

SKYE BANK PLC

ANNUAL REPORT AND ACCOUNTS

FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2006

SKYE BANK PLC

REPORT OF THE DIRECTORS AND AUDITED FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2006

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SKYE BANK PLC
FINANCIAL HIGHLIGHTS

	September 30, 2006 N'000	March 31, 2005 N'000
Major balance sheet items:		
Total assets	173,690,446	31,990,861
Deposit and current accounts	125,471,053	22,623,437
Share capital	3,751,522	2,264,053
Loans and advances	71,717,297	12,122,680
Shareholders' funds	25,579,791	4,447,269
Major profit and loss account items:		
Gross earnings	21,055,904	6,158,859
Charge for doubtful accounts	(1,620,161)	46,061
Profit on ordinary activities before taxation	1,585,746	742,920
Profit before taxation	1,585,746	742,920
Taxation	375,625	(250,201)
Profit after taxation	1,585,746	492,719
Profit attributable to ordinary shareholders	1,585,746	492,719
Information per 50k ordinary share:		
	N	N
Earnings:-		
- basic	0.26	0.11
- adjusted	0.26	0.11
Net assets	3.41	0.30
Total assets		
- actual	23.15	7.06
- adjusted	23.15	4.26
Ratios:		
	%	%
Cost to income	90.68	88.76
Return on shareholders' funds	6.20	11.08
Capital adequacy	19.69	19.40
Number of branches/agencies	182	33
Number of staff	1,992	494
Number of shares in issue	7,503,045	4,528,106

SKYE BANK PLC

DIRECTORS AND ADVISERS

DIRECTORS:	Alhaji M.A.K. Smith (CFR)	- Chairman
	Mrs Morenikeji Onasanya	- Vice Chairman
	Mr. Akinsola Akinfemiwa	- Managing Director/Chief Executive
	Mr. Kehinde Durosinmi-Etti	- Deputy Managing Director
	Mr. Segun Oloketuyi	
	Mr. Victor S. Adenigbagbe	
	Princess Adenike A. Adeniran	
	Mr. Olugbenga Ademulegun	-Appointed December 23, 2005
	Dr. Ismaila A. Adewusi	- Appointed December 23, 2005
	Mr. Ariyo A. Ajaja	
	Mr. Kolawole Awodein (SAN)	-Appointed December 23, 2005
	Mr. Collins C. Chikeluba	-Appointed December 23, 2005
	Dr. Jason Fadeyi	
	Hon. Niran Sule-Akinsuyi	
	Mr. M. G. Tarfa	
	Mr. Vinay Tuteja	-Appointed December 23, 2005
	Brig. Gen Anthony Ukpo (Rtd)	

COMPANY SECRETARY:

Mrs. Abimbola Izu

REGISTERED OFFICE:

3, Akin Adesola Street
Victoria Island
Lagos

AUDITORS:

Ernst & Young
[Chartered Accountants]

Akintola Williams Deloitte•
[Chartered Accountants]

REGISTRARS:

City Securities (Registrars) Limited
Primrose Tower, 17A, Tinubu Street
P.O.Box 9117, Lagos.

SKYE BANK PLC

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting to the members their report together with the audited financial statements of the Bank for the period ended September 30, 2006.

CORPORATE STRUCTURE AND BUSINESS

Skye Bank Plc formerly Prudent Bank Plc is a public limited liability company incorporated on December 8, 1989 in accordance with the provisions of the Companies Act, 1968 and was issued a banking license on February 7, 1990 to carry on all classes of merchant banking business in accordance with the provisions of the Banking Act, 1969. The Bank commenced operations on May 2, 1990. It is wholly owned by Nigerian citizens.

The Bank's name was changed to "Prudent Bank Plc" with effect from February 18, 2000 following an approval in "principle" by the Central Bank of Nigeria (CBN) for the conversion of the Bank to a commercial bank. The Bank fully commenced operations as a Commercial Bank during the 2001 financial year.

On December 31, 2005, the bank merged with EIB International Bank Plc, Bond Bank Limited, Reliance Bank Limited and Cooperative Bank Plc and in accordance with the terms of the scheme of merger, subsequently changed its name to Skye Bank Plc.

Law Union and Rock Insurance Plc, Ile Oluji Cocoa Products Co. Limited, PSL Limited, EIB Trustees Limited, EIB Building Society Limited and Co-op Savings and Loans Limited are subsidiaries of the Bank. The financials of these subsidiaries have not been consolidated in the financial statements as it is the opinion of the Directors that their balances are insignificant to the group.

RESULTS FOR THE PERIOD/YEAR

	18 months Period ended September 30, 2006 N'000	Year ended March 31, 2005 N'000
Profit before taxation	1,585,746	742,920
Taxation	375,625	(250,201)
	-----	-----
Profit after taxation	1,961,371	492,719
Transfer to statutory reserve	(588,411)	(147,816)
	-----	-----
	1,372,960	344,903
Transfers to SMEEIS reserve	(196,137)	(49,272)
General reserve brought forward	478,930	183,299
	-----	-----
General reserve carried forward	1,655,753	478,930
	=====	=====

SKYE BANK PLC

REPORT OF THE DIRECTORS - continued

PRINCIPAL ACTIVITIES

The Bank engages in the business of commercial banking whilst its major subsidiaries, Ile-Oluji Cocoa Products Company Limited and Law Union Rock and Insurance Plc carry on the business of Cocoa processing and insurance respectively.

BUSINESS REVIEW AND FUTURE DEVELOPMENT

The Bank carried out banking activities in accordance with its Memorandum and Articles of Association.

During the year, the bank consummated a merger scheme in which the assets, liabilities, businesses as well as the undertakings of EIB International Bank Plc, Bond Bank Limited, Reliance Bank Limited and Cooperative Bank Plc were merged with those of the bank. The merger arrangements involved exchange of shares and it became effective from 1 January 2006.

A comprehensive review of the business for the year and the prospects for the ensuing year is contained in the Managing Director's report.

FIXED ASSETS

Movements in fixed assets during the year are shown in note 9 on page 31. In the opinion of the Directors, the market value of the Bank's properties is not less than the value shown in the accounts.

DIRECTORS

- .i The names of the current directors are detailed on page 4.
- .ii In accordance with the Bank's Articles of Association, all Non Executive Directors retire by rotation and being eligible, offer themselves for re-election, except Hon. Niran Sule Akinsuyi.

SKYE BANK PLC

REPORT OF THE DIRECTORS - continued

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Bank at the end of each financial year and of the profit or loss for that year, and comply with the provisions of the Companies and Allied Matters Act, CAP C20 LFN 2004 and the Banks and Other Financial Institutions Act, CAP B3 LFN 2004. In doing so they ensure that:

- adequate internal control procedures are instituted to safeguard the assets, prevent and detect frauds and other irregularities;
- proper accounting records are maintained;
- applicable accounting standards are adhered to;
- suitable accounting policies are adopted and consistently applied;
- judgements and estimates made are reasonable and prudent; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

SKYE BANK PLC

REPORT OF THE DIRECTORS - continued

DIRECTORS' INTERESTS

Directors' direct and indirect interests in the share capital of the Bank were as follows:-

	Number of ordinary shares of 50k each held	
	Direct	Indirect
Alhaji M.A.K. Smith (CFR)	437,371	-
Mr. Akinsola A. Akinfemiwa	72,746,815	-
Mrs. Morenikeji O. Onasanya	3,466,666	-
Mr. Kehinde Durosinmi-Etti	3,423,095	-
Mr. Olugbenga Ademulegun	3,503,233	-
Mr. Kolawole Awodein (SAN)	102,197	-
Dr. Ismaila A. Adewusi	2,525,833	927,698,431
Princess Adenike. A. Adeniran	-	120,116,666
Mr. Ariyo A. Ajaja	1,476,398	-
Mr. Segun Oloketuyi	3,601,332	-
Mr. M.G. Tarfa	168,333	318,450,366
Hon. Niran Sule-Akinsuyi	-	138,583,960
Mr. Collins C. Chikeluba	11,243,386	-
Mr. Victor S. Adenigbagbe	40,399	-
Mr. Vinay Tuteja	-	78,682,755
Dr. Jason Fadeyi	-	539,666,665

