

FALCON SECURITIES LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER, 2007

WITH MANAGEMENT SCHEDULES

FALCON SECURITIES LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2007

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 financial statements	10
Statement of value added	18
Five-year financial summary	19

FALCON SECURITIES LIMITED**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:	Central Bank of Nigeria Oceanic Bank International Plc Zenith Bank Plc Intercontinental Bank Plc Union Bank of Nigeria Plc First Bank of Nigeria Plc Access Bank Plc Firstinland Bank Plc Guaranty Trust Bank Plc Afribank Nigeria Plc First City Monument Bank Plc Standard Chartered Bank of Nigeria FBN Bank U.K. Plc United Bank for Africa Plc Ecobank Nigeria Plc Skye Bank Plc Platinumhabib Bank Plc

FALCON SECURITIES LIMITED

RESULTS AT A GLANCE

For the year	2007	2006	% Increase/ (decrease)
	_ '000	_ '000	
Gross income	5,642,262	3,090,681	83
Operating expenses	4,246,641	2,312,446	84
Profit before taxation	1,395,621	778,235	79
Profit after taxation	1,222,413	690,588	77
Dividend paid during the year	170,742	85,523	99
Dividend proposed	375,060	170,742	120

	_ '000	_ '000	
Major balances sheet items			
Share capital	1,879,304	285,076	559
Total assets	195,804,016	47,849,364	309
Total liabilities	133,424,734	46,381,751	188
Shareholders' fund	62,379,282	1,467,613	4,150

Number of employees	23	16
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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, 2007.

2. Result of operations for the year	_ '000
Profit before taxation	1,395,621
Taxation	<u>(218,062)</u>
Profit after tax transferred to general reserve	1,177,559
	=====

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 _778 million in the previous year to _1,396 billion 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: -

	31/12/2007	31/12/2006
	No. of shares	No. of shares
Mr. O. J.A Idudu	12,673,398	4,336,699
Brig. General J. T. Ogbeha (Rtd.)	6,307,122	1,653,561
Captain T. G. Ogisi	4,691,802	2,345,901
Olorogun Lucky Oghene-Omoru (JP)	2,885,932	1,442,966
Senator (Chief) S. A. Otegbola	21,935,674	6,967,837
Chief Eric N. Nwobi	14,539,976	1,039,976
Rear Admiral F. I. O. Nesiama (Rtd.)	5,871,996	935,978
Dr. M. A. Uduebo	3,649,985	649,985
Mr. Peter Ukuoritsemofe Ololo - Direct	347,114,062	109,557,031
- Indirect	1,444,041,278	169,510,639

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 ₦375,060,000 which is equivalent to 20k per share of ₦1.00 held by members as at 31 December, 2008. The dividend will be subjected to the deduction of appropriate withholding tax at the time of payment. However, the dividend has not been accrued for in the financial statements. Dividend to shareholders is now accounted for on the date of declaration as they do not meet the criteria of present obligation in statement of accounting standard (SAS 23).

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, 2007, 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 Cap C20 LFN 2004. A resolution will be proposed to authorise the directors to fix their remuneration.

By order of the Board

**Miss. Colette R. Ogigi
Secretary**

**LAGOS, Nigeria
12 June, 2008**

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

We have audited the financial statements set out on pages 7 to 19 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, Cap C20 LFN 2004 are stated in note 22. 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, 2007 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, CAP C20 LFN 2004.

CHARTERED ACCOUNTANTS

**Lagos, Nigeria
12 June, 2008**

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. Short term investment

Short term investments being stocks that are traded are stated at market values. The appreciation or depreciation in the values of the investment as a result of price movements on the stock exchange are accounted for in the stock revaluation reserve account and transferred to the profit and loss account when the relevant stocks are disposed off.

5. Fixed assets

The fixed assets are stated at cost less accumulated depreciation.

6. 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	-	33_%
Office equipment	-	20%
Office furniture & fittings	-	25%
Other fixed assets	-	20%
Leased equipment	-	Over the period of the lease

7. Debtors

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

8. 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.

9. Leased equipment

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

10. Dividend distribution

In accordance with SAS 23, dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividend is approved by the company's shareholders.

