

**Consolidated Discounts Limited
and Subsidiary Company**

**Group Financial Statements --31 May 2008
Together with Directors' and Auditor's Reports**

Directors' Report

For the year ended 31 May 2008

The directors present their annual report on the affairs of Consolidated Discounts Limited (“the Company”) and its subsidiary (“the Group), together with the group and separate financial statements and auditor’s report for the year ended 31 May 2008.

Principal activity and business review:

The principal activity of the Company continues to be trading in, holding and provision of discount and rediscount facilities for Federal Government of Nigeria securities, commercial bills and other eligible financial instruments, as prescribed by the Central Bank of Nigeria.

The Company recorded a 58% increase in profit before tax when compared to the previous year. The directors expect the level of activities to continue to improve in future years.

The Company has a subsidiary, CDL Assets Management Company Limited which was incorporated for the purpose of carrying on business as issuing house, acceptance house, portfolio managers, investment advisors and stockbrokers. In addition, Consolidated Discounts Limited incorporated a subsidiary, CDL Capital Market Limited, on 10 May 2007 to carry on the business of asset management and financial advisory. CDL Capital Market Limited is yet to commence business and the results have not been consolidated into the group financial statements.

Operating results:

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

	Group 2008	Group 2007	Company 2008	Company 2007
	N’000	N’000	N’000	N’000
Profit before taxation	3,710,276	2,277,070	3,464,350	2,224,105
Taxation	(637,337)	(361,583)	(539,544)	(333,172)
Profit after taxation before non-controlling interest	3,072,939	1,915,487	2,924,806	1,890,933
Non-controlling interest	(14,761)	(2,508)	-	-
Profit attributable to the group	3,058,178	1,912,979	2,924,806	1,890,933
Transfer to statutory reserve	(438,721)	(283,640)	(438,721)	(283,640)
Retained earnings for the year	2,619,457	1,629,339	2,486,085	1,607,293
General reserve, beginning of year	1,841,578	1,079,739	1,844,197	1,104,404
Transfer to reserve for bonus issue	(500,000)	(500,000)	(500,000)	(500,000)
Dividend paid	(200,000)	(367,500)	(200,000)	(367,500)
General reserve, end of year	3,761,035	1,841,578	3,630,282	1,844,197
Earnings per employee	48,543	31,883	66,473	46,120
Earnings per share – basic	122k	96k	117k	95k
Earnings per share – adjusted	122k	77k	117k	76k

Directors and their interest:

The Directors who served during the year are shown below:

Mr. Bartholomew B. Ebong	-	Chairman representing Union Bank Plc
Mr. Steve O. Akinretoye	-	Managing Director
Mr. Aigboje Aig-Imoukhuede	-	Representing Access Bank Plc
Mr. Sebastian Adigwe	-	Representing Afribank Nigeria Plc
Alhaji Jibrin Isah	-	Representing Afribank Nigeria Plc
Mr. Kehinde Durosinmi-Etti	-	Representing Skye Bank Plc
Mr. Walter Mbah (retired on 31/10/07)	-	Representing Union Bank Plc
Alhaji Garba A. Yakasai	-	Representing Williams Street Trustees Limited
Mr. Ado Abdullahi (appointed on 31/10/07)	-	Representing Union Bank Plc

Substantial interest in shares

Other than the under-listed members, no individual shareholders held more than 10% of the issued share capital of the Company as at 31 May 2008:

Shareholders	% shareholding
Union Bank of Nig. Ltd	37.50
Afribank Nig. Plc	24.50
	<hr/>
	62.00
	<hr/>

Acquisition of own shares

The Company did not acquire any of its own shares during the year ended 31 May, 2008.

Statement of Directors' responsibilities in relation to the financial statements for the year ended 31 May 2008

This statement, which should be read in conjunction with the Auditor's report, is made with a view to setting out for shareholders, the responsibilities of the Directors with respect to the financial statements.

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act of Nigeria, 1990 and Sections 24 and 28 of the Banks and Other Financial Institutions Act of Nigeria 1991, the Directors are responsible for the preparation of annual financial statements which give a true and fair view of the state of affairs of the Group and the Company and of the profit for the financial year.

The responsibilities include ensuring that:

- (a) appropriate internal controls are established both to safeguard the assets of the Group and to prevent and detect fraud and other irregularities;

- (b) the Group keeps accounting records which disclose with reasonable accuracy its financial position and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act of Nigeria, 1990 and Banks and Banks and Other Financial Institutions Act of Nigeria, 1991;
- (c) the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed; and
- (d) it is appropriate for the financial statements to be prepared on a going concern basis unless it is presumed that the Company and its subsidiary will not continue in business.

Fixed assets:

Information relating to changes in tangible fixed assets is disclosed in Note 8 to the financial statements.

Donations and charitable gifts:

The Company identifies with the aspirations of the community as well as the environment within which it operates and made charitable donations to the under-listed organizations amounting to ₦1,090,000 (2007: ₦2,500,000) during the year:

Organizations	₦
Support to Heart Campaign	250,000
National Women Conference	90,000
Philosophy Department, University of Ado-Ekiti	500,000
St. Monica Catholic Church, Maza-Maza	100,000
St. Paul Anglican Church, Breadfruit, Lagos	100,000
Women in Banking and Finance Conference	50,000
	1,090,000
	1,090,000

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

Employment of disabled persons:

The Group applies a non-discriminatory policy in the consideration of applications for employment, including those received from disabled persons. The Group's policy is that the most qualified and experienced persons are recruited for appropriate job levels irrespective of an applicant's state of origin, ethnicity, religion or physical condition.

In the event of any employee becoming disabled in the course of employment, the Group is in a position to arrange appropriate training to ensure the continuous employment of such a person without subjecting him/her to any disadvantage in his/her career development. As at 31 May 2008, the Group had no disabled persons in its employment.

Health, safety and welfare at work:

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

Employee involvement and training:

The Group places considerable value on the involvement of its employees in its affairs and has continued the practice of keeping them informed on matters affecting their well being. In line with this, formal and informal channels of communication are employed in keeping staff abreast of factors affecting the performance of the Group.

The Group provides training for its employees as and when needed.

Auditors:

The Auditors, Messrs KPMG Professional Services, have indicated their willingness to continue in office in accordance with Section 357(2) of the Companies and Allied Matters Act of Nigeria, 1990.

38/39 Marina
Lagos, Nigeria

BY ORDER OF THE BOARD,

15 September 2008

L. Claud- Ennin (Mrs)
Company Secretary

Independent Auditor's Report

To the Members of **Consolidated Discounts Limited**:

Report on the Financial Statements

We have audited the Group and separate financial statements of **Consolidated Discounts Limited** ("the Company") and Subsidiary ("the Group"), which comprise the balance sheets as at 31 May 2008, the profit and loss accounts, statements of cash flows and value added statements for the year then ended, the statement of accounting policies, notes to the financial statements and the three and five year financial summaries, set out on pages 7 to 39.

Directors' Responsibility for the Financial Statements

The Directors' are responsible for the preparation and fair presentation of these financial statements in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, the Banks and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria circulars. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the group and separate financial statements give a true and fair view of the state of affairs of the Group and Company as at 31 May 2008, and of their profit and cash flows for the year then ended in accordance with Statements of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act of Nigeria, Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars.

Report on Other Legal and Regulatory Requirements

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

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

Compliance with Section 27 (2) of the Banks and Other Financial Institutions Act of Nigeria and Central Bank of Nigeria circular BSD/1/2004

Based on our audit and representations received, to the best of our knowledge and belief, the Company did not contravene any of the rules and regulations of the Banks and Other Financial Institution Act of Nigeria.

15 September 2008
Lagos, Nigeria

Statement of Accounting Policies

A summary of the principal accounting policies, applied consistently throughout the current and preceding years, is set out below:

(a) **Basis of accounting**

These financial statements have been prepared under the historical cost convention except as indicated in the notes to the financial statements.

(b) **Basis of consolidation**

i. *Subsidiaries*

The Group financial statements comprise the financial statements of the Company and its subsidiary, CDL Asset Management Limited. 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 subsidiary are included in the Company's financial statements from the date that control commences until the date that control ceases.

ii. *Transactions eliminated on consolidation*

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

iii. *Investment in subsidiaries*

Investment in the subsidiaries is stated in the Company's separate financial statements at cost. Allowance is made for any permanent diminution in the value of investments in subsidiaries.