Director

Indirect Interest Represented

Dr. Ismaila A. Adewusi	Ibile Holdings Limited
Princess Adenike. A. Adeniran	Swanlux Global Investment Limited
Mr. M.G. Tarfa	The Nigerian Ports Authority Superannuation and Investment Fund
Hon. Niran Sule-Akinsuyi	Ondo State Government
Mr. Tuteja Vinay	Stallion Nigeria Limited and Westex Nigeria Limited
Dr. Jason Fadeyi	Business Objects & Fadco Investment Limited

SKYE BANK PLC
REPORT OF THE DIRECTORS - continued

SUBSTANTIAL SHAREHOLDING

- i As at September 30, 2006 only Ibile Holdings Limited held up to 12.36% of the issued share capital of the Bank.
- ii The range of shareholding as at September 30, 2006 is as follows:

Range of holdings	No. of share-holders	No. of shares holdings	%
1 - 1,000	136,762	67,846,062	0.90
1,001 - 10,000	78,592	248,843,496	3.32
10,001 - 100,000	21,515	603,225,605	8.04
10,001 - 1,000,000	2,189	638,919,518	8.51
1,000,001 - 100,000,000	362	3,362,714,988	44.82
100,000,001 - 1,000,000,000	12	2,581,495,119	34.41
	-----	-----	-----
	239,432	7,503,044,788	100.00
	=====	=====	=====

EMPLOYMENT AND EMPLOYEES

- i Employment of disabled persons

The Bank has a non-discriminatory policy on recruitment. Applications have always been welcome from suitably qualified disabled persons and are reviewed strictly on merit. Thus, the Bank would not refuse to employ a person on the ground of his or her physical disability.

- ii Health, safety at work and welfare of employees

The Bank places a premium on the well being of all staff. Our premises are designed to guarantee the safety of all staff. Staff and their families are encouraged to maintain retainership arrangement with reputable hospitals at the expense of the Bank.

- .iii Employees' involvement and training

The Bank is committed to keeping employees informed as much as possible about the Bank's performance and progress and seeking their views whenever practicable on matters which particularly affect them as employees.

SKYE BANK PLC
REPORT OF THE DIRECTORS - continued

EMPLOYMENT AND EMPLOYEES - continued

The Bank is a learning institution. It therefore provides employee with skill acquisition and career development opportunities such as in house trainings, formal trainings (both locally and internationally) and self development programmes.

DONATIONS AND GIFTS

Donations made during the period amounted to ₦5.93 million. The recipients were:

BENEFICIARIES	AMOUNT
	₦
Abuja Sports Council	200,000
Chartered Institute of Bankers of Nigeria	200,000
Sickle Cell Foundation	450,000
Breast Cancer of Nigeria	50,000
Rotary Club	175,000
Cathedral Church of Christ Marina	25,000
Credit Risk Management Association	100,000
Art and Culture 2005	100,000
University of Ibadan	50,000
Institute of Directors	100,000
Police Children School	20,000
Atlantic Hall School	75,000
Nig. Bankers Employers Group	100,000
Alaba Road Rehabilitation	50,000
Rainbow Scholarship Award	100,000
Lions Club	50,000
Institute of Chartered Accountants of Nigeria	310,000
Others	<u>3,774,134</u>
TOTAL	<u>5,929,134</u>

SKYE BANK PLC

REPORT OF THE DIRECTORS - continued

POST BALANCE SHEET EVENTS

There are no post balance sheet events that could have had a material effect on the state of affairs of the Bank as at September 30, 2006 which have not been adequately provided for or disclosed.

AUDIT COMMITTEE

Pursuant to Section 359(3) of the Companies and Allied Matters Act, CAP C20 LFN 2004, the Bank has in place an Audit Committee comprising three shareholders and three Directors as follows:

Mr. Jackson Edah (Acting Chairman)
Dr. Jason Fadeyi
Mr. Victor S. Adenigbagbe
Mr. Labi Adeyemi
Alhaji J. A. Abass
Dr. Ismaila A. Adewusi

The functions of the Audit Committee are as laid down in Section 359(6) of the Companies and Allied Matters Act, C20 LFN 2004.

AUDITORS

Messrs. Ernst & Young and Akintola Williams Deloitte having indicated their willingness to continue in office will do so in accordance with Section 357(2) of Companies and Allied Matters Act, C20 LFN 2004.

A resolution will be proposed at the Annual General Meeting to authorise the Directors to determine their remuneration.

BY ORDER OF THE BOARD

MRS ABIMBOLA IZU
COMPANY SECRETARY

Lagos, Nigeria

May 10, 2007

SKYE BANK PLC

REPORT OF THE AUDIT COMMITTEE

In accordance with the provisions of Section 359 (3) (4) and (6) of the Companies and Allied Matters Act, CAP C20 LFN 2004, we have reviewed the Auditors' report for the period ended September 30, 2006 and hereby states as follows:

- i The scope and planning of the audit were adequate in our opinion.
- ii The accounting and reporting policies of the Bank conformed with statutory requirements and agreed ethical practices.
- iii The Internal control was being constantly and effectively monitored; and
- iv The external auditors' management report received satisfactory response from Management.

Mr. Jackson Edah
ACTING CHAIRMAN
AUDIT COMMITTEE

Lagos, Nigeria

May 10, 2007

Members of the Committee

1. Mr. Jackson Edah (Acting Chairman)
2. Dr. Jason Fadeyi
3. Mr. Victor S. Adenigbagbe
4. Mr. Labi Adeyemi
5. Alhaji J. A. Abass
6. Dr. Ismaila A. Adewusi

REPORT OF THE INDEPENDENT JOINT AUDITORS TO THE MEMBERS OF SKYE BANK PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Skye Bank Plc, which comprise the balance sheet as at September 30, 2006, and the profit and loss account and statement of cash flows for the period then ended set out on pages 20 to 22, and a summary of significant accounting policies and other explanatory notes set out on pages 15 to 19 and 23 to 51 respectively.

Management's Responsibility for the Financial Statements

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies and Allied Matters Act, CAP C20 LFN 2004, Nigerian Statements of Accounting Standards and the Banks and Other Financial Institutions Act, CAP B3 LFN 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of 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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 management, 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 financial statements give a true and fair view of the financial position of Skye Bank Plc as of September 30, 2006, and of its financial performance and its cash flows for the period then ended in accordance with Nigerian Accounting Standards and comply with the Companies and Allied Matters Act, CAP C20 LFN 2004 and the Banks and Other Financial Institutions Act, CAP B3 LFN 2004.

Report on Compliance with Banking Regulations

We confirm that our examination of loans and advances was carried out in accordance with the Prudential Guidelines for licensed banks issued by the Central Bank of Nigeria.

Related party transactions and balances are disclosed in Note 34 to the financial statements in accordance with Central Bank of Nigeria Circular BSD/1/2004.

Contraventions

As stated in note 37 to the financial statements, the bank contravened certain circulars of the Central Bank of Nigeria.

Ernst & Young
Chartered Accountants
Lagos, Nigeria

Akintola Williams Deloitte
Chartered Accountants
Lagos, Nigeria

.....May 2007

.....May 2007

SKYE BANK PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE PERIOD ENDED 30 SEPTEMBER 2006

The following are the significant accounting policies adopted by the Bank in the preparation of its financial statements:

1. Basis of accounting

The accounts are prepared under the historical cost convention modified to include the revaluation of certain land and buildings (own premises only).

