REPORT + ACCOUNTS 2011

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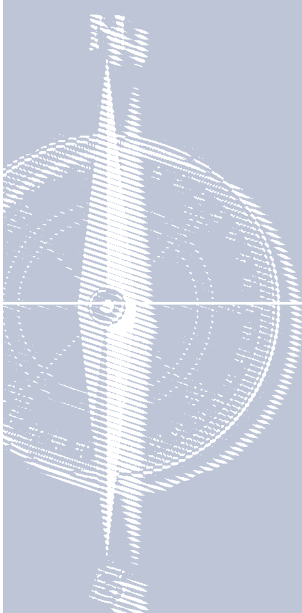
redefining the future

FSDH

FIRST SECURITIES DISCOUNT HOUSE



The future belongs to those who ***believe in the beauty of their dreams...*** Eleanor Roosevelt

Re: *defining the future*

FSDH *was the first discount house to be licensed in Nigeria in 1993. Over the years, FSDH has been a trailblazer in the discount house subsector by pioneering several products and services*

We pioneered the popular OBB product and we were the first discount house to establish a stock broking subsidiary, an asset management subsidiary and promote a Pension Fund Administration (PFA) company.

We continue to be both proactive and responsive to developments and changing trends in global and local financial markets.

As the financial services sector is further developed we will, as always, continue to be proactive in positioning FSDH to exploit the new opportunities that will arise to enable us to accomplish our goal of ***"redefining the future".***

- Mainstreet Bank Ltd
- AIICO Insurance Plc
- Diamond Pension Fund Custodian/Trustfund Plc
- Ecobank Nigeria Plc
- FSDH Staff Co-operative Society
- Intermarket Services Ltd
- International Finance Corporation (IFC)
- KMC Investments Ltd
- Enterprise Bank Ltd
- Stanbic IBTC Bank Plc
- UBA Asset Management Ltd
- Unico CPFA Ltd
- Unity Bank Plc
- Williams Street Trustees Ltd

Head Office
*UAC House (5th - 8th Floors) 1/5 Odunlami Street,
PMB 12913, Lagos
01-2702880-2 (3 lines)
01-2702885-6 (Investors Group)
01-2716280-3 (Bank Dealing only)
Fax: 01-2716274*

Abuja Office
*Orji Uzor Kalu Plaza,
Plot 979, 1st Avenue, Off Ahmadu Bello Way,
Cadastral Zone AO,
Central Business District, Abuja
09-6700532, 2731170*

Port Harcourt Office
*2nd Floor, Afribank Building (Formerly Leadbank Building),
5 Trans Amadi Road, Port Harcourt
084-463308, 084-463174
084-463174, 084-463308
08024081331
Fax: 084-463174*

www.fsdhgroup.com


uac

Secretary: *Alsec Nominees Ltd*
St. Nicholas House, (10th Floor)
Catholic Mission Street
Lagos

Auditors: *PricewaterhouseCoopers*
252E Muri Okunola Street
Victoria Island
Lagos
Partner: Anthony Oputa
(ICAN no. 11105)

Bankers: *Skye Bank Plc*
30 Marina Street
Lagos

Stanbic IBTC Bank Plc
19 Martins Street
Lagos

First Bank of Nigeria Plc
UAC House
1/5 Odunlami Street
Lagos

Solicitors: *Udo Udoma and Belo-Osagie*
St. Nicholas House, (10th Floor)
Catholic Mission Street
Lagos

RC. 199528

Chairman:	***Mr. Ibrahim Dikko***	
Directors:	***Mrs. Hamda Ambah***	*Executive Director*
	Mrs. Muhibat Abbas	*Representing UNICO CPFA Limited*
	Mr. Daniel Agbor	*Representing KMC Investments Limited*
	Mrs. Myma Belo-Osagie	*Representing KMC Investments Limited*
	Mr. Junaid Dikko	*Representing KMC Investments Limited*
	Mr. Haruna Jalo-Waziri	*Representing UBA Asset Management Limited*
	Mr. Sobandele Sobanjo	*Representing AIICO Insurance Plc*
	Mr. Bashir el-Rufai	*Independent Director*
	Mr. Vincent Omoike	*Independent Director*
Managing Director / CEO:	***Mr. Rilwan Belo-Osagie***	

Ibrahim Dikko **1.**
Rilwan Belo-Osagie **2.**
Muhibat Abbas **3.**
Bashir el-Rufai **4.**
Dan Agbor **5.**
Haruna Jalo-Waziri **6.**
Hamda Ambah **7.**
Mr. Sobandele Sobanjo **8.**
Junaid Dikko **9.**
Myma Belo-Osagie **10.**
Vincent Omoike **11.**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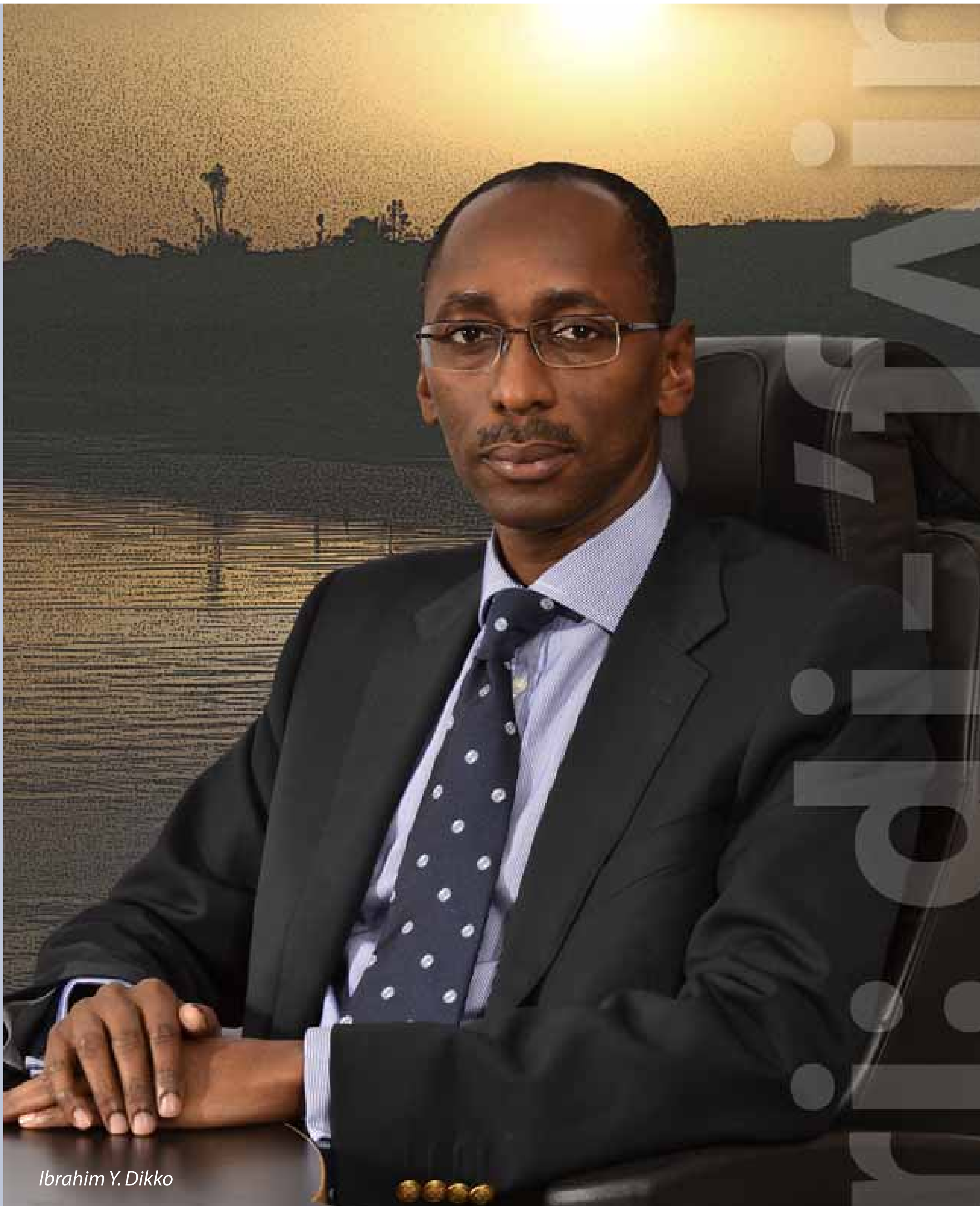

Ibrahim Y. Dikko

Even though the World Bank economic growth forecast for developing countries in 2012 is 5.4% - the lowest in a decade - for Nigeria, the World Bank has projected more robust growth of 7.1%.

On behalf of the Board of Directors of First Securities Discount House Limited, it is my pleasure to welcome you all to the 20th Annual General Meeting of your company and to present to you the Financial Statements of the Group for the year ended 31 December 2011.

Global Environment

Although some signs of economic recovery were observed in certain pockets of the global economy, global economies were weak overall. The lack-lustre performance was further exacerbated by the serious problems in the Eurozone. Natural disasters such as the Japanese earthquake and tsunami that led to the near meltdown of the Fukushima nuclear reactor were an added source of economic problems. It was a year also that witnessed, for the first time ever, the downgrade of the U.S Sovereign Credit rating from AAA to AA+ by Standard & Poor's. This, coupled with the Eurozone crisis which forced out the Prime Ministers of Greece and Italy, further weakened the financial markets. The uprising in North Africa constituted an additional threat to an already shaky global recovery.

Domestic Economic Environment

In line with global economic trends, the Nigerian economy, as indicated by Gross Domestic Product (GDP) data from the National Bureau of Statistics (NBS) grew by 7.40% by Q3, 2011 a slight reduction when compared with 7.8% recorded in the corresponding period of 2010.

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As indicated in my statement last year, the continued apathy by investors towards the Equities market hindered the recovery of that sector of the economy. The Nigerian Stock Exchange All Share Index (NSE ASI) closed December 30, 2011 at 20,730.63 points, down from 24,770.52 points at the end of December 31, 2010 representing a depreciation of 16.31% (a loss of 21.36% in US$). The poor performance of the equities market was also driven by the higher yields available on Fixed Income Securities due to the high interest rate regime witnessed during the year. Investors therefore found fixed-income instruments more attractive. This situation is expected to continue in the near to medium term, especially going by the Central Bank's stated commitment to pursue price stability as its key mandate.

Operating Environment

The operating environment continues to bring up a variety of challenges. The inflation rate (year-on-year) as at December 2011 stood at 10.30% compared to 11.80% recorded in the month of December 2010. However inflation figures released in January by the National Bureau of Statistics (NBS), showed that inflation rate (year-on year) rose sharply by 2.3% to 12.6% from 10.30% recorded in the month of December 2011. This is as a result of the increase in prices following the partial removal of fuel subsidy. The trend is expected to be moderated by the recent action of the Federal Government in reducing the proposed budget and its intended commitment to fiscal discipline alongside the efforts of the Central Bank to ensure price stability.

Government's debt stock (Domestic and External) as at 31 December 2011 stood at N6.5trillion representing an increase of 24.37% from the December 31, 2010 figure of N5.235trillion. A break down of the total debt stock shows that external debt accounted for 13.64% of the total debt at N887.9billion, while domestic debt stock accounted for 86.36% of the total debt stock at N5.623trillion. The total public debt stock in the country as at December 2011 is estimated at about 17.50% of the Gross Domestic Product (GDP) as against the applicable critical limit of 40% for countries in Nigeria's economic peer group.

It is pertinent to state at this juncture that as we seek to redefine the future of our business and break into new frontiers, the management of emerging risks will remain a top priority...

Nigeria's total external debt stock as at 31 December 2011 stood at US$ 5.67billion representing an increase of 23.76% from US$4.58billion by 31 December 2010. The total external debt stock is estimated at about 2.39% of the GDP.

Also during the year, Nigeria's sovereign credit rating outlook by Fitch was revised from negative to stable. The upgrade is especially significant because Fitch ratings had lowered Nigeria's sovereign credit outlook to negative in October 2010 from stable citing the depletion of its windfall oil savings and heightened political uncertainty ahead of elections at the time.

Similarly, external reserves position grew marginally by 0.90% from US$32.35billion as at 31 December 2010 to US$32.64billion as at 31 December 2011.

Operations

The firm of PricewaterhouseCoopers has been appointed by your board as the external auditors to the group to replace KPMG Professional Services. This change is to comply with the Central Bank's directive stipulating a mandatory rotation of external auditors after 10 years. We use this opportunity to thank KPMG for their professional services to FSDH over the years. For the fifth consecutive year and in line with the CBN Code of Corporate Governance, a board evaluation exercise has just been completed for FSDH by KPMG Professional Services. As usual, we will review their recommendations with a view to adopting them where necessary.

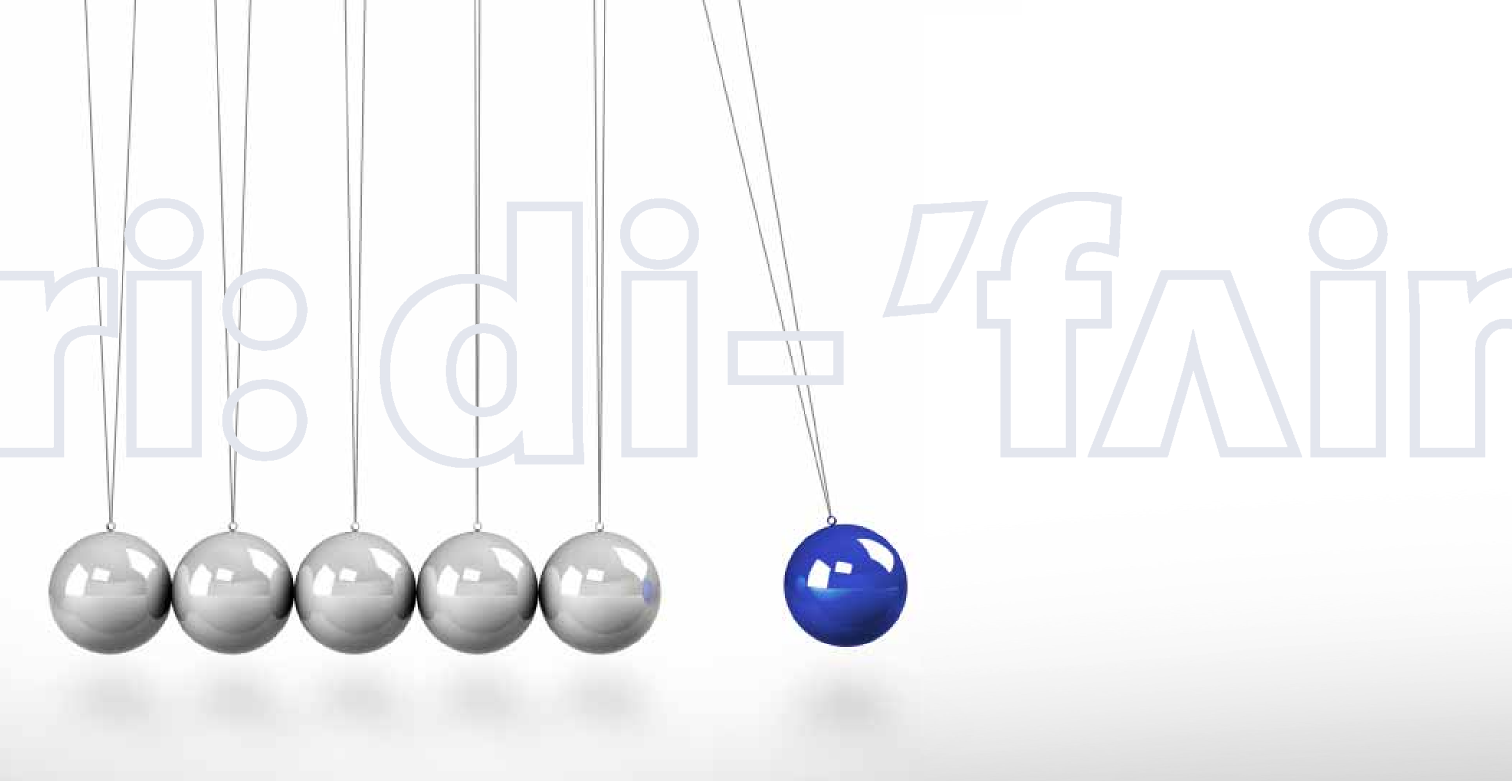
Following the adoption of International Financial Reporting Standards (IFRS) by the Federal Government of Nigeria and the directive by the Central Bank requesting all financial institutions to ensure full compliance by the financial year ending 31 December 2012, your board has approved the appointment of PricewaterhouseCoopers as consultants to guide the group in the conversion from Nigerian Generally Accepted Accounting Practice (NGAAP) to International Financial Reporting Standards. Consequently a transition project roadmap involving the Board Audit committee, Executive Management and a Project Committee has been put in place to ensure that all resources required for a successful transition are deployed.

Financial Performance

The group achieved a Profit before Tax (PBT) of N2.91billion for the financial year ended 31 December 2011. This represents a decline of 15.14% from the position of N3.43billion for the year ended 31 December 2010. Profit after Tax (PAT) attributable to the group was N2.75billion which is 9.9% below the position of N3.05billion for the year ended 31 December 2010. This decline in profitability was a direct result of the tight monetary policy regime of 2011, the effect of which was high interest rates with corresponding pressure on fixed income securities trading. The net effect was a reduction in profit margins and a slowing down in trading activities in the bond market for most of the year under review thus making the operating environment extremely challenging.

Earnings per share (EPS) was 94 kobo which is 15 kobo less than the 109 kobo that was earned in the financial year ended 31 December 2010. Except for FSDH Securities which witnessed a drop in profitability, all the other subsidiaries posted higher figures when compared with their performance for financial year ended 31 December 2010. FSDH Asset Management Limited (FAML) and Pensions Alliance Limited (PAL) achieved PAT figures of N80million and N241million respectively, while FSDH Securities Limited (FSL) posted a PAT of N22.9million. When compared with the PAT for the year ended 31 December, 2010, this translates to an increase of 41% and 109% for FAML and PAL respectively and a decline of 28% for FSDH Securities Limited. FSDH Securities Limited was unable to improve on its position of last year because of the continued uncertainty in the Capital (Equities) Market, coupled with the tight monetary policy regime of 2011 which made money market products more attractive to investors than equities.

As mentioned earlier, the Nigerian Stock Exchange's All Share Index depreciated by 16.31% when compared to the position recorded as at the end of December 2010. Consequently, FSDH Securities Limited witnessed a drop in trading turnover which adversely impacted brokerage commission earned.