FALCON SECURITIES LIMITED

BALANCE SHEET AS AT 31 DECEMBER, 2007

	Notes	2007 _ '000	2006 _ '000
Assets			
Cash and short term funds	1	5,082,924	223,319
Mandatory deposits	2	1,100	1,100
Short-term investments	3	138,107,033	44,819,358
Long-term investments	4	76,295	45,920
Other assets	5	52,525,611	2,753,334
Fixed assets	6	<u>11,053</u>	<u>6,333</u>
Total assets		<u>195,804,016</u>	<u>47,849,364</u>
Liabilities			
Clients funds	7	43,855,934	28,349,697
Bank loan and overdraft	8	89,167,507	17,720,038
Other liabilities	9	109,713	89,985
Taxation	10	291,580	136,508
Dividend		<u>-</u>	<u>85,523</u>
		<u>133,424,734</u>	<u>46,381,751</u>
Capital and reserves			
Share capital	11	1,875,304	285,076
Share premium	12	700	-
Deposit for shares	13	-	346,100
Bonus issue reserve	14	468,826	631,176
Stock revaluation reserve		59,249,106	-
General reserve	15	<u>785,346</u>	<u>205,261</u>
Shareholders' fund		<u>62,379,282</u>	<u>1,467,613</u>
		<u>195,804,016</u>	<u>47,849,364</u>

.....)
)
) **Directors**
)
)

The accounting policies on page 6 and the notes on pages 10 to 17 form part of these financial statements.

FALCON SECURITIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER, 2007

	Notes	2007 _ '000	2006 _ '000
Income			
Brokerage income		1,923,019	1,531,172
Dividend income	15	1,489,806	886,306
Other income	16	<u>2,229,437</u>	<u>673,203</u>
		5,642,262	3,090,681
<i>Less: Cost of fund</i>		<u>(2,842,110)</u>	<u>(1,586,867)</u>
		2,800,152	1,503,814
Overheads		<u>(1,404,531)</u>	<u>(725,579)</u>
Profit before taxation	17	1,395,621	778,235
Current taxation	10	<u>(173,208)</u>	<u>(87,647)</u>
Profit after taxation		1,222,413	690,588
Appropriation			
Transfer to bonus issue reserve	14	<u>(468,826)</u>	<u>(631,176)</u>
Profit after tax transferred to general reserve	15	753,587	59,412
		=====	=====
Earnings per share(diluted)		<u> _0.65</u>	<u> _0.37</u>
		=====	=====
Earnings per share (basic)		<u> _0.65</u>	<u> _2.42</u>
		=====	=====

The accounting policies on page 6 and the notes on pages 10 to 17 form part of these financial statements.

FALCON SECURITIES LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER, 2007

	Note	2007 _ '000	2006 _ '000
Cash flow from operating activities:			
Operating profit before working capital changes			
capital changes	19.1	2,151,438	1,137,929
Working capital changes	19.2	(34,494,737)	12,032,081
Tax paid		<u>(18,136)</u>	<u>(500)</u>
Net cash flow from operating activities		(32,361,435)	13,169,510
 Cash flow from investing activities			
Short term investment		(34,538,569)	(21,690,837)
Long term investment		(30,375)	-
Acquisition of fixed assets		(12,112)	(1,112)
Cash flow from financing activities			
Dividend paid	- 2007	(170,742)	-
	- 2006	(85,523)	-
Loan		71,447,469	8,374,347
Proceeds of increase in share capital		610,892	-
Additional deposits for shares		<u>-</u>	<u>191,100</u>
Net increase in cash and cash equivalent		4,859,605	43,008
Cash and equivalents at the beginning of the year		<u>223,319</u>	<u>180,311</u>
Cash and cash equivalents at 31 December	19.3	5,082,924	223,319
		=====	=====