2. Basis of consolidation

Skye Bank Plc (former Prudent Bank Plc) combines with EIB International Bank Plc, Bond Bank Limited, Reliance Bank Limited and Cooperative Bank Plc with effect from January 1, 2006.

The results of EIB International Bank Plc, Bond Bank Limited, Reliance Bank Limited and Cooperative Bank Plc acquired with effect from January 1, 2006 are included in the financial statements. These have been accounted for under the acquisition method.

Investments in Associated Company

Investments in associated company are carried in the balance sheet at cost. Profit and losses are eliminated to the extent of the Bank's interest in the associated company.

3. Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the net book value of the identifiable assets and liabilities of a merging entity at the date of acquisition. Resulting goodwill is being amortised over a period of five years in compliance with Companies and Allied Matters Act, CAP C20 LFN 2004.

4. Treasury bills

Holdings in treasury bills are stated at face value as it is the Bank's policy to hold these to maturity. Diminution in value of investments is noted in the financial statements only.

SKYE BANK PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

5. Investments

- .i Quoted investments other than dated securities are stated at the lower of cost and market value.
- .ii Unquoted investments are stated at cost less provision for doubtful investments.
- .iii Dated securities are stated at cost.
- .iv Investments in subsidiaries are stated at cost.

6. Bad and doubtful accounts

Loans and advances are stated after the deduction of provisions against debts considered doubtful of recovery. Loans are classified as to performing and non-performing; and are considered non-performing when principal and or interest repayment obligations are in arrears for over three months. Specific provisions are made on non-performing accounts as follows:

Interest and/or principal that is outstanding for:	Classification	Provision
More than 90 days but less than 180 days	Sub-standard-	10%
180 days but less than 360 days	Doubtful	50%
360 days and over	Lost	100%

A general provision of 1% is made on all performing balances in line with the Prudential Guidelines of the Central Bank of Nigeria.

7. Interest

Interest on loans and advances is accrued to profit until such a time as reasonable doubt exists about its collectibility. Interest accruing on non-performing accounts is not taken to the credit of profit and loss account until the debt is recovered.

8. Advances under finance lease

Advances to customers under finance leases are stated net of unearned income. Lease finance is recognized in a manner, which provides a constant yield on the outstanding net investment over the lease period.

SKYE BANK PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

9. Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation.

10. Depreciation

Depreciation is provided to write off the cost of fixed assets over their estimated useful lives on a straight line basis at the following annual rates:

		%
Information Technology Equipment	-	33 $\frac{1}{3}$
House Equipment	-	20
Office Equipment	-	20
Office furniture	-	20
Motor vehicle	-	25
Freehold buildings	-	2% from date of use
Leasehold buildings	-	2% for leases of 50 years and above over expected life in case of lease under 50 years

11. Foreign currencies

Transactions in foreign currencies are recorded in Naira at the rate of exchange ruling at the date of the transactions.

Assets and liabilities in foreign currency are converted to Naira at the rate of exchange ruling at the balance sheet date and the resultant profit/loss on conversion is taken to profit and loss account in respect of Bank - owned funds and the rest charged/credited to third parties.

12. Taxation

Income tax is provided on taxable profit at the current statutory rate.

Provision for deferred taxation is made by the liability method and calculated at the current rate of taxation on the differences between the net book value of qualifying fixed assets and their corresponding tax written down value.

13. Retirement benefits

Arrangements for retirement benefits (on a defined contribution basis) for members of staff are based on the provisions of the staff pension scheme, which is contributory. The matching contributions of 7.5% each for both staff and bank are based on current salaries and designated allowances and are charged to profit and loss account.

The Bank is aware of the provisions of the Pension Reforms Act 2004 and full compliance has commenced with effect from 1st October 2006.

SKYE BANK PLC
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)
FOR THE EIGHTEEN MONTHS ENDED 30 SEPTEMBER, 2006

14. Contingent liabilities

Transactions that are not currently recognized as assets or liabilities in the balance sheet but which nonetheless give rise to credit risks, contingencies and commitments are reported off balance sheet. Such transactions include letters of credit, bonds, guarantees, indemnities, acceptances, trade related contingencies such as documentary credit, etc.

Outstanding and unexpired commitments at year end in respect of these transactions are shown by way of note to the financial statements.

Income on off balance sheet engagements is in form of commission which is recognized as and when transactions are executed.

15. Income recognition

i Interest income

Interest charged on facilities granted and placements made with other financial institutions is recognized in the profit and loss account on an accrual basis over the life of such facilities and placements so as to give constant yield on the principal sums due. Also, interest overdue for more than 90 days is suspended and recognised only to the extent that the cash is received.

ii Fees, commissions and other income

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

iii Investment income

This is recognized on an accrual basis and credited to the profit and loss account.

iv Lease rentals income

Lease rentals on assets financed under finance leases are recognised as income in such manner as to give constant yield on the net investment in the lease over its term while operating lease rentals are included in income over the lease term.

iv Commission on letter of credit

Commission charged to customers on letter of credits (L/C) is credited to income as follows:

- Establishment commission – at the time of establishing the L/C
- Negotiation commission – at the time of negotiating the L/C

SKYE BANK PLC

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

FOR THE EIGHTEEN MONTHS ENDED 30 SEPTEMBER, 2006

16. Accounting for business combination

Accounting for business combination of Skye Bank Plc (formerly Prudent Bank Plc) with the former EIB International Bank Plc, Bond Bank Limited, Reliance Bank Limited and Cooperative Bank Plc was accounted for under the acquisition method of accounting.

SKYE BANK PLC
BALANCE SHEET
AS AT SEPTEMBER 30, 2006

	Note	September 30, 2006 ₦'000	March 31, 2005 ₦'000
ASSETS			
Cash and short-term funds	2	12,164,132	3,697,221
Due from other banks and financial institutions	3	11,308,201	5,499,287
Treasury bills		40,007,168	4,809,152
Investments	4	8,468,820	856,334
Loans and advances	5	71,717,297	12,122,680
Advances under finance lease	6	735,256	196,794
Other current assets	7	17,514,516	3,617,100
Deferred tax asset	12	89,577	-
Goodwill	8	2,013,182	-
Fixed assets	9	<u>9,672,297</u>	<u>1,192,293</u>
TOTAL ASSETS		<u>173,690,446</u>	<u>31,990,861</u>
		=====	=====
LIABILITIES			
Deposits and other accounts	10	125,471,054	22,623,437
Taxation	11	525,360	354,014
Deferred taxation	12	-	186,952
Other current liabilities	13	21,952,921	4,331,798
Retirement benefit obligation	14	<u>161,320</u>	<u>47,391</u>
TOTAL LIABILITIES		<u>148,110,655</u>	<u>27,543,592</u>
CAPITAL AND RESERVES			
Share capital	15	3,751,522	2,264,053
Share premium	16	8,066,990	710,103
Capital reserve	17	7,503,045	-
Statutory reserve	18	1,283,467	695,056
Reserve for SMEEIS	19	495,264	299,127
General reserves	20	<u>1,655,753</u>	<u>478,930</u>
Core capital		22,756,041	4,447,269
Revaluation reserve	21	<u>2,823,750</u>	<u>-</u>
SHAREHOLDERS' FUNDS		<u>25,579,791</u>	<u>4,447,269</u>
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		<u>173,690,446</u>	<u>31,990,861</u>
		=====	=====
Acceptances, bonds, guarantees and other obligations for the accounts of customers	22	<u>36,741,764</u>	<u>4,563,038</u>
		=====	=====

The financial statements on pages 15 to 51 were approved by the Board of Directors on May 10, 2007 and signed on its behalf by:

Alhaji M.A.K. Smith (CFR) – (Chairman)

Mr. A.A. Akinfemiwa (MD / CEO)

The notes on pages 23 to 49 form an integral part of the financial statements.