Dividend

The Board of Directors is recommending the sum of N698.7million as dividend payment for the year ended 31 December 2011. This represents the same amount in absolute terms when compared with the dividend payment for the year ended 31 December 2010. The amount translates to 25 kobo per share. Your approval as Shareholders is hereby sought. As always, the company will continue to strike a good balance between its obligations to reward shareholders and the need to retain earnings in order to finance future growth and expansion.

Outlook

The last financial year was extremely challenging for business. The tight monetary policy regime of the past year with its attendant high interest rates was a challenge for Fixed Income Securities trading and by extension a drag on profitability as we have seen in the numbers.

The additional constraint imposed on our sub-sector was through the revised CBN BA/CP (Bankers Acceptances and Commercial paper) guidelines that cut-off our Commercial Bills trading activities thereby seriously restricting our ability to meet set growth targets. This is one of the reasons we have approached the Central Bank of Nigeria for a Merchant Banking Licence following the recent repeal of the Universal Banking Guidelines. It is our belief that such a license will open to us a wider array of opportunities. We also believe that the permitted activities under the Licence will be a perfect fit for our present competencies in securities trading, asset management, financial advisory and Investment banking.

It is pertinent to state at this juncture that as we seek to redefine the future of our business and break into new frontiers, the management of emerging risks will remain a top priority. Also, in line with our conservative risk management culture, we will only take on risks that we understand and can quantify. It is in line with this conservative posture that we engaged the services of Mckinsey & Co - a highly reputed global consulting firm - in the design and formulation of an entry strategy into the Merchant Banking Space. We are committed to operating within the strategy and its defined boundaries as we recognize that we can never be all things to all people. We are therefore determined to stay focused on our strategy whilst keeping a close eye on market trends and developments. Finally, I would like to thank all our stakeholders for their continued support and patronage and assure you of our determination to continuously re-invent and redefine our business offerings to serve you all better. Thank you.

Ibrahim Dikko
Chairman.

Our plan in 2011 was to build on the initiatives that we started in 2010. One of these initiatives is the development of the corporate finance segment of the business. The increased impetus for growing this segment was driven by the need to broaden service offering and position the company to play a more active role in the provision of long-term financing in the economy. We are happy that FSDH has made significant progress in this area. The company was a party to a number of the major debt issues that took place in Nigeria in 2011, and also worked with many corporate clients to provide acceptable solutions to their funding needs.

Although the corporate finance segment recorded significant achievements in 2011, the rise in interest rates constrained efforts, as some of the planned deals could not be concluded. In a bid to moderate pressure on the exchange rate of the naira and curb inflation, the Central Bank of Nigeria (CBN) maintained a tight monetary stance throughout the year. In addition to many other measures, the Monetary Policy Rate (MPR) was increased six times by the Monetary Policy Committee (MPC) of the CBN. The MPR, which was 6.25% in January 2011 closed the year at 12%. Interest rates and yields on fixed income securities followed the same trend. This raised the cost of borrowing thereby making projects that once looked profitable, less viable and in the process stalling the plans to raise funds for such projects. Many planned debt issues where FSDH had been appointed as issuing house had to be suspended following the inability of the projects to absorb the prevailing relatively high cost of borrowing.

Our fixed income trading activities were also adversely affected by the succession of increases in the MPR. Yields on government securities, especially bonds, continued to rise at the primary auctions in response to the rise in interest rates, resulting in a huge gap in the mark-to-market positions of many financial institutions. This gap made it difficult for these institutions to trade out of their positions. Thus, the secondary market could not function effectively, as two-way quotes were no longer given for many of the bonds in issue making the bonds relatively illiquid. This problem was

...Following from our pioneering efforts at market-making a number of unquoted securities, which increased liquidity and access to the securities, we are working with reputable real estate companies to introduce Real Estate Investment Trust Schemes (REITS). Barring any unforeseen circumstances, one or two of these products will be in the market before the end of the first half of 2012.

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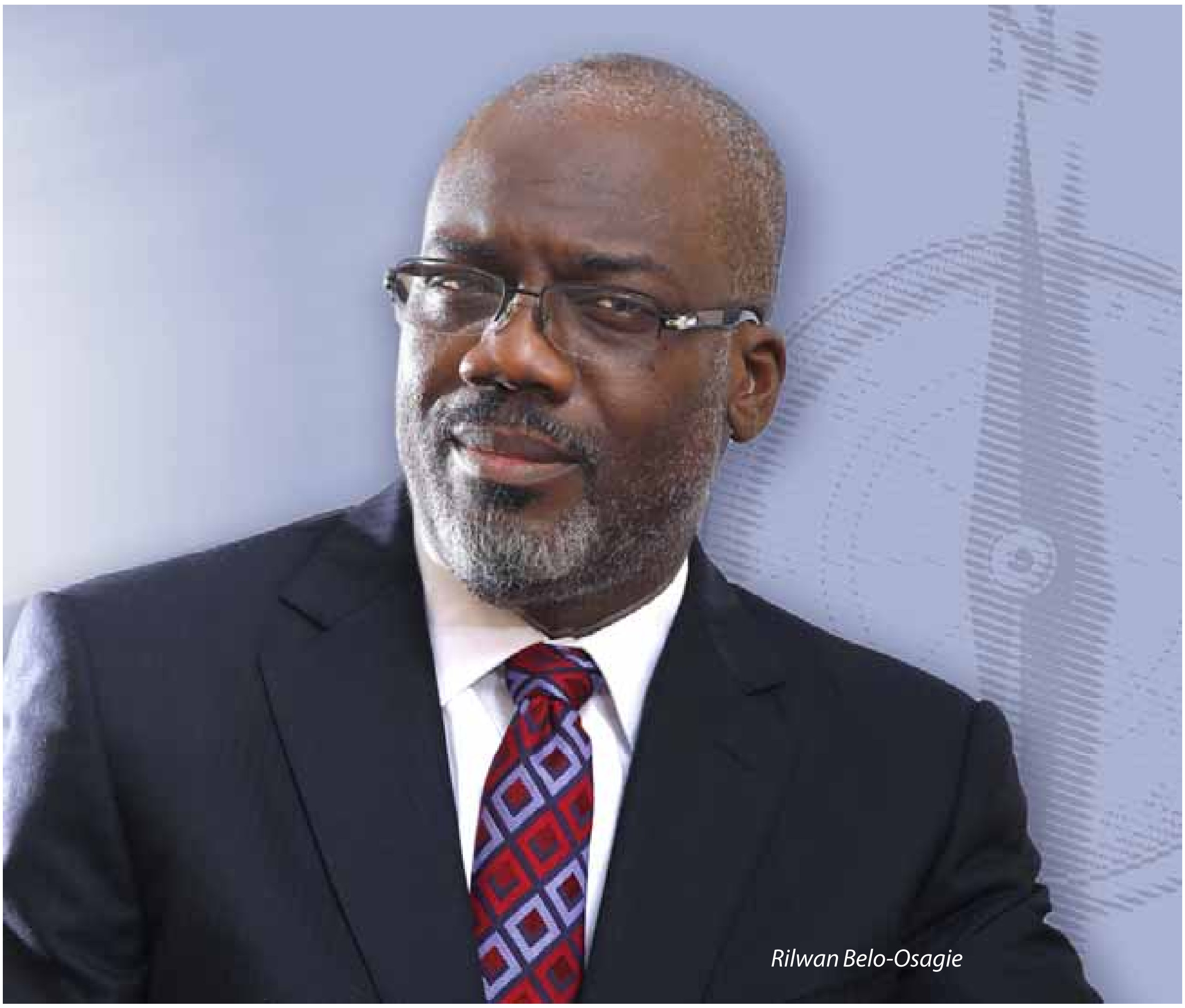

Rilwan Belo-Osagie

made worse by the challenges with the market's settlement platform which created significant operational bottlenecks and contributed to the difficulties in trading activities. However, the interbank market was very active during the year due to the guarantee on interbank placement provided by the CBN. Within the limits of our risk management system, we took advantage of the opportunity to grow risk asset volumes, and this contributed immensely to the reported income for the year.

Another initiative that the company has been implementing is the development of new products and services in our asset management subsidiary. The aim is to provide the investing public with a wide range of options to suit their investment appetites and profiles. Following from our pioneering efforts at market-making a number of unquoted securities, which increased liquidity and access to the securities, we are working with reputable real estate companies to introduce Real Estate Investment Trust Schemes (REITS). Barring any unforeseen circumstances, one or two of these products will be in the market before the end of the first half of 2012. Our approach has been to ensure that we work with parties that have the requisite track record to deliver on promises and also to ensure that the product is carefully packaged in a way that will provide real value to investors. REITS will offer investors a new asset class with a completely different risk profile and will be useful both for the purpose of portfolio diversification and risk reduction. It will also enable many small investors to become co-owners of choice properties in some of the best locations in the country.

The sustained downturn in the capital market has continued to adversely affect the operations of our stock-broking subsidiary, FSDH Securities Limited. The loss of appetite for equity investments has been compounded by the high yield in fixed-income securities, as investors liquidate their investments in shares of quoted companies to take advantage of the better yield in fixed-income securities. Thus, all the efforts by the capital market authorities to restore confidence in the capital market have, so far, not resulted in any appreciable increase in the volume of activities. While the market adjusts to the current environment, we have continued to maintain close contacts with clients by carefully identifying long-term opportunities and assisting them to take advantage of them. Our Research Unit is actively engaged with the business units to offer sound investment advice to all our valued clients. In addition, the subsidiary is working closely with FSDH's corporate banking department and the asset management subsidiary in the execution of deals. This collaborative approach has continued to give FSDH as a group, wider access into the value chain of syndicated transactions.

In December 2011, the pension funds administration (PFA) subsidiary, Pensions Alliance Limited (PAL), successfully raised N340 million in order to increase shareholders funds to over N1 billion. This is to comply with the new minimum shareholders funds requirement of N1 billion made by the National Pension Commission (PenCom). The deadline for compliance is June 2012. It is believed that the new regulation on recapitalization will enable pension fund administrators (PFAs) to achieve financial stability and improve their services. Furthermore, it is also likely to lead to some form of consolidation in the industry. During the year, PAL acquired the pension assets of Standard Alliance Pension Managers Limited, following the voluntary exit of the PFA from the Pension Industry. As the industry consolidates, PAL is working at identifying such opportunities to complement its internal growth plans.

The financial services industry is still facing many challenges. These challenges are currently responsible for the downturn in economic activity. Despite these challenges, the potential for growth is very high given the fact that the country's infrastructure needs massive improvement. Substantial funding is required to execute numerous infrastructural projects that are necessary to grow the economy. Financial institutions will therefore need to be proactive in order to play an active role in the funding of such projects. In order to enhance the company's ability to do this, FSDH has mapped out plans to strengthen existing capacity through skills acquisition, collaboration with leading international resource centres, partnership with international players, and deepening of relationships with the critical segments of the market.

For most of the year, the company worked to fashion out a long-term strategic plan that will take advantage of the ongoing reforms in the financial services industry. Action plans have been put in place to implement the plan and as soon as necessary approvals are received from the regulatory authorities, a new roadmap for the company will be unveiled. The plan is to move the company to a new level, taking into consideration the lessons learnt from the evolution of the various segments of the financial services industry in many parts of the world. By this, we intend to position FSDH to continue to play a pioneering role in the development of the financial services industry in the country. We believe that the company's prospects are very bright due to its strong foundations. The company will continue to leverage on those foundations as it positions for a greater role in the economy as a whole and the financial services industry in particular.

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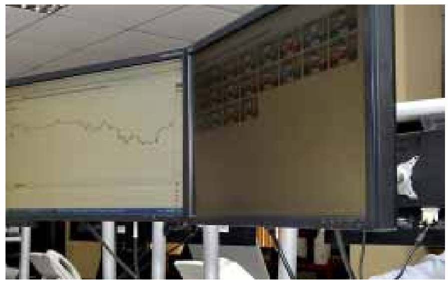
Rilwan Belo-Osagie **1.**
Hamda Ambah **2.**
Robert Ajiamah **3.**
Richard Osuagwu **4.**
Fola Wiltshire **5.**
Gibson Mba **6.**


The FSDH Culture...

Twenty years ago when the foundation of this company was laid, it was clear in the minds of the architects and builders, the grand nature of the building they intended to erect. The very first of its kind, hence our name - First Securities Discount House. We wanted to remain the first in every aspect. However, knowing that this position would be contested, we had from the very beginning, carefully selected very uncommon materials to construct this edifice called FSDH. We laid the foundation with CUSTOMER ORIENTATON, built the walls on LEARNING, painted it with COLLABORATION, roofed it with HIGH PERFORMANCE and furnished it with IMAGE BUILDING.

This process has ensured that FSDH remains strong and we remain at the cutting edge of our business. We are not lacking in INNOVATION as our foundation of CUSTOMER ORIENTATION has ingrained in us the ability to LISTEN to our clients, so we can be solution providers. We have reinforced that foundation with PASSION and COMMITMENT to ensure that our customers find that their interactions with FSDH are always a pleasing experience. When our customers are happy, we are delighted.

The walls of LEARNING, like the four walls of a school, have provided the impetus for CREATIVITY and OPENESS. On these walls hang the antique paintings of PROACTIVENESS and PROFESSIONALISM, painted by our own artists who are imbued with EXCELLENCE and SKILL. We never relax our gaze on these works of art which is a testament to our FOCUS.

The different colours deployed which are harnessed by COLLABORATION, enable us to express our INDIVIDUALITY and keep us MOTIVATED. We are not afraid of challenges as we see them as opportunities for growth. These challenges enable us to demonstrate our strength, energy and confidence.

We pay particular attention to our IMAGE, and therefore ensure that the house is furnished with INTEGRITY. Like Ayn Rand said, "integrity is the ability to stand by an idea". At FSDH, we stand by the idea that our word is our bond. Our clients are therefore confident of their comfort and SECURITY in this house.

Roofed with HIGH PERFORMANCE, we have been able to continually surpass expectations and consistently deliver superior results. We continue to raise the bar and never rest on our laurels. That is why, even though we have been able to deliver a masterpiece of a building, we are not finished yet! The building continues to reveal new dimensions of invention and growth. The evolution and emergence of FSDH has not yet been concluded. It has changed gear like a plane that is about to take off. We are moving on to higher things based on the same principles. We see a bright future, not some place we are going to, but one that we are creating ourselves. We are ***REDEFINING the FUTURE***

...The future is not some place we are going, but the one we are creating. We are redefining the Future.

Update on Information Technology...

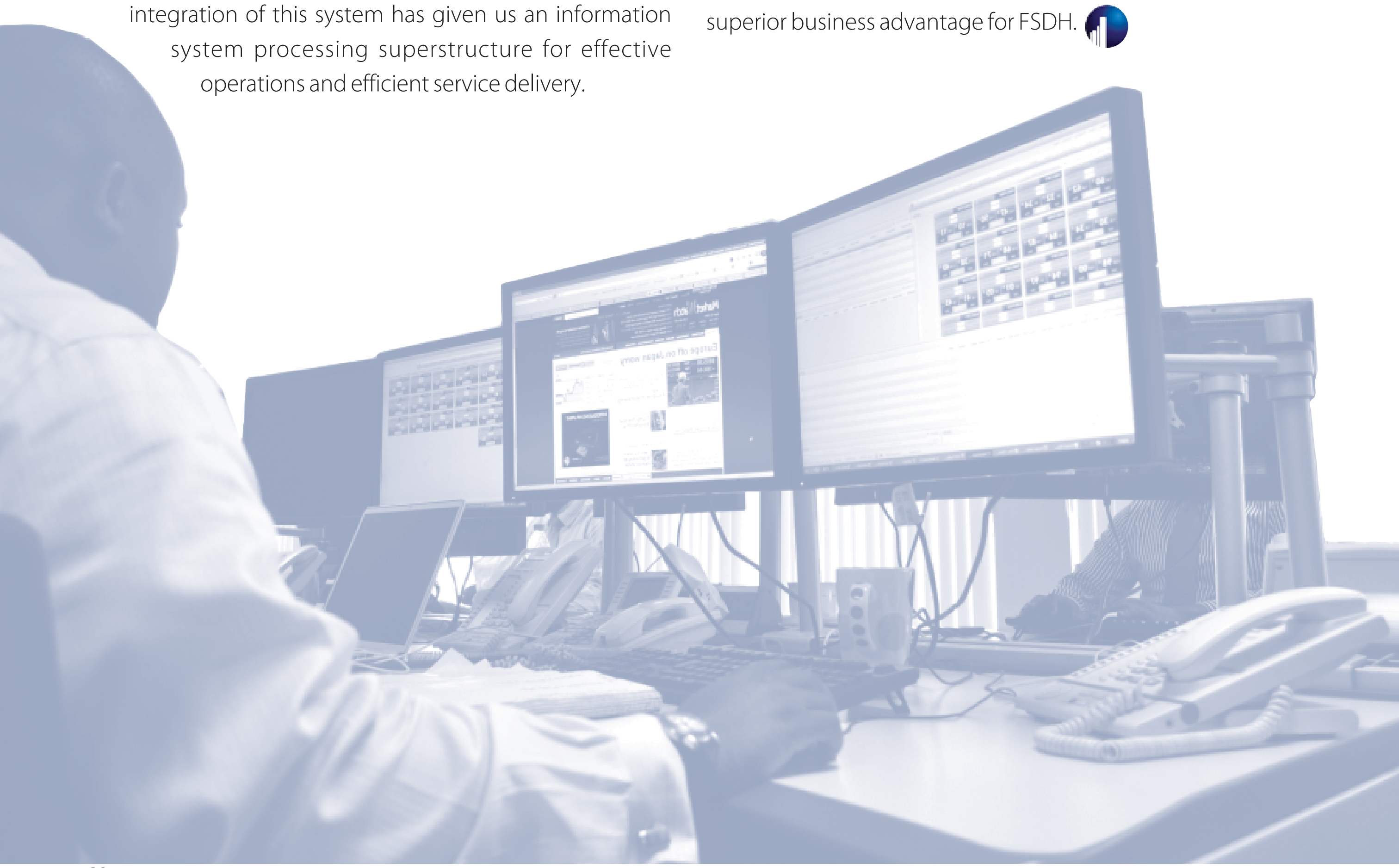
A Discount House is a data-intensive business that relies on the deployment of an effective information processing system for its successful operation. FSDH has ensured that this requirement is met by constantly refining and retooling its information system processing capabilities to enable it to respond positively to customer needs and the challenges posed by the ever-changing business environment.

