVarsity as a strategic business unit. The unit was set up in the last quarter of the year to provide ICT training and bridge the identified ICT gap between theory and practice in the country.

Presently located at ChamsCity centres in Lagos, Abuja, and PortHarcourt, ChamsVarsity has since 2010 commenced business and is positioned as the preferred and world class ICT institution in the country owing to its pedigree as a Chams offering.

ChamsVarsity worked with other related business units in the company to bid for the Amnesty Training programme for ex-militants in the Niger Delta and is responsible for facilitating the training deliverables in the project.

In spite of all these commendable activities and investment, your company regrettably grappled with a loss position in the year under review. Though the position is considered reasonable compared to other organizations in the same sector, we are more than ever committed to changing the tide for better.

Capital Market Activity update

The harsh operating environment hampered the performance of most companies as shown in the results of a number of quoted companies. Rising unemployment, weakened purchasing power, and weakened investor confidence further exerted downward pressure on the stock market. The impact of the global economic meltdown worsened the scenario as foreign investors shunned assets considered risky while local investors sought refuge in short-term securities. In the long term, the decision is healthy for the market, in the sense that it would show a true and fair position of the institutions concerned.

Nonetheless, your company was listed as the only company in its sector on the top 20 most active stocks on the exchange with other reputable brands like UBA, First Bank, GTBank etc. In the year under review, its share price averaged N1.07.

Overall, the Exchange's Turnover Ratio dropped from 21.86% in 2008 to 13.26% in 2009, attributing to the decline in stock prices.

Board of Directors

In 2009, Chief Olusegun Osunkeye resigned from the board, having positively affected your company with his wealth of experience as a renowned boardroom player in Nigeria. The Board has appointed The Very Revd. Ayo Richards as a member of the Chams Plc Board of Directors. Rev. Richards has distinguished himself in various fields of human endeavour. His appointment would greatly serve to complement our rising status as a leader in our industry and larger market. With over 20 years of experience in the banking sector, Revd Richards has occupied positions such as a one-time Managing Director of (GTB) Guaranty Trust Bank (Gambia), DGM of Access Bank. He currently runs a



Management Consultancy Firm.

Revd Richards brings to the Board a strong professional pedigree and a multi disciplinary exposure that can only further galvanise your company's leadership pool and positioning.

Our Workforce

Following the Agosto Rating Report, your company embarked upon an aggressive staff performance assessment to strengthen our learning culture in keeping with the company's results based management approach. We focused on the senior line managers with efforts directed at increased delegation and devolution of authority together with strengthened accountability.

In order to implement our 2009 budget, we brought in additional resources (51 Management Trainees) to build company knowledge base capacity and increase the propensity of meeting our 2009 budget. Good progress was made in laying the foundation for the achievement of targets, with focus on initiating/strengthening processes, establishing baseline indicators and creating "buy-in" by managers and staff.

The implementation of 2009 strategy (by HCD) involved simultaneous actions in essential staff welfare and security arrangement such as introducing the Mentorship program, Annual Leave Management, introduction of Award programs.

Crucial to the successful implementation of the strategy are a number of supporting measures on which management has already taken action. This includes enhanced effectiveness of HCD department, improved alignment of HCD policies (Relocation, Leave etc) with the implementation of decent work programs within a result based management framework and the establishment of a more effective monitoring and reporting system.

In 2009, Chams PLC and subsidiary companies granted internship opportunities to approximately 25 young persons. The internship program provided a source of potential future recruits.

The Human Capital Department assessed its internal workflows by taking measures to address existing bottlenecks within the system. This includes a re-organization of the HCD unit that streamlined internal work processes through dialogue with managers about future staffing requirements

e.g. assigning staff of HCD to different departments as their strategic partners. HCD undertook a review of its structure, procedures, and operations.

For 2010, an effective, fair, and equitable performance management and measurement system that meets modern international standards of good practice will be implemented with the view to promoting and supporting staff learning and development. In addition, an effective monitoring, reporting, and evaluation system is being implemented to ensure accountability in the execution of company strategy.

Performance Milestones

- Triple B rating by Agosto
- ChamsCity opened in Port-Harcourt and Benin
- ChamsAccess awarded Independent Automatic Teller Machine Deplorer License (IAD) by the Central Bank of Nigeria.
- Introduction of ChamsVarsity as a strategic business unit of Chams PLC
- Public Launch of Naira.com
- Chams Plc awarded NCC Subscriber Identification Module (SIM) Registration project
- Building of Digital database for Nigerian Bar Association
- Launching of Go-card – Nigeria’s first transport system card by SuperCard
- Signing of \$26million Partnership deal with Daewoo International and Bitel
- Commencement of USPF Communication centres by ChamsAccess Limited
- Successful staging of Chams Theatre Series 2

Corporate Social Responsibility

Your company is dedicated to maintaining best international practices in corporate governance. We believe that there can be no substitute for sound ethics and good corporate governance in business. We will not compromise these core principles.

Your company is sensitive to the environment in which it carries on business and in responding to the needs in the Society, embarked on the following projects:

1) Chams Theatre Series – The Company adapted the Book *Ireke Onibudo* written by the renowned playwright D. O. Fagunwa for stage performance. The performances received widespread acclaim in four major Nigerian cities,



Lagos, Abuja, Akure, and Ibadan. The idea and sponsorship of the play is your company’s direct effort at reviving the Theatre culture Nigeria apart from creating jobs for theatre practitioners.

2) Financial Assistance – Your Company renders assistance to organizations, individuals and deserving causes e.g. Volunteer Corps, Destitute homes etc. where apart from financial assistance employees voluntarily render their services/ assistance as the case may be.

3) Soup Kitchen – Members of staff contribute resources and physically engage in the cooking of meals for distribution to Prisons and the less privileged in the society.

Future Prospects

Esteemed shareholders, in spite of all odds, I congratulate you as your company marks 25 years as solution providers of choice. Looking into the future, I believe that our success will be measured by the quality of the service we provide and our commitment to do a lot more than is expected. I have no doubt whatsoever that we shall be richly blessed with impressive performance in the years ahead if we stay focused and committed.

I would like to use this opportunity to thank my colleagues on the Board, the management and employees for their dedication and unwavering support despite the difficulties experienced in 2009. To you my shareholders, I would like to thank you for your loyalty and faithfulness to the company.

Thank you and God Bless.

RT. REVD. (PROF.) A. D. AKINDE

Chairman

Managing Director's Review

Distinguished shareholders, fellow directors, colleagues in management, and our dear customers.

It is my great pleasure to welcome you all to the Annual General Meeting of your Company - Chams Plc.

This meeting is particularly significant, as it would remain indelibly etched in our minds as a gathering in the year we mark our 25 years of innovation. Our AGM this year is more of a gathering of people united by a common cause and passion for the information and communication technology sector in our country and our company.

There is so much reality to the often trite expression, how time flies, but it seems just like yesterday when we commenced on this long journey that has now reached the quarter century mark. Our guide has been a three-point compass consisting of faith, family, and friends.

Faith in the Divine has propelled your company. The challenges of the operating environment and the peculiarity of our pioneering initiatives have deepened our faith while divine favour and interventions in overcoming difficulties have strengthened it. In addition, what could we have done without family and friends? The Chams Group has grown as a family of people united by a common cause and passion. It started with our nuclear families at inception, to the direct family of Chams employees and expanded to include thousands of shareholders. From the beginning, our clients have been more friends than business associates. We have thus chosen to view and treat our clients and customers as friends of the business.

The Chams business is proof of the primacy of ideas in business. We have grown based on identifying gaps in the market and seeking solutions with superior ideas. People were willing to pay us to fill those gaps in the market with products and services. It took nearly twenty years before we ever sought external funding, mainly for the bigger ideas that came along and which we now call our infrastructure projects.

Chams has worked for the leading lights of the Nigerian business community, from maintaining computers in our salad days to networking and then moving into identity and payments. Many stories flow from each of those experiences. We remember vividly travelling all the way to the United



States to pick up 10MB of memory; it was a big deal then, but now the average phone has more data storage capacity. We remember the sight of the Group Managing Director of the country's then leading conglomerate calling a big event to celebrate the fact that we successfully networked five systems for them. Or bidding for and successfully producing the first national ID cards for Nigeria, then losing the main contract for non-technical reasons, and returning to now be part of the full-scale roll out.

We will share many of these stories during our Silver Jubilee celebrations, with succeeding sets of management trainees and as case notes at ChamsVarsity. Above all, we are grateful to our friends for the opportunity and to the tripod of faith, family and friends for the shared experiences.

Silver linings despite dark clouds

The review period coincided with the challenges in the global and Nigerian economy. The global economy battled for a seemingly bleak recovery from the impact of the recession. In Nigeria, the changes hit the financial sector and in particular the capital market with not so pleasant consequences for our company's share price and for our shareholders.

Through the dark clouds, there were silver linings as your

company grew its sinews in developing infrastructure as well as portals for identity and payments.

Naira.com: The one stop multi transactional portal was strategically set up to render-automated services of bill payment, e-food ordering, hotel reservations etc commenced operations.

Chams Varsity: The ICT training and knowledge acquisition division of the Company set with world-class facilities and resource persons to train ICT professionals with the aim to building a strong ICT force.

Triple B" Rating by Agosto & Co: Your company was assigned a "Bbb" rating by Agosto & Co, the world acclaimed research and credit rating company. The rating reflected the strong attributes of your company including adequate working capital, low leverage and stable management.

Rather than just focus on our achievements in 2009, permit me to highlight the headwinds we have faced and the challenges we see ahead. I will then lay out our strategic priorities for 2010.

Challenges

Our Challenge in 2009 was how to manage the recession-smitten economy and exploit fully our advantages. By our scorecard today, it is evident that we have learnt how to convert challenges into opportunities and have weathered the storm very well.

May I assure our various stakeholders that, we shall sing a new song of improved performance in 2010.

Strategic Priorities

Our core business is customer centred and involves designing and deploying innovative and beneficial technologies that improve the quality of lives. In other to achieve this objective, we shall ensure the seamless integration of our customers, our people, processes, technology, and risk. We aim at developing broader relationships with our clients, ensuring proper understanding of both individuals and industries peculiarities with a view of developing specifically tailored solutions to meet their ever-changing needs.

Through the effective use of technology and people, we are committed to enhancing our processes and systems whilst ensuring sustenance of our status as the leading Information and communications Technology solutions provider by upholding long standing relationships, capabilities and a good reputation.

Outlook

The following have been identified as representative of the 2010 outlook:

- With the worst of 2009 behind us, it is my belief that the New Year 2010 will herald great opportunities for your company. Most of the massive projects for which foundations were laid in 2009 will begin to mature.
- It is also expected that, the impact of the interventions of the CBN and the Federal Government should be felt in the economy so that business activities and idea will thrive again.
- Harmonization of funding mix for business
- Entrenchment of efficient risk management system,
- Be the leading provider of innovative and beneficial technologies that improves the quality of life
- Increase profitability

Conclusion

The challenges of 2009 to the Chams group notwithstanding, our focus in 2010 is to improve the financial and operating performance, as we remain committed to creating value for our stakeholders. We shall re-energize the group for improved performance.

There is excitement in the Group because of the completion at the tail end of the financial year of our infrastructure projects. Your company is, as it were, commencing a new cycle, with new projects that promise very good financial returns.