**SKYE BANK PLC
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED SEPTEMBER 30, 2006**

		18 months ended Sept. 30, 2006 N'000	Year ended March 31, 2005 N'000
GROSS EARNINGS	Note	21,055,904 =====	6,158,859 =====
Interest income	23	14,263,981	4,170,869
Interest expense	24	(6,051,604)	(2,458,478)
INTEREST MARGIN		8,212,377	1,712,391
Provision for loan losses	5g	(1,373,830)	51,078
NET INTEREST MARGIN		6,838,547	1,763,469
Provision for losses on other assets	7a	(146,331)	(5,017)
Provision for doubtful investment	4a	(100,000)	-
Other income	25	6,416,298	1,987,990
Operating expenses	26	13,008,514 (10,919,472)	3,746,442 (3,003,522)
PROFIT ON ORDINARY ACTIVITIES		2,089,042	742,920
Amortisation of Goodwill	8	(503,296)	-
Taxation	11b	1,585,746 375,625	742,920 (250,201)
PROFIT AFTER TAXATION		1,961,371	492,719
APPROPRIATIONS:			
Transfer to Statutory Reserves	18	(588,411)	(147,816)
Transfer to Small Scale Industries Reserves	19	(196,137)	(49,272)
Profit brought forward	20	1,176,823 478,930	295,631 183,299
PROFIT		1,655,753 =====	478,930 =====
Earnings per ordinary share (k):			
- Basic	33	26.14	10.88

The notes on pages 22 to 48 form an integral part of these financial statements.

SKYE BANK PLC
STATEMENT OF CASH FLOWS
FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2006

	Note	September 30, 2006 N'000	March 31, 2005 N'000
Cash flows from operating activities			
Interest earnings		14,112,403	4,095,122
Commission and other income		6,188,670	1,976,170
Lease income	23	151,578	75,747
Recoveries on loans previously written off		128,226	-
Interest expenses	24	(6,051,604)	(2,458,478)
Cash payment to employees and suppliers		(9,225,472)	(2,738,920)
Income tax paid	11a	(425,515)	(367,594)
Operating profit before changes in operating assets and liabilities		<u>4,878,286</u>	<u>582,047</u>
Changes in operating assets/liabilities			
Loans and advances		(70,990,071)	(1,915,932)
Advances under finance lease		(543,901)	92,062
Other assets		(15,405,594)	(1,657,427)
Deposit and current accounts		102,847,616	1,710,185
Other liabilities		17,621,123	2,858,520
Retirement benefit obligations		<u>113,929</u>	<u>47,391</u>
Net cash from operating activities	35	<u>38,521,388</u>	<u>1,716,846</u>
Cash flows from investing activities			
Net proceeds from sale of investments		56,491,693	-
Purchase of investments		(50,603,479)	(371,572)
Redemption of dated securities		133,856	-
Purchase of fixed assets	9	(2,761,841)	(656,289)
Proceeds on sale of fixed assets		15,251	26,349
Dividend received from subsidiaries		99,402	11,391
Treasury bills		(35,198,016)	24,572
Cost of business combination		<u>(2,874,674)</u>	
Net cash used in investing activities		<u>(34,697,808)</u>	<u>(965,549)</u>
Cash flows from financing activities			
Proceeds from issue of shares		10,630,519	1,001,852
Net cash used in financing activities		<u>10,630,519</u>	<u>1,001,852</u>
Net increase in cash and cash equivalents		14,454,099	1,753,149
Opening cash and cash equivalents		9,196,508	7,443,359
Closing cash and cash equivalents	36	<u><u>23,650,607</u></u>	<u><u>9,196,508</u></u>

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS

1. THE BANK

Skye Bank Plc ("Skye Bank") or ("the Bank") was formed as a result of the merger between Prudent Bank Plc, EIB International Bank Plc, Bond Bank Limited, Reliance Bank Limited and Cooperative Bank Plc with effect from January 1, 2006.

Skye Bank Plc (formerly Prudent Bank Plc) was a public liability company incorporated on December 8 1989 in accordance with the provisions of the Companies Act, 1968 and was issued a banking license on February 7, 1990 to carry on all classes of merchant banking business in accordance with the provisions of the Banking Act, 1969. The Bank commenced operations on May 2, 1990. It was wholly owned by Nigerian citizens. The bank's name was changed from Prudent Merchant Bank to "Prudent Bank Plc" with effect from February 18, 2000 following an approval in "principle" by the Central Bank of Nigeria (CBN) for the conversion of the bank to a commercial bank. The bank fully commenced operations as a commercial bank during the 2001 financial period.

Following the banking industry consolidation program announce in July 2004, Prudent Bank Plc combined its business operations with former EIB International Bank Plc, former Bond Bank Limited, former Reliance Bank Limited and former Cooperative Bank Plc with effect from January 1, 2006. The shares of the bank are quoted on the Nigerian Stock Exchange.

	September 30, 2006 ₦'000	March 31, 2005 ₦'000
2. CASH AND SHORT-TERM FUNDS		
Cash balance	4,951,178	1,401,994
Balances with Central Bank of Nigeria:		
Operating account	2,291,031	280,104
Cash reserves	4,991,101	1,515,123
Other account	109,096	500,000
	-----	-----
	12,342,406	3,697,221
Transfer arising from legacy banks	(178,274)	-
	<u>12,164,132</u>	<u>3,697,221</u>
	=====	=====

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS

	September 30, 2006 N'000	March 31, 2005 N'000
3. DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS		
In Nigeria	2,638,993	3,498,549
Outside Nigeria	<u>8,669,208</u>	<u>2,000,738</u>
	<u>11,308,201</u>	<u>5,499,287</u>
	=====	=====

Included in the balances with Banks abroad is an amount of ₦6,648,005,000 (March 2005: ₦307,530,000) which represents the Naira value of foreign currencies held on behalf of customers for confirmed letter of credit (L/C) and also funds awaiting remittances in respect of LC transactions. The corresponding liability for this amount is included in other current liabilities (see note 13).

	Sep. 30, 2006 N'000	March 31, 2005 N'000
4. INVESTMENTS		
i. Securities		
Maturing within 1 year		
Market Value N6.659 billion (2005 – N271 million)		
- Federal Government Bonds	2,000,000	-
- State Governments Bonds	222,938	178,571
Maturing between 1 and 5 years		
- Federal Government Bonds	2,500,000	-
- State Governments Bonds	386,000	92,858
- Debentures	50,000	-
Maturing after 5 years		
- Federal Government Bonds	<u>1,500,000</u>	<u>-</u>
	6,658,938	271,429
Less: Provision	<u>(90,938)</u>	<u>-</u>
	<u>6,568,000</u>	<u>271,429</u>

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS

	September 30, 2006 ₦'000	March 31, 2005 ₦'000
ii. Equities		
(a) (Quoted)		
Afroil Plc (Market value ₦9 million)	3,655	3,655
Law Union & Rock (Market value ₦632 million)	<u>336,000</u>	<u>336,000</u>
	<u>339,655</u>	<u>339,655</u>
(b) (Unquoted)		
Valucard Nigeria Plc	16,000	17,250
Nfi Insurance Plc	9,900	-
Nigeria Interbank Settlement System Plc	41,388	-
Kakawa Discount House Limited	56,412	-
Express Discount House Limited	105,065	-
Consolidated Discount House Limited	<u>17,000</u>	<u>-</u>
	<u>245,765</u>	<u>17,250</u>
iii. Associated Company (Unquoted equity)		
World Wide Insurance Company Ltd	71,600	-
COOP Savings & Loans Limited	<u>30,000</u>	<u>-</u>
	<u>101,600</u>	<u>-</u>
iv. Subsidiaries (Unquoted equities)		
PSL Limited	118,223	75,000
Ile Oluji Cocoa Products Co. Ltd	434,220	-
EIB Trustees Limited	38,000	-
EIB Building Society Limited	19,000	-
APEX Integrated Tech Ltd	<u>101,510</u>	<u>-</u>
	710,953	75,000
Less: Provisions	<u>(53,978)</u>	<u>-</u>
	<u>656,975</u>	<u>75,000</u>

The financial statements of these subsidiaries were not consolidated because the Directors believe that the transactions are insignificant to the Bank's operations.

