

**FALCON SECURITIES LIMITED**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER, 2003**

**WITH MANAGEMENT SCHEDULES**

**FALCON SECURITIES LIMITED**  
**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2003**

<b>CONTENTS</b>	<b>PAGE</b>
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

**FALCON SECURITIES LIMITED****CORPORATE INFORMATION**

<b>Directors:</b>	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>
<b>Secretary:</b>	Miss. Colette R. Ogigi
<b>Registered number:</b>	RC 219781
<b>Registered office:</b>	15, Olowu Street, Ikeja, Lagos.
<b>Auditors:</b>	Oyelami Soetan Adeleke & Co., Chartered Accountants, Kresta Laurel Complex (4 Floor), 376, Ikorodu Road, Maryland, Lagos.
<b>Bankers:</b>	Citizens International Bank Co-operative Development Bank Zenith International Bank First Atlantic Bank Gateway Bank Union Bank of Nigeria Plc First of Nigeria Plc Standard Trust Bank Plc Broad Bank Nigeria Limited

**FALCON SECURITIES LIMITED**

**RESULTS AT A GLANCE**

<b>For the year</b>	<b>2003</b>	<b>2002</b>	<b>% Increase/ Decrease</b>
	<b>x</b>	<b>x</b>	
Gross income	365,739,211	222,834,618	64%
Operating expenses	330,601,376	200,228,625	65%
Profit before taxation	35,137,835	22,605,993	55%
Taxation (provision)	1,370,897	5,812,205	76%
Profit after taxation	33,766,938	16,793,788	101%
	<b>x</b>	<b>x</b>	
<b>Major balances sheet items</b>			
Share capital	82,352,500	82,352,500	-
Total assets	1,763,316,938	3,298,155,655	(46%)
Total liabilities	1,624,784,506	3,197,932,661	(49%)
Shareholders' fund	138,532,432	100,222,994	38%

**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 31 December, 2003.

<b>2. Result of operations for the year</b>		<b>₦</b>
Profit before taxation	35,137,835	
Taxation	<u>1,370,897</u>	
Profit after tax	33,766,938	
<i>Less:</i> Dividend	<u>15,000,000</u>	
Retained profit	18,766,938	
	=====	

**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 ₦22,605,993 in the previous year to ₦35,137,835 owing to expansion in the company's business. 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: -

	<b>31/12/2003</b>	<b>31/12/2002</b>
	<b>No. of shares</b>	<b>No. of shares</b>
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 6 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**

	<b>x</b>
The Chartered Institute of Stock Brokers.	100,000
	=====

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, 2003 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, 2003 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 20. 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, 2003 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.

**FALCON SECURITIES LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER, 2003**

	Notes	2003 x	2002 x
<b>Assets</b>			
Cash and short term funds	1	10,437,341	80,510,764
Mandatory deposits	2	1,050,000	1,050,000
Short-term investments	3	1,687,567,293	3,184,203,757
Long-term investments	4	20,000,000	-
Other assets	5	42,167,256	29,146,999
Fixed assets	6	<u>2,095,048</u>	<u>3,244,135</u>
<b>Total assets</b>		<u>1,763,316,938</u> =====	<u>3,298,155,655</u> =====
<b>Liabilities</b>			
Clients funds	7	284,371,851	80,912,844
Bank loan	8	1,000,000,000	2,700,000,000
Other liabilities	9	297,708,517	390,686,576
Provision for tax	10	17,704,138	16,333,241
Dividend		<u>25,000,000</u>	<u>10,000,000</u>
		<u>1,624,784,506</u> -----	<u>3,197,932,661</u> -----
<b>Capital and reserves</b>			
Share capital	11	82,352,500	82,352,500
Deposit for shares	12	24,578,227	5,035,727
Bonus issue reserve	13	5,000,000	-
Profit and loss account		<u>26,601,705</u>	<u>12,834,767</u>
<b>Shareholders' fund</b>		<u>138,532,432</u> =====	<u>100,222,994</u> =====
		<u>1,763,316,938</u> =====	<u>3,298,155,655</u> =====

..... )  
) )  
) **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, 2003**