The next five years promise to be highly profitable for the Chams Group, even as the last two have been not so good. We spent the period investing to get our infrastructure up and running. It has been like building an express road; it takes a number of years to build it, during which you keep spending, but once it is completed, you just put a tollgate there and you will be collecting.

Our infrastructure projects are now set to take off with all the promise that holds in returns for the company and its shareholders.

I am particularly appreciative of the support we received from our clients and customers, our investors and our regulators. As we mark our 25th Anniversary of business operations in non-stop innovation, we would continue to entrench the spirit of excellence in innovation whilst maintaining our commitment to improving the quality of lives by designing and deploying innovative technology for our people in a manner that glorifies God.

Thank you and God bless you all.



DEMOLA ALADEKOMO

Corporate Governance

Corporate governance is concerned with the way in which companies are run in order to achieve their desired objectives. Corporate governance ensures that a company is run responsibly and efficiently, thereby maximizing the wealth of shareholders and other stakeholders. The practice of corporate governance fosters openness, transparency, accountability, honesty, selflessness, integrity, leadership, monitoring of performance and leadership. The companies that make up Chams Group are advocates and practitioners of corporate governance. This is visible through the adherence of international best practice in the following areas:

Compliance With The Code Of Corporate Governance

Chams Plc continuously strives to comply with global standards of corporate governance. The company has separated the posts of managing director and chairman and the chairman is not involved in the day to day running of the company. This is geared towards avoiding the concentration of too much power in a single individual.

The Board as a whole is comprised of a number of sub-committees amongst which are audit, finance and technical committees. The Board is also comprised of high profile non executive members serving in various capacities in the sub –committees mentioned above and involved in setting the emoluments of the managing director and other directors of the company. The non-executive directors are appointed for a fixed period and have to be re-elected by the shareholders at an AGM. The company is committed to full disclosure and transparency in providing information to all stakeholders because of its belief that this is the most important driving force in any good governance process.

Risk Management Function

All through the group, there is an internal audit function that ensures compliance, operational and financial controls are in place, in order to minimize risk. The Internal Audit unit ensures these functions are performed.

Publishing Of Financial Statements And Auditors Report

The implementation of audit exercises and the publishing

of company annual reports as well as group annual reports help to foster transparency and openness, The use of highly qualified external auditors from reputable audit firms helps to minimize external risks as well as ensuring that information contained in financial reports are accurate. Your company is continuously working on improving the free flow of information to all stakeholders and the general public.

Communication Between Board Of Directors And Shareholders

Apart from the Annual General Meetings your company has recognized the need to carry the shareholders along through periodic sensitization of developments in the organization. This is to ensure there is an avenue for continuous flow of information to foster better understanding.

Corporate Social Responsibility

This is an integral part of the activities of the companies in the Chams Group. We believe in giving back to the society and this is done through activities such as the Chams Theatre Series, a strategic contribution of Chams PLC to the rejuvenation and growth of the Arts in Nigeria and the Soup Kitchen through which we reach the under-privileged and disadvantaged in the society.

Goal Congruence Among Stakeholder Groups

This has to do with ensuring there is synergy between Directors and shareholders thereby reducing conflict and ensuring that directors fully maximize the wealth of shareholders. Other stakeholders such as suppliers, employees and so on, are also taken into consideration in order to ensure that components of each organization are working in tandem towards the realization of stated objectives.

Remuneration

The remuneration committee's work is to ensure that remuneration of directors and top level management are performance-based in order to ensure that directors/managers are not rewarded for failure and non performance.

Quality Control

The organizations within the Chams Group work assiduously to ensure their operations meet international standards. This can be seen through the award of ISO certification to some member companies in the group, while plans towards getting ISO certified are in top gear for those yet to be certified.

Board Finance And Corporate Governance Committee

The committee acts on behalf of the board on matters relating to financial management. It reviews the budget and audited accounts and is responsible for providing useful advice to the company's management team as and when required. The members are as follows;

		No of meetings	Attendance
Mr Femi Williams	Chairman	2	2
Mr. Idowu Logile	Secretary	2	2
Mr. Demola Aladekomo	Member	2	2
Mr Olayinka Odukoya	Member	2	2
Mrs Olayinka Ikiebe	Member	2	2

Audit Committee

This is established in accordance with part C of the code of corporate governance. It comprises dedicated individuals with proven integrity that have a thorough understanding of standard accounting practice

		No of meetings	Attendance
Chief Joseph Sanusi	Chairman	2	2
Mrs. Moji Osiyemi	Member	2	2
Alhaji Tunde Yusuf	Member	2	2
Onochie Emmanuel	Member	2	2



Directors' Report for the year ended 31 December 2009

The Directors present their annual report on the affairs of Chams Plc ("the Company"), and subsidiaries ("the Group"), together with the group audited financial statements and the auditor's report for the year ended 31 December 2009.

1. Principal Activities

The principal activities of Chams Plc and its subsidiaries continue to be the provision of identification, transaction and payment solutions. This includes the development, deployment, implementation and maintenance of technology based systems, computing and solutions platforms, communication infrastructure and other services designed to facilitate the operations of all forms of electronic business.

2. Legal Form

The company was incorporated as a private limited company on September 19th 1985 and became a public limited company in 2007. At the 23rd Annual General Meeting of the Company, the shareholders authorised the Directors to change the name Chams Nigeria PLC to CHAMS PLC. Subsequent to the Placements authorised by the shareholders, an application was made to the Council of the Nigeria Stock Exchange for the admission of all the issued and paid up shares of the Company to the Daily Official List of the Exchange through Listing by Introduction.

3. Subsidiaries

The company has Five subsidiaries; **SuperCard Nigeria limited** which is engaged in the business of identity management; **CardCentre Nigeria Limited**, engaged in the production and manufacturing of Cards – Identity, payments, Smart cards et al; **PayMaster Limited**, engaged in the deployment of Point of Transaction and point of sales terminals; **ChamsAccess limited**, a licensed consortium for the deployment of ATMs in the country also involved in the deployment of multi application terminals; and **ChamsSwitch**, engaged in provision of the e-payment transaction processing platform for the Nigerian Market.

4. Share capital History

Year	Authorized		Issued Share Capital		Consideration
	Increase	Cummulative	Increase	Cummulative	
1985	100,000	100,000	100,000	100,000	Cash
2004	99,900,000	100,000,000	0	100,000	Cash
2005	200,000,000	300,000,000	0	100,000	Cash
2006	0	300,000,000	99,900,000	100,000,000	Cash
2007	2,200,000,000	2,500,000,000	72,060,000	172,060,000	Cash
2007	2,500,000,000	5,000,000,000	172,060,000	344,120,000	Cash
2007	0	5,000,000,000	1,378,480,000	1,720,600,000	4 for 1 Bonus
2008	0	5,000,000,000	2,000,000,000	3,720,600,000	Cash
2008	0	5,000,000,000	975,000,000	4,695,600,000	Cash
2009	0	5,000,000,000	0	4,696,060,000.00	cash

5. Directors who served during the year

The following Directors served during the year under review:

<i>Name</i>	<i>Designation</i>
a. Bishop A.D. Akinde	Chairman
b. Mr. Demola Aladekomo	Member
c. Chief Moroti Bankole	Member
d. Alhaji Idi Mohammed Farouk	Member
e. Engr. Akin Sawyer	Member
f. Mr. Femi Williams	Member
g. Mr. Tunde Yusuf	Member
h. Very Revd Ayo Richards	Member

6. Directors' interest in shares

The Directors who served during the year and their interests in the shares of the Company are as follows:

	<i>Directors' Shareholding</i>	
	<i>Dec. 2009 Direct Units</i>	<i>Dec. 2008 Direct Units</i>
A Bishop A.D Akinde	30,215,000	30,215,000
B Engr. Akin Sawyerr	3,240,000	3,240,000
C Alh. Tunde Yussuf	50,000,000	70,000,000
D Alh. Idi Farouk	13,240,000	13,240,000
E Demola Aladekomo	564,550,229	549,141,000
F Olufemi Williams	32,000,000	32,000,000
G Very Rev. Ayo Richards	0	0
H Chief J. O. Bankole	11,800,000	126,707

7. Disclosure Of Substantial Shareholding (Above 5%) As At 31 December 2009

<i>Shareholder</i>	<i>Number of Shares</i>	<i>%</i>
a. Demola Aladekomo	563,810,229	12.02
b. SmartCity	547,365,703	11.66

8. Analysis of shareholding

The analysis of the distribution of the shares of the Company as at 31 December 2008 is as follows:

<i>Range of shares</i>	<i>Number of Shareholders</i>	<i>%</i>	<i>Number of shares</i>	<i>%</i>
1-1,000	698	4.86%	267,292	0.01%
1,001- 5,000	2310	16.08%	3,771,322	0.08%
5,001- 10,000	2162	15.05%	6,973,484	0.15%
10,001 - 20,000	1258	8.76%	10,243,427	0.22%
20,001 - 50,000	1601	11.15%	62,302,887	1.33%
50,001 - 100,000	2060	14.34%	88,435,110	1.88%
100,001 - 200,000	1200	8.35%	101,105,894	2.15%
200,001 - 500,000	1388	9.66%	260,187,064	5.54%
500,000 - 10,000,000	1586	11.04%	1,752,379,775	37.32%
10,000,001 and above	102	0.71%	2,410,393,844	51.33%
Total	14365	100%	4696060099	100%

9. Statement of Directors' responsibilities for the financial statements for the year ended 31 December 2009

In accordance with the provisions of the Companies and Allied Matters Act of Nigeria, the Directors are responsible for the preparation of financial statements, which give a true and fair view of the state of affairs of the Company and of the profit or loss for that year. In so doing, the Directors are required to ensure that:

- Proper accounting records are maintained which disclose with reasonable accuracy the financial position of the Company and which ensures that financial statements comply with the requirements of the Companies and Allied Matters Act.
- Applicable accounting standards are followed.
- Suitable accounting policies are adopted and consistently applied.
- Judgments and estimates made are reasonable and prudent.
- The going concern basis is used, unless it is inappropriate to presume that the Company will continue in business.
- Internal control procedures are instituted which, as far as is reasonably possible, safeguard the assets of the Company and prevent and detect fraud and other irregularities.

10. Donations and Charitable Gifts

The Company identifies with the aspirations of the community as well as the environment within which it operates and made voluntary donations to various charitable organizations and other institutions in the country details of which are shown below. No donation was made to any political organization.

The Company during the year donated a total sum of N3,359,500 to various good causes.

11. Fixed assets

Information relating to changes in tangible assets is given in note 6 of the financial statement.

12. Employment and employees

a. Employment of physically challenged persons

The Company has a non-discriminatory policy on recruitment. Applications would always be welcomed from suitably qualified disabled persons and are reviewed strictly on qualification. The Company's policy is that the highest qualified and most experienced persons are recruited for appropriate job levels irrespective of an applicant's state of origin, ethnicity, religion or physical condition.

b. Health safety and welfare of employees

Health and safety regulations are in force within the Company's premises and employees are aware of existing regulations. The Company provides subsidies to all level of employees for medical expenses, transportation, housing, lunch etc.

c. Employees involvement and training

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

Training is carried out at various levels through both in-house and external courses. Incentive schemes designed to encourage the involvement of employees in the Company's performance are implemented whenever appropriate.