SKYE BANK PLC
NOTES TO THE FINANCIAL STATEMENTS

	September 30, 2006 N'000	March 31, 2005 N'000
Others:		
SMEEIS Investments		
Through:		
Degason Dental Services	10,000	10,000
Millenium Harvest	10,000	10,000
Foresight International School	20,000	20,000
Emel Hospital	20,000	20,000
Premiere Academy	170,573	70,000
Country Estate Development Company	-	10,000
Tropicana Tourism Initiative Ltd.	-	10,000
Nationale Govt Strategies Ltd	25,000	3,000
Medrugs Ltd	4,000	-
COOP Industries Limited	30,000	-
Amalgamated Capital Funds	135,446	-
African Export Import Bank	5,806	-
Chrysalis	25,000	-
Enterprise & Financial Support Company	12,500	-
Cold Care Investment	41,000	-
PCI Resin International Ltd	52,000	-
Spectral Nigeria Limited	25,500	-
X-Lon Optical – Equity Investment	<u>20,000</u>	<u>-</u>
	606,825	153,000
Less: Provisions	<u>(50,000)</u>	<u>-</u>
	<u>556,825</u>	<u>153,000</u>
	<u>8,468,820</u>	<u>856,334</u>

a. Provision for doubtful accounts

Acquired from business combination	94,916	-
Arising during the period	100,000	-
	-----	-----
At September 30	194,916	-
	=====	=====

SKYE BANK PLC
NOTES TO THE FINANCIAL STATEMENTS

	September 30, 2006 N'000	March 31, 2005 N'000
5. LOANS AND ADVANCES		
a. Analysis of loans and advances by security:		
Real estate	48,133,266	7,077,862
Plant and equipment	174,562	26,214
Cash collateral	1,959,554	629,143
Otherwise secured	<u>33,513,196</u>	<u>4,849,646</u>
Secured facilities	83,780,578	12,582,865
Unsecured	<u>3,597,826</u>	<u>540,286</u>
	87,378,404	13,123,151
Less: Provision for loan losses		
Specific provision (Note 5e)	(11,439,285)	(610,368)
General provision (Note 5e)	(676,337)	(109,800)
Interest in suspense (Note 5f)	(3,545,485)	(280,303)
	-----	-----
	71,717,297	12,122,680
	=====	=====
b. Analysis of loans and advances by performance:		
	Sept. 30, 2006	March 31, 2005
	Gross Loans N'000	Provision N'000
	Gross Loans N'000	Provision N'000
Non-performing		
- Substandard	4,383,477	438,348
- Doubtful	1,629,536	814,768
- Lost	<u>13,731,652</u>	<u>13,731,652</u>
	19,744,665	14,984,768
Performing	67,633,739	676,337
	-----	-----
	87,378,404	15,661,105
	=====	=====
c. Analysis by maturity:		
Maturing within one month	59,753,394	2,041,301
Maturing between 1 and 3 months	19,995,038	6,111,299
Maturing between 4 and 6 months	4,283,357	2,713,062
Maturing between 7 and 9 months	2,926,827	1,197,116
Maturing after 9 months	<u>419,788</u>	<u>1,060,373</u>
	87,378,404	13,123,151
	=====	=====

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS

		N'000	N'000
d.	Analysis by type:		
	Term Loan	30,291,837	2,401,728
	Overdraft	53,206,859	8,073,472
	Others	<u>3,879,708</u>	<u>2,647,951</u>
		<u>87,378,404</u>	<u>13,123,151</u>
e.	The movement in loan loss provision during the period/year was as follows:		
		September 30, 2006	March 31, 2005
		General	Total
		N'000	N'000
		N'000	N'000
	Loan loss provisions:		
	At April 1,	610,368	109,800
	Acquired from		
	business combination	12,950,059	201,640
	Written off during		
	the period	(3,132,064)	-
		-----	-----
		10,428,363	311,440
		-----	-----
	Provided (write back)		
	during the period/year	2,679,231	364,897
	Recovered during		
	the period	(1,668,309)	-
		-----	-----
	Provision for the		
	period/year	1,010,922	364,897
		-----	-----
	Balance at the end	11,439,285	676,337
		=====	=====
		September 30,	March 31,
		2006	2005
		N'000	N'000
f.	Interest in suspense:		
	At April 1,	280,303	310,556
	Acquired from business combination	2,529,445	-
	Additions/(Write back) during the period/year	1,425,219	(30,253)
	Written off during the period	(689,482)	-
		-----	-----
	Balance at the end	3,545,485	280,303
		=====	=====

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS

	September 30, 2006 N'000	March 31, 2005 N'000
g. Summary of additions to provision for loan losses:		
General provision	364,897	14,030
Specific provision	1,010,922	352,913
Write back during the period	-	(408,101)
	-----	-----
	1,375,819	(41,158)
Write back of provision on leases	<u>(1,989)</u>	<u>(9,920)</u>
	1,373,830	(51,078)
	=====	=====

The details of insider related credits are analysed in note 36 to this financial statements in line with the Central Bank of Nigeria Circular BSD/1/2004.

	September 30, 2006 N'000	March 31, 2005 N'000
6. ADVANCES UNDER FINANCE LEASE		
a. Gross investments	766,056	321,727
Less: Unearned income	(23,373)	(122,945)
	-----	-----
Net investment in finance leases	742,683	198,782
Less: provision (Note 6c)	<u>(7,427)</u>	<u>(1,988)</u>
	<u>735,256</u>	<u>196,794</u>
b. Analysis by performance:		
Performing	742,683	198,782
	-----	-----
	742,683	198,782
	=====	=====
c. The movement on the general provision for advances under finance lease during the period was as follows:		

	September 30, 2006 N'000	September 30, 2006 N'000	Total N'000	Mar. 31, 2005 N'000
Balance at April 1,	-	1,988	1,988	11,908
Acquired from business Combination	5,365	2,063	7,428	-
Provision for the period	<u>(5,365)</u>	<u>3,376</u>	<u>(1,989)</u>	<u>(9,920)</u>
Balance at the end	-	7,427	7,427	1,988
	=====	=====	=====	=====

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS – continued

	September 30, 2006 N'000	March 31, 2005 N'000
d. The advance under lease by maturity is:		
Maturing within one month	566,713	145,318
Maturing between 1 and 3 months	115,158	70,176
Maturing between 4 and 6 months	33,853	23,385
Maturing between 6 and 9 months	47,107	59,444
Maturing over 9 months	<u>3,225</u>	<u>23,404</u>
	766,056	321,727
	=====	=====
7. OTHER CURRENT ASSETS		
	September 30, 2006 N'000	March 31, 2005 N'000
Accrued interest receivable	448,011	112,667
Prepaid interest and charges	462,815	39,071
Other prepayments	2,497,746	1,870,198
Deposit under investigation	1,169,050	-
Branch pre-opening expenses	2,615,242	209,605
Accounts receivable clearing house	9,377,497	462,660
Other accounts receivable	2,177,139	917,267
Inter branch	130,597	-
Inventories	<u>169,459</u>	<u>30,494</u>
	19,047,556	3,641,962
Provision for doubtful accounts (Note 7a)	<u>(1,533,040)</u>	<u>(24,862)</u>
	17,514,516	3,617,100
	=====	=====
a. Movement on provision for other assets.		
	September 30, 2006 N'000	March 31, 2005 N'000
Balance as at April 1,	24,862	19,845
Acquired from business combination	1,361,847	-
Arising during the period/year	<u>146,331</u>	<u>5,017</u>
	1,533,040	24,862
	=====	=====

