

**FALCON SECURITIES LIMITED**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER, 2005**

**WITH MANAGEMENT SCHEDULES**

**FALCON SECURITIES LIMITED**  
**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2005**

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

**Directors:** Mr. O. J. A. Idudu - *Chairman*  
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 - *Managing Director*

**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:** Central Bank of Nigeria  
Oceanic Bank International Plc  
Zenith International Bank  
Intercontinental Bank Plc  
Union Bank of Nigeria Plc  
First Bank of Nigeria Plc  
Access Bank Plc  
Spring Bank Plc  
Skye Bank Plc  
Guaranty Trust Bank Plc  
Afribank Nigeria Plc  
First City Monument Bank  
Standard Chartered Bank of Nigeria

## FALCON SECURITIES LIMITED

### RESULTS AT A GLANCE

| <b>For the year</b>               | <b>2005</b>  | <b>2004</b>  | <b>% Increase/<br/>Decrease</b> |
|-----------------------------------|--------------|--------------|---------------------------------|
|                                   | <b>x'000</b> | <b>x'000</b> |                                 |
| Gross income                      | 1,462,979    | 638,216      | 129                             |
| Operating expenses                | 1,253,901    | 580,867      | 116                             |
| Profit before taxation            | 209,078      | 57,349       | 265                             |
| Profit after taxation             | 183,421      | 51,349       | 257                             |
| Dividend                          | 85,523       | 20,000       | 328                             |
|                                   | <b>x'000</b> | <b>x'000</b> |                                 |
| <b>Major balances sheet items</b> |              |              |                                 |
| Share capital                     | 285,076      | 87,353       | 226                             |
| Total assets                      | 23,816,369   | 9,827,607    | 142                             |
| Total liabilities                 | 23,230,444   | 9,639,080    | 141                             |
| Shareholders' fund                | 585,925      | 188,527      | 211                             |
| Number of employees               | 15           | 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 31 December, 2005.

|   |                 |
|---|-----------------|
| 2. <b>Result of operations for the year</b> | <b>₦'000</b>    |
| Profit before taxation                      | 209,078         |
| Taxation                                    | <u>(25,657)</u> |
| Profit after tax                            | 183,421         |
| <i>Less: Appropriation</i>                  |                 |
| Dividend                                    | <u>85,523</u>   |
| Retained profit                             | 97,898          |
|   | =====           |

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 ₦57,348,940 in the previous year to ₦209,078,000 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>31/12/2005</b>    | <b>31/12/2004</b>    |
|--|----------------------|----------------------|
|  | <b>No. of shares</b> | <b>No. of shares</b> |
| Mr. O. J.A Idudu                       | 4,336,699            | 1,000,000            |
| Brig. General J. T. Ogbeha (Rtd.)      | 1,653,561            | 1,090,000            |
| Captain T. G. Ogisi                    | 2,345,901            | 1,090,000            |
| Olorogun Lucky Oghene-Omoru (JP)       | 1,442,966            | 500,000              |
| Senator (Chief) S. A. Otegbola         | 6,967,837            | 2,200,000            |
| Chief Eric N. Nwobi                    | 1,039,976            | 100,000              |
| Rear Admiral F. I. O. Nesiama (Rtd.)   | 935,978              | 500,000              |
| Dr. M. A. Uduebo                       | 649,985              | -                    |
| Mr. Peter Ukuoritsemofe Ololo - Direct | 109,557,031          | 37,400,000           |
| - Indirect                             | 169,510,639          | 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. **Dividend**

The directors recommend the payment of a dividend of ₦85,522,780 which is equivalent to 30k per share of ₦1.00 held by members. The dividend will be subjected to the deduction of appropriate withholding tax at the time of payment

9. **Donations**

There were no donations during the year.

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, 2005 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 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.