(c) **Cash and bank balances**

Cash and bank balances principally comprise cash balances on hand, cash deposited with the Central Bank of Nigeria and cash deposited with other banks in Nigeria.

(d) **Trading securities**

Trading securities comprise FGN tradable bonds. Transactions in trading securities are recorded on a settlement date basis.

Trading bonds are carried at market value. Any gain or loss arising from movements in market values of the portfolio is transferred to a revaluation reserve account; unless a net cumulative loss has been incurred, in which case the net loss is charged to the profit and loss account in the period it first arises. Any subsequent net gain is credited to the profit and loss account to the extent of losses previously charged.

(e) **Marketable securities**

Marketable securities comprise treasury bills and commercial bills. Treasury and commercial bills are stated at face value net of unearned income. Unearned income is deferred and amortized as earned. Allowance is made on commercial bills in line with the CBN Prudential Guidelines (see (f) below)

(f) **Allowance for risk assets**

Commercial bills are stated net of allowance for those that are considered doubtful of recovery. The allowance is determined by a specific assessment of each issuer's account in accordance with the Central Bank of Nigeria's (CBN) Prudential Guidelines as described below;

<u>Period principal or interest has been outstanding</u>	<u>Classification</u>	<u>% Allowance</u>
90 days but less than 180 days	Substandard	10
180 days but less than 360 days	Doubtful	50
Over 360 days	Lost	100

An allowance of at least 1% is made for all commercial bills classified as performing to recognize potential inherent losses in line with the Prudential Guidelines.

Bad debts are written off when the extent of the loss has been determined. Recoveries are written back to the profit and loss account when received.

(g) **Investments**

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

Long-term investments comprise debt and equity securities maturing after one year of the balance sheet date. Long-term investments are stated at cost. Allowances are made for any permanent diminution in the value of such investments.

(h) **Fixed assets**

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis to write-off the cost of each asset over its estimated useful life as follows:

Furniture and fittings	20%
Office equipment	20%
Motor vehicles	25%
Computer equipment	33 1/3%

Capital work in progress which represents fixed assets under construction is not depreciated. Upon completion, the cost attributable to each asset is transferred to the relevant asset category.

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

(i) **Income recognition**

Interest on placements, trading securities and fixed interest securities is accounted for on an accrual basis. Commissions and fees charged for services rendered are recognised at the time the service or transaction is provided or effected.

Securities trading income relates to gains or losses arising from the purchase and sale of securities and is recognised on realisation.

(j) **Discount expense**

Discount expense on takings is accounted for on an accrual basis.

(k) **Taxation**

Income tax expenses/credits are recognized 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.

(l) **Deferred taxation**

Deferred taxation, which arises from timing differences in the recognition of items for accounting and tax purposes, is calculated using the liability method. Deferred tax is provided fully on timing differences, which are expected to reverse in the foreseeable future at the rate of tax likely to be in force at the time of reversal.

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

(m) **Foreign currency items**

Transactions denominated in foreign currencies are translated to Naira at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the balance sheet date. Any gain or loss arising from a change in exchange rates, subsequent to the dates of the transactions is included in the profit and loss account.

(n) **Retirement benefits**

The Group operates three types of retirement benefit schemes;

Pension scheme

The Group operates a defined contribution pension scheme. Membership of the scheme is automatic in line with the Pensions Reform Act. Employees' and the Group's contributions to the scheme are 7.5% and 22.5% respectively of each employee's annual basic salary, transport and housing allowances. Contributions to the scheme are funded through payroll deductions while the Group's contribution is charged to the profit and loss account.

Insurance scheme

The Group operates a defined contribution insurance scheme which is administered by an insurance company. Employees are entitled to join the scheme on confirmation of their employment. Employee and Company contributions to the scheme are 5% and 12.5% respectively of the employee's annual basic salary, transport and housing allowance. Contributions to the scheme are funded through payroll deductions while the Company's contribution is charged to the profit and loss account.

Gratuity scheme

The Group also operates a non-contributory defined benefit gratuity scheme. Employees are entitled to join the scheme after completing five full years of service. Employees' terminal benefits are calculated at 40% of basic salary, housing, furniture, transport and lunch allowances for each service year. Lump sum benefits payable on retirement or resignation of employment are accrued over the service lives of employees. The past service cost arising as a result of the introduction of the gratuity scheme or pay rises are charged over five years in accordance with Statement of Accounting Standards No 8 on Accounting for Employees retirement benefits.

(o) **Assets on repurchase agreement**

The Company enters into purchases (sale) of securities under agreements to resell (repurchase) substantially identical securities at certain dates into the future at fixed prices. Securities purchased subject to commitments to resell at future dates are accounted for as repurchase transactions.

Securities sold under repurchase agreements continue to be recognized in the balance sheet and proceeds from the sale of such securities are reported as liabilities to customers. Differences between sale and purchase considerations are recognized on an accrual basis over the period of the transactions.

(p) **Provisions**

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

(q) **Dividend**

Dividends comprise dividends paid, proposed and/or declared. Dividend declared is recognized in the financial statements in the period when they are declared.

(r) **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.

(s) **Earnings per share**

The Group presents ordinary basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Adjusted earnings per share is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares adjusted for the bonus shares issued.

Balance Sheets

As at 31 May 2008

	<u>Note</u>	<u>Group</u> <u>2008</u> N'000	<u>Group</u> <u>2007</u> N'000	<u>Company</u> <u>2008</u> N'000	<u>Company</u> <u>2007</u> N'000
ASSETS:					
Cash and bank balances	1	2,846,400	270,558	2,817,009	267,692
Trading securities	2	9,953,616	5,620,884	9,799,320	5,620,884
Assets on repurchase agreement	3	1,951,927	19,999,235	1,951,927	19,999,235
Marketable securities	4	89,226,445	64,315,198	86,659,626	58,596,592
Short-term investments	5	4,182,383	1,750,000	4,182,383	1,750,000
Other assets	6	1,883,186	1,158,848	1,208,999	992,920
Deferred taxation	13(a)	346,295	109,323	346,295	97,880
Long-term investments	7	11,188,182	8,360,665	11,368,182	8,540,665
Fixed assets	8	208,750	157,303	155,235	116,434
TOTAL ASSETS		<u>121,787,184</u>	<u>101,742,014</u>	<u>118,488,976</u>	<u>95,982,302</u>
LIABILITIES:					
Secured Placements	9	109,106,922	74,176,193	106,168,124	68,557,183
Liabilities against repurchase agreement	3	1,960,000	20,201,247	1,960,000	20,201,247
Other liabilities	10	1,211,010	1,055,449	1,100,828	995,829
Taxation payable	12(a)	1,039,667	703,909	964,900	639,975
Gratuity provisions	11	228,764	109,973	228,764	109,973
Deferred taxation	13(b)	9,180	-	-	-
Dividend payable	14	-	-	-	-
TOTAL LIABILITIES		<u>113,555,543</u>	<u>96,246,771</u>	<u>110,422,616</u>	<u>90,504,207</u>
NET ASSETS		<u>8,231,641</u>	<u>5,495,243</u>	<u>8,066,360</u>	<u>5,478,095</u>
CAPITAL AND RESERVES:					
Share capital	15	2,500,000	2,000,000	2,500,000	2,000,000
Statutory reserve	16	1,436,078	997,357	1,436,078	997,357
Reserve for bonus issue	17	500,000	500,000	500,000	500,000
General reserve	18	3,761,035	1,841,578	3,630,282	1,844,197
Revaluation reserve	19	-	136,541	-	136,541
SHAREHOLDERS' FUNDS		<u>8,197,113</u>	<u>5,475,476</u>	<u>8,066,360</u>	<u>5,478,095</u>
Non-controlling interest	20	34,528	19,767	-	-
		<u>8,231,641</u>	<u>5,495,243</u>	<u>8,066,360</u>	<u>5,478,095</u>

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

B. B. EBONG _____)
 S. O. AKINRETOYE _____) Directors

Approved by Board of Directors on 15 September 2008.

