



Lotus Capital

HALAL INVESTMENTS

LOTUS CAPITAL HALAL INVESTMENT FUND ANNUAL REPORT AND ACCOUNTS, 2009

The Lotus Capital Halal Investment fund is managed by:
Lotus Capital Limited

Lotus Capital Halal Investment Fund

Managed by:



LOTUS CAPITAL LIMITED FINANCIAL STATEMENTS

for the period ended
31ST DECEMBER, 2009

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 1st Annual General Meeting of Lotus Capital Halal Investment Fund will be held at Lagos Airport Hotel located at No. 111, Obafemi Awolowo Way, Ikeja, Lagos on Wednesday the 25th day of August, 2010 at 9:00am to transact the following business:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the 18 months ended 31st December, 2009 and the Reports of the Trustees, Manager and Auditors.
2. To consider and if thought fit authorize the Manager to fix the remuneration payable to such Auditors.

SPECIAL BUSINESS

To consider and if thought fit, pass the following as special resolutions:

1. That the Trust Deed dated 31st January, 2008 (“Trust Deed”) between Lotus Capital Limited (as Manager) and First Trustees Nigeria Limited (as Trustee) be supplemented and amended in the manner described below and that a supplemental deed to the Trust Deed be prepared and executed to record these amendments.

I. Insertion and definition of “Purchase Statement” and “Statement” in the Definitions Clause

The definition section is hereby amended to include the definition of “Purchase Statement” to read as follows:

“Purchase Statement” means the document generated by the Manager at the time a purchase is made and which document indicates the name of the purchasing Unit – Holder and the number of Units allotted pursuant to the purchase. The Purchase Statement provides conclusive proof of the number of Units purchased by the Unitholder on the date specified on the Purchase Statement.”

The definition section is hereby amended to include the definition of “Statement” to read as follows:

“Statement” means the document in lieu of balance Certificate generated by the Manager at the time a part-redemption or part-transfer of Units is made and which document indicates the name and account number of the Unit – Holder whose Units are being partly redeemed or transferred and the number of Units remaining as a result of such redemption or transfer.”

II. Amendment to Clause 1

A new clause 1.11 is hereby inserted to read as follows:

“With effect from the 25th day of August, 2010 any reference in this Deed to “Certificate” and or “balance Certificate” shall be to Purchase Statement and or a Statement respectively.”

III. Amendment to Clause 8

Clause 8.4 is hereby amended to read as follows:

“The asset allocation policy of the Fund shall be invested at the discretion of the Manager in investments which are Shari'ah Compliant and authorized for purchase in the proportions specified below:

ASSET CLASS		RANGE
8.4.1 Equities	-	20% - 80%
8.4.2 Asset Backed Investments	-	20% - 60%
8.4.3 Real Estate	-	0% - 30%
8.4.4 Cash and Cash Equivalent	-	5% - 100%

IV. Insertion of a new Clause 13.1

13.1 “where such investment would result in the value or aggregate of the value of any investment in the shares of any one company to exceed one-twentieth of the value of the Fund”

And sub – clause 13.1 – 13.3 be renumbered as 13.2 – 13.4.

V. Amendment to Clause 15

A new clause 15.9 is hereby inserted to read as follows:

“With effect from the 25th day of August, 2010 the provisions of this clause with regard to the issuance of a balance Certificate will be fully satisfied via the issuance of a Statement provided however that under no circumstances shall the number of Units recited on the Statement issued pursuant to this clause exceed the number of Units remaining.”

A new clause 15.10 is hereby inserted to read as follows:

“No redemption request shall be valid or honoured by the Manager unless the Unit – holder shall first deliver to the Manager or its authorized agent the Certificate(s), Purchase Statement(s) or Statements for the Units it intends to redeem or at the option of the Manager produce such other evidence of his title to the Units for redemption as the Manager shall consider sufficient.”

VI. Insertion of a proviso at the end of Clause 27

“PROVIDED ALWAYS that the Commission and the Trustee shall be duly informed when the Fund Manager chooses to exercise its right either pursuant to clause 27.4 or clause 27.5 of the Original Trust Deed.”

VII. Amendment to Clause 31

Clause 31.1 is hereby amended to read as follows:

“It shall be the duty of the Registrar to prepare Certificates, if requested by the Fund Manager, and to prepare and pay all cheques and warrants”

A new clause 31.3 is hereby inserted to read:

“With effect from 25th day of August, 2010 however, the Manager may issue Purchase Statements in respect of Units purchased by Unit – Holders and the provisions requiring the issuance of a Certificate in respect of the purchase of Units shall be fully satisfied by the issuance of such Purchase Statements.”

VIII. Amendment to Clause 36.1

“The Auditors shall be appointed by the Manager with the approval of the Trustee pursuant to Section 169(1) of the Investments and Securities Act. Any Auditor appointed pursuant to this clause shall be duly registered with the Commission”.

IX. Amendment to Clause 46

“The Unit Trust Scheme shall have an Investment Committee. The Investment Committee shall consist of 4 (four) persons with 2 (two) persons representing the Manager, 1 (one) person representing the Trustee and 1 (one) independent member of the Investment Committee to be jointly appointed by the Manager and the Trustee. The Manager shall from time to time consult with the Investment Committee on its decisions to purchase, sell or alter any investment in the fund.”