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS - continued

	September 30, 2006 ₦'000	March 31, 2005 ₦'000
8. GOODWILL		
Arising on acquisition (Note 27)	2,516,478	-
Amortisation	(503,296)	-
	-----	-----
	2,013,182	-
	=====	=====

SKYE BANK PLC
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD ENDED SEPTEMBER 30, 2006

9. FIXED ASSETS

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS – continued

	September 30, 2006 N'000	March 31, 2005 N'000
10. DEPOSITS AND OTHER ACCOUNTS		
a. Analysis by type is as follows:		
Demand	57,608,944	10,172,749
Savings	13,248,968	1,427,274
Time	52,653,588	10,801,983
Cash collateralised against advances	1,959,554	221,431
	-----	-----
	125,471,054	22,623,437
	=====	=====
b. The maturity profile of deposits and other accounts at period end is as follows:		
	September 30, 2006 N'000	March 31, 2005 N'000
Analysis by Maturity		
Maturity within one month	70,857,912	11,600,023
Maturity between 1 to 3 months	54,571,163	10,970,555
Maturity between 4 to 6 months	36,044	46,374
Over 6 months	5,935	6,485
	-----	-----
	125,471,054	22,623,437
	=====	=====
11. TAXATION		
a. Taxation payable:		
At April 1,	354,014	539,737
Acquired from business combination	292,485	-
Payments during the period	(425,515)	(367,594)
Current period charge (see 11b)	<u>304,376</u>	<u>181,871</u>
	525,360	354,014
	=====	=====

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS – continued

	September 30, 2006 N'000	March 31, 2005 N'000
b. Current period Charge:		
Company income tax	166,111	161,695
Education Tax	36,575	20,176
Under provision in prior year	101,690	-
	-----	-----
	304,376	181,871
Deferred tax	(680,001)	68,330
	-----	-----
	(375,625)	250,201
	=====	=====

The Company Income Tax for the period has been computed at the current company income tax rate of 30% (March 31, 2005: 30%) after adjusting for certain items of income and expenditure which are not deductible or chargeable for tax purposes.

Education tax has been computed on the basis of 2% of assessable profit.

The charge for taxation in these accounts is based on the provisions of the Companies Income Tax Act CAP C21 LFN 2004. The charge for education tax is based on the provisions of the Education Tax Act CAP E4 LFN 2004.

12. DEFERRED TAXATION

	Sep. 30, 2006 N'000	March 31, 2005 N'000
At April 1,	186,952	118,622
Acquired from business combination	403,472	-
(Write back)/arising during the period/year	(680,001)	68,330
	-----	-----
	(89,577)	186,952
	=====	=====

In accordance with the requirement of the Statements of Accounting Standards No. 19. Provisions have been made in these financial statements for deferred taxation.

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS – continued

	September 30, 2006 N'000	March 31, 2005 N'000
13. OTHER CURRENT LIABILITIES		
Balance held on account of customers' Obligations (Note 3)	6,648,005	307,530
Interest payable	551,004	159,980
Unearned income	2,227,562	216,488
Drafts payable	4,462,941	579,437
Accounts payable	2,516,555	1,202,096
Deposit under investigation	1,169,050	-
Deposit for shares	139,163	-
Accrued expenses	242,876	13,472
Uncleared effects	3,934,835	1,852,545
Unclaimed dividend	33,262	-
Provision for contingencies	27,668	250
	21,952,921	4,331,798
	=====	=====

14. RETIREMENT BENEFIT OBLIGATION

At April 1,	47,391	-
Arising from business combination	20,157	-
Charge during the period	93,772	47,391
	-----	-----
At September 30	161,320	47,391
	=====	=====

1. The Bank operates a defined contributory retirement benefit scheme. Contributions to the scheme, which complied with the Pension Reform Act 2004, are based on transport, housing and basic allowances in the ratio of 7.5% each by the employer and employee respectively.
2. The bank is aware of the provisions of the Pension Reform Act 2004 where staffs are required to select a Pension Fund Administrator (PFA) of their choice. Staffs have however selected their Pension Fund Administrators and part of the amount has been remitted after the period end.

SKYE BANK PLC
NOTES TO THE FINANCIAL STATEMENTS – continued

	Sep. 30, 2006 N'000	March 31, 2005 N'000
15. SHARE CAPITAL		
(a) Authorised:		
25 billion ordinary shares of 50k each (2005: 15 billion)	12,500,000	7,500,000
	=====	=====
Issued, called-up and fully paid:		
Ordinary shares of 50k each (March 2005: 4,528,106,000)	3,751,522	2,264,053
	=====	=====
(b) The movement on this account during the period was as follows:		
At April 1,	2,264,053	1,523,937
Bonus issue	-	304,787
Offer for subscription	3,273,634	435,329
Share exchange (see note 15c)	5,716,880	-
Transfer to capital reserve (see note 17)	(7,503,045)	-
	-----	-----
At September 30	3,751,522	2,264,053
	=====	=====
(c) Skye Bank Plc (formerly Prudent Bank Plc) issued 11,433,761,009 ordinary shares of 50k each (nominal value N5,716,880,504) to the shareholders of EIB International Bank Plc, Bond Bank Limited, Reliance Bank Limited and Cooperative Bank Plc as purchase consideration for the acquisition of the banks (See Note 28). The value of the shares issued was accounted for as follows:		
	2006 N'000	2005 N'000
Gross value of the shares issue (see note 28)	5,716,880	-
Transfer to the issued and fully paid share capital (see note (b) above)	<u>(5,716,880)</u>	- - - - -

At the Extra-ordinary General Meeting of Syke Bank Plc held at Transcorp Hilton Hotel, Abuja on Wednesday July 12, 2006 at 11.00am, The following special resolution was proposed and duly passed as follows: “That the share capital of Skye Bank Plc be and is hereby reconstructed in the following manner.

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS – continued

- i. That the 22,509,134,368 issued and fully paid shares of 50 kobo each in the capital of the bank be consolidated into 3,751,522,394 ordinary shares of N1.00 each.
- ii. That the consolidated 3,751,522,394 ordinary shares of N1.00 each be subdivided into 7,503,044,788 ordinary shares of 50 kobo each, such shares to be credited as fully paid, and rank pari passu in all respect in the capital of the bank.
- iii. That the reconstructed shares be allotted to shareholders In the ratio of one (1) reconstructed ordinary shares of 50 kobo each for every (3) ordinary shares of 50 kobo each previously held by them.
- iv. That sum of N7,503,044,788 representing the surplus nominal values of the reconstructed shares be transferred into capital reserve account and form part of the shareholders' fund of the bank.
- v. That the reconstructed 7,503,0344,788 ordinary shares of 50 kobo each be revalued in accordance with the ratio of the reconstruction, subject to appropriate regulatory consents, and be listed on the Nigerian Stock Exchange.

