The FSDH values of customer orientation, high performance, collaboration, learning and image building are perpetuated through our members of staff. They have remained loyal and committed over the years.

It is through our people that FSDH has achieved and maintained its pride of place within its operating environment.

Our practice is to recognize and applaud our outstanding team members.

Please join us in celebrating **Wasiu Adekunle Shafe** (financial control unit) and **Aruna Olamigoke** (operations unit).

They are the FSDH persons of the year 2010.

Emerging With **Definition...**

The FSDH Group Subsidiaries.

Pensions Alliance.

The year 2010 was undoubtedly economically harsh. All sectors of the Nigerian economy had a taste of the downturn. The Nigerian capital market that accounts for 25% of pension fund assets had its index going as low as 20,838.10 from all high 31,450.78 in the preceding year 2009. In the money market, interest rates crashed to an all time low of 1.5% compared to the previous year when interest rates were as high as 17% to 18%.

The year was particularly tough for the Pension industry considering the fact that the above issues were directly affecting the investment outlets available to the operators at the beginning of the year. Being undaunted, PAL strived to improve on her performance through a combination of a painstaking portfolio review and taking advantages available in the financial system. The decisions were rewarding as depicted by the results at the end of the year.

The total asset under management of PAL at the beginning of the year was approximately N41 billion. As at December 31, 2010, the asset had grown by N18 billion with a closing balance of N59 billion. This represents a 43.9% growth in the year 2010. The unit price of the RSA fund started the year 2010 as 1.4466 and closed at the end of the year as 1.6406, thereby giving a yield to date of 13.41%. This was certainly one of the best in the industry.

In December 2010, The National Pensions Commission (PenCom), reviewed the existing investment guidelines. The main aim of the review was to broaden the investment outlets available to PFAs. The new outlets created amongst others include investments in Supranational Bonds, Private Equity Funds, Infrastructure Funds, Global Depository Receipts/Notes. Also, the retiree fund can now accept equity investment.

We sincerely hope, with these opportunities, PAL is in a good position not only to surpass the achievements recorded in year 2010 but effectively maintain a leading position in the Pension Industry in the year 2011.

FSDH Securities.

FSDH Securities Limited (FSDH Sec) remains one of the leading dealing members of the Nigerian Stock Exchange registered with the Securities & Exchange Commission as a Broker/Dealer, Issuing House, Portfolio Manager and Investment Adviser. Since inception in 1994, FSDH Sec has maintained a vantage position as one the leading providers of capital market services in Nigeria.

Our innovative service delivery, professionalism and integrity have continued to distinguish us from our peers and endear us to our numerous institutional, high net worth and retail clients both within Nigeria and abroad.

During the year under review, FSDH Sec continued to retain qualified and experienced professionals who remained motivated to act as major players in the emerging Nigerian capital market even after the global financial crisis. We worked with institutional and high net worth clients to identify and harness opportunities that continue to emerge in the market. Our value system and culture, propelled by a deep understanding of our operating environment, continue to make our research and advisory services to discerning clients, invaluable. Consequently, we have experienced a gradual restoration of investor confidence in the market as the volumes of our clients' transactions picked up for the first time in three years and increasing numbers of institutional investors have opened stock broking accounts with FSDH Sec during this period.

Supporting our advisory services is the FSDH Group research team. In keeping with our core values, the research team follows world and Nigeria economic trends to review industries and companies; thereby synthesizing values and opportunities for the investing public. Periodic reports are produced that are circulated to over 10,000 (ten thousand) subscribers, and also published in major dailies and financial journals. Currently, our research reports are published on our website and Bloomberg terminal to reach a wider readership and elicit interest in the Nigeria Capital market from global fund managers.

FSDH Securities continued to effectively leverage off the FSDH Group, a process driven organization that maintains clear reporting lines and oversight functions over its subsidiaries. Without ingrained and efficient Internal Audit, Risk Management and Corporate Governance culture of the Group, it would not have been possible for FSDH Sec to emerge (as it has) relatively unscathed by the turbulence that characterized the Nigerian capital market during the last three years. The risk management process within the group ensured that proprietary positions taken were limited in size not to exceed the capacity indicated by the company's paid up share capital. Furthermore, stop loss limits were put in place and strictly respected. The combination of these measures ensured that when the capital market went into reverse, proprietary positions were not too large to exit within a reasonable time frame and losses that were incurred were within limits previously determined to be tolerable. We have come out of these last three tough years, a more viable and efficiently run company due to effective checks and controls put in place by the Group which has successfully cascaded down to the subsidiaries. As a result, we remain well capitalized, with our shareholders' funds in excess of N750million as at the end of December, 2010 as against the regulatory

Capital requirement of N70million. With our capitalization, FSDH Sec is one of the stock broking firms in Nigeria with the highest levels of capitalization.

During the year under review, FSDH Securities continued to execute its trades from both the floor of the Nigerian Stock Exchange and remotely from our office. Highly disciplined professionals were retained as stockbrokers, who execute these trades and lead the market in timely, effective and efficient trading processes. With these focused trading processes, problems have been minimized and customers' satisfaction remains a priority.

While our service delivery continues to be anchored by a deep understanding of the needs of our clients and best practices obtainable all over the world, our operations continued to thrive on Flexcube, a reliable technology adapted and equipped with unique features for meeting the changing needs of the investing public. Our efforts to improve our efficiency by strengthening our back office functions during the lull in capital market activities yielded improved business opportunities for our company.

With our strong performance especially towards the end of the financial year, the stage and framework for a more productive and prosperous 2011 has been set and FSDH Securities remains poised to overcome all challenges ahead and considerably increase our market share in the coming year of opportunities and strategic positioning.

FSDH Assets Managment Limited.

At FSDH Asset Management Limited (FAML) we knew from experience that in planning our strategies for 2010 we would need to emerge from 2009 defining our direction and goals. We had to become innovative in growing our business in an environment where traditional sources of opportunity have been replaced by new financial market initiatives.

During 2010 we saw restructuring of the financial service industry which has provided new opportunities for FAML to advise its clients in the management of their financial planning. We have entered new markets with a positive view to create added value for our clients and positive returns for FAML. We are pleased that we have exceeded client performance benchmarks for 2010 and all performance objectives for FAML.

Emerging With **Definition...**

The FSDH Group Subsidiaries - (cont.)

FAML Investment Philosophy

FAML takes a long term view in building client relationships and therefore takes a long term view also in assessing asset management strategies in the open markets. We employ an analytical approach to equity investment which requires an in-depth understanding of the fundamental values of each listed company whose shares might become a part of our clients' portfolios and the FSDH Coral Funds. The Research Department of the FSDH Group is widely held as one of the best in Nigeria and represents an open resource for our investment management professionals and our clients. Risk Management evaluation has become of paramount importance globally and is an integral component in our investment management philosophy.

FSDH Coral Funds

FSDH Coral Growth Fund

The FSDH Coral Growth Fund is an open-ended mutual fund, listed on the Nigerian Stock Exchange (NSE). The Fund is valued daily and invests in a balance of Nigerian equities listed on the NSE and Nigerian fixed income securities. The fund was established in February 2001 and leads the industry in performance in its asset class. The focus of The Fund, in active management, is to preserve capital whilst achieving capital growth over the medium to long term. The FSDH Coral Growth Fund is a perfect investment vehicle for regular savings plans for individual investors as well as a part of the investment strategy for corporate investment plans and staff supplementary service bonus schemes.

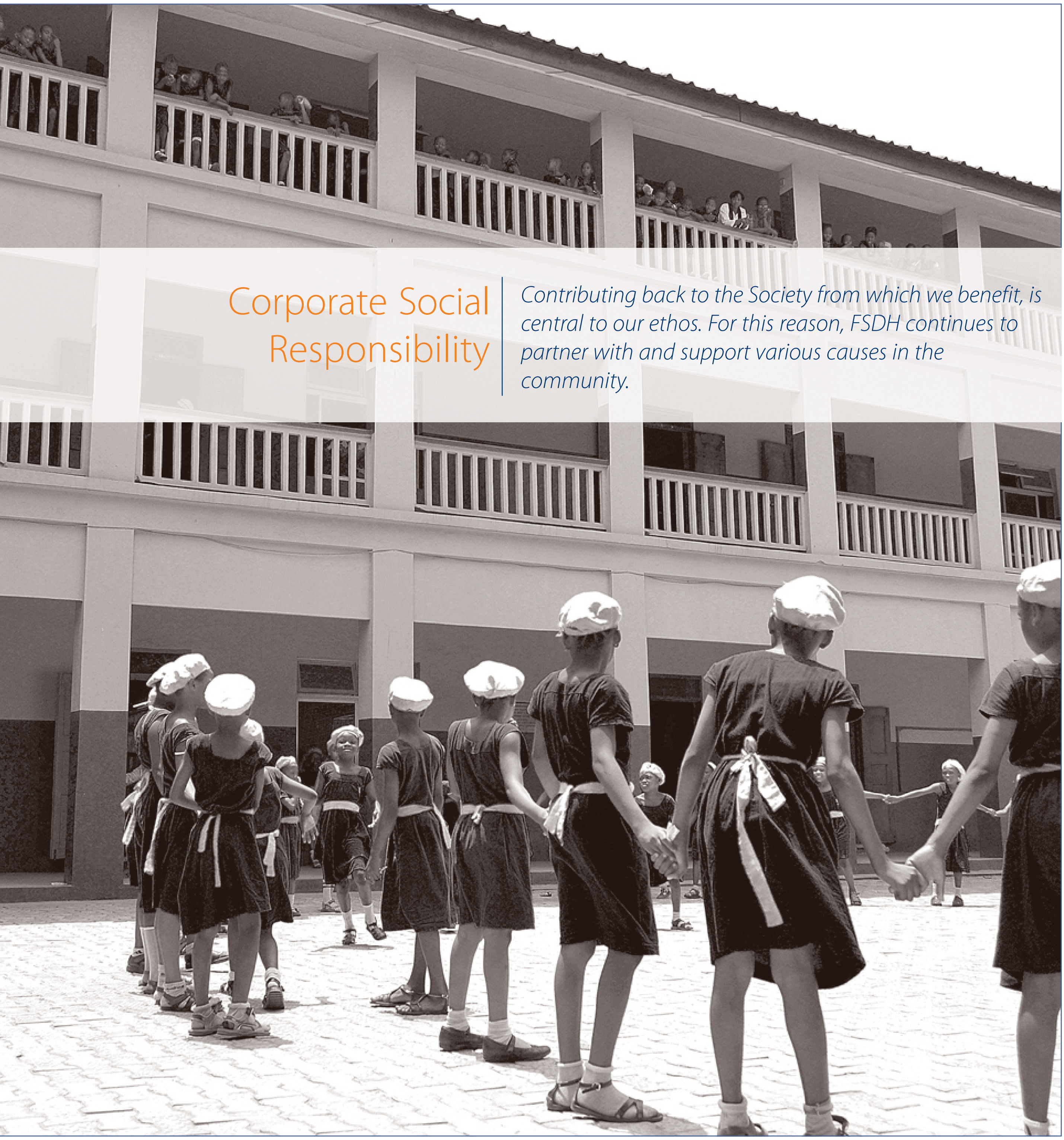
FAML manages the FSDH Coral Fund guided by the terms of the Trust Deed which is administered by outside trustees, registered with the Securities & Exchange Commission. The assets of the FSDH Coral Growth Fund are held by an external custodian bank, as dictated by global best practice. This was the first Nigerian fund to do so.

FSDH Coral Income Fund

The FSDH Coral Income Fund is an open-ended mutual fund listed on the Nigerian Stock Exchange (NSE). The Fund is valued daily and invests primarily in high quality Nigerian fixed income securities. The Fund can invest, by terms of the Trust Deed, a maximum of 30% in quoted equities, but is currently invested totally in fixed income securities. The investment philosophy is to provide investors a fund in which they can preserve their capital and realize stable income flows. The FSDH Coral Income Fund is suitable for the more risk averse investors and the institutional accounts for which a portion of investments must be in conservative, high quality fixed income securities with stable competitive returns. FSDH Coral Income Fund was established in 2006.

FSDH Coral Ethical Fund

The FSDH Coral Ethical Fund was established in 2006 to provide an open-ended unit trust investment opportunity for those investors who require a fund investing in equities traded on the NSE, representing corporations which do not conduct business from which they derive interest income, or are engaged in the production of alcoholic beverages and tobacco related products. The Fund does not invest in interest bearing securities. The primary focus of the FSDH Coral Ethical Fund is to achieve capital growth over the medium to long term. The Fund is actively managed by FAML and is valued daily.



Corporate Social Responsibility

Contributing back to the Society from which we benefit, is central to our ethos. For this reason, FSDH continues to partner with and support various causes in the community.

Over the years, we have provided and continue to provide annual financial support to the following organizations on a regular basis:

1)The BETH TORREY HOME AND SCHOOL IN ZARIA , KADUNA STATE- *This is a charitable organization that provides a safe and comfortable environment to inmates who on account of being mentally retarded and/ or physically handicapped have been abandoned by their families.*

2)The CHILDRENS' DEVELOPMENTAL CENTRE IN SURULERE , LAGOS STATE *- This is a not- for- profit organization that provides support services for families raising children with developmental disabilities.*

3)The NIGERIA SOCIETY FOR THE BLIND, OSHODI LAGOS STATE- *This is a vocational training centre for the blind.*

4)The DOMINICAN SISTERS COLLEGE, IN ABATETE, ANAMBRA STATE- *The school provides education to promising but disadvantaged children.*

Our consistent support enables the listed organizations to plan as they have a degree of certainty regarding both the amount and the timing of the FSDH donations.

In addition to these, FSDH has partnered with the Lagos State Government under the ***"SUPPORT OUR SCHOOLS INITIATIVE"*** *for the total rehabilitation of* ***St. Mary's convent school.***

From time to time we also provide financial support to other worthy causes outside those listed above that are brought to our attention.

The Accounts
2010

The Directors present their annual report on the affairs of First Securities Discount House Limited ("the Company") and its subsidiaries ("the Group"), together with the group financial statements and auditor's report for the year ended 31 December 2010.

(a) Legal form

The Company was incorporated on 23 June 1992 as a private limited liability company under the Companies and Allied Matters Act 1990. It started operations on 1 July 1992 and was granted license to carry on discount house business on 10 February 1993.

(b) Principal activity

The principal activity of the Company continues to be the provision of discount house services to its customers. Such services principally involve trading in and holding of marketable securities such as treasury bills, government bonds, commercial bills and other eligible instruments.

The Company holds a 99.7% interest in an asset management company - FSDH Asset Management Limited. FSDH Asset Management Limited holds a 99.9% interest in FSDH Securities Limited (FSL), a company involved in stock broking and issuing house operations.

In addition, the Company has a 51% interest in Pensions Alliance Limited, which is involved in pension fund administration.

The Company prepares consolidated financial statements and the financial results of all the subsidiaries have been consolidated in these financial statements.

(c) Operating results:

The following is a summary of the Group and Company's operating results and transfers to reserves:

	Group 12 months to 31-Dec-10 N'000	**Group 6 months to 31-Dec-09 N'000**	**Company 12 months to 31-Dec-10 N'000**	**Company 6 months to 31-Dec-09 N'000**
Gross Earnings	**8,019,999**	**7,543,490**	**6,836,899**	**7,102,458**
Profit before tax	3,425,563	3,014,945	3,127,818	2,913,307
Taxation	(318,904)	(366,883)	(225,148)	(344,429)
Profit after taxation before				
non controlling interest	3,106,659	2,648,062	2,902,670	2,568,878
Non controlling interest	(56,633)	(21,304)	-	-
Profit attributable to equity holders	**3,050,026**	**2,626,758**	**2,902,670**	**2,568,878**
Appropriations:				
Transfer to statutory reserves	449,846	390,684	435,400	385,332
Retained earnings for the year	2,600,180	2,236,074	2,467,270	2,183,546
	3,050,026	**2,626,758**	**2,902,670**	**2,568,878**

(d) Proposed dividend

The board of directors has proposed, for the approval of the shareholders, the payment of a dividend of N698.698 million representing 25k per share (December 2009: N558.96 million; representing 20k per share). The dividends are subject to deduction of withholding tax.

(e) Directors and their interests

The following directors of the Company held office during the year:

Mr. Ibrahim Dikko	Chairman
Mr. Rilwan Belo-Osagie	Managing Director
Mrs. Muhibat Abbas	Representing UNICO CPFA Limited (Appointed with effect from 15 December 2010)
Mr. Daniel Agbor	Representing KMC Investments Limited
Mr. Offong Ambah (Alternate – Mr. Jibril Aku)	Representing Ecobank Nigeria Plc (Resigned on 16 March 2010)
Dr. Myma Belo-Osagie	Representing KMC Investments Limited
Mr. Junaid Dikko	Representing KMC Investments Limited
Mr. Emeka Osuji	Representing Diamond Pension Fund Custodian/Trustfund Plc (Appointed with effect from 2 August 2010 and resigned on 22 December, 2010)
Mr. Sobandele Sobanjo	Representing AIICO Insurance Plc (Appointed with effect from 3 February 2010)
Mr. Haruna Jalo-Waziri	Representing UBA Asset Management Limited (Appointed with effect from 26 May 2010)
Mr. Bashir el-Rufai	Independent Director
Mr. Vincent Omoike	Independent Director
Mrs. Hamda Ambah	Executive Director

All of the non-executive directors are representatives of companies which have interests in the share capital of the Company, and as such do not have interests required to be disclosed under Section 276 of the Companies and Allied Matters Act.

In accordance with Section 277 of the Companies and Allied Matters Act of Nigeria, none of the directors has notified the Company of any declarable interests in contracts with the Company.

(f) Shareholding analysis

The shareholding pattern of the Company as at 31 December 2010 is as stated below:

Share range	No of shareholders	Percentage of shareholders (%)	No. of holdings	Percentage of holdings (%)
50,000,000 - 100,000,000	4	28.57	229,478,730	8.21
101,000,000 - 200,000,000	4	28.57	582,710,082	20.85
201,000,000 - 500,000,000	3	21.43	841,114,074	30.10
501,000,000 - 1,000,000,000	1	7.14	878,990,844	31.45
	12	85.71	2,532,293,730	90.61
Foreign shareholders	2	14.29	262,500,000	9.39
	14	**100.00**	**2,794,793,730**	**100.00**

The shareholding pattern of the Company as at 31 December 2009 was as stated below:

Share range	No of shareholders	(%)	Percentage of shareholders No. of holdings	(%)	Percentage of holdings
50,000,000 - 100,000,000		4	28.57	229,478,730	8.21
101,000,000 - 200,000,000		4	28.57	582,710,082	20.85
201,000,000 - 500,000,000		3	21.43	841,114,074	30.10
501,000,000 - 1,000,000,000		1	7.14	878,990,844	31.45
		12	85.71	2,532,293,730	90.61
	Foreign shareholders	2	14.29	262,500,000	9.39
		14	**100.00**	**2,794,793,730**	**100.00**

(g) Substantial interest in shares

According to the register of members as at 31 December 2010, the following shareholders held more than 5% of the issued share capital of the Company:

Shareholder	**No. of shares held**	**Percentage of shareholding (%)**
KMC Investment Limited	878,990,844	31.45
UBA Asset Management Limited	301,875,000	10.80
Ecobank Nigeria Plc	297,819,622	10.66
FSDH Staff Co-operative Society	241,419,452	8.64
Unity Bank Plc	197,123,862	7.05
International Finance Corporation (IFC)	175,000,000	6.26
Afribank Nigeria Plc	151,164,660	5.41

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International Finance Corporation (IFC)	175,000,000	6.26
Afribank Nigeria Plc	151,164,660	5.41

(h) Property and equipment

Information relating to changes in the property and equipment of the Group is disclosed in Note 16 to the financial statements.