11 **Auditors**

Messrs. Oyelami Soetan Adeleke & Company (Chartered Accountants) 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**  
**10 November, 2006**

**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, 2005 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  
10 November, 2006**

**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. Long term 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, 2005**

|                             | Notes | 2005<br>x'000              | 2004<br>x'000             |
|-----------------------------|-------|----------------------------|---------------------------|
| <b>Assets</b>               |       |                            |                           |
| Cash and short term funds   | 1     | 180,311                    | 24,805                    |
| Mandatory deposits          | 2     | 1,100                      | 1,100                     |
| Short-term investments      | 3     | 23,463,336                 | 9,728,209                 |
| Long-term investments       | 4     | 45,920                     | 20,000                    |
| Other assets                | 5     | 116,518                    | 50,839                    |
| Fixed assets                | 6     | <u>9,184</u>               | <u>2,655</u>              |
| <b>Total assets</b>         |       | <u>23,816,369</u><br>===== | <u>9,827,608</u><br>===== |
| <b>Liabilities</b>          |       |                            |                           |
| Clients funds               | 7     | 13,731,283                 | 7,412,932                 |
| Bank loan/overdraft         | 8     | 9,345,691                  | 2,124,315                 |
| Other liabilities           | 9     | 18,586                     | 58,130                    |
| Taxation                    | 10    | 49,361                     | 23,704                    |
| Dividend                    |       | <u>85,523</u>              | <u>20,000</u>             |
|                             |       | <u>23,230,444</u><br>----- | <u>9,639,081</u><br>----- |
| <b>Capital and reserves</b> |       |                            |                           |
| Share capital               | 11    | 285,076                    | 87,353                    |
| Deposit for shares          | 12    | 155,000                    | 43,223                    |
| Bonus issue reserve         | 13    | -                          | 10,000                    |
| Profit and loss account     |       | <u>145,849</u>             | <u>47,951</u>             |
| <b>Shareholders' fund</b>   |       | <u>585,925</u><br>=====    | <u>188,527</u><br>=====   |
|                             |       | <u>23,816,369</u><br>===== | <u>9,827,608</u><br>===== |

..... )  
) )  
) **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, 2005**

|   | Notes | 2005<br>x'000    | 2004<br>x'000  |
|---|-------|------------------|----------------|
| <b>Income</b>                                       |       |                  |                |
| Brokerage income                                    |       | 694,531          | 287,830        |
| Dividend income                                     | 14    | 757,281          | 336,519        |
| Other income  | 15    | <u>11,167</u>    | <u>13,867</u>  |
|   |       | 1,462,979        | 638,216        |
|   |       | -----            | -----          |
| <i>Less: Cost of fund</i>                           |       |                  |                |
| Interest on placements                              |       | -                | 107,583        |
| Interest on loans/overdraft                         |       | <u>1,142,431</u> | <u>341,233</u> |
|   |       | 1,142,431        | 448,816        |
| Overheads   |       | <u>111,470</u>   | <u>132,051</u> |
|   |       | 1,253,901        | 580,867        |
|   |       | -----            | -----          |
| Profit before taxation                              | 16    | 209,078          | 57,349         |
| Current taxation                                    | 10    | <u>(25,657)</u>  | <u>(6,000)</u> |
| Profit after taxation                               |       | 183,421          | 51,349         |
| <b>Appropriation</b>                                |       |                  |                |
| Dividend  |       | 85,523           | 20,000         |
| Transfer to bonus issue reserve                     | 13    | <u>-</u>         | <u>10,000</u>  |
|   |       | <u>85,523</u>    | <u>30,000</u>  |
|   |       | 97,898           | 21,349         |
| <b>Profit brought forward</b>                       |       | <u>47,951</u>    | <u>26,602</u>  |
| <b>Retained profit transferred to balance sheet</b> |       | 145,849          | 47,951         |
|   |       | =====            | =====          |
| Earnings per share                                  |       | x0.64            | x0.59          |
|   |       | =====            | =====          |