The accompanying accounting policies and notes form an integral part of these balance sheets.

Profit and Loss Accounts

For the year ended 31 May 2008

	<u>Note</u>	<u>Group</u> <u>2008</u> N'000	<u>Group</u> <u>2007</u> N'000	<u>Company</u> <u>2008</u> N'000	<u>Company</u> <u>2007</u> N'000
Gross earnings		24,532,593	8,980,974	18,694,245	7,335,440
Securities discount income	21	24,489,554	8,937,386	18,694,245	7,335,440
Discount expenses		(18,557,097)	(5,495,303)	(13,248,385)	(4,032,781)
Net discount income		5,932,457	3,442,083	5,445,860	3,302,659
Other income		43,039	43,588	-	-
		5,975,496	3,485,671	5,445,860	3,302,659
Allowance for risk and other assets	22(a)	(591,157)	(33,700)	(473,669)	28,462
Net earnings		5,384,339	3,451,971	4,972,191	3,331,121
Operating expenses	22(b)	(1,674,063)	(1,174,901)	(1,507,841)	(1,107,016)
Profit before taxation	22(a)	3,710,276	2,277,070	3,464,350	2,224,105
Taxation	12	(637,337)	(361,583)	(539,544)	(333,172)
Profit after taxation before non-controlling interest		3,072,939	1,915,487	2,924,806	1,890,933
Non-controlling interest	20	(14,761)	(2,508)	-	-
Profit attributable to the group		3,058,178	1,912,979	2,924,806	1,890,933
Transfer to statutory reserve	16	(438,721)	(283,640)	(438,721)	(283,640)
Transfer to general reserve		2,619,457	1,629,339	2,486,085	1,607,293
General reserve, beginning of the year	18	1,841,578	1,079,739	1,844,197	1,104,404
Transfer to reserve for bonus issue	17, 18	(500,000)	(500,000)	(500,000)	(500,000)
Dividend paid		(200,000)	(367,500)	(200,000)	(367,500)
General reserve, end of year		3,761,035	1,841,578	3,630,282	1,844,197
Earnings per share – Basic	23	122k	96k	117k	95k
– Adjusted	23	122k	77k	117k	76k

The accompanying accounting policies and notes form an integral part of these profit and loss accounts.

Statements of Cash Flows

For the year ended 31 May 2008

	<u>Note</u>	<u>Group</u> <u>2008</u> N'000	<u>Group</u> <u>2007</u> N'000	<u>Company</u> <u>2008</u> N'000	<u>Company</u> <u>2007</u> N'000
Operating activities:					
Net cash flows from trading activities					
before changes in operating assets	24	4,790,105	2,475,034	4,395,491	2,349,020
Changes in operating assets	25	1,461,573	3,897,580	1,737,474	4,205,168
Income tax paid	12	(506,600)	(249,485)	(440,793)	(249,485)
Gratuity paid	11	(17,831)	-	(17,831)	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net cash flow from operating activities		5,727,247	6,123,129	5,674,341	6,304,703
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Investing activities:					
Purchase of long-term investments	7(e)	(9,555,304)	(7,335,246)	(9,555,304)	(7,425,246)
Proceed from disposal of long-term investments	7(e)	6,727,787	1,750,000	6,727,787	1,750,000
Purchase of fixed assets	8	(123,888)	(54,645)	(97,507)	(39,070)
		<hr/>	<hr/>	<hr/>	<hr/>
Net cash flows from investing activities		(2,951,405)	(5,639,891)	(2,925,024)	(5,714,316)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Financing activities:					
Dividend paid	14	(200,000)	(376,650)	(200,000)	(376,650)
Non-controlling interest	20	-	10,000	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net cash flows from financing activities		(200,000)	(366,650)	(200,000)	(376,650)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net increase in cash and bank balances		2,575,842	116,588	2,549,317	213,737
Cash and bank balances, beginning of the year		270,558	153,970	267,692	53,955
		<hr/>	<hr/>	<hr/>	<hr/>
Cash and bank balances, end of year		2,846,400	270,558	2,817,009	267,692
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying accounting policies and notes form an integral part of these statements of cash flows.

Notes to the Financial Statement

For the year ended 31 May 2008

1. Cash and bank balances

Cash and bank balances comprise:

	<u>Group</u> <u>2008</u> N'000	<u>Group</u> <u>2007</u> N'000	<u>Company</u> <u>2008</u> N'000	<u>Company</u> <u>2007</u> N'000
Cash in hand	35	35	20	20
Balances held with banks in Nigeria	2,846,365	270,523	2,816,989	267,672
	<u>2,846,400</u>	<u>270,558</u>	<u>2,817,009</u>	<u>267,692</u>

2. Trading securities

Trading securities comprise;

	<u>Group</u> <u>2008</u> N'000	<u>Group</u> <u>2007</u> N'000	<u>Company</u> <u>2008</u> N'000	<u>Company</u> <u>2007</u> N'000
3 rd FGN Bond 2009 Series 11 (12.50%)	1,893,791	321,150	1,893,791	321,150
3 rd FGN Bond 2009 Series 12 (12.00%)	215,592	265,250	215,592	265,250
3 rd FGN Bond 2011 Series 13 (12.99%)	341,686	338,400	341,686	338,400
4 th FGN Bond 2010 Series 1 (10.75%)	-	451,934	-	451,934
4 th FGN Bond 2012 Series 2 (9.50%)	-	551,650	-	551,650
4 th FGN Bond 2014 Series 3 (10.75%)	104,247	1,292,500	104,247	1,292,500
4 th FGN Bond 2010 Series 4 (9.00%)	605,250	2,000,000	605,250	2,000,000
4 th FGN Bond 2012 Series 5 (9.23%)	402,049	400,000	402,049	400,000
4 th FGN Bond 2014 Series 6 (9.20%)	1,261,718	-	1,261,718	-
4 th FGN Bond 2017 Series 9 (9.35%)	1,159,901	-	1,159,901	-
4 th FGN Bond 2012 Series 10 (9.50%)	101,142	-	101,142	-
4 th FGN Bond 2014 Series 11(9.25%)	247,959	-	247,959	-
4 th FGN Bond Series 14 (8.99%)	155,215	-	155,215	-
5 th FGN Bond 2013 Series (9.45%)	3,572,914	-	3,572,914	-
	<u>10,061,464</u>	<u>5,620,884</u>	<u>10,061,464</u>	<u>5,620,884</u>

Trading securities (cont'd)

Investments in securities of quoted companies	171,761	-	-	-
	<u>10,233,225</u>	<u>5,620,884</u>	<u>10,061,464</u>	<u>5,620,884</u>
Revaluation loss	(279,609)	-	(262,144)	-
	<u>9,953,616</u>	<u>5,620,884</u>	<u>9,799,320</u>	<u>5,620,884</u>

3. (a) Assets/liabilities under repurchase agreements:

Assets on repurchase agreements represent the value of trading securities sold to counterparties where the Company has a commitment or option to buy the securities back at later dates. The recognition of repurchase agreements "on balance sheet" is a requirement of SAS 15. Amounts received as proceeds from sales are recorded as liabilities in the financial statements.