13. Post Balance Sheet Events

There were no post balance sheet events which could have had a material effect on the state of affairs of the Company as at 31 December 2009 or the loss for the year ended on that date, which have not been adequately provided for or disclosed.

14. Compliance with the Code of Corporate Governance

Chams Plc continuously strives to comply with global standards of corporate governance. The Company has separated the posts of Managing Director and Chairman and the Chairman is not involved in the day-to-day running of the Company. This is geared towards avoiding the concentration of too much power in a single individual.

The Board as a whole is comprised of a number of sub-Committees amongst which are Audit, Finance and Technical Committees. The Board is also comprised of high profile non-executive members serving in various capacities at the sub-Committees mentioned above and involved in setting the emoluments of the Managing Director and other Directors of the Company. The non-executive directors are appointed for a fixed period and have to be re-elected by the shareholders at an AGM. The Company is committed to full disclosure and transparency in providing information to all stakeholders because of its belief that this is the most important driving force in any good governance process.

15. Board Finance and Corporate Governance Committee

The Committee acts on behalf of the Board on matters relating to Financial Management. It reviews the Budget and Audited Accounts and is responsible for providing useful advice to the Company's management team as and when required.

The members are as follows:

- a. Mr. Olufemi Williams - Chairman
- b. Mr. Idowu Logile Esq. - Secretary
- c. Mr. Olufemi Williams - Member
- d. Mr. Demola Aladekomo - Member
- e. Mr. Olayinka Odukoya - Member
- f. Mrs. Olayinka Ikiebe - Member

16. Innovation, Operations and Strategy Committee

They have the responsibility of looking into all technical services agreements the Company goes into with a view to maximising stakeholder's benefits from such agreements. The members are as follows:

- a. Alhaji Tunde Yusuf
- b. Mr. Sunday O. Williams
- c. Mr. Demola Aladekomo
- d. Engr. Akin Sawyer

17. Nomination and Remuneration Committee

The Committee is responsible for fixing the remuneration of Executive Directors of the Company and reviewing any proposed change in the staff salary of the Company.

The members are as follows:

- a. Chief Moroti Bankole
- b. Alhaji Tunde Yusuf
- c. Alhaji Idi Farouk
- d. Mr. Demola Aladekomo

18. Board Meetings

The Board and its Committees met as follows:

<i>Board/Committee Meeting</i>	<i>No of meetings</i>
• Board of Directors	4
• Chams Plc Audit Committee	2
• Board Finance and General Purpose Committee	2
• Board Innovation, Operations and Strategy Committee	Nil
• Board Nomination and Remuneration Committee	Nil

19. Attendance at Board meetings for the year ended 31 December 2009

<i>Directors</i>	<i>No of Meetings</i>	<i>Attendance</i>
Bishop A.D. Akinde	4	4
Mr. Demola Aladekomo	4	4
Alhaji Idi Farouk	4	4
Mr. Tunde Yusuf	4	4
Mr. Femi Williams	4	4
Engr. Akin Sawyer	4	4
Chief Bankole Moroti	4	3

20. Auditors

Akintola Williams Deloitte have indicated their willingness to continue in office. In accordance with Section 357(2) of the Company and Allied Matters Act of Nigeria, a resolution will be proposed at the Annual General Meeting to authorise some of the Directors to fix their remuneration.

BY ORDER OF THE BOARD

Idowu Logile Esq

13TH SEPTEMBER 2010

“Managing threats from the larger environment is as important as coping with competition in the business world. The Chams Group has learnt the fine art of managing the challenges of the Nigerian business environment. Our response has been to develop strategic initiatives that have in turn changed the shape, structure and focus of the Chams business while retaining our core essence and values.”

The Board of Directors



Rt. Rev. (Prof.) A. D. Akinde
(Chairman)

Mr. Demola Aladekomo

Engr. Akin Sawyer

Alhaji Tunde Yusuf



Alhaji Idi Farouk MFR

Chief Moroti Bankole

Mr Femi Williams

Very Rev Ayo Richards

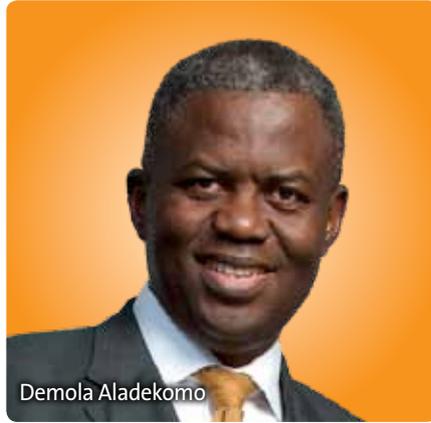
Chams Plc Group Heads





From left to right: **Mr Gavin Young** - Managing Director, ChamsSwitch; **Mr Olufemi Williams** - MD Supercard Ltd; **Mr Ademola Aladekomo**, MD Chams Plc; **Mr Goke Idris**, MD CardCentre Ltd; **Charles Uwagbade** - Acting MD, Paymaster; **Seye Femi-Gureje**, MD ChamsAccess

Chams Management Team



Demola Aladekomo



Yinka Odukoya



Funke AlomoOluwa



Juliet Ehimuan



Krishna Routhu



Idowu Logile



Omoyemi Oluleye



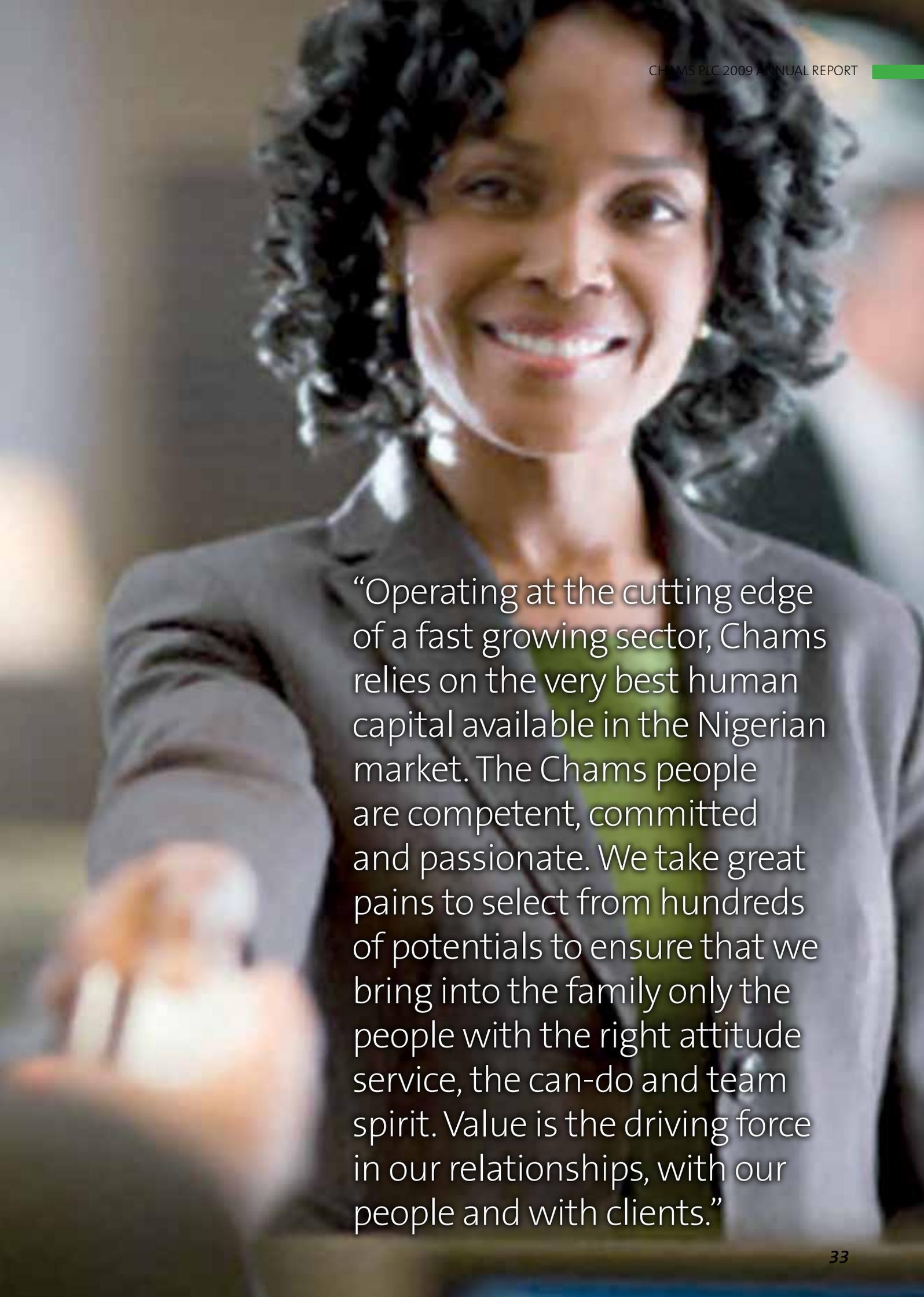
Olaseni Sadare



Olusola Omotayo



Olayinka Ikiebe



“Operating at the cutting edge of a fast growing sector, Chams relies on the very best human capital available in the Nigerian market. The Chams people are competent, committed and passionate. We take great pains to select from hundreds of potentials to ensure that we bring into the family only the people with the right attitude service, the can-do and team spirit. Value is the driving force in our relationships, with our people and with clients.”

Report of the Audit committee

TO THE MEMBERS OF **CHAMS PLC**

In accordance with the provision of section 359 (6) of the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004, we confirm that we have reviewed the audit plan and scope, and the Management Letter on the audit of the accounts of the Company and the responses to the said Letter.

In our opinion, the plan and scope of the audit for the period ended December 2009 were adequate. We have reviewed the Auditors' findings and we are satisfied with the Management responses thereon.

We also confirm that the accounting and reporting policies of the Company are in accordance with legal requirements and ethical practices.



Chief J. O. Sanusi

Chairman Audit Committee

SEPTEMBER 7, 2010

Members of the Audit Committee

- Chief J. O. Sanusi - Chairman
- Mrs Moji Osiyemi - Member
- Mr Tunde Yusuf - Member
- Mr Emmanuel Onochie - Member

Deloitte.

Independent Auditor's Report

TO THE MEMBERS OF **CHAMS PLC**

We have audited the accompanying consolidated financial statements of Chams Plc and its subsidiaries, set out on pages 2 to 24 which comprise the consolidated balance sheet as at 31 December 2009, the consolidated income statement, consolidated statement of cash flows, consolidated statement of value added for the year then ended, summary of significant accounting policies, financial summary and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Companies and Allied Matters Act, Cap C20, LFN 2004, and for such internal control as the Directors determine are necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Chams Plc and its subsidiaries as at 31 December 2009, and of its financial performance and its consolidated cash flows for the year then ended; the group has kept proper books of account, which are in agreement with the consolidated balance sheet and consolidated income statement, in the manner required by the Companies and Allied Matters Act, Cap C20, LFN 2004, and, in accordance with the Statements of Accounting Standards issued by the Nigerian Accounting Standards Board.