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, 2005**

|   | <b>2005</b>     | <b>2004</b>     |
|---|-----------------|-----------------|
|   | <b>x'000</b>    | <b>x'000</b>    |
| <b>Cash flow from operating activities:</b>         |                 |                 |
| Profit before taxation                              | 209,078         | 57,349          |
| <b>Adjustment for non-cash items, etc</b>           |                 |                 |
| Depreciation  | <u>4,415</u>    | <u>1,680</u>    |
| <b>Cash flow before changes in working capital</b>  | 213,493         | 59,029          |
| <b>Changes in working capital:</b>                  |                 |                 |
| Other assets  | (65,679)        | (8,671)         |
| Clients funds                                       | 6,318,351       | 7,128,560       |
| Mandatory deposits                                  | -               | (50)            |
| Other liabilities                                   | <u>(39,544)</u> | <u>884,736</u>  |
|   | 6,426,621       | 8,063,604       |
| Tax paid  | <u>-</u>        | <u>-</u>        |
| <b>Net cash generated from operating activities</b> | 6,426,621       | 8,063,604       |
| <b>Cash flow from investing activities:</b>         |                 |                 |
| Short term investments                              | (13,735,127)    | (8,040,642)     |
| Long term investments                               | (25,920)        | -               |
| Acquisition of fixed assets                         | (10,944)        | (2,240)         |
| <b>Cash flow from financing activities</b>          |                 |                 |
| Loan  | 7,221,376       | -               |
| Proceeds of increase in share capital               | 144,500         | -               |
| Additional deposit for shares                       | 155,000         | 18,645          |
| Dividend paid                                       | <u>(20,000)</u> | <u>(25,000)</u> |
| <b>Net increase in cash and cash equivalent</b>     | 155,506         | 14,367          |
| Cash and equivalents at 1 January                   | <u>24,805</u>   | <u>10,438</u>   |
| <b>Cash and cash equivalents at 31 December</b>     | 180,311         | 24,805          |
|   | =====           | =====           |
| <b>Represented by:</b>                              |                 |                 |
| Cash and bank balances                              | 180,311         | 24,805          |
|   | =====           | =====           |



|   | <b>2005</b>      | <b>2004</b>     |
|---|------------------|-----------------|
|   | <b>x'000</b>     | <b>x'000</b>    |
| <b>3. Short-term investments</b>                              |                  |                 |
| Dealing securities  | 17,368,184       | 8,936,052       |
| Assets under management                                       | 6,096,141        | -               |
| Treasury bills  | 86,417           | 50,000          |
| Quoted Securities/Box load                                    | -                | 831,517         |
| 2 <sup>nd</sup> FGN Bond 2008                                 | <u>30,500</u>    | <u>-</u>        |
|   | 23,581,242       | 9,817,569       |
| <b>Less: Provision for diminution in value of investments</b> | <u>(117,906)</u> | <u>(89,361)</u> |
|   | 23,463,336       | 9,728,209       |
|   | =====            | =====           |

Of the x17,368,184,000 shown above as dealing securities, x10,492,879,850 represent securities placed under lien for short-term loans and overdrafts obtained from some banks by the company. The market value of the dealing securities as at 31 December, 2005 was N20,056,845,000.

|   |                |                |
|---|----------------|----------------|
| <b>4. Long-term investments</b>             |                |                |
| Deap Capital Management and Trust Limited   |                |                |
| 46,800,000 ordinary shares of x1 each       | 45,920         | 20,000         |
|   | =====          | =====          |
| <b>5. Other assets</b>                      |                |                |
| Trade debtors                               | 121,745        | 57,733         |
| Due from clients                            | <u>1,667</u>   | <u>-</u>       |
|   | 123,412        | 57,733         |
| <b>Less: Provision for doubtful account</b> | <u>(6,894)</u> | <u>(6,894)</u> |
|   | 116,518        | 50,839         |
|   | =====          | =====          |