Our new systems – Ideal Software and SAP – came into full operation in the year under review. Ideal became the arrowhead at the frontend giving us the flexibility to easily and accurately capture customer transactions in the front office for subsequent processing in the back-office. The securities module – Ideal Securities – serves the needs of FSDH (the parent company) while Ideal Wealth and Ideal Funds serve the KYC (Know Your Customer) and Asset Management needs of the group respectively. SAP drives activities in the back office, providing a solid base for data consolidation and group-wide performance reporting. Human Resource Management and Financial Accounting form the core components of the SAP system. The successful integration of this system has given us an information system processing superstructure for effective operations and efficient service delivery.

Another key development in the company during the period is the establishment of a separate Information Security Management function in the Information Technology Unit with reporting responsibility to Risk Management. The gradual migration of most businesses to electronic channels has created new risks that organizations must plan for. These risks include the disruption to or damage of an organization's information processing infrastructure as well as unauthorised changes in the information system of the organization which can result in loss of availability, confidentiality and integrity of information. It is in order to focus on and monitor these risks that the Information Security Management Unit was created.

Other developments included the upgrade of our Internet connection bandwidth to broadband capacity to address the increasing demand of the business.

As the business continues to search for new directions for better performance, we will continually scan the environment to identify the appropriate technological tools to apply to emerging business opportunities to achieve superior business advantage for FSDH.



The FSDH Persons of the Year

Our people remain our most prized asset.

At FSDH , it is through our people that our values of Intergrity, Professionalism, Continuous improvment and Customer orientation are reflected.

Please join us in congratulating two of the very best of professionals.

Mr. Ayodele Akinwunmi
(Senior Staff Category).

Mr. Isaiah Fashanu
(Junior Staff Category).

The FSDH Group Subsidiaries.

Gamaliel O. Onosode Jr.

MD/CEO, FSDH Securities Ltd.

FSDH Securities Limited

2011 was certainly a tough year characterized by civil unrest, currency depreciation and inflation in the global markets. Even more worrisome for local investors was the fact that the value of quoted investments in Nigeria continued to fall. Negative developments that contributed to the decline in our capital market included the voluntary delisting of Nigerian Bottling Company Plc, a leading food and beverages company from the Nigerian Stock Exchange (NSE) and the nationalization of three banks resulting in the loss of investments in these banks by investors. Regulators also had their hands full managing the high rate of capital market infractions committed by ailing stockbroking houses.

The tight monetary policy stance of the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) in 2011 led to increased yields on fixed income securities which caused a major reallocation of funds from the equities market to the fixed income securities markets. This worsened the bearish sentiment in the equities market. In December 2011, investments in 364 day Federal Government of Nigeria (FGN) Treasury Bills (TBs) could earn yields as high as 20.11%p.a., well above the inflation rate of 10.50% recorded during the same period. This was certainly more attractive, in terms of real return on investment, than most quoted stocks during the same period.

For the entire, year, FSDH Securities Limited (FSDH Sec) remained a trading member in good standing with both the NSE and the Securities & Exchange Commission (SEC). Our impressive service delivery, professionalism and integrity have continued to distinguish us from our peers and retain the loyalty of our numerous institutional investors and high net worth individuals within Nigeria and abroad.

In spite of the extremely challenging environment, we have continued to operate profitably. FSDH Sec plans to fully exploit emerging positive developments in the Nigerian Equities Market. For instance, the NSE has started a number of dynamic initiatives which are expected to enhance liquidity and develop the market. Some of the new products that are being launched by the NSE include mortgage-backed securities, market making, securities lending and short-selling.

FSDH Sec is being positioned to get involved in these activities as soon as the necessary infrastructure has been put in place by the NSE. This development will certainly enable us to play our role in redefining the landscape of the Nigerian Capital Market.

The growing volume of pension funds that are looking for investment outlets other than the usual government securities will encourage the development of other asset classes in the Capital Market. FSDH Sec is poised to identify and secure discerning investors interested in these opportunities when they arise.

We remain one of the stockbroking companies with the highest levels of capital as our shareholders' funds are in excess of N780million as at the end of December, 2011 as against the regulatory capital requirement of N70million. FSDH Sec is therefore poised to secure its position as one of the dominant players in a more efficiently run Nigerian Capital market that enables the funding of Nigeria's huge needs in a world class manner in solid partnership with our regulators along with local and foreign investors. With continued support from our world class research team, our research reports are published on our website and Bloomberg terminal and widely circulated by email. We remain committed to providing superior investment advice based on sound qualitative analysis to our existing and prospective clients.

In view of the new initiatives by the NSE that are expected to enhance and ensure liquidity, we continue to maintain an optimistic view of the Nigerian Stock market over the medium to long term. FSDH Sec will certainly thrive in this new dispensation with a better performance projected in 2012 as we effectively deploy our experienced staff, processes and technology.

Pensions Alliance Limited (PAL)

The Nigerian Pension Industry has witnessed significant reforms and developments in the last decade. As at the end of 2010, total pension assets for the industry stood at N2.03 trillion. This represents a 35.33% increase from the comparative figure of N1.5 trillion in the preceding year. In addition, total number of RSA account holders stood at 4.9 million. There was increased compliance by the States as the number of States that have passed their own version of the Contributory Pensions Bill increased from fourteen to sixteen. Notwithstanding the successes recorded so far by the Scheme, compliance still remains a key issue in the industry. The National Pension Commission has embarked on an aggressive drive to significantly increase compliance in the private sector.

In spite of the challenging environment the company operated successfully in 2011 and the following key achievements were recorded:

- Total assets under management (AUM) by Pensions Alliance grew by 27% from N59billion to N75billion. The acquisition of the assets of Standard Alliance Pension Managers was concluded in 2011 and partially accounted for some of the increase in AUM.
- The Company embarked on a new branding campaign with a sustained focus on promoting "PAL Pensions" as the brand rather than "Pensions Alliance".
- In response to the increase in the regulatory minimum capital of Pension Fund Administrators, Pensions Alliance successfully raised N350million through a rights issue to existing shareholders. This has increased the shareholders' funds to N1.1billion thus ensuring that the company's shareholders' funds are in excess of the minimum requirement of N1billion.
- Finally, the Company successfully moved its Head Office from Bull Plaza, 38/39 Marina to the 9th Floor of UBA House, 57 Marina, Lagos. We also relocated our offices in Port Harcourt, Enugu and Abuja to more befitting premises during the course of the year. All this was done to provide easier access and increased comfort to the valued clients of PAL.

As we progress into 2012, we are geared to tackle the challenges ahead of the industry. These include:

Dave Uduanu

MD/CEO, PAL

- The adoption of the IFRS standard for the pension industry.
- The impending consolidation of players in the industry. This will be driven by the increase in minimum capital and the need to increase assets under management to operate at a level that delivers appropriate economies of scale.
- The much awaited opening of the transfer window that will allow subscribers the right to change their PFAs. This we believe will introduce real competition in the industry as customers will now be in a position to vote with their feet.
- Finally the introduction of the multi-fund regime will challenge the marketing and sales skills of Pension Fund Administrators as they will have to sell life-stage fund products to a wide client base.

We at PAL are poised to tackle these challenges head on and have developed appropriate strategies to deal with each one of them.

In response to the turbulent financial markets, we have positioned PAL's investment portfolio to withstand shocks and uncertainties in the market. We are confident that our investment strategy will deliver real rates of return to our subscribers, provide sufficient income to finance their retirement needs and give them the assurance of a secure future. This is the promise we make to our customers.

Mayowa Ogunwemimo

Head, FSDH Asset Management Ltd.

FSDH Asset Management Limited

The year 2011 financial year has undoubtedly been one of challenge, requiring FSDH Asset Management Limited to redefine its business in response to the challenges and navigate through the downturn in most sectors of the financial markets. However, through it all we have emerged stronger. The progress made over the last twelve months would not have been possible without the support of the Board of Directors and commitment of all FAML's employees. We have done a good job of listening to our customers and have been quick to respond to their needs in an increasingly competitive, fast-paced environment. This has led to continued repeat patronage of our products and services. In a tough investment environment, we have maintained our position as a market leader, consistently outperforming client benchmarks, the stock market index and most of our competitors.

With considerable uncertainty in global economic conditions, the Nigerian financial markets and the socio-political environment, it is vital that FAML continues to redefine its business by providing diverse investment outlets for clients to save and invest in order to prosper and fulfill their financial goals. We intend to achieve this by remaining on the cutting edge of both existing and new investment opportunities and thus deliver sustainable growth on investments.

Looking ahead into 2012, we have identified several new investment opportunities for our clients which have received a very positive response. This is encouraging in light of the current wariness of the investing public towards long term investments in Nigeria.

Aside from other tailored investment opportunities, we continue to manage two unit trust schemes namely:

The FSDH Coral Growth Fund

The FSDH Coral Growth Fund (CGF) is an equity based unit trust scheme, with a memorandum listing on The Daily Official List of The Nigerian Stock Exchange. The Fund invests in carefully selected quoted equities and investment grade Nigerian fixed income securities. The objective of the Fund, which was established in 2001, is to achieve capital growth over the long term. The CGF is designed to meet the investment needs of institutional and individual investors, who seek a strategic exposure to the capital market. The Fund can also serve as a regular savings vehicle for individual investors.

As a result of the CGF's exposure to equities, its performance typically mirrors the performance of the Nigerian Stock Exchange All-Share Index (NSE ASI). This implies that investors in the Coral Growth Fund may witness some fluctuations in the return on their investment in the short term. This was the case in 2011, as the CGF declined by 5.72%. Despite this performance, the Fund outperformed the NSE ASI and other mutual funds with similar asset classes. The NSE ASI declined by 16.31%, while the two other mutual funds with similar asset classes declined by 16.27% and 13.69%.

The FSDH Coral Income Fund

Following the success achieved with the Coral Growth Fund, the FSDH Coral Income Fund (CIF) was established in 2006. The Fund invests almost exclusively in investment grade Nigerian fixed income securities and has a memorandum listing on the Daily Official List of the Nigerian Stock Exchange. The objective of the Fund is to ensure that investors earn an income, while preserving their capital over the medium term. The CIF is an appropriate regular savings vehicle for investors with a low appetite for risk. The Coral Income Fund currently has a portfolio of diversified fixed income securities and this ensures that investors in the Fund bear minimum risk and continue to earn returns on their investments on an annual basis. In 2011, the CIF grew by 8.70%, while the other mutual fund with a similar asset class recorded a growth of 5.77%.

FSDH and Corporate Social Responsibility

"To state the facts frankly is not to despair the future nor indict the past. The prudent heir takes careful inventory of his legacies and gives a faithful accounting to those whom he owes an obligation of trust"... John F. Kennedy

FSDH is committed to ensuring that it fulfills its obligations as a responsible corporate citizen.

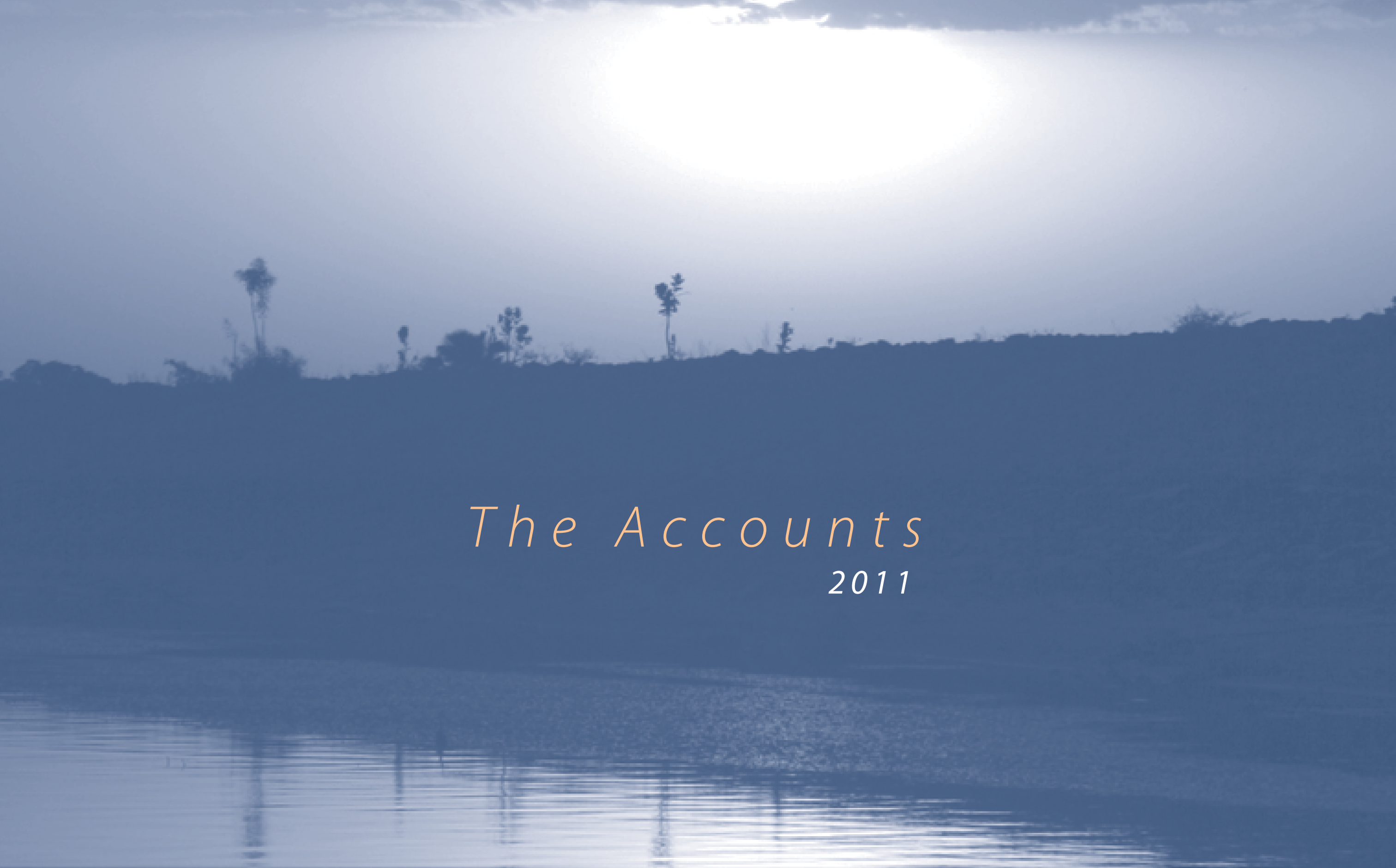
We remain steadfast in ensuring that we contribute our quota to support worthy and deserving causes and organizations that strive to better the lives and situations of the less privileged and disadvantaged in society.

FSDH currently sponsors the following organizations on an on-going basis :

- Beth Torrey Home And School, Zaria.
- Children's Developmental Centre, Lagos.
- Nigeria Society For The Blind - Vocational Training Centre Oshodi, Lagos.
- Dominican Sisters College, Abatete Anambra State.

Other ad-hoc requests for support come to us on a regular basis and FSDH has put in place a mechanism for considering such requests on their individual merits.

In supporting these causes and projects, FSDH contributes to help redefineing the future not only of the organizations concerned but of the society at large.



The Accounts
2011

The Directors present their annual report on the affairs of First Securities Discount House Limited ("the Company") and its subsidiary companies together ("the Group"), together with the group financial statements and auditor's report for the year ended 31 December 2011.

(a) Legal form

The Company was incorporated on 23 June 1992 as a private limited liability company under the Companies and Allied Matters Act. 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 subsidiary companies 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 Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
Gross Earnings	11,632,481	8,019,999	10,219,520	6,836,899
Profit before tax	2,909,762	3,458,013	2,444,616	3,158,789
Tax	(164,344)	(351,354)	(11,655)	(256,119)
Profit for the year	2,745,418	3,106,659	2,432,961	2,902,670
Attributable to:				
Parent company	2,631,551	3,050,026	2,432,961	2,902,670
Non controlling Interest	113,867	56,633	-	-
Profit attributable to equity-holders	2,745,418	3,106,659	2,432,961	2,902,670
Appropriation of parent company share:				
Transfer to statutory reserves	393,070	449,846	364,944	435,400
Transfer to retained earnings reserve	2,238,481	2,600,180	2,068,017	2,467,270
	2,631,551	3,050,026	2,432,961	2,902,670

(d) Asset under management

These represent investments and funds being managed by subsidiary companies of the group

	Dec 2011 ₦'000	Dec 2010 ₦'000
FSDH Asset Management Limited	10,629,787	9,841,725
Pensions Alliance Limited	75,333,489	59,178,623

(e) 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 2010: N698.698 million; representing 25k per share). The dividends are subject to deduction of withholding tax at 10%.

(f) 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. Hamda Ambah	Executive Director
Mrs. Muhibat Abbas	Representing UNICO CPFA Limited
Mr. Daniel Agbor	Representing KMC Investments Limited
Mrs. Myma Belo-Osagie	Representing KMC Investments Limited
Mr. Junaid Dikko	Representing KMC Investments Limited
Mr. Haruna Jalo-Waziri	Representing UBA Asset Management Limited
Mr. Sobandele Sobanjo	Representing AIICO Insurance Plc
Mr. Bashir el-Rufai	Independent Director
Mr. Vincent Omoike	Independent Director

Except the two independent directors, all of the non-executive directors are representatives of companies which have interests in the share capital of the Company.

The proportion of women on the board of directors of First Securities Discount House Limited as at 31st December 2011 was 27.27% broken down as below:

	Female Directors	Total Directors	Percentage of female (%)
Executive directorship	1	2	50.00
Non-executive directorship	2	9	22.22
Total	**3**	**11**	**27.27**

(g) Directors' interests in contracts

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.

(h) Composition of top management

The company's top management is defined from the positions of Assistant General Manager (AGM) and above. As at 31 December 2011, the company had six staff members in this category.