(i) Post balance sheet events

There were no post balance sheet events which could have a material effect on the state of affairs of the Company as at 31 December 2010 and the profit for the year ended on that date that have not been adequately provided for.

(j) Human resources

Employee consultation and training

The Group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and the various factors affecting the performance of the Group. This is achieved through regular and informal meetings between management and staff.

The Group places a high premium on training and development of its manpower and sponsors employees for various training courses as appropriate.

Health, safety and welfare at work

The Group's employees are adequately insured against occupational hazards. In addition, medical facilities are provided to employees and their immediate families at the Group's expense.

Employment of disabled persons

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

(k) Donations

In order to identify with the aspirations of the community and the environment within which the Group operates, a total sum of N15,753,195 (31 December 2009: N32, 290,000) was incurred in respect of donations. Details of the donations and charitable contributions include:

	N
St. Mary's Convent School -	9,708,195
(Lagos State Government's 'Support Our Schools' initiative)	
Nigeria Society for the Blind	1,600,000
Children Development Centre	1,500,000
Dominican Sisters' College	1,000,000
Bethtorrey Home & School Zaria	1,000,000
Cross Rivers State Tourism Bureau	500,000
Macnuel Production -	250,000
(Lagos State Government's Movie on Physically Challenged Children)	
St. Saviour School, Ebute-Metta	75,000
Cathedral Church of Christ, Marina Lagos	70,000
St. Patrick Speech & Languages Centre	50,000
(A Centre Designed to Assist Children with Autism Disorder)	
	15,753,195

In compliance with Section 38(2) of the Companies and Allied Matters Act of Nigeria, the Group did not make any donation or gift to any political party, political association or for any political purpose during the year.

(l) Auditors

The Auditors, Messrs KPMG Professional Services, have indicated that they will not be seeking reappointment as auditors in line with paragraph 8.2.3 of the CBN Code of Corporate Governance.

1-5 Odunlami Street,
UAC House, 6th floor
Lagos, Nigeria

29 March 2011

BY ORDER OF THE BOARD,

Alsec Nominees Limited
Company Secretary

Corporate governance in First Securities Discount House Limited (FSDH) is based on the philosophy of building a structured organization, anchored on core values, with well defined systems and processes that are adaptive to changes in the environment and resilient enough to cope with succession at all levels. This philosophy has been the guidepost in navigating the organization through its various phases of growth. It has ensured stability for the Company, even as the economy as a whole and the financial services industry, in particular, went through various cycles of boom and burst.

At FSDH, corporate governance is not just about adopting national and international codes of best practices - it is rooted in shared values and a culture that aims to bring out the best in our staff members.
This culture is well articulated in a "**Culture Wheel"** and well known to all members of staff. The culture wheel defines who the FSDH person is in terms of personal attributes and relationship with stakeholders, especially the customer. It is anchored on five pillars – High Performance, Customer Orientation, Learning, Collaboration, and Image Building. The interplay of these five pillars defines who we are and our way of doing business. It is reinforced by the Company's code of conduct, the policies and procedures in place in the company, the examples set at the top by the Board and senior management, and the reward system.

The FSDH Culture serves as a powerful tool in shaping the Company's control and risk management environment and has continued to play an important role in improving the governance system in the organization. It is the glue that binds all the stakeholders together and has resulted in the alignment of the external and the internal environments towards a common objective – that of meeting and exceeding the needs of our customers. Our unique ownership structure has combined with a responsive board to produce a highly empowered management and staff, resulting in a governance structure that promotes accountability and transparency throughout the whole organization.

Over the years, the Company has taken deliberate steps towards improving the structures. In line with the recommendations in the CBN's Code of Corporate Governance, we have constituted more Board Committees, commenced regular training of our directors and increased capacity in the key departments and units involved in the governance process. We have also tightened internal controls through the review of the company's Enterprise-wide Risk Management framework (ERM). In addition, the company has set up a whistle-blowing procedure and adopted a code of professional conduct for directors and members of staff. The whistle-blowing procedure provides a confidential channel for stakeholders to report wrong-doing, through hotlines and confidential email. Details are contained in the Company's website: ***www.fsdhgroup.com***

Ownership

FSDH has continued to be the result of a successful partnership between local banks and non-bank financial institutions on the one hand and offshore financial institutions on the other hand. This ownership structure makes FSDH unique in the country's financial services industry. At present, the shareholding structure consists of 2 foreign financial institutions (9%), 5 local banks (29%) and 7 local non-bank financial institutions (62%).

The Board

FSDH's Board is composed of experienced and knowledgeable professionals who have made their mark in key sectors of the economy. The Chairman heads the board. The position of the Chairman of the Board is separate from the position of the Chief Executive Officer and therefore both positions are not occupied by the same person. The board is composed of the Managing Director, an Executive Director, 2 independent non-executive directors (who do not represent the interest of any shareholder), and a maximum of 8 other non-executive directors representing the interests of various shareholders. At least once a year, an evaluation of the effectiveness of the board is performed by PricewaterhouseCoopers, an international consulting firm, in line with the requirements of the CBN's Code of Corporate Governance. The board has continued to receive good ratings on its effectiveness in the performance of its duties.

The Board has three standing committees – the Audit Committee, the Risk Management Committee and the Credit Committee. Together with the three committees, the board provides effective oversight over the operations of the company. The duties of the board are:

- Determination of the company's strategic direction and business objectives necessary to ensure long-term growth and sustained creation of value for customers
- Ensuring the existence of plans and policies for the achievement of the company's strategic business objectives
- The establishment of effective risk management framework to identify, measure, and manage risks in the company
- The establishment of a good system of internal controls to ensure the integrity of financial reporting and compliance with laws and regulations

- Fostering a culture of responsibility, transparency, and accountability through good corporate governance and adherence to high ethical values
- Selection, compensation and monitoring of senior management staff and ensuring the existence of a good system of succession planning
- Approval of major capital expenditure, changes to the company's capital structure, annual budgets, changes to accounting policies and dividend policy

The Board Committees
The CBN's Code of Corporate Governance for banks and discount houses requires every bank or discount house to have at least three Standing Committees namely the Audit Committee, the Risk Management Committee, and the Credit Committee. Accordingly, FSDH has constituted the three Committees.

The Audit Committee
This is a statutory Committee and its duties are contained in section 359(6) of CAMA namely:

- Ascertaining whether the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices.
- Reviewing the scope and planning of the external audit
- Reviewing the findings of external auditors as contained in their management letter
- Reviewing the effectiveness of the company's system of internal controls.
- Making recommendations to the Board regarding the appointment, remuneration, and removal of external auditors
- Overseeing the activities of the Internal Auditor and authorizing him/her to carry out investigations into any activities of the company which may be of interest or concern to the Audit Committee.

The Audit Committee is made up of 4 members, one of which (the Chairman) is a representative of shareholders and is not a member of the Board. The Internal Audit Unit is independent of management and reports directly to the Audit Committee.

The Risk Management Committee
The Committee is made up of 4 members and its duties are:

- To approve and review the Enterprise Wide Risk Management Framework
- To determine the risk areas that will be subject to regular review and to specify the frequency of review.
- Establishment of policies on risk oversight and management of the company
- HR issues such as appointments/promotions of senior management staff, review of staff salaries, review of human resources policies and discipline
- Other assignments as may be given by the Board of Directors from time to time

The Risk Management Department, who is independent of the operating departments, presents regular reports to the Risk Management Committee.

The Credit Committee
The Credit Committee, which is made up of 5 members, has as its functions the following:

- Formulation of credit policies for the organization
- Review and approval of credit policies on a regular basis
- Approval of credit limits in accordance with the credit policies of the company
- Approval of credits that exceed the Management's credit limits

The Risk Management Department also presents regular reports to the Committee.

Board and Board Committee Meetings

The record of attendance at meetings of Board and Board Committees is stated below:

Board Meetings

No	Name of Director	Other details	Record of Attendance						Rating
			25-Mar-10	29-Apr-10	05-Aug-10	28-Oct-10	25-Nov-10	09-Dec-10	(%)
1	Mr. Ibrahim Dikko	Chairman	√√	√√	√√	√√	√√	X	83
2	Mr. Rilwan Belo-Osagie	Managing Director	√√	√√	√√	√√	√√	√√	100
3	Mrs. Hamda Ambah	Executive Director	x	√√	√√	√√	√√	√√	83
4	Mr. Dan Agbor	Non-Executive	√√	√√	√√	√√	√√	√√	100
5	Dr. Myma Belo-Osagie	Non-Executive	x	√√	√√	√√	√√	√√	83
6	Mr. Junaid Dikko	Non-Executive	√√	√√	√√	√√	√√	√√	100
7	Mr. Jibril Aku	Non-Executive	√√	√√	**	**	**	**	100
8	Mr. Vincent Omoike	Independent Director	√√	x	√√	??	x	√√	67
9	Mr. Bashir el-Rufai	Independent Director	x	√√	√√	x	√√	√√	67
10	Mr. David Sobanjo	Non-Executive	√√	√√	√√	√√	x	√√	83
11	Mr. Haruna Jalo-Waziri	Non-Executive	NA	NA	x	√√	√√	√√	75
12	Mr. Emeka Osuji	Non-Executive	NA	NA	NA	√√	√√	√√	100

Risk Management Committee Meetings

No	Name of Director	Other details	Record of Attendance				Rating
			25-Mar-10	26-Aug-10	26-Oct-10	08-Dec-10	(%)
1	Mr. Jibril Aku	Chairman	√√	**	**	**	100
2	Mr. Haruna Jalo-Waziri	Chairman	NA	√√	√√	√√	100
3	Mr. Rilwan Belo-Osagie	Member	√√	√√	√√	√√	100
4	Mr. Bashir el-Rufai	Member	x	√√	x	x	25
5	Mr. David Sobanjo	Member	√√	√√	√√	√√	100

Credit Committee Meetings

No	Name of Director	Other details	Record of Attendance				Rating
			25-Mar-10	26-Aug-10	26-Oct-10	08-Dec-10	(%)
1	Mr. Dan Agbor	Chairman	√√	√√	√√	√√	100
2	Mr. Rilwan Belo-Osagie	Member	√√	√√	√√	√√	100
3	Mr. Jibril Aku	Member	√√	**	**	**	100
4	Mr. Junaid Dikko	Member	√√	√√	√√	√√	100
5	Mr. Vincent Omoike	Member	NA	√√	√√	√√	100
6	Mr. Emeka Osuji	Member	NA	√√	√√	√√	100

Audit Committee Meetings

No	Name of Director	Other details	Record of Attendance			Rating
			23-Mar-10	19-Oct-10	15-Dec-10	(%)
1	Mrs. Muhibat Abbas	Chairperson	√√	**	**	100
2	Mrs. Ronke Wilson	Chairperson	NA	√√	√√	100
3	Mr. Dan Agbor	Member	√√	√√	√√	100
4	Mr. Junaid Dikko	Member	√√	√√	√√	100
5	Mr. Vincent Omoike	Member	√√	√√	√√	100

√√ *Present*
x *Absent*
** *Retired from the Board or Committee*
NA *Had not yet been formally appointed/approved as a Director or Committee member*

Management
The management is charged with the day-to-day running of the company. It is headed by the Managing Director, who is also the Chief Executive Officer (CEO). He is supported by an Executive Director and heads of departments. In addition, the company makes use of standing committees in the performance of certain key functions whose processes cut across different departments. The standing committees are as follows:

The Executive Committee
The committee is made up of the Managing Director, the Executive Director and all the Heads of Departments and the Branch Managers. This is the principal decision making organ of the company and the committee meets on a weekly basis.

The Senior Executive Committee
The Committee meets formally every six months to review performance appraisals and approve promotions. It also has exclusive approval powers for some types of expenditure. It is composed of the three most senior members of staff of the organization.

The ALCO Committee
The Committee, which meets weekly, is composed of all the heads of departments and key officers of the Business Units, Fincon and Risk Management. The Committee makes decision on the structure and composition of the company's assets and liabilities and also sets the guidelines on interest rates.

The Credit/Watch-list Committee
The Committee meets monthly to consider and approve credits and also to review existing credits for performance and classification. The Managing Director, the Executive Director, the Head of Risk Management Department, the Head of Financial Control Department, the Head of the Internal Audit Unit, and the Heads of the Business Units together with other key staff in the Business Units are members.

The IT Steering Committee
The Committee meets to discuss and make recommendations on major IT implementations and strategies. It meets whenever there is a major IT implementation in the company. All the Heads of Departments are members.

pwc

Private & Confidential

21 March 2011

The Chairman
Board of Directors
First Securities Discount House Limited
Niger House (6th floor)
1/5 Odunlami Street
Marina, Lagos

Dear Sir

Report to the Directors of FSDH Limited on the outcome of the Board Evaluation

PricewaterhouseCoopers was engaged to carry out an evaluation of the Board of Directors of First Securities Discount House Limited ("FSDH") as required by Section 5.4.6 of the Central Bank of Nigeria's Code of Corporate Governance for Banks in Nigeria ("the Code"). The Code requires that the review should cover all aspects of the Board's structure and composition, responsibilities, processes and relationships, as well as individual members' competencies and respective roles in the Board's performance. The review was conducted for the period ended 31 December 2010.

The Board is responsible for the preparation and presentation of information relevant to its performance. Our responsibility is to reach a conclusion on the board's performance based on work carried out within the scope of our engagement as contained in our letter of engagement dated 24th December 2010. In carrying out the evaluation, therefore, we have relied on representations made by members of the board and management and on the documents provided for our review.

On the basis of our review, it is our conclusion that the board members are enabled to perform their oversight function as appropriate. Other areas of strength include composition of the Audit Committee and disclosure of related party transactions.

To further strengthen the company's corporate governance practices, we recommend that a committee of Non-Executive Directors should be set up with the responsibility of determining the renumeration of Executive Directors. Other findings and recommendations are contained in our full report to the board.

Yours faithfully

Ken Igbokwe
Ken.igbokwe@ng.pwc.com

PricewaterhouseCoopers Limited, 252E Muri Okunola Street, Victoria Island
P.O. Box 2419, Lagos, Nigeria
T: +234 (1) 271 1700, F: +234 (1) 270 3108, 270 3109, www.pwc.com/ng

The directors accept responsibility for the preparation of the annual financial statements set out on pages 41 to 87 that give a true and fair view in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE DIRECTORS BY:

Ibrahim Y. Dikko
Chairman
29 March 2011

Rilwan Belo-Osagie
Managing Director
29 March 2011

To the members of **First Securities Discount House Limited**

In accordance with the provisions of Section 359 (6) of the Companies and Allied Matters Act 1990, the members of the Audit Committee of First Securities Discount House Limited hereby report as follows:

- We have exercised our statutory functions under Section 359 (6) of the Companies and Allied Matters Act, 1990 and acknowledge the co-operation of management and staff in the conduct of these responsibilities.
- We are of the opinion that the accounting and reporting policies of the Company and Group are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2010 were satisfactory and reinforce the Group's internal control systems.
- We have deliberated with the external auditors, who have confirmed that necessary cooperation was received from management in the course of their statutory audit and we are satisfied with management's responses thereon and with the effectiveness of the Company's system of accounting and internal control.

Ronke Wilson
Chairman, Audit Committee

28 March 2011

Members of the Audit Committee are:

1. ***Ronke Wilson - Chairman***
2. ***Vincent Omoike***
3. ***Junaid Dikko***
4. ***Dan Agbor***

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To the Members **First Securities Discount House Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of First Securities Discount House Limited ("the Company) and its subsidiary companies (together "the Group"), which comprise the balance sheets as at 31 December, 2010, the profit and loss accounts, the statement of cash flows and value added statements for the year then ended, and the statement of significant accounting policies, notes to the financial statements and the five year financial summaries, as set out on pages 41 to 87

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, the Banks and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria circulars, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of First Securities Discount House Limited ("the Company) and its subsidiaries (together "the Group") as at 31 December 2010 and of the Group and Company's financial performance and cash flows for the year then ended in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, the Banks and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria circulars and guidelines.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria.

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books, and the balance sheet and profit and loss account are in agreement with the books of accounts.

Compliance with the Section 27 (2) of the Banks and Other Financial Institutions Act of Nigeria

The Company did not pay any penalties in respect of contravention of the provisions of Section 27(2) of the Banks and other Financial Institutions Act of Nigeria and Central Bank of Nigeria circulars during year ended 31 December, 2010.

KPMG

29 March, 2011
Lagos, Nigeria

The principal accounting policies applied consistently in the preparation of these financial statements, throughout the current and preceding periods, are set out below:

(a) Basis of preparation

These financial statements are the consolidated financial statements of First Securities Discount House Limited ("the Company"), a company incorporated in Nigeria on 23 June 1992, and its subsidiaries (hereinafter collectively referred to as "the Group"). The financial statements are prepared under the historical cost convention modified by the valuation of certain investment securities and comply with Statement of Accounting Standards issued by the Nigerian Accounting Standards Board and the requirements of the Companies and Allied Matters Act of Nigeria, the Banks and Other Financial Institutions Act of Nigeria and Central Bank of Nigeria circulars and guidelines.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

(b) Basis of consolidation

i) *Subsidiary companies:*

The group financial statements comprise the financial statements of First Securities Discount House Limited and its subsidiary companies.

Subsidiary companies are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

The consolidated subsidiaries are FSDH Asset Management Limited (direct subsidiary), FSDH Securities Limited (indirect subsidiary) and Pensions Alliance Limited (direct subsidiary).

ii) *Transactions eliminated on consolidation:*

Intra-group balances and transactions and any unrealised gains or losses arising from intra-group transactions are eliminated in preparing the group financial statements.

iii) Investments in subsidiary companies are stated at cost in the Company's separate financial statements. Provision is made for any permanent diminution in the value of the investment in the subsidiary companies.

iv) The consolidated financial statements are prepared using uniform accounting policies for like transactions in the Company's separate financial statements and its subsidiaries.

(c) Income recognition

Interest on bonds and commercial bills, treasury bills, discount on placements, brokerage commission and other fixed income securities is accounted for on an accrual basis.

Other fee income on services rendered is recognised at the time the service or transaction is effected. Securities trading income relates to gains or losses arising from the purchase and sale of securities.