FALCON SECURITIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2007**

	2007	2006
1. Cash and short term funds	_'000	_'000
Central Bank of Nigeria	1,843	104
Banks:		
Sterling Bank Plc - (former Magnum Bank)	99	99
Skye Bank - (former Prudent Bank Plc)	5,460	96
Spring Bank - (former ACB International Bank)	90	90
- (former Citizen International Bank - 112)		4,396
4,396		
First Bank of Nigeria Plc (former FBN (Merchant Bankers) Limited	438	438
Guaranty Trust Bank Plc	119,243	2,280
UBA - Plc (former Standard Trust Bank Plc)	60	181
FCMB - (former Co-operative Development Bank - 3001)	53	53
Union Bank of Nigeria Plc -301	-	10,028
- (former Broad Bank)	252	252
Zenith Bank Plc	-	21,999
Access Bank Plc	181,432	161,357
Oceanic Bank International Plc	41,559	20,333
Union Bank of Nigeria Plc	-	1,613
Bank PHB	<u>4,727,999</u>	<u>-</u>
	<u>5,082,924</u>	<u>223,319</u>
	=====	=====
2. Mandatory deposits		
NSE Investors protection fund	1,000	1,000
NSE Guarantee fund	<u>100</u>	<u>100</u>
	1,100	1,100
	=====	=====

	2007	2006
	'000	'000
3. Short-term investments		
Dealing securities	113,015,254	34,299,043
Assets under management	26,014,000	10,856,141
Treasury bills	-	
86,395		
2 nd FGN Bond 2008	<u>30,500</u>	<u>30,500</u>
	139,059,754	45,272,079
<i>Less: Provision for diminution in value of investments</i>	<u>(952,721)</u>	<u>(452,721)</u>
	<u>138,107,033</u>	<u>44,819,358</u>
	=====	=====

Of the 113,015,254,000 shown above as dealing securities, 70,935,243,000 represent securities placed under lien for short-term loans and overdrafts obtained from some banks by the company.

4. Long-term investments		
Deap Capital Management and Trust Limited		
47,050,000 ordinary shares of 1 each	76,295	45,920
	=====	=====

5. Other assets		
Stock trading facilities	50,824,001	2,479,924
Due from clients	-	204,608
Trade debtors	1,973,013	93,686
Others	<u>6,408</u>	<u>2,927</u>
	52,803,422	2,781,145
<i>Less: Provision for doubtful account</i>	<u>(277,811)</u>	<u>(27,811)</u>
	<u>52,525,611</u>	<u>2,753,334</u>
	=====	=====

6. Fixed assets					
	Motor	Office	Furniture	Computer	Total
	vehicle	equipment	fitting	equipment	
	'000	'000	'000	'000	'000
At 1 January, 2007	9,734	3,581	4,297	3,263	20,875
Additions	6,230	1,008	2,791	2,083	12,112
Adjustment	<u>(3,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,150)</u>
At 31 December, 2007	<u>12,814</u>	<u>4,589</u>	<u>7,088</u>	<u>5,346</u>	<u>29,837</u>
	=====	=====	=====	=====	=====
Depreciation					
At 1 January, 2007	4,923	2,670	4,282	2,667	14,542
Charge for the year/adjustment	3,203	918	703	993	5,817
Adjustment	<u>(1,575)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,575)</u>
At 31 December, 2007	<u>6,551</u>	<u>3,588</u>	<u>4,985</u>	<u>3,660</u>	<u>18,784</u>
	=====	=====	=====	=====	=====
Net book value					
At 31 December, 2007	<u>6,263</u>	<u>1,001</u>	<u>2,103</u>	<u>1,686</u>	<u>11,053</u>
	=====	=====	=====	=====	=====
At 31 December, 2006	<u>4,811</u>	<u>911</u>	<u>15</u>	<u>596</u>	<u>6,333</u>
	=====	=====	=====	=====	=====

	2007	2006
	_ '000	_ '000
7. Clients funds		
Deposit for securities	17,841,934	11,429,420
Funds under management	<u>26,014,000</u>	<u>16,920,277</u>
	43,855,934	28,349,697
	=====	=====

7.1 **Insider related deposit for securities**

Included in Deposit for securities are the following balances in respect of related parties: -

Resolution Securities Limited	2,365,065	2,205,308
Resolution Trust and Investment Company Limited	2,105,654	1,646,438
Pine Petosan Limited	6,938,606	3,042,543
Peter Ukuoritsemofe Ololo	<u>783,416</u>	<u>163,774</u>
	12,192,741	7,058,063
	=====	=====

8. **Bank loan/overdrafts**

Short term loans and overdrafts	89,167,507	17,720,038
	=====	=====

The bank overdrafts/short term loans were secured by lien on various stocks owned by the company valued at _70,935,243,000.