X. Amendment to Schedule One, Clause 14

Clause 14.2, Schedule One is hereby amended to read as follows:

“The quorum of a Meeting of the Fund shall be formed by Twenty (20) Unitholders or Holders of one percent (1%) of Units in issue (whichever is less) of the Fund whether present in person or in proxy.”

XI. Insertion of a proviso at the end of Schedules 6 (definition of “Bid Price”) and Schedules 7 (definition of “Offer Price”)

“Provided always that the total investment in unquoted companies will be limited to 10% (ten percent) of the aggregate value of the Fund.”

NOTES:

Proxy

1. Only Unitholders are entitled to be represented at the meeting. A Unitholder entitled to attend and vote may appoint a proxy to attend and vote instead of him/her/itself. A proxy need not be a Unitholder of the Fund.
2. To be valid, the proxy form attached to this Notice must be stamped to the value of N50 as duty thereon and should be deposited at the office of The Registrar, Unity Registrars at Plot 1683, Sanusi Fafunwa Street, Victoria Island, Lagos not later than 48 (Forty – eight) hours before the time fixed for the meeting.

Dated this 29th day of July, 2010

**BY ORDER OF THE MANAGER
LOTUS CAPITAL LIMITED**



**TAIWO PETERS
COMPANY SECRETARY
IB UDI STREET
OSBORNE FORESHORE ESTATE
IKOYI, LAGOS.**

CORPORATE INFORMATION

Fund Manager

Lotus Capital Limited
1b Udi Street
Osborne Foreshore Estate
Osborne Road
Ikoyi, Lagos

Directors of the Fund Manager

Mr. Fola Adeola
Mrs. Hajara Adeola
Mrs. Lateefah Okunnu
Mrs. Amina Oyagbola
Mr. Nuruddeen Lemu

***Registered office
(Fund Manager)***

1b Udi Street
Osborne Foreshore Estate
Osborne Road
Ikoyi, Lagos

Trustees to the Fund

First Trustees Nigeria Limited
AG Leventis Building
2nd Floor, 42/43 Marina
Lagos

Auditors to the Fund

Horwath Dafinone
Chartered Accountants

Bankers

Guaranty Trust Bank Plc
Zenith Bank Plc

Registrar to the Fund

Unity Registrars Limited
Plot 1683, Sanusi Fafunwa Street
Victoria Island
Lagos

REPORT OF THE TRUSTEES

The Trustees present their report on the affairs of the Lotus Capital Halal Investment Fund, together with the audited financial statements for the 18 months period ended 31st December, 2009.

Principal activity

The principal activity of the Lotus Capital Halal Investment Fund is the pooling of funds from individual members of the public and companies and the investment of such funds in equities listed on the Nigerian Stock Exchange and other sharia compliant investments.

Results

The results for the period are set out on page 16.

Dividend

The terms of the Trust's Deed constituting the Fund do not specifically empower the Fund to distribute any part of its income by way of a cash dividend directly to its members.

Directors

The directors of the Fund Manager who served on the board of the fund manager during the period under review and up to the date of approving these financial statements were:

Mr. Fola Adeola (Chairman)
Mrs. Hajara Adeola (Managing Director/ Chief Executive Officer)
Mrs. Lateefah Okunnu
Mrs. Amina Oyagbola
Mr. Nuruddeen Lemu

Directors' and related parties interest in the units of Fund

The Directors of Lotus Capital Limited who held direct and indirect beneficial interest in the units of the Fund as at 31st December, 2009 are:

As at 31st December, 2009

	Units held
Mr. Fola Adeola	5,000,000
Mrs. Hajara Adeola	2,500,000
Mr. Nuruddeen Lemu	1,145,000
Mrs. Lateefah Okunnu	10,181,239
Mrs. Amina Oyagbola	9,946,370
Lotus Capital Limited	100,000,000
	=====

REPORT OF TRUSTEES *(Continued)*

Responsibilities of the Trustees and the Fund Manager

None of the directors of First Trustees Nigeria Limited has any direct or indirect beneficial interest in the units of the fund.

The Investments and Securities Act, 2007 requires the Fund Manager to keep proper books of account and prepare annual financial statements which give a true and fair view of the state of affairs of the unit trust scheme during the period covered by the financial statements.

In preparing the financial statements, the Fund Manager:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- ensured that the applicable accounting standards have been followed, and in the case of any material departure, that it was fully disclosed and explained in the financial statements;
- prepared the financial statements on a going concern basis; since it was appropriate to assume that the Fund shall continue to exist.

The Fund Manager was responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any point in time, the financial position of the Fund, and enable the Fund Manager to ensure that the financial statements comply with the Trustees Investment Act, CAP T22 LFN, 2004, the Investments and Securities Act, 2007, the provisions of the Trust Deed, together with the rules and regulations set out by the regulatory bodies established pursuant to the legislation referred to within this paragraph.