Dividend income is recognised when the right to receive payment is established.

(d) Discount expense

Discount expense is accounted for on an accrual basis on all discount-bearing liabilities.

(e) Property and equipment

All property and equipment is initially recorded at cost. They are subsequently stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial year in which they are incurred.

Payments in advance for items of property and equipment are included as Prepayments in Other Assets and upon delivery are reclassified as additions in the appropriate category of property and equipment. No depreciation is charged until the assets are put into use.

Depreciation is calculated on a straight line basis to write down the cost of property and equipments to their residual values over their estimated useful lives at the following annual rates:

Leasehold improvements	25% or over the lease period
Furniture and fittings	12.5% - 25%
Office equipment	20%- 33.33%
Motor vehicles	25%
Work-in-progress	0%

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's value less costs to sell and value in use.
Gains or losses arising from the disposal of fixed assets are included in the profit and loss account.

(f) Taxation

Income tax expenses/credits are recognised in the profit and loss account. Current income tax is the expected tax payable on the taxable income for the year, using statutory tax rates at the balance sheet date, and any adjustment to the tax payable in respect of previous years.

(g) Deferred taxation

Deferred taxation, which arises from timing differences in the recognition of items for accounting and tax purposes, is calculated using the liability method. Deferred taxation is provided fully, on all timing differences, which are expected to reverse, at a rate of tax likely to be in force at the time of reversal. Currently enacted tax rates are used to determine deferred income tax.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the associated tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Retirement benefits

(i) *Pension costs*

In line with the Pension Reform Act 2004, the Group operates a defined contribution pension scheme; employees are entitled to join the scheme on confirmation of their employment. The employee and the Group contribute 5% and 10% of the employee's basic, transport and rent allowances respectively.

Benefits under this scheme are payable in line with the provisions of the Act. Employees' contributions under the scheme are funded through payroll deductions, while the Company's contribution is charged to the profit and loss account. The Group has no legal or constructive obligation once the contributions have been paid.

(ii) *Gratuity*

The Company operates a non contributory defined benefits scheme. Lump sum benefits payable upon retirement or resignation are accrued over the service lives of the employees. An independent actuarial valuation is carried out on the fund on an annual basis on a projected unit credit basis.

Gains on actuarial valuations are immediately taken as deductions from current or future retirement cost while losses are treated as additions and charged to profit and loss account.

(i) Provision for risk assets

Provisioning is made in accordance with the Prudential Guidelines for Deposit Money Banks in Nigeria issued by the Central Bank of Nigeria for each account that is not performing in accordance with the terms of the related facilities as follows:

Non-specialized Loans:

Interest and / or principal outstanding for over	**Classification**	**Provision**
90 days but less than 180 days	Substandard	10%
180 days but less than 360 days	Doubtful	50%
Over 360 days	Lost	100%

Hair cut adjustments:

The Company adjusts the value of any qualified collateral held in respect of loans and advances classified as lost to take account of any possible future fluctuations in the value of the collateral, occasioned by market movement.

The following hair cut adjustments are applicable on all loan types classified as lost:

Description of Collateral	**Haircut adjustments weightings**
Cash	
Treasury Bills and government securities e.g. bonds	0%
Quoted equities and other traded securities	20%
Bank Guarantees and Receivables of blue chip companies	20%
Residential legal mortgage	50%
Commercial legal mortgage	50%

Haircut adjustments on lost facilities are made for only one year. Thereafter, the collaterals are realised or the shortfall in provision is recognised.

General provision

A minimum of 1% general provision is made on all commercial bills, which have not been specifically provided for.

Write-off

Bad debts are written off against the related provision for bad and doubtful debts when it is determined that they are uncollectible. Subsequent recoveries on bad debts written off are credited to the profit and loss account. A facility is written off only when full provision has been made on such a facility for at least one year.

(j) Margin trading accounts

Margin trading accounts are stated net of allowances for bad and doubtful accounts. A specific allowance for loan losses is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. This allowance is made for each account that is not performing in accordance with the terms of the related facility. Provision is made in the manner stated below:

(i) Where lending is related to a specific transaction, and there is evidence that the transaction will not be successful, provision is made immediately in full against interest and principal outstanding, net of collateral realised or in possession and in the process of realization.

(ii) Where lending is not related to a specific transaction or evidence on the status of the transaction is not readily available, and success of the transaction is doubtful, specific allowances are made as follows:

a. Interest overdue by more than 30 days is suspended and recognized on cash basis.
b. Principal repayments which are overdue by more than 90 days are fully provided for and recoveries recognised on a cash basis.
c. When individual principal repayments have been overdue for more than 180 days, full provision is made against the outstanding principal repayments not yet due.

When a loan is deemed not collectible, it is written off against the related allowance and subsequent recoveries are credited to the profit and loss account.

A general provision of 1% is made on all margin accounts, which have not been specifically provided for.

(k) **Investment securities**

The Group categorises its investment securities into the following categories: commercial bills, trading securities, short term and long term investments. Investment securities are initially recognized at cost and management determines the classification at initial investment.

Commercial bills

Commercial bills are stated at face value net of unearned income. Unearned income is deferred and amortised as earned.

Trading securities

Trading securities comprise FGN trading bonds acquired for trading purposes. FGN trading bonds are carried at market value. Any gain or loss arising from movements in market values of the portfolio is transferred to a revaluation reserve account, unless a net cumulative loss has been incurred, in which case the net loss is charged to the profit and loss account in the year it first arises. Any subsequent net gain is credited to the profit and loss account to the extent of losses previously charged. Transactions in marketable securities are recorded on a settlement date basis.

Dealing securities

Dealing securities are carried at lower of cost and market value.

Short term investments

Short-term investments comprise debt securities maturing within one year of the balance sheet date. Short term investments are stated at the lower of cost and market value.

Long term investments

Long-term investments comprise equity securities and debt securities maturing after one year of the balance sheet date, which are held to maturity. Long term investments are stated at cost with market value disclosed. Provisions are made for permanent diminution in the value of such investments as appropriate.

(l) Assets under repurchase agreement

This represents the value of treasury bills, bonds and commercial bills sold to counter parties where the Company has a commitment to buy back the bills at a later date. Assets under repurchase are carried at cost. A provision of at least 1% is made for all commercial bills classified as performing to recognize potential inherent losses.

(m) Liabilities against repurchase agreement

This represents consideration received for treasury bills, bonds and commercial bills sold to counter parties where the Company has a commitment to buy back the bills at an agreed future date.

(n) Cash and bank balances

Cash and bank balances comprise cash in hand and the Group's current account balances with banks in Nigeria.

(o) Funds under management

Funds under management represent clients' funds invested in equities and money market investments. Funds under management are recognized at market value and are disclosed by way of notes to the financial statements.

(p) Dividend

Dividends comprise dividends declared and/or paid. Dividend proposed is not recognised in the financial statements until it is declared. Dividend declared is recognised in the financial statements in the period when it is declared.

(q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

(r) Foreign currency translation

i) Reporting currency

The consolidated financial statements are presented in Nigerian naira, which is the Company's reporting currency.

ii) Transactions and balances

Transactions in foreign currency are converted to Naira at the rates of exchange ruling on the dates of the transactions. Assets and liabilities in foreign currency are translated into Naira at the rates of exchange ruling at the balance sheet date. Differences arising on conversion are included in the profit and loss account.

Exchange differences arising from the conversion of long term monetary assets and liabilities are taken to foreign exchange revaluation reserve and released to profit and loss on realisation of the asset.

(s) Segment reporting

The Group defines a segment as a distinct or distinguishable unit of the Group that is engaged in providing financial products or services subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments. The Group currently operates in one geographical segment, which is Nigeria and, as such, does not have a secondary segment reporting format.

(t) Debtors and prepayments

Debtors are stated at cost after the deduction of allowance for amounts considered bad or doubtful of recovery. An allowance for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of the receivables. The charge for the year is recognised immediately in the profit and loss account.

Prepayments are carried at cost less amortised amounts.

(u) Operating expenses

Operating expenses are recognized on an accrual basis.

(v) Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

(w) Fiduciary activities

The Group acts in certain fiduciary capacities that result in the holding or placing of assets on behalf of individuals and institutions. These assets and the income arising therefrom are excluded from these financial statements, as they are not assets of the Group.

		Group	Group	Company	Company
Notes	**12 months to**	**6 months to**	**12 months to**	**6 months to**	
		31-Dec-10	**31-Dec-09**	**31-Dec-10**	**31-Dec-09**
	₦'000	**₦'000**	**₦'000**	**₦'000**	
Gross earnings		8,019,999	7,543,490	6,836,899	7,102,458
Securities discount and similar income	3	6,693,238	7,057,596	6,693,238	7,092,422
Securities discount and similar expenses	4	(2,497,159)	(3,482,493)	(2,549,308)	(3,539,293)
Net discount income		4,196,079	3,575,103	4,143,930	3,553,129
Other income	5	1,326,761	485,894	143,661	10,036
Operating income		5,522,840	4,060,997	4,287,591	3,563,165
Operating expenses	6	(2,448,481)	(1,333,654)	(1,510,866)	(906,656)
Write-back of allowance on assets value	11a(iii)	351,204	287,602	351,093	256,798
Profit before taxation		3,425,563	3,014,945	3,127,818	2,913,307
Taxation	7 (b)	(318,904)	(366,883)	(225,148)	(344,429)
Profit after taxation		3,106,659	2,648,062	2,902,670	2,568,878
Non-controlling Interest	25	(56,633)	(21,304)	-	-
Profit attributable to equity holders		3,050,026	2,626,758	2,902,670	2,568,878
Appropriated as follows:					
Transfer to statutory reserve	22	449,846	390,684	435,400	385,332
Transfer to retained earnings reserve	23	2,600,180	2,236,074	2,467,270	2,183,546
		3,050,026	2,626,758	2,902,670	2,568,878
Earnings per share- basic	27	109k	94k	104k	92k
Dividend per share (paid)	19	20k	35k	20k	35k

The statement of significant accounting policies and accompanying notes form an integral part of these financial statements.

Balance Sheet

As at 31 December 2010

Notes ₦'000	31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Group 31-Dec-10 ₦'000	Company 31-Dec-09	Company
ASSETS:					
Cash and bank balances	8	3,769,107	462,823	3,409,142	393,829
Treasury bills	9	1,796,845	17,193,081	1,796,845	17,193,081
Assets on repurchase agreements	10	28,865,889	31,916,736	29,557,334	32,812,458
Investment securities	11	11,734,873	23,560,739	10,658,272	22,569,730
Margin accounts	12	21,272	31,018	-	-
Other assets	13	1,330,768	1,459,633	928,163	918,184
Deferred taxation assets	14(a)	150,918	199,458	-	48,540
Investment in subsidiary companies	15	-	-	608,000	564,000
Property and equipment	16	639,454	562,735	540,678	472,206
TOTAL ASSETS		48,309,126	75,386,223	47,498,434	74,972,028
LIABILITIES:					
Due to banks	17	-	26,600,000	-	26,600,000
Liabilities on repurchase agreements	10(g)	29,498,750	32,155,600	30,196,421	33,057,548
Other liabilities	18	671,494	870,732	343,464	506,217
Dividend payable	19	-	-	-	-
Taxation payable	7	583,603	836,669	419,302	754,341
Deferred taxation liabilities	14(b)	39,149	-	39,149	-
Retirement benefit obligations	20	368,492	358,437	335,027	327,502
TOTAL LIABILITIES		31,161,488	60,821,438	31,333,363	61,245,608
CAPITAL AND RESERVES:					
Share capital	21	2,794,794	2,794,794	2,794,794	2,794,794
Share premium		1,539,587	1,539,587	1,539,587	1,539,587
Statutory reserve	22	2,848,062	2,398,216	2,819,958	2,384,558
Retained earnings	23	9,634,658	7,593,436	8,915,793	7,007,481
Revaluation reserve	24	94,939	102,062	94,939	-
SHAREHOLDERS' FUNDS		16,912,040	14,428,095	16,165,071	13,726,420
Non-controlling interest	25	235,598	136,690	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		48,309,126	75,386,223	47,498,434	74,972,028

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

.... **Ibrahim Y. Dikko - Chairman**

.... **Rilwan Belo-Osagie - Managing Director**

Approved by the Board of Directors on 29 March 2011

The statement of significant accounting policies and accompanying notes form an integral part of these financial statements.

Statements of CashFlows
For the Year Ended 31 December 2010

	Notes	Group 12 months to 31-Dec-10 ₦'000	Group 6 months to 31-Dec-09 ₦'000	Company 12 months to 31-Dec-10 ₦'000	Company 6 months to 31-Dec-09 ₦'000
Operating activities:					
Cash generated/(used) from operations	28	(23,006,653)	27,892,718	(22,979,592)	28,429,639
Income tax paid	7	(484,281)	(76,988)	(472,498)	(74,755)
Gratuity paid	20(b)	(32,030)	-	(32,030)	-
Net cash flow from operating activities		(23,522,964)	27,815,730	(23,484,120)	28,354,884
Investing activities:					
Proceeds from disposal of fixed assets		1,822	2,770	1,239	1,886
Purchase of fixed assets	16	(267,592)	(330,085)	(208,850)	(295,350)
Additional investment in subsidiary		-	-	(44,000)	-
Disposal of investments		12,210,704	-	11,913,766	-
Purchase of investments		-	(14,881,062)	-	(15,239,644)
Interest income on long term investments		4,761	27,612	-	-
Net cash flow from investing activities		11,949,695	(15,180,765)	11,662,155	(15,533,108)
Financing activities:					
Dividend paid	19	(558,958)	(978,178)	(558,958)	(978,178)
Rights issue proceeds	25	42,275	-	-	-
Net cash flow from financing activities		(516,683)	(978,178)	(558,958)	(978,178)
(Decrease)/increase in cash and cash equivalents		(12,089,952)	11,656,787	(12,380,923)	11,843,598
Analysis of changes in cash and cash equivalents					
Cash and cash equivalents beginning of year		17,655,904	(5,999,117)	17,586,910	(5,743,312)
Cash and cash equivalents end of year	29	5,565,952	17,655,904	5,205,987	17,586,910
(Decrease)/increase in cash and cash equivalents		(12,089,952)	11,656,787	(12,380,923)	11,843,598

The statement of significant accounting policies and accompanying notes form an integral part of these financial statements.

1 General information

First Securities Discount House Limited was incorporated on June 23, 1992 as a private limited liability company and started operations on July 1, 1992. The Company has two direct subsidiaries and one indirect subsidiary as analysed below:

	31-Dec-10	31-Dec-09
FSDH Asset Management Limited (direct)	99.7%	99.7%
FSDH Securities Limited (indirect)	99.9%	99.9%
Pensions Alliance Limited (direct)	51.0%	51.0%

FSDH Securities Limited is a wholly owned subsidiary of FSDH Asset Management Limited (FAML).

2 Segmental analysis

The Group's business operates from one geographic location, which is Nigeria and it is organized along four main business segments:

Asset management - includes portfolio management and advisory services.

Pension funds management - includes management of pension funds.

Fixed income securities - includes trading in money market securities and other financial instruments.

Stock-broking - includes stock trading with proprietary portfolio and customers' portfolio as well as issuing house activities.

The group's business reporting information comprises:

	Asset management 31-Dec-10 ₦'000	Stock broking 31-Dec-10 ₦'000	Fixed income securities 31-Dec-10 ₦'000	Pension funds management 31-Dec-10 ₦'000	Total 31-Dec-10 ₦'000
REVENUE:					
Gross earnings - external	264,113	190,840	6,836,899	825,911	8,117,763
Intersegment revenue/(expense)	-	-	(97,764)	-	(97,764)
Total segment revenue	264,113	190,840	6,739,135	825,911	8,019,999
EXPENSES					
Depreciation	-	-	(139,511)	(50,495)	(190,006)
Segment result	80,942	46,837	3,127,818	169,966	3,425,563
ASSETS AND LIABILITIES					
Segment assets	590,389	1,021,497	47,498,434	669,322	49,779,642
Inter-segment assets	(13,547)	-	(1,456,969)	-	(1,470,516)
Total assets	576,842	1,021,497	46,041,465	669,322	48,309,126
Segment liabilities	(89,998)	(265,005)	(31,333,363)	(184,341)	(31,872,707)
Inter-segment liabilities	-	-	711,218	-	711,218
Total liabilities	(89,998)	(265,005)	(30,622,144)	(184,341)	(31,161,488)
Non controlling interest	-	-	-	-	(235,598)
Net Assets	486,844	756,492	15,419,321	484,981	16,912,040

The group's business reporting comparative information for prior period comprises:

	Asset management 31-Dec-09 ₦'000	Stock broking 31-Dec-09 ₦'000	Fixed income securities 31-Dec-09 ₦'000	Pension funds management 31-Dec-09 ₦'000	Total 31-Dec-09 ₦'000
REVENUE:					
Gross earnings - external	118,071	94,952	7,102,459	325,417	7,640,899
Intersegment revenue/(expense)	-	-	(97,409)	-	(97,409)
Total segment revenue	118,071	94,952	7,005,050	325,417	7,543,490
EXPENSES					
Depreciation	-	-	(46,259)	(25,852)	(72,111)
Segment result	21,627	21,520	2,918,797	53,001	3,014,945
ASSETS AND LIABILITIES					
Segment assets	1,184,439	1,100,653	74,972,028	392,174	77,649,294
Inter-segment assets	(11,240)	-	(2,251,831)	-	(2,263,071)
Total assets	1,173,199	1,100,653	72,720,197	392,174	75,386,223
Segment liabilities	(638,548)	(376,009)	(61,245,608)	(109,044)	(62,369,209)
Inter-segment liabilities	634,583	-	913,188	-	1,547,772
Total liabilities	(3,965)	(376,009)	(60,332,420)	(109,044)	(60,821,437)
Non controlling interest	-	-	-	-	(136,690)
Net Assets	1,169,234	724,644	12,387,777	283,130	14,428,095

3 Securities discount and similar income

Securities discount and similar income comprises income from:

	Group 12 months to 31-Dec-10 ₦'000	Group 6 months to 31-Dec-09 ₦'000	Company 12 months to 31-Dec-10 ₦'000	Company 6 months to 31-Dec-09 ₦'000
Bonds	3,833,526	3,512,809	3,833,526	3,512,809
Treasury bills	381,733	287,243	381,733	287,243
Commercial bills	2,392,589	3,257,544	2,392,589	3,292,370
Placements	85,390	-	85,390	-
	6,693,238	7,057,596	6,693,238	7,092,422

4 Securities discount and similar expenses

Securities discount and similar expenses comprise expenses from:

	Group 12 months to 31-Dec-10 ₦'000	Group 6 months to 31-Dec-09 ₦'000	Company 12 months to 31-Dec-10 ₦'000	Company 6 months to 31-Dec-09 ₦'000
Bonds	200,885	548,154	200,885	548,154
Treasury bills	79,155	104,721	79,155	104,721
Commercial bills	1,862,816	2,223,837	1,914,965	2,280,637
Call expenses	354,303	605,781	354,303	605,781
	2,497,159	3,482,493	2,549,308	3,539,293

5 Other income

Other income comprise income from:

	Group 12 months to 31-Dec-10 ₦'000	Group 6 months to 31-Dec-09 ₦'000	Company 12 months to 31-Dec-10 ₦'000	Company 6 months to 31-Dec-09 ₦'000
Management fees	972,796	366,710	-	-
Brokerage commissions	93,679	34,612	-	-
Interest on margin account	4,942	8,176	-	-
Interest on long term investments	4,761	27,612	-	-
Securities trading income	5,543	-	-	-
Financial advisory fees	121,725	1,000	117,215	-
Technical services fee (see note (30))	-	-	13,547	4,674
Others	123,315	47,785	12,899	5,362
	1,326,761	485,894	143,661	10,036

6 Operating expenses

Operating expenses comprise the following:

	Group 12 months to 31-Dec-10 ₦'000	Group 6 months to 31-Dec-09 ₦'000	Company 12 months to 31-Dec-10 ₦'000	Company 6 months to 31-Dec-09 ₦'000
Directors' fees and allowances	87,599	23,770	58,088	23,650
Staff and related costs (see note (26)(a))	1,493,508	835,699	908,442	548,629
Depreciation	190,006	72,111	139,511	46,259
Auditors' fees	22,210	20,950	16,000	14,700
Unrealised loss on quoted dealing securities	-	2,178	-	-
Securities trading loss	-	1,443	-	-
Other operating expenses	655,158	377,503	388,825	273,418
	2,448,481	1,333,654	1,510,866	906,656

7 Taxation payable

a) The movement on this account during the year was as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Balance, beginning of year	836,669	573,656	754,341	511,386
Current year tax (see note(b) below)	231,215	340,001	137,459	317,710
	1,067,884	913,657	891,800	829,096
Payment during the year	(484,281)	(76,988)	(472,498)	(74,755)
Balance, end of year	583,603	836,669	419,302	754,341

b) The charge for the year comprises:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Company income tax	216,640	316,921	123,821	296,300
Education tax	14,575	23,080	13,638	21,410
	231,215	340,001	137,459	317,710
Reversal of deferred tax assets during the year (see note (14) below)	48,540	-	48,540	-
Deferred tax charge (see note (14)(c) below)	39,149	26,882	39,149	26,719
Tax charge	318,904	366,883	225,148	344,429

The current tax charge has been computed at the applicable rate of 30% (31 December 2009: 30%) plus education levy of 2% (31 December 2009: 2%) on the profit for the year after adjusting for certain items of expenditure and income which are not deductible or chargeable for tax purposes.