9. **Other liabilities**

Regulatory fees payable	55,932	71,798
Accrued expenses	<u>53,781</u>	<u>18,187</u>
	109,713	89,985
	=====	=====

10. **Taxation**

.1 *Per profit and loss account:-*

Income tax	120,891	82,138
Education tax	8,128	5,509
Capital Gains tax	<u>44,189</u>	<u>-</u>
	173,208	87,647
	=====	=====

	2007	2006
	_ '000	_ '000
.2 Per balance sheet		
At 1 January	136,508	49,361
Payment during the year	(18,136)	(500)
Charge for the year	<u>173,208</u>	<u>87,647</u>
At 31 December	<u>291,580</u>	<u>136,508</u>
	=====	=====
11. Share capital		
a) Authorised		
3,000,000,000 ordinary shares of _1.00 each	3,000,000	400,000
	=====	=====
b) Issued and fully paid		
1,875,304,282 (2006-285,075,955) ordinary shares of _1.00 each	1,875,304	285,076
	=====	=====
11.1	The authorised share capital of the company was increased from 600,000 ordinary shares of _1.00 each to 3,000,000,000 ordinary shares of _1.00 each on 4 April, 2007.	
11.2	During the year, additional allotments were made to share capital as follows: -	
	Balance at 1 January	285,076
	285,076	285,076
	Add:	
	Bonus issue	633,936
	633,936	-
	Deposits now allotted	758,060
	758,060	-
	Additional allotments	<u>198,232</u>
	198,232	-
	1,875,304	285,076
	=====	=====
12. Share premium	700	-
	=====	=====
	During the year, 1,400,000 ordinary shares were issued at a premium of 50k per share.	
13. Deposit for shares		
At 1 January	346,100	155,000
Additional deposits	<u>412,660</u>	<u>191,100</u>
	758,760	346,100
Allotted during the year	<u>(758,760)</u>	-
	-	346,100
	=====	=====

	2007	2006
	_'000	_'000
13.1 Depositors for shares		
Omoru Elizabeth	-	-
Olorogun L. Oghene-Omoru	-	-
Mr. O. J. A. Idudu	-	-
Senator Chief S. A. Otegbola	-	2,500
Rear Admiral F. I. O. Nesiana	-	-
Brigadier General J. T. Ogbeha (Rtd.)	-	1,500
Captain T. G. Ogisi	-	-
Chief Eric Nwobi	-	1,500
Mr. Simbabi J. Ogbeha	-	750
Pine Petosan Limited	-	86,250
Dr. M. A. Uduebo	-	-
Mr. Peter Ukuoritsemofe Ololo	-	109,000
Resolution Securities Limited	-	141,260
Resolution Trust & Inv. Company	-	1,240
Captain M. M. Nesiana	-	600
Senator A. B. David Mark	<u>-</u>	<u>1,500</u>
	-	346,100
	=====	=====
14. Bonus issue reserve		
At 1 January	631,176	-
Transfer from general reserve	<u>2,760</u>	<u>-</u>
	633,936	-
Alloted during the year	(633,936)	-
Transfer from profit and loss account	<u>468,826</u>	<u>631,176</u>
At 31 December	<u>468,826</u>	<u>631,176</u>
	=====	=====
15. General reserve		
At 1 January	205,261	145,849
Profit and loss account	753,587	59,412
Additional transfer to Bonus issue reserve account	(2,760)	-
Dividend paid	<u>(170,742)</u>	<u>-</u>
	<u>785,346</u>	<u>205,261</u>
	=====	=====