	Notes	2003 x	2002 x
<b>Income</b>			
Brokerage income		288,400,285	218,358,651
Dividend income	14	68,759,951	4,156,472
Other income	15	<u>8,578,975</u>	<u>319,495</u>
		365,739,211	222,834,618
		-----	-----
<b>Less: Expenses</b>			
Trading		128,387,312	29,037,167
Overhead expenses		44,608,175	22,202,127
Interest on placement		4,750,797	20,607,122
Interest on loans		<u>152,855,092</u>	<u>128,382,209</u>
		330,601,376	<u>200,228,625</u>
		=====	=====
Profit before taxation	16	35,137,835	22,605,993
Current taxation	10	<u>(1,370,897)</u>	<u>(5,812,205)</u>
Profit after taxation		33,766,938	16,793,788
<b>Appropriation</b>			
Dividend		15,000,000	10,000,000
Transfer to bonus issue reserve	13	<u>5,000,000</u>	-----
		<u>20,000,000</u>	<u>10,000,000</u>
		13,766,938	6,793,788
<b>Profit brought forward</b>		<u>12,834,767</u>	<u>6,040,979</u>
Retained profit transferred to balance sheet		26,601,705	12,834,767

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, 2003**

	<b>2003</b>	<b>2002</b>
	<b>₪</b>	<b>₪</b>
<b>Cash flow from operating activities:</b>		
Profit before taxation	35,137,835	22,605,993
<b>Adjustment for non-cash items, etc</b>		
Depreciation	<u>1,149,087</u>	<u>1,348,108</u>
<b>Cash flow before changes in working capital</b>	36,286,922	23,954,101
<b>Changes in working capital:</b>		
Other assets	(13,020,257)	(4,097,355)
Clients funds	203,459,007	77,513,767
Other liabilities	<u>(92,978,059)</u>	<u>130,523,515</u>
	133,747,613	227,894,028
Tax paid	<u>-</u>	<u>-</u>
<b>Net cash generated from operating activities</b>	133,747,613	227,894,028
<b>Cash flow from investing activities:</b>		
Investments	1,476,636,464	(2,921,936,273)
Acquisition of fixed assets	-	(4,231,308)
<b>Cash flow from financing activities</b>		
Loan	(1,700,000,000)	2,700,000,000
Deposit for shares	19,542,500	5,035,727
Dividend paid	<u>-</u>	<u>(10,000,000)</u>
<b>Net decrease in cash and cash equivalent</b>	(70,073,423)	(3,237,826)
Cash and equivalents at 1 January	<u>80,510,764</u>	<u>83,748,590</u>
<b>Cash and cash equivalents at 31 December</b>	<u>10,437,341</u>	<u>80,510,764</u>
	=====	=====
<b>Represented by:</b>		
Cash and bank balances	10,437,341	80,510,764
	=====	=====

**FALCON SECURITIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER, 2003**

	<b>2003</b>	<b>2002</b>
<b>1. Cash and short term funds</b>	<b>₦</b>	<b>₦</b>
Central Bank of Nigeria	125,186	12,750
<b>Banks:</b>		
Citizens International Bank - trading	996,771	6,652,752
Citizens International Bank - 124	-	6,294,923
Citizens International Bank - loan management	-	53,561,146
Co-operative Development Bank - 3000	4,016,020	524
Co-operative Development Bank - 3001	1,320,244	-
Chartered Bank	82,947	82,947
First Atlantic	2,089	130,761
Zenith International Bank	3,894,084	-
Citizen International Bank - 132	<u>-</u>	<u>13,774,961</u>
	10,437,341	80,510,764
	=====	=====
<b>2. Mandatory deposits</b>		
NSE Investors protection fund	1,000,000	1,000,000
NSE Guarantee fund	<u>50,000</u>	<u>50,000</u>
	1,050,000	1,050,000
	=====	=====
<b>3. Short-term investments</b>		
Dealing securities	1,704,613,427	3,160,898,432
CBN Certificates	<u>-</u>	<u>25,205,425</u>
	1,704,613,427	3,186,103,857
<b>Less: Provision for diminution in value</b>		
of investments	<u>17,046,134</u>	<u>1,900,100</u>
	1,687,567,293	3,184,203,757
	=====	=====
<b>4. Long-term investments</b>		
Deap Capital Management and Trust Limited		
20,000,000 ordinary shares of ₦1 each	20,000,000	-



	<b>2003</b>	<b>2002</b>
<b>8. Bank loan</b>	<b>x</b>	<b>x</b>
At 31 December, 2002	1,000,000,000	2,700,000,000
	=====	=====

This short-term (30 days) loan is secured by a lien on the company's shares in various stocks.