8 Cash and bank balances

These comprise:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Cash in hand	483	281	285	144
Balances held with other banks:				
- Current account	3,768,108	461,489	3,408,857	393,685
- Domiciliary account	516	1,053	-	-
	3,769,107	462,823	3,409,142	393,829

9 Treasury bills

These comprise:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Treasury bills - Gross value				
* Banks	1,847,887	17,294,907	1,847,887	17,294,907
	1,847,887	17,294,907	1,847,887	17,294,907
Unearned discount	(51,042)	(101,826)	(51,042)	(101,826)
	1,796,845	17,193,081	1,796,845	17,193,081

10 Assets / liabilities on repurchase agreements

(a) Assets under repurchase agreements comprise:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Treasury bills				
* Face value	5,227,482	5,000	5,227,482	5,000
Unearned discount	(248,961)	(16)	(248,961)	(16)
	4,978,521	4,984	4,978,521	4,984
Bonds				
* Face value	19,677,325	6,700,000	20,335,656	6,700,000
Interest receivable	470,258	125,367	470,258	125,367
Unearned (discount)/premium	(814,486)	397,057	(814,486)	397,057
	19,333,097	7,222,424	19,991,428	7,222,424

The market value of the bonds at the balance sheet date was N19,507,719,745 (31 December 2009: N7,251,567,764).

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Commercial bills				
* Banks	-	7,623,947	-	7,623,947
* Corporates	1,687,039	10,904,003	1,726,379	11,805,951
* Energy	1,469,602	3,441,564	1,469,602	3,441,564
* Non-Bank financial institutions	57,757	58,133	57,757	58,133
* Telecoms	1,379,545	3,422,953	1,379,545	3,422,953
	4,593,943	25,450,600	4,633,283	26,352,548
Discount receivable	11,640	288,549	11,640	288,549
Unearned discount	(11,205)	(323,491)	(11,205)	(323,491)
	4,594,378	25,415,658	4,633,718	26,317,606
Specific allowance for commercial bills (see note 11(a)(i))	-	(370,433)	-	(370,433)
Interest in suspense (see note 11(a)(i))	-	(122,752)	-	(122,752)
General allowance for commercial bills (see note (b))	(40,107)	(233,145)	(46,333)	(239,371)
	4,554,271	24,689,328	4,587,385	25,585,050
Total - Assets on repurchase agreements	28,865,889	31,916,736	29,557,334	32,812,458

(b) The movement on the general provision account during the year was as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Balance, beginning of the year	233,145	269,069	239,371	275,295
Allowance during the year	46,333	-	46,333	-
Write-back during the year (see Note 11a(iii))	(239,371)	(35,924)	(239,371)	(35,924)
Balance, end of year	40,107	233,145	46,333	239,371

(c) The gross value of assets under repurchase agreements comprise:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Treasury bills	5,227,482	5,000	5,227,482	5,000
Bonds	20,335,656	6,700,000	20,335,656	6,700,000
Commercial bills	4,593,943	25,450,600	4,633,283	26,352,548
Total assets on repurchase agreement	30,157,081	32,155,600	30,196,421	33,057,548

(d) The classification of commercial bills by performance is as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Non-performing				
- Substandard	-	2,395,603	-	2,395,603
- Lost	-	19,864	-	19,864
Performing	4,593,943	23,035,133	4,633,283	23,937,081
	4,593,943	25,450,600	4,633,283	26,352,548

(e) Analysis by security of gross value of commercial bills on repurchase agreement is as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
				Secured by
shares of quoted companies	1,527,359	1,992,230	1,527,359	1,992,230
Secured against real estate	242,852	2,471,470	242,852	2,471,470
Otherwise secured	2,823,732	20,967,036	2,863,072	21,868,984
Unsecured	-	19,864	-	19,864
	4,593,943	25,450,600	4,633,283	26,352,548

(f) Analysis by maturity of gross value of assets on repurchase agreement is as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
0 - 30 days	-	7,152,695	-	8,054,643
1 - 3 months	18,417	58,133	57,757	58,133
3 - 6 months	47,895	1,971,489	47,895	1,971,489
6 - 12 months	83,980	6,694,539	83,980	6,694,539
Over 12 months	30,006,789	16,278,744	30,006,789	16,278,744
	30,157,081	32,155,600	30,196,421	33,057,548

(g) Liabilities on repurchase agreements comprise:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Treasury bills				
* Banks	4,650,000	5,000	4,650,000	5,000
* Non-bank financial institutions	472,882	-	472,882	-
* Others	104,600	-	104,600	-
	5,227,482	5,000	5,227,482	5,000
Bonds				
* Banks	-	6,700,000	-	6,700,000
* Non-bank financial institutions	13,938,966	-	14,597,297	-
* Others	5,738,359	-	5,738,359	-
	19,677,325	6,700,000	20,335,656	6,700,000

Commercial bills				
* Banks	-	59,624	-	59,624
* Non-bank financial institutions	2,378,387	14,114,702	2,417,727	15,016,650
* Corporates	203,539	1,371,130	203,539	1,371,130
* Telecoms	-	4,085,905	-	4,085,905
* Others	2,012,017	5,819,239	2,012,017	5,819,239
	4,593,943	25,450,600	4,633,283	26,352,548
Total liabilities against repurchase agreement	29,498,750	32,155,600	30,196,421	33,057,548

(h) Analysis by maturity of liabilities on repurchase agreement is as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
0 - 30 days	22,836,671	16,323,160	23,534,342	17,225,108
1 - 3 months	5,913,197	15,825,656	5,913,197	15,825,656
3 - 6 months	748,882	6,784	748,882	6,784
6 - 12 months	-	-	-	-
Over 12 months	-	-	-	-
	29,498,750	32,155,600	30,196,421	33,057,548

11 Investment securities (Product/ Sectoral analysis):

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Investment securities comprise:				
Commercial bills (see (a) below)	3,463,293	1,813,738	3,446,450	2,431,478
Trading securities (see (b) below)	485,427	422,010	485,427	422,010
Dealing securities	934,817	1,091,283	-	-
Short term investments (see (c) below)	551,720	1,722,739	551,720	1,722,739
Long term investments (see (d) below)	6,299,616	18,510,970	6,174,675	17,993,503
	11,734,873	23,560,739	10,658,272	22,569,730

(a) The analysis of commercial bills as at end of year was as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Commercial bills - Gross value				
* Banks	-	1,095,951	-	1,095,951
* Energy	1,470,123	16,031	1,470,123	16,031
* Corporate	2,327,415	196,218	2,327,415	830,802
* Non Bank financial institutions	2,243	523	2,243	523
* Telecoms	34,956	72,046	34,956	72,046
* Others	443,492	722,715	443,492	722,714
	4,278,229	2,103,484	4,278,229	2,738,067
Discount receivable	2,867	66,285	2,867	66,285
Unearned discount	(44,720)	(165,928)	(44,720)	(165,928)
	4,236,376	2,003,841	4,236,376	2,638,424
Provision for risk assets:				
Specific (see note (i) below)	(338,431)	(115,191)	(338,431)	(115,191)
Interest in suspense (see (ii) below)	(402,005)	(29,887)	(402,005)	(29,887)
General (see note (ii) below)	(32,647)	(45,025)	(49,490)	(61,868)
	(773,083)	(190,103)	(789,926)	(206,946)
	3,463,293	1,813,738	3,446,450	2,431,478

(i) The movement on the provisions for commercial bills account during the year was as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Specific provision on commercial bills				
Balance, beginning of the year	115,191	146,525	115,191	146,525
Allowance during the year	223,240	52,463	223,240	52,463
Write-backs during the year	-	(83,797)	-	(83,797)
Balance, end of year	338,431	115,191	338,431	115,191
Specific provision on assets on repurchase agreement				
Balance, beginning of the year	370,433	542,780	370,433	542,780
Allowance during the year	-	241,520	-	241,520
Write-backs during the year	(370,433)	(413,867)	(370,433)	(413,867)
Balance, end of year	-	370,433	-	370,433
Total specific provision	338,431	485,624	338,431	485,624
General provision				
Balance, beginning of the year	45,025	68,741	61,868	79,449
(Write-back)/provision during the year	(12,378)	(23,716)	(12,378)	(17,581)
Balance, end of year	32,647	45,025	49,490	61,868

(ii) The movement on interest in suspense account during the year was as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Interest in suspense - Investment securities				
Balance, beginning of the year	29,887	6,604	29,887	6,604
Suspended during the year	325,928	29,887	325,928	29,887
Recognised during the year	-	(6,604)	-	(6,604)
Reclassified from investment securities	46,190	-	46,190	-
Balance, end of year	402,005	29,887	402,005	29,887
Interest in suspense - Assets on repurchase agreements				
Balance, beginning of the year	122,752	76,797	122,752	76,797
Suspended during the year	-	122,752	-	122,752
Recognised during the year	(76,562)	(76,797)	(76,562)	(76,797)
Reclassified to investment securities	(46,190)	-	(46,190)	-
Balance, end of year	-	122,752	-	122,752
	402,005	152,639	402,005	152,639

(iii) (Provisions)/write-backs for risk assets comprises:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Commercial bills:				
- Specific write-backs during the year (see (i) above)	-	83,796	-	83,796
- Specific provision during the year (see (i) above)	(223,240)	(52,463)	(223,240)	(52,463)
- Write-back on general provision during the year (see (i) above)	12,378	-	12,378	-
- General provision during the year (see (i) above)	-	23,716	-	17,581
Assets on repurchase agreements:				
- Specific write-backs during the year (see (i) above)	370,433	413,867	370,433	413,867
- Specific provision during the year (see (i) above)	-	(241,520)	-	(241,520)
- Write-backs/(General provision) during the year (see Note 10(b))	239,371	35,924	239,371	35,924
- General provision during the year (see Note 10(b))	(46,333)	-	(46,333)	-
Provisions on other assets:				
- General (provision)/write-back during the year (see Note 13(b))	(1,516)	(387)	(1,516)	(387)
Provisions on margin accounts:				
- Write back/(Provision) during the year (see Note 12(e))	111	24,669	-	-
	351,204	287,602	351,093	256,798

(iv) Analysis by security of gross value of commercial bills on investment securities is as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Secured by shares of quoted companies	-	7,770	-	7,770
Secured against real estate	-	28,530	-	28,530
Otherwise secured	4,278,229	2,044,387	4,278,229	2,678,971
Unsecured	-	22,796	-	22,796
	4,278,229	2,103,483	4,278,229	2,738,067

(v) Analysis by performance of gross value of commercial bills is as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Non-performing				
- Substandard	-	583,256	-	583,256
- Lost	1,521,518	167,875	1,521,518	167,875
Performing	2,756,711	1,352,352	2,756,711	1,986,936
	4,278,229	2,103,483	4,278,229	2,738,067

(vi) Analysis by maturity of gross value of commercial bills is as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
0 - 30 days	-	1,154,436	-	1,154,436
1 - 3 months	2,243	168,364	2,243	168,364
3 - 6 months	1,517	28,511	1,517	28,511
6 - 12 months	15,788	606,826	15,788	606,826
Over 12 months	4,258,681	145,346	4,258,681	779,930
	4,278,229	2,103,483	4,278,229	2,738,067

(b) Trading securities comprise:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
FGN bonds:				
Cost	478,655	412,211	478,655	412,211
Interest receivable	6,772	9,799	6,772	9,799
	485,427	422,010	485,427	422,010

(c) Short-term investments comprise:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
14% Access Bank Corporate Bond 2010	-	301,956	-	301,956
7% FGN Bond 2010	-	1,007,328	-	1,007,328
8.99% FGN Bond 2010	-	413,455	-	413,455
10.5% FGN Bond 2011	170,221	-	170,221	-
14.5% FGN Bond 2011	381,499	-	381,499	-
Federal Government of Nigeria Bonds	551,720	1,722,739	551,720	1,722,739

The directors are of the opinion that the cost of these bonds approximate the market value (31 December 2009: N1,722,739,000).

(d) Long-term investments

Long-term investments comprise:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Quoted equity investments (see note (i))	-	12,914	-	-
Federal government bonds (see note (ii))	5,595,737	13,984,463	5,555,796	13,984,463
Other bonds (see note (iii))	703,213	4,512,927	618,213	4,008,374
Unquoted investments (see note (iv))	666	666	666	666
	6,299,616	18,510,970	6,174,675	17,993,503

(i) Quoted equity investments:				
Nigeria International Debt Fund	-	19,388	-	-
Provision for diminution in investments (see (a) below)	-	(6,474)	-	-
	-	12,914	-	-

(a) The movement on the provisions for long term investments account during the year was as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Balance, beginning of the year	6,474	6,474	-	-
Provisions during the year	(6,474)	-	-	-
Balance, end of year	-	6,474	-	-

(b) The directors are of the opinion that no provision is required on these long-term investments as at the balance sheet date.

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
(ii) Federal Government bonds:				
9.45% FGN Bond 2013	568,512	1,207,259	568,512	1,207,259
11.99% FGN Bond 2013	36,597	873,408	36,597	873,408
10.70% FGN Bond 2018	331,621	341,003	331,621	341,003
15% FGN Bond 2028	-	40,994	-	40,994
12.49% FGN Bond 2029	10,365	4,331,286	10,365	4,331,286
10.5% FGN Bond 2011	-	738,818	-	738,818
9.92% FGN Bond 2012	458,293	327,907	458,293	327,907
10.98% FGN Bond 2013	40,434	1,051,146	40,434	1,051,146
10.5% FGN Bond 2013	1,049,618	1,537,751	1,049,618	1,537,751
9.2% FGN Bond 2014	13,546	103,397	13,546	103,397
9.25% FGN Bond 2014	466,959	255,049	466,959	255,049
9.35% FGN Bond 2017	244,559	2,607,762	244,559	2,607,762
7% FGN Bond 2019	317,252	47,733	317,252	47,733
8.5% FGN Bond 2029	-	520,950	-	520,950
10.5% FGN Bond 2012	5,247	-	5,247	-
10.75% FGN Bond 2014	120,644	-	120,644	-
15% FGN Bond 2028	619,048	-	619,048	-
5.5% FGN Bond 2013	546,741	-	546,741	-
9.23% FGN Bond 2012	111,568	-	111,568	-
9.5% FGN Bond 2012	462,238	-	462,238	-
10% FGN Bond 2030	192,495	-	152,554	-
	-		-	
	5,595,737	13,984,463	5,555,796	13,984,463
(iii) Other bonds:				
13% LASG Bond 2014	40,547	1,998,018	40,547	1,998,018
8.5% GTB Eurobond 2012	486,908	504,553	486,908	-
13.5% GTB Corporate Bond 2014	31,859	2,010,356	1,859	2,010,356
12% Flour Mills Corporate Bond 2015	88,899	-	88,899	-
10% UAC Property Dev. Company (UPDC) Bond 2015	55,000	-	-	-
	703,213	4,512,927	618,213	4,008,374
(iv) Unquoted Investments:				
Nigeria Inter Bank Settlement Systems	666	666	666	666
	6,299,616	18,510,970	6,174,675	17,993,503

The market value of long term investment was N6,090,954,691 (31 December 2009: N18,670,827,406)

12 Margin accounts:

(a) Margin accounts comprise:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Share-backed facilities (see (b) below)	52,329	62,041	-	-
Interest receivable on share-backed facilities	640	785	-	-
	52,969	62,826	-	-
Loan loss provision (see (e) below)	(31,697)	(31,808)	-	-
	21,272	31,018	-	-

(b) Share-backed facilities represent the value of credit facilities availed to customers which are backed by shares of companies listed on the Nigerian Stock Exchange.