	2007	2006
	_ '000	_ '000
16. Dividend income		
Dividend from quoted securities	1,483,150	886,306
Dividend from dealing securities	<u>6,656</u>	<u>-</u>
	<u>1,489,806</u>	<u>886,306</u>
17. Other income		
Transfer fees	859,791	618,418
Fees on public issue	47,207	6,314
Income on CBN certificate of deposit	-	5,703
Interest on deposits/call placements with banks	2,599	-
Others	<u>1,319,840</u>	<u>42,768</u>
	<u>2,229,437</u>	<u>673,203</u>
<p>Others above include profit on sale of shares _890,429,000, other charges of _146,028,000 and interests on stock trading facilities of _283,383,000.</p>		
18. Profit before taxation		
<i>This is arrived at: -</i>		
After charging		
Depreciation of fixed assets	5,817	3,962
Auditors' remuneration	<u>2,000</u>	<u>1,500</u>
19.i Cash flow reconciliations		
Operating profit before working capital changes		
Profit after tax	1,222,413	690,588
Adjustment to reconcile profit		
Depreciation	5,817	3,962
Provision for diminution in value of investments	500,000	334,815
Provision for other assets	250,000	20,917
Taxation	<u>173,208</u>	<u>87,647</u>
	<u>2,151,438</u>	<u>1,137,929</u>

	2007	2006
	_ '000	_ '000
19.ii Working capital changes		
Other assets	(50,020,702)	(2,657,733)
Client's fund	15,506,237	14,618,414
Other liabilities	<u>19,728</u>	<u>71,400</u>
	(34,494,737)	12,032,081
	=====	=====

19.iii **Reconciliation of cash and cash equivalents**

Cash comprises cash on hand and in banks at the end of the financial years shown in the statements of cash flows and is reconciled to the related items in the balance sheet as follows:

-

Cash and bank balances	5,082,924	223,319
	=====	=====

20. **Employees emoluments**

(a) <i>Employees numbers</i>	Number	Number
Employees(excluding directors) employed by the company during the year were	23	16
	=====	=====

(b) *The related staff costs amounted to: -*

Wages and salaries	47,180	29,464
Staff welfare and training	<u>3,121</u>	<u>1,879</u>
	50,301	31,343
	=====	=====

(c) *Salary strand*

The number of employees of the company, other than the directors who earned more than _60,000 during the year were: -

	2007	2006
	Number	Number
_60,001 - _70,000	-	-
_70,001 - _100,000	-	-
_100,001 - _120,000	-	-
_171,001 - _180,000	1	1
_231,001 - _240,000	1	4
_291,001 - _300,000	4	5
_331,001 - _340,000	-	-
_351,001 - _400,000	1	1
_441,001 - _450,000	4	2
_1,071,001- _1,080,000	9	2
_1,190,001- _1,200,000	1	1
_1,200,001 & above	2	-
	=====	=====

	2007	2006
	_ '000	_ '000
21. Directors' emoluments:		
(a) Chairman's emoluments		
Fees	120	120
	=====	=====
(b) The highest paid director: -		
Fees	7	7
Other emoluments	15,000	6,400
	=====	=====
(c) Other directors received remuneration in the following ranges:		
_50,001 - _60,000	-	-
_60,001 - _70,000	-	-
_70,001 - _80,000	-	-
_80,001 - _90,000	-	-
_90,001 - _100,000	7	7
	=====	=====

22. **Capital commitments and contingent liabilities**

There were no capital commitments or contingent liabilities as at 31 December, 2007.

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

In accordance with the provisions of section 334 and 335 of the Companies and Allied Matters Act Cap C20 LFN 2004, 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, 2007 and of the profit or loss for the year ended on that date, and comply with requirements of the Companies and Allied Matters Act, Cap C20 LFN 2004. 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.

24. **Approval of the financial statements**

The financial statements was approved by the Board of Directors on 12 June, 2008.

FALCON SECURITIES LIMITED
STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER, 2007

	2007 _ '000	%	2006 _ '000	%
Turnover	5,642,262		3,090,681	
Bought-in-goods and service	<u>(4,190,523)</u>		<u>(2,277,141)</u>	
Value added	<u>1,451,739</u>	100	<u>813,540</u>	100
Applied as follows: -				
<i>Employees</i>				
Salaries, wages and other benefits	50,301	4	31,343	4
<i>Providers of finance</i>				
Dividend	170,742	12	-	-
Bonus issue	468,826	32	631,176	78
<i>Government</i>				
Taxation	173,208	12	87,647	11
<i>The future</i>				
Depreciation	5,817	-	3,962	-
Retained profit	<u>582,845</u>	<u>40</u>	<u>59,412</u>	<u>7</u>
Value added	<u>1,451,739</u>	<u>100</u>	<u>813,540</u>	<u>100</u>

Value added represents the additional wealth which the company has been able to create by its own and its employees' efforts. This statements show the allocation of that wealth between employees, shareholders, government and that retained for the future creation of more wealth.