(b) Assets on repurchase agreements:

Assets on repurchase agreements comprise:

	<u>Group</u> <u>2008</u> N'000	<u>Group</u> <u>2007</u> N'000	<u>Company</u> <u>2008</u> N'000	<u>Company</u> <u>2007</u> N'000
Commercial bills	-	20,201,247	-	20,201,247
Treasury bills	1,960,000	-	1,960,000	-
	<u>1,960,000</u>	<u>20,201,247</u>	<u>1,960,000</u>	<u>20,201,247</u>
Unearned discount income	(8,073)	-	(8,073)	-
	<u>1,951,927</u>	<u>20,201,247</u>	<u>1,951,927</u>	<u>20,201,247</u>
General allowance for commercial bills	-	(202,012)	-	(202,012)
	<u>1,951,927</u>	<u>19,999,235</u>	<u>1,951,927</u>	<u>19,999,235</u>

(c) The movement on the general allowance account for commercial bills is as follows:

	<u>Group</u> <u>2008</u> N'000	<u>Group</u> <u>2007</u> N'000	<u>Company</u> <u>2008</u> N'000	<u>Company</u> <u>2007</u> N'000
Balance, beginning of year	202,012	-	202,012	-
Allowance during the year	-	202,012	-	202,012
Allowances released in the year	(202,012)	-	(202,012)	-
	<u>-</u>	<u>202,012</u>	<u>-</u>	<u>202,012</u>

4. Marketable securities

(a) Marketable securities comprise:

	Group 2008	Group 2007	Company 2008	Company 2007
	N'000	N'000	N'000	N'000
i. Treasury bills	36,826,880	12,962,787	36,826,880	12,962,787
Treasury bills on forward resale agreement	38,600,000	36,500,000	38,600,000	36,500,000
Commercial bills	15,876,694	15,808,352	13,110,860	10,003,089
	<u>91,303,574</u>	<u>65,271,139</u>	<u>88,537,740</u>	<u>59,465,876</u>
Less:				
Unearned income	(749,571)	(349,862)	(731,048)	(323,684)
	<u>90,554,003</u>	<u>64,921,277</u>	<u>87,806,692</u>	<u>59,142,192</u>
ii Allowance for commercial bills (see note (b) below)				
- Specific	(238,122)	(366,100)	(116,100)	(366,100)
- General	(1,070,082)	(156,009)	(1,014,998)	(95,530)
- Interest in suspense	(19,354)	(83,970)	(15,968)	(83,970)
	<u>(1,327,558)</u>	<u>(606,079)</u>	<u>(1,147,066)</u>	<u>(545,600)</u>
	<u>89,226,445</u>	<u>64,315,198</u>	<u>86,659,626</u>	<u>58,596,592</u>

(b) The movement on allowance for commercial bills is as follows:

	Group 2008	Group 2007	Company 2008	Company 2007
	N'000	N'000	N'000	N'000
i Specific allowance:				
Balance, beginning of year	366,100	393,348	366,100	393,348
Written off	-	(27,248)	-	(27,248)
Additions during the year	122,022	-	-	-
Allowance no longer required	(250,000)	-	(250,000)	-
	<u>238,122</u>	<u>366,100</u>	<u>116,100</u>	<u>366,100</u>

ii	General allowance:				
	Balance, beginning of year	156,009	325,770	95,530	325,770
	Allowance during the year	919,468	60,479	919,468	-
	Allowance no longer required	(5,395)	(230,240)	-	(230,240)
		<hr/>	<hr/>	<hr/>	<hr/>
	Balance, end of year	1,070,082	156,009	1,014,998	95,530
		<hr/>	<hr/>	<hr/>	<hr/>

(c) The movement on interest in suspense account is as follows:

	Group	Group	Company	Company
	2008	2007	2008	2007
	N'000	N'000	N'000	N'000
Interest in suspense:				
Balance, beginning of year	83,970	140,683	83,970	140,683
Allowance during the year	3,386	6,296	-	6,296
Interest in suspense released	(68,002)	(29,496)	(68,002)	(29,496)
Interest in suspense written off	-	(33,513)	-	(33,513)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance, end of year	19,354	83,970	15,968	83,970
	<hr/>	<hr/>	<hr/>	<hr/>

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

	Group	Group	Company	Company
	2008	2007	2008	2007
	N'000	N'000	N'000	N'000
Performing	15,741,240	15,358,282	12,978,792	9,553,019
Non performing				
– Lost	116,100	366,100	116,100	366,100
- Interest in suspense	19,354	83,970	15,968	83,970
	<hr/>	<hr/>	<hr/>	<hr/>
	15,876,694	15,808,352	13,110,860	10,003,089
	<hr/>	<hr/>	<hr/>	<hr/>

5. Short-term investments:

(a) Short-term investments comprise:

	Group	Group	Company	Company
	2008	2007	2008	2007
	N'000	N'000	N'000	N'000
2 nd FGN Bond 2008 Series 2 (8.25%)	-	1,500,000	-	1,500,000
2 nd FGN Bond 2008 Series 4 (8.00%)	-	250,000	-	250,000
2 nd FGN Bonds 2008 Series 1 (11.50%)	699,790	-	699,790	-
2 nd FGN Bond 2008 Series 5 (12.50%)	2,000	-	2,000	-
2 nd FGN Bond 2008 Series 7 (17%)	3,230,593	-	3,230,593	-
3 rd FGN Bond 2009 Series 4 (12.50%)	250,000	-	250,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
	4,182,383	1,750,000	4,182,383	1,750,000
	<hr/>	<hr/>	<hr/>	<hr/>

6. Other assets:

(a) Other assets comprise:

	Group 2008	Group 2007	Company 2008	Company 2007
	N'000	N'000	N'000	N'000
Interest receivable	1,256,213	938,887	1,017,333	785,320
Prepayments	462,208	77,625	87,332	63,581
Staff loans	148,628	62,493	91,172	62,493
Receivable from CDL				
Staff Cooperative	-	37,350	-	37,350
Other receivables	25,519	44,801	20,000	44,801
	<u>1,892,568</u>	<u>1,161,156</u>	<u>1,215,837</u>	<u>993,545</u>
General allowance	(9,382)	(2,308)	(6,838)	(625)
	<u><u>1,883,186</u></u>	<u><u>1,158,848</u></u>	<u><u>1,208,999</u></u>	<u><u>992,920</u></u>

(b) The movement in general allowance for other assets is as follows:

	Group 2008	Group 2007	Company 2008	Company 2007
	N'000	N'000	N'000	N'000
Balance, beginning of year	2,308	859	625	859
Allowance made during the year	7,074	1,683	6,213	-
Allowance released in the year	-	(234)	-	(234)
	<u>9,382</u>	<u>2,308</u>	<u>6,838</u>	<u>625</u>

7. Long-term investments:

(a) Long-term investments comprise:

	Group 2008	Group 2007	Company 2008	Company 2007
	N'000	N'000	N'000	N'000
Quoted bonds				
2 nd FGN Bond 2008 Series 7 (17.00%)	-	3,369,746	-	3,369,746
2 nd FGN Bond 2008 Series 1 (11.50%)	-	698,086	-	698,086
3 rd FGN Bond 2011 Series 3 (14.50%)	412,403	416,948	412,403	416,948
FGN Pensioners Bond 2009 (12.50%)	450,647	451,203	450,647	451,203
3 rd FGN Bond 2009 Series 12 (12.00%)	450,000	-	450,000	-
3 rd FGN Bond 2011 Series 13 (12.99%)	300,000	-	300,000	-
FGN Contractors Bond 2011 (13.50%)	-	2,402,861	-	2,402,861
3 rd FGN Bond 2013 series 14 (12.74%)	210,757	212,750	210,757	212,750
2 nd FGN Bond 2008 Series 4 (8.00%)	-	-	-	-
3 rd FGN Bond 2009 Series 4 (12.50%)	-	250,000	-	250,000
3 rd FGN Bond 2013 Series 15 (10.98%)	500,000	500,000	500,000	500,000

Long-term investments (cont'd)

3 rd FGN Bond 2013 series 16 (11.99%)	59,005	59,005	59,005	59,005
4 th FGN Bond 2010 Series 1 (10.75%)	734,343	-	734,343	-
4 th FGN Bond 2012 Series 2 (9.50%)	350,000	-	350,000	-
4 th FGN Bond 2014 Series 3 (10.75%)	300,000	-	300,000	-
4 th FGN Bond 2010 Series 4 (9.00%)	1,400,000	-	1,400,000	-
4 th FGN Bond 2012 Series 5 (9.23%)	500,000	-	500,000	-
4 th FGN Bond 2014 Series 6 (9.20%)	700,000	-	700,000	-
4 th FGN Bond 2010 Series 7 (7.95%)	300,000	-	300,000	-
4 th FGN Bond 2017 Series 9 (9.35%)	1,200,000	-	1,200,000	-
4 th FGN Bond 2012 Series 10 (9.50%)	100,000	-	100,000	-
4 th FGN Bond 2014 Series 11 (9.25%)	500,000	-	500,000	-
4 th FGN Bond 2010 Series 12 (7.00%)	550,000	-	550,000	-
4 th FGN Bond 2010 Series 14 (8.99%)	500,000	-	500,000	-
5 th FGN Bond 2013 Series 1 (9.45%)	1,670,961	-	1,670,961	-
	11,188,116	8,360,599	11,188,116	8,360,599

Investment in subsidiary companies

Investment in CDL Assets Management Limited (note (d) below)	-	-	180,000	180,000
Investment in CDL Capital Market Limited	-	-	-	-

Unquoted investments

Investment in Nigeria Inter – Bank Settlement System Plc	66	66	66	66
	11,188,182	8,360,665	11,368,182	8,540,665

- (b) The market value of the long term investments in FGN Bonds at the balance sheet date was ₦11,115,465,720 (2007: ₦8,153,377,633). The Directors are of the opinion that the decline in the market value of these investments is temporary and have accounted for the investments at cost.
- (c) Bonds valued at ₦1,000,000,000 (2007: ₦2,300,000,000) have been pledged by the Company as collateral for its normal trading transactions with IBTC Pension Managers Limited.
- (d) Investment in CDL Assets Management Company Limited represents the Company's shareholding in the 200,000,000 (2007: 200,000,000) Ordinary share capital of the company.