	Sep. 30, 2006 N'000	March 31, 2005 N'000
16. SHARE PREMIUM		
Balance at April 1,	710,103	143,580
Additions	7,356,887	566,523
At September 30	<u>8,066,990</u>	<u>710,103</u>

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS - continued

	Sep. 30, 2006 ₦'000	March 31, 2005 ₦'000
17. CAPITAL RESERVE		
Transfer from share capital (note 15)	7,503,045	-
	=====	=====

The sum of ₦7,503,044,790 represents the surplus nominal value of the reconstructed shares transferred from the share capital.

18. STATUTORY RESERVE

At April 1	695,056	547,240
Transfer from profit & loss account	<u>588,411</u>	<u>147,816</u>
At September 30	1,283,467	695,056
	=====	=====

This is computed at 30% of profit after tax in accordance with the Banks and Other Financial Institutions Act, CAP B3 LFN 2004.

19. RESERVE FOR SMEEIS

At April 1,	299,127	249,855
Transfer from profit & loss account	196,137	49,272
	-----	-----
At September 30	495,264	299,127
	=====	=====

This is computed at 10% of profit after tax in accordance with Central Bank of Nigeria Guideline

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS - continued

	Sep. 30, 2006 N'000	March 31, 2005 N'000
20. GENERAL RESERVES		
At April 1	478,930	183,299
Transfer from profit and loss account	1,176,823	295,631
	-----	-----
At September 30	1,655,753	478,930
	=====	=====
21. REVALUATION RESERVE		
Acquired from business combination	198,289	-
Additions (note 9a)	2,625,461	-
	-----	-----
At September 30,	2,823,750	-
	=====	=====
22. ACCEPTANCES, BONDS, GUARANTEES AND OTHER OBLIGATIONS FOR THE ACCOUNT OF CUSTOMERS		
Outstanding letters of credit	698,191	1,580,089
Performance guarantees and bonds	22,694,829	2,982,949
Bankers acceptance/Commercial paper Intermediation and others	13,348,744	-
	-----	-----
	36,741,764	4,563,038
	=====	=====

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS - continued

	18 months ended Sept. 30, 2006 N'000	Year ended March 31, 2005 N'000
23. INTEREST INCOME		
This is analysed by source and income type as follows: Analysis by type:		
NON-BANK SOURCES		
Lease income	151,578	75,747
Loans and advances	11,922,518	3,271,015
Treasury instruments	1,888,101	801,906
Interest on Federal & State Govt.	207,677	-
	-----	-----
	14,169,874	4,148,668
BANK SOURCE		
Placement with banks and discount houses	<u>94,107</u>	<u>22,201</u>
	14,263,981	4,170,869
	=====	=====
24. INTEREST EXPENSE		
Demand	325,768	149,324
Time	4,116,365	1,705,431
Savings	120,962	30,674
Inter bank takings	701,338	281,818
Others	<u>787,171</u>	<u>291,231</u>
	6,051,604	2,458,478
	=====	=====
All interest expense was paid in Nigeria.		
25. OTHER INCOME		
This comprises income derived from the following sources:		
Fees	1,858,681	653,688
Foreign exchange earnings	624,260	97,237
Commissions	3,221,900	1,133,125
Investments income	206,556	68,360
Recoveries on loan previously written off	128,226	149
Foreign exchange gain	89,709	-
Others	<u>286,966</u>	<u>35,431</u>
	6,416,298	1,987,990
	=====	=====

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS - continued

	18 months ended Sept. 30, 30, 2006 N'000	Year ended March 31, 2005 N'000
26. OPERATING EXPENSES		
i. Summary:		
Staff and other related costs	3,786,361	1,012,753
Depreciation	1,296,903	264,602
Stamp duty	30,012	-
Recapitalisation expenses	40,887	-
Directors' emolument	85,542	11,797
Auditors' remuneration	60,000	10,000
Other operating expenses	<u>5,619,767</u>	<u>1,704,370</u>
	<u>10,919,472</u>	<u>3,003,522</u>
ii. Other operating expenses		
This is stated after charging/crediting		
Directors' emoluments	85,542	11,797
Foreign exchange gain	89,709	-
Pension and gratuity	93,772	47,391
Loss/(profit) on sale of fixed assets	5,208	(430)
Audit fees	60,000	10,000
	<u>=====</u>	<u>=====</u>

SKYE BANK PLC
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD ENDED SEPTEMBER 30, 2006

27. Good Will

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS – continued

	18 months ended Sept. 30, 30, 2006 N'000	Year ended March 31, 2005 N'000
28. EMOLUMENTS OF DIRECTORS		
Emoluments of Directors were as follows:		
Fees	12,667	725
Other emoluments	<u>72,875</u>	<u>11,072</u>
Aggregate emoluments	85,542	11,797
	-----	-----

The Chairman's fees amounted to:	1,500	125
	=====	=====

The emolument of the highest paid Director amounted to:	24,750	6,370
	=====	=====

The table below shows the number of Directors of the Bank (excluding the chairman) whose remuneration (excluding pension contributions) in respect of services to the Bank fell within the ranges shown below.

	Sep. 30, 2006 Number	March 31, 2005 Number
N300,001 - N1,000,000	2	7
N1,000,001 - N2,000,000	13	-
Above N2,000,000	4	-
	====	====
Number of directors who had no Emoluments	Nil	Nil
	====	====

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS - continued

29. HIGHER PAID EMPLOYEES

The table below shows the number of employees of the Bank other than Directors, who earned over ₦150,000 in the period and which fell within the ranges below.

	Sep. 30, 2006 Number	March 31, 2005 Number
₦150,000 - ₦200,000	524	306
₦200,001 - ₦300,000	494	188
₦300,001 - ₦400,000	229	-
₦400,001 - ₦500,000	197	-
₦500,001 - ₦700,000	209	-
₦600,001 - ₦700,000	269	-
₦700,001 - ₦1,000,000	37	-
₦1,000,001 - ₦2,000,000	21	-
₦2,000,000 - ₦2,500,000	12	-
	-----	-----
	1,992	494
	=====	=====
The average number of persons employed (excluding Directors) in the Bank during the period was as follows:	1,992	494
	=====	=====

30. ACQUISITIONS

In response to the directive of the Central Bank of Nigeria (CBN) on minimum capital requirement of N25 billion, the Bank merged its operations with EIB International Bank Plc, Bond Bank Limited, Cooperative Bank Plc and Reliance Bank Limited to form Skye Bank Plc with effect from January 1, 2006.

31. POST BALANCE SHEET EVENTS

No other events or transactions have occurred since the balance sheet date, which would have a material effect upon the financial statements at that date or which would need to be mentioned in the financial statements in order not to make them not misleading as to the financial position or result of operations.

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS - Continued

32. CLAIMS AND LITIGATIONS

There are litigation claims against the bank as at September 30, 2006 amounting to ₦3.12 billion. These claims arose in the normal course of business and are being contested by the Bank. The Directors, having sought the advice of professional legal counsel, are of the opinion that no significant liability will crystallize from these cases. No provisions are therefore deemed necessary for these claims.

33. EARNINGS PER SHARE

Earnings per share (basic) has been computed based on the profit after tax and the number of ordinary shares in issue as at September 30, 2006.