(c) Analysis by maturity of gross value of margin accounts is as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Under 1 month	16,474	56,142	-	-
1-3 months	5,006	6,684	-	-
Over 3 months	31,489	-	-	-
	52,969	62,826	-	-

(d) The gross value of margin accounts by performance is as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
			-	-
Non performing	31,489	31,503	-	-
Performing	21,480	31,323	-	-
	52,969	62,826	-	-

(e) The movement on the loan loss provision account during the year was as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Balance, beginning of year	31,808	56,477	-	-
Write back during the year	(111)	(24,669)	-	-
Balance, end of year	31,697	31,808	-	-

13 Other assets

Other assets comprise:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Prepayments	94,689	158,352	49,493	132,972
Unamortised upfront discount	38,185	351,388	38,185	178,139
Staff advances	531,400	299,903	486,809	271,363
Others	670,725	652,704	357,906	338,424
	1,334,998	1,462,347	932,393	920,898
Provisions for doubtful accounts (see note (b) below)	(4,230)	(2,714)	(4,230)	(2,714)
	1,330,768	1,459,633	928,163	918,184

b) The movement on the provisions for other assets account during the year was as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Balance, beginning of the year	2,714	2,327	2,714	2,327
Provisions during the year	1,516	387	1,516	387
Balance, end of year	4,230	2,714	4,230	2,714

14 Deferred taxation:

(a) The movement in the deferred taxation asset account during the year was as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Balance, beginning of year	199,458	226,340	48,540	75,259
Reversed during the year	(48,540)	-	(48,540)	-
Addition during the year (see Note 7 (b))	-	(26,882)	-	(26,719)
Balance, end of year	150,918	199,458	-	48,540

(b) The analysis of the deferred taxation assets account is as follows:

Fixed assets	68,828	26,182	-	(42,646)
General provision on commercial bills	-	91,186	-	91,186
Unrelieved losses	82,090	82,090	-	-
	150,918	199,458	-	48,540

(c) The movement in the deferred taxation liability account during the year was as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Balance, beginning of year	-	-	-	-
Addition during the year (see Note 7 (b))	39,149	-	39,149	-
Balance, end of year	39,149	-	39,149	-

(d) The analysis of the deferred taxation liability account is as follows:

Fixed assets	69,165	-	69,165	-
General provision on commercial bills	(30,016)	-	(30,016)	-
Unrelieved losses	-	-	-	-
	39,149	-	39,149	-

15 Investment in subsidiary companies comprises:

FSDH Asset Management Limited (see (a) below)	-	-	200,000	200,000
Pensions Alliance Limited (see (a) below)	-	-	408,000	364,000
FSDH Securities Limited (see (a) below)	-	-	-	-
	-	-	608,000	564,000

During the year, the Group increased its investment in Pensions Alliance Limited (PAL) by N44,000,000. All regulatory approval has been obtained for this increase.

a) Principal subsidiary undertakings:

Country of incorporation	Company name	Nature of business	Percentage of equity 31-Dec-10 %	capital held 31-Dec-09 %	Year end consolidated
Nigeria	FSDH Asset Management Limited	Asset management	99.7	99.7	31-Dec
Nigeria	Pensions Alliance Limited	Pension funds administration	51.0	51.0	31-Dec
Nigeria	FSDH Securities Limited (indirect)	Stock broking	99.9	99.9	31-Dec

b) The condensed financial data of the consolidated entities is as follows:

	Group Consolidated Position	Elimination	First Securities Discount House Limited	FSDH Asset Management Limited ₦'000	Pensions Alliance Limited ₦'000	FSDH Securities Limited (indirect) ₦'000
Condensed profit and loss						
Operating income	5,522,840	(13,547)	4,287,591	232,045	825,911	190,840
Operating expenses	(2,448,481)	13,547	(1,510,866)	(151,103)	(655,945)	(144,114)
Write-back on assets value	351,204	-	351,093			111
Profit before tax	3,425,563	-	3,127,818	80,942	169,966	46,837
Taxation	(318,904)	-	(225,148)	(24,379)	(54,389)	(14,988)
Profit after tax	3,106,659	-	2,902,670	56,563	115,577	31,849
Condensed financial position						
Assets:						
Cash and bank	3,769,107	-	3,409,142	115	28,687	331,163
Treasury bills	1,796,845	-	1,796,845	-	-	-
Assets on repurchase agreements	28,865,889	(691,445)	29,557,334	-	-	-
Investment securities	11,734,873	16,843	10,658,272	318,360	120,766	620,632
Margin accounts	21,272	-	-	-	-	21,272
Other assets	1,330,768	(13,547)	928,163	97,547	270,175	48,430
Deferred taxation assets	150,918	-	-	-	150,918	-
Investment in subsidiary	-	(782,367)	608,000	174,367	-	-
Property and equipments	639,454	-	540,678	-	98,776	-
	48,309,126	(1,470,516)	47,498,434	590,389	669,322	1,021,497
Financed by:						
Liabilities on repurchase agreements	29,498,750	(697,671)	30,196,421	-	-	-
Other liabilities	671,494	(13,547)	343,464	21,343	120,568	199,666
Taxation payable	583,603	-	419,302	58,485	63,772	42,044
Deferred taxation liabilities	39,149	-	39,149	-	-	-
Retirement benefit obligations	368,492	-	335,027	10,170	-	23,295
Capital and Reserves	16,912,040	(994,895)	16,165,071	500,391	484,982	756,492
Non-controlling interests	235,598	-	-	-	-	-
	48,309,126	(1,706,113)	47,498,434	590,389	669,322	1,021,497
Condensed cash flow						
Net cash from operating activities	(23,522,964)	(649,431)	(23,484,120)	329,484	40,288	240,815
Net cash from investing activities	11,949,695	26,779	11,662,155	277,590	(58,158)	41,329
Net cash from financing activities	(516,683)	622,652	(558,958)	(607,099)	26,722	-
Increase/(decrease) in cash and cash equivalents	(12,089,952)	-	(12,380,923)	(25)	8,852	282,144
Cash and cash equivalent, beginning of year	17,655,904	-	17,586,910	140	19,835	49,019
Cash and cash equivalent, end of year	5,565,952	-	5,205,987	115	28,687	331,163

16 Property and equipment

a) The movement in these accounts during the year was as follows:

Group	Leasehold Improvements ₦'000	Furniture & Fittings ₦'000	Office Equipment ₦'000	Motor Vehicles ₦'000	Work In Progress ₦'000	Total ₦'000
Cost:						
Balance, beginning of year	53,841	115,324	387,381	302,019	217,521	1,076,086
Additions	63,636	17,872	108,497	71,596	5,990	267,592
Transfers	-	-	217,521	-	(217,521)	-
Disposals	-	-	-	(26,397)	-	(26,397)
Balance, end of year	117,477	133,196	713,399	347,218	5,990	1,317,281
Accumulated depreciation:						
Balance, beginning of year	42,421	49,894	291,991	129,045	-	513,351
Charge for the year	10,781	14,989	96,081	68,155	-	190,006
Disposals	-	-	-	(25,530)	-	(25,530)
Balance, end of year	53,202	64,883	388,072	171,671	-	677,827
Net book value:						
Balance, end of year	64,275	68,312	325,328	175,547	5,990	639,454
Balance, beginning year	11,420	65,430	95,390	172,974	217,521	562,735

b) The movement in these accounts during the year was as follows:

Company	Leasehold Improvements ₦'000	Furniture & Fittings ₦'000	Office Equipment ₦'000	Motor Vehicles ₦'000	Work In Progress ₦'000	Total ₦'000
Cost:						
Balance, beginning of year	32,482	94,636	224,992	184,767	217,521	754,398
Additions	55,169	12,924	90,466	44,301	5,990	208,850
Transfers	-	-	217,521	-	(217,521)	-
Disposals	-	-	-	(14,240)	-	(14,240)
Balance, end of year	87,651	107,560	532,979	214,828	5,990	949,008
Accumulated depreciation:						
Balance, beginning of	21,926	34,095	163,388	62,783	-	282,192
Charge for the year	9,161	12,307	71,247	46,796	-	139,511
Disposals	-	-	-	(13,373)		(13,373)
Balance, end of year	31,087	46,402	234,635	96,206	-	408,330
Net book value:						
Balance, end of year	56,564	61,158	298,344	118,622	5,990	540,678
Balance, beginning of year	10,556	60,541	61,604	121,984	217,521	472,206

c) No leased assets are included in the property and equipment.

d) There were no authorised or contracted capital commitments as at the balance sheet date (31 December 2009: Nil)

17 Due to banks

Due to banks comprise :

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Call	-	24,000,000	-	24,000,000
Term	-	2,600,000	-	2,600,000
	-	26,600,000	-	26,600,000

18 Other liabilities

a) These comprise:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Accounts payable	324,991	391,164	166,157	170,833
Accrued expenses and discount payable	99,189	309,906	89,986	299,779
Due to customers	235,679	164,610	75,686	30,553
Others	11,635	5,052	11,635	5,052
	671,494	870,732	343,464	506,217

19 Dividend payable

This comprises:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Balance, beginning of year	-	-	-	-
Dividend declared in the year	558,958	978,178	558,958	978,178
Payments during the year	(558,958)	(978,178)	(558,958)	(978,178)
Balance, end of year	-	-	-	-

The dividend was paid to the Company's shareholders net of applicable withholding tax in accordance with the prevailing legislation. The tax withheld was paid to the relevant tax authorities.

20 Retirement benefit obligations

This comprises:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Defined contribution schemes (see (a) below)	-	-	-	-
Defined benefit schemes (see (b) below)	368,492	358,437	335,027	327,502
	368,492	358,437	335,027	327,502

(a) Movement in the defined contribution liability recognised in the balance sheet:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Balance, beginning of year	-	-	-	-
Remittances in the year	(67,153)	(32,282)	(43,564)	(20,038)
Charge for the year	67,153	32,282	43,564	20,038
Balance, end of year	-	-	-	-

The Group and its employees make a joint contribution of 15% of basic salary, housing and transport allowance to each employee's retirement savings account maintained with their nominated Pension Fund Administrators.

(b) Movement in the defined benefit liability recognised in the balance sheet:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Balance, beginning of year	358,437	227,452	327,502	206,713
Payments in the year	(32,030)	-	(32,030)	-
Charge for the year	42,085	130,985	39,555	120,789
Balance, end of year	368,492	358,437	335,027	327,502

The Group operates a defined benefit scheme where qualifying employees receive a lump sum payment based on the number years served after an initial qualifying year of 10 years on their terminal emolument of basic salary, transport and housing allowance on the date of disengagement. An independent actuarial valuation is performed annually on the projected unit credit basis to determine the liability at balance date.

The principal actuarial valuation assumptions used were as shown below:

	Group 31-Dec-10	Group 31-Dec-09	Company 31-Dec-10	Company 31-Dec-09
- discount rate	12%	12%	12%	12%
- future salary increases	10%	10%	10%	10%

The assumptions have remained unchanged from the prior financial year ended 31 December 2009. The first assumption of the interest rate of return on fund assets (discount rate) was estimated to be 12% while the projected increase in staff emolument was projected at 10% resulting in a rate of return higher that increase in salary by 2%.

21 Share capital

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
a) **Authorised:**				
3,100,000,000 Ordinary share of N1 each (31 December 2009: 3,100,000,000 Ordinary share of N1 each)	3,100,000	3,100,000	3,100,000	3,100,000
b) **Issued and fully paid:**				
2,794,793,730 Ordinary share of N1 each (31 December 2009: 2,794,793,730 Ordinary share of N1 each)	2,794,794	2,794,794	2,794,794	2,794,794

22 Statutory reserve

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Balance, beginning of year	2,398,216	2,007,532	2,384,558	1,999,226
Transfer from profit and loss account	449,846	390,684	435,400	385,332
Balance, end of year	2,848,062	2,398,216	2,819,958	2,384,558

In accordance with existing legislation, 15% of profit after taxation (31 December 2009: 15%) has been transferred to statutory reserve. In addition, Pensions Alliance Limited, a subsidiary company in the Group, has transferred 12.5% of its profit after taxation to statutory reserve account which is required to be done on an annual basis under existing legislation.

23 Retained earnings

The movement on retained earnings during the year was as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Balance, beginning of year	7,593,436	6,335,540	7,007,481	5,802,113
Dividend declared (see Note 19)	(558,958)	(978,178)	(558,958)	(978,178)
Transfer from profit and loss account	2,600,180	2,236,074	2,467,270	2,183,546
Balance, end of year	9,634,658	7,593,436	8,915,793	7,007,481

24 Revaluation reserve

The movement on revaluation reserve during the year was as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Balance, beginning of year	102,062	255,222	-	-
Addition in the year	94,939	(153,160)	94,939	-
Realised in the year	(102,062)	-	-	-
Balance, end of year	94,939	102,062	94,939	-

Revaluation reserve represents the foreign exchange gain on conversion of a dollar denominated long term investment by the Company in the Eurobond issued by GT Bank plc

25 Non-controlling interest

The movement on non-controlling interest during the year was as follows:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Balance, beginning of year	136,690	115,386	-	-
Payment for right issue	42,275	-	-	-
Share of profit	56,633	21,304	-	-
Balance, end of year	235,598	136,690	-	-

26 Staff costs

a) Employee costs, excluding executive directors, during the year amounted to:

	Group 12 months to 31-Dec-10 ₦'000	Group 6 months to 31-Dec-09 ₦'000	Company 12 months to 31-Dec-10 ₦'000	Company 6 months to 31-Dec-09 ₦'000
Staff and related costs	1,384,270	672,432	825,323	407,803
Pension costs	67,153	32,282	43,564	20,038
Gratuity costs (see Note 20)	42,085	130,985	39,555	120,788
	1,493,508	835,699	908,442	548,629

b) The average number of persons employed by the company during the year was as follows:

	Group 12 months to 31-Dec-10 Number	Group 6 months to 31-Dec-09 Number	Company 12 months to 31-Dec-10 Number	Company 6 months to 31-Dec-09 Number
Executive	4	4	2	2
Management staff	31	26	17	17
Non management staff	209	168	68	59
	244	198	87	78

c) Higher paid employees of the company, other than directors, whose duties were wholly or mainly discharged in Nigeria received emoluments (excluding pension contributions and other benefits) in the following ranges:

	Group 12 months to 31-Dec-10 Number	Group 6 months to 31-Dec-09 Number	Company 12 months to 31-Dec-10 Number	Company 6 months to 31-Dec-09 Number
Below N 1,000,001	186	140	46	38
N 1,000,001 - N1,010,000	-	1	-	-
N 1,010,001 - N1,090,000	5	3	2	2
N 1,100,001 - N1,170,000	5	5	2	2
N 1,200,001 - N1,290,000	6	6	2	2
N 1,290,001 - N1,490,000	9	9	7	7
N 1,500,001 - N1,790,001	6	7	5	4
N 1,840,001 - N1,850,000	1	-	-	-
N 1,850,001 - N1,890,000	-	1	-	-
N 1,890,001 - N1,970,000	2	2	2	2
N 2,200,001 - N2,410,000	1	1	1	1
N 2,500,001 - N3,900,000	7	6	7	6
N 4,000,001 - N5,000,000	1	3	1	2
Above N5,000,000	15	14	12	12
	244	198	87	78

d) Directors' remuneration was paid in respect of directors of the Company as follows:

	Company 12 months to 31-Dec-10 ₦'000	Company 6 months to 31-Dec-09 ₦'000
Fees as directors	41,813	18,250
Other emoluments	16,275	5,400
	58,088	23,650

e) The directors' remuneration shown above (excluding pension and other benefits) includes:

	Company 12 months to 31-Dec-10 ₦'000	Company 6 months to 31-Dec-09 ₦'000
Chairman	7,763	3,700
Highest paid director	10,164	5,082

f) Other directors, whose duties were wholly or mainly performed in Nigeria, received emoluments (excluding pension contributions) in the following ranges:

	Company 31-Dec-10 Number	Company 31-Dec-09 Number
N 1,000,000 - N 1,500,000	-	-
N 1,500,001 - N 3,000,000	1	4
N 3,000,001 - N 4,000,000	-	4
N 4,000,001 - N 5,000,000	1	-
N 5,000,001 - N 6,000,000	2	-
N 6,000,001 - N 7,000,000	3	-
N 7,000,001 - N 8,000,000	1	-
	8	8

27 Earnings per share

Earnings per share has been calculated on profit after taxation for the year based on 2,794,793,730 ordinary shares in issue as at 31 December 2010 (31 December 2009: 2,794,793,730).

28 Cash generated from operations

	Group 12 months to 31-Dec-10 ₦'000	Group 6 months to 31-Dec-09 ₦'000	Company 12 months to 31-Dec-10 ₦'000	Company 6 months to 31-Dec-09 ₦'000
Profit before taxation	3,425,563	3,014,945	3,127,818	2,913,307
Adjustments to reconcile profit before taxation to cash generated from operations:				
- depreciation	190,006	72,111	139,511	46,259
- write-back on assets (see Note 11a(iii))	(351,204)	(287,602)	(351,093)	(256,798)
- write-back in provision for long-term investment	(6,474)	-	-	-
- provision for retirement benefits	42,085	130,985	39,555	120,788
-interest income on long term investments	(4,761)	(27,612)	-	-
- profit on disposal of fixed assets	(955)	(2,669)	(372)	(1,886)
Operating profit before changes in operating assets and liabilities	3,294,260	2,900,158	2,955,419	2,821,670

Changes in operating assets and liabilities

	Group 12 months to 31-Dec-10 ₦'000	Group 6 months to 31-Dec-09 ₦'000	Company 12 months to 31-Dec-10 ₦'000	Company 6 months to 31-Dec-09 ₦'000
(increase)/decrease in operating assets:				
- Commercial bills	(1,860,417)	3,073,195	(1,225,834)	3,199,681
- Trading securities	93,049	(185,843)	(63,417)	99,660
- Short term investments	1,171,019	102,616	1,171,019	102,616
- Assets on repurchase agreements	3,614,318	37,298,960	3,818,595	37,014,960
- Margin accounts	9,857	124,587	-	-
- Other assets	127,349	(464,913)	(11,495)	(264,603)
increase/(decrease) in operating liabilities:				
- Due to banks	(26,600,000)	25,100,000	(26,600,000)	25,100,000
- Liabilities on repurchase agreements	(2,656,850)	(39,596,290)	(2,861,127)	(39,311,876)
- Other liabilities	(199,237)	(459,752)	(162,753)	(332,469)
	(26,300,913)	24,992,560	(25,935,011)	25,607,969
Cash generated/(used) in operations	(23,006,653)	27,892,718	(22,979,592)	28,429,639

29 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises:

	Group 31-Dec-10 ₦'000	Group 31-Dec-09 ₦'000	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
Cash and bank balances (see note 8)	3,769,107	462,823	3,409,142	393,829
Treasury bills (see note 9)	1,796,845	17,193,081	1,796,845	17,193,081
	5,565,952	17,655,904	5,205,987	17,586,910

30 Related party transactions

During the year, there were transactions conducted with related parties in the normal course of business. The transactions with these institutions were carried out at arm's length and the outstanding balances as at 31 December, 2010 were as follows:

(a) Commercial bills liabilities on repurchase agreement outstanding as at:

Name of company	Relationship	Transactions	Company 31-Dec-10 ₦'000	Company 31-Dec-09 ₦'000
FSDH Securities Limited	Subsidiary (indirect)	Liabilities on repurchase agreement	619,154	800,681
FSDH Asset Management Limited (FAML)	Subsidiary	Liabilities on repurchase agreement	39,177	126,244
KMC Investment Limited	Shareholder	Liabilities on repurchase agreement	18,330	23,170
UBA Asset Management Limited	Shareholder	Liabilities on repurchase agreement	552,608	200,000
FSDH Staff Cooperative Society	Shareholder	Liabilities on repurchase agreement	487,069	416,144
			1,716,338	**1,566,239**

There are technical management agreements between the Company and FSDH Asset Management Limited (FAML) and FSDH Securities Limited (FSL). The agreement provides for the provision of technical management assistance to FAML and FSL, for a fee of 10% of profit before tax. The sum of N13,546,443 was charged in the year (31 December 2009: N4,674,398).