A Cantale Williams Deloitte

Chartered Accountants
Lagos, Nigeria



13 September 2010

Statement Of Significant Accounting Policies

For The Year Ended 31 December 2009

The following are the significant accounting policies adopted by the Company and its subsidiaries in the preparation of these financial statements:

1. Basis of accounting

The consolidated financial statements have been prepared under the historical cost basis as modified by the inclusion of motor vehicles, furniture, fittings, building and equipment at professional valuation.

2. Basis of consolidation

The consolidated financial statements include the financial statements of Chams Plc. and its subsidiaries; Card Centre Nigeria Limited, Supercard Nigeria Limited, Chams Switch Limited and Chams Access Limited; all made up to 31 December 2009. Paymaster Limited and Chams Mobile Limited were not consolidated as the results are considered insignificant.

3. Turnover

Turnover comprises the value of sales invoiced to third parties. Contract revenue is recognised when project is completed and related cost taken to work in progress.

4. Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation.

5. Depreciation

Fixed assets are depreciated on a straight line basis at the following annual rates which are expected to write off the cost or valuation of the assets over their anticipated useful lives:-

	%
Building	2
Plant and machinery	15
Motor vehicles	25
Furniture, fittings and equipment	25

6. Investments

Investments held in other companies are stated at cost less adjustment for permanent diminution in value.

7. Stocks

These comprise saleable goods held and services rendered by the Company at the balance sheet date. These are valued at the lower of cost and net realisable value. Costs include purchase cost, conversion cost, (materials, labour and overhead) and other costs incurred in bringing the stocks to their present location and condition. Stocks are valued using the First-In-First-Out (FIFO) method.

The amount of any written down value of inventory to net realisable value and all losses of inventory is recognised as an

expense in the period the write down or loss occurs.

8. Debtors

Debtors are stated net of specific provision for any debt considered to be doubtful of collection.

9. Taxation

Income tax and education tax are provided by applying the current statutory rate on the taxable profit and adjusted profit respectively.

10. Deferred taxation

Deferred taxation is provided by the liability method which represents taxation at current rate on the difference between the net book values of fixed assets qualifying for capital allowances and their corresponding income tax values.

11. Foreign currencies

Transactions in foreign currencies are recorded in Naira at the rates of exchange ruling at the time they arise. Foreign currency balances are converted to Naira at the applicable rates at the balance sheet date. All differences arising therefrom are dealt with in the profit and loss account.

12. Pension scheme

The Company operates a defined contributory Staff Pension Scheme for its staff in accordance with the Pension Reform Act 2004. Employer and employees contribute 7.5% each of basic salary, transport and housing allowance. The Company's contribution to the pension scheme is charged to the profit and loss account.

13. Provisions

Provisions are recognized when the Company has present obligation whether legal or constructive, as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with the Statement of Accounting Standard (SAS) 23.

14. Segment reporting

The Company has three major business segments; Identity management & Solutions, Payments, Collections & Transactional Systems and Digital Platform & ICT training. Segment revenue and cost represent operating revenue and expenses respectively that are directly attributable to each business segment.

Consolidated Profit And Loss Account For The Year Ended 31 December 2009

	Notes	GROUP		COMPANY	
		2009 N'000	2008 N'000	2009 N'000	2008 N'000
Turnover	2	988,615	2,400,342	319,819	1,913,108
Cost of sales		(851,772)	(931,226)	(602,961)	(920,876)
Gross profit / (loss)		136,843	1,469,116	(283,142)	992,232
Other operating income	3	51,210	180,383	682,968	161,444
Administrative expenses		(2,682,145)	(1,296,897)	(1,092,697)	(855,078)
Operating (loss) / profit		(2,494,091)	352,602	(692,871)	298,598
Interest receivable and similar income		90,257	487,961	90,256	487,260
Interest payable and similar charges		(70,866)	(4,857)	(38,659)	(2,833)
(Loss) / profit on ordinary activities before taxation	4	(2,474,699)	835,706	(641,274)	783,025
Exceptional item	4.1	(257,855)	-	(977,933)	-
Taxation	5	(140,540)	(642,684)	(119,427)	(627,387)
(Loss) / profit after taxation before extraordinary item		(2,873,094)	193,022	(1,738,634)	155,638
Extra ordinary item	4.2	-	-	745,990	847,859
(Loss) / profit after taxation and extraordinary item transferred to revenue reserve		(2,873,094)	193,022	(992,645)	1,003,497
Attributable to:					
Holding company	20	(2,591,029)	190,818	(992,645)	1,003,497
Non controlling interest	21	(282,064)	2,204	-	-
(Loss) / earnings per share (Kobo) - Basic	25	(122)	8	(21)	22

The accounting policies on pages 36 to 37 and the explanatory notes on pages 41 to 54 form part of these financial statements.

Consolidated Balance Sheet As At 31 December 2009

	Note	GROUP		COMPANY	
		2009 N'000	2008 N'000	2009 N'000	2008 N'000
FIXED ASSETS	6	4,767,027	3,725,250	2,585,872	3,176,574
LONG TERM INVESTMENTS	7	254,468	1,566,959	2,775,405	3,130,174
GOODWILL	8	-	587,950	-	-
CURRENT ASSETS					
Stocks	9	975,957	648,256	333,949	2,984
Trade debtors	10	1,289,400	1,964,685	905,828	1,974,214
Prepayments and other debtors	11	2,028,768	622,664	2,508,723	474,286
Due from related companies	12	220,964	12,678	1,612,974	1,156,205
Cash and bank balances		83,138	1,981,265	10,110	1,954,945
		4,598,227	5,229,548	5,371,584	5,562,634
CREDITORS: Amounts falling due within one year					
Bank overdrafts (secured)		663,651	75,256	637,192	5,771
Trade creditors		198,259	467,767	253,664	636,807
Accruals and other creditors	13	479,750	507,113	317,871	431,484
Deposit for shares	17	10,030	10,030	9,030	9,030
Due to related companies	12.1	251,007	-	-	-
Taxation	5	314,613	425,527	287,300	395,649
		1,917,310	1,485,693	1,505,057	1,478,741
NET CURRENT ASSETS		2,680,918	3,743,855	3,866,527	4,083,893
TOTAL ASSETS LESS CURRENT LIABILITIES		7,702,413	9,624,014	9,227,804	10,390,641
Provision for liabilities and charges					
Deferred taxation	15	(509,870)	(516,698)	(475,817)	(511,359)
		7,192,543	9,107,316	8,751,987	9,879,282
CAPITAL AND RESERVES					
Share capital	16	2,348,030	2,348,530	2,348,030	2,348,530
Share premium	18	5,458,750	5,462,603	5,458,750	5,462,603
Fixed assets revaluation reserve	19	1,878,283	1,063,702	1,063,702	1,063,702
Capital reserve	8	349,859	-	-	-
Revenue reserve	20	(2,716,025)	191,768	(118,495)	1,004,447
		7,318,897	9,066,603	8,751,987	9,879,282
Non controlling interest		(126,354)	40,713	-	-
		7,192,543	9,107,316	8,751,987	9,879,282

The financial statements on pages 36 to 56 were approved by the Board of Directors on 13 September 2010 and signed on its behalf by:

The accounting policies on pages 36 to 37 and the explanatory notes on pages 41 to 54 form part of these financial statements.

Consolidated Statement of Cash Flows For The Year Ended 31 December 2009

	Note	GROUP		COMPANY	
		2009 N'000	2008 N'000	2009 N'000	2008 N'000
Cash flows from operating activities					
Cash receipts from customers		1,714,812	1,294,839	2,070,875	780,928
Cash paid to suppliers and employees		(4,069,167)	(2,786,643)	(5,368,297)	(2,422,158)
Value added tax (net)		(73,308)	-	(21,486)	-
		(2,427,663)	(1,491,804)	(3,318,908)	(1,641,230)
Income tax paid	5	(168,526)	(192,285)	(153,147)	(189,686)
Net cash provided by operating activities	22	(2,596,189)	(1,684,089)	(3,472,055)	(1,830,916)
Cash flows from investing activities					
Proceeds from sale of fixed assets		298	1,791	990,298	1,500,000
Purchase of fixed assets	6	(1,077,279)	(2,417,021)	(355,630)	(2,123,837)
Interest received		90,257	487,961	90,256	487,260
Disposal of investments		1,312,492	-	354,769	-
Purchase of investments		-	(998,450)	-	(2,561,665)
Net cash provided by investing activities		325,768	(2,925,719)	1,079,693	(2,698,242)
Cash flows from financing activities					
Non controlling interest			38,509		
Deposit for shares		-	5,430	-	4,430
Proceeds from shares issued		-	7,437,500	-	7,437,500
Share issued expenses		(4,353)	(659,875)	(4,353)	(659,875)
Dividend paid		(140,882)	(86,497)	(140,882)	(86,497)
Interest paid		(70,866)	(4,857)	(38,659)	(2,833)
Net cash provided by financing activities		(216,101)	6,730,210	(183,894)	6,692,725
Net (decrease)/increase in cash and cash equivalents		(2,486,522)	2,120,402	(2,576,256)	2,163,567
Cash and cash equivalents at the beginning of the year		1,906,009	(214,393)	1,949,174	(214,393)
Cash and cash equivalents at the end of the year	23	(580,513)	1,906,009	(627,082)	1,949,174

Notes to the Financial Statements For The Year Ended 31 December 2009

1. The Company

1.1 Legal Form

The Company was incorporated in Nigeria as a private limited liability company on 10 September 1985 and commenced operations on 10 October 1985. It became a public limited company on 4 September 2008 and was listed on the floor of the Nigerian Stock Exchange on 8 September 2008.

1.2 Principal Activities

The Company and its subsidiaries offer complete end to end solution to small and large projects in the areas of identification, e-payment platforms and transactional solutions.

