

FALCON SECURITIES LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2002

WITH MANAGEMENT SCHEDULES

FALCON SECURITIES LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2002

CONTENTS	PAGE
Corporate information	1
Result at a glance	2
Report of the directors	3
Report of the auditors	5
Statement of accounting policies	6
Balance sheet	7
Profit and loss account	8
Cash flow statement	9
Notes to the accounts	10
Statement of value added	16
Five-year financial summary	17

CORPORATE INFORMATION

Directors:	Mr.O. J. A. Idudu - <i>Chairman</i> Brig. General J. T. Ogbeha (Rtd.) Captain T. G. Ogisi Olorogun L. Oghene-Omoru(JP) Senator (Chief) S. A. Otegbola Chief Eric N. Nwobi Rear Admiral F. I. O. Nesiama (Rtd.) Dr. M. A. Uduebo Mr. Peter U. Ololo - <i>Managing Director</i>
Secretary:	Miss. Colette R. Ogigi
Registered number:	RC 219781
Registered office:	15, Olowu Street, Ikeja, Lagos.
Auditors:	Oyelami Soetan Adeleke & Co., Chartered Accountants, Kresta Laurel Complex (4 Floor), 376, Ikorodu Road, Maryland, Lagos.
Bankers:	Citizens International Bank Co-operative Development Bank Zenith International Bank First Atlantic Bank

FALCON SECURITIES LIMITED

RESULTS AT A GLANCE

For the year	2002	2001	% Increase/ Decrease
	x	x	
Gross income	222,834,618	121,066,592	84%
Operating expenses	200,228,625	101,495,704	97%
Profit before taxation	22,605,993	19,570,888	15%
Taxation	5,812,205	4,234,106	37%
Profit after taxation	16,793,788	15,336,782	10%
	x	x	
Major balances sheet items			
Share capital	82,352,500	82,352,500	-
Total assets	3,298,155,655	372,476,653	785%
Total liabilities	3,197,932,661	284,083,174	1.026%
Shareholders' fund	100,222,994	88,393,479	13%

FALCON SECURITIES LIMITED

REPORT OF THE DIRECTORS

1. The directors have pleasure in presenting their report and audited financial statements of the company for the year ended 31 December, 2002.

2. **Result of operations for the year** **x**

Profit before taxation	22,605,993
Taxation	<u>5,812,205</u>
Profit after tax	16,793,788
<i>Less:</i> Dividend	<u>10,000,000</u>
Retained profit	<u>6,793,788</u>
	=====

3. **Principal activities**

The company is engaged in the business of stock broking and issuing house activities.

4. **Business review**

The company's profit before tax increased from x19,590,885 in the previous year to x22,605,993 in 2002. The directors have continued with their expansion plans for the company which will hopefully improve the operational results in the ensuing years.

5. **Directors**

The names of the directors of the company are as stated on page 1 of these reports and financial statements.

6. **Directors' interest**

The directors' interests in the company's shares were as follows: -

	31/12/2002	31/12/2001
	No. of shares	No. of shares
Mr. O. J.A Idudu	1,000,000	1,000,000
Brig. General J. T. Ogbeha (Rtd.)	1,090,000	1,090,000
Captain T. G. Ogisi	1,090,000	1,090,000
Olorogun lucky Oghene-Omoru (JP)	500,000	500,000
Senator (Chief) S. A. Otegbola	2,200,000	2,200,000
Chief Eric N. Nwobi	100,000	100,000
Rear Admiral F. I. O. Nesiama (Rtd.)	500,000	500,000
Mr. Peter Ukuoritsemofe Ololo - Direct	37,400,000	37,400,000
- Indirect	37,400,000	37,400,000

7. **Fixed assets**

Movements in fixed assets during the year are shown in note 5 to the financial statements. In the opinion of the directors, the market value of the company's assets is not substantially less than the value shown in the financial statements.

8. **Donations**

No donations were made to charitable organisations during the year.