SKYE BANK PLC

INSIDER RELATED CREDITS AS AT 31/12/2005

FOR THE PERIOD ENDED SEPTEMBER 30, 2006

34. DETAILS OF INSIDER-RELATED CREDIT

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS - continued

35. RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES

	September 30, 2006 N'000	March 31, 2005 N'000
Profit after tax	1,961,371	492,719
Adjustments to reconcile profit after tax to net cash provided By operating activities		
Depreciation of fixed assets	1,296,903	264,602
Provision for bad and doubtful accounts	1,620,161	(46,061)
Provision for deferred taxation	(680,001)	68,331
Increase in tax payable	171,347	(197,114)
Loss / (profit) on disposal of fixed assets	5,208	(430)
Amortisation of goodwill	503,296	-
Changes in assets and liabilities		
Increase in loans and advances	(70,990,071)	(1,915,932)
Increase in other assets	(15,405,594)	(1,657,427)
(Increase)/decrease in advances under finance lease	(543,900)	92,062
Increase / Changes in assets and liabilities		
Increase in deposit and other current accounts	102,847,616	1,710,185
Increase in other liabilities	17,621,123	2,858,520
Increase in retirement benefit obligations	113,929	47,391
Net cash flow from operating activities before changes in operating assets	<u>38,521,388</u>	<u>1,716,846</u>

36. CASH AND CASH EQUIVALENTS

Cash and short-term funds	12,342,406	3,697,221
Due from other banks and financial institutions	11,308,201	5,499,287
	<u>23,650,607</u>	<u>9,196,508</u>

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS - continued

37. CONTRAVENTIONS

The bank contravened the following circulars of the Central Bank of Nigeria during the period.

- i. The bank's credit print out as at June 30, 2006 did not comply with the minimum standard prescribed in the CBN circular No: BDE/DO/CIR/Vol.1/11 of 20th March 1995
- ii. The Bank had not carried out quarterly review of its credit since January 2006 as required by the prudential guidelines. This was also a breach of chapter 11 of the bank's credit policy guidelines and the CBN circular No: BSD/Vol.1/11 of 9th August 1991.
- iii. The bank breached section 1(b) of the CBN circular No.DO/CIR/Vol.1/01/18 dated November 13, 2001 as none of the affected Directors had copies of their signed share transfer forms in their credit files.

38. SECTIONS 355(8) AND (9) OF THE COMPANIES AND ALLIED MATTERS ACT, CAP C20 LFN 2004

In accordance with banking traditions, the assets and liabilities have been shown in decreasing order of liquidity and without sub-classifications as between fixed and current assets unlike in the formats applied by the Act.

Subject to the foregoing, the format used gives the information required by the Act and substantially in accordance therewith.

39. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

	2006	2005
	N'000	N'000
Capital commitments		
Capital expenditure contracted for in these accounts are as follows:		
Contracted	2,615,242	358,900
	=====	=====
Not contracted	-	-
	=====	=====

SKYE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS – continued

39. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (continued)

- i. This relates to expenses incurred on branches yet to commence operations at period –end. Affected branches are Kaduna; Akowonjo; Apapa II; Ado-Ekiti; Ilorin; Itire Road Surulere; Sapele Road Benin; Enugu; Bajulaiye Shomolu; UI Secretariat Road Ibadan;, Iwo Road; Ibadan; Warri, Akure; Biu; Oke-Fia Osogbo; Gusau; Sango Otta; New Gbagi Ibadan; Alagomeji – Yaba; Oko Oba Agege; Iju Agbado; Kachia Road, Kaduna; Olofa Way, Offa; Kayode Street, Ogba; Palms Shop Mall, Lekki; Osuji Street, Owerri; Abakaliki; Kastina; Yola; Hadejia; Uyo II; Calabar; Birnin Kebbi; Gombe; Dutse; Mafoluku; Jalingo; Minna; Makurdi; Jos; Lokoja; Lafia; Bauchi; Maryland; Obalende; Abatoir, Agege; Oniru Private Estate; Novena University; Alagbado; Igbosere; Nnebuisi Road, Aba; Oyo; Apapa Road, Ebute Metta; Okokomaiko; Orile Coker; CMD Road, Magodo; Umuahia; and Ziks Avenue, Awka branches.
- ii. The Directors are of the opinion that all known liabilities and commitments which are relevant in the assessment of financial affairs of the Bank have been taken into consideration in the preparation of these accounts.

40. COMPARATIVE FIGURES

Where necessary, comparative figures have been restated in the financial statements to conform with the current classification.

Comparative figures represent the balances of pre-merger Prudent Bank Plc as at 31 March 2005.

41. APPROVAL BY THE BOARD

The Board of Directors approved these financial statements on May 10, 2007.

SKYE BANK PLC
STATEMENT OF VALUE ADDED
FOR THE EIGHTEEN MONTHS ENDED SEPTEMBER 30, 2006

	18 months ended Sep. 30, 2006 N'000		Year ended March 31, 2005 N'000	
Gross earnings	21,055,904		6,158,859	
Interest expenses	(6,051,604)		(2,458,478)	
	-----		-----	
Administrative overheads - local	15,004,300 (6,715,129)		3,700,381 (1,726,167)	
	-----		-----	
Valued added	8,289,171		1,974,214	
	=====		=====	
% of value added to total earnings	39		32	
DISTRIBUTION:				
		%		%
EMPLOYEES				
Salaries and benefits	3,786,361	46	1,012,753	51
GOVERNMENT				
Taxation	(375,625)	(5)	250,201	13
THE FUTURE				
Assets replacement {depreciation}	1,296,903	16	264,602	13
EXPANSION				
Profit re-invested in the business	1,176,823	14	295,631	15
Transfer to statutory reserve	588,411	7	147,816	7
Transfer to SMEEIS reserve	196,137	2	49,272	3
Provision for loan losses and other assets	1,620,161	20	(46,061)	(2)
	-----	----	-----	----
	8,289,171	100	1,974,214	100
	=====	===	=====	==

This statement represents the distribution of the wealth created through the use of the Bank's assets and through its own and its employees' efforts.

SKYE BANK PLC
FINANCIAL SUMMARY

	Sep. 30,	←	March 31	→	
	2006	2005	2004	2003	2002
	₦'000	₦'000	₦'000	₦'000	₦'000
ASSETS					
Cash and short-term funds	12,164,132	3,697,221	2,814,319	2,808,181	1,794,318
Due from other banks and other Financial institutions	11,308,201	5,499,287	4,629,040	2,514,440	1,359,721
Treasury bills	40,007,168	4,809,152	4,833,724	4,942,832	2,749,707
Investments	8,468,820	856,334	484,762	461,258	18,129
Loans and advances	71,717,297	12,122,680	10,165,590	8,212,450	4,985,198
Advances under finance leases	735,256	196,794	278,936	136,866	411,423
Other current assets	17,514,516	3,617,100	1,964,690	1,114,473	700,921
Deferred tax asset	89,577	-	-	-	-
Goodwill	2,013,182	-	-	-	-
Fixed assets	9,672,297	1,192,293	826,525	743,990	612,541
TOTAL ASSETS	173,690,446	31,990,861	25,997,586	20,934,490	12,631,958
LIABILITIES					
Deposits and other accounts	125,471,054	22,623,437	20,913,252	16,108,760	8,778,789
Other current liabilities	22,639,601	4,920,155	2,131,636	2,483,350	1,800,638
	148,110,655	27,543,592	23,044,888	18,592,110	10,579,427
CAPITAL RESERVES					
Called-up share capital					
Ordinary shares	3,751,522	2,264,053	1,523,937	1,523,937	1,523,937
Reserves	21,828,269	2,183,216	1,428,761	818,443	528,594
	25,579,791	4,447,269	2,952,698	2,342,380	2,052,531
TOTAL LIABILITIES	173,690,446	31,990,861	25,997,586	20,934,490	12,631,958
18 months ← Year Ended →					
Gross earnings	21,055,904	6,158,859	5,251,782	4,333,890	2,665,275
Profit before taxation	1,585,746	742,920	918,230	854,004	523,266
Profit after taxation	1,961,371	492,719	610,318	576,004	355,821
Earnings per ordinary share					
- Actual (kobo)	26.14	10.88	20.02	18.90	11.67
Net assets per ordinary share					
- Actual (kobo)	340.92	98.21	96.88	76.85	67.34
Dividend per ordinary share					
Bonus per ordinary share	-	-	10	10	-