The proportion of women in the company's top management positions as at 31st December 2011 was 33.33% broken down as below:

	Female	Total	Percentage of female (%)
Assistant General Manager - General Manager	1	4	25.00
Executive Director - Managing Director	1	2	50.00
Total female held top management positions	**2**	**6**	**33.33**

(i) Shareholding analysis

The shareholding pattern of the Company as at 31 December 2011 is as stated below:

Share range	No of shareholders	Percentage of shareholders (%)	No. of holdings	Percentage of holdings (%)
Nigerian shareholders				
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	21.44	841,114,074	30.10
501,000,000 - 1,000,000,000	1	7.14	878,990,844	31.45
	12	85.72	2,532,293,730	90.61
Foreign shareholders				
50,000,000 - 100,000,000	1	7.14	87,500,000	3.13
101,000,000 - 200,000,000	1	7.14	175,000,000	6.26
	14	**100.00**	**2,794,793,730**	**100.00**

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101,000,000 - 200,000,000	4	28.57	582,710,082	20.85
201,000,000 - 500,000,000	3	21.44	841,114,074	30.10
501,000,000 - 1,000,000,000	1	7.14	878,990,844	31.45
	12	85.72	2,532,293,730	90.61
Foreign shareholders				
50,000,000 - 100,000,000	1	7.14	87,500,000	3.13
101,000,000 - 200,000,000	1	7.14	175,000,000	6.26
	14	**100.00**	**2,794,793,730**	**100.00**

(j) Substantial interest in shares

According to the register of members as at 31 December 2011, 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
Mainstreet Bank Limited	151,164,660	5.41
Total	2,243,393,440	80.27

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International Finance Corporation (IFC)	175,000,000	6.26
Mainstreet Bank Limited	151,164,660	5.41
Total	2,243,393,440	80.27

(k) Property and equipment

Information relating to changes in the property and equipment of the Group is disclosed in Note 19 to the financial statements. In the directors' opinion, the market value of the Group's property and equipment is not less than the value shown in the financial statement

(l) 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 2011 and the profit for the year ended on that date that have not been adequately provided for.

(m) 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 maintains business premises designed with a view to guaranteeing the safety and healthy operating conditions of its employees and customers alike. Employees are adequately insured against occupational hazards. In addition, medical facilities are provided to employees and their immediate families at the Group's expense.

Equal opportunity

The Group's policy is that the highest qualified and most experienced persons are recruited for appropriate job levels irrespective of an applicant's gender, state of origin, ethnicity, religion or physical condition. During the year, the proportion of women in the employment of the company was 22 out of a total staff strength of 90 which translates to 24.44% of the workforce.

Employment of disabled persons

The Group continues to maintain a policy of giving fair consideration to applications for employment made by disabled persons with due regard to their abilities and aptitude. The group's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees. In event of members of staff becoming disabled, efforts will be made to ensure that, as far as possible, their employment with the group continues and appropriate training is arranged to ensure that they fit into the group's working environment. Currently, the Group has no person on its staff list with a physical disability.

(n) Donations

In order to identify with the aspirations of the community and the environment within which the Group operates, a total sum of N6,100,000 (31 December 2010: N15,753,195) was incurred in respect of donations. Details of the donations and charitable contributions include:

	₦
Nigeria Society for the Blind	1,500,000
Children Development Centre	1,500,000
Dominican Sisters' College	1,000,000
Bethtorrey Home & School Zaria	1,000,000
Kings' College Lagos	1,000,000
ECHO 2011 (Teen talent concert)	100,000
	6,100,000

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

(o) Auditors

The Auditors, Messrs PriceWaterhouse Coopers, have indicated their willingness to continue in office in accordance with Section 357 (2) of the Companies and Allied matters Act.

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

BY ORDER OF THE BOARD,

BY ORDER OF THE BOARD
Company Secretaries

7 March 2012

Alsec Nominees Limited
Company Secretary

Corporate governance in 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, we have 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%). One of the two foreign shareholders is the International Finance Corporation (IFC), the private-sector arm of the World Bank.

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 an External Consultant, in line with the requirements of the CBN's Code of Corporate Governance. PricewaterhouseCoopers served as our External Consultant for the performance appraisals of 2008 to 2010. However, following the appointment of the firm as our External Auditors, KPMG Professional Services, an international advisory/consulting firm, was appointed the External Consultant for the board performance appraisal of 2011. The board has continued to receive good ratings on its effectiveness in the performance of its duties.

The Board has four standing committees – the Audit Committee, the Risk Management Committee, the Credit Committee and the Nomination and Remuneration Committee. Together with the four 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. In addition to the three Committees, FSDH has also constituted the Nomination and Remuneration Committee. The committees have the following terms of reference.

The Audit Committee

This is a statutory Committee and its duties are contained in section 359(6) of Companies and Allied Matters Act 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 5 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
- 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 4 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.

The Nomination and Remuneration Committee

The Nomination and Remuneration Committee was constituted on the 30 June 2011. The Committee is made up of three non-executive directors, one of whom is an independent director. The terms of reference are:

- Regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared with its present position and make recommendations to the Board on any changes the Committee may deem necessary.
- Give full consideration to succession planning for directors and top management in the course of its work, taking into account the challenges and opportunities facing the company, and what skills and expertise are needed on the Board in the future.
- Be responsible, subject to the Company's Memorandum and Articles of Association, for identifying and nominating for approval of the Board, candidates to fill Board vacancies as and when they arise.
- Make recommendations to the Board on matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provisions of the law and their service contract.
- Make recommendations to the Chairman on the membership of other Board Committees, taking into consideration the skills, knowledge and experience required to function effectively in those Committees.
- Make recommendations to the Board for appointments and promotions of staff from the position of Assistant General Manager and above.
- Determine and agree with the Board the framework or broad policy for the remuneration of the Company's Executive Directors and Chairman. To avoid conflict of interest, the remuneration for non-executive Directors shall be determined by the Chairman and the Executive Directors.
- Determine and agree with the Board the policy for the terms of employment of the Executive Directors.
- Reviewing and approving the remuneration structure for the Company.
- Review the ongoing appropriateness and relevance of the Company's Remuneration policies.
- Review annually the remuneration trends across the company and the industry in which the company operates with a view to ensuring that the Company remains competitive in order to retain and attract the right talents.
- Determine and agree policy for the reimbursement of the expenses of the Chairman and the Executive Directors.
- Ensure that the disclosures in the audited accounts regarding directors' remuneration are adequate and consistent with the requirements of the law.
- Review and approve the design and structure of all retirement benefit schemes.

The Head of the HR Department presents reports at every sitting of the committee.

Board and Board Committee Meetings

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

BOARD MEETINGS											
S/N	**Name**	**Directorship**	**27-Jan 11**	**29-Mar 11**	**29-Apr 11**	**02-Jun 11**	**30-Jun-11**	**28-Jul-11**	**25-Oct 11**	**15-Dec 11**	**TOTAL**
1	Mr Ibrahim Dikko	Chairman	V	V	V	V	V	V	X	V	7
2	Mr Rilwan Belo-Osagie	Managing Director	V	V	V	V	V	V	V	V	8
3	Mrs Hamda Ambah	Executive Director	V	V	V	V	V	V	V	V	8
4	Mr Dan Agbor	Non-executive Director	X	V	V	V	V	V	V	V	7
5	Mrs Muhibat Abbas	Non-executive Director	V	V	V	V	V	V	V	V	8
6	Dr Myma Belo-Osagie	Non-executive Director	V	X	V	X	V	X	V	X	4
7	Mr Junaid Dikko	Non-executive Director	V	V	X	V	V	V	V	V	7
8	Mr Haruna Jalo-Waziri	Non-executive Director	V	V	V	V	V	X	V	V	7
9	Mr David Sobanjo	Non-executive Director	V	V	V	V	X	V	V	V	7
10	Mr Vincent Omoike	Independent Director	V	V	V	V	V	V	V	V	8
11	Mr Bashir el-Rufai	Independent Director	V	V	X	X	X	V	X	V	4

AUDIT COMMITTEE MEETINGS								
S/N	**Name**	**Directorship**	**28-Mar-11**	**02-Jun-11**	**27-Jul-11**	**24-Oct-11**	**14-Dec-11**	**TOTAL**
1	Mrs. Ronke Wilson	Chairman (shareholder) old	V	V	X	N/A	N/A	2
2	Mr Dan Agbor	Non-executive Director	V	V	V	V	V	5
3	Mr. Junaid Dikko	Non-executive Director	V	V	V	V	V	5
4	Mr. Vincent Omoike	Non-executive Director	V	V	V	V	V	5
5	Mr. Dele Alabi	Chairman (shareholder) new	N/A	N/A	N/A	X	X	0

CREDIT COMMITTEE MEETINGS							
S/N	**Name**	**Directorship**	**25-Jan 11**	**28-Apr 11**	**27-Jul 11**	**24-Oct 11**	**TOTAL**
1	Mr Dan Agbor	Chairman	V	V	V	V	4
2	Mr Rilwan Belo-Osagie	Managing Director	V	V	V	V	4
3	Mr. Junaid Dikko	Non-executive Director	V	X	V	V	3
4	Mr. Vincent Omoike	Non-executive Director	V	V	V	V	4
5	Mrs Muhibat Abbas	Non-executive Director	N/A	V	V	V	3

RISK MANAGEMENT COMMITTEE MEETINGS							
S/N	**Name**	**Directorship**	**26-Jan 11**	**28-Apr 11**	**15-Jul 11**	**25-Oct 11**	**TOTAL**
1	Mr Haruna Jalo-Waziri	Chairman	V	V	V	V	4
2	Mr Rilwan Belo-Osagie	Managing Director	V	V	V	V	4
3	Mr David Sobanjo	Non-executive Director	V	V	V	V	4
4	Mr Bashir el-Rufai	Independent Director	V	X	X	X	1

NOMINATION & REMINERATION COMMITTEE MEETINGS					
S/N	**Name**	**Directorship**	**06-Sep-11**	**12-Dec-11**	**TOTAL**
1	Mr Vincent Omoike	Chairman	V	V	2
2	Dr Myma Belo-Osagie	Non-executive Director	V	V	2
3	Mr Haruna Jalo-Waziri	Non-executive Director	V	V	2

V Present
X Absent
N/A 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.

REPORT OF THE EXTERNAL CONSULTANTS ON THE APPRAISAL OF THE BOARD OF DIRECTORS

In compliance with the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks in Nigeria Post Consolidation ("the CBN Code"), First Securities Discount House Limited ("FSDH" or "the Company") engaged KPMG Advisory Services to carry out an appraisal of the Board of Directors ("the Board") for the year ended 31 December 2011. The CBN Code mandates an annual appraisal of the Board and Individual Directors with specific focus on the Board's structure and composition, responsibilities, processes and relationships, individual director competencies and respective roles in the performance of the Board.

Corporate governance is the system by which business corporations are directed and controlled to enhance performance and shareholder value. It is a system of checks and balances among the Board, management, and investors to produce a sustainable corporation geared towards delivering long-term value.

Our approach to the appraisal of the Board involved a review of the Company's key corporate governance structures, policies and practices. This included the review of the corporate governance framework and representations obtained during one-on-one interviews with the members of the Board and management. We also reviewed the Company's corporate governance report prepared by the Board which is included in this Annual Report for the year ended 31 December 2011, and assessed the level of compliance of the Board with the CBN Code.

On the basis of our review, except as noted in the report, the Company's corporate governance practices are largely in compliance with the key provisions of the CBN Code. Specific recommendations for improving the Company's governance practices have been articulated and included in our detailed report to the Board.

Olumide Olayinka

Partner, KPMG Advisory Services

7 March 2012

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act require the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company:

- keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and comply with the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act ;
- establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, that are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with,

- Nigerian Statements on Accounting Standards;
- Prudential Guidelines for Licensed Banks;
- relevant circulars issued by the Central Bank of Nigeria;
- the requirements of the Banks and Other Financial Institutions Act; and
- the requirements of the Companies and Allied Matters Act .

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and Group and of the financial performance and cashflows for the year. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Company and Group will not remain a going concern for at least twelve months from the date of this statement.

T.Y.D

Ibrahim Y. Dikko
Chairman
7 March 2012

Rilwan Belo-Osagie
Managing Director
7 March 2012

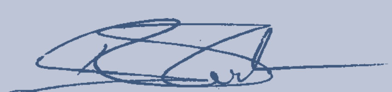
To the members of **First Securities Discount House Limited**

In accordance with the provisions of Section 359 (6) of the Companies and Allied Matters Act, 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, 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 2011 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.



Dele Alabi
Chairman, Audit Committee

6 March 2012

Members of the Audit Committee are:

1. ***Dele Alabi - Chairman***
2. ***Vincent Omoike***
3. ***Junaid Dikko***
4. ***Dan Agbor***

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

Report on the Financial Statements

We have audited the accompanying separate and consolidated financial statements of First Securities Discount House Limited ("the Company) and its subsidiary companies (together "the Group"), which comprise the balance sheets as of 31 December, 2011 and the profit and loss accounts and statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with Nigerian Statements of Accounting Standards and with the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act and for such internal control, as the directors determine 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 independent opinion on the 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 our audit to obtain reasonable assurance that 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 company'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 opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of the financial affairs of the company and the group at 31 December 2011 and their profits and cash flows for the year then ended in accordance with Nigerian Statements of Accounting Standards, the Companies and Allied Matters Act and the Banks and OtherFinancial Institutions Act.

Other Matter

The financial statements of the company and group for the period ended 31 December 2010 were audited by another firm of auditors whose report, dated 29 March 2011, expressed an unmodified opinion on those statements. Our opinion is not qualified in respect of this matter.

Report on Other Legal Requirements

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best our knowledge and belief were necessary for the purpose of our audit;

ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books;

iii) the company's balance sheet and profit and loss account are in agreement with the books of account;

iv) our examination of loans and advances was carried out in accordance with the Prudential Guidelines for deposit money banks issued by the Central Bank of Nigeria;

v) related party transactions and balances are disclosed in Note 31 to the financial statements in accordance with the Central Bank of Nigeria Circular BSD/1/2004;

vi) to the best of our information, the company has complied with the requirements of the relevant circulars issued by the Central Bank of Nigeria.

PricewaterhouseCoopers

Chartered Accountants
Lagos, Nigeria

13 March, 2012

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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 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 subsidiary companies (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 Financial Reporting Council 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) Recognition of discount and similar income

i. Discount income
Interest income and expense is recognised in the profit and loss account on an accrual basis for all interest bearing instruments based on outstanding principal, except for interest overdue by more than 90 days, which is suspended and recognised only to the extent of cash received.

ii. Fees and commissions
Fees and commissions, where material are amortised over the life of the related service. Otherwise fees, commissions and other income are recognised as earned upon completion of the related service.

iii. Trading income
Trading income relates to gains or losses arising from the purchase and sale of bonds, treasury bills and equities and is recognised on realisation. Interest earned whilst holding trading securities is reported as interest income.

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

(d) Recognition of discount and similar 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 if the expenditure improves significantly the performance of the asset, enhances the quality of its output or extends its expected useful life. All other repairs and maintenance are charged to the profit and loss account during the financial year in which they are incurred.

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%
Motor cycles	33.33%

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.
Gains or losses arising from the disposal of fixed assets are included in the profit and loss account.

(f) Intangible assets

Intangible assets are recognized if it is probable that the expected future economic benefits that are attributable to these assets will flow to the Group and the cost of these assets can be measured reliably. Intangible assets are initially recognized at cost and subsequently carried at cost less accumulated amortization.

Computer software include licence fee, external direct costs of materials and services spent on the project. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Capitalised software costs recognised are written off on a straight line basis over their estimated useful lives of 3 years.

(g) Tax

i. Deferred tax
Deferred tax is provided in full for all timing differences that are expected to reverse within the period allowed by the tax law and are treated as an asset or liability.

The principal timing differences arise from depreciation of property and equipment, provisions for pensions and other post-retirement benefits, provisions for loan losses and tax losses carried forward. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax.

Deferred tax relating to ordinary activities are shown as part of the tax on profit and loss resulting from ordinary activities, while deferred tax on extraordinary items are shown as part of tax on extraordinary items.

Deferred tax, 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.

ii. Current tax

Income tax expenses/credits is the aggregate of the charges or credits recognised in the profit and loss account in respect of current income tax, education tax, information technology development tax (NITDA levy) and deferred income tax.

Current income tax is the expected amount of income tax payable on taxable profit for the period determined in accordance with Company Income Tax Act (CITA). Education tax is assessed at 2% of the chargeable profits whilst information technology development tax (NITDA levy) is assess at 1% of profit before tax.

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.

(h) Retirement benefits

(i) Pension costs

In line with the Pension Reform Act, 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 fully funded defined benefit scheme. Lump sum benefit 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.

The liability recognized and disclosed in the financial statements in respect of the gratuity scheme is the actuarially assessed liability at date of the financial reporting.

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

The company fully funds the assessed obligation of the scheme by transfer of assets to a fund manager. These scheme assets are carried at market value and are recognized and disclosed in the financial statements as a deduction from the obligations under the scheme. Gains/losses on market value are recognized in the profit and loss account.

The net retirement benefit liability/asset is disclosed in the balance sheet.

(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 accounts

Margin accounts represent the value of credit facilities availed to customers which are backed by shares of companies quoted on the Nigerian Stock Exchange. The facilities are stated at cost 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 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 related facility. Provision is made:

i. Where there is evidence that the transaction will not be successful, provision is made immediately in full against interest and principal realization.
ii. 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 short term and long term investments. The principal securities dealt in by the Group are Bonds, Commercial bills, treasury bills, Equity Securities and Corporate debt instruments. These instruments may either be short term or long term.

Short term securities
Short term investment securities are investments that are readily realizable and intended to be held for no more than one year. These are accounted for in accordance with SAS 15.

i) Commercial bills
Commercial bills are stated at face value net of unearned income. Unearned income is deferred and amortised as earned. These bills are assessed regularly for losses and carried at lower of cost (discounted value) and realizable amount.

ii) Trading securities

These comprise of bonds (Government and Corporate), equity securities and treasury bills acquired for the purpose of trading. The trading portfolio are carried at lower of cost and net realizable amount. The market value or directors' valuation is disclosed.

iii) Others

Other short term investments not covered by (a) and (b) above are carried at the lower of cost and net realizable amount.

Long term investments

Long-term investments comprise government bonds, bills, equity securities and corporate 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 on a non-recourse basis. Funds under management are recognized at market value and are disclosed in the Directors' report.

(p) Dividend payable

Dividend paid is recognised in the financial statements in the period when it is declared or paid. Dividend proposed is not recognised in the period financial statements until declared. Dividend declared is recognised in the financial statements in the period it is declared, and accounted for through the retained earnings. Where dividend declared is still unpaid at the next reporting date, they are disclosed as Dividend Payable on the Balance Sheet.

(q) Provisions, contingent liabilities and contingent assets

Provisions are liabilities that are uncertain in timing or amount.
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Group has a present obligation as a result of past events but is not recognised because it is not likely that an outflow of resources will be required to settle the obligation or the amount cannot be reliably estimated.

Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to eventuate. Contingent liabilities are disclosed in the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is never recognised rather they are disclosed in the financial statements when they arise.

(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) Earnings per share

The group presents basic earnings per share for its ordinary shares. 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.