|                                |                |                  |                  |                  |               |
|--------------------------------|----------------|------------------|------------------|------------------|---------------|
| <b>6. Fixed assets</b>         |                |                  |                  |                  |               |
|                                | <b>Motor</b>   | <b>Office</b>    | <b>Furniture</b> | <b>Computer</b>  | <b>Total</b>  |
| <b>Cost</b>                    | <b>vehicle</b> | <b>equipment</b> | <b>fitting</b>   | <b>equipment</b> | <b>x'000</b>  |
|                                | <b>x'000</b>   | <b>x'000</b>     | <b>x'000</b>     | <b>x'000</b>     | <b>x'000</b>  |
| At 1 January, 2005             | 113            | 2,061            | 4,277            | 2,368            | 8,819         |
| Additions                      | <u>9,621</u>   | <u>1,323</u>     | <u>-</u>         | <u>-</u>         | <u>10,944</u> |
| At 31 December, 2005           | 9,734          | 3,384            | 4,277            | 2,368            | 19,763        |
|                                | =====          | =====            | =====            | =====            | =====         |
| <b>Depreciation</b>            |                |                  |                  |                  |               |
| At 1 January, 2005             | 113            | 1,277            | 2,670            | 2,104            | 6,164         |
| Charge for the year/adjustment | <u>2,405</u>   | <u>677</u>       | <u>1,069</u>     | <u>264</u>       | <u>4,415</u>  |
| At 31 December, 2005           | 2,518          | 1,954            | 3,739            | 2,368            | 10,579        |
|                                | =====          | =====            | =====            | =====            | =====         |
| <b>Net book value</b>          |                |                  |                  |                  |               |
| At 31 December, 2005           | 7,216          | 1,430            | 538              | -                | 9,184         |
|                                | =====          | =====            | =====            | =====            | =====         |
| At 31 December, 2004           | -              | 784              | 1,607            | 264              | 2,655         |
|                                | =====          | =====            | =====            | =====            | =====         |

|  | <b>2005</b>      | <b>2004</b>      |
|--|------------------|------------------|
|  | <b>x'000</b>     | <b>x'000</b>     |
| <b>7. Clients funds</b>  |                  |                  |
| Deposit for securities   | 4,415,884        | 4,579,747        |
| Funds under management   | <u>9,315,399</u> | <u>2,833,185</u> |
|  | 13,731,283       | 7,412,932        |
|  | =====            | =====            |
| <b>7.1 Insider related deposit for securities</b>  |                  |                  |
| Included in Deposit for securities are the following balances in respect of related parties: -                                     |                  |                  |
| Resolution Securities Limited  | 205,017          | 373,658          |
| Resolution Trust and Investment Company Limited  | 413,477          | 111,211          |
| Pine Petosan Limited   | 1,340,258        | 1,323,209        |
| Peter Ukuoritsemofe Ololo  | <u>202,348</u>   | <u>57,713</u>    |
|  | 2,161,100        | 1,865,791        |
|  | =====            | =====            |
| <b>8. Bank loan/overdrafts</b>   |                  |                  |
| Short term loans and overdrafts  | 9,345,691        | 2,124,315        |
|  | =====            | =====            |
| <p>The bank overdrafts/short term loans were secured by lien on various stocks owned by the company valued at x10,492,879,850.</p> |                  |                  |
| <b>9. Other liabilities</b>  |                  |                  |
| Regulatory fees payable  | 16,920           | -                |
| Accrued expenses   | <u>1,666</u>     | <u>58,130</u>    |
|  | 18,586           | 58,130           |
|  | =====            | =====            |
| <b>10. Taxation</b>  |                  |                  |
| <i>.1 Per profit and loss account:-</i>  |                  |                  |
| Income tax   | 25,657           | 6,000            |
|  | =====            | =====            |