9. **Post balance sheet events**

There are no post balance sheet events which could have had a material effect on the state of affairs of the company as at 31 December, 2002 which have not been provided for or disclosed in the financial statements.

10 **Employment and employees**

(i) *Employment of disabled persons:*

The company does not discriminate in considering applications for employment including those from disabled person. All employees are given equal opportunities to develop their knowledge and skills within the organisation. As at 31 December, 2002, there were, however, no disabled persons in the company's employment.

(ii) *Employee's involvement and training:*

The company is committed to keeping employees fully informed as far as possible about the company's performance and progress and seeking their views wherever practicable on matters which particularly affect them as employees. The company provides a range of training from time to time with potential broadening opportunities for employees' career development within the organisation.

(iii) *Staff welfare and safety at work:*

The company places high premium on its human resources and there is existing provision for lunch, rent and transportation allowances. The company conducts its activities in a way to take foremost account of the safety of its employees and other persons.

10 **Auditors**

Messrs. Oyelami Soetan Adeleke & Company (Chartered Accountants) who were appointed during the year, have indicated their willingness to continue as auditors in accordance with section 357(2) of the Companies and Allied Matters Act 1990. A resolution will be proposed to authorise the directors to fix their remuneration.

By order of the Board

Miss. Colette R. Ogi
Secretary

LAGOS, Nigeria
11 June, 2004

**AUDITORS' REPORT
TO THE MEMBERS OF
FALCON SECURITIES LIMITED**

We have audited the financial statements set out on pages 7 to 17 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The responsibilities of directors on the financial statements as contained in Sections 334 and 335 of the Companies and Allied Matters Act, 1990 are stated in note 18. It is our responsibility as auditors to form an independent opinion, based on our audit, on the financial statements prepared by the directors and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with generally accepted auditing standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement. In forming our opinion, we also evaluated the overall adequacy of the presentation of the information in the financial statements.

We have obtained all the information and explanations considered necessary for the purpose of our audit. Proper books of account have been kept by the company and the financial statements are in agreement with the books of account.

Opinion

In our opinion and to the best of our information and the explanations given to us, the financial statements give a true and fair view of the state of affairs of the company as at 31 December, 2002 and of its profit and cash flow for the year then ended and have been properly prepared in accordance with the Companies and Allied Matters Act, 1990.

**Oyelami Soetan Adeleke & Co.
CHARTERED ACCOUNTANTS**

**Lagos, Nigeria
11 June, 2004**

FALCON SECURITIES LIMITED

ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted in the preparation of Falcon Securities Limited financial statements:

1. **Basis of preparation**

The financial statements are prepared under the historical cost convention.

2. **Income**

Income is accounted for when due.

3. **Investment**

Investments are stated at cost.

4. **Fixed assets**

The fixed assets are stated at cost less accumulated depreciation.

5. **Depreciation**

Depreciation charged on fixed assets is calculated on a straight line basis at the following annual rates to write off the cost of the assets over their estimated useful lives: -

Motor vehicle	-	25%
Computer equipment	-	33a%
Office equipment	-	20%
Office furniture & fittings	-	25%
Other fixed assets	-	20%
Leased equipment	-	Over the period of the lease

6. **Debtors**

Debtors balances are stated after deduction of provision for specific debts considered to be doubtful of collection.

7. **Deferred taxation**

No provision has been made for deferred taxation since there is reasonable probability that there will be recurring differences, which will ensure that the deferred tax will not crystallise in the foreseeable future.

8. **Leased equipment**

Leased equipment are accounted for strictly in accordance with their legal form as fixed assets.