	GROUP		COMPANY	
	2009 N'000	2008 N'000	2009 N'000	2008 N'000
2. Turnover				
Identity management & Solutions	702,083	2,373,551	175,423	1,886,317
Payments, Collections & Transactional Systems	149,909	26,791	7,773	26,791
Digital Platform & ICT training	136,623	-	136,623	-
	<u>988,615</u>	<u>2,400,342</u>	<u>319,819</u>	<u>1,913,108</u>

2.1 Segment Reporting

The Company has three main business segments:

- Identity management & Solutions
- Payments, Collections & Transactional Systems
- Digital Platform & ICT training

2.1.1 Identity management & Solutions

Revenue	702,083	2,373,551	175,423	1,886,317
Cost of sales	(434,058)	(907,362)	(217,143)	(897,012)
Gross profit / (loss)	<u>268,025</u>	<u>1,466,189</u>	<u>(41,720)</u>	<u>989,305</u>

Notes to the Financial Statements For The Year Ended 31 December 2009

	GROUP		COMPANY	
	2009 N'000	2008 N'000	2009 N'000	2008 N'000
2.1.2 Payments, Collections & Transactional System				
Revenue	149,909	26,791	7,773	26,791
Cost of sales	(43,917)	(23,864)	(11,853)	(23,864)
Gross profit / (loss)	105,992	2,927	(4,080)	2,927
2.1.3 Digital Platform & ICT training				
Revenue	136,623	-	136,623	-
Cost of sales	(373,797)	-	(385,651)	-
Gross (loss) / profit	(237,174)	-	(249,028)	-
2.2	There is no disclosure of depreciation, amortisation and assets per business segment because the assets of the company are not directly related to a particular business segment.			
3.	Other operating income			
Fee income	24,639	30,487	614,726	13,339
Rental Income	26,273	28,485	67,944	28,485
Provision no longer required (Note 3.1)	-	119,620	-	119,620
Income from disposal of assets	298	1,791	298	-
	51,210	180,383	682,968	161,444

3.1 Provision no longer required represents write back of long outstanding balances in trade creditors' ledger.

Notes to the Financial Statements For The Year Ended 31 December 2009

	GROUP		COMPANY	
	2009 N'000	2008 N'000	2009 N'000	2008 N'000
4. (Loss) / Profit on ordinary activities before taxation and extraordinary item				
This is stated after charging/(crediting):				
Directors' emoluments	14,504	16,130	8,592	8,630
Auditors' remuneration	17,200	11,250	15,000	9,750
Depreciation	480,573	378,553	299,666	274,932
Loss/(profit) on disposal of assets	10,008	(1,791)	(298)	-
4.1 Exceptional items				
This represents provision for diminution in investments in subsidiaries (Note 7.4)	257,855	-	977,933	-
4.2 Extra ordinary items				
This represents profit from the disposal of Data-Centre by Chams Plc to Chams Access Limited.	-	-	745,990	847,859
5. Taxation				
a) Profit and loss account				
Income tax	56,908	307,179	44,798	294,246
Education tax	704	21,960	-	21,159
Capital gain tax	74,629	-	74,629	-
Deferred tax	8,299	313,545	-	311,982
Per profit and loss account	140,540	642,684	119,427	627,387
b) Balance sheet				
Balance as at 1 January	425,527	288,673	395,649	269,930
Charge for the year	140,540	642,684	119,427	627,387
Deferred tax (Note 15)	(82,928)	(313,545)	(74,629)	(311,982)
	483,139	617,812	440,447	585,335
Payment during the year	(168,526)	(192,285)	(153,147)	(189,686)
Per balance sheet	314,613	425,527	287,300	395,649

The charge for taxation in these financial statements is based on the provisions of the Companies Income Tax Act, CAP C21, LFN 2004 (as amended). The charge for education tax is based on the provisions of the Education Tax Act, CAP E4, LFN 2004. The charge for capital gains tax is based on the provisions of the Capital Gains Tax Act, CAP C1, LFN 2004.

- 5.1 The Company made an assessable loss for the year hence the income tax liability was based on minimum tax. Capital gains tax represents tax liability on Datacenter sold during the year.

Notes to the Financial Statements For The Year Ended 31 December 2009

6. Fixed assets

6.1 Group	Land and building N'000	Plant and machinery N'000	Motor vehicles N'000	Equipment N'000	Furniture, fittings and N'000	Total N'000
Cost/valuation						
At 1 January	1,764,207	429,483	153,095	1,303,469	615,512	4,265,766
Additions	96,238	174,986	89,396	595,263	121,397	1,077,279
Revaluation surplus	176,215	655,990	-	-	-	832,205
Disposals	-	-	(19,944)	-	-	(19,944)
Transfers (Note 6.1.1)	-	(2,930)	(22,560)	(343,662)	(8,168)	(377,320)
At 31 December	2,036,660	1,257,529	199,986	1,555,069	728,741	5,777,986
Depreciation						
At 1 January	35,767	265,719	34,948	177,287	26,795	540,516
Charge for the year	37,491	90,378	45,259	231,235	76,210	480,573
On disposal	-	-	(9,638)	-	-	(9,638)
Transfers (Note 6.1.1)	-	-	(492)	-	-	(492)
At 31 December	73,258	356,097	70,077	408,522	103,005	1,010,960
Net book value						
At 31 December 2009	1,963,402	901,432	129,910	1,146,548	625,736	4,767,027
At 31 December 2008	1,728,440	163,764	118,147	1,126,182	588,717	3,725,250

6.1.1 Transfers

Cost/valuation

Chams Switch	-	2,930	22,560	116,320	8,168	149,978
Stock (Note 6.1.2)	-	-	-	227,342	-	227,342
At 31 December	-	2,930	22,560	343,662	8,168	377,320
Depreciation						
Chams Switch	-	-	492	-	-	492
At 31 December	-	-	492	-	-	492
Net book value	-	2,930	22,068	343,662	8,168	376,828

Fixed assets were transferred to Chams Switch Limited at net book value, which was not consolidated.

6.1.2 This represents assets transferred to stock for resale.

6.1.3 Leasehold land with a book value of N33.784 million was valued at N210 million by Messers Jide Taiwo & Co (Estate Surveyors & Valuers) on 16 June 2009. Also Datacenter with book value N244.010 was valued at N900 million by Messers Jide Taiwo & Co (Estate Surveyors & Valuers) on 31 December 2009

Notes to the Financial Statements For The Year Ended 31 December 2009

6.2	Company	<i>Land and building</i> N'000	<i>Plant and machinery</i> N'000	<i>Motor vehicles</i> N'000	<i>Equipment</i> N'000	<i>Furniture, fittings and</i> N'000	<i>Total</i> N'000
	Cost/valuation						
	At 1 January	1,673,986	65,363	115,837	1,343,896	197,203	3,396,285
	Additions	96,238	27,025	40,195	142,101	50,071	355,630
	Disposals	-	-	(4,374)	(244,010)	-	(248,384)
	Transfers	-	(2,930)	(38,660)	(349,869)	(18,408)	(409,867)
	At 31 December	1,770,224	89,458	112,998	892,118	228,866	3,093,664
	Depreciation						
	At 1 January	35,767	10,572	24,959	138,554	9,859	219,711
	Charge for the year	37,491	10,515	24,424	174,934	52,302	299,666
	On disposal	-	-	(4,374)	-	-	(4,374)
	Transfers	-	(769)	(492)	(4,221)	(1,729)	(7,211)
	At 31 December	73,258	20,318	44,517	309,267	60,432	507,792
	Net book value						
	At 31 December 2009	1,696,966	69,140	68,481	582,852	168,434	2,585,872
	At 31 December 2008	1,638,219	54,791	90,878	1,205,342	187,344	3,176,574

The Company's building located at No. 8 Louis Solomon Close as well as motor vehicles, furniture, fittings and equipment were revalued and reported on 10 December 2007 by Messrs Jide Taiwo & Co (Estate Surveyors and Valuers), independent valuers not connected with the Company, on the basis of open market value. This was adjusted in the financial statements.

- 6.2.1 Equipment disposal represents Datacenter (N244.010 million) sold to Chams Access Limited, a subsidiary of Chams Plc.
- 6.2.2 Transfers represents computers transferred to stock (N227.342 million) for resale and fixed assets transferred to the company's subsidiaries (Chams Assess Limited - N32.547 million and Chams Switch Limited - N149.978 million)

Notes to the Financial Statements For The Year Ended 31 December 2009

	Equity holding %	GROUP		COMPANY	
		2009	2008	2009	2008
		N'000	N'000	N'000	N'000
7. Long-term investments					
7.1 Investment in subsidiaries					
Card Centre Nigeria Limited	83.2	-	-	1,189,112	1,320,467
Supercard Nigeria Limited	87.1	-	-	264,702	242,748
Chams Access Limited	100	-	311,916	1,185,600	311,916
Chams Mobile Limited	83	26,709	26,709	26,709	26,709
Chams Switch Limited	100	-	312,112	601,601	312,112
		26,709	650,737	3,267,724	2,213,951
7.1.1 Chams Mobile has not started operations, hence was not consolidated.					
7.2 Investment in associate					
Paymaster Nigeria Limited	38	263,471	262,132	263,471	262,132
7.3 Investment in unquoted entities					
Unitec Nigeria Limited	-	1,500	1,500	1,500	1,500
Chams City Limited	-	-	552,294	-	552,294
Chams.Net Limited	-	92,752	1,796	92,752	1,796
Chams Wallet	-	29,390	-	29,390	-
Joint Komputer Kompany Limited	8	100,000	100,000	100,000	100,000
		223,642	655,590	223,642	655,590
Provision for diminution in value					
- of Unitec Nigeria Limited		(1,500)	(1,500)	(1,500)	(1,500)
- of subsidiaries		(257,855)	-	(977,933)	-
		254,468	1,566,959	2,775,405	3,130,174
7.4 Provision for diminution in value of subsidiaries					
Card Centre Nigeria Limited			-	705,138	-
Chams Access Limited			-	14,940	-
Paymaster Nigeria Limited		257,855	-	257,855	-
		257,855	-	977,933	-
8. Goodwill on consolidation					
Cost of investment in subsidiaries		2,520,937	1,563,215	-	-
Share of net assets of subsidiaries		(2,870,796)	(975,265)	-	-
(Capital Reserve)/Goodwill on consolidation		(349,859)	587,950	-	-

Notes to the Financial Statements For The Year Ended 31 December 2009

	GROUP		COMPANY	
	2009 N'000	2008 N'000	2009 N'000	2008 N'000
9. Stocks				
Terminals and consumables	923,457	648,256	281,449	2,984
Work in progress	52,500	-	52,500	-
	975,957	648,256	333,949	2,984
10. Trade debtors				
Trade debtors	1,334,882	2,024,808	936,485	2,034,337
Provision for doubtful debts (Note 10.1)	(45,482)	(60,123)	(30,657)	(60,123)
	1,289,400	1,964,685	905,828	1,974,214
10.1 Provision for doubtful debts				
At 1 January	60,123	60,123	60,123	60,123
Bad debt recovered	(49,988)	-	(49,988)	-
Provision for the year	35,347	-	20,522	-
At 31 December	45,482	60,123	30,657	60,123
11. Prepayments and other debtors				
Prepayments	1,126,128	204,083	623,293	203,805
Other debtors	750,695	418,581	1,733,485	270,481
Director's current account	151,945	-	151,945	-
	2,028,768	622,664	2,508,723	474,286
12. Due from related companies				
Paymaster Nigeria Limited	56,947	12,678	188,133	12,514
Card Centre Nigeria Limited	-	-	1,355,894	1,103,541
Supercard Nigeria Limited	-	-	39,152	40,150
Chams Switch Limited	-	-	29,765	-
Other subsidiaries	164,017	-	30	-
	220,964	12,678	1,612,974	1,156,205
12.1 Due to related companies				
Paymaster Nigeria Limited	4,292	-	-	-
Other subsidiaries	246,715	-	-	-
	251,007	-	-	-

Notes to the Financial Statements For The Year Ended 31 December 2009

	GROUP		COMPANY	
	2009 N'000	2008 N'000	2009 N'000	2008 N'000
15. Deferred taxation				
Balance at 1 January	398,509	84,964	393,170	81,188
Adjustment	(89,756)	-	(110,171)	-
Charge for the year (Note 5)	8,299	313,545	-	311,982
Balance at 31 December	317,052	398,509	282,999	393,170
Capital gains tax				
Balance at 1 January	118,189	118,189	118,189	118,189
Charge for the year (Note 5)	74,629	-	74,629	-
Balance at 31 December	192,818	118,189	192,818	118,189
Per balance sheet	509,870	516,698	475,817	511,359
16. Share capital				
Authorised:				
10 billion ordinary shares of 50 kobo each	5,000,000	5,000,000	5,000,000	5,000,000
Issued and fully paid:				
4,696,060,000 Ordinary shares of 50 kobo each	2,348,030	2,348,530	2,348,030	2,348,530
Balance at 1 January	2,348,530	861,030	2,348,530	861,030
Additional shares issued during the year	-	1,487,500	-	1,487,500
Adjustment to share premium	(500)	-	(500)	-
Balance at 31 December	2,348,030	2,348,530	2,348,030	2,348,530