*Consolidated Discounts Limited and subsidiary company
Group and Separate Financial Statements --31 May 2008
Together with Directors' and Auditor's Reports*

(e) The movement on long-term investments was as follows:

	Group	Group	Company	Company
	2008	2007	2008	2007
	N'000	N'000	N'000	N'000
Balance, beginning of year	8,360,665	2,775,419	8,540,665	2,865,419
Additions during the year	9,555,304	7,335,246	9,555,304	7,425,246
Disposals during the year	(6,727,787)	(1,750,000)	(6,727,787)	(1,750,000)
Balance, end of year	<u>11,188,182</u>	<u>8,360,665</u>	<u>11,368,182</u>	<u>8,540,665</u>

8(a). Fixed Assets - Group:

(i) The movement on these accounts during the year was as follows:

	<u>Furniture and fittings</u> N'000	<u>Office equipment</u> N'000	<u>Motor vehicles</u> N'000	<u>Computer equipment</u> N'000	<u>Work in progress</u> N'000	<u>Total</u> N'000
COST:						
Balance, beginning of year	88,033	82,475	114,059	120,681	3,614	408,862
Additions	8,031	20,165	65,672	26,523	3,497	123,888
Transfer	2,350	-	-	1,264	(3,614)	-
Balance, end of year	<u>98,414</u>	<u>102,640</u>	<u>179,731</u>	<u>148,468</u>	<u>3,497</u>	<u>532,750</u>
ACCUMULATED DEPRECIATION:						
Balance, beginning of year	49,615	53,676	69,691	78,577	-	251,559
Charge for the year	11,961	9,741	27,209	23,530	-	72,441
Balance, end of year	<u>61,576</u>	<u>63,417</u>	<u>96,900</u>	<u>102,107</u>	<u>-</u>	<u>324,000</u>
NET BOOK VALUE:						
Balance, end of year	<u>36,838</u>	<u>39,223</u>	<u>82,831</u>	<u>46,361</u>	<u>3,497</u>	<u>208,750</u>
Balance, beginning of year	<u>38,418</u>	<u>28,799</u>	<u>44,368</u>	<u>42,104</u>	<u>3,614</u>	<u>157,303</u>

(ii) No leased assets (2007: Nil) are included in the above fixed assets.

(ii) The Group had no authorised or contracted capital commitments as at the balance sheet date (2007: Nil).

8(b). Fixed Assets - Company:

(i) The movement on these accounts during the year was as follows:

	<u>Furniture and fittings</u> N'000	<u>Office equipment</u> N'000	<u>Motor vehicles</u> N'000	<u>Computer equipment</u> N'000	<u>Work in progress</u> N'000	<u>Total</u> N'000
COST:						
Balance, beginning of year	71,850	66,522	104,556	110,025	3,614	356,567
Additions	8,031	17,200	60,887	7,892	3,497	97,507
Transfer	2,350	-	-	1,264	(3,614)	-
Balance, end of year	82,231	83,722	165,443	119,181	3,497	454,074
ACCUMULATED DEPRECIATION:						
Balance, beginning of year	46,378	50,622	67,117	76,016	-	240,133
Charge for the year	8,725	6,146	24,736	19,099	-	58,706
Balance, end of year	55,103	56,768	91,853	95,115	-	298,839
NET BOOK VALUE:						
Balance, end of year	27,128	26,954	73,590	24,066	3,497	155,235
Balance, beginning of year	25,472	15,900	37,439	34,009	3,614	116,434

(ii) No leased assets (2007: Nil) are included in the above fixed assets.

(iii) The Company had no authorised or contracted capital commitments as at the balance sheet date (2007: Nil).

9. Secured Placements:

(a) Secured placements comprise:

	Group 2008	Group 2007	Company 2008	Company 2007
	N'000	N'000	N'000	N'000
Call takings	4,128,005	31,453,018	3,983,484	30,987,632
Term deposits	104,978,917	42,723,175	102,184,640	37,569,551
	<u>109,106,922</u>	<u>74,176,193</u>	<u>106,168,124</u>	<u>68,557,183</u>

(b) The maturity profile of secured placements is as follows:

	Group 2008	Group 2007	Company 2008	Company 2007
	N'000	N'000	N'000	N'000
Under 1 month	98,070,889	71,040,270	95,132,091	65,421,260
1 – 3 months	10,948,114	3,135,923	10,948,114	3,135,923
3 – 6 months	56,872	-	56,872	-
6 – 12 months	31,047	-	31,047	-
	<u>109,106,922</u>	<u>74,176,193</u>	<u>106,168,124</u>	<u>68,557,183</u>

10. Other liabilities:

Other liabilities comprise:

	Group 2008	Group 2007	Company 2008	Company 2007
	N'000	N'000	N'000	N'000
Overdrawn accounts	13,851	31,404	13,851	31,404
Discount payable	540,431	426,823	509,457	406,140
Accrued expenses	220,533	246,443	146,313	207,506
Others	436,195	350,779	431,207	350,779
	<u>1,211,010</u>	<u>1,055,449</u>	<u>1,100,828</u>	<u>995,829</u>

11. Gratuity provisions:

(a) The movement in Gratuity provisions is as follows:

	Group 2008	Group 2007	Company 2008	Company 2007
	N'000	N'000	N'000	N'000
Balance, beginning of year	109,973	17,831	109,973	17,831
Charge for the year	136,622	92,142	136,622	92,142
Payment during the year	(17,831)	-	(17,831)	-
Balance, end of year	<u>228,764</u>	<u>109,973</u>	<u>228,764</u>	<u>109,973</u>

- (b) Gratuity provisions represent the Company's obligations to its employees under its gratuity scheme. This scheme was introduced in 2007 and a past service cost of ₦200,861,116 arose thereon. The Directors have decided to defer and charge this cost in a systematic and consistent manner to the profit and loss account over a period of five years in line with the provisions of Statement of Accounting Standard number 8 on Employees Retirement Benefits. A total of ₦40,172,223 (2007 : ₦40,172,223) of this cost has been charged to the current year's profit and loss account. The outstanding balance as at year end is ₦120,516,669 (2007: ₦160,688,892).

12. Taxation payable:

- (a) The movement on this account is as follows:

	Group	Group	Company	Company
	2008	2007	2008	2007
	₦'000	₦'000	₦'000	₦'000
Balance, beginning of year	703,909	557,556	639,975	533,476
Charge for the year (see note (b) below)	865,129	395,838	787,959	355,984
Payments during the year	(506,600)	(249,485)	(440,793)	(249,485)
Reclassification of prior year NITDA levy	(22,771)	-	(22,241)	-
Balance, end of year	<u>1,039,667</u>	<u>703,909</u>	<u>964,900</u>	<u>639,975</u>

- (b) The taxation charge for the year comprises:

	Group	Group	Company	Company
	2008	2007	2008	2007
	₦'000	₦'000	₦'000	₦'000
Company income tax	809,084	348,807	737,182	312,064
Education levy	56,045	24,260	50,777	21,679
NITDA levy	-	22,771	-	22,241
	<u>865,129</u>	<u>395,838</u>	<u>787,959</u>	<u>355,984</u>
Deferred tax – Reversal (see note 13(a))	11,443	-	-	-
– Current year charge (see note 13(b))	9,180	-	-	-
– Tax credit (see note 13(a))	(248,415)	(34,255)	(248,415)	(22,812)
	<u>637,337</u>	<u>361,583</u>	<u>539,544</u>	<u>333,172</u>

- (c) The income tax has been computed at the current rate of 30% (2007: 30%) of taxable profit for the year, education levy at the rate of 2% (2007: 2%) on assessable profit for the year.