<b>9. Other liabilities</b>		
Accrued expenses	32,438,335	19,708,186
Bank overdraft	<u>265,270,182</u>	<u>370,978,390</u>
	297,708,517	390,686,576
	=====	=====

The bank overdrafts were secured by lien on the company's shares in various stocks.

**10. Taxation**

**.1 Per profit and loss account:-**

Income tax	-	5,396,253
Education tax	-	415,952
Minimum tax	<u>1,370,897</u>	<u>-</u>
	1,370,897	5,812,205
	=====	=====

**.2 Per balance sheet**

At 1 January	16,333,241	10,521,036
Charge for the year	<u>1,370,897</u>	<u>5,812,205</u>
At 31 December	17,704,138	16,333,241
	=====	=====

**11. Share capital**

**a) Authorised**

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
	=====	=====

	<b>2003</b>	<b>2002</b>
	<b>₦</b>	<b>₦</b>
<b>12. Deposit for shares</b>		
Olorogun L. Oghene-Omoru	887,500	-
Mr. O. J. A. Idudu	3,170,000	1,370,000
Senator Chief S. A. Otegbola	4,500,000	2,500,000
Rear Admiral F. I. O. Nesiama	900,000	-
Brigadier General J. T. Ogbeha (Rtd.)	500,000	500,000
Captain T. G. Ogisi	1,165,727	65,727
Chief Eric Nwobi	830,000	100,000
Mr. Simbabi J. Ogbeha	500,000	500,000
Dr. M. A. Uduebo	625,000	-
Mr. Peter U. Ololo	1,500,000	-
Resolution Securities Limited	<u>10,000,000</u>	<u>-</u>
	24,578,227	5,035,727
	=====	=====
<b>13. Bonus issue reserve</b>		
At 1 January	-	-
Transfer from profit and loss account	<u>5,000,000</u>	<u>-</u>
	5,000,000	-
	=====	=====
<b>14. Dividends</b>		
Dividend from quoted securities	68,759,951	3,543,139
Dividend from dealing securities	<u>-</u>	<u>613,333</u>
	68,759,951	4,156,472
	=====	=====
<b>15. Other income</b>		
Transfer fees	100	155,317
Fees on public issue	-	150,000
Income on CBN certificate of deposit	-	10,250
Interest on deposits	<u>8,578,875</u>	<u>3,928</u>

	8,578,975	319,495
	=====	=====
	<b>2003</b>	<b>2002</b>
16. <b>Profit before taxation</b>	x	x
<i>This is arrived at: -</i>		
<b>After charging</b>		
Depreciation of fixed assets	1,149,087	1,348,108
Auditors' remuneration	500,000	500,000
	=====	=====
17. <b>Employees emoluments</b>		
(a) <i>Employees numbers</i>	<b>Number</b>	<b>Number</b>
Employees(excluding directors) employed by the company during the year were	11	11
	===	===
(b) <i>The related staff costs amounted to: -</i>	<b>x</b>	<b>x</b>
Wages and salaries	3,481,717	2,148,408
Staff welfare and training	<u>1,769,635</u>	<u>1,016,716</u>
	5,251,352	3,165,184
	=====	=====
(c) <i>Salary strand</i>		
The number of employees of the company, other than the directors who earned more than x60,000 during the year were: -		
	<b>Number</b>	<b>Number</b>
x60,001 - x70,000	2	1
x70,001 - x100,000	2	2
x100,001 - x120,000	1	-
x120,001 - x150,000	-	1
Above x150,00	2	-
	===	==
18. <b>Directors' emoluments:</b>		
(a) <i>Chairman's emoluments</i>	<b>x</b>	<b>x</b>
Fees	5,000	5,000
Others	140,000	120,000
	=====	=====
(b) <i>The highest paid director: -</i>		