|   | <b>2005</b>  | <b>2004</b>   |
|---|--|---------------|
|   | <b>₦'000</b>   | <b>₦'000</b>  |
| <i>.2 Per balance sheet</i>               |  |               |
| At 1 January                              | 23,704   | 17,704        |
| Charge for the year                       | <u>25,657</u>  | <u>6,000</u>  |
| At 31 December                            | 49,361   | 23,704        |
|   | =====  | =====         |
| <b>11. Share capital</b>                  |  |               |
| <i>a) Authorised</i>                      |  |               |
| 400,000,000 ordinary shares of ₦1.00 each | 400,000  | 100,000       |
|   | =====  | =====         |
| <i>b) Issued and fully paid</i>           |  |               |
| 285,075,935 ordinary shares of ₦1.00 each | 285,076  | 87,353        |
|   | =====  | =====         |
| 11.1                                      | The authorised share capital of the company was increased from 100,000,000 ordinary shares of ₦1.00 each to 400,000,000 ordinary shares of ₦1.00 each on 17 May, 2005.   |               |
| 11.2                                      | In August 2005, additional 197,722,935 ordinary shares of ₦1.00 each were allotted to increase the issued share capital to ₦285,075,935. The relevant form Co2 was filed with the Corporate Affairs Commission on 25 August, 2005. |               |
| <b>12. Deposit for shares</b>             | <b>2005</b>  | <b>2004</b>   |
|   | <b>₦'000</b>   | <b>₦'000</b>  |
| Olorogun L. Oghene-Omoru                  | -  | 887           |
| Mr. O. J. A. Idudu                        | -  | 3,170         |
| Senator Chief S. A. Otegbola              | -  | 4,500         |
| Rear Admiral F. I. O. Nesiama             | -  | 900           |
| Brigadier General J. T. Ogbeha (Rtd.)     | -  | 500           |
| Captain T. G. Ogisi                       | -  | 1,166         |
| Chief Eric Nwobi                          | -  | 900           |
| Mr. Simbabi J. Ogbeha                     | -  | 500           |
| Pine Petosan Limited                      | 65,000   | 8,563         |
| Dr. M. A. Uduebo                          | -  | 625           |
| Mr. Peter Ukuoritsemofe Ololo             | 60,000   | 10,252        |
| Resolution Securities Limited             | <u>30,000</u>  | <u>11,260</u> |
|   | 155,000  | 43,223        |
|   | =====  | =====         |

|   | <b>2005</b>    | <b>2004</b>    |
|---|----------------|----------------|
| <b>13. Bonus issue reserve</b>  | <b>x'000</b>   | <b>x'000</b>   |
| At 1 January  | 10,000         | 5,000          |
| Allotted during the year  | <u>10,000</u>  | <u>5,000</u>   |
|   | -              | -              |
| Transfer from profit and loss account                                       | <u>-</u>       | <u>10,000</u>  |
| At 31 December  | <u>-</u>       | <u>10,000</u>  |
|   | =====          | =====          |
| <b>14. Dividend income</b>  |                |                |
| Dividend from quoted securities   | 755,481        | 333,689        |
| Dividend from dealing securities  | <u>1,800</u>   | <u>2,830</u>   |
|   | <u>757,281</u> | <u>336,519</u> |
|   | =====          | =====          |
| <b>15. Other income</b>   |                |                |
| Transfer fees   | -              | 14             |
| Fees on public issue  | -              | 8,741          |
| Income on CBN certificate of deposit  | -              | 2,203          |
| Interest on deposits  | 10,053         | 254            |
| Others  | <u>1,114</u>   | <u>2,655</u>   |
|   | <u>11,167</u>  | <u>13,867</u>  |
|   | =====          | =====          |
| <b>16. Profit before taxation</b>   |                |                |
| <i>This is arrived at: -</i>  |                |                |
| <b>After charging</b>   |                |                |
| Depreciation of fixed assets  | 4,415          | 1,680          |
| Auditors' remuneration  | 1,000          | 500            |
|   | =====          | =====          |
| <b>17. 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 | 15             | 13             |
|   | =====          | =====          |
| (b) <i>The related staff costs amounted to: -</i>                           |                |                |
| Wages and salaries  | 24,169         | 9,452          |
| Staff welfare and training  | <u>1,759</u>   | <u>1,079</u>   |
|   | <u>25,928</u>  | <u>10,531</u>  |
|   | =====          | =====          |