All other transactions between the Company and its controlled entities were carried out at arms length during the year.

31 Contingent liabilities, litigation and claims

The Group has litigation and claims which arose in the normal course of business and they are being contested by the Group. The directors, having sought professional legal counsel, are of the opinion that no significant liability will crystallise from these litigation and therefore no provision is deemed necessary for these legal claims. There were no other contingent liabilities not disclosed in these financial statements.

32 Compliance with banking regulations

The Company did not pay any penalties in respect of contravention of any regulations of the Banks and Other Financial Institutions Act 1991 or relevant circulars issued by the Central Bank of Nigeria during the year.

33 Assets/funds under management

The Group through its subsidiaries FSDH Asset Management Limited (FAML) and Pensions Alliance Limited (PAL) engage in investment management activities. The aggregate amounts of funds under management which are not included in the balance sheet are as follows:

	31-Dec-10	31-Dec-09
	₦'000	₦'000
FAML's Assets Under Management	9,841,725	10,317,705
PAL's Assets Under Management	59,178,623	40,997,000
	69,020,348	51,314,705

34 Reporting period

The Company changed its accounting year end from 30 June to 31 December in compliance with a Central Bank of Nigeria directive in the year ended 31 December 2009. These financial statements cover a period of twelve months from 1 January 2010 to 31 December 2010, whilst the corresponding balances are for the six months ended 31 December 2009.

1.0 The Group's Report on Principal Credit Policies

The Group, maintains a strong and conservative credit culture. This ensures that a balance is stuck between asset quality and earnings.
To achieve this, we recognize the need for a robust credit administration to influence behaviour as a necessary success factor.
Therefore, the Group's principal credit policies revolve around 3 major areas:

- Portfolio Strategy and planning
- Credit Origination and Maintenance
- Performance Assessment and Reporting

1.2 Credit Portfolio Strategy and Planning

Credit portfolio strategy and planning involves a clear definition and agreement of the following:

- Target credit portfolio structure, analysed by sector, product type, risk rating class, etc.
- The Board-approved risk limits that the Company is willing to permit relative to the Group's risk bearing capacity.
- The target markets and criteria for risk acceptance at the corporate level and across each risk creating business unit.
- The Group's credit portfolio goals and objectives, which should typically cover specific areas such as quality, composition, growth and profitability.

The credit risk portfolio strategy and plan is prepared by the Risk Management department and approved by the Board or the Board Risk Management Committee at the beginning of the financial year.

1.3 Credit Origination and Maintenance

1.3.1 Credit Origination

In originating credit, the Group is required to:
- Adhere to the process for conducting preliminary screening, detailed credit risk analysis, risk rating, approval, and controlled credit availment;
- Adhere to the processes and guidelines for developing credit relationships and creating quality assets in line with the Group's risk management policies;
- Determine the viability of an asset, through analysis, before committing resources to it;
- Ensure that all credit requests are screened against the Group's target market and risk acceptance criteria in order to facilitate early identification of unacceptable risk exposures;
- Ensure that only facility requests that meet the Group's acceptance criteria are be processed; and
- Obtain a formal written request for all credit applications.

The minimum data and information requirements for credit facility requests shall include name, background (for corporate customers), purpose of credit facility, financial statement analysis and cash flow projections, details of existing banking relationships and existing exposure to banks and other financial institutions, particulars of directors and key shareholders of the company, particulars of management including statement of qualification and experience and details of expected repayment sources for all loans and proposed repayment plans.

1.3.2 Credit Analysis
The Group analyses every credit request in order to determine the credit worthiness of the customer and the ability of the customer to fulfil the loan obligations. The Risk Management department conducts the following assessment of the credit-worthiness of the customer:

a. Analysis of the client's financial position as reflected in financial and cash flow statements, past repayment records, management quality and integrity, as well as relevant industry and macroeconomic data. Appropriate background check shall also be conducted on the key shareholders and company directors.

b. Group assessment of related customers. This shall involve aggregating facilities of customers under common control. Control is defined as the ability to substantially influence management decisions and policies arising from representation on the Board of the company.

1.3.3 Credit Evaluation

Credit evaluation entails a comprehensive evaluation of data and information as a basis for a decision on the viability, feasibility and overall acceptability of a facility request. Credit evaluation also involves detailed consideration of the customer's credit request, the customer's industry/business, financial position, credit history, management capability, and proposed collateral as a basis for identifying credit risks inherent in the loan request. Credits to related parties are closely analysed and monitored. Related party transactions are reviewed closely by the Board to ensure proper corporate governance. The Group undertakes measures to control or reduce the risks of connected lending.

1.4.4 Credit Risk Rating

All credit requests are rated using the Group's risk rating model. Credit risk rating is a grade assigned to a loan or a group of loans reflecting its quality. It is categorised into Customer Risk Rating and Facility Risk Rating. The Customer Risk Rating evaluates a client's expected ability to meet its obligations, through analysis of its financial statements and projections, cash flow, management and other customer risk factors. The Facility Risk Rating defines the risk of a specific credit facility by overlaying the Customer Risk Rating with an analysis of factors such as loan structure and collateral. The Group's risk rating scale ranges from D to Aaa, where D represents a loan of the lowest quality and Aaa represents a loan of the highest quality.

1.4.5 Credit Approval

a. The primary outcome of the credit analysis and evaluation shall be an approval or rejection recommendation of the facility request.
b. All credit facilities shall be evidenced by a written approval from the appropriate level in line with credit approval authority defined by the Board. The Group defines credit approval guidelines, set approval limits for credit requests, and authorisation structures for approving the excess over the facility and concentration limits as well as other exceptions to the credit guidelines.
c. Upon approval, an offer letter, including detailed terms and conditions, shall be communicated in writing to the customer.

1.4.6 Maintenance

a. On approval of a facility for a customer, the Group ensures that all necessary documentations are complete before disbursement and if not, that the necessary approvals for deferrals are obtained.
b. The Group carries out all necessary activities to minimise the incidence of decline in credit quality. This requires a proper credit monitoring system that will provide the basis for prompt corrective actions when warning signs indicate a deterioration in the condition of the borrower. It involves such activities as administration of existing exposures, credit file management, collateral management and facility performance monitoring.

In addition to the foregoing, there are policies involving pricing (risk assumed in granting facility requests should be properly priced), credit file management, collateral management, monitoring of the credit portfolio, exposure quality reviews and classification, early alert report system, delinquency management / loan work-out, provision for non-performing facilities, management of classified accounts and credit recovery.

In all these, the ultimate aim is to ensure that we achieve our business objective of maximizing stakeholders' value without jeopardizing our conservative credit culture.

2.0 Methodology of Risk Rating

A key element in the measurement of credit risk is the assignment of credit ratings. All counterparties dealt with are assigned risk grading to determine expected defaults across asset portfolios and risk bands.

The rating model adopted is designed primarily to foster uniformity in the parameter for arriving at an opinion of the credit worthiness of different entities within different industries. It reduces to the minimum, the subjective input by the analyst. This credit rating philosophy ensures a consistent and high level of accuracy in measurement of degree of credit risk in credit exposures.

The risk ratings attributed to counterparties are based on a combination of parameters which cover business risks, financial risks as well as management and ownership.

a. All counterparties for which the Group has credit/facility limits in place are assigned a credit rating. This rating, which is forward looking and thus predictive in nature is also discriminatory in terms of its ability to rank different entities.
b. As part of the credit risk mitigation analysis, the Group also assigns facility ratings arising from exposure/facility specific factors such as collateral. This is usually considered in the overall mix of credit risk mitigation analysis. This however, does not change the obligor rating.
A facility rating is facility specific.
c. Pricing must be based on the risk grades assigned to the counterparty as the risk assumed in granting credit must be appropriately priced.

In terms of outlook, however, the Group is currently scouting for an international rating agency's analytical software to standardize its current internal ratings model.

3.0 Enterprise Risk Management Review

Management knows that every financial, operational or strategic decision made may either adversely affect or strengthen our ability to meet the Group's organizational objectives. We are also aware of the need to balance the contradictory pressures for greater entrepreneurialism and losses from downside risks. Thus, we see risk as the level of exposure – opportunity, threat, and uncertainty- that we must identify, understand, measure and effectively manage, as we execute our strategies to achieve our business objectives and create value.

For the Group to be successful in the long term, it must manage all sources of opportunity and threat effectively.

3.1 Risk Management Philosophy and Culture

The risk management philosophy and culture are the set of shared beliefs, values, attitudes and practices that govern how management considers the risk inherent in the Group's business activities, from strategy development and implementation to our day-to-day activities.

Our risk philosophy is conservative. We believe that a sound risk management system is the foundation for building a vibrant and viable financial institution. We therefore adopted an enterprise-wide approach to risk management, where key risks, financial and non- financial, from all areas of the business are managed within the context of the Group's risk appetite (i.e. the level of risk we are willing to accept).

3.1.1 Risk Management Culture

Consequent upon its risk management philosophy, the Group strives to entrench the following attributes as guiding principles of its risk culture:

a. The Group insists on a robust risk management governance structure that enables it to manage all major aspects of its activities through an integrated planning and review process that includes strategic, financial, customer and risk planning.
b. Our Board and senior management insist on establishing and promoting a strong culture of adherence to limits in managing risk exposure.
c. Risk management in the Group is governed by formally documented and defined policies and procedures, which are clearly communicated to all.
d. The Group avoids products, businesses and markets that it does not fully understand or for which management cannot reasonably and objectively measure and manage their associated risks.
e. The Group strives to maintain a balance between risk/opportunity and revenue consideration with its risk appetite. Thus, risk-related issues are considered in all our business decisions.
f. The Group creates and evaluate business unit and enterprise risk profiles to consider what is best for its individual business units and the Group as a whole.
g. The Group's risk officers are empowered to perform their duties professionally and independently within clearly defined authorities.
h. Staff are encouraged to disclose inherent risks and actual losses openly, fully and honestly.
i. The Group creates a process for institutionalising the lessons learned from risk events and will penalise negligent recurrence.
j. The Group has zero tolerance for breach of laws and regulations.
k. The Group has zero appetite for associating with disreputable individuals and organisations.

3.2 Risk Management Strategy

The Group's strategy for managing risk is to establish and sustain a robust ERM framework that is embedded in its processes and is technology enabled (as far as possible), with emphasis on protecting the Group from risk while maintaining profitability and shareholder value.

3.3 Scope of Risks

The scopes of risks the Group manages are as follows:

i) Liquidity risk
ii) Credit risk
iii) Information systems/Technology
iv) Market risk
v) Regulatory compliance
vi) Macroeconomic risk
vii) Human resources risk
viii) Operational risk
ix) Strategy execution

3.4 Risk Appetite

The Group's risk appetite articulates the quantum of residual risk it is prepared to accept or tolerate in pursuit of its strategic business objectives.

The Risk Management department periodically recommends specific measures relating to these parameters to the Board (or its committees) for approval. The parameters listed below guide its risk appetite:

3.4.1 Financial

a. Financial and prudential ratios set at par with statutory requirements and better than the average of benchmarked financial institutions.
b. Capital-at-risk driven by the Group's shareholder value creation objectives.
c. Earnings variance per business division or subsidiary.
d. Capital adequacy set at par with regulatory limits.

3.4.2 Credit

a. Asset quality, measured by the ratio of non-performing loans to total loans.
b. Maximum credit exposure per industry, product, obligor, rating bucket and geographic location.
c. Zero tolerance for undisciplined lending.

3.4.3 Reputational

a. Favourable reports from the auditors and external rating agencies.
b. Zero tolerance for any utterance (by directors or employees) that may impact negatively on the Group's operations.
c. Zero appetite for association with disreputable individuals and organisations.
d. Zero appetite for unethical or illegal and/or unprofessional conduct by our directors, executive management and staff.

3.4.4 Ratings

The Group aims to achieve consistently good ratings issued by domestic or internationally recognised rating agencies. The ratings must reflect sound financial asset quality, strong liquidity position, strong capital adequacy level, strategic positioning in the fundamentals, excellent economy and potential for superior earnings.

3.4.5 Customer Service

a. Acceptable customer attrition level as defined by the Board.
b. Minimum acceptable proportion of satisfied customers from feedback surveys.
c. Acceptable complaints volume.

3.4.6 Regulatory

a. Maximum amount or number of sanctions by the CBN and other regulatory agencies.

b. Zero tolerance for infractions and non-compliance with laws.

3.4.7 Operational

a. Zero tolerance for fraud.
b. Percentage of earnings reduction or losses due to operational deficiencies.

3.4.8 Market

a. Ratio of Rate-Sensitive Assets (RSA) to Rate-Sensitive Liabilities (RSL)
b. Interest Rate Gap Limit [i.e. (RSA less RSL) to Total Assets]
c. Value-at-Risk (VaR) limits
d. Concentration limits
e. Stop-loss limits
f. Profit-take limits
g. Trading limits

3.4.9 Liquidity

a. Liquidity ratio set at par with regulatory limits
b. Total deposits/Total assets
c. Large fund providers/Total deposits
d. Liquid assets/Total deposits
e. Duration of liquid assets
f. Non-earning liquid assets/Total liquid assets
g. Cash/Total deposits
h. Fixed Assets/Shareholders funds
i. Total Loans/Total deposits
j. Total earning assets/Total assets
k. Percentage of risk assets below prime
l. Off balance sheet items/Total balance sheet footing
m. Capital adequacy
n. Aggregate large credit/shareholders funds

Senior management usually proposes a well articulated risk appetite position and recommends it to the Board for approval annually or as may be required. It also establishes a process for allocating the appetite among the business units and subsidiaries and reporting against these limits.

3.5 Risk Oversight

The Risk Management department provides central oversight of risk management activities across the Group to ensure that the full spectrum of risks the Group faces is properly identified, measured, monitored and controlled. It also co-ordinates the monitoring and reporting of all risks across the Group to ensure that the full spectrum of risks it faces are properly identified, measured, monitored and controlled. The Risk Management department is complemented by other departments in the management of certain important risks.

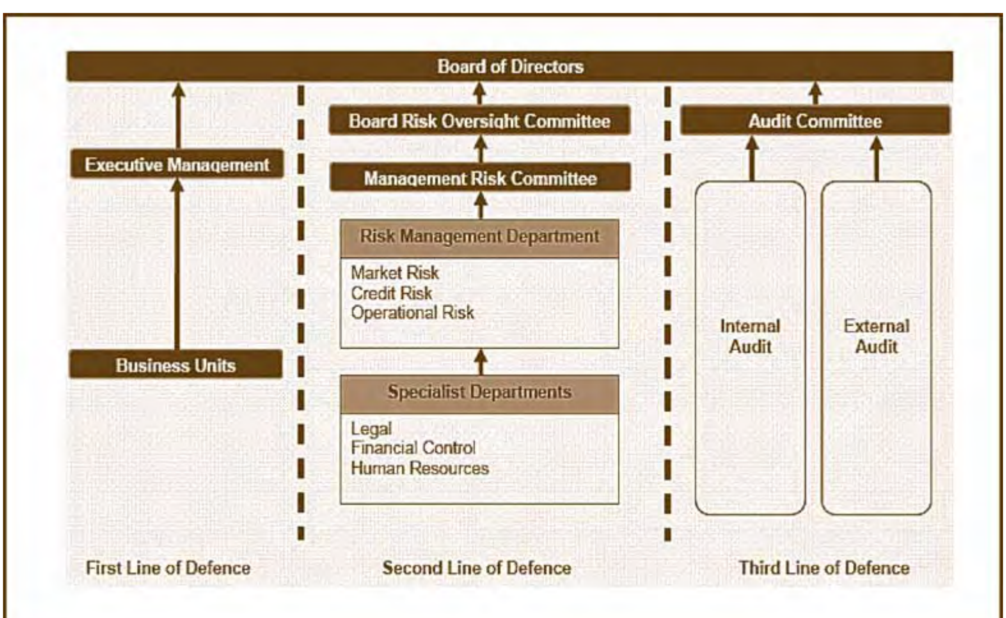
See table for a listing of these risks and units responsible for managing them.

Risks and Responsible Departments

S/N	Risk	Risk Owners
1	Liquidity	Dealing
2	Credit	Risk Management
3	Information security/technology	IT
4	Market	Dealing, Risk Management
5	Regulatory compliance	FINCON, Risk Management
6	Macroeconomic	Executive Management Committee (EXCO)
7	Human resource	Human Resources/Admin
8	Internal fraud	Executive Management Committee (EXCO)
9	Clients, Products and Business Practices	Business Units
10	Execution, Delivery and Process Management	Operations, Internal audit
11	Management fraud	Managing Director
12	Industry	Executive Management Committee (EXCO)
13	Product development	Heads of Business units,
		Executive Management Committee (EXCO),
		Managing Director
14	Legal	Outsourced to Udo Udoma Belo-Osagie (UUBO),
15	External fraud	EXCO, IT, Internal Control/Audit
16	Country/Political	Executive Management Committee (EXCO)
17	Capital availability	Board
18	Strategic execution	Executive Management Committee (EXCO)
19	Business model	Board/Executive Management Committee (EXCO)
20	Environmental scan	Executive Management Committee (EXCO)
21	Infrastructure failure and business disruption	HR/ADMIN, Internal Audit and IT
22	Documentation	Operations
23	Health, Safety and Environment	Human Resources/Admin
24	Competitor	Executive Management Committee (EXCO)
25	Damage to Physical Assets	Human Resources/Admin
26	Organisational structure	Executive Management Committee (EXCO)

3.6 Risk Management Governance Structure

The Group's risk management framework is designed based on "the three line of defence" model



3.6.1 First line of defence - Risk Management and Ownership

This consists of business units and line functions with primary responsibility for risk management. The process for assessing, evaluating and measuring risk is integrated in their daily activities. The primary responsibilities and objectives of the first line of defence include:

a. identifying, reporting and prioritising existing and emerging risks;
b. implementing the Group's policies and managing daily risk exposures by using appropriate procedures and internal controls; and
c. identifying risk events and losses, reporting and escalating material risks and implementing remedial actions to address these issues.

3.6.2 Second line of defence – Risk Oversight

The second line of defence comprises all business units and functions responsible for providing independent risk oversight, monitoring and challenge of the effectiveness of the Group's risk management processes. They provide support, training and counsel to business units in relation to risk management and report on risk management activities to the various risk committees.