BALANCE SHEET AS AT 31 DECEMBER, 2002

	Notes	2002 x	2001 x
Assets			
Cash and short term funds	1	80,510,764	83,748,590
Mandatory deposits	2	1,050,000	1,050,000
Investments	3	3,184,203,757	262,267,484
Other assets	4	29,146,999	25,049,644
Fixed assets	5	<u>3,244,135</u>	<u>360,935</u>
Total assets		<u>3,298,155,655</u> =====	<u>372,476,653</u> =====
 Liabilities			
Clients funds	6	80,912,844	3,399,077
Bank loan	7	2,700,000,000	-
Other liabilities	8	390,686,576	260,163,061
Provision for tax	9	16,333,241	10,521,036
Dividend		<u>10,000,000</u>	<u>10,000,000</u>
		3,197,932,661	284,083,174

 Capital and reserves			
Share capital	10	82,352,500	82,352,500
Deposit for shares	11	5,035,727	-
Profit and loss account		<u>12,834,767</u>	<u>6,040,979</u>
Shareholders' fund		<u>100,222,994</u> =====	<u>88,393,479</u> =====
		 3,298,155,655 =====	 372,476,653 =====
))))) Directors)))			

The accounting policies on page 6 and the notes on pages 10 to 15 form part of these financial statements.

FALCON SECURITIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER, 2002

	Notes	2002 x	2001 x
Income			
Brokerage income		218,358,651	90,977,583
Dividend	12	4,156,472	3,574,046
Other income	13	<u>319,495</u>	<u>26,514,963</u>
		222,834,618	121,066,592

Less: Expenses			
Trading		29,037,167	-
Overhead expenses		22,202,127	15,169,403
Interest on placement		20,607,122	-
Interest on loans		<u>128,382,209</u>	<u>86,326,301</u>
		200,228,625	101,495,704

Profit before taxation	14	22,605,993	19,570,888
Current taxation	9	<u>(5,812,205)</u>	<u>(4,234,106)</u>
Profit after taxation		16,793,788	15,336,782
Appropriation			
Dividend		<u>10,000,000</u>	<u>10,000,000</u>
		6,793,788	5,336,782
Profit brought forward		<u>6,040,979</u>	<u>704,197</u>
Retained profit transferred to balance sheet		<u>12,834,767</u> =====	<u>6,040,979</u> =====

The accounting policies on page 6 and the notes on pages 10 to 15 form part of these financial statements.

FALCON SECURITIES LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER, 2002

	2002	2001
	x	x
Cash flow from operating activities:		
Profit before taxation	22,605,993	19,570,888
Adjustment for non-cash items, etc		
Depreciation	<u>1,348,108</u>	<u>554,708</u>
Cash flow before changes in working capital	23,954,101	20,125,596
Changes in working capital:		
Other assets	(4,097,355)	43,487,032
Clients funds	77,513,767	196,911,826
Other liabilities	<u>130,523,515</u>	<u>17,773,121</u>
	227,894,028	278,297,575
Tax paid	<u>-</u>	<u>-</u>
Net cash generated from operating activities	227,894,028	278,297,575
Cash flow from investing activities:		
Mandatory deposits	-	280,000
Investments	(2,921,936,273)	(192,285,785)
Acquisition of fixed assets	(4,231,308)	(497,707)
Cash flow from financing activities		
Loan	2,700,000,000	-
Dividend paid	(10,000,000)	(5,525,000)
Deposit for shares	<u>5,035,727</u>	<u>-</u>
Net decrease in cash and cash equivalent	(3,237,826)	80,269,083
Cash and equivalents at 1 January	<u>83,748,590</u>	<u>3,479,507</u>
Cash and cash equivalents at 31 December	80,510,764	83,748,590
	=====	=====

Represented by:

Cash and bank balances	80,510,764	83,748,590
	=====	=====

FALCON SECURITIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2002**

	2002	2001
1. Cash and short term funds	x	x
Cash - petty cash	-	6,565
Central Bank of Nigeria	12,750	1,294,121
Banks:		
Citizens International Bank - trading	6,652,752	-
Citizens International Bank - 124	6,294,923	81,681,681
Citizens International Bank - loan management	53,561,146	-
Co-operative Development Bank - 3000	524	276,900
Co-operative Development Bank - 3001	-	389,323
Chartered Bank	82,947	100,000
First Atlantic Bank	130,761	-
Citizen International Bank - 132	13,774,961	-
	<u>80,510,764</u>	<u>83,748,590</u>
	=====	=====
2. Mandatory deposits		
NSE Investors protection fund	1,000,000	1,000,000
NSE Automated trading system	-	-
NSE Guarantee fund	50,000	50,000
	<u>1,050,000</u>	<u>1,050,000</u>
	=====	=====
3. Investments		
Investments comprise: -		
Short term investments (3.1)	3,184,203,757	253,449,224
Long term investments (3.2)	<u>-</u>	<u>8,818,260</u>
	3,184,203,757	262,267,484
	=====	=====
3.1 Short-term investments		
Dealing securities	3,160,898,432	235,249,324
CBN Certificates	<u>25,205,425</u>	<u>20,100,000</u>
	3,186,103,857	255,349,324

Less: Provision for diminution in value

of investments		1,900,100	1,900,100		
		3,184,203,757	253,449,224		
		=====	=====		
		2002	2001		
3.2 Long -term investments		x	x		
Federal Government loan stocks		-	8,818,260		
		=====	=====		
4. Other assets					
Other debtors		2,915,647	2,500,000		
Prepayments		8,745,863	8,075,500		
Clients drawings		19,985,489	15,974,144		
		31,646,999	26,549,644		
<i>Less: Provision for doubtful account</i>		2,500,000	1,500,000		
		29,146,999	25,049,644		
		=====	=====		
5. Fixed assets					
	Motor	Office	Furniture	Computer	Total
	x	x	fitting	equipment	x
	x	x	x	x	x
Cost					
At 1 January, 2002	112,500	850,660	492,700	891,460	2,347,320
Additions	-	460,308	3,371,000	400,000	4,231,308
At 31 December, 2002	112,500	1,310,968	3,863,700	1,291,460	6,578,628
	=====	=====	=====	=====	=====
Depreciation					
At 1 January, 2002	112,500	715,864	288,573	869,448	1,986,385
Charge for the year	-	226,848	965,925	155,335	1,348,108
At 31 December, 2002	112,500	942,712	1,254,498	1,024,783	3,334,493
	=====	=====	=====	=====	=====
Net book value					
At 31 December, 2002	-	368,256	2,609,202	266,677	3,244,135
	=====	=====	=====	=====	=====
At 31 December, 2001	-	134,796	204,127	22,012	360,935
	=====	=====	=====	=====	=====

	2002	2001
6. Clients funds	x	x
Deposit for shares	25,524,889	3,399,077
Funds under management	<u>55,387,955</u>	<u>-</u>
	80,912,844	3,399,077
	=====	=====
7. Bank loan		
At 31 December	2,700,000,000	-
	=====	=====
This short-term (30 days) loan is secured by lien on the company's shares in various stocks and was liquidated in February, 2003.		
8. Other liabilities		
Accrued expenses	19,708,186	19,175,992
Bank overdraft	<u>370,978,390</u>	<u>240,987,069</u>
	390,686,576	260,163,061
	=====	=====
The bank overdrafts were secured by lien on the company's shares in various stocks.		
9. Taxation		
<i>.1 Per profit and loss account:-</i>		
Income tax	5,396,253	4,234,106
Education tax	<u>415,952</u>	<u>-</u>
	5,812,205	4,234,106
	=====	=====
<i>.2 Per balance sheet</i>		
At 1 January	10,521,036	6,286,930
Charge for the year	<u>5,812,205</u>	<u>4,234,106</u>
	16,333,241	10,521,036
	=====	=====
10. Share capital		
a) <i>Authorised</i>		