The Fund Manager is also responsible for the safeguarding of the assets of the Fund, and therefore for taking any reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF TRUSTEES *(Continued)*

The responsibilities of the Trustees as provided by Securities and Exchange Commission, Rules and Regulations made pursuant to the Investments and Securities Act, 2007 are as stated below:

- Monitoring of the activities of the Fund Manager on behalf of and in the interest of the Unit Holders.
- Maintaining custody of the funds and the documents relating to the investments by the fund.
- Monitoring of the Register of Unit Holders.
- Ascertaining the profitability rationale for the investment decision making of the Fund Manager.
- Ascertaining compliance with the provisions of the Trustee Investments Act, CAP T22 LFN 2004, the Investments and Securities Act, 2007, and the Trust Deed by the Fund Manager.
- Ascertaining that the monthly and other periodic returns/reports relating to the Fund are sent by the Fund Manager to the Commission.

Charitable donations

The Fund did not make any charitable donations during the period.

Auditors

Messrs Horwath Dafinone, Chartered Accountants, were appointed as the auditors of the fund by the directors of the fund manager in accordance with Section 169(1) of the Investments and Securities Act, 2007. Their appointment shall be ratified at the next Annual General Meeting of the Fund.

By Order of the Trustees



Lagos, Nigeria
30th June, 2010.

FUND MANAGER'S REPORT

Dear Investor,

This report provides an overview of the performance of the Lotus Capital Halal Fund from the start date of July 1, 2008 to the financial year ended December 31, 2009.

Investment Objectives

The primary objective of the Fund is to optimize total returns of investors (i.e. dividend and investment profits as well as capital appreciation on assets held) by seeking high quality investments whilst adhering to the strictest code of ethics in line with our Islamic finance investment philosophy.

Economic review

The 18 month period under review was a turbulent period for the Nigerian economy primarily due to the impact of the global financial meltdown witnessed in 2008. Furthermore, the oil sector's contribution to the country's total output declined significantly in the third and fourth quarters of 2008 owing to production cuts stemming from intensified militant activities in the Niger Delta. The economy also experienced a significant decline in demand for petroleum products from international communities. While the price of Nigeria's light sweet crude appreciated to as high as \$147 in mid- 2008, it subsequently declined sharply and ended 2008 below \$45 per barrel. Although oil prices have recovered somewhat, they have traded well below their highs.

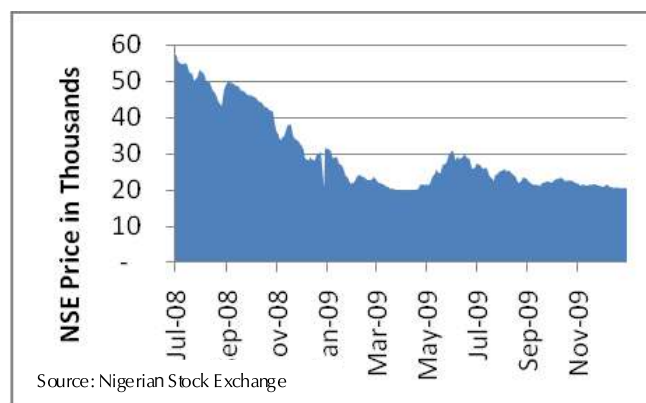
The first half of the year 2009 was fraught with concern for the financial health of the deposit taking banks due to the size of non-performing assets on their balance sheets as a result of their exposure to the capital market and oil & gas sector from previous years. The Central Bank of Nigeria (CBN) introduced an expanded discount window to improve the banks' liquidity position in a bid to stave off a crisis in the banking sector.

The year 2009 also saw a change in leadership of two major regulatory bodies in the financial markets namely, the Central Bank of Nigeria and the Securities and Exchange Commission. The new CBN Governor temporarily banned Banker's Acceptance and Commercial Papers and immediately embarked on a CBN/NDIC joint audit of the banks. The CBN intervened in eight banks which were considered to be distressed by replacing their executive management staff and injecting N620 billion into the banks by way of tier 2 capital.

Market Review

Equity market performance in the 18 month period from July 2008 to December 2009 was atypical of previous years trend as the market declined sharply during the period.

The NSE All Share Index declined by 63.96% over the period from 57,047.27 points as at July 1, 2008 to close at 20,561.15 as at December 31, 2009. The poor performance of the market was as a result of three key factors. First, the



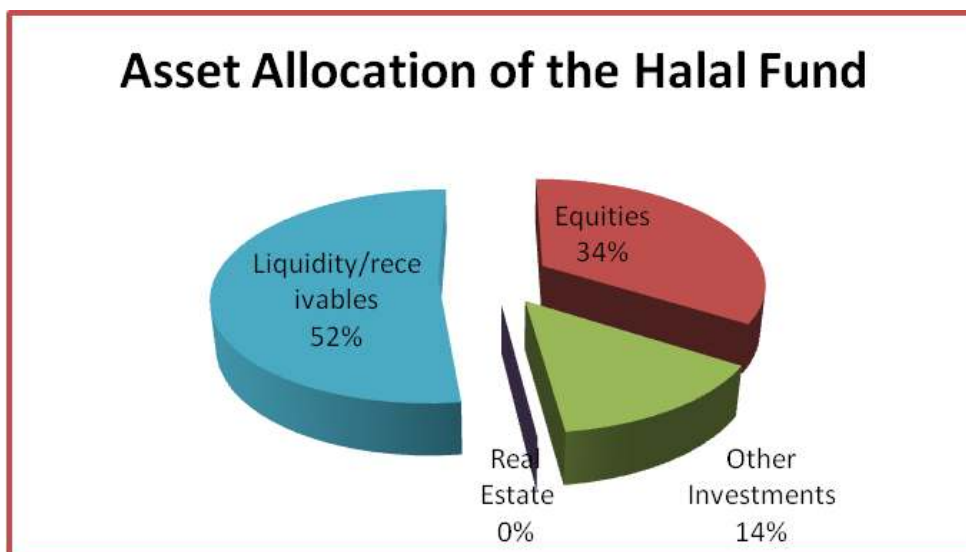
FUND MANAGER'S REPORT (Continued)