The primary responsibilities and objectives of this line of defence are to:

a. establish risk policy, standards and limits and monitor adherence;
b. provide risk oversight and independent reporting to executive management and the Board;
c. assist the first line of defence in implementing the Group's risk management framework and policy;
d. establish a measurable and systematic process for risk assessment and governance reporting;
e. ensure the effectiveness of risk management activities and allocate resources to execute risk management initiatives;
f. provide analytics, guidance and coordination among diverse business units; and
g. provide independent review and report on the effectiveness of the risk management policy as implemented by the first line of defence.

3.6.3 Third line of defence – Assurance functions

The third line of defence comprises functions with primary responsibility for assessing and providing independent assurance on the adequacy, appropriateness and effectiveness of the Group's overall risk management framework, policy and actions. Specifically, this line of defence performs the following functions:

a. assess the adequacy and effectiveness of the Group's risk management and control framework; and
b. Monitor compliance of business units and support functions with the risk policies and procedures

4.0 The Group's Report on Credit Risk

Overview

As a financial institution that engages in the buying and selling of securities such as government securities, commercial papers, bankers' acceptances and promissory notes, the Group does not accept deposits and grant commercial loans and overdrafts like a conventional commercial bank. Credit risk represents the loss that the Group would incur if a trading counterparty (such as a bank, corporate, individual or sovereign) or an issuer of securities or other instruments the Group holds fails to perform under its contractual obligations or upon deterioration in the credit quality of third parties whose securities or other instruments it holds.

4.1 Types of Credit Risk

The Group's exposure to credit risk principally arises through our trading, investing and financing activities and is generally of two forms: default risk and settlement risk.

4.1.1 Default Risk

This is the risk that a security's issuer will default in making its promised interest and principal payments to the buyer of the security.

4.1.2 Settlement Risk

Settlement risk is a form of credit risk that arises when one party fails to deliver the terms of the contract with another party at the time of settlement.
It is the risk of loss due to failure of the counterparty to honour its obligation to deliver cash, securities or other assets as contractually agreed.

4.1.3 Objectives of Credit Risk Management

The Group manages its credit risk to ensure that growth, consistent returns and capital are not jeopardised. The Group's credit risk management framework seeks to reduce volatility in its operating performance and lower the cost of equity by managing risks both within and across businesses. The Group shall limit its credit and overall risk profile by diversifying risk and revenue sources, as well as growing its fee based and recurring revenues. Other credit risk management objectives include closely monitoring risk-taking and long-term exposure to illiquid assets.

The Group continually look for opportunities to strengthen its credit risk controls, with particular attention on avoiding undue concentrations. At all levels of the Group, sound corporate governance and oversight policies and employee integrity shall continue to be recognised as critical to effectively manage credit risk and protect the interests of shareholders.

4.1.4 Credit Risk Governance

The figure below illustrates the Group's credit risk governance structure.

Board of Directors

▽

Board Credit Committee

▽

Management Risk Committee

▽

Head, Risk Management Department

Board of Directors: Roles and Responsibilities

- Ø Approve the Group's credit risk management framework and periodically review the framework to ensure its relevance and effectiveness.
- Ø Approve credit portfolio strategy, credit appetite and tolerance in line with corporate strategy.
- Ø Ensure that senior management performs its risk management responsibilities.
- Ø Review the various credit risk reports and direct appropriate actions.
- Ø Ensure that detailed policies and procedures for creating, managing and recovering of credit risk exposure are in place.
- Ø Appoint Credit Officers and delegate approval authorities to individuals and committees.

Board Credit Committee: Roles and Responsibilities

- Ø Approve credit risk management policies and standards on the recommendation of the Management Risk Committee and Management Executive Committee.
- Ø Approve definition of risk and return preferences and target risk portfolio.
- Ø Approve credit products and new processes.
- Ø Approve assignment of credit approval authority on the recommendation of the Management Risk Committee and Management Executive Committee.
- Ø Approve changes to credit policy guidelines on the recommendation of the Management Risk Committee.
- Ø Approve credit facility requests and proposals within limits defined in the Group's credit policy.
- Ø Recommend credit facility requests which are above stipulated limits to the Board.
- Ø Make recommendations to the Board on policy and strategy where appropriate.

- Ø Ensure that the Group's overall credit risk exposure is maintained at prudent levels and consistent with the available capital through periodic review of credit risk reports.
- Ø Ensure that top management as well as individuals responsible for credit risk management possess the requisite expertise and knowledge function to carry out the risk management.
- Ø Ensure that the Group implements a sound methodology that facilitates the identification, measurement, monitoring and control of credit risk.
- Ø Approve charge-off, in excess of the limits delegated to Management.

Management Risk Committee: Roles and Responsibilities

- Ø Approve credit requests from clients in line with the defined approval limits.
- Ø Recommend credit requests in excess of the committee's authorisation limits to the Board Credit Committee for approval.
- Ø Review and recommend changes to the credit risk management policy for the approval of the Board Credit Committee.
- Ø Review the credit portfolio plan/strategy prepared for the year and recommend to the Board Credit Committee for approval.
- Ø Review the reports on the actual credit portfolio and determine adherence with the defined credit portfolio plan and appetite for credit risk.
- Ø Review monthly credit risk reports and remedial action plans.
- Ø Coordinate the Group's response to material events that may have an impact on the credit portfolio.
- Ø Approve bad debt write-off requests for amounts within its delegated authority limits.

Head, Risk Management: Roles and Responsibilities

- Ø Responsible for the management of credit risk in the Group.
- Ø Identify inherent credit, financial and business risks in facility requests.
- Ø Conduct analysis and appraisals of all credit requests in accordance with approved credit policies and procedures and ensure that credit exposures are created subject to stipulated guidelines.
- Ø Conduct risk acceptance evaluation.
- Ø Recommend approval /rejection of credit request.
- Ø Document individual credit exposures and maintain complete, up-to-date and accurate records of all credit-related customer interactions including requests, approvals, transactions and correspondence.
- Ø Perform ongoing assessment and classification of the quality and performance of the Group's risk asset portfolio.
- Ø Carry out timely, accurate and complete analysis of risk assets to determine the quality and performance of the portfolio and provide informed basis for management actions and decisions.
- Ø Recommend improvement to the credit policy guidelines and processes.
- Ø Ensure that credit files are neatly organised, cross-indexed, and safe from unauthorised removal.
- Ø Review documentation of risk assets' collateral to ensure proper execution of the document and enable the Group create a charge.
- Ø Ensure completeness of all due diligence and security documentation before signing off for availment.
- Ø Oversee recovery of classified nonperforming assets.
- Ø Identify and follow-up on accounts listed on the watch list.
- Ø Identify causes of non-performing credits with a view to forestalling future occurrences.
- Ø Ensure all tangible collaterals are valued and are adequate to cover the Group's exposure.
- Ø Monitor performance (early warning signals) of all risk assets and promptly recommend appropriate action to Management.
- Ø Monitor and review the pricing of credit facilities and ensure that all fees and charges are collected as approved.
- Ø Ensure that credit risk control limits are adhered to.
- Ø Evaluate the credit risks inherent in new securities/products.
- Ø Prepare various reports to management and the Board of Directors.

4.2 The Group's Risk Rating Scale and Its External Rating Equivalent

The Group's credit requests are rated using its internal risk rating model. Credit risk rating is a grade assigned to a loan or a group of loans reflecting its quality. It is categorised into Customer Risk Rating and Facility Risk Rating. The Customer Risk Rating evaluates a client's expected ability to rating and facility risk rating. The Customer Risk Rating evaluates a client's expected ability to meet its obligations, through analysis of its financial statements and projections, cash flow, management and other customer risk factors. The Facility Risk Rating defines the risk of a specific credit facility by overlaying the Customer Risk Rating with an analysis of factors such as loan structure and collateral. The Group's risk rating scale ranges from D to Aaa, where D represents a loan of the lowest quality and Aaa represents a loan of the highest quality. In terms of comparison with external rating equivalents, it is pertinent to note that ours compares favourably with that of Agusto & Co.

Group's Internal Rating	Group Score	Description of the Grade	Agusto Score	External Rating: Agusto Equivalent
AAA	85 - 100	Investment Grade	89 - 100	AAA
AA	70 - 84.9	Investment Grade	80 - 89	AA
A	60 - 69.9	Investment Grade	70 - 79	A
BBB	55 - 59.9	Investment Grade	60 - 69	BBB
BB	50 - 54.9	Speculative Grade	50 - 59	BBB
B	47.5 - 49.9	Speculative Grade	40 - 49	B
C	< 47.4	Junk Grade	< 40	CCC
D		In Default		D

4.3 The Group's Credit Risk Control and Mitigation Policy

4.3.1 Authority Limits on Credits

The medium by which limits for banks and issuers are created is the credit appraisal (CA). A signed CA must evidence all types of credit lines existing. The Board of Directors of the Group has the mandate to grant credit approval authority to designated officers of FSDH.

All credits in the Group are rated using our internal rating model. As part of the credit appraisal process, such rating is usually also compared and evaluated against published ratings of external rating agencies. These ratings apart from assisting us in determining values of credit to be advanced to an obligor also guide management and board on authority limits for credits in general.

This laid down authority governs credit extension. The limit set by the Board is as indicated below.

Aaa-Aa – Senior Management
A-Bbb – Senior Management + Board Credit Committee (BCC)
Bb- B – Senior Management + Board Credit Committee + Chairman

In terms of volumes, the grid is as indicated below;

Up to 25% of our Single Obligor Limit	- Senior Management
Up to 66% of our Single Obligor Limit	- Management & BCC
Up to 100% of our Single Obligor Limit	- Management, BCC, and Chairman, FSDH

It is pertinent to state that these limits are reviewed from time to time as the circumstances of the Group demand.

4.3.2 Collateral Policies

To minimise the risk of credit loss to the Group in the event of a decline in quality or delinquency, the Group ensures that all credit exposures have appropriate collateral. Security documents shall be reviewed to ensure the continuous enforceability of contracts, collateral and guarantees. Also, all securities held against credit exposures are reviewed regularly to ensure there is no diminution in value and where this has occurred, that appropriate steps are taken to shore up such positions to acceptable levels. This is done throughout the life of the credit.

5.0 The Group's Provisioning Policy

The Group makes adequate provisions for perceived losses based on the credit portfolio classification system. The two types of provisions that we make are specific and general provisions. Specific provisions are made on the basis of perceived risk of default on specific credit facilities, while general provisions are made in recognition of the fact that even performing credits harbour some risk of loss, no matter how small.

The Group makes specific provisions for non-performing credits in line with the prudential guidelines as released by the Central Bank based on the nature and type of credit. Also where applicable collateral adjustments in provisioning is adopted

The Group also makes a general provision of at least 1% of the risk assets not specifically provided for.

5.1 Risk Asset Analysis by Performance

Summary of the Group's Credit Facilities Portfolio

	31-Dec-10 ₦'000	31-Dec-09 ₦'000
Performing	7,372,134	24,387,485
Non- Performing		
- Substandard	-	2,978,859
- Doubtful	-	-
- Lost	1,553,007	219,242
	8,925,141	27,585,586

Analysis of non-performing facilities (by industry) to customers:	31-Dec-10 ₦'000	31-Dec-09 ₦'000
Capital Market	54,251	54,265
Manufacturing	1,478,859	3,123,939
Real Estate and Construction	-	-
Finance and Insurance	19,897	19,897
	1,553,007	3,198,101

Analysis of non-performing facilities (by industry) to customers in the following order:

	31-Dec-10 ₦'000	31-Dec-09 ₦'000
South South	-	1,567,789
South West	1,553,007	1,630,312
	1,553,007	3,198,101

Concentration of risks of financial assets with credit risk exposure by geographical sectors

31 December 2010

	Due from Banks 31-Dec-10 ₦'000	Debt Instrument 31-Dec-10 ₦'000	Total 31-Dec-10 ₦'000
South South	-	-	-
South West	19,897	8,905,244	8,925,141
	19,897	8,905,244	8,925,141

31 December 2009

	Due from Banks 31-Dec-09 ₦'000	Debt Instruments 31-Dec-09 ₦'000	Total 31-Dec-09 ₦'000
South South	-	1,500,000	1,500,000
South West	19,897	26,065,689	26,085,586
	19,897	27,565,689	27,585,586

Concentration of risks of financial assets with credit risk exposure by industry sectors

31 December 2010	**Due from Banks 31-Dec-10 ₦' 000**	**Debt Instruments 31-Dec-10 ₦' 000**	**Total 31-Dec-10 ₦' 000**
Conglomerate	-	675,530	675,530
Finance and Insurance	19,897	82,762	102,659
Manufacturing	-	3,128,270	3,128,270
Oil and gas	-	2,939,720	2,939,720
Real estate and construction	-	250,000	250,000
Telecoms	-	1,414,500	1,414,500
Others		414,462	414,462
	19,897	8,905,244	8,925,141

31 December 2009	**Due from Banks 31-Dec-09 ₦' 000**	**Debt Instruments 31-Dec-09 ₦' 000**	**Total 31-Dec-09 ₦' 000**
Conglomerate	-	5,500,000	5,500,000
Finance and Insurance	19,897	8,687,488	8,707,385
Manufacturing	-	5,351,698	5,351,698
Oil and gas	-	2,000,000	2,000,000
Real estate and construction	-	2,500,000	2,500,000
Telecoms	-	3,495,000	3,495,000
Others		31,503	31,503
	19,897	27,565,689	27,585,586

Analysis of credit facilities (by portfolio distribution and risk rating) to customers:

31-Dec-09	**₦' 000**	**₦' 000**
AAA to AA-	4,855,052	11,948,604
A+ to A-	635,760	7,303,229
BBB+ to BB-	1,599,760	596,527
Below BB-	1,834,569	7,737,226
	8,925,141	27,585,586

6.0 The Group's Report on Liquidity Risk Management

Liquidity risk is one of the key risks the Group contends with. This is the risk that the Group would be unable to meet its obligations as they become due. It occurs when the cushion provided by liquid assets is not sufficient to meet outstanding obligations. Liquidity risk does not occur in isolation; it is often triggered by consequences of other financial risks like credit risk and market risk such as interest rate risk, foreign exchange risk and security price risk.

6.1 Liquidity Risk Strategy

The Group's strategies for the management of liquidity risk are as follows:

a. A well defined asset and liability mix – This shows the proportion of each asset and liability component that the institution shall hold at all times;
b. An unrestricted access to financial markets to raise funds – Management ensures that the Group has sufficient and

unhindered access to funding sources in from a range of the financial markets. The strategy outlines the following:

- Procedures to ensure that market access is actively managed on an ongoing basis
- Procedures to establish and maintain relationships with fund providers
- Accessibility to financial markets and the availability of funding in normal and stressed conditions
- Procedures for monitoring funding concentration

c. Diversification and maintenance of a well-diversified and stable funding base – This requires a clear definition of the maximum levels of funding concentrations in terms of volume and sector. Specifically, limits are set for each source of funds in order to avoid undue reliance on large individual depositors.

d. Maintenance of a sufficient stock of liquid assets without impinging profitability – The Group endeavours to strike an adequate balance adequate liquid assets are maintained. The Group also ensures that it meets CBN's minimum liquidity ratio at all times.

e. Limits on maturity mismatches. The Group clearly specifies the limits to maturity mismatches in its books.

f. Approach to building an effective contingency funding plan.

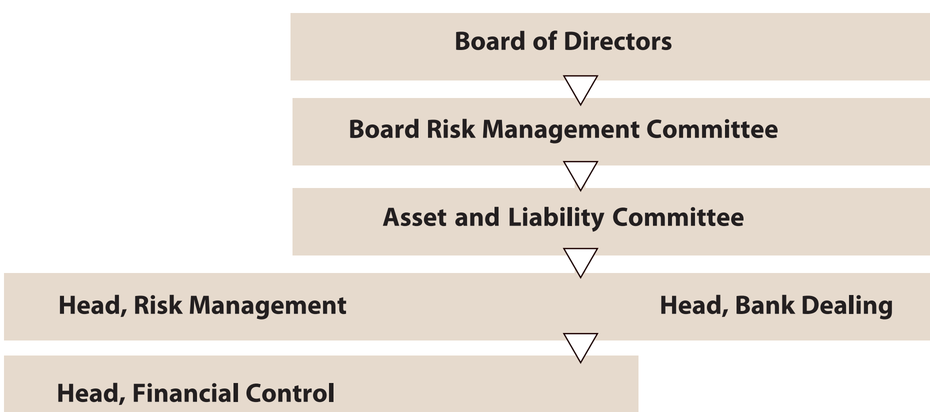
g. Establishment of market triggers - Market triggers are internal or external market or economic factors that may indicate a change in liquidity or ability to raise funds from the market. ALCO shall approve the Market triggers as part of the Group's funding and liquidity plan.

h. Establishment of strong and long lasting relationships with fund owners, depositors and other liability holders.

i. Communication of the liquidity risk objectives and control limits to all relevant staff members.

6.2 Liquidity Risk Management Governance Structure

The diagram below illustrates the Group's liquidity risk management governance structure



At the top of the governance structure is the Board of Directors whose responsibilities for market and liquidity risk are as indicated below:

Ø Approve the Group's market and liquidity risk management framework as well as the strategy and significant policies developed to manage these risks. Review these frameworks at least annually.
Ø Approve the Group's overall risk appetite and tolerance level for managing market and liquidity risk.
Ø Ensure that the Group implements sound principles that facilitate the identification, measurement, monitoring, and control of market and liquidity risks.
Ø Ensure that there is a management structure in place to execute the market and liquidity risk management strategy effectively.
Ø Ensure that adequate resources (both technical and human) are devoted to managing market and liquidity risks and that top management as well as individuals responsible for managing theses risks possess sound expertise and knowledge to discharge their responsibilities effectively.
Ø Monitor the Management's performance with regard to the management of market risk, and ensure that the level of market risk is maintained at acceptable levels and is supported by adequate capital.
Ø Set market risk limits and tolerance levels. Market risk limits shall be reviewed at least annually, including those limits relating to volatility of currencies, large exposures to counterparties and changes in the credit worthiness of counterparties.
Ø Ensure that periodic independent review/audit of the market and liquidity risk management process is performed.

Aside from the general Board, there is also the Board Risk Management Committee in the management of Liquidity Risk. Its duties are as set out below.

Ø Approve the Group's Asset and Liability Management (ALM) and money market policies as well as the Group's strategy for the money markets;
Ø Approve strategies regarding the management of liquidity and interest rate risk exposures, and balance sheet management;
Ø Ensure that the Group's overall liquidity and market risk exposures is maintained at levels consistent with the available capital;
Ø Approve the Group's investment portfolio and trading strategies;
Ø Approve dealer limits including position, concentration, currency, dealing, gap, total portfolio and counterpartylimits;
Ø Review the result of liquidity and market risks stress and back testing;
Ø Ensure adequate evaluation of market risks inherent in new products;
Ø Ensure compliance with statutory and regulatory requirements in relation to liquidity and market risks; and
Ø Approve risk management systems and policies for effective management of interest rate risks.