	100,000,000 ordinary shares of x1.00 each	100,000,000 =====	100,000,000 =====
	b) Issued and fully paid		
	82,352,500 ordinary shares of x1.00 each	82,352,500 =====	82,352,500 =====
		2002	2001
11.	Deposit for shares	x	x
	Mr. O. J. A. Idudu	1,370,000	-
	Senator Chief S. A. Otegbola	2,500,000	-
	Brigadier General J. T. Ogbeha (Rtd.)	500,000	-
	Captain T. G. Ogisi	65,727	-
	Chief Eric Nwobi	100,000	-
	Mr. Simbabi J. Ogbeha	500,000	-
		<hr/>	<hr/>
		5,035,727	-
		=====	=====
12.	Dividend		
	Dividend from quoted securities	3,543,139	-
	Dividend from dealing securities	613,333	-
		<hr/>	<hr/>
		4,156,472	3,574,046
		=====	=====
13.	Other income		
	Transfer fees	155,317	23,402,346
	Fees on public issue	150,000	-
	Interest on Nigerian Treasury bills	-	10,250
	Income on CBN certificate of deposit	10,250	3,102,367
	Interest on deposits	3,928	-
		<hr/>	<hr/>
		319,495	26,514,963
		=====	=====
14.	Profit before taxation		
	<i>This is arrived at: -</i>		
	After charging		

Depreciation of fixed assets	1,348,108	554,709
Auditors' remuneration	500,000	100,000
	=====	=====
15. Employees emoluments		
(a) <i>Employees numbers</i>	Number	Number
Employees(excluding directors) employed by the company during the year were	11	7
	===	===
	2002	2001
(b) The related staff costs amounted to: -	x	x
Wages and salaries	2,148,408	1,834,774
Staff welfare and training	1,016,776	153,960
	<u>3,165,184</u>	<u>1,988,734</u>
	=====	=====
(c) <i>Salary strand</i>		

The number of employees of the company, other than the directors who earned more than x60,000 during the period .were: -

	2002	2001
	Number	Number
x60,001 - x70,000	1	1
x70,001 - x100,000	2	-
x100,001 - x120,000	-	2
x120,001 - x150,000	1	1
	===	==

16. Directors' emoluments

(a) Chairman's emoluments	x	x
Fees	5,000	-
Others	120,000	-
	=====	=====
(b) The highest paid director		
Fees	5,000	-
Other emoluments	4,075,000	4,000,000
	=====	=====

(c) Other directors received remuneration in the following ranges: -

x50,001 - x60,000	2	16
x70,001 - x80,000	5	-
	=====	=====

17. **Capital commitments and contingent liabilities**

There were no capital commitments or contingent liabilities as at 31 December, 2002

18. **Responsibilities of directors on the financial statements**

In accordance with the provisions of section 334 and 335 of the Companies and Allied Matters Act 1990, the company's directors are responsible for the preparation of the financial statements which give a true and fair view of the state of the company's affairs as at 31 December, 2002 and of the profit or loss for the year ended on that date, and comply with requirements of the Companies and Allied Matters Act, 1990. These responsibilities include ensuring that: -

- i) adequate internal control procedures are instituted to safeguard assets and prevent fraud and other irregularities;
- ii) proper accounting records are maintained;
- iii) applicable accounting standards are followed;
- iv) suitable accounting policies are used and consistently applied.

19. Some of the previous year's balances have been reclassified for purpose of comparability.

20. **Responsibility for accounts**

Oyelami Soetan Adeleke & Co. (Chartered Accountants), were appointed during the year and have audited the accounts of Falcon Securities Limited for the year ended 31 December, 2002 only. The firm therefore does not bear any responsibility for the comparative figures in respect of the year ended 31 December, 2001.

FALCON SECURITIES LIMITED
STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER, 2002

	2002	x	2001	
			x	%
				%
Turnover	222,834,618		121,066,592	
Bought-in-material and services	<u>195,715,333</u>		<u>98,952,261</u>	
Value added	<u>27,119,285</u>	100	<u>22,114,331</u>	100
	=====	=====	=====	=====
Applied as follows: -				
<i>Employees</i>				
Salaries, wages and other benefits	3,165,184	12	1,988,734	9
<i>Provider of finance</i>				
Dividend	10,000,000	37	10,000,000	45
<i>Government</i>				
Taxation	5,812,205	21	4,234,106	19