13. Deferred taxation:

(a) Assets

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

	Group	Group	Company	Company
	2008	2007	2008	2007
	N'000	N'000	N'000	N'000
Balance, beginning of year	(109,323)	(75,068)	(97,880)	(75,068)
Credit during the year (see note 12(b))	(248,415)	(34,255)	(248,415)	(22,812)
Reversal during the year	11,443	-	-	-
Balance, end of year	<u>(346,295)</u>	<u>(109,323)</u>	<u>(346,295)</u>	<u>(97,880)</u>

(b) Liabilities

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

	Group	Group	Company	Company
	2008	2007	2008	2007
	N'000	N'000	N'000	N'000
Balance, beginning of year	-	-	-	-
Reversal during the year	-	-	-	-
Charge during the year (see note 12(b))	9,180	-	-	-
Balance, end of year	<u>9,180</u>	<u>-</u>	<u>-</u>	<u>-</u>

(c) Net deferred tax liabilities/(assets) are attributable to the following:

	Group	Group	Company	Company
	2008	2007	2008	2007
	N'000	N'000	N'000	N'000
Assets				
Fixed assets	28,886	31,768	28,886	24,562
Provision for gratuity	(68,630)	(32,992)	(68,630)	(32,992)
General allowance for risk assets	(306,551)	(108,099)	(306,551)	(89,450)
Balance, end of year	<u>(346,295)</u>	<u>(109,323)</u>	<u>(346,295)</u>	<u>(97,880)</u>
Liabilities				
Fixed assets	9,943	-	-	-
General allowance for risk assets	(763)	-	-	-
Balance, end of year	<u>9,180</u>	<u>-</u>	<u>-</u>	<u>-</u>

14. Dividend payable:

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

	Group 2008	Group 2007	Company 2008	Company 2007
	N'000	N'000	N'000	N'000
Balance, beginning of year	-	9,150	-	9,150
Dividend declared	200,000	367,500	200,000	367,500
Payments during the year	(200,000)	(376,650)	(200,000)	(376,650)
Balance, end of year	-	-	-	-

15. Share capital:

(a) Share capital comprises:

	Group 2008	Group 2007	Company 2008	Company 2007
	N'000	N'000	N'000	N'000
Authorized – 2,500,000,000 Ordinary shares of ₦1 each (2007: 2,000,000,000)	2,500,000	2,000,000	2,500,000	2,000,000
Issued and fully paid – 2,500,000,000 Ordinary shares of ₦1 each (2007: 2,000,000)	2,500,000	2,000,000	2,500,000	2,000,000

(b) The movement on the authorized share capital during the year is as follows:

	Group 2008	Group 2007	Company 2008	Company 2007
	N'000	N'000	N'000	N'000
Balance, beginning of year	2,000,000	2,000,000	2,000,000	2,000,000
Increase during the year	500,000	-	500,000	-
Balance, end of year	2,500,000	2,000,000	2,500,000	2,000,000

(c) The movement on issued and fully paid share capital account during the year is as follows:

	<u>Group</u> <u>2008</u> N'000	<u>Group</u> <u>2007</u> N'000	<u>Company</u> <u>2008</u> N'000	<u>Company</u> <u>2007</u> N'000
Balance, beginning of year	2,000,000	1,750,000	2,000,000	1,750,000
Bonus shares capitalized (see note 17)	500,000	250,000	500,000	250,000
Balance, end of year	<u>2,500,000</u>	<u>2,000,000</u>	<u>2,500,000</u>	<u>2,000,000</u>

(d) The Company at its eleventh annual general meeting held on 31st October 2007 approved the transfer and capitalization of N500 million (2007: N250 million) from the bonus share reserve account at the rate of 1 new ordinary share for every 4 (2007: 7) ordinary shares held. Regulatory approvals were obtained during the year.

16. Statutory reserve:

The movement on statutory reserves during the year was as follows:

	<u>Group</u> <u>2008</u> N'000	<u>Group</u> <u>2007</u> N'000	<u>Company</u> <u>2008</u> N'000	<u>Company</u> <u>2007</u> N'000
Balance, beginning of year	997,357	713,717	997,357	713,717
Transfer from profit and loss account	438,721	283,640	438,721	283,640
Balance, end of year	<u>1,436,078</u>	<u>997,357</u>	<u>1,436,078</u>	<u>997,357</u>

In accordance with existing legislation, 15% (2007 : 15%) of profit after taxation has been transferred to statutory reserves.

17. Reserve for bonus issue:

The movement on reserve for bonus issue account is as follows:

	<u>Group</u> <u>2008</u> N'000	<u>Group</u> <u>2007</u> N'000	<u>Company</u> <u>2008</u> N'000	<u>Company</u> <u>2007</u> N'000
Balance, beginning of year	500,000	250,000	500,000	250,000
Amount capitalized in the year	(500,000)	(250,000)	(500,000)	(250,000)
Transfer, from general reserve (see note 18)	500,000	500,000	500,000	500,000
Balance, end of year	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>

The Board of Directors proposed the transfer of ₦500 million from the Company's general reserve to issue bonus of 1 new ordinary share for every 4 ordinary shares held as at 31st May 2008. This is subject to declaration by the shareholders at the next annual general meeting.

18. General reserve:

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

	Group	Group	Company	Company
	2008	2007	2008	2007
	₦'000	₦'000	₦'000	₦'000
Balance, beginning of year	1,841,578	1,079,739	1,844,197	1,104,404
Transfer from profit and loss account	2,619,457	1,629,339	2,486,085	1,607,293
Transfer to reserve for bonus issue (see note 17)	(500,000)	(500,000)	(500,000)	(500,000)
Dividend paid during the year	(200,000)	(367,500)	(200,000)	(367,500)
Balance, end of year	<u>3,761,035</u>	<u>1,841,578</u>	<u>3,630,282</u>	<u>1,844,197</u>

19. Revaluation reserve:

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

	Group	Group	Company	Company
	2008	2007	2008	2007
	₦'000	₦'000	₦'000	₦'000
Balance, beginning of year	136,541	-	136,541	-
Addition during the year	-	136,541	-	136,541
Transfer to profit and loss account	(136,541)	-	(136,541)	-
Balance, end of year	<u>-</u>	<u>136,541</u>	<u>-</u>	<u>136,541</u>

20. Non-controlling interest:

The movement on non-controlling interest is as follows:

	Group	Group	Company	Company
	2008	2007	2008	2007
	₦'000	₦'000	₦'000	₦'000
Balance, beginning of year	19,767	7,259	-	-
Share of profit	14,761	2,508	-	-
Paid up share capital	-	10,000	-	-
Balance, end of year	<u>34,528</u>	<u>19,767</u>	<u>-</u>	<u>-</u>

21. Securities discount income:

(a) Securities discount income comprises:

	Group 2008	Group 2007	Company 2008	Company 2007
	N'000	N'000	N'000	N'000
Income from treasury bills	2,961,602	1,043,220	2,961,602	1,043,220
Income from commercial bills	19,883,601	6,494,782	14,088,292	4,892,836
Discount income on FGN bonds	1,857,882	1,267,558	1,857,882	1,267,558
Trading (loss)/income from bonds	(256,758)	67,467	(256,758)	67,467
Commissions on bond trading	43,227	64,359	43,227	64,359
	<u>24,489,554</u>	<u>8,937,386</u>	<u>18,694,245</u>	<u>7,335,440</u>

22. Supplementary profit and loss information:

(a) **General:**

The Company's profit before taxation is stated after charging/(crediting) the following:

	Group 2008	Group 2007	Company 2008	Company 2007
	N'000	N'000	N'000	N'000
Allowance on risk and other assets:				
- General allowance on commercial bills	919,468	60,479	919,468	-
- Specific allowance on commercial bills	122,022	-	-	-
- Allowance/(release) of general allowance on assets on repo	(202,012)	202,012	(202,012)	202,012
- Allowance on other assets	7,074	1,449	6,213	(234)
- Allowance no longer required	(255,395)	(230,240)	(250,000)	(230,240)
	<u>591,157</u>	<u>33,700</u>	<u>473,669</u>	<u>(28,462)</u>
Depreciation	72,441	63,772	58,706	52,885
Auditors' remuneration	17,500	11,000	14,000	9,000

(b) Analysis of operating expenses:

	Group	Group	Company	Company
	2008	2007	2008	2007
	N'000	N'000	N'000	N'000
Staff salaries and allowances (see note (e) below)	463,622	359,025	418,954	326,004
Other benefits (see note (c) below)	-	300,000	-	300,000
Depreciation	72,441	63,772	58,706	52,885
Training cost	49,333	32,589	49,333	32,589
Office lighting, repairs & maintenance	103,149	36,332	75,426	31,616
Insurance	104,865	90,051	102,682	89,206
Professional fees & subscription	47,811	31,656	41,008	25,366
Fixed assets charged off during the year	-	8,350	-	8,350
Entertainment	35,730	27,618	35,730	27,618
Revaluation loss	279,609	-	262,144	-
NITDA levy (see note (d) below)	37,580	-	35,096	-
Other operating expenses	479,923	225,508	428,762	213,382
	<u>1,674,063</u>	<u>1,174,901</u>	<u>1,507,841</u>	<u>1,107,016</u>

(c) Other benefits represent the costs of granting 5% of the Company's issued shares, previously held by another shareholder who divested these shares during the year to the Staff Share Trust Participation Scheme (SSTPS). The 5% shareholding valued at ₦350 million was allocated to the staff scheme at a consideration of ₦50 million. The difference of ₦300 million was charged to the profit and loss account.

(d) The Nigerian Information Technology Development Agency Act (NITDAA) was signed into law on 24 April, 2007. The Law stipulates that, "specified" companies contribute 1% of their profit before tax (PBT) to the Nigerian IT Development Fund, which will be managed by the NITDA. In line with the Act, the Group has provided for NITDA Levy at the specified rate.

(e) **Staff and directors' costs:**

i. Employee costs, including the executive director, amounted to:

	Group	Group	Company	Company
	2008	2007	2008	2007
	N'000	N'000	N'000	N'000
Wages and salaries	214,748	188,575	179,015	159,054
Other pension costs	112,252	78,308	103,317	74,808
Gratuity	136,622	92,142	136,622	92,142
	<u>463,622</u>	<u>359,025</u>	<u>418,954</u>	<u>326,004</u>

- ii. The average number of full time persons employed by the Company during the year was as follows:

	<u>Group 2008</u>	<u>Group 2007</u>	<u>Company 2008</u>	<u>Company 2007</u>
Management staff	28	24	21	20
Senior staff	26	24	20	18
Junior staff	9	12	3	3
	<u>63</u>	<u>60</u>	<u>44</u>	<u>41</u>

- iv. Employees of the Company, earning more than ₦60,000 other than directors, whose duties were wholly or mainly discharged in Nigeria, received emoluments (excluding pension contributions and certain benefits/allowances) in the following ranges:

	<u>Group 2008</u>	<u>Group 2007</u>	<u>Company 2008</u>	<u>Company 2007</u>
₦ 90,001 - ₦ 100,000	2	2	1	1
₦ 100,001 - ₦ 250,000	8	8	2	2
₦ 250,001 - ₦ 300,000	11	11	6	6
₦ 300,001 - ₦ 400,000	13	15	10	12
₦ 400,001 - ₦ 550,000	14	12	11	9
₦ 550,001 - ₦1,100,000	4	4	4	4
₦1,100,001 - ₦1,300,000	10	7	9	6
₦1,300,001 - ₦1,500,000	1	1	1	1
	<u>63</u>	<u>60</u>	<u>44</u>	<u>41</u>

(e) Directors' emoluments:

- i. Remuneration paid to directors (excluding pension contributions and certain benefits/allowances) of the Company was as follows:

	<u>Group 2008</u>	<u>Group 2007</u>	<u>Company 2008</u>	<u>Company 2007</u>
	₦'000	₦'000	₦'000	₦'000
Fees as directors	1,150	1,150	1,150	1,150
Other emoluments	8,700	8,700	8,700	8,700
	<u>9,850</u>	<u>9,850</u>	<u>9,850</u>	<u>9,850</u>

- ii. The directors' remuneration shown above (excluding pension contributions and certain benefits/allowances) includes:

	<u>Group</u> <u>2008</u>	<u>Group</u> <u>2007</u>	<u>Company</u> <u>2008</u>	<u>Company</u> <u>2007</u>
	N'000	N'000	N'000	N'000
Chairman	535	535	535	535
Highest paid director	3,505	3,505	3,505	3,505

- iii. The emoluments of all other directors fell in the following ranges:

	<u>Group</u> <u>2008</u>	<u>Group</u> <u>2007</u>	<u>Company</u> <u>2008</u>	<u>Company</u> <u>2007</u>
N1,000, 001 - N2,000, 000	6	6	6	6

23. Earnings per share:

Basic earnings per share is based on the profit after taxation for the year and on 2,500,000,000 (2007:2,000,000,000) Ordinary shares in issue during the year. Adjusted earnings per share have been computed based on profit after taxation and the Ordinary shares of 2,500,000,000 during the year.

24. Net cash flow from trading activities:

This comprises:

	<u>Group</u> <u>2008</u>	<u>Group</u> <u>2007</u>	<u>Company</u> <u>2008</u>	<u>Company</u> <u>2007</u>
	N'000	N'000	N'000	N'000
Profit after taxation	3,072,939	1,915,487	2,924,806	1,890,933
Taxation	637,337	361,583	539,544	333,172
Profit before taxation	3,710,276	2,277,070	3,464,350	2,224,105
Adjustments to reconcile profit before taxation to net cash flow from operations				
- Depreciation	72,441	63,772	58,706	52,885
- Allowance/(write-back) for risk and other assets	591,157	33,700	473,669	(28,462)
- Fixed assets charged off during the year	-	8,350	-	8,350
- Gratuity charge	136,622	92,142	136,622	92,142
- Revaluation loss	279,609	-	262,144	-
Net cash flow from trading activities	4,790,105	2,475,034	4,395,491	2,349,020

25. Changes in operating assets:

	Group 2008	Group 2007	Company 2008	Company 2007
	N'000	N'000	N'000	N'000
Increase/(decrease) in operating assets:				
- Trading securities	(4,748,882)	(5,084,343)	(4,577,121)	(5,084,343)
- Marketable securities	(25,697,342)	(12,095,378)	(28,732,502)	(6,316,293)
- Short term investments	(2,432,383)	(1,750,000)	(2,432,383)	(1,750,000)
- Assets on repurchase agreement	18,249,320	(20,201,247)	18,249,320	(20,201,247)
- Other assets	(731,412)	(933,961)	(222,292)	(730,165)
Increase/(decrease) in operating liabilities:				
- Secured takings	34,930,729	23,131,099	37,610,941	17,512,089
- Liabilities on repurchase agreement	(18,241,247)	20,201,247	(18,241,247)	20,201,247
- Other liabilities	132,790	630,163	82,758	573,880
	<u>1,461,573</u>	<u>3,897,580</u>	<u>1,737,474</u>	<u>4,205,168</u>

26. Segment reporting

The segment information is presented in respect of the group's business segments.