Apart from the Board and the Board Risk Management Committee, there is also the Asset and Liability Committee. This committee is made up of the following:

1.	Managing Director (MD)
2.	The Executive Director (ED)
3.	Head of Risk Management
4.	Head Bank Dealing
5.	Head of Financial Control
6.	Head of Corporate Banking
7.	Head of Investors Group
8.	Head Research and Strategy

The Asset and Liability Committee has responsibility for the following:
Ø Responsible for the implementation of sound policies and procedures for managing liquidity risk in accordance with the strategic direction and risk appetite specified by the Board.
Ø Review and endorse the Groups funding and liquidity plan .
Ø Develop and implement procedures and practices that translates the Board's goals, objectives, and risk tolerances into operating standards that are well understood by the Group personnel and consistent with the Board's intent.
Ø Ensure adherence to the lines of authority and responsibility that the Board has established for managing liquidity risk.
Ø Oversee the implementation and maintenance of management information and other systems that identify, measure, monitor, and control the Group's liquidity risk.
Ø Establish effective internal controls and limits over the liquidity risk management process.
Ø Establish targets for liquidity ratios, review ratios against the targets on a monthly basis and approve activities for rectifying any breach of the targets.
Ø Endorse 'Market Triggers' and address 'trip' of Market Triggers, including documentation of decisions and actions.
Ø Establish significant funding source limits and review exposure reports.
Ø Approve activities to rectify any breach of liquidity limits.
Ø Work with the Head, Bank Dealing to determine whether a contingency should be invoked and establish an action plan for resolving the contingency.

In the Liquidity Risk Management process of the Group, it is pertinent to also know that the Head, Bank Dealing, regularly carries out different activities such as:
Ø Preparing the Funding and Liquidity Plan;
Ø Formulating risk strategy for the money market
Ø Taking appropriate action(s) to regularise limit excesses and breach of liquidity ratio targets;
Ø Reporting liquidity exposures and associated limits and ensure completeness and integrity of all liquidity risk data;
Ø Reviewing liquidity risk reports for reasonableness, consistency and completeness.
Ø Activating the Contingency Funding Plan (if and when required).

The Head of Risk Management equally plays a vital role in the liquidity risk management governance structure. He does this through:

- Ø Ensuring compliance with the liquidity risk management policy and applicable regulatory requirements.
- Ø Establishing liquidity and funding limits and identify exceptions to limits.
- Ø Establishing stress test assumptions, perform stress tests and establish action plans.
- Ø Receiving notification of limit excesses and approve corrective actions.
- Ø Reviewing liquidity ratio targets, actual liquidity ratios and notify ALCO of breaches.
- Ø Maintaining an independent liquidity risk reporting framework.
- Ø Participating in the quality control process by reviewing liquidity risk reports for reasonableness, consistency and completeness.

The Group, in implementing the Company's risk management policies, ensures that the laid down liquidity risk management process is followed.

This process involves identifying and developing early warning indicators of liquidity risk to aid prompt identification. It also involves identifying and measuring liquidity risk through various methods such as Gap Analysis, Ratio Analysis, Maturity Mismatch Analysis, Stress Testing and Scenario Analysis.

Besides identifying and measuring liquidity risk, the liquidity risk management process also entails control mechanisms such as establishing liquidity gap limits, contingency funding plans and internal controls for liquidity risk management.

In addition, the process ensures that liquidity risk is monitored and managed daily through the instrumentality of:

- Ø Market triggers;
- Ø Significant funding sources;
- Ø Maturing profiles of cash flows;
- Ø Concentration in sources and application of funds;
- Ø Intra-group cash flows;
- Ø Volatility of assets and liabilities;
- Ø Impact of external and internal disruptions on cash flows and customers;
- Ø Impact of diminished market confidence in the company and;
- Ø Early placement withdrawals.

6.3 Liquidity Risk Reporting

The Group ensures the maintenance of an independent liquidity risk reporting framework that consistently communicates liquidity risk information across the group and ensure availability of timely information for liquidity management decisions.

The data used to generate the liquidity risk reports are generated from independent support systems (General Ledger). This is usually supplied by the financial control unit while the Head of Risk Management ensures the completeness and integrity of the liquidity risk data.

In terms of reports, various reports such as Annual Funding Plan, Liquidity Gap Analysis, Ratio Analysis, Market Trigger, Limits Exception and Excess, Stress Test and Contingency Funding Plan are periodically generated and communicated to the various stakeholders such as ALCO, Senior Management and the Board.

7.0 Summary of maturity profile on Balance Sheet

31 December 2010

ASSETS: ₦'000	Up to 1 month ₦'000	1 - 3 months ₦'000	3 - 6 months ₦'000	6 - 12 months ₦'000	1 - 5 years ₦'000	Over 5 years ₦'000	Gross Total ₦'000	Carrying Value
Cash and bank balances	3,769,107	-	-	-	-	-	3,769,107	3,769,107
Treasury Bills	-	1,005,000	605,224	245,000	-	-	1,855,224	1,796,845
Assets on repurchase agreements	-	18,417	47,895	83,980	26,693,662	3,313,127	30,157,081	28,865,889
Investment Securities	478,655	1,280,953	1,517	165,839	9,862,679	1,305,791	13,095,434	11,734,873
Margin accounts	16,474	5,006	31,489	-	-	-	52,969	21,272
Other assets	1,478	41,394	286,183	36,532	598,816	370,595	1,334,998	1,330,768
Deferred taxation assets	-	-	-	-	150,918	-	150,918	150,918
Property and equipment	632	488	3,087	2,882	632,365	-	639,454	639,454
TOTAL ASSETS	**4,266,346**	**2,351,258**	**975,395**	**534,233**	**37,938,440**	**4,989,513**	**51,055,185**	**48,309,126**
LIABILITIES:								
Due to banks	-	-	-	-	-	-	-	-
Liabilities on repur. agreements	22,836,671	5,913,197	748,882	-	-	-	29,498,750	29,498,750
Other liabilities	206,965	290,172	54,222	128,276	11,635	-	691,270	671,494
Dividend payable	-	-	-	-	-	-	-	-
Taxation payable	-	-	-	583,603	-	-	583,603	583,603
Deferred taxation liabilities					39,149			39,149
Retirement benefit obligations						368,492	368,492	368,492
TOTAL LIABILITIES	**23,043,636**	**6,203,369**	**803,104**	**711,879**	**50,784**	**368,492**	**31,142,115**	**31,161,488**
GAP	**(18,777,290)**	**(3,852,111)**	**172,291**	**(177,646)**	**37,887,656**	**4,621,021**	**19,913,070**	**17,147,638**

31 December 2009 ASSETS: ₦'000	Up to 1 month ₦'000	1 - 3 months ₦'000	3 - 6 months ₦'000	6 - 12 months ₦'000	1 - 5 years ₦'000	Over 5 years ₦'000	Gross Total ₦'000	Carrying Value
Cash and bank balances	462,823	-	-	-	-	-	462,823	462,823
Treasury Bills	5,472,000	9,322,907	2,500,000	-	-	-	17,294,907	17,193,081
Assets on repur. agreements	7,152,695	58,133	1,971,489	6,694,539	14,829,411	1,449,333	32,155,600	31,916,736
Investment Securities	1,322,277	1,091,806	28,511	906,860	2,471,635	16,373,618	22,194,707	23,560,739
Margin accounts	56,142	6,684	-	-	-	-	62,826	31,018
Other assets	9,996	720,764	4,558	7,901	136,389	582,739	1,462,347	1,459,633
Deferred taxation assets	-	-	-	-	199,458	-	199,458	199,458
Property and equipment	-	585	1,333	5,170	546,878	8,769	562,735	562,735
TOTAL ASSETS	**14,475,933**	**11,200,879**	**4,505,891**	**7,614,470**	**18,183,771**	**18,414,459**	**74,395,403**	**75,386,223**
LIABILITIES:								
Placements from third parties	26,600,000	-	-	-	-	-	26,600,000	26,600,000
Liab. on repur. agreements	16,323,160	15,825,656	6,784	-	-	-	32,155,600	32,155,600
Other liabilities	32,484	40,269	531,542	266,437	-	-	870,732	870,732
Dividend payable	-	-	-	-	-	-	-	-
Taxation payable	-	-	-	836,669	-	-	836,669	836,669
Retirement Benefit Obligation	-	-	-	-	358,436	-	358,436	358,436
TOTAL LIABILITIES	**42,955,644**	**15,865,925**	**538,326**	**1,103,106**	**358,436**	**-**	**60,821,437**	**60,821,437**
GAP	**(28,479,711)**	**(4,665,046)**	**3,967,565**	**6,511,364**	**17,825,335**	**18,414,459**	**13,573,966**	**14,564,786**

The tables above analyse assets and liabilities of the Group into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

8.0 Capital Management

The Group's objectives in managing Capital are:

1. To comply with the regulatory requirements of the Central Bank of Nigeria

2. To ensure that the Group continues as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders by ensuring that capital deployed meets our RAAC (risk assessment and acceptance criteria)

   Capital adequacy is measured and reported daily to the Central Bank of Nigeria. In addition monthly reports are made. Reporting is made on-line and directly via the e-fass system. This system ensures that there is no manual intervention in the reports uploaded.

   As per regulatory requirement, every Discount House is obliged to hold a minimum share capital of N2 billion and maintain a 60/40 ratio of government securities to commercial papers for every liability raised. In addition the minimum requirement of 10% adjusted capital to risk weighted assets is also stipulated for discount houses.

   The Group's regulatory capital is managed by both the Financial Control and Risk Management Units and is largely made up of Tier I capital: comprising share capital, retained earnings, and reserves created by appropriations of retained earnings.

   The risk weighted assets are measured using the Central Bank of Nigeria's interpretation and ranking of the risk assets.

   The ratios below summarises the composition of regulatory capital and the ratios of the group for the period ended 31 December 2009 and 31 December 2010. Over these review periods, the group complied with all the externally imposed capital requirements to which it was and is subject.

Analysis of Regulatory, Capital, Risk-Weighted Assets and Determination of Capital Adequacy ratio

	31-Dec-10 ₦'000	31-Dec-09 ₦'000
Tier 1 Capital		
Share capital	2,794,794	2,794,794
Share premium	1,539,587	1,539,587
Statutory reserves	2,848,062	2,398,216
Contingency reserve	-	-
SMIEIS reserve	-	-
Bonus Issue reserve	-	-
Retained earnings	9,634,658	7,593,436
Goodwill and intangible assets	-	-
	16,817,101	14,326,033
Tier 2 Capital		
Preference shares	-	-
Minority interest	235,598	136,690
Convertible bonds	-	-
Revaluation reserves - Fixed assets	-	-
Revaluation Reserves - Investment in subsidiaries	-	-
Translation reserve	94,939	102,062
General provision	100,053	303,953
Total Qualifying Tier 2 Capital	430,590	542,705
Total Regulatory Capital	17,247,691	14,868,738

	31-Dec-10 ₦'000	31-Dec-09 ₦'000
Risk Weighted Assets		
On-Balance Sheet	11,798,673	34,373,699
Off-Balance Sheet	-	-
Total Risk-Weighted Assets	11,798,673	34,373,699
Risk-Weighted Capital Adequacy Ratio	**146%**	**43%**

	Group 12 months to 31-Dec-10 ₦'000	%	Group 6 months to 31-Dec-09 ₦'000	%
Gross earnings	8,019,998		7,543,490	
Securities trading expenses	(2,497,159)		(3,482,493)	
	5,522,839		4,060,997	
Write back of allowance on assets value	351,204		287,602	
Bought-in materials and services- local	(764,966)		(425,844)	
Value added	5,109,077	100	3,922,755	100
Distribution of value added				
To employees:				
Salaries and benefits	1,493,508	29	835,699	21
To government:				
Government as taxes	318,904	6	366,883	9
The future:				
For replacement of fixed assets (depreciation)	190,006	5	72,111	2
Transferred to non-controlling Interest	56,633	-	21,304	-
To pay declared dividend	558,959	11	558,959	14
To augment reserves	2,491,067	49	2,067,799	54
	5,109,077	100	3,922,755	100

These statements shows the distribution of the wealth created by the Group during the period.

	Company 12 months to 31-Dec-10 ₦'000	%	Company 6 months to 31-Dec-09 ₦'000	%
Gross earnings	6,836,899		7,102,458	
Securities trading expenses	(2,549,308)		(3,539,293)	
	4,287,591		3,563,165	
Write back of allowance on assets value	351,093		256,798	
Bought-in materials and services- local	(462,913)		(311,768)	
Value added	4,175,771	100	3,508,195	100
Distribution of value added				
To employees:				
Salaries and benefits	908,442	22	548,629	16
To government:				
Taxation	225,148	5	344,429	10
The future:				
For replacement of fixed assets (depreciation)	139,511	3	46,259	1
To pay declared dividend	558,959	13	558,959	16
To augment reserves	2,343,711	56	2,009,919	57
	4,175,771	100	3,508,195	100

These statements shows the distribution of the wealth created by the Company during the period.

	12 months to December 31 2010 ₦'000	6 months to December 31 2009 ₦'000	12 months to June 30 2009 ₦'000	2008 ₦'000	2007 ₦'000
Gross earnings	8,019,999	7,543,490	32,242,419	13,161,533	6,243,103
Securities trading expenses	(2,497,159)	(3,482,493)	(24,422,938)	(8,608,939)	(3,595,451)
Net earnings	5,522,840	4,060,997	7,819,481	4,552,595	2,647,652
Profit before taxation	3,425,563	3,014,945	4,321,626	2,737,993	1,599,490
Taxation	(318,904)	(366,883)	(469,972)	(377,278)	(163,105)
Profit after taxation	3,106,659	2,648,063	3,851,654	2,360,715	1,436,385
Minority interest	(56,633)	(21,304)	(13,598)	(16,589)	147,989
Profit attributable to equity holders	3,050,026	2,626,759	3,838,056	2,344,126	1,584,374
Earnings per share- adjusted	109k	94k	137k	84k	79k
ASSETS:					
Cash and bank balances	3,769,107	462,823	652,808	1,299,767	290,647
Treasury bills	1,796,845	17,193,081	5,346,309	35,690,177	17,651,000
Assets on repurchase agreements	28,865,889	31,916,736	69,007,425	12,668,789	31,099,865
Investment securities	11,734,873	23,560,739	11,767,755	18,464,675	16,418,664
Margin accounts	21,272	31,018	130,936	1,550,730	1,490,197
Other assets	1,330,768	1,459,633	995,108	858,651	1,334,649
Deferred taxation assets	150,918	199,458	226,340	201,643	56,896
Long-term investments	-	-	-	114,043	115,304
Property and equipment	639,454	562,735	304,862	293,294	278,746
	48,309,126	75,386,223	88,431,543	71,141,769	68,735,968
LIABILITIES					
Due to banks	-	26,600,000	1,500,000	45,440,000	27,050,000
Liabilities on repurchase agreements	29,498,750	32,155,600	71,751,890	12,791,016	30,575,919
Short term borrowings	-	-	-	1,454,896	908,491
Other liabilities	671,494	870,732	1,330,484	1,115,008	2,075,253
Deferred taxation liabilities	39,149	-	-	-	-
Taxation payable	583,603	836,669	573,656	551,274	210,938
Retirement benefit obligations	368,492	358,437	227,452	139,612	110,240
	31,161,489	60,821,438	75,383,482	61,491,805	60,930,841
NET ASSETS	17,147,638	14,564,785	13,048,061	9,649,964	7,805,127
SHAREHOLDERS' FUNDS:					
Called-up share capital	2,794,794	2,794,794	2,794,794	2,794,794	2,012,500
Share premium	1,539,587	1,539,587	1,539,587	1,539,587	-
Deposit for shares	-	-	-	-	2,321,881
Statutory reserve	2,848,062	2,398,216	2,007,532	1,380,535	1,112,703
Retained earnings	9,634,658	7,593,436	6,335,540	3,823,179	2,270,909
Revaluation reserve	94,939	102,062	255,222	10,081	-
	16,912,040	14,428,095	12,932,675	9,548,176	7,717,993
Non-controlling interest	235,598	136,690	115,386	101,788	87,134
SHAREHOLDERS' FUNDS	17,147,638	14,564,785	13,048,061	9,649,964	7,805,127

	12 months to December 31 2010 ₦'000	*6 months to December 31* 2009 ₦'000	*12 months to June 30* 2009 ₦'000	2008 ₦'000	2007 ₦'000
Gross earnings	6,836,899	7,102,458	31,413,393	11,574,738	5,723,610
Securities trading expenses	(2,549,308)	(3,539,293)	(24,556,004)	(8,608,939)	(3,595,451)
Net earnings	4,287,591	3,563,165	6,857,389	2,965,800	2,128,159
Profit before taxation	3,127,818	2,913,307	4,604,240	2,054,405	1,532,245
Taxation	(225,148)	(344,429)	(447,384)	(301,104)	(69,586)
Profit after taxation	2,902,670	2,568,878	4,156,856	1,753,301	1,462,659
Earnings per share- basic	104k	92k	149k	63k	73k
ASSETS:					
Cash and bank balances	3,409,142	393,829	397,003	522,339	200,504
Treasury bills	1,796,845	17,193,081	5,346,309	35,690,177	17,651,000
Assets on repurchase agreements	29,557,334	32,812,458	69,619,147	12,778,761	31,099,865
Investment securities	10,658,272	22,569,730	10,683,128	17,641,110	15,971,543
Other assets	928,163	918,184	653,968	543,856	958,010
Deferred taxation assets	-	48,540	75,259	38,298	23,998
Investment in subsidiary companies	608,000	564,000	564,000	564,000	564,000
Property and equipment	540,678	472,206	223,115	185,571	138,381
	47,498,434	74,972,029	87,561,929	67,964,112	66,607,301
LIABILITIES					
Due to banks	-	26,600,000	1,500,000	45,440,000	27,050,000
Liabilities on repurchase agreements	30,196,421	33,057,548	72,369,424	12,900,988	31,203,662
Other liabilities	343,464	506,217	838,686	471,911	724,327
Taxation payable	419,302	754,341	511,386	328,231	76,419
Deferred taxation liabilities	-	-	-	-	-
Retirement benefit obligations	335,027	327,502	206,713	135,339	104,608
	31,294,214	61,245,608	75,426,209	59,276,470	59,159,015
NET ASSETS	16,204,220	13,726,420	12,135,719	8,687,642	7,448,285
SHAREHOLDERS' FUNDS:					
Called-up share capital	2,794,794	2,794,794	2,794,794	2,794,794	2,012,500
Share premium	1,539,587	1,539,587	1,539,587	1,539,587	-
Deposit for shares	-	-	-	-	2,321,881
Statutory reserve	2,819,958	2,384,558	1,999,226	1,375,698	1,112,703
Retained earnings	8,915,793	7,007,481	5,802,113	2,967,483	2,001,201
Revaluation reserve	94,939	-	-	10,081	-
	16,165,071	13,726,420	12,135,720	8,687,642	7,448,285