The future

Depreciation	1,348,108	5	554,709	3
Retained profit	<u>6,793,788</u>	<u>25</u>	<u>5,336,782</u>	<u>24</u>
Valued added	<u>27,119,285</u>	<u>100</u>	<u>22,114,331</u>	<u>100</u>
	=====	=====	=====	=====

FALCON SECURITIES LIMITED
FIVE-YEAR FINANCIAL SUMMARY

	2002	2001	2000	1999	1998
	x	x	x	x	x
Assets employed					
Cash and short term funds	80,510,764	83,748,590	3,479,507	2,771,601	242,765
Mandatory deposit	1,050,000	1,050,000	1,330,000	1,280,000	50,000
Investments	3,184,203,757	262,267,484	69,981,699	57,200,698	4,934,673
Other assets	29,146,999	25,049,644	68,536,676	632,244	1,407,436
Fixed assets	<u>3,244,135</u>	<u>360,935</u>	<u>417,937</u>	<u>600,445</u>	<u>380,066</u>
Total assets	<u>3,298,155,655</u>	<u>372,476,653</u>	<u>143,745,819</u>	<u>62,484,988</u>	<u>7,014,940</u>
	=====	=====	=====	=====	=====
Clients funds	80,912,844	3,399,077	44,076,138	11,825,572	2,879,216
Provision for tax	16,333,241	10,521,036	6,286,930	1,486,930	226,000
Bank loan	2,700,000,000	-	-	-	-
Other liabilities	<u>400,686,576</u>	<u>270,163,061</u>	<u>10,326,054</u>	<u>5,716,704</u>	<u>13,418</u>

Liabilities	3,197,932,661	284,083,174	60,689,122	19,029,206	3,118,634
Shareholders funds	<u>100,222,994</u>	<u>88,393,479</u>	<u>83,056,697</u>	<u>43,455,782</u>	<u>3,896,306</u>
	<u>3,298,155,655</u>	<u>372,476,653</u>	<u>143,745,819</u>	<u>62,484,988</u>	<u>7,014,940</u>

Profit and loss accounts

Gross earnings	222,834,618	121,066,592	30,884,517	12,445,035	5,240,572
Profit before tax	22,605,993	19,570,888	14,548,415	3,940,406	199,459
Taxation	5,812,205	4,234,106	4,800,000	1,263,930	-
Profit after taxation	16,793,788	15,336,782	9,748,415	2,676,476	199,459
Dividend	10,000,000	10,000,000	10,000,000	-	-
Retained profit/(loss)	<u>6,793,788</u>	<u>5,336,782</u>	<u>(251,585)</u>	<u>2,676,476</u>	<u>199,459</u>

FOR MANAGEMENT USE ONLY

FALCON SECURITIES LIMITED

SCHEDULE

1

**ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED 31 DECEMBER, 2002**

	2002	2001
	x	x
Directors' remuneration - Fees	40,000	1,245,850
- Other remunerations	4,670,000	4,000,000
Salary and wages	2,145,408	1,834,774
Bank charges	3,272,813	-
Telephone and postages	1,990,886	1,053,921
Rent and service charges		1,727,510
	100,000	
Transport and travelling	1,161,497	53,705
Staff welfare and training	1,016,776	153,960
Provision for diminution in value of investments	1,000,000	1,500,000
Office expenses	802,687	915,724
Other professional fees	588,850	-
Insurance	535,275	-

Audit fee	500,000	100,000
Repair and maintenance	419,500	76,825
Printing and stationery	233,089	304,407
Computer services expenses	231,070	307,160
Subscription and donations	211,950	138,500
Motor vehicle running expenses	135,460	1,783,575
Electricity expenses	98,808	-
Consultancy fee book and periodicals	59,340	200,820
Legal fee	11,000	687,310
Postages	2,100	-
Share capital increase	-	90,663
Newspapers and magazines	-	67,500
Depreciation	<u>1,348,108</u>	<u>554,709</u>
	<u>22,202,127</u>	<u>15,169,403</u>
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