	Notes	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
Gross earnings		**11,632,481**	8,019,999	**10,219,520**	6,836,899
Securities discount and similar income	3	**9,967,390**	6,693,238	**9,967,390**	6,693,238
Securities discount and similar expenses	4	**(6,175,005)**	(2,497,159)	**(6,219,192)**	(2,549,308)
Net discount income		**3,792,385**	4,196,079	**3,748,198**	4,143,930
Other income	5	**1,665,091**	1,326,761	**252,130**	143,661
Operating income		**5,457,476**	5,522,840	**4,000,328**	4,287,591
Operating expenses	6	**(2,775,826)**	(2,416,031)	**(1,806,863)**	(1,479,895)
Write-back of allowance on asset value	12a(iii)	**228,112**	351,204	**251,151**	351,093
Profit before tax		**2,909,762**	3,458,013	**2,444,616**	3,158,789
Tax	7 (b)	**(164,344)**	(351,354)	**(11,655)**	(256,119)
Profit after tax		**2,745,418**	3,106,659	**2,432,961**	2,902,670
Attributable to:					
Parent company		**2,631,551**	3,050,026	**2,432,961**	2,902,670
Non-controlling Interest	26	**113,867**	56,633	**-**	-
Profit attributable to equity holders		**2,745,418**	**3,106,659**	**2,432,961**	**2,902,670**
Appropriation of parent company share:					
Transfer to statutory reserve	23	**393,070**	449,846	**364,944**	435,400
Transfer to retained earnings	24	**2,238,481**	2,600,180	**2,068,017**	2,467,270
		2,631,551	3,050,026	**2,432,961**	2,902,670
Earnings per share (kobo)	28	**94k**	109k	**87k**	104k

The accounting policies and notes on pages 41 to 46 form an integral part of these financial statements.

Balance Sheet
As at 31 December 2011

	Notes	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
ASSETS					
Cash and balances with Central Bank of Nigeria	8	**405,408**	755,442	**405,113**	755,244
Treasury bills	9	**1,312,222**	1,796,845	**1,312,222**	1,796,845
Balances with other banks	10	**613,485**	3,013,665	**122,555**	2,653,898
Assets on repurchase agreements	11(a)	**53,451,326**	28,865,889	**53,451,326**	29,557,334
Investment securities	12	**19,349,834**	11,734,873	**18,381,425**	10,658,272
Margin accounts	13	**18,762**	21,272	**-**	-
Investment in subsidiary companies	14	**-**	-	**787,010**	608,000
Other assets	15	**1,228,516**	940,497	**680,447**	574,539
Deferred tax asset	16(a)	**189,911**	150,918	**183,424**	-
Retirement benefit scheme asset	17	**10,412**	-	**5,441**	-
Intangible assets	18	**175,785**	215,763	**175,785**	215,763
Property and equipment	19	**396,533**	423,690	**216,719**	324,915
TOTAL ASSETS		**77,152,194**	47,918,854	**75,721,467**	47,144,810
LIABILITIES:					
Liabilities on repurchase agreements	11(g)	**56,384,732**	29,460,565	**56,815,268**	30,158,236
Other liabilities	20	**735,429**	543,324	**476,174**	216,773
Tax payable	7(a)	**760,518**	711,773	**625,524**	545,993
Deferred tax liabilities	16(b)	**-**	39,149	**-**	39,149
Retirement benefit scheme liability	17	**-**	16,405	**-**	19,588
TOTAL LIABILITIES		**57,880,679**	30,771,216	**57,916,966**	30,979,739
NET ASSETS		**19,271,515**	17,147,638	**17,804,501**	16,165,071
CAPITAL AND RESERVES:					
Share capital	21	**2,794,794**	2,794,794	**2,794,794**	2,794,794
Share premium	22	**1,539,587**	1,539,587	**1,539,587**	1,539,587
Statutory reserve	23	**3,241,132**	2,848,062	**3,184,902**	2,819,958
Retained earnings	24	**11,174,441**	9,634,658	**10,285,112**	8,915,793
Revaluation reserve	25	**106**	94,939	**106**	94,939
		18,750,060	16,912,040	**17,804,501**	16,165,071
Non-controlling interest	26	**521,455**	235,598	**-**	-
SHAREHOLDERS' FUNDS		**19,271,515**	17,147,638	**17,804,501**	16,165,071

The accounting policies on pages 41to 46 and notes on pages 50 to 70 were approved by the Board of Directors on 7 March 2012 and signed on its behalf by:

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

T.Y.D

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

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

	Notes	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
Operating activities:					
Cash generated/(used) from operations	29	**6,179,532**	(23,001,893)	**6,208,046**	(22,979,593)
Income tax paid	7	**(193,741)**	(484,281)	**(154,697)**	(472,498)
Gratuity paid	17(b)	**(3,048)**	(32,030)	**(3,048)**	(32,030)
Net cash flow from operating activities		**5,982,743**	(23,518,204)	**6,050,301**	(23,484,121)
Investing activities:					
Proceeds from disposal of fixed assets		**11,807**	1,822	**6,049**	1,239
Purchase of fixed assets	19	**(163,534)**	(240,430)	**(25,506)**	(181,688)
Purchase of intangible assets		**(74,405)**	(27,162)	**(74,405)**	(27,162)
Investment in subsidiary		**-**	-	**(179,010)**	(44,000)
Proceeds from disposal of long term investments		**-**	12,210,704	**-**	11,913,767
Purchase of long term investments		**(8,464,740)**	-	**(8,444,828)**	-
Net cash flow from investing activities		**(8,690,872)**	11,944,934	**(8,717,700)**	11,662,156
Financing activities:					
Dividend paid		**(698,698)**	(558,958)	**(698,698)**	(558,958)
Rights issue proceeds from Non-Controlling Interest	25	**171,990**	42,275	**-**	-
Net cash flow from financing activities		**(526,708)**	(516,683)	**(698,698)**	(558,958)
(Decrease)/increase in cash and cash equivalents		**(3,234,837)**	(12,089,952)	**(3,366,097)**	(12,380,923)
Analysis of changes in cash and cash equivalents					
At 1 January		**5,565,952**	(17,655,904)	**5,205,987**	17,586,910
At 31 December	30	**2,331,115**	5,565,952	**1,839,890**	5,205,987
Decrease in cash and cash equivalents		**(3,234,837)**	(12,089,952)	**(3,366,097)**	(12,380,923)

The accounting policies and notes on pages 41to 46form an integral part of these financial statements.

1 General information

First Securities Discount House Limited was incorporated in Nigeria under the Comapnies and Allied matters Act as a private limited liability companyon June 23, 1992 and started operations on July 1, 1992. The Company has two direct subsidiaries and one indirect subsidiary as analysed below:

	Dec 2011	Dec 2010
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 Dec 2011 ₦'000	Stock broking Dec 2011 ₦'000	Fixed income securities Dec 2011 ₦'000	Pension funds management Dec 2011 ₦'000	Total Dec 2011 ₦'000
Gross earnings					
Derived from external customers	213,200	204,423	10,219,520	1,074,831	11,711,974
Inter-segment revenue/(expense)	-	-	(79,493)	-	(79,493)
Total segment revenue	213,200	204,423	10,140,027	1,074,831	11,632,481
Securities discount and similar income	-	-	9,967,390	-	9,967,390
Securities discount and similar expenses	-	-	(6,219,192)	-	(6,219,192)
Net discount income	-	-	3,748,198	-	3,748,198
Other income	213,200	204,423	252,130	1,074,831	1,744,584
	213,200	204,423	4,000,328	1,074,831	5,492,782
Operating expenses	(97,458)	(171,081)	(1,806,863)	(737,740)	(2,813,142)
Write-back of allowance on assets value	-	30	251,151	-	251,181
Profit before tax	115,742	33,372	2,444,616	337,091	2,930,821
Income tax expense	(35,576)	(10,438)	(11,655)	(96,111)	(153,780)
Profit after tax	80,166	22,934	2,432,961	240,980	2,777,041
Other information					
Segment assets	672,101	1,014,492	75,721,467	1,155,013	78,563,073
Inter-segment assets	(13,283)	(3,497)	(1,394,098)	-	(1,410,878)
Total assets	658,818	1,010,995	74,327,369	1,155,013	77,152,195
Segment liabilities	(91,544)	(235,066)	(57,916,966)	(86,603)	(58,330,179)
Inter-segment liabilities	-	-	449,499	-	449,499
Total liabilities	(91,544)	(235,066)	(57,467,466)	(86,603)	(57,880,679)
Non controlling interest	-	-	-	(521,455)	(521,455)
Net Assets	567,274	775,929	16,859,903	546,955	18,750,061
Depreciation	-	-	125,174	55,809	180,983

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

	Asset management Dec 2010 ₦'000	Stock broking Dec 2010 ₦'000	Fixed income securities Dec 2010 ₦'000	Pension funds management Dec 2010 ₦'000	Total Dec 2010 ₦'000
Gross earnings					
Derived from external customers	264,113	190,840	6,836,899	825,911	8,117,763
Inter-segment revenue/(expense)	-	-	(97,764)	-	(97,764)
Total segment revenue	264,113	190,840	6,739,135	825,911	8,019,999
Securities discount and similar income	-	-	6,693,238	-	6,693,238
Securities discount and similar expenses	(32,068)	-	(2,549,308)	-	(2,581,376)
Net discount income	(32,068)	-	4,143,930	-	4,111,862
Other income	264,113	190,840	143,661	825,911	1,424,525
	232,045	190,840	4,287,591	825,911	5,536,387
Operating expenses	(151,103)	(144,114)	(1,479,895)	(654,466)	(2,429,578)
Write-back of allowance on assets value	-	111	351,093	-	351,204
Profit before tax	80,942	46,837	3,158,789	171,445	3,458,013
Income tax expense	(24,379)	(14,988)	(256,119)	(55,868)	(351,354)
Profit after tax	56,563	31,849	2,902,670	115,577	3,106,659
Other information					
Segment assets	580,219	998,202	47,144,810	669,322	49,392,553
Inter-segment assets	(8,556)	(4,991)	(1,460,151)	-	(1,473,698)
Total assets	571,663	993,211	45,684,659	669,322	47,918,855
Segment liabilities	(79,828)	(241,710)	(30,979,739)	(184,340)	(31,485,617)
Inter-segment liabilities	-	-	714,400	-	714,400
Total liabilities	(79,828)	(241,710)	(30,265,338)	(184,340)	(30,771,216)
Non controlling interest	-	-	-	(235,598)	(235,598)
Net Assets	491,835	751,501	15,419,321	249,384	16,912,041
Depreciation	-	-	(139,511)	(50,495)	(190,006)

3 Securities discount and similar income

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	**Company Dec 2011 ₦'000**	Company Dec 2010 ₦'000
Bonds	**4,831,941**	3,833,526	**4,831,941**	3,833,526
Treasury bills	**1,790,270**	381,733	**1,790,270**	381,733
Commercial bills	**3,240,567**	2,392,589	**3,240,567**	2,392,589
Placements	**104,612**	85,390	**104,612**	85,390.00
	9,967,390	6,693,238	**9,967,390**	6,693,238

4 Securities discount and similar expenses

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	**Company Dec 2011 ₦'000**	Company Dec 2010 ₦'000
Bonds	**1,793,767**	200,885	**1,793,767**	200,885
Treasury bills	**944,648**	79,155	**944,648**	79,155
Commercial bills	**2,828,928**	1,862,816	**2,873,115**	1,914,965
Call expenses	**607,662**	354,303	**607,662**	354,303
	6,175,005	2,497,159	**6,219,192**	2,549,308

5 Other income

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	**Company Dec 2011 ₦'000**	Company Dec 2010 ₦'000
Management fees	**1,175,472**	972,796	**-**	-
Brokerage commissions	**54,554**	93,679	**-**	-
Interest on margin account	**3,224**	4,942	**-**	-
Securities trading (loss)/profit	**(9,773)**	5,543	**-**	-
Financial advisory fees	**173,742**	121,725	**121,892**	117,215
Technical service fees (Note 31(b))	**-**	-	**16,780**	13,547
Others	**267,872**	128,076	**113,458**	12,899
	1,665,091	1,326,761	**252,130**	143,661

6 Operating expenses

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	**Company Dec 2011 ₦'000**	Company Dec 2010 ₦'000
Staff Costs (Note (27(a))	**1,501,462**	1,454,095	**865,348**	839,518
Directors' fees and emoluments (Note 27(d))	**141,799**	127,012	**140,074**	127,012
Depreciation (Note 19)	**180,982**	149,551	**125,174**	99,056
Amortisation of intangible assets (Note 18)	**114,383**	40,455	**114,383**	40,455
Auditors' remuneration	**26,025**	25,980	**16,000**	16,000
Other operating expenses	**811,175**	618,938	**545,884**	357,854
	2,775,826	2,416,031	**1,806,863**	1,479,895

7 Tax payable

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	**Company Dec 2011 ₦'000**	Company Dec 2010 ₦'000
(a) The movement on this account during the year was as follows:				
At 1 January	**711,773**	932,389	**545,993**	850,061
Current year tax (Note (b) below)	**242,486**	263,665	**234,228**	168,430
	954,259	1,196,054	**780,221**	1,018,491
Payments during the year	**(193,741)**	(484,281)	**(154,697)**	(472,498)
At 31 December	**760,518**	711,773	**625,524**	545,993
(b) The charge for the year comprises:				
Company income tax	**255,143**	216,640	**209,610**	123,821
Education tax	**10,515**	14,575	**-**	13,638
NITDA Levy	**29,595**	32,450	**24,618**	30,971
Prior year over provision	**(52,767)**	-	**-**	-
	242,486	263,665	**234,228**	168,430
Utilised deferred tax asset during the year (Note (16a))	**144,431**	48,540	**-**	48,540
Reversal of deferred tax (liability) during the year (Note (16(b))	**(39,149)**	39,149	**(39,149)**	39,149
Deferred tax charge (Note (16(a))	**(183,424)**	-	**(183,424)**	-
Tax charge	**164,344**	351,354	**11,655**	256,119

The current tax charge has been computed at the applicable rate of 30% (31 December 2010: 30%) plus education levy of 2% (31 December 2010: 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 balances with Central Bank of Nigeria

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
Cash in hand	**1,009**	483	**714**	285
Net operating balance with CBN	**404,399**	754,959	**404,399**	754,959
	405,408	755,442	**405,113**	755,244

9 Treasury bills

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
Treasury bills - Face value	**1,410,354**	1,847,887	**1,410,354**	1,847,887
Less: Unearned discount	**(98,132)**	(51,042)	**(98,132)**	(51,042)
	1,312,222	1,796,845	**1,312,222**	1,796,845
Treasury bills are internally classified as				
Held for trading	**-**	707,945	**-**	707,945
Available for sale	**1,312,222**	1,083,956	**1,312,222**	1,083,956
Held to maturity	**-**	4,944	**-**	4,944
	1,312,222	**1,796,845**	**1,312,222**	**1,796,845**

10 Balances with other banks

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
- Current account balances	**612,969**	3,013,149	**122,555**	2,653,898
- Domiciliary account balances	**516**	516	**-**	-
	613,485	3,013,665	**122,555**	2,653,898

11 Assets / liabilities on repurchase agreements

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
(a) Assets on repurchase agreements comprise:				
Treasury bills				
Face value	**29,000,000**	5,227,482	**29,000,000**	5,227,482
Unearned discount	**(2,410,144)**	(248,961)	**(2,410,144)**	(248,961)
	26,589,856	4,978,521	**26,589,856**	4,978,521
Bonds				
Nominal value	**23,042,902**	19,677,325	**23,042,902**	20,335,656
Interest receivable	**461,180**	470,258	**461,180**	470,258
Unearned discount	**(1,349,038)**	(814,486)	**(1,349,038)**	(814,486)
	22,155,044	19,333,097	**22,155,044**	19,991,428

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
Commercial bills				
* Corporates	**926,339**	1,687,039	**926,339**	1,726,379
* Energy	**3,415,556**	1,469,602	**3,415,556**	1,469,602
* Non-Bank financial institutions	**48,059**	57,757	**48,059**	57,757
* Telecoms	**446,077**	1,379,545	**446,077**	1,379,545
	4,836,031	4,593,943	**4,836,031**	4,633,283
Discount receivable	**15,797**	11,640	**15,797**	11,640
Unearned discount	**(38,096)**	(11,205)	**(38,096)**	(11,205)
	4,813,732	4,594,378	**4,813,732**	4,633,718
General allowance for commercial bills (Note (b) below)	**(107,306)**	(40,107)	**(107,306)**	(46,333)
	4,706,426	4,554,271	**4,706,426**	4,587,385
Total - Assets on repurchase agreements	**53,451,326**	28,865,889	**53,451,326**	29,557,334

The market value of the bonds at the balance sheet date was N21,444,942,556 (31 December 2010: N19,507,719,745).