The group operates the following main business segments:

Fixed income securities – includes trading in money market instruments and government debt securities

Asset management – includes portfolio management and advisory services

The group's business reporting information comprises:

	Fixed income Securities N'000	Asset Management N'000	Total N'000
Revenue:			
Derived from external customers	18,694,245	5,838,348	24,532,593
Derived from other business segment	(29,795)	29,795	-
Total revenue	<u>18,664,450</u>	<u>5,868,143</u>	<u>24,532,593</u>
Interest expenses	(13,218,590)	(5,338,507)	(18,557,097)
	<u>5,445,860</u>	<u>529,636</u>	<u>5,975,496</u>
Expense:			
Operating expenses	(1,449,135)	(152,487)	(1,601,622)
Provision for risk and other assets	(473,669)	(117,488)	(591,157)
Depreciation	(58,706)	(13,735)	(72,441)
Total expenses	<u>(1,981,510)</u>	<u>(283,710)</u>	<u>(2,265,220)</u>

Segment Reporting cont'd

Profit before taxation	3,464,350	245,926	3,710,276
Assets and Liabilities:			
Total assets	118,308,976	3,478,208	121,787,184
Total liabilities	(106,410,444)	(7,145,099)	(113,555,543)
Non-controlling interest	-	(34,528)	(34,528)
Net Assets	11,898,532	(3,701,419)	8,197,113

27. Related party transactions

The Company enters into trading transactions with some of its shareholders namely Union Bank of Nigeria Plc, Afribank Plc, Triumph Bank Plc in liquidation, Skye Bank Plc, First Bank of Nigeria Plc, Access Bank Plc and Williams Street Trustees Limited. All such transactions are conducted at arm's length.

The Directors' fees are disclosed in note 22 (e) to the financial statements.

28. Prior year corresponding balances

Certain prior year's corresponding figures have been reclassified to conform with the current year presentation format.

29. Contravention of laws and regulations

The Company did not contravene any law or regulations during the year and no penalty was paid.

30. Litigation and claims

There were no litigation and claims against the Company as at 31 May 2008 (2007: Nil).

31. Post balance sheet events:

There were no post balance sheet events which could have a material effect on the state of the Group as at 31 May 2008 or the profit for the year ended on that date that have not been adequately provided for or disclosed.

32. Contingent asset/liability

There were no contingent assets and liabilities as at 31 May 2008 (2007: Nil).

Statement of Value Added - Group

For the year ended 31 May 2008

	2008	%	2007	%
	₹'000		₹'000	
Gross earnings	24,532,593		8,980,974	
Discount expense	(18,557,097)		(5,495,303)	
	5,975,496		3,485,671	
Allowance for risk assets	(591,157)		(33,700)	
Bought-in materials and services				
- Local	(1,138,000)		(452,104)	
- Foreign	-		-	
Value added	4,246,339	100	2,999,867	100
Applied to pay:				
- Staff and directors' costs	463,622	11	659,025	22
- Government as taxes	637,337	15	361,583	12
- Shareholders as dividend	200,000	5	367,500	12
Retained in the business:				
- Depreciation	72,441	2	63,772	2
- Profit for the year (including statutory reserves and non-controlling interest)	3,072,939	72	1,915,487	64
- Appropriated from general reserve	(200,000)	(5)	(367,500)	(12)
	4,246,339	100	2,999,867	100

Statement of Value Added - Company

For the year ended 31 May 2008

	2008	%	2007	%
	₹'000		₹'000	
Gross earnings	18,694,245		7,335,440	
Discount expense	(13,248,385)		(4,032,781)	
	5,445,860		3,302,659	
Allowance for risk assets	(473,669)		28,462	
Bought-in materials and services				
- Local	(1,030,181)		(428,127)	
- Foreign	-		-	
Value added	3,942,010	100	2,902,994	100
Applied to pay:				
- Staff and directors' costs	418,954	11	626,004	22
- Government as taxes	539,544	14	333,172	11
- Shareholders as dividend	200,000	5	367,500	13
Retained in the business:				
Depreciation	58,706	1	52,885	2
Profit for the year				
(including statutory reserve)	2,924,806	74	1,890,933	65
- Appropriated from general reserve	(200,000)	(5)	(367,500)	(13)
	3,942,010	100	2,902,994	100

Three-Year Financial Summary - Group

	2008	2007	2006
	N'000	N'000	N'000
			Restated
ASSETS:			
Cash and bank balances	2,846,400	270,558	153,970
Trading Securities	9,953,616	5,620,884	400,000
Assets on repurchase agreements	1,951,927	19,999,235	-
Marketable securities	89,226,445	64,315,198	52,050,059
Other assets	1,883,186	1,158,848	226,336
Deferred tax	346,295	109,323	75,068
Short term investment	4,182,383	1,750,000	-
Long term investment	11,188,182	8,360,665	2,775,419
Fixed assets	208,750	157,303	174,780
TOTAL ASSETS	121,787,184	101,742,014	55,855,632
LIABILITIES:			
Secured placements	109,106,922	74,176,193	51,045,094
Liabilities against repurchase agreements	1,960,000	20,201,247	-
Other liabilities	1,211,010	1,055,449	425,286
Taxation payable	1,039,667	703,909	557,556
Gratuity provisions	228,764	109,973	17,831
Dividend payable	-	-	9,150
Deferred taxation	9,180	-	-
TOTAL LIABILITIES	113,555,543	96,246,771	52,054,917
NET ASSETS	8,231,641	5,495,243	3,800,715
CAPITAL AND RESERVES:			
Share capital	2,500,000	2,000,000	1,750,000
Statutory reserve	1,436,078	997,357	713,717
Reserve for bonus issue	500,000	500,000	250,000
General reserve	3,761,035	1,841,578	1,079,739
Revaluation reserve	-	136,541	-
SHAREHOLDERS' FUNDS	8,197,113	5,475,476	3,793,456
Non-controlling interest	34,528	19,767	7,259
	8,231,641	5,495,243	3,800,715
Gross earnings	24,532,593	8,980,974	7,213,424
Profit before taxation	3,710,276	2,277,070	1,605,266
Profit after taxation	3,058,178	1,912,979	1,116,731
Earnings per share			
- basic	122k	96k	64k

Five-Year Financial Summary – Company

	2008 N'000	2007 N'000	2006 N'000	2005 N'000	2004 N'000 (14 months)
ASSETS:					
Cash and bank balances	2,817,009	267,692	53,955	185,340	71,187
Trading securities	9,799,320	5,620,884	400,000	-	-
Assets on repurchase agreements	1,951,927	19,999,235	-	1,466,600	5,530,200
Marketable securities	86,659,626	58,596,592	52,050,059	35,706,481	21,212,169
Other assets	1,208,999	992,920	262,521	196,962	169,753
Deferred tax	346,295	97,880	75,068	-	-
Short term investment	4,182,383	1,750,000	-	-	-
Long term investment	11,368,182	8,540,665	2,865,419	400,066	400,066
Fixed assets	155,235	116,434	138,599	118,386	118,648
TOTAL ASSETS	118,488,976	95,982,302	55,845,621	38,073,835	27,502,023
LIABILITIES:					
Secured placements	106,168,124	68,557,183	51,045,094	32,723,269	18,557,707
Liabilities against repurchase agreements	1,960,000	20,201,247	-	1,472,600	5,566,200
Other liabilities	1,100,828	995,829	421,949	325,291	421,125
Taxation payable	964,900	639,975	533,476	545,259	563,176
Gratuity provisions	228,764	109,973	17,831	-	-
Dividend payable	-	-	9,150	6,150	3,900
Deferred taxation	-	-	-	9,541	13,767
TOTAL LIABILITIES	110,422,616	90,504,207	52,027,500	35,082,110	25,125,875
NET ASSETS	8,066,360	5,478,095	3,818,121	2,991,725	2,376,148
CAPITAL AND RESERVES:					
Share capital	2,500,000	2,000,000	1,750,000	1,500,000	1,250,000
Statutory reserve	1,436,078	997,357	713,717	542,508	410,796
Reserve for bonus issue	500,000	500,000	250,000	250,000	250,000
General reserve	3,630,282	1,844,197	1,104,404	699,217	465,352
Revaluation reserve	-	136,541	-	-	-
SHAREHOLDERS' FUNDS	8,066,360	5,478,095	3,818,121	2,991,725	2,376,148
Gross earnings	18,694,245	7,335,440	7,205,221	5,941,573	5,970,785
Profit before taxation	3,464,350	2,224,105	1,608,592	1,281,357	1,060,861
Profit after taxation	2,924,806	1,890,933	1,141,396	878,077	748,847
Earnings per share - basic	117k	95k	65k	59k	60k