Notes to the Financial Statements For The Year Ended 31 December 2009

	GROUP		COMPANY	
	2009 N'000	2008 N'000	2009 N'000	2008 N'000
17. Deposit for shares				
Balance at 1 January	10,030	4,600	9,030	4,600
Additional deposit	-	5,430	-	4,430
Balance at 31 December	10,030	10,030	9,030	9,030
18. Share Premium				
Balance at 1 January	5,462,603	172,478	5,462,603	172,478
Share premium on allotment	-	5,950,000	-	5,950,000
Share issue expenses	(4,353)	(659,875)	(4,353)	(659,875)
Adjustment to share capital	500	-	500	-
Balance at 31 December	5,458,750	5,462,603	5,458,750	5,462,603
19. Fixed assets revaluation reserve				
Balance at 1 January	1,063,702	1,063,702	1,063,702	1,063,702
Addition	814,581	-	-	-
Balance at 31 December	1,878,283	1,063,702	1,063,702	1,063,702

Notes to the Financial Statements For The Year Ended 31 December 2009

	GROUP		COMPANY	
	2009 N'000	2008 N'000	2009 N'000	2008 N'000
20. Revenue reserve				
Balance at 1 January	191,768	87,003	1,004,447	87,003
Prior year adjustment:				
Deferred tax liability overstated	110,171	-	110,171	-
Interest from fixed deposit overstated	(99,586)	-	(99,586)	-
Opening balance as reinstated	202,352	87,003	1,015,032	87,003
Post acquisition reserve	(186,467)	-	-	-
Dividend declared (Note 14)	(140,882)	(86,053)	(140,882)	(86,053)
(Loss)/ profit for the year	(2,591,029)	190,818	(992,645)	1,003,497
Balance at 31 December	(2,716,025)	191,768	(118,495)	1,004,447

At the Annual General Meeting held on 17 July 2009, a dividend of 3 kobo per ordinary share amounting to N140,882,800 was approved by the shareholders in respect of 2008 financial year and was subsequently paid in 2009.

	GROUP		COMPANY	
	2009 N'000	2008 N'000	2009 N'000	2008 N'000
21. Non controlling interest				
Share capital	165,116	37,334	-	-
Reserve	(9,406)	1,175	-	-
Transfer from the profit and loss account	(282,064)	2,204	-	-
At 31 December	(126,354)	40,713	-	-

Notes to the Financial Statements For The Year Ended 31 December 2009

	GROUP		COMPANY	
	2009	2008	2009	2008
	N'000	N'000	N'000	N'000
22. Reconciliation of net (loss) / profit to net cash provided by operating activities				
(Loss) / profit after taxation	(2,873,094)	193,022	(992,645)	1,003,497
Adjustment to reconcile net income to net cash provided by operating activities:				
Loss / (Profit) on sale of fixed assets	10,008	(1,791)	(746,288)	(847,859)
Interest payable	70,866	4,857	38,659	2,833
Non controlling interest	282,064	(2,040)	-	-
Depreciation	480,573	378,553	299,666	274,932
Interest received	(90,257)	(487,961)	(90,256)	(487,260)
Sale of stock	-	-	-	(129,447)
Capital reserve on consolidation	349,859			
Goodwill on consolidation	587,950	(587,950)	-	
Adjustment for underdepreciation	-	199,422	-	-
Assets transferred	376,828	-	402,656	-
Prior year adjustment			10,584	-
Changes in assets and liabilities:				
(Increase)/decrease in stock	(327,701)	(465,137)	(278,465)	180,135
Decrease/(increase) in trade debtors	675,285	(1,284,095)	900,015	(1,293,624)
Increase in other debtors	(1,406,104)	(313,377)	(2,034,437)	(164,999)
(Increase)/decrease in amount due from related companies	(208,286)	7,251	(288,399)	(1,136,276)
(Decrease)/increase in trade creditors	(269,508)	23,926	(435,643)	192,966
(Decrease)/increase in other creditors and accruals	(27,363)	229,790	(113,612)	184,186
Increase in due to related companies	251,007	-	-	-
Decrease in staff gratuity	-	(47,701)	-	(47,701)
(Decrease)/increase in deferred tax	(6,828)	313,545	(110,171)	311,982
(Decrease)/increase in tax payable	(110,914)	155,597	(33,721)	125,719
Increase in Non controlling interest	(167,067)	-	-	-
Tax on revaluation reserve	(17,624)	-	-	-
Prior year adjustment	(175,883)	-	-	-
Total Adjustments	276,905	(1,877,111)	(2,479,410)	(2,834,413)
Net cash provided by operating activities	(2,596,188)	(1,684,089)	(3,472,055)	(1,830,916)

Notes to the Financial Statements For The Year Ended 31 December 2009

	GROUP		COMPANY	
	2009 <i>N'000</i>	2008 <i>N'000</i>	2009 <i>N'000</i>	2008 <i>N'000</i>
23. Cash and cash equivalents				
Bank and cash balances	83,138	1,981,265	10,110	1,954,945
Bank overdrafts	(663,651)	(75,256)	(637,192)	(5,771)
	(580,513)	1,906,009	(627,082)	1,949,174
24. Information regarding Directors and Employees				
	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
24.1 Analysis of the Company's average weekly number of employees were:				
Management Staff	35	28	12	17
Senior Staff	167	108	102	65
Junior Staff	94	72	8	10
	296	208	122	92
	<i>N'000</i>	<i>N'000</i>	<i>N'000</i>	<i>N'000</i>
Staff costs relating to the above were:				
Wages and salaries	428,272	207,396	243,996	124,357
Pension contribution	21,814	15,184	10,200	12,563
	450,086	222,580	254,196	136,920

Notes to the Financial Statements For The Year Ended 31 December 2009

25. **Earnings per share**

The calculation of earnings per share is based on the profit after taxation and the weighted average number of ordinary shares issued and fully paid during the financial year.

26. **Guarantees and other financial commitments**

Capital commitments

There were no capital commitments authorised by the Directors at 31 December, 2009 (2008 - Nil).

Contingent liabilities

The Directors are of the opinion that there were no contingent liabilities in respect of actions against the company, accordingly no provision has been made in these financial statements as at 31 December 2009 (2008 - Nil).

27. **Major suppliers**

The Company's major supplier is Data Card Corporation.

28. **Related Party Transactions**

Related party transactions arose from transfer of fixed assets, rents due and payments to suppliers. As at 31 December 2009 balances due were as stated in Note 12 to the financial statements.

29. **Comparative figures**

Certain comparative figures have been restated in order to provide more meaningful comparison.

30. **Subsequent events review**

In the opinion of the Directors, there were no significant post balance sheet events that could have material effect on the state of affairs of the Company and the group as at 31 December 2009 and on the loss for the year ended on that date, which have not been adequately provided for or disclosed in these financial statements.

31. **Segment reporting**

The entity operates within three business segment; Identity management & Solutions, Payments, Collections & Transactional System and Digital Platform & ICT training. Revenue and cost reported are directly related to the segment.

Statement of Value Added For The Year Ended 31 December 2009

	GROUP				COMPANY			
	2009		2008		2009		2008	
	N'000	%	N'000	%	N'000	%	N'000	%
Sales of products and services	988,615		2,400,342		319,819		1,913,108	
Other income	51,210		180,383		1,428,958		1,009,303	
	1,039,825		2,580,725		1,748,777		2,922,411	
Bought in materials and services:-								
- Imported	(2,034,498)		(740,699)		(1,850,524)		(740,699)	
- Local	(736,356)		(398,331)		(178,950)		(136,143)	
Value added	(1,731,029)	(100)	1,441,695	100	(280,697)	(100)	2,045,569	100
Applied as follows:								
To pay employees:								
Employees' wages, salaries and other benefits	450,086	26	222,580	15	254,196	91	136,920	7
To pay Government:								
Income tax	57,612	3	329,138	23	44,798	16	315,405	15
Capital gains tax	74,629	4	-	-	74,629	27	§ -	-
To pay providers of capital:								
Interest payable and similar charges	70,866	4	4,857	-	38,659	14	2,833	-
To provide for replacement of assets and growth:								
- Depreciation	480,573	28	378,553	26	299,666	107	274,932	13
- Deferred tax	8,299	-	313,545	22	-	-	311,982	15
- Profit and loss account	(2,873,094)	(165)	193,022	14	(992,645)	(355)	1,003,497	50
	(1,731,029)	(100)	1,441,695	100	(280,697)	(100)	2,045,569	100

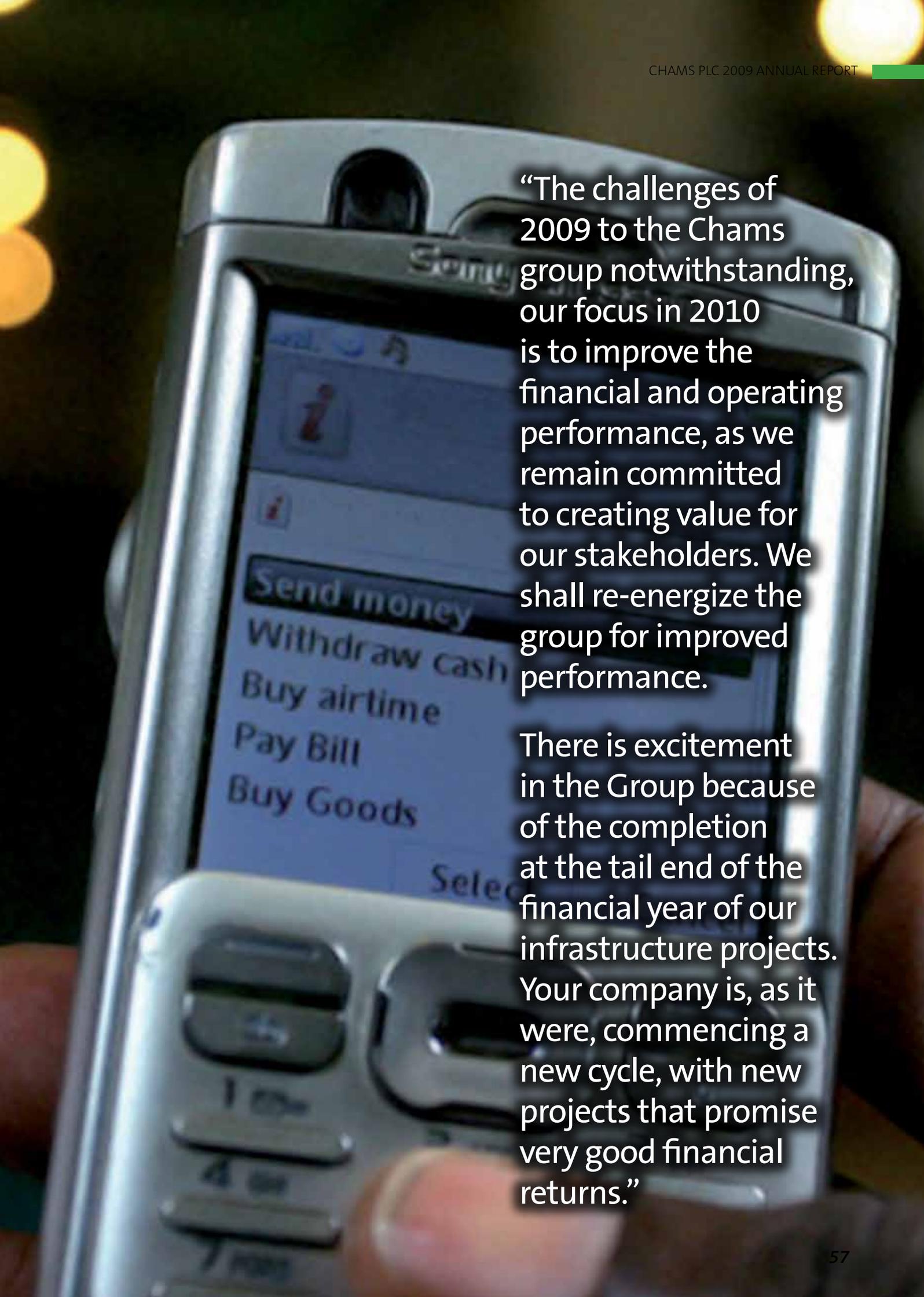
Value added represents the additional wealth which the Company and its subsidiaries have been able to create by their own and their employees' efforts. This statement shows the allocation of that wealth among all stakeholders and amount retained for the future creation of more wealth.