(b) The movement on the provisions on assets under repurchase agreement:

	Group Dec 2011	Group Dec 2010	Company Dec 2011	Company Dec 2010
General provision				
At 1 January	**40,107**	233,145	**46,333**	239,371
Allowance during the year (Note 12a(iii))	**67,199**	46,333	**60,973**	46,333
Write-back during the year (Note 12a(iii))	**-**	(239,371)	**-**	(239,371)
At 31 December	**107,306**	40,107	**107,306**	46,333
Specific provision on assets on repurchase agreement				
At 1 January	**-**	370,433	**-**	370,433
Write-backs during the year	**-**	(370,433)	**-**	(370,433)
At 31 December	**-**	-	**-**	-
	107,306	**40,107**	**107,306**	**46,333**

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

	Group Dec 2011	Group Dec 2010	Company Dec 2011	Company Dec 2010
Treasury bills	**29,000,000**	5,227,482	**29,000,000**	5,227,482
Bonds	**23,042,902**	20,335,656	**23,042,902**	20,335,656
Commercial bills	**4,836,031**	4,593,943	**4,836,031**	4,633,283
Total assets on repurchase agreement	**56,878,933**	30,157,081	**56,878,933**	30,196,421

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

	Group Dec 2011	Group Dec 2010	Company Dec 2011	Company Dec 2010
Performing	**4,836,031**	4,593,943	**4,836,031**	4,633,283
	4,836,031	4,593,943	**4,836,031**	4,633,283

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

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
Secured by shares of quoted companies	**986,169**	1,527,359	**986,169**	1,527,359
Secured against real estate	**-**	242,852	**-**	242,852
Otherwise secured	**3,849,862**	2,823,732	**3,849,862**	2,863,072
	4,836,031	4,593,943	**4,836,031**	4,633,283

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

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
0 - 30 days	**1,058,379**	-	**1,058,379**	-
1 - 3 months	**3,927,653**	18,417	**3,927,653**	57,757
3 - 6 months	**14,915,000**	47,895	**14,915,000**	47,895
6 - 12 months	**11,950,000**	83,980	**11,950,000**	83,980
Over 12 months	**25,027,901**	30,006,789	**25,027,901**	30,006,789
	56,878,933	30,157,081	**56,878,933**	30,196,421

(g) The net value of assets under repurchase agreement are internally classified by portfolio as:

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
Held for trading	**-**	6,607	**-**	6,607
Available for sale	**42,074,556**	22,038,896	**42,074,556**	22,730,341
Held to maturity	**11,376,770**	6,820,386	**11,376,770**	6,820,386
	53,451,326	28,865,889	**53,451,326**	29,557,334

(h) Liabilities on repurchase agreements comprise:

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
Treasury bills				
* Banks	**29,000,000**	4,650,000	**29,000,000**	4,650,000
* Non-bank financial institutions	**-**	472,882	**-**	472,882
* Others	**-**	104,600	**-**	104,600
	29,000,000	5,227,482	**29,000,000**	5,227,482
Upfront discount	**(8,137)**	(17,981)	**(8,137)**	(17,981)
	28,991,863	5,209,501	**28,991,863**	5,209,501
Bonds				
* Banks	**6,600,000**	-	**6,600,000**	-
* Non-bank financial institutions	**9,353,352**	13,938,966	**9,353,352**	14,597,297
* Others	**7,089,550**	5,738,359	**7,089,550**	5,738,359
	23,042,902	19,677,325	**23,042,902**	20,335,656
Commercial bills				
* Non-bank financial institutions	**764,809**	2,378,387	**1,195,345**	2,417,727
* Corporates	-	203,539	**-**	203,539
* Others	**3,640,686**	2,012,017	**3,640,686**	2,012,017
	4,405,495	4,593,943	**4,836,031**	4,633,283
Upfront discount	**(55,528)**	(20,204)	**(55,528)**	(20,204)
	4,349,967	4,573,739	**4,780,503**	4,613,079
Total liabilities on repurchase agreement	**56,384,732**	29,460,565	**56,815,268**	30,158,236

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

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	**Company Dec 2011 ₦'000**	Company Dec 2010 ₦'000
0 - 30 days	**50,725,129**	22,798,486	**51,155,665**	23,496,157
1 - 3 months	**5,614,852**	5,913,197	**5,614,852**	5,913,197
3 - 6 months	**29,751**	748,882	**29,751**	748,882
6 - 12 months	**15,000**	-	**15,000**	-
	56,384,732	29,460,565	**56,815,268**	30,158,236

12 Investment securities

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	**Company Dec 2011 ₦'000**	Company Dec 2010 ₦'000
Commercial bills (Note (a) below)	**3,233,710**	3,463,293	**3,233,710**	3,446,450
Trading securities (Note (b) below)	**823,556**	1,420,244	**-**	485,427
Short-term investments (Note (c) below)	**665,705**	551,720	**665,705**	551,720
Long term investments (Note (d) below)	**14,626,863**	6,299,616	**14,482,010**	6,174,675
	19,349,834	11,734,873	**18,381,425**	10,658,272

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

Commercial bills - Gross value				
* Energy	**1,767,975**	1,470,123	**1,767,975**	1,470,123
* Corporate	**28,939**	2,327,415	**28,939**	2,327,415
* Non Bank financial institutions	**494,964**	2,243	**494,964**	2,243
* Telecoms	**968,424**	34,956	**968,424**	34,956
* Others	**566,588**	443,492	**566,588**	443,492
	3,826,890	4,278,229	**3,826,890**	4,278,229
Discount receivable	**6,569**	2,867	**6,569**	2,867
Unearned discount	**(561)**	(44,720)	**(561)**	(44,720)
	3,832,898	4,236,376	**3,832,898**	4,236,376
Provision for risk assets:				
Specific (Note (i) below)	**-**	(338,431)	**-**	(338,431)
Interest in suspense (Note (ii) below)	**(566,585)**	(402,005)	**(566,585)**	(402,005)
General (Note (i) below)	**(32,603)**	(32,647)	**(32,603)**	(49,490)
	(599,188)	(773,083)	**(599,188)**	(789,926)
	3,233,710	3,463,293	**3,233,710**	3,446,450

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

Specific provision on commercial bills				
Balance, beginning of the year	**338,431**	115,191	**338,431**	115,191
Allowance during the year	**-**	223,240	**-**	223,240
Provisions written off during the year	**(42,660)**	-	**(42,660)**	-
Write-backs during the year	**(295,771)**	-	**(295,771)**	-
At 31 December	**-**	338,431	**-**	338,431
General provision				
At 1 January	**32,647**	45,025	**49,490**	61,868
Allowance during the year	**-**	-	**-**	-
Write-backs during the year	**(44)**	(12,378)	**(16,887)**	(12,378)
At 31 December	**32,603**	32,647	**32,603**	49,490

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
(ii) The movement on interest in suspense account during the year was as follows:				
Interest in suspense - Investment securities				
At 1 January	**402,005**	29,887	**402,005**	29,887
Suspended during the year	**164,580**	325,928	**164,580**	325,928
Reclassified from assets on repurchase agreements	**-**	46,190	**-**	46,190
At 31 December	**566,585**	402,005	**566,585**	402,005
Interest in suspense - Assets on repurchase agreements				
At 1 January	**-**	122,752	**-**	122,752
Recognised during the year	**-**	(76,562)	**-**	(76,562)
Reclassified to investment securities	**-**	(46,190)	**-**	(46,190)
At 31 December	**-**	-	**-**	-
Total interest in suspense	**566,585**	402,005	**566,585**	402,005
(iii) (Provisions)/write-backs for risk assets comprises:				
Commercial bills:				
- Specific write-backs during the year (Note (i) above)	**295,771**	-	**295,771**	-
- Specific provision during the year (Note (i) above)	**-**	(223,240)	**-**	(223,240)
- Write-back on general provision during the year (Note (i) above)	**44**	12,378	**16,887**	12,378
Assets on repurchase agreements:				
- Specific write-backs during the year (Note (i) above)	**-**	370,433	**-**	370,433
- Write-backs during the year (see Note 11(b))	**-**	239,371	**-**	239,371
- General provision during the year (Note 11(b))	**(67,199)**	(46,333)	**(60,973)**	(46,333)
Other assets:				
- General (provision)/write-back during the year (Note 15)	**(534)**	(1,516)	**(534)**	(1,516)
Margin accounts:				
- Write back during the year (Note 13(d))	**30**	111	**-**	-
	228,112	351,204	**251,151**	351,093

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

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
Secured by shares of quoted companies	**13,831**	-	**13,831**	-
Otherwise secured	**3,813,059**	4,278,229	**3,813,059**	4,278,229
	3,826,890	4,278,229	**3,826,890**	4,278,229

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

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
Non-performing				
- Lost	-	1,521,518	-	1,521,518
Performing	**3,826,890**	2,756,711	**3,826,890**	2,756,711
	3,826,890	4,278,229	**3,826,890**	4,278,229

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

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
0 - 30 days	**566,585**	-	**566,585**	-
1 - 3 months	**-**	2,243	**-**	2,243
3 - 6 months	**13,831**	1,517	**13,831**	1,517
6 - 12 months	**-**	15,788	-	15,788
Over 12 months	**3,246,474**	4,258,681	**3,246,474**	4,258,681
	3,826,890	4,278,229	**3,826,890**	4,278,229

(b) Trading securities comprise:

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	**Company Dec. 2011 ₦'000**	Company Dec 2010 ₦'000
Federal Government of Nigeria bonds:				
Cost	-	478,655	-	478,655
Interest receivable	-	6,772	-	6,772
	-	485,427	-	485,427
Dealing Securities	823,556	934,817	**-**	-
	823,556	1,420,244	-	485,427

(c) Short-term investments comprise:

10.5% FGN Bond 2011	**-**	170,221	**-**	170,221
14.5% FGN Bond 2011	**-**	381,499	**-**	381,499
8.50% GT Bank Plc Corporate Bond 2012	**389**	-	**389**	-
9.23% FGN Bond 2012	**140,080**	-	**140,080**	-
9.50% FGN Bond 2012	**104,646**	-	**104,646**	-
9.92% FGN Bond 2012	**420,590**	-	**420,590**	-
	665,705	551,720	**665,705**	551,720

The market value of these investments as at 31 December 2011 was N656,784,210.83 (31 December 2010: N520,288,000)

(d) Long-term investments

Long-term investments comprise:	**Group Dec 2011 ₦'000**	Group Dec 2010 ₦'000	**Company Dec 2011 ₦'000**	Company Dec 2010 ₦'000
Federal Government of Nigeria bonds (Note (i) below)	**13,966,724**	5,595,737	**13,906,871**	5,555,796
Other bonds (Note (ii) below)	**659,473**	703,213	**574,473**	618,213
Unquoted investments (Note (iii) below)	**666**	666	**666**	666
	14,626,863	6,299,616	**14,482,010**	6,174,675

(i) Federal Government bonds:				
9.45% FGN Bond 2013	**53,481**	568,512	**53,481**	568,512
11.99% FGN Bond 2013	**-**	36,597	**-**	36,597
10.70% FGN Bond 2018	**825,114**	331,621	**825,114**	331,621
12.49% FGN Bond 2029	**10,365**	10,365	**10,365**	10,365
9.92% FGN Bond 2012	**-**	458,293	**-**	458,293
10.98% FGN Bond 2013	**-**	40,434	**-**	40,434
10.5% FGN Bond 2013	**5,439**	1,049,618	**5,439**	1,049,618
9.2% FGN Bond 2014	**461,117**	13,546	**461,117**	13,546
9.25% FGN Bond 2014	**596,902**	466,959	**596,902**	466,959
9.35% FGN Bond 2017	**244,524**	244,559	**244,524**	244,559
7% FGN Bond 2019	**659,299**	317,252	**659,299**	317,252
10.5% FGN Bond 2012	**-**	5,247	**-**	5,247
10.75% FGN Bond 2014	**120,628**	120,644	**120,628**	120,644
15% FGN Bond 2028	**619,021**	619,048	**619,021**	619,048
5.5% FGN Bond 2013	**2,267,526**	546,741	**2,267,526**	546,741
9.23% FGN Bond 2012	**-**	111,568	**-**	111,568
9.5% FGN Bond 2012	**-**	462,238	**-**	462,238
10% FGN Bond 2030	**138,555**	192,495	**78,702**	152,554
10.5% FGN Bond 2014	**960,929**	-	**960,929**	**-**
4% FGN Bond 2015	**7,003,824**	**-**	**7,003,824**	**-**
	13,966,724	5,595,737	**13,906,871**	5,555,796

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
(ii) Other bonds:				
13% Lagos State Government Bond 2014	**833**	40,547	**833**	40,547
8.5% GT Bank Plc Eurobond 2012	**-**	486,908	**-**	486,908
13.5% GT Bank Plc Bond 2014	**503,184**	31,859	**473,184**	1,859
11.5% Lafarge WAPCO Plc Bond 2014	**526**	-	**526**	-
12% Flour Mills of Nigeria Plc Corporate 2015	**33,011**	88,899	**33,011**	88,899
10% UAC Property Dev. Company Plc Bond 2015	**55,000**	55,000	**-**	-
7.5% GT Bank Plc Corporate 2016	**44,387**	-	**44,387**	-
14% Chellarams Plc Bond 2016	**11,936**	-	**11,936**	-
14% United Bank Africa Plc Bond 2018	**10,596**	-	**10,596**	-
	659,473	703,213	**574,473**	618,213
(iii) Unquoted Investments:				
Nigeria Inter Bank Settlement Systems	**666**	666	**666**	666
	666	666	**666**	666
Total long term investments	**14,626,863**	6,299,616	**14,482,010**	6,174,675

The market value of long term investment was N12,722,668,186 (31 December 2010: N6,090,954,691). The directors are of the opinion that no provision is required on these long term investments as at balance sheet date.

(e) Investment securities are internally classified as:

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
Held for trading	**-**	485,427	**-**	485,427
Available for sale	**15,384,976**	7,751,308	**14,416,567**	6,674,707
Held to maturity	**3,964,858**	3,498,138	**3,964,858**	3,498,138
	19,349,834	11,734,873	**18,381,425**	10,658,272

13 Margin accounts:	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
Share-backed facilities	**49,865**	52,329	-	-
Interest receivable on share-backed facilities	**564**	640	-	-
	50,429	52,969	-	-
Loan loss provision (see (d) below)	**(31,667)**	(31,697)	-	-
	18,762	21,272	-	-

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.

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	**Company Dec 2011 ₦'000**	Company Dec 2010 ₦'000
(b) Analysis by maturity of gross value of margin accounts is as follows:				
Under 1 month	**36,483**	16,474	-	-
1-3 months	**13,946**	5,006	-	-
Over 3 months	**-**	31,489	-	-
	50,429	52,969	-	-
(c) The gross value of margin accounts by performance is as follows:				
Non performing	**31,489**	31,489	-	-
Performing	**18,940**	21,480	-	-
	50,429	52,969	-	-
(d) The movement on the loan loss provision account during the year was as follows:				
At 1 January	**31,697**	31,808	-	-
Write back during the year	**(30)**	(111)	-	-
At 31 December	**31,667**	31,697	-	-

14 Investment in subsidiary companies comprises:

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	**Company Dec 2011 ₦'000**	Company Dec 2010 ₦'000
FSDH Asset Management Limited (see (a) below)	-	-	**200,000**	200,000
Pensions Alliance Limited (see (a) below)	-	-	**587,010**	408,000
	-	-	**787,010**	608,000

During the year, the company increased its investment in Pensions Alliance Limited (PAL) by N179,010,000. All regulatory approval has been obtained for this increase.

(a) Principal subsidiary undertakings:

Country of incorporation	**Company name**	**Nature of business**	**Percentage of equity capital held**		**Year end consolidated**
Direct Subsidiaries			**Dec 2011** %	**Dec 2010** %	
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
Indirect Subsidiary					
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:

	FSDH Asset Management Limited ₦'000	Pensions Alliance Limited ₦'000	FSDH Securities Limited (indirect) ₦'000
Condensed profit and loss			
Operating income	213,200	1,074,831	204,423
Operating expenses	(97,458)	(737,740)	(171,081)
Write-back on asset value	-	-	30
Profit before tax	115,742	337,091	33,372
Tax	(35,576)	(96,111)	(10,438)
Profit after tax	80,166	240,980	22,934
Condensed financial position			
Assets:			
Cash	-	295	-
Balances with other banks	107	381,379	109,444
Investment securities	432,647	152,513	815,969
Margin accounts	-	-	18,762
Investment in subsidiary company	174,367	-	-
Other assets	63,723	434,525	66,603
Deferred tax asset	-	6,487	-
Retirement benefit scheme asset	1,257	-	3,714
Property and equipment	-	179,814	-
	672,101	1,155,013	1,014,492
Liabilities:			
Other liabilities	20,833	66,308	191,078
Deposit for shares	-	351,000	-
Tax payable	70,711	24,509	43,988
Capital and Reserves	580,557	713,196	779,426
	672,101	1,155,013	1,014,492

	FSDH FSDH Asset Management Limited ₦'000	Pensions Alliance Limited ₦'000	Securities Limited (indirect) ₦'000
Condensed cash flow			
Net cash from operating activities	(3,673)	86,972	(234,012)
Net cash from investing activities	3,665	(84,985)	12,293
Net cash from financing activities	-	351,000	-
Increase/(decrease) in cash and cash equivalents	(8)	352,987	(221,719)
At 1 January	115	28,687	331,163
At 31 December	107	381,674	109,444

15 Other assets

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
Prepayments	**197,288**	94,689	**98,314**	49,493
Account receivable	**39,967**	-	**-**	-
Staff advances	**567,539**	531,400	**525,369**	486,809
Others	**428,486**	318,638	**61,528**	42,467
	1,233,280	944,727	**685,211**	578,769
Provisions for doubtful accounts	**(4,764)**	(4,230)	**(4,764)**	(4,230)
	1,228,516	940,497	**680,447**	574,539

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

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
At 1 January	**4,230**	2,714	**4,230**	2,714
Charge for the year	**534**	1,516	**534**	1,516
At 31 December	**4,764**	4,230	**4,764**	4,230

16 Deferred tax:

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

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
At 1 January	**150,918**	199,458	**-**	48,540
Utilised during the year (Note 7(b))	**(144,431)**	(48,540)	**-**	(48,540)
Addition during the year (see Note 7 (b))	**183,424**	-	**183,424**	-
At 31 December	**189,911**	150,918	**183,424**	-

(b)The movement in the deferred tax liability account during the year was as follows:

At 1 January	**39,149**	-	**39,149**	-
Released during the year (Note 7 (b))	**(39,149)**	39,149	**(39,149)**	39,149
At 31 December	**-**	39,149	**-**	39,149

17 Retirement benefit scheme asset

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	**Company Dec 2011 ₦'000**	Company Dec 2010 ₦'000
This comprise of funded gratuity scheme to meet retirement benefit obligations and the movement during the year was as follows:				
				Scheme assets
(Note (a) below)	**(462,332)**	**(352,087)**	**(414,208)**	**(315,439)**
Funded Obligations (Note(b) below)	**451,920**	**368,492**	**408,767**	**335,027**
Retirement benefit scheme (asset)/liability	**(10,412)**	**16,405**	**(5,441)**	**19,588**

(a) Scheme assets

At 1 January	**352,087**	384,117	**315,439**	347,469
Liquidation during the year	**(3,048)**	(32,030)	**(3,048)**	(32,030)
Gain on assets transferred to profit and loss account	**113,293**	-	**101,817**	-
At 31 December	**462,332**	352,087	**414,208**	315,439

The scheme asset is funded by the company to adequately meet the scheme obligations as actuarially valued. These assets are independently managed by FSDH Asset Management Limited.

(b) Funded obligations

At 1 January	**368,492**	358,437	**335,027**	327,502
Payments in the year	**(3,048)**	(32,030)	**(3,048)**	(32,030)
Charge for the year	**86,476**	42,085	**76,788**	39,555
At 31 December	**451,920**	368,492	**408,767**	335,027

The Group operates a defined benefit scheme where employees who have remained in service for a minimum of 10 years receive a lump sum payment based on their terminal emolument of basic salary, transport and housing allowance on the date of disengagement on a graduated scale which is determined by number of years served. An independent actuarial valuation is performed annually by Alexander Forbes using the projected unit credit basis to determine the liability at balance date for which a gratutity asset is funded to meet such obligations. For FSDH, the scheme assets was valued at N414.2m resulting in a surplus N5.33m over the actuarial valuation of N408.77m as at 31 December 2011.