FALCON SECURITIES LIMITED

FIVE-YEAR FINANCIAL SUMMARY

	2007 _ '000	2006 _ '000	2005 _ '000	2004 _ '000	2003 _ '000
Assets employed					
Cash and short term funds	5,082,924	223,319	180,311	24,805	10,437
Mandatory deposit	1,100	1,100	1,100	1,100	1,050
Investments	138,183,328	44,865,278	23,509,256	9,748,209	1,707,568
Other assets	52,525,611	2,753,334	116,518	50,839	42,167
Fixed assets	<u>11,053</u>	<u>6,333</u>	<u>9,184</u>	<u>2,655</u>	<u>2,095</u>
Total assets	<u>195,804,016</u>	<u>47,849,364</u>	<u>23,816,369</u>	<u>9,827,608</u>	<u>1,763,317</u>
Liabilities					
Clients funds	43,855,934	28,349,697	13,731,283	7,412,932	284,372
Bank loan/overdraft	89,167,507	17,720,038	9,345,691	2,124,315	1,000,000
Other liabilities	109,713	89,985	18,586	58,130	322,709
Dividend	-	85,523	85,523	20,000	-
Provision for tax	<u>291,580</u>	<u>136,508</u>	<u>49,361</u>	<u>23,704</u>	<u>17,704</u>
Liabilities	<u>133,424,734</u>	<u>46,381,751</u>	<u>23,230,444</u>	<u>9,639,080</u>	<u>1,624,785</u>
Shareholders funds	<u>62,379,282</u>	<u>1,467,613</u>	<u>585,925</u>	<u>188,527</u>	<u>138,532</u>
	<u>195,804,016</u>	<u>47,849,364</u>	<u>23,816,369</u>	<u>9,827,608</u>	<u>1,763,317</u>
Profit and loss accounts					
Gross earnings	5,642,262	3,090,681	1,462,979	638,216	365,739
Profit before tax	1,395,621	778,235	209,078	57,349	35,138
Taxation	173,208	87,647	25,657	6,000	1,371
Profit after taxation	1,222,413	690,588	183,421	51,349	33,767
Dividend declared during the year	170,792	85,523	20,000	15,000	10,000
Dividend proposed	375,060	170,792	85,523	20,000	15,000
Retained profit	<u>753,587</u>	<u>59,412</u>	<u>97,898</u>	<u>21,349</u>	<u>13,767</u>
Per _1.00 share data					
Earnings (Basic)	65k	242k	64k	59k	41k
Earnings (Diluted)	65k	51k	64k	18k	12k
Dividend (Basic)	-	-	30k	23k	18k
Dividend(Diluted)	-	-	30k	7k	5k
Net asset per share (Diluted)	3,326k	109k	43k	14k	10k

Note: Basic earnings and dividend per share are based on the issued ordinary shares at 31 December, each year.

FOR MANAGEMENT USE ONLY

FALCON SECURITIES LIMITED**SCHEDULE****1****ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED 31 DECEMBER, 2007**

	2007	2006
	'000	'000
Directors' remuneration - Board meeting expenses	305	269
- Director's remuneration	25,748	7,233
Salaries and wages	47,180	29,464
Provision for diminution in value of investment	500,000	334,815
Bank charges	458,681	299,455
General provision for other assets	250,000	20,917
Stamp duties	65,006	1,913
Office expenses	11,620	8,738
Transport and travelling	13,429	3,519
Telephone	4,865	2,120
Subscription	3,982	1,030
Staff welfare and training	3,121	1,879
Printing and stationery	3,062	1,487
Computer services expenses	2,803	1,397
Legal and other professional fees	2,070	-
Audit fee	2,000	1,500
Rent and service charge	1,956	1,517
Insurance	1,457	1,681
Motor vehicle running expenses	1,226	2,771
Electricity expenses	145	402
Consultancy fee book and periodicals	53	5
Postages	5	5
Depreciation	<u>5,817</u>	<u>3,962</u>
	<u>1,404,531</u>	<u>725,579</u>
	=====	=====