(c) *Salary strand*

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

|                        | <b>2005</b>   | <b>2004</b>   |
|------------------------|---------------|---------------|
|                        | <b>Number</b> | <b>Number</b> |
| x60,001 - x70,000      | -             | -             |
| x70,001 - x100,000     | -             | -             |
| x100,001 - x120,000    | -             | -             |
| x171,001 - x180,000    | 1             | 1             |
| x231,001 - x240,000    | 4             | 2             |
| x291,001 - x300,000    | 5             | 1             |
| x331,001 - x340,000    | -             | 1             |
| x351,001 - x400,000    | 1             | 4             |
| x441,001 - x450,000    | 2             | 2             |
| x1,071,001- x1,080,000 | 2             | 1             |
| x1,190,001- x1,200,000 | -             | 1             |
|                        | ====          | ==            |

18. **Directors' emoluments:**

(a) *Chairman's emoluments*

|      | <b>x'000</b> | <b>x'000</b> |
|------|--------------|--------------|
| Fees | 120          | 120          |
|      | ====         | ====         |

(b) *The highest paid director: -*

|                  |       |       |
|------------------|-------|-------|
| Fees             | 7     | 7     |
| Other emoluments | 5,000 | 5,000 |
|                  | ====  | ===== |

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

|                    |      |      |
|--------------------|------|------|
| x50,001 - x60,000  | -    | -    |
| x60,001 - x70,000  | -    | -    |
| x70,001 - x80,000  | -    | -    |
| x80,001 - x90,000  | -    | -    |
| x90,001 - x100,000 | 7    | 7    |
|                    | ==== | ==== |

19. **Capital commitments and contingent liabilities**

There were no capital commitments or contingent liabilities as at 31 December, 2005

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

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statements which give a true and fair view of the state of the company's affairs as at 31 December, 2005 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, 2005**

|                                    | <b>2005</b>        |           | <b>2004</b>      |           |
|------------------------------------|--------------------|-----------|------------------|-----------|
|                                    | <b>x'000</b>       | <b>%</b>  | <b>x'000</b>     | <b>%</b>  |
| Turnover                           | 1,513,654          |           | 654,037          |           |
| Bought-in-goods and service        | <u>(1,274,233)</u> |           | <u>(585,556)</u> |           |
| Value added                        | 239,421            | 100       | 68,481           | 100       |
|                                    | =====              | =====     | =====            | =====     |
| <b>Applied as follows: -</b>       |                    |           |                  |           |
| <i>Employees</i>                   |                    |           |                  |           |
| Salaries, wages and other benefits | 25,928             | 11        | 9,452            | 14        |
| <i>Providers of finance</i>        |                    |           |                  |           |
| Dividend                           | 85,523             | 36        | 20,000           | 29        |
| Bonus issue                        | -                  | -         | 10,000           | 15        |
| <i>Government</i>                  |                    |           |                  |           |
| Taxation                           | 25,657             | 10        | 6,000            | 9         |
| <i>The future</i>                  |                    |           |                  |           |
| Depreciation                       | 4,415              | 2         | 1,680            | 2         |
| Retained profit                    | <u>97,898</u>      | <u>41</u> | <u>21,349</u>    | <u>31</u> |
| Value added                        | 239,421            | 100       | 68,481           | 100       |
|                                    | =====              | =====     | =====            | =====     |