The principal actuarial valuation assumptions used were as shown below:

	Group Dec 2011	Group Dec 2010	**Company Dec 2011**	Company Dec 2010
- 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 2010.

The principal assumptions i.e. discount rates, average pay increases and average rates of inflation used for the purposes of arriving at the actuarial valuation ranged between 10%-12% per annum.

18 Intangible assets

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
Cost				
At 1 January	**332,722**	88,039	**332,722**	88,039
Additions during the year	**74,405**	27,162	**74,405**	27,162
Transfers from Work in progress		217,521		217,521
Write-off during the year	**(7,009)**	-	**(7,009)**	-
At 31 December	**400,118**	**332,722**	**400,118**	332,722
Amortisation				
At 1 January	**116,959**	76,504	**116,959**	76,504
Charge for the year	**114,383**	40,455	**114,383**	40,455
Write-off during the year	**(7,009)**		**(7,009)**	-
At 31 December	**224,333**	116,959	**224,333**	116,959
	175,785	215,763	**175,785**	215,763

The Nigerian Accounting Standards Board (NASB) now The Financial Reporting Council on 15 March 2011 issued Statement of Accounting Standard (SAS) 31 - Intangible Assets operative for periods beginning on or after 1 January 2011. The impact of the new standard is the reclassifcation of certain software from fixed assets to intangibles on the balance sheet and required disclosures by way of note.

19 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:						
At 1 January 2011	117,477	133,196	380,677	347,218	5,990	984,558
Additions during the year	33,761	5,121	43,222	81,430	-	163,534
Transfers during the year	-	-	-	5,990	(5,990)	-
Disposals during the year	(3,819)	(12,078)	(19,555)	(75,429)	-	(110,881)
At 31 December 2011	147,419	126,239	404,344	359,209	-	1,037,211
Accumulated depreciation:						
At 1 January 2011	53,202	64,883	271,113	171,670	-	560,868
Charge for the year	20,549	18,809	57,794	83,830	-	180,982
Disposals for year	(3,819)	(5,781)	(19,554)	(72,018)	-	(101,172)
At 31 December 2011	69,932	77,911	309,353	183,482	-	640,678
Net book value:						
At 31 December 2011	**77,487**	**48,328**	**94,991**	**175,727**	**-**	**396,533**
At 31 Decemebr 2010	64,275	68,313	109,564	175,548	5,990	423,690

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:						
At 1 January 2011	87,651	107,560	200,257	214,828	5,990	616,286
Additions during the year	-	145	4,520	20,841	-	25,506
Transfers during the year	-	-	-	5,990	(5,990)	-
Disposals during the year	(3,819)	(11,891)	(16,637)	(31,193)	-	(63,540)
At 31 December 2011	83,832	95,814	188,140	210,466	-	578,252
Accumulated depreciation:						
At 1 January 2011	31,087	46,402	117,676	96,206	-	291,371
Charge for the year	17,270	15,060	40,760	52,084	-	125,174
Disposals for year	(3,819)	(5,781)	(16,636)	(28,776)	-	(55,012)
At 31 December 2011	44,538	55,681	141,800	119,514	-	361,533
Net book value:						
At 31 December 2011	**39,294**	**40,133**	**46,340**	**90,952**	**-**	**216,719**
At 31 December 2010	56,564	61,158	82,581	118,622	5,990	324,915

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 2010: Nil)

20 Other liabilities

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	**Company Dec 2011 ₦'000**	Company Dec 2010 ₦'000
Accounts payable	**166,921**	196,821	**73,531**	39,466
Accrued expenses and discount payable	**197,424**	99,189	**196,316**	89,986
Due to customers	**341,603**	235,679	**176,846**	75,686
Others	**29,481**	11,635	**29,481**	11,635
	735,429	543,324	**476,174**	216,773

21 Share capital

a) **Authorised:** 3,100,000,000 Ordinary share of N1 each (31 December 2010: 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 2010: 2,794,793,730 Ordinary shares of N1 each)	**2,794,794**	2,794,794	**2,794,794**	2,794,794

22 Share premium

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
At 31 December	**1,539,587**	1,539,587	**1,539,587**	1,539,587

23 Statutory reserve

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
At 1 January	**2,848,062**	2,398,216	**2,819,958**	2,384,558
Transfer from profit and loss account	**393,070**	449,846	**364,944**	435,400
At 31 December	**3,241,132**	2,848,062	**3,184,902**	2,819,958

In line with the discount house guidelines issued by the CBN, 15% of profit after tax (31 December 2010: 15%) has been transferred to statutory reserve by FSDH, the parent company. In addition, Pensions Alliance Limited, a subsidiary company in the Group, has also transferred 12.5% of its profit after tax to statutory reserve account as required by the National Pension Commission (PENCOM).

24 Retained earnings

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

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
At 1 January	**9,634,658**	7,593,436	**8,915,793**	7,007,481
Dividend paid during the year	**(698,698)**	(558,958)	**(698,698)**	(558,958)
Transfer from profit and loss account	**2,238,481**	2,600,180	**2,068,017**	2,467,270
At 31 December	**11,174,441**	9,634,658	**10,285,112**	8,915,793

25 Revaluation reserve

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

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
At 1 January	**94,939**	102,062	**94,939**	-
Addition in the year	**-**	94,939	**-**	94,939
Realised in the year	**(94,833)**	(102,062)	**(94,833)**	-
At 31 December	**106**	94,939	**106**	94,939

Revaluation reserve represents the foreign exchange gain on conversion of a dollar denominated investment in the Eurobond issued by Guaranty Trust Bank Plc

26 Non-controlling interest

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

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
At 1 January	**235,598**	136,690	-	-
Payment for right issue	**171,990**	42,275	-	-
Transfer from Profit & Loss Account	**113,867**	56,633	-	-
At 31 December	**521,455**	235,598	-	-

27 Staff costs

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

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	**Company Dec 2011 ₦'000**	Company Dec 2010 ₦'000
Wages & Salaries	**1,359,451**	1,344,857	**742,573**	756,399
Pension costs	**55,535**	67,153	**45,987**	43,564
Gratuity costs (Note 17(b))	**86,476**	42,085	**76,788**	39,555
	1,501,462	1,454,095	**865,348**	839,518

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

	Group Dec 2011 Number	Group Dec 2010 Number	**Company Dec 2011 Number**	Company Dec 2010 Number
Executive	**2**	2	**2**	2
Management staff	**38**	36	**17**	17
Non management staff	**167**	159	**71**	68
	207	197	**90**	87

c) The number of employees of the group, other than directors, who received emoluments (excluding pension contributions and other benefits) in the following ranges were:

	Group Dec 2011 Number	Group Dec 2010 Number	**Company Dec 2011 Number**	Company Dec 2010 Number
Below N 1,000,000	**54**	75	**-**	-
N 1,000,001 - N3,000,000	**59**	32	**23**	20
N 3,000,001 - N5,000,000	**36**	31	**23**	23
N 5,000,001 - N7,000,000	**15**	15	**7**	7
Above N7,000,000	**43**	44	**37**	37
	207	197	**90**	87

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

	Group Dec 2011	Group Dec 2010	**Company Dec 2011 ₦'000**	Company Dec 2010 ₦'000
Fees and sitting allowances	**72,875**	58,088	**71,150**	58,088
Executive compensation	**68,924**	68,924	**68,924**	68,924
	141,799	127,012	**140,074**	127,012

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

	Group Dec 2011	Group Dec 2010	**Company Dec 2011 ₦'000**	Company Dec 2010 ₦'000
Chairman	**7,550**	7,763	7,550	7,763
Highest paid director	**37,641**	37,641	37,641	37,641

f) The number of directors who received fees and other emoluments (excluding pension contributions) in the following ranges were:

	Group Dec 2011 Number	Group Dec 2010 Number	**Company Dec 2011 Number**	Company Dec 2010 Number
N 1,500,001 - N 3,000,000	**-**	1	**-**	1
N 3,000,001 - N 4,000,000	**-**	-	**-**	-
N 4,000,001 - N 5,000,000	**-**	2	**-**	2
N 5,000,001 - N 6,000,000	**1**	2	**1**	2
N 6,000,001 - N 7,000,000	**2**	3	**2**	3
N 7,000,001 - N 8,000,000	**2**	1	**2**	1
Above N8,000,000	**4**	-	**4**	-
	9	9	**9**	9

28 Earnings per share

(EPS) is calculated by dividing the net profit or loss attributable to shareholders by the weighted average number of ordinary shares in issue during the period. The adjusted EPS is calculated using the number of shares in issue at the balance sheet date. Where a stock split has occurred, the number of the shares in issue in prior year is adjusted to achieve comparability.

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	**Company Dec 2011 ₦'000**	Company Dec 2010 ₦'000
Net profit attributable to shareholders	**2,631,551**	3,050,026	**2,432,961**	2,902,670
Ordinary shares in issue as at year end (in thousands of units)	**2,794,794**	**2,794,794**	**2,794,794**	**2,794,794**
Basic earnings per share	94k	109k	87k	104k
Diluted earnings per share	94k	109k	87k	104k

29 Cash generated/(used) from operations

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
Profit before tax	**2,909,762**	3,425,563	**2,444,616**	3,158,789
Reconciliation of profit before tax to cash generated from operations				
Depreciation (Note 19)	**180,982**	149,551	**125,174**	99,056
Amortisation of intangible assets (Note 18)	**114,383**	40,455	**114,383**	40,455
Write-back on assets (Note 12a(iii))	**(228,112)**	(351,204)	**(251,151)**	(351,093)
Write-back in provision for long-term investment	**-**	(6,474)	**-**	-
Reimbursements on retirement benefit	**3,048**	32,030	**3,048**	32,030
Provision for retirement benefits	**(26,817)**	42,085	**(25,029)**	39,555
Loss/(profit) on disposal of fixed assets	**(2,097)**	(955)	**2,478**	(372)
Operating profit before changes in operating assets and liabilities	**2,951,150**	3,331,051	**2,413,519**	3,018,420
Changes in operating assets and liabilities				
(Increase)/decrease in operating assets:				
Commercial bills	**568,058**	(1,860,417)	**568,058**	(1,225,834)
Trading securities	**596,688**	(63,417)	**485,427**	(63,417)
Short term investments	**(113,985)**	1,327,483	**(113,985)**	1,171,019
Assets on repurchase agreements	**(24,652,636)**	3,614,318	**(23,954,965)**	3,818,595
Margin accounts	**2,540**	9,857	**-**	-
Other assets	**(288,553)**	95,319	**(106,441)**	(43,524)
Increase/(decrease) in operating liabilities:				
Due to banks	**-**	(26,600,000)	**-**	(26,600,000)
Liabilities on repurchase agreements	**26,924,167**	(2,656,850)	**26,657,032**	(2,861,127)
Other liabilities	**192,104**	(199,237)	**259,401**	(193,724)
	3,228,383	(26,332,944)	**3,794,527**	(25,998,012)
Cash generated/(used) in operations	**6,179,532**	(23,001,893)	**6,208,046**	(22,979,593)

30 Cash and cash equivalents

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

	Group Dec 2011 ₦'000	Group Dec 2010 ₦'000	Company Dec 2011 ₦'000	Company Dec 2010 ₦'000
Cash and balances with CBN (Note 8)	**405,408**	755,442	**405,113**	755,244
Balances with other banks (Note 10)	**613,485**	3,013,665	**122,555**	2,653,898
Treasury bills (Note 9)	**1,312,222**	1,796,845	**1,312,222**	1,796,845
	2,331,115	5,565,952	**1,839,890**	5,205,987

31 Related party transactions

During the year, there were transactions conducted with related parties in the normal course of business. The outstanding balances as at 31 December, 2011 were as follows:

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

Name of company	Relationship	Transactions	Dec 2011 Amount (₦'000)	Dec 2010 Amount (₦'000)
FSDH Asset Management Limited (FAML)	Subsidiary	Liabilities on repurchase agreement	**20,066**	39,177
KMC Investment Limited	Shareholder	Liabilities on repurchase agreement	**20,950**	18,330
UNICO CPFA Limited	Shareholder	Liabilities on repurchase agreement	**30,000**	-
AIICO Insurance Plc	Shareholder	Liabilities on repurchase agreement	**296,871**	-
FSDH Securities Limited	Subsidiary (indirect)	Liabilities on repurchase agreement	**410,470**	619,154
FSDH Staff Cooperative Society	Shareholder	Liabilities on repurchase agreement	**381,407**	487,069
			1,159,764	1,163,730
Stanbic IBTC Bank Plc	Shareholder	Balance with other banks	**21,162**	17,366

(b) 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 N16,780,000 was charged in the year (31 December 2010: N13,546,443).

32 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.

33 Compliance with banking regulations

In line with the Central Bank of Nigeria circular reference FPR/DIR/CIR/GEN/01/020, the company did not have any customer complaint during the year neither did it pay any penalties in respect of contravention of any regulations of the Banks and Other Financial Institutions Act or relevant circulars issued by the Central Bank of Nigeria.

34 Comparative information

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

1.0 Principal Credit Policies

At FSDH, we maintain a strong and conservative credit culture. This ensures that we strike a balance 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, our principal credit policies revolve around 3 major areas:
- Portfolio Strategy and planning
- Credit Origination and Maintenance
- Performance Assessment and Reporting

1.1 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.

1.1 Credit Origination and Maintenance

1.2.1 Credit Origination

In originating credit, the Group shall:
- 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.

1.2.2 Credit Analysis

FSDH shall analyse 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 shall conduct 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.

1.2.3 Credit Evaluation

Credit evaluation shall entail 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 shall also involve 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 shall be closely analysed and monitored. Related party transactions shall be reviewed closely by the Board to ensure proper corporate governance. FSDH shall undertake measures to control or reduce the risks of connected lending.

1.2.4 Credit Risk Rating

All credit requests shall be rated using FSDH'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. FSDH'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.

1.2.5 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. FSDH shall define 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.

1.2.6 Maintenance

a. On approval of a facility for a customer, the Group shall ensure that all necessary documentations are complete before disbursement and if not, that the necessary approvals for deferrals are obtained.
b. The Group shall carry 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 we deal 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 FSDH 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, FSDH 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, FSDH is currently scouting for an international rating agency's analytical software to standardize our current internal ratings model.

3.0 Enterprise Risk Management Review

At FSDH, we know that every financial, operational or strategic decision we make may either adversely affect or strengthen our ability to meet our 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 our Group to be successful in the long term, we must manage all sources of opportunity and threat effectively.

3.1 Risk Management Philosophy and Culture

Our risk management philosophy and culture are the set of shared beliefs, values, attitudes and practices that govern how we consider the risk inherent in our 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 our risk management philosophy, we strive to entrench the following attributes as guiding principles of our risk culture:

a. FSDH insists on a robust risk management governance structure that enables us to manage all major aspects of our activities through that an integrated planning and review process 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 our Group is governed by formally documented and defined policies and procedures, which are clearly communicated to all.
d. We avoid products, businesses and markets that we do not fully understand or for which we cannot reasonably and objectively measure and manage their associated risks.
e. We strive to maintain a balance between risk/opportunity and revenue consideration with our risk appetite. Thus, risk-related issues are considered in all our business decisions.
f. We create and evaluate business unit and enterprise risk profiles to consider what is best for our individual business units and our Group as a whole.
g. Our 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. We create a process for institutionalising the lessons learned from risk events and will penalise negligent recurrence.
j. We have zero tolerance for breach of laws and regulations.
k. We have zero appetite for associating with disreputable individuals and organisations.

3.2 Risk Management Strategy

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

3.3 Scope of Risks

The scopes of risks we manage 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

Our risk appetite articulates the quantum of residual risk we are prepared to accept or tolerate in pursuit of our 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 our 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

We aim 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 we face 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 we face is properly identified, measured, monitored and controlled. The Risk Management department is complemented by other departments in the management of certain important risks.

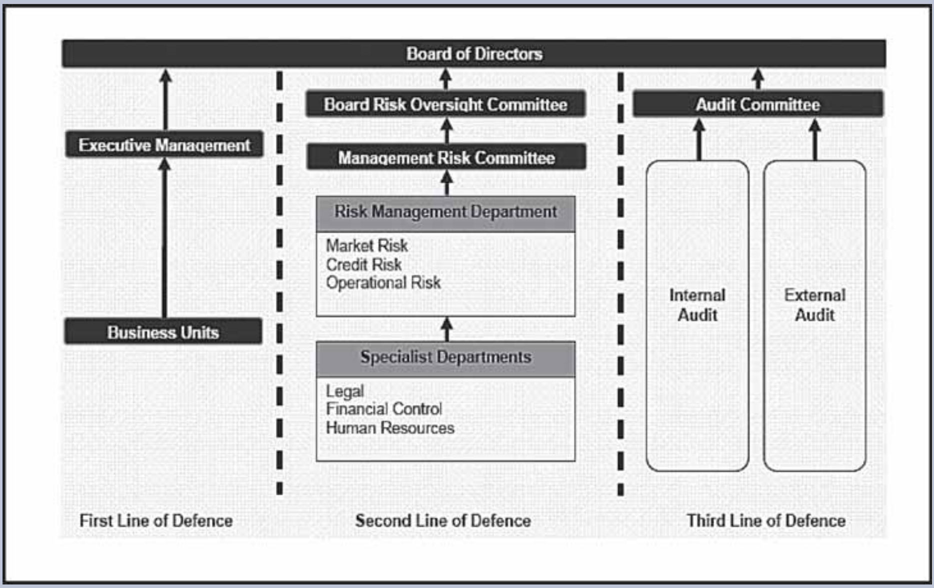
See table below for a listing of these risks and units responsible for managing them.

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	EXCO
7	Human resource	HR/Admin
8	Internal fraud	EXCO
9	Clients, Products and Business Practices	Clients, Products and Business Practices
10	Execution, Delivery and Process Management	Operations, Internal Audit
11	Management fraud	Managing Director
12	Industry	EXCO
13	Product development	Heads of Business units, EXCO, Managing Director
14	Legal	Outsourced to Udo Udoma Belo-Osagie (UUBO), The Company's Solicitors
15	External fraud	EXCO, IT, Internal Control/Audit
16	Country/Political	EXCO
17	Capital availability	Board
18	Strategic execution	EXCO
19	Business model	Board/EXCO
20	Environmental scan	EXCO
21	Infrastructure failure and business disruption	HR/ADMIN, Internal Audit and IT
22	Documentation	Operations
23	Health, Safety and Environment	HR/ADMIN
24	Competitor	EXCO
25	Damage to Physical Assets	HR/ADMIN
26	Organisational structure	EXCO

3.6 Risk Management Governance Structure

Our 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 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, FSDH does not accept deposits and grant commercial loans and overdrafts like a conventional commercial bank. Credit risk represents the loss that FSDH 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 FSDH hold.