Fees	5,000	5,000
Other emoluments	4,090,000	4,075,000
	=====	=====

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

x50,001 - x60,000	-	2
x60,001 - x70,000	1	-
x70,001 - x80,000	-	5
x80,001 - x90,000	-	-
x90,001 - x100,000	6	-
	=====	=====

**19. Capital commitments and contingent liabilities**

There were no capital commitments or contingent liabilities as at 31 December, 2003

**20. 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, 2003 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.

**FALCON SECURITIES LIMITED**  
**STATEMENT OF VALUE ADDED**  
**FOR THE YEAR ENDED 31 DECEMBER, 2003**

	2003	x	2002	
			x	%
				%
Turnover	365,739,211		222,834,618	
Bought-in-goods and service	<u>324,200,937</u>		<u>195,715,333</u>	
Value added	<u>41,538,274</u>	100	<u>27,119,285</u>	100
	=====	=====	=====	=====
<b>Applied as follows: -</b>				
<i>Employees</i>				
Salaries, wages and other benefits	5,251,352	13	3,165,184	12
<i>Providers of finance</i>				
Dividend	15,000,000	36	10,000,000	37
<i>Government</i>				
Taxation	1,370,897	3	5,812,205	21
<i>The future</i>				
Depreciation	1,149,087	3	1,348,108	5
Retained profit	<u>18,766,938</u>	<u>45</u>	<u>6,793,788</u>	<u>25</u>
Valued added	<u>41,538,277</u>	100	<u>27,119,285</u>	100
	=====	=====	=====	=====

**FALCON SECURITIES LIMITED**  
**FIVE-YEAR FINANCIAL SUMMARY**

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>Assets employed</b>					
Cash and short term funds	10,437,341	80,510,764	83,748,590	3,479,507	2,771,601
Mandatory deposit	1,050,000	1,050,000	1,050,000	1,330,000	1,280,000
Investments	1,707,567,293	3,184,203,757	262,267,484	69,981,699	57,200,698
Other assets	42,167,256	29,146,999	25,049,644	68,536,676	632,244
Fixed assets	<u>2,095,048</u>	<u>3,244,135</u>	<u>360,935</u>	<u>417,937</u>	<u>600,445</u>
<b>Total assets</b>	1,763,316,938	3,298,155,655	372,476,653	143,745,819	62,484,988
	=====	=====	=====	=====	=====
Clients funds	284,371,851	80,912,844	3,399,083	44,076,138	11,825,572
Bank loan	1,000,000,000	2,700,000,000	-	-	-
Other liabilities	322,708,517	400,686,576	270,163,061	10,326,054	5,716,704
Provision for tax	<u>17,704,138</u>	<u>16,333,241</u>	<u>10,521,036</u>	<u>6,286,930</u>	<u>1,486,930</u>
<b>Liabilities</b>	1,624,784,506	3,197,932,661	284,083,174	60,689,122	19,029,206
Shareholders funds	<u>138,532,432</u>	<u>100,222,994</u>	<u>88,393,479</u>	<u>83,056,697</u>	<u>43,455,782</u>
	1,763,316,938	3,298,155,655	372,476,653	143,745,819	62,484,988
	=====	=====	=====	=====	=====
<b>Profit and loss accounts</b>					
Gross earnings	365,739,211	222,834,618	121,066,592	30,884,517	12,445,035
Profit before tax	35,137,835	22,605,993	19,570,888	14,548,415	3,940,406
Taxation 1,370,897	5,812,205	4,234,106	4,800,000	1,263,930	
Profit after taxation	33,766,938	16,793,788	15,336,782	9,748,415	2,676,476
Dividend	15,000,000	10,000,000	10,000,000	10,000,000	-
Retained profit/(loss)	<u>13,766,938</u>	<u>6,793,788</u>	<u>5,336,782</u>	<u>(251,585)</u>	<u>2,676,476</u>
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