intrinsic values of most stocks in the capital market (even with optimistic assumptions) were far below their market prices as at early 2008. Secondly, the positive outlook and investor confidence, which underpinned the sustained rally in previous periods, gave way to concerns about the economy as a result of the financial meltdown previously mentioned. Lastly, the excessive liquidity from bank margin loans that had driven demand for, and prices of stock was no longer available.

Halal Fund Asset Allocation

Typically, asset class allocation i.e. the investment philosophy to distribute investors' funds amongst equities, asset-backed investments, real estate or cash, tends to have a greater impact on the returns over the long term than the selection of individual securities. Accordingly, for the best return to our investors, we constantly review the proportion of the types of assets that offer the best value at any time, and monitor these on an ongoing basis. As at December 31 2009, the Fund was 34% invested in equities, 14% in Asset-Backed Investments and 52% in cash and other liquid assets.

We have proposed certain amendments to provisions of the Trust Deed in order to allow the Fund to hold items in liquid funds due to the peculiarities of the Shari'ah compliant investment philosophy of the fund.



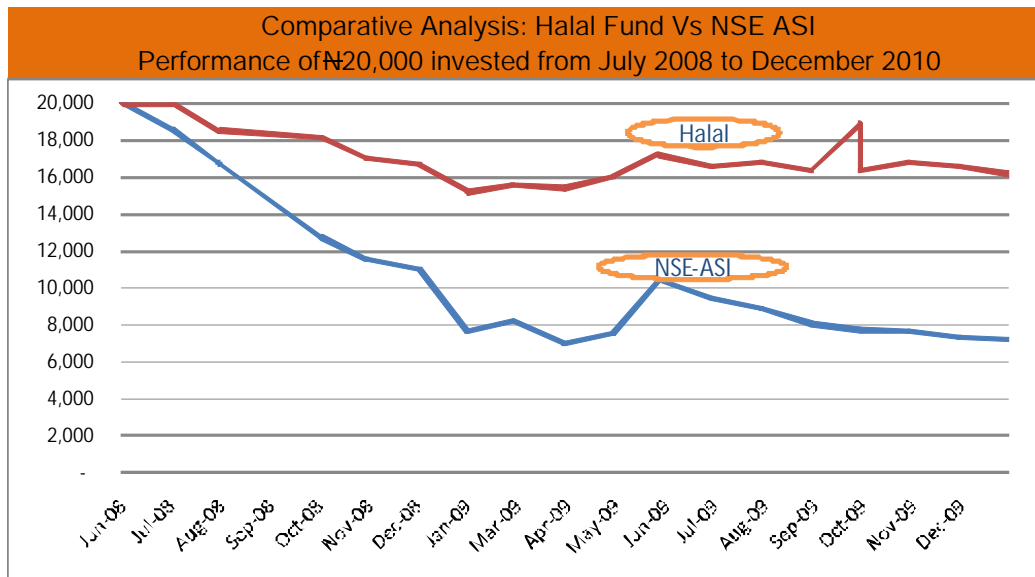
Source: Lotus Capital Research

Halal Fund Performance

As discussed earlier, the composite benchmark of the Halal Fund – NSE All Share Index declined by 63.96% over the 18 month period from 57,047.27 points in July 1, 2008 to 20,561.15 in December 31, 2009. However, **the unique investment strategy adopted by Lotus Capital preserved the value of investors as the Lotus Capital Halal Fund opened at N1.00 and closed at N0.80 over the same period.** Although the value of the Halal Fund declined by 20%, the Fund out-performed its benchmark by almost 45%. This was indeed an impressive performance when compared with other public managed funds and the NSE All Share Index.

FUND MANAGER'S REPORT (Continued)

The graph below shows the value, as at December 31, 2009, of a N20,000 investment made on July 1, 2008 in the Lotus Capital Halal Fund. For comparative purposes, the performance of the Fund's benchmark, the Nigerian Stock Exchange All-Share Index assuming the same minimum investment of N20,000 is shown on the same graph.



2010 Outlook and Strategy

We expect the Nigerian economy to grow at the rate of 5% in 2010. The growth will be driven primarily by the country's agricultural output, which is one of the areas targeted by the Central Bank for 2010. We also anticipate an increase in oil receipts driven by the recovery in the global economy coupled with the relative calm in the Niger-Delta following the amnesty arrangement. Based on this, we expect an increased level of liquidity and demand to return across sectors of the economy.

The investment strategy of the Fund will be to create value for unit holders' using stocks, asset backed and real estate investments to structure a portfolio which will participate in the appreciation in the NSE All Share Index during market increases whilst limiting the downside in periods the NSE All-Share Index declines.