Five Year Financial Summary

	GROUP		COMPANY				
	2009	2008	2009	2008	2007	2006	2005
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
ASSETS/LIABILITIES							
Fixed assets	4,767,027	3,725,250	2,585,872	3,176,574	1,850,363	571,034	609,173
Long term investments	254,468	1,566,959	2,775,405	3,130,174	568,509	427,209	388,468
Goodwill	-	587,950	-	-	-	-	-
Net current assets/(liabilities)	2,680,918	3,743,855	3,866,527	4,083,893	12,419	(213,357)	(667,092)
Provision for liabilities and charges	(509,870)	(516,698)	(475,817)	(511,359)	(247,078)	(58,365)	(47,831)
	7,192,543	9,107,316	8,751,987	9,879,282	2,184,213	726,521	282,718
CAPITAL AND RESERVES							
Share capital	2,348,030	2,348,530	2,348,030	2,348,530	861,030	100,000	100
Share premium	5,458,750	5,462,603	5,458,750	5,462,603	172,478	-	-
Fixed assets revaluation reserve	1,878,283	1,063,702	1,063,702	1,063,702	1,063,702	550,010	550,010
Revenue reserve	(2,716,025)	191,768	(118,495)	1,004,447	87,003	76,511	(267,392)
Capital reserve	349,859	-	-	-	-	-	-
Non controlling interest	(126,354)	40,713	-	-	-	-	-
Shareholders' fund	7,192,543	9,107,316	8,751,987	9,879,282	2,184,213	726,521	282,718
TURNOVER AND PROFIT							
Turnover	988,615	2,400,342	319,819	1,913,108	4,467,186	1,095,310	136,747
(Loss) / Profit before taxation and extraordinary item	(2,474,699)	835,706	(641,274)	783,025	1,046,818	399,542	24,166
Taxation	140,540	642,684	119,427	627,397	247,502	37,851	2,387
Extra-ordinary item	-	-	745,990	847,859	-	-	-
(Loss) / Profit after taxation and extraordinary item	(2,873,094)	193,022	(992,645)	1,003,497	799,316	361,691	21,779
Attributable to:							
Holding company	(2,591,029)	190,818	(992,645)	1,003,497	799,316	361,691	21,779
Non controlling interest	(282,064)	2,204	-	-	-	-	-
PER SHARE DATA (Kobo):							
(Loss) / earnings per share - Basic	(122)	8	(21)	22	46	362	22
(Loss) / earnings per share - Diluted	(55.2)	4.1	(21.0)	21.4	46.0	7.7	0.5
Net assets per share	153	194	186	210	127	727	282,718

(Loss)/earnings per share is based on (loss) / profit after taxation and the weighted average number of ordinary shares issued and fully paid at the end of each financial year.

Net assets per share is calculated based on the net assets and the number of issued and fully paid ordinary shares at the end of each financial year.



“The challenges of 2009 to the Chams group notwithstanding, our focus in 2010 is to improve the financial and operating performance, as we remain committed to creating value for our stakeholders. We shall re-energize the group for improved performance.

There is excitement in the Group because of the completion at the tail end of the financial year of our infrastructure projects. Your company is, as it were, commencing a new cycle, with new projects that promise very good financial returns.”

Products and Services

The spirit of innovation is integral to our DNA. As a technology company, we constantly drive innovation in order to remain the industry leader. We have a commitment to things that are bigger than our bottomline. We strive to improve the lives of people through innovative and beneficial technologies.

ChamsVarsity

Chams Plc has competencies in ICT capacity building and has effectively carried out training of top caliber personalities in Nigeria. Worthy of note is the recently concluded ICT capacity building and skills acquisition retreat for all Directors of the Federal Civil Service, as part of the selection process for the position of Permanent Secretaries in Nigeria; a project for which Chams Plc received numerous accolades for effectively delivering refresher training courses and registering all participants.

ChamsVarsity is the ideal ICT training organisation with the required expertise to handle professional trainings with object oriented delivery. We handle and deliver training solutions to both the corporate citizenry and individuals in relation to diverse IT career and executive courses. We train on technologies like (but not limited to): Cisco, Microsoft, Oracle and Java.

ChamsVarsity also offers executive course packages, which include preparation for project management (PMP), ITIL foundation and Prince 2 trainings as well as the platform for writing such examinations. Also, since training is a skills acquisition affair that is a penultimate requirement for personal development and a solid career path, ChamsVarsity has invested heavily in the provision of the right quality of trainers as well as infrastructure for the utmost conducive learning.

Courses available are;

- Cisco Certified Network Associate (CCNA)
- Microsoft Certified IT Professional (MCITP)
- Professional Certificate in Database Management and Administration (PCDMA)
- Advanced Certificate in Productivity Tools (ACTP) e.t.c.

Notable ongoing and executed projects include:

- Training of the members of the Nigerian Bar Association (NBA)

- Training solution delivery on preparation for project management (in partnership with Learning Tree International, United Kingdom)
- Training solution delivery for National Information Development Agency (NITDA)

And many others.

- Service offerings: ChamsVarsity is an ICT Training and Knowledge acquisition division of Chams Plc.
- Partnerships: Microsoft IT Academy Program Member, Cisco Networking Academy Partner, Learning Tree International, Prometric Testing Centre etc
- Resources – skills, facility etc. : Courses are based on sound principles from research in instructional design, seamless learning and information processing, experienced and certified Trainers
- Differentiation: Real life industry exposure and international certification mapped curriculum, Personality grooming through soft skill sessions, standard training classroom

Naira.com

Naira.com, formerly Chams.net, is a business unit within Chams Plc. It manages the organization's online portal, Naira.com. Naira.com is Nigeria's premier one-stop e-commerce site, which allows individuals to purchase goods and services from numerous merchants within Nigeria, over the internet, with guaranteed delivery to their homes/offices. We provide a safe and secure environment for paying online using recognized local and international debit/credit cards.

The portal went live on the 18th of December 2009 with the promotion of online shopping raking in a gross income of approximately 4.3 million naira by the 31st of December, 2009.

Highlights of 2009

- Prior to going public, the unit handled the online and offline ticketing of the popular Thisday music festival which featured R'Kelly in 2009.
- Online and onsite registration and payment for the Microsoft partner and developer training
- The Annual Chams Theatre Series was successfully ticketed on the portal.

Focus for 2010

- More emphasis on web infrastructure development projects

- Aggressively go after Payment gateway integration for organizations
- Aggressively market the eVoting solution to professional organizations and corporate organizations

2010 projects handled so far...

- Ticketed for 'ASA ON THE GREEN' concert
- CIPM member portal development
- Nigeria Reinsurance portal development
- IBA SEERIL Conference registration and payment
- Young Lawyers' Conference portal development
- NIA portal development
- Archibuilt portal development
- PGW integration for Pastor Adeboye's site, Monan shoes, Flair West Africa, PMI and a few others

Terminals and Printers

Terminals and Printers department handles the sales, installation and maintenance of Data-Card Printers in Nigeria, with a strategic focus on ensuring a pervasive use

of Datacard printers across financial, educational, health institutions in Nigeria and development of Marketing Channels - Webshop, Outlet stores, Channel partners, Service centres and Office front stores.

Achievements in 2009

- Successful deployment and usage of Datacard MX6000 machines in two leading Card personalization Companies in Nigeria-Valucard and SecureID
- Supply of Bagging equipment and Consumables to First Bank, NNPC, UNIC Health, Total Nigeria PLC and British Deputy High Commission etc.
- Client base over 60 and still counting

Client Opportunities in 2010

- First Bank of Nigeria Plc (N60M), Zenith Bank PLC (N45M), Lagos State Residents Registration Agency (LASRRA) (N90M), Epayplus (N52M), BankPHB, Afribank PLC, Integrated Healthcare, Nigeria Teachers' Institute, Educational/Health and Government Institutions.
- Instant Issuance solution for ValuCard – turnkey solution worth N119M



Subsidiaries

Cardcentre Limited

Established in 2005 as one of the business entities of your Company, Cardcentre still maintains the flagship status of the world's largest card personalization plant till date and is still in the business of contributing significantly to card technology solutions in Africa.

With the fast paced changing demands of customers and the economy, CardCentre recently upgraded their current production machines to produce multi pins card in line with market demand and successfully deployed two MX 6000 printers to be used for the personalization of VISA chip cards. CardCentre is in partnership with Valucard for the supply of cards worth over N100m. Other corporate bodies subscribing to their services include Insurance Companies, Swift Networks and Visafone

Towards improving the internal processes and procedures of the operational system, CardCentre upgraded its operational Standards by revalidating its International Organization for Standardization (ISO) certification from ISO 9001:2000 to 9001:2008.

CardCentre recently won the contract to produce Insurance scratch cards for insurance companies to be incorporated into road transportation systems. A project which commenced with the production of over a million cards and more to be produced in the near future. The Student E-Docket which is an examination verification card solution that enables migration from paper registration to secure PVC card verification by a software was successfully launched and the University of Lagos was used for the pilot scheme.



The successful introduction of the software into the Education sector has roused the interest of other tertiary institutions numbering about 6 across the south-west region and execution of similar projects is set to kick off in the near future

ChamsAccess

Universal Service Provision Fund: ChamsAccess acquired and refurbished property in 18 locations spread over 7

states of the federation in line with building codes and specifications provided upon the award of the contract which was signed off on in July 2010.

Following its recent appointment as one of the two Nigerian firms issued licenses by the Central Bank of Nigeria for the operation of independent Automated Teller Machine Consortium services; recent subscriptions to their services



include Unity Bank having engaged their services to manage 4 Off sites, 135 On sites and 500ATMs in a partnership model. An agreement which took effect from 31st May 2010. Other financial houses who have signed up with the organization include First Bank and Bank PHB for all their ATM's nationwide, Sterling Bank for Lagos, Abuja and Port Harcourt.

