

1 General information

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

	<u>Dec 2011</u>	<u>Dec 2010</u>
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 N'000	Stock broking Dec 2011 N'000	Fixed income securities Dec 2011 N'000	Pension funds management Dec 2011 N'000	Total Dec 2011 N'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 N'000	Stock broking Dec 2010 N'000	Fixed income securities Dec 2010 N'000	Pension funds management Dec 2010 N'000	Total Dec 2010 N'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
Operating expenses	232,045 (151,103)	190,840 (144,114)	4,287,591 (1,479,895)	825,911 (654,466)	5,536,387 (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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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

Notes to the Financial Statements

31 December 2011

5 Other income	Group Dec 2011 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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

Notes to the Financial Statements

31 December 2011

	Group Dec 2011 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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:

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:

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:

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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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:				
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:				
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:				
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

Notes to the Financial Statements

31 December 2011

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

	Group Dec 2011 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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:				
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:				
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

Notes to the Financial Statements

31 December 2011

(b) Trading securities comprise:

	Group Dec 2011 N'000	Group Dec 2010 N'000	Company Dec. 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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.

Notes to the Financial Statements

31 December 2011

	Group Dec 2011 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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
			Dec 2011 %	Dec 2010 %	
Direct Subsidiaries					
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 N'000	Pensions Alliance Limited N'000	FSDH Securities Limited (indirect) N'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
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

Notes to the Financial Statements

31 December 2011

15 Other assets	Group Dec 2011 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'000
This comprise of funded gratuity scheme to meet retirement benefit obligations and the movement during the year was as follows:				
(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 gratuity 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.

Notes to the Financial Statements

31 December 2011

18 Intangible assets

	Group Dec 2011 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 reclassification 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 N'000	Furniture & Fittings N'000	Office Equipment N'000	Motor Vehicles N'000	Work In Progress N'000	Total N'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 N'000	Furniture & Fittings N'000	Office Equipment N'000	Motor Vehicles N'000	Work In Progress N'000	Total N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 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
---------------------------------------------------------------------------------------------------------	------------------	-----------	------------------	-----------

Notes to the Financial Statements

31 December 2011

22 Share premium	Group Dec 2011 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'000
At 31 December	1,539,587	1,539,587	1,539,587	1,539,587

23 Statutory reserve	Group Dec 2011 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'000
Chairman	7,550	7,763	7,550	7,763
Highest paid director	37,641	37,641	37,641	37,641

Notes to the Financial Statements

31 December 2011

- 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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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 N'000	Group Dec 2010 N'000	Company Dec 2011 N'000	Company Dec 2010 N'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	Dec 2010
			Amount (N'000)	Amount (N'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.