Whilst we expect a relatively stronger performance from the stock market in the year 2010, we believe that there are tremendous opportunities for the Halal Fund in some identified Asset-Backed Investments. Accordingly, we would actively and continuously redistribute allocation to the different asset classes and equity sectors to arrive at an optimal structure for the Fund throughout the year.

We thank you for your participation in the Fund and we look forward to retaining your valued patronage and confidence.

REPORT OF THE AUDITORS TO THE MEMBERS OF LOTUS CAPITAL HALAL INVESTMENT FUND

We have audited the financial statements set out on pages 15 to 24 for the period ended 31st December, 2009 which have been prepared under the historical cost convention (as modified by the revaluation of certain assets.

Respective responsibilities of the Trustees, Fund Manager and the Auditors

As described in the statement of responsibilities of the Trustees and Fund Manager set out on page 9, The Trustees are responsible for monitoring the actions of the Fund Manager and ascertaining compliance with the provisions of the Trust Deed and other relevant laws. The Directors of the Fund Manager are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit and report our opinion to the members of the Fund.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. The standards require that we plan and perform the audit in such manner as to obtain reasonable assurances as to whether or not, the financial statements are free of any material misstatement. The audit included the examination on a test basis, of the evidence supporting the amounts and disclosures within these financial statements. The audit also included the assessment of the various accounting policies used and the significant estimates made by the management, as well as the evaluation of the overall presentation of the information contained within the financial statements.

We obtained all the information and explanations that were required for the purpose of our audit. The financial statements are in agreement with the books of account which have been properly kept.

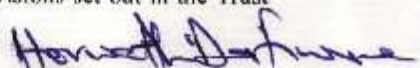
We draw your attention to note 20. We observed that the asset allocation of certain asset classes specified in the trust deed were under-utilised by the Fund Manager. We are aware that the Fund Manager has proposed certain amendments to the provisions of paragraph 8.4 of the trust deed which shall be put to the members at the next annual general meeting.

We believe that this audit provides a reasonable basis for our opinion.

Opinion

In our opinion, these financial statements give a true and fair view of the funds affairs as at 31st December, 2009 and of its loss and cash flows for the period ended on that date and have been properly prepared in accordance with the requirements of the Trustees Investment Act, CAP I22 LFN, 2004, Section 169(1) of the Investments and Securities Act, 2007, the applicable statements of Accounting Standards issued by the Nigerian Accounting Standards Board and the provisions set out in the Trust Deed of the Fund.

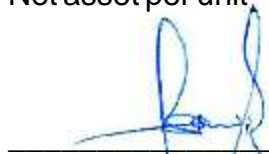
Lagos, Nigeria
30th June, 2010



Horwath Dafinone
Chartered Accountants



BALANCE SHEET AS AT 31ST DECEMBER, 2009

	Note	2009 ₹
Current assets		
Quoted equity securities	2	572,858,337
Other investments	3	184,147,985
Debtors	4	224,563,864
Cash and bank balances		1,509,175,009
		<u>2,490,745,195</u>
Current liabilities		
Creditors: Amounts falling due within one year	5	(11,011,051)
Net assets		<u>2,479,734,144</u> =====
Financed by		
Members' capital	6	3,078,275,369
Capital appreciation reserve	7	2,968,577
Accumulated deficit		(601,509,802)
		<u>2,479,734,144</u> =====
Net asset per unit	8	0.80 =====





Trustees

Fund Manager

30th June, 2010

The statement of the principal accounting policies set out on pages 18 to 19 and the notes on pages 20 to 23, form integral parts of the financial statements

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST DECEMBER, 2009

	Note	2009 ₹
Gross income	9	130,977,310
Operating expenses	10	(58,034,815)
Quoted securities trading	11	(109,555,242)
Operating loss	12	(36,612,747)
Exceptional item	13	(596,915,093)
Loss after exceptional item		(633,527,840)
Taxation	14	(3,517,066)
Loss for the period after taxation		(637,044,906)
Gain on redemption	15	35,535,104
Accumulated deficit		(601,509,802) =====
Loss per unit	16	(0.21) =====

The statement of the principal accounting policies set out on pages 18 to 19 and the notes on pages 20 to 23, form integral parts of the financial statements

STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31ST DECEMBER, 2009

2009

RM

Cash flow from operating activities

Operating loss (633,527,840)

Adjustments for those items not involving
the movement of funds

Loss on sale of quoted securities 109,555,242

Provision for net realisable value of investment 501,405,979

(22,566,619)

Movement in working capital:

Increase in debtors (224,563,864)

Increase in creditors 11,011,051

Net cash outflow from operations (236,119,432)

Tax deducted at source (3,517,066)

Net cash outflow from operating activities (239,636,499)

Cash flow from investing activities

Acquisition of quoted investments (1,283,275,116)

Proceeds from the sale of quoted
securities 102,424,135

Asset backed investment (184,147,985)

Net cash outflow from investing activities (1,364,998,966)

Cash flow from financing activities

Funds received into the members'
capital account 3,382,730,594

Payment on redemption of units (268,920,121)

Net cash inflow from financing
activities 3,113,810,473

Net cash inflow for the period 1,509,175,009

Cash and bank balance at the beginning of
the period -

Cash and bank balance at 31st December, 2009 **1,509,175,009**

=====

PRINCIPAL ACCOUNTING POLICIES

a. Accounting convention

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets investments.