To further fortify their operational capacity, the company presently runs an end to end test of their ATM;s through the Nigeria Central Switch.

ChamsAccess has recently expanded services which were being rendered to the National Information Technology Development Agency (NITDA) in 2007 following recent update in the MOU to include the provision of outsourced management for eighty five (85) Rural Information Technology Centres by the company.

ChamsSwitch Limited

ChamsSwitch, commenced operations in December 2009 as a transaction switching and processing company specialising in end-to-end transaction switching, acceptance device driving and payment and collection processing systems. The switch offers flexible, safe and reliable switching solutions for transactions and operates an ACI Base 24 eps - a switching solution which is the recommended best by International standards and is currently used by international Banks, VISA and Mastercard.

ChamsSwitch has recorded achievements in a short period of time worthy of mention.

- ChamsSwitch was the first switch to successfully test and connect to the Nigerian National Central Switch and was recently awarded the right to deploy its revenue collection solution, PayCollect, to consolidate and collect all revenue in Anambra State aimed at increasing the internally generated revenue

by 100% within a year.

- In conjunction with SuperCard Limited, one of the Chams subsidiaries, ChamsSwitch is at an advanced stage in its bid to do Biometric Data Capture/Identity Management for Cross River State.
- The switch currently works with **Naira.com** (a business unit of Chams plc) to introduce virtual accounts for individuals, which is expected to provide another veritable means of payment in the country.
- ChamsSwitch engaged the services of a South African e-commerce company, Iveri, to successfully deploy an ecommerce payment gateway to enable the company carry out web payment transactions.
- Towards ensuring the effectiveness and efficiency of their services, ChamsSwitch engaged the services of Bankserv, the largest switch in South Africa which has been in operation for over 30 years, to refine its processes and procedures.



The switch has also developed diverse industry focused solutions that

render valuable services to private and public sector organizations. These solutions include Paycollect, Multipay and Webpen, which some sectors of the economy are presently subscribed to.

SuperCard

A Subsidiary with specialization in Identification management and payment systems with a vision to provide simple solutions that make life and living easier. The company has through extended research and development, launched the smart ID- a perfect solution for identity management problems, a multi functional card with multiple components and capabilities such as Identification and Verification, Internet Access, Payment of bills, Health Insurance etc.

This ingenious solution has been put to good use as the Delta State Government engaged their services for a



unique identity management project using the solution for local government council staff and education authority across 25 local government areas within the

state. This project is presently ongoing. Other clients subscribing to the same services are the Adamawa State Government and the National Open University of Nigeria (NOUN) as they seek to identify bonafide staff and students respectively.

SuperCard is presently running a biometric data capture exercise for Cross River State indigenes for identity management purposes and are in the process of incorporating the Go-card solution (auto fare collection for transport system) into the transportation system of Ogun State.

PayMaster

PayMaster Limited is still in the business of adding value to life by promoting the acceptance and use of Point of Transaction Terminals towards attaining a cashless economy, PayMaster presently works with the Anambra State Government towards the provision of 100 Point of Transaction Terminals for data capturing and verification which is one phase of a project which entails the provision of a revenue generation solution which they presently are working on in conjunction with the other subsidiaries of the group.



PayMaster Limited has over time developed value adding products aimed at enhancing and automating business processes and recently signed a Memorandum of understanding to provide smart micro banking application via Chams POT's to all Micro finance banks (25) in Nigeria under the finconnect platform towards enhancing micro finance banking on the go. Implementation is ongoing. Other projects are with the National Open University of Nigeria for the deployment of POT's for the student verification exercise and the recent sign up of MTN trade partners and 10,000 sub trade partners to vend recharge pins via the Chams point of Transaction Terminals.

PayMaster Limited is in partnership with Flexmore Technologies for the delivery of Point of Transaction Terminals to 250 merchants in Lagos state and have also been signed up by Etisalat, Visafone and the National Communications Agency for the provision of Point of Transaction Terminals for the registration of all their Sim cards in their respective network coverage areas.

Corporate Directory

Head Office

8 Louis Solomon Close
Off Ahmadu Bello Way
Victoria Island
Lagos

Abuja Office

Plot 1288, Ahmadu Bello Way,
Area 11, Garki,
Abuja

Outlets - ChamsCity Centres

Lagos

2A Isaac John Street,
GRA, Ikeja

Abuja

Plot 66, First Avenue,
Off Shehu Shagari Road,
Central Area, Abuja

Abuja II

Area 3 Abuja

PortHarcourt

89, Stadium Road,
Behind Fedex Building,
Port-Harcourt, Rivers State

Benin

34 Akpakpava Street,
Benin City,
Edo State

Subsidiaries

SuperCard Nigeria Limited

8 Louis Solomon Close
Off Ahmadu Bello Way
Victoria Island
Lagos

ChamsAccess Limited

8 Louis Solomon Close
Off Ahmadu Bello Way
Victoria Island
Lagos

ChamsSwitch Limited

Plot 1288, Ahmadu Bello Way
Area 11, Garki,
Abuja

CardCentre Nigeria Limited

8 Louis Solomon Close
Off Ahmadu Bello Way
Victoria Island
Lagos

PayMaster Limited

8 Louis Solomon Close
Off Ahmadu Bello Way
Victoria Island
Lagos

ChamsMobile Limited

8 Louis Solomon Close
Off Ahmadu Bello Way
Victoria Island
Lagos

PROXY FORM

25th Annual General Meeting to be held at Chams Plc, Plot 1288, Ahmadu Bello Way, Area 11, Abuja on Wednesday 27th October 2010 at 10.00am.

I/We _____, being a member/
members of CHAMS Plc hereby appoint _____

_____ or failing him RT. Revd. (Prof.) A.D Akinde, or failing him Mr. Demola Aladekomo, as my proxy to attend and vote for me/us and on my behalf at the Annual General Meeting of the company to be held on Wednesday, 27th October, 2010 and at any adjournment thereof.

Dated this _____ day of _____
_____ 2010

Shareholder's name _____

Shareholder's Signature _____

S/N	RESOLUTION	FOR	AGAINST
1	To receive the audited Financial Statement for the year ended December 31, 2009 and the Reports of the Directors, Auditors and Audit Committee thereon		
2			
3			
4			

Please indicate with an 'X' in the appropriate square how you wish your votes to be cast on the resolutions set above. Unless otherwise instructed, the proxy will vote or abstain from voting at his or her discretion.

Before posting the above form please tear off this part and return it for admission to the meeting



ADMISSION CARD

Please admit the Shareholder named on this Card or his duly appointed proxy to the Annual General Meeting of the company to be held on October 27, 2010 at the Chams Multi Purpose Hall, Plot 1288, Ahmadu Bello Way, Area 11, Garki, Abuja.

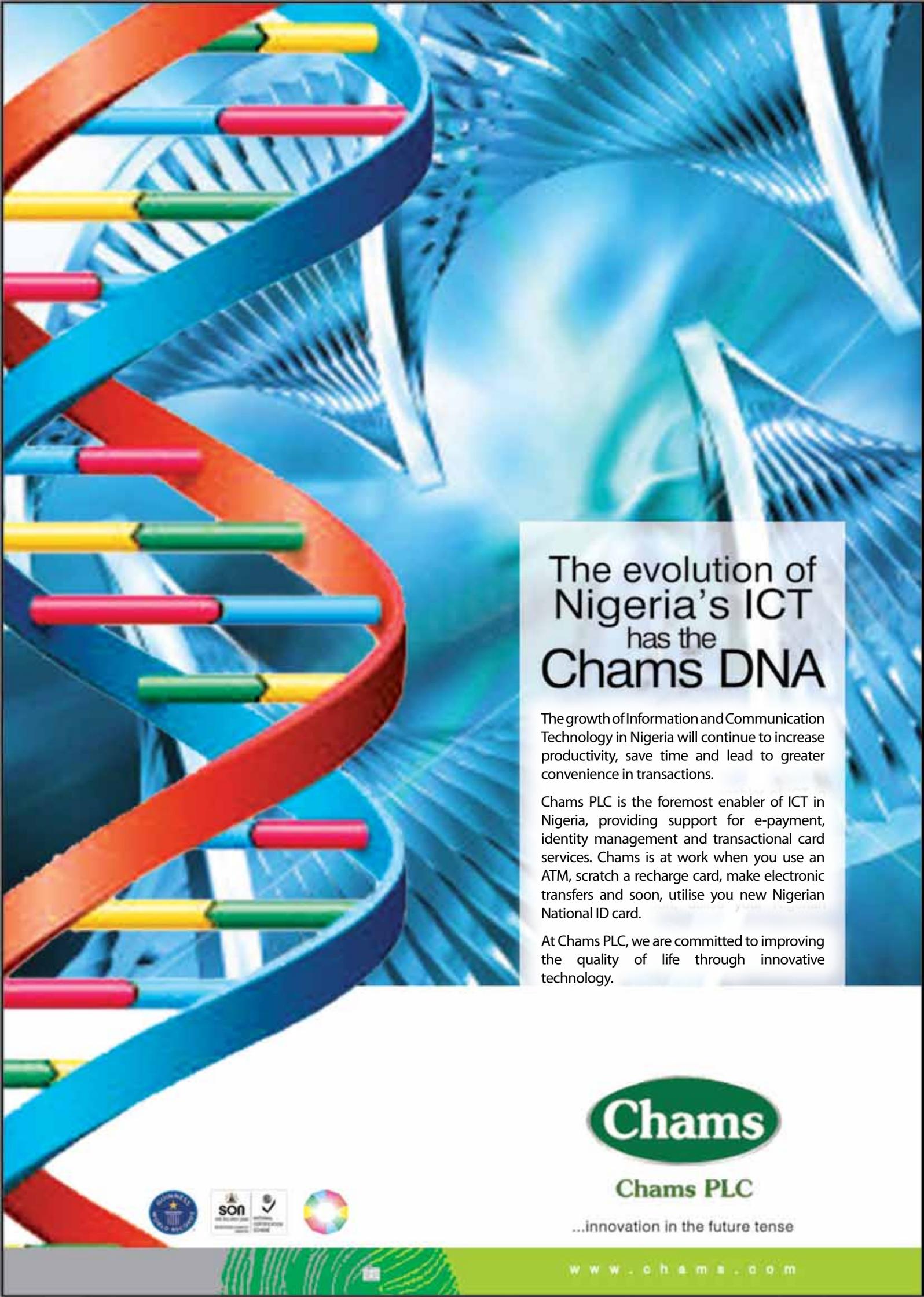
The admission card must be produced by the Proxy in order to gain entrance into the Annual General Meeting.

NAME OF SHAREHOLDER

NAME OF PROXY

SIGNATURE (SHAREHOLDER)

NUMBER OF SHARES HELD



The evolution of Nigeria's ICT has the Chams DNA

The growth of Information and Communication Technology in Nigeria will continue to increase productivity, save time and lead to greater convenience in transactions.

Chams PLC is the foremost enabler of ICT in Nigeria, providing support for e-payment, identity management and transactional card services. Chams is at work when you use an ATM, scratch a recharge card, make electronic transfers and soon, utilise your new Nigerian National ID card.

At Chams PLC, we are committed to improving the quality of life through innovative technology.



Chams PLC

...innovation in the future tense



www.chams.com

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