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 the issuer of a security 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

FSDH 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.

FSDH shall 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 FSDH credit risk governance structure.

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.
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

At FSDH all credit requests are rated using FSDH's 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 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. FSDH'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 FSDH has the mandate to grant credit approval authority to designated officers of FSDH.

All credits in FSDH 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, FSDH 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 harbor 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	**Dec 2011 ₦' 000**	**Dec 2010 ₦' 000**
Performing	8,096,336	6,957,672
Non- Performing		
- Substandard	-	-
- Doubtful	-	-
- Lost	-	1553,007
	8,096,336	8,510,679

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

	Dec 2011 ₦' 000	**Dec 2010 ₦' 000**
Capital Market	-	54,251
Manufacturing	-	1,478,859
Real Estate and Construction	-	-
Finance and Insurance	-	19,897
	-	1,553,007

Analysis of non-performing facilities (by geography) to customers in the following order:	**Dec 2011 ₦' 000**	**Dec 2010 ₦' 000**
South South	-	-
South West	-	1,553,007
	-	1,553,007

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

31 December 2011	**Due from Banks Dec 2011 ₦' 000**	**Debt Instrument Dec 2011 ₦' 000**	**Total Dec 2011 ₦' 000**
South West	-	8,096,336	8,096,336
	-	8,096,336	8,096,336

31 December 2010	**Due from Banks Dec 2010 ₦' 000**	**Debt Instruments Dec 2010 ₦' 000**	**Total Dec 2010 ₦' 000**
South West	19,897	8,490,782	8,510,679
	19,897	8,490,782	8,510,679

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

31 December 2011	**Due from Banks Dec 2011 ₦' 000**	**Debt Instruments Dec 2011 ₦' 000**	**Total Dec 2011 ₦' 000**
Finance and Insurance	-	639,227	639,227
Manufacturing	-	859,077	859,077
Oil and gas	-	5,183,532	5,183,532
Real estate and construction	-	-	-
Telecoms	-	1,414,500	1,414,500
	-	8,096,336	8,096,336

Analysis of Commercial Bills/papers (by portfolio distribution and risk rating) to customers in the following order

Risk Rating	**Due from Banks**		**Debt Instruments**		**Total**	
	Dec 2011 ₦' 000	**Dec 2010 ₦' 000**	**Dec 2011 ₦' 000**	**Dec 2010 ₦' 000**	**Dec 2011 ₦' 000**	**Dec 2010 ₦' 000**
AAA to AA-	-	-	3,912,041	4,454,220	3,912,041	4,454,220
A+ to A-	-	-	3,088,090	635,760	3,088,090	635,760
BBB+ to BB-	-	-	1,096,205	1,599,760	1,096,205	1,599,760
Below BB-	-	19,897	-	1,801,042	-	1,820,939
	-	19,897	8,096,336	8,490,782	8,096,336	8,510,679

31 December 2010

	Due from Banks Dec 2010 ₦' 000	**Debt Instruments Dec 2010 ₦' 000**	**Total Dec 2010 ₦' 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
	19,897	8,490,782	8,510,679

Analysis of credit facilities (by portfolio distribution and risk rating) to customers in the following order:

	Dec 2011 ₦' 000	**Dec 2010 ₦' 000**
AAA to AA-	3,912,041	4,454,220
A+ to A-	3,088,091	635,760
BBB+ to BB-	1,096,205	1,599,760
Below BB-	-	1,820,939
Unrated	476,402	-
	8,096,336	8,510,679

6.0 The Group's Report on Liquidity Risk Management

Liquidity risk is one of the key risks we contend with at FSDH. This is the risk that FSDH 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:

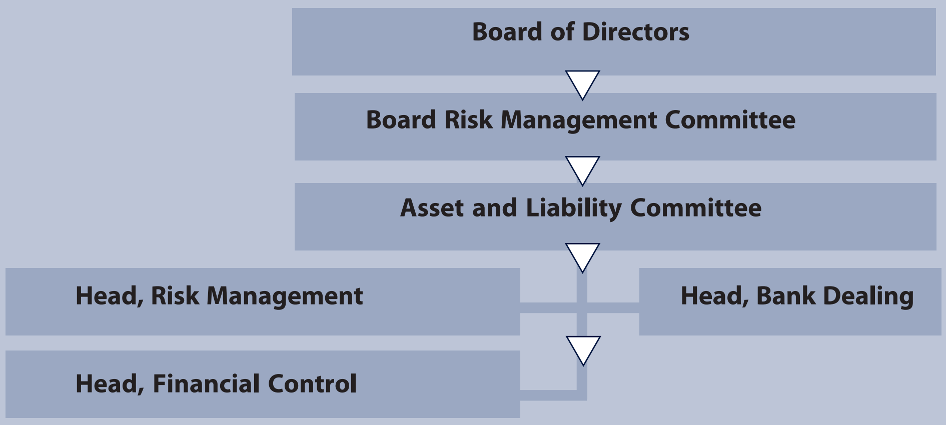
a. A well defined asset and liability mix – This shows the proportion of each asset and liability component that the institution shall hold at all times;
b. An unrestricted access to financial markets to raise funds – Management ensures that FSDH has sufficient and unhindered access to funding sources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

1. Managing Director (MD)
2. The Executive Director (ED)
3. Head of Risk Management
4. Head of Dealing – Head, Naira Desk & Head, Bond Dealing
5. Head of Financial Control
6. Head of Corporate Banking
7. Head of Investors Group
8. Head of Operations

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, 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 FSDH, it is pertinent to also know that the Head, 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.

FSDH, 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

FSDH 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 from balance sheet

31 December 2011 ASSETS:	**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 ₦'000**
Cash and balances with Central Bank of Nigeria	405,408	-	-	-	-	-	405,408	405,408
Treasury Bills	2,648	205,190	119,485	1,083,031	-	-	1,410,354	1,312,222
Balance with other Banks	613,485	-	-	-	-	-	613,485	613,485
Assets on repurchase agreements	-	98,059	17,865,000	13,547,208	22,238,897	3,129,770	56,878,933	53,451,326
Investment Securities	895,340	1,368,897	135,000	15,011	16,480,518	2,176,712	21,071,478	19,349,834
Margin accounts	36,483	13,382	-	-	-	-	49,865	18,762
Other assets	-	273,490	73,984	476,795	472,385	1,296,654	1,228,516	
Deferred tax	-	-	-	-	189,911	-	189,911	189,911
Retirement benefit scheme asset	-	-	-	-	-	10,412	10,412	10,412
Intangible assets						175,785	175,785	175,785
Property and equipment	5	289	998	24,909	534,395	11,725	572,320	396,533
TOTAL ASSETS	**1,953,369**	**1,959,307**	**18,120,483**	**14,744,143**	**40,096,301**	**5,801,005**	**82,674,605**	**77,152,194**
LIABILITIES:								
Liabilities on repurchase agreements	51,015,344	5,818,838	29,751	15,000	-	-	56,878,933	56,384,732
Other Liabilities	737,610	-	-	-	-	-	737,610	735,429
Taxation Payable	-	-	-	760,518	-	-	760,518	760,518
TOTAL LIABILITIES	**51,752,954**	**5,818,838**	**29,751**	**775,518**	**-**	**-**	**58,377,061**	**57,880,679**
GAP	**(49,799,585)**	**(3,859,530)**	**18,090,732**	**13,968,624**	**40,096,301**	**5,801,005**	**24,297,544**	**19,271,515**

31 December 2010 ASSETS:	**Up to 1 month ₦'000**	**1 - 3 month ₦'000**	**3 - 6 month ₦'000**	**6 - 12 month ₦'000**	**1 - 5 years ₦'000**	**Over 5 years ₦'000**	**Gross Total ₦'000**	**Carrying Value ₦'000**
Cash and balances with Central Bank of Nigeria	755,442	-	-	-	-	-	755,442	755,442
Treasury Bills	-	1,005,000	605,224	245,000	-	-	1,855,224	1,796,845
Balance with other Banks	3,013,665	-	-	-	-	-	3,013,665	3,013,665
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	18,508	982,911	940,497
Deferred tax asset	-	-	-	-	150,918	-	150,918	150,918
Intangible assets					215,763	215,763		215,763
Property and equipment	632	488	3,087	2,882	632,365	-	639,454	423,690
TOTAL ASSETS	**4,266,346**	**2,351,259**	**975,396**	**534,234**	**38,154,204**	**4,637,427**	**50,918,861**	**47,918,854**
LIABILITIES:								
Liabilities on repurchase agreements	22,836,671	5,913,197	748,882	-	-	-	29,498,750	29,460,565
Other liabilities	206,965	290,172	54,222	128,276	11,635	691,270	543,324	
Tax payable	-	-	-	711,773	-	-	711,773	711,773
Deferred tax liability	-	-	-	-	39,149	-	39,149	39,149
Retirement benefit scheme liability	-	-	-	-	-	16,405	16,405	16,405
TOTAL LIABILITIES	**23,043,636**	**6,203,369**	**803,104**	**840,049**	**50,784**	**16,405**	**30,957,347**	**30,771,216**
GAP	**(18,777,290)**	**(3,852,110)**	**172,292**	**(305,816)**	**38,103,420**	**4,621,022**	**19,961,514**	**17,147,638**

The tables above analyse assets and liabilities of the Group into relevant maturity groupings based on the remaining period from the 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 2011 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

	Group Dec 2011 ₦'000	**Group Dec 2010 N'000**
Tier 1 Capital		
Share Capital	2,794,794	2,794,794
Share Premium	1,539,587	1,539,587
Statutory Reserves	3,241,132	2,848,062
Retained Earnings	11,174,441	9,634,658
Total Tier 1 Qualifying Capital	18,749,954	16,817,101
Tier 2 Capital		
Minority Interest	521,455	235,598
Revaluation Reserve	106	94,939
General Provision	144,673	100,053
Total Qualifying Tier 2 Capital	666,234	430,590
Total Regulatory Capital	19,416,188	17,247,691

Risk Weighted Assets	**Group Dec 2011 ₦'000**	**Group Dec 2010 N'000**
On-Balance Sheet	11,644,232	11,798,673
Total Risk-Weighted Assets	11,644,232	11,798,673
Risk-Weighted Capital Adequacy Ratio	**167%**	**146%**

GROUP

	Group Dec 2011 ₦'000	%	Group Dec 2010 ₦'000	%
Gross earnings	**11,632,481**		8,019,999	
Securities trading expenses	**(6,175,005)**		(2,497,159)	
	5,457,476		5,522,840	
Write back on allowance on assets value	**228,112**		351,204	
Bought-in materials and services- local	**(837,200)**		**(644,918)**	
Value added	**4,848,388**	100	5,229,126	100
Distribution of value added				
To employees and directors:				
Salaries and benefits	**1,643,261**	34	1,581,107	30
To government:				
Government as taxes	**164,344**	3	351,354	7
The future:				
For replacement of fixed assets (depreciation)	**180,982**	4	149,551	3
For replacement of intangible assets (amortisation)	**114,383**	2	40,455	1
Transferred to non-controlling Interest	**113,867**	2	56,633	1
To pay declared dividend	**698,698**	14	558,959	11
To augment reserves	**1,932,853**	40	2,491,067	48
	4,848,388	100	5,229,126	100

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

COMPANY

	Company Dec 2011 ₦'000	%	Company Dec 2010 ₦'000	**%**
Gross earnings	**10,219,520**		6,836,899	
Securities trading expenses	**(6,219,192)**		(2,549,308)	
	4,000,328		4,287,591	
Write back on allowance on assets value	**251,151**		351,093	
Bought-in materials and services- local	**(676,267)**		(373,854)	
Value added	**3,575,212**	100	4,264,830	100

Distribution of value added

To employees and directors:				
Salaries and benefits	**1,005,422**	28	966,530	23
To government:				
Tax	**11,655**	0	256,119	6
The future:				
For replacement of fixed assets (depreciation)	**125,174**	4	139,511	3
To pay declared dividend	**698,698**	20	558,959	13
To augment reserves	**1,734,263**	48	2,343,711	55
	3,575,212	100	4,264,830	100

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

	Dec 2011 ₦'000	Dec 2010 ₦'000	Dec 2009 ₦'000	Jun 2009 ₦'000	Jun 2008 ₦'000
Gross earnings	**11,632,481**	8,019,999	7,543,490	32,242,419	13,161,533
Securities trading expenses	**(6,175,005)**	(2,497,159)	(3,482,493)	(24,422,938)	(8,608,939)
Operating income	**5,457,476**	5,522,840	4,060,997	7,819,481	4,552,595
Profit before tax	**2,909,762**	3,458,013	3,014,945	4,321,626	2,737,993
Tax	**(164,344)**	(351,354)	(366,883)	(469,972)	(377,278)
Profit after tax	**2,745,418**	3,106,659	2,648,062	3,851,654	2,360,715
Minority interest	**(113,867)**	(56,633)	(21,304)	(13,598)	(16,589)
Profit attributable to equity holders	**2,631,551**	3,050,026	2,626,758	3,838,056	2,344,126
Earnings per share	**94k**	109k	94k	137k	84k
ASSETS					
Cash and balances with Central Bank of Nigeria	**405,408**	755,442	254,430	225,706	272,571
Treasury bills	**1,312,222**	1,796,845	17,193,081	5,346,309	35,690,177
Balances with other banks	**613,485**	3,013,665	208,393	427,102	1,027,196
Assets on repurchase agreements	**53,451,326**	28,865,889	31,916,736	69,007,425	12,668,789
Investment securities	**19,349,834**	11,734,873	23,560,739	11,767,755	18,464,675
Margin accounts	**18,762**	21,272	31,018	130,936	1,550,730
Other assets	**1,228,516**	940,497	1,101,195	767,656	713,625
Deferred tax assets	**189,911**	150,918	199,458	226,340	201,643
Retirement benefit scheme asset	**10,412**	-	1	-	5,414
Intangible assets	**175,785**	215,763	-	-	-
Long-term investments	**-**	-	-	-	114,043
Property and equipment	**396,533**	423,690	562,735	304,862	293,294
	77,152,194	47,918,854	75,027,786	88,204,091	71,002,157
LIABILITIES					
Due to banks	**-**	-	26,600,000	1,500,000	45,440,000
Liabilities on repurchase agreements	**56,384,732**	29,460,565	32,155,600	71,751,890	12,791,016
Short term borrowings	**-**	-	-	-	1,454,896
Other liabilities	**735,429**	543,324	870,732	1,330,484	1,115,008
Tax payable	**760,518**	711,773	836,669	573,656	551,274
Deferred tax liabilities	**-**	39,149	-	-	-
Retirement benefit scheme liability	**-**	16,405	-	-	-
	57,880,679	30,771,216	60,463,001	75,156,030	61,352,194
NET ASSETS	**19,271,515**	17,147,638	14,564,785	13,048,061	9,649,963
SHAREHOLDERS' FUNDS:					
Share capital	**2,794,794**	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	1,539,587
Statutory reserve	**3,241,132**	2,848,062	2,398,216	2,007,532	1,380,535
Retained earnings	**11,174,441**	9,634,658	7,593,436	6,335,540	3,823,179
Revaluation reserve	**106**	94,939	102,062	255,222	10,081
	18,750,060	16,912,040	14,428,095	12,932,675	9,548,176
Non-controlling interest	**521,455**	235,598	136,690	115,386	101,788
SHAREHOLDERS' FUNDS	**19,271,515**	17,147,638	14,564,785	13,048,061	9,649,963

Five Year Financial Summary - Company

	Dec 2011	Dec 2010	Dec 2009	Jun 2009	Jun 2008
	₦'000	₦'000	₦'000	₦'000	₦'000
Gross earnings	**10,219,520**	6,836,899	7,102,458	31,413,393	11,574,738
Securities trading expenses	**(6,219,192)**	(2,549,308)	(3,539,293)	(24,556,004)	(8,608,939)
Operating income	**4,000,328**	4,287,591	3,563,165	6,857,389	2,965,800
Profit before tax	**2,444,616**	3,158,789	2,913,165	4,604,240	2,054,405
Tax	**(11,655)**	(256,119)	(344,429)	(447,384)	(301,104)
Profit after tax	**2,432,961**	2,902,670	2,568,736	4,156,856	1,753,301
Earnings per share	**87k**	104k	92k	149k	63k
ASSETS					
Cash and balances with Central Bank of Nigeria	**405,113**	755,244	254,430	225,706	272,571
Treasury bills	**1,312,222**	1,796,845	17,193,081	5,346,309	35,690,177
Balances with other banks	**122,555**	2,653,898	139,399	171,297	249,768
Assets on repurchase agreements	**53,451,326**	29,557,334	32,812,458	69,619,147	12,778,761
Investment securities	**18,381,425**	10,658,272	22,569,730	10,683,128	17,641,110
Investment in subsidiary companies	**787,010**	608,000	564,000	564,000	564,000
Other assets	**680,447**	574,539	590,682	447,255	403,103
Deferred tax assets	**183,424**	-	48,540	75,259	38,298
Retirement benefit scheme asset	**5,441**	-	-	-	5,414
Intangible assets	**175,785**	215,763	-	-	-
Property and equipment	**216,719**	324,915	472,206	223,115	185,571
	75,721,467	47,144,810	74,644,526	87,355,216	67,828,773
LIABILITIES					
Due to banks	**-**	-	26,600,000	1,500,000	45,440,000
Liabilities on repurchase agreements	**56,815,268**	30,158,236	33,057,548	72,369,424	12,900,988
Other liabilities	**476,174**	216,773	506,217	838,686	471,911
Tax payable	**625,524**	545,993	754,341	511,386	328,231
Deferred tax liabilities	**-**	39,149	-	-	-
Retirement benefit scheme liability	**-**	19,588	-	-	-
	57,916,966	30,979,739	60,918,106	75,219,497	59,141,130
NET ASSETS	**17,804,501**	16,165,071	13,726,420	12,135,719	8,687,643
SHAREHOLDERS' FUNDS:					
Share capital	**2,794,794**	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	1,539,587
Statutory reserve	**3,184,902**	2,819,958	2,384,558	1,999,226	1,375,698
Retained earnings	**10,285,112**	8,915,793	7,007,481	5,802,113	2,967,483
Revaluation reserve	**106**	94,939	-	-	10,081
	17,804,501	16,165,071	13,726,420	12,135,719	8,687,643

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