b. Income

- i. Dividend income is recognised upon the receipt of the dividend warrant or the declaration of the dividend.
- ii. Income from Murabahah and Ijarah which are fixed investment income are recognised on an accrual basis.
- iii. Income from Mudarabah and Musharakah are recognised upon the receipt of the profit share or the declaration of the profit.

c. Expenses

Expenses, which include management fees, subscription fees, bank charges and transfer fees, are recognised on an accruals basis.

d. Investments

Quoted Equity

These are recorded at the historical cost incurred by the fund as at the date of acquisition. At the balance sheet date, the market value is ascertained for all of the quoted securities and the excess over the historical cost is taken to the revaluation reserve. Where the market value is lower, the necessary provision is charged through the profit and loss account for any shortfall that may have arisen.

Investments held, where there is no intentions of resale within the foreseeable future are classified as fixed asset investments. Investments whose realisation may be expected to occur within the next twelve months are classified as current assets.

The gain or loss on the sale of quoted securities is treated through the profit and loss account in the period of sale. Such gain or loss is computed as the difference between the sales proceeds net of expenses and its carrying amount.

Asset backed Investments

Murabahah

An agreement whereby the Fund sells to a customer a commodity which the Fund has purchased and acquired based on a promise received from customer to buy the item purchased according to specific terms and conditions. The selling price comprises the cost of the commodity plus an agreed profit margin.

PRINCIPAL ACCOUNTING POLICIES (*Continued*)

Mudarabah

An agreement between the Fund and a customer whereby the Fund would invest in a specific enterprise or activity, managed by the customer for a specific share in the profit. The customer would only bear the loss in case of default, negligence or violation of any of the terms and conditions only the Mudarabah.

Musharakah

An agreement between the Fund and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property, either permanently or according to a diminishing arrangement ending with the acquisition by the customer of the full ownership. The profit is shared as per the agreement set out between both parties while the loss is shared in the proportion of their shares of capital or the enterprise.

Ijarah

An agreement whereby the Fund (lessor) purchases or leases an asset according to the customer's requirements (lessee) based on his promise to lease the assets for a specific period and against certain rental payments. Ijarah could end by transferring the ownership of the asset to the lessee or not.

These investments are stated at their contractual value less repayments that are due within the financial period

e. Debtors

Debtors including asset backed investment due for repayments are stated at their contractual value, net of any provision that may be required for the risk of realisation. Provision is made for doubtful receivables as follows:

<i>Period overdue</i>	<i>Provision required</i>
91 – 180 days	10%
181 – 360 days	50%
Above 360 days	100%

f. Taxation

The withholding tax borne by the fund in respect of dividend income is treated as the final tax and recognised as a tax charge in the profit and loss account in the year the income is recognised.

g. Members accounts

The redemption of members' accounts where the value of the units at redemption is in excess of the original subscription cost is treated by accounting for the excess as a capital distribution in the period in which the redemption occurs. Where it is redeemed at value lower than the original value, the gain on redemption is treated as a gain thus arising and is credited to the profit and loss account as a contribution to reserves.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST DECEMBER, 2009

1. Legal form

The Lotus Capital Halal Fund was established by a trust deed that was registered with the Securities and Exchange Commission on January, 2008. The Trustees to the fund are First Trustees Limited and the Fund Manager is Lotus Capital Limited.

2009

RM

2. Quoted equity securities

Acquisitions	1,283,275,116
Disposals (note 11)	<u>(211,979,377)</u>
Investment at cost as at the end of the period	1,071,295,739
Capital appreciation	2,968,577
Provision for diminution in value	<u>(501,405,979)</u>
As at the end of the period	572,858,337
	=====

3. Other investments: asset backed investments

Ijarah	149,483,161
Murabahah	<u>34,664,824</u>
	184,147,985
	=====

4. Debtors

Asset backed investment receivable	252,969,531
Less: Provision for doubtful receivables	<u>(30,856,147)</u>
	222,113,384
Dividend receivable	<u>2,450,480</u>
	224,563,864
	=====

5. Creditors: amounts falling due within one year

Sundry payables	5,684,589
Other creditors	<u>5,326,462</u>
	11,011,051
	=====

NOTES TO THE FINANCIAL STATEMENT FOR THE PERIOD ENDED 31ST DECEMBER, 2009 *(Continued)*

	2009
	N
6. Members' capital	
Contribution during the period	3,382,730,594
Payment on redemption during the period	(268,920,121)
Capital gain on redemption (note 15)	<u>(35,535,104)</u>
	<u>3,078,275,369</u>
	=====
7. Capital appreciation reserve	
As at 31st December	2,968,577
	=====
<p>Quoted securities are stated at the market values as at the balance sheet date. Any surplus arising from the revaluation of these securities over the cost of acquisition at the balance sheet date is retained in the capital appreciation reserve. Any diminution in value is dealt with through the profit and loss account.</p>	
8. Net assets per unit	0.80
	=====
<p>The net assets per unit is computed using the net asset value as at the balance sheet date divided by the 3,094,975,121 units in existence as at that date.</p>	
9. Gross income	
Franked investment income	35,170,658
Asset Backed Investment income (note (i))	<u>95,806,652</u>
	130,977,310
	=====
(i) Asset backed investment income	
Income from Ijarah	56,853,968
Income from Mudarabah	31,480,175
Income from Murabahah	<u>7,472,509</u>
	95,806,652
	=====
10. Operating expenses	
Provision for doubtful receivables	30,856,147
Management fees (note 17)	191,973
Trustees fees (note 18)	3,756,177
Registrar fees	797,580
Listing expenses	17,140,370
Other charges	2,092,568
Audit fees	<u>3,200,000</u>
	<u>58,034,815</u>
	=====

**NOTES TO THE FINANCIAL STATEMENT FOR THE PERIOD ENDED
31ST DECEMBER, 2009 (Continued)**

2009

N

11. Quoted securities trading

Proceeds on securities trading	102,424,135
Cost of securities disposed	(211,979,377)
Loss on sales of securities	(109,555,242)
	=====

12. Operating loss for the period

36,612,74

=====

This is stated after charging:

Audit fees	3,200,000
Management fees (note 17)	191,973
Trustees' fees (note 18)	3,756,177
	=====

13. Exceptional item

Provision for diminution in value of quoted investments	501,405,979
Initial public offer expenses	95,509,114
	596,915,093
	=====

14. Taxation

Tax withheld on franked investment income	3,517,066
	=====

15. Gain on redemption

Gain on redemption	35,535,104
	=====

In accordance with the provisions of the unit trust scheme, the members' capital account is shown at cost. The redemption of the unit, arising upon the sale of the unit by the holder, is carried out by the scheme. The discount thus arising to the unit holders has been recognised as a revenue reserve. The amount of N35,535,104, which arose as a gain to the Fund from the redemption of the units by members during the year has been recognised as a revenue reserve and treated accordingly.

NOTES TO THE FINANCIAL STATEMENT FOR THE PERIOD ENDED 31ST DECEMBER, 2009 *(Continued)*

	2009
	N
16. Loss per unit	0.21
	====

The loss per unit is computed using the loss for the period divided by the 3,094,975,121 units in existence as at the year end date.

17. Management fees

The management fees taken for the period ended 31st December, 2009, is N191,973. It should total N12,399,631 based on 1.5% of the net asset value of the Fund for the period under review. However, the Fund Manager has waived its right to the total fee due to the loss made during the period.

18. Trustees fees

The trustees' fees for the period ended 31st December, 2009, which is based on 0.1% of the Fund's net asset value as at the balance sheet date amounted to N3,756,177.

19. Comparative values

There are no comparative values as these are the first set of financial statements to be prepared by the Fund.

20. Non-compliance with the Trust Deed

The Fund Manager did not comply with all of the provisions of Paragraph 8.4 of the Trust Deed which stipulates the minimum level of investment that should be made in particular classes of assets.

The Fund Manager has proposed certain amendments to the trust deed in order to forestall a re-occurrence. The amendments are to be put to the unit holders at the next annual general meeting. They are:-

- i. the provision of an allocation for liquidity that would allow the Fund Manager to hold items in liquid funds where the economic position so requires.
- ii. the amendment of the trust deed to specifically reduce certain categories to accommodate the peculiarities of the Shari'ah compliant investment philosophy of the fund.

STATEMENT OF VALUE ADDED

2009

RM

Gross income	130,977,310
Less: Bought in materials and services	<u>(764,505,150)</u>
Value lost	<u>(633,527,840)</u>
	=====
Applied in the following ways:	
To pay the providers of capital: Capital gain on redemption	(35,535,104)
To pay the government:	
Taxation	3,517,066
To provide for the maintenance of the capital:	
Deficit for the period	<u>(601,509,802)</u>
	<u>(633,527,840)</u>
	=====

PROXY FORM AND ADMISSION CARD

PROXY FORM FOR 1ST ANNUAL GENERAL MEETING OF LOTUS CAPITAL HALAL INVESTMENT FUND TO BE HELD ON WEDNESDAY THE 25TH DAY OF AUGUST 2010

I/We * _____ of _____ being a holder/holders of Units in the Lotus Capital Halal Investment Fund, hereby appoint

** _____ or failing him/her, the Chairman of the meeting as my/our proxy to act and vote for me/us on my/our behalf as he/she deems fit at the Annual General Meeting of the Fund to be held on Wednesday the 25th day of August, 2010 at No. 111, Obafemi Awolowo Way, Ikeja, Lagos at 9:00am and at any adjournment thereof:

To be valid, the Proxy Form must be stamped by the Commissioner for Stamp Duties. The Proxy Form should not be completed if you are attending the meeting. If you are unable to attend the meeting, please read the following instructions:

1. Write your name in Block letters in the portion of the Proxy Form marked *
2. Write the name of your proxy where marked ** and ensure that the Proxy Form is signed and dated by you. The common seal must be affixed on the Proxy Form if executed by a corporation.

Please note that the Proxy Form must reach the office of the Registrar (**Messrs Unity Registrars**) at Plot 1683, Sanusi Fafunwa Street, Victoria Island, Lagos not later than 48 (Forty – eight) hours before the time of the meeting.

