

A MANAGEMENT REPORT

We hereby present a supposedly tentative report of the management for the first quarter following formalization of the LBO arrangement.

In this report we shall highlight qualitative and quantitative events and transactions that have significantly - perhaps strategically - impacted the prospects of the business in the last quarter of 2008.

The objectives are:

1. To illuminate the historical transactions of the SPV in the last 7 months. However emphasis will be laid on the Post-LBO operations (that is January 1st, 2008 to March 31st, 2008) - as the pre-agreements activities are largely and technically experimental and minimalist-styled.
2. To give a quantitative breakdown of our financials vis-à-vis:
 - a. A Balance Sheet
 - b. Income statement
 - c. Capital Structure
3. To re-emphasize the directions of the business in the context of the pre-LBO understanding and emerging
 - a. Competitive Challenges and Responses.
 - b. Real Estate Challenges.
 - c. Organizational re-characterization and the challenge of quality supply of labor.
 - d. Stakeholders Expectations
 - Customers

- Government Agencies
- Staff
- Shareholders

4. To intimate the SPV Board of the Dividend/profit sharing policy to be adopted.

In line with our vision of organizational re-characterization, we are glad to inform the Board that the Business has taken up a totally new personality which is much reflected in the cognitive make-up of the staff and behavioral responses of the staff to issues bordering on growth, challenges, creativity and innovation.

The under listed shall delimit the scope of our exposition and discourse

- Business Environment Analysis
 - Internal and External Environments.
 - Competition Analysis.
 - Market trends.
- Financial reports/Projections and Assumptions.
- Conclusions.

Business Environment Analysis

In the last quarter efforts have been geared at re-modeling the place.

In the process we noticed a couple of short-lived responses by the competing cafes and street-corner training schools. Superficial attempts at undoing some of our visible strategies were equally noted. Fortunately, deep-rooted drives and combinations were glaring mysteries to these swarms of businesses.

In this same quarter, we made deliberate efforts to slow-down the pace of our advertising so that the place could be given the needed face-lift. So the next quarter promises to resuscitate the original drive noted for reviving the business.

Such efforts are in the same spirit expected to re-position the training school and expand the reach of its market.

A. Internal environment: Strength and Weaknesses

1. Strength

- The re-modeled place is to be employed as a competitive tool.
- The operational structures
 - On-going installation of information systems ideally will foster a sustainable edge in market and industry understanding.
 - The structures will equally enhance the capital market valuation of the business in times of re-capitalization and consolidation.
 - Facilitate sustainability in market power and share.
- Matured and properly oriented work force will be cardinal in out-matching the competition.
- Installation of policies bordering on
 - Employment policies (Ensuring inelastic staff rarely find their way into workforce).
 - Procurement policies (Strategic Cost reduction motivated).

- Human Resources development (in-built in the character of S I R L Technologies Ltd).
- Financial Management
 - Maximizing wealth – not cash – for the stakeholders.
 - Aiding efficient and effective financial planning.
 - Assisting in provoking models of complex scenarios.
 - Streamline pre-emptive competitive reactions in the context of the financial figures.
- Management and Technical depth
 - The breadth and depth of the management team and their continuous growth on the job will be a major competitive tool. Notable Management team members are:
 - Mr. Olusegun Adekoya
 - Mr. Adekunle Adekoya
 - Mr. Oluwaseyifunmi Ajayi and
 - Ms. Oreofe Obadara
- Cash-Flow Management
 - Emphasis on financial prudence.
 - Controlled recording of cash transactions.
 - Goal-centric investment on capital items.
- Curriculum development and teaching methodologies
 - Continuous training of the faculty members.

- Development of handouts and course materials
 - Re-inforce brand image.
 - Standardize teaching methodologies.
 - Augment class-room teaching.

2. Weaknesses

Some of the weaknesses plaguing the SPV are:

- Meager working capital.
 - i. General problem for nascent businesses.
 - ii. Will be gradually minimized.
- Lack of Scale Economies for the HCI Institute Brand:
 - i. Justifies the need for branching out.
 - ii. Local and foreign partnerships will be pursued.
 - iii. Provoke design and implementation of complementary information systems.

B- External Environments: Threats and Opportunities

1. Threats:

- Proliferation of 3G Networks
- Incompetent and Inconsistent Internet Service Providers.
 - i. We shall gradually resolve this when we start our ISP Business.
 - ii. We minimize the negative impact of this by installing 2 low-cost internet options/links in addition with one high-end link.
- Non-availability of Public Electricity services.

- i. Plan to settle the huge NEPA/PHCN Bill in the tune of N400, 000.00 and above.
 - ii. Get a back up generator.
- Well funded Computer Vocation Institutes such as NIIT and Street- corner Business Centers
 - i. That explains the need to properly re-position HCI Institute.
- UEFA Champions League and the Premiership
 - i. Currently drains the café business of valuable income when matches are on
 - We may need an ITV/DSTV subscription in order to cushion the effect.
- LASAA and Lagos State Government New Initiative on Outdoor Signage
 - i. Another source of increase in operating cost.