## FALCON SECURITIES LIMITED

### FIVE-YEAR FINANCIAL SUMMARY

|                                 | 2005<br>x'000              | 2004<br>x'000             | 2003<br>x'000             | 2002<br>x'000             | 2001<br>x'000           |
|---------------------------------|----------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| <b>Assets employed</b>          |                            |                           |                           |                           |                         |
| Cash and short term funds       | 180,311                    | 24,805                    | 10,437                    | 80,511                    | 83,749                  |
| Mandatory deposit               | 1,100                      | 1,100                     | 1,050                     | 1,050                     | 1,050                   |
| Investments                     | 23,509,256                 | 9,748,209                 | 1,707,568                 | 3,184,204                 | 262,267                 |
| Other assets                    | 116,518                    | 50,839                    | 42,167                    | 29,147                    | 25,050                  |
| Fixed assets                    | <u>9,184</u>               | <u>2,655</u>              | <u>2,095</u>              | <u>3,244</u>              | <u>361</u>              |
| <b>Total assets</b>             | <u>23,816,369</u><br>===== | <u>9,827,608</u><br>===== | <u>1,763,317</u><br>===== | <u>3,298,156</u><br>===== | <u>372,477</u><br>===== |
| Clients funds                   | 13,731,283                 | 7,412,932                 | 284,372                   | 80,913                    | 3,399                   |
| Bank loan/overdraft             | 9,345,691                  | 2,124,315                 | 1,000,000                 | 2,700,000                 | -                       |
| Other liabilities               | 18,586                     | 58,130                    | 322,709                   | 400,687                   | 270,164                 |
| Dividend                        | 85,523                     | 20,000                    | -                         | -                         | -                       |
| Provision for tax               | <u>49,361</u>              | <u>23,704</u>             | <u>17,704</u>             | <u>16,333</u>             | <u>10,521</u>           |
| <b>Liabilities</b>              | 23,230,444                 | 9,639,080                 | 1,624,785                 | 3,197,933                 | 284,084                 |
| Shareholders funds              | <u>585,925</u>             | <u>188,527</u>            | <u>138,532</u>            | <u>100,223</u>            | <u>88,393</u>           |
|                                 | <u>23,816,369</u><br>===== | <u>9,827,608</u><br>===== | <u>1,763,317</u><br>===== | <u>3,298,156</u><br>===== | <u>372,477</u><br>===== |
| <b>Profit and loss accounts</b> |                            |                           |                           |                           |                         |
| Gross earnings                  | 1,462,979                  | 638,216                   | 365,739                   | 222,835                   | 121,067                 |
| Profit before tax               | 209,078                    | 57,349                    | 35,138                    | 22,606                    | 19,571                  |
| Taxation                        | 25,657                     | 6,000                     | 1,371                     | 5,812                     | 4,234                   |
| Profit after taxation           | 183,421                    | 51,349                    | 33,767                    | 16,794                    | 15,337                  |
| Dividend                        | 85,523                     | 20,000                    | 15,000                    | 10,000                    | 10,000                  |
| Retained profit                 | <u>97,898</u><br>=====     | <u>21,349</u><br>=====    | <u>13,767</u><br>=====    | <u>6,794</u><br>=====     | <u>5,337</u><br>=====   |
| <b>Per x1.00 share data</b>     |                            |                           |                           |                           |                         |
| Earnings (Basic)                | 64k                        | 59k                       | 41k                       | 20k                       | 19k                     |
| Earnings (Diluted)              | 64k                        | 18k                       | 12k                       | 6k                        | 5k                      |
| Dividend (Basic)                | 30k                        | 23k                       | 18k                       | 12k                       | 12k                     |
| Dividend(Diluted)               | 30k                        | 7k                        | 5k                        | 4k                        | 4k                      |
| Net asset per share (Diluted)   | 225                        | 66                        | 48                        | 35                        | 31                      |

**Note:** Basic earnings and dividend per share are based on the issued ordinary shares at 31 December

each year, qualifying for dividend.