_____ Dated _____ day of _____ 2010.
SIGNATURE

RESOLUTIONS

	FOR	AGAINST
1. "That the report of the Fund Manager and the audited financial statements for the 18 months period ended 31 st December, 2009 now submitted be and are hereby received"	<input type="checkbox"/>	<input type="checkbox"/>
2. "That the Fund Manager be and is hereby authorized to fix the remuneration payable to the Auditors for the ensuing year."	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL RESOLUTIONS

3. "That the Fund Manager be and is hereby authorized to amend the Trust Deed dated 31st January, 2008 ("Trust Deed") between Lotus Capital Limited (as Manager) and First Trustees Nigeria Limited (as Trustee) in the manner described below."	<input type="checkbox"/>	<input type="checkbox"/>
4. "That the the Trust Deed between the Manager and Trustee be supplemented and amended in the manner described below"	<input type="checkbox"/>	<input type="checkbox"/>
1. By including "Purchase Statement" and "Statement" in the Definitions Clause;	<input type="checkbox"/>	<input type="checkbox"/>

RESOLUTIONS

FOR

AGAINST

II.	By the insertion of a new clause 1.11, stating “any reference in this Deed to “Certificate” and or “balance Certificate” shall be to “Purchase Statement” and or a “Statement” respectively.”	<input type="checkbox"/>	<input type="checkbox"/>
III.	“That the Fund Manager be and is hereby authorized to amend the Asset classes and proportions in the asset allocation policy of the Fund specified in clause 8.4 of the Trust Deed.”	<input type="checkbox"/>	<input type="checkbox"/>
IV.	By the insertion of a new clause 13.1, stating “where such investment would result in the value or aggregate of the value of any investment in the shares of any one company to exceed one-twentieth of the value of the Fund” and the renumbering of sub – clause 13.1 – 13.3 as 13.2 – 13.4.	<input type="checkbox"/>	<input type="checkbox"/>
V.	By the insertion of a new Clause 15.9 on the issuance of certificates via the issuance of a Purchase Statement or Statements;	<input type="checkbox"/>	<input type="checkbox"/>
VI.	By the insertion of a new Clause 15.10 on Redemptions mandating Unitholders to first deliver Certificate(s) or Purchase Statement(s) to the Manager before a redemption request will be valid;	<input type="checkbox"/>	<input type="checkbox"/>
VII.	By the insertion of a PROVISO at the end of Clause 27 stating that “the Commission and the Trustee shall be duly informed when the Fund Manager chooses to exercise its right either pursuant to clause 27.4 or clause 27.5 of the Original Trust Deed.”	<input type="checkbox"/>	<input type="checkbox"/>
VIII.	By the amendment of Clause 31.1 as follows “It shall be the duty of the Registrar to prepare Certificates, if requested by the Fund Manager, and to prepare and pay all cheques and warrants”	<input type="checkbox"/>	<input type="checkbox"/>
IX.	By the insertion of a new clause 31.3 on the issuance of Purchase Statements by the Manager in respect of the purchase of Units	<input type="checkbox"/>	<input type="checkbox"/>
X.	By the amendment of Clause 36.1 as follows “The Auditors shall be appointed by the Manager with the approval of the Trustee pursuant to Section 169(1) of the Investments and Securities Act. Any Auditor appointed pursuant to this clause shall be duly registered with the Commission”.	<input type="checkbox"/>	<input type="checkbox"/>
XI.	By the amendment of Clause 46.1 as follows “The Unit Trust Scheme shall have an Investment Committee. The Investment Committee shall consist of 4 (four) persons with 2 (two) persons representing the Manager, 1 (one) person representing the Trustee and 1 (one) independent member of the Investment Committee to be jointly appointed by the Manager and the Trustee. The Manager shall from time to time consult with the Investment Committee on its decisions to purchase, sell or alter any investment in the fund.”	<input type="checkbox"/>	<input type="checkbox"/>
5.	“That the Fund Manager be and is hereby authorized to amend the quorum for the Annual General Meetings specified in clause 14.2 of Schedule One of the Trust Deed.”	<input type="checkbox"/>	<input type="checkbox"/>
6.	“That the Fund Manager be and is hereby authorized to insert a proviso at the end of Schedules 6 (definition of “Bid Price”) and Schedules 7 (definition of “Offer Price”) as follows “Provided always that the total investment in unquoted companies will be limited to 10% (ten percent) of the aggregate value of the Fund.”	<input type="checkbox"/>	<input type="checkbox"/>

PROXY FORM AND ADMISSION CARD

THE LOTUS CAPITAL HALAL FUND UNITHOLDER'S ADMISSION CARD

Please admit the Unitholder or his/her/its duly appointed proxy to the 1st Annual General Meeting of the Lotus Capital Halal Investment Fund to be held at Lagos Airport Hotel located at No. 111, Obafemi Awolowo Way, Ikeja, Lagos on Wednesday the 25th day of August, 2010.

NAME OF PERSON ATTENDING: _____

UNIT HOLDER

PROXY

Signature: _____

IMPORTANT:

- A. This admission card must be produced by the Unitholder or his/her/its proxy in order to obtain admittance to the venue of the Annual General Meeting.
- B. Unitholders or their proxies are requested to sign this admission card before they seek admittance to the meeting. The common seal must be affixed on the Proxy Form if executed by a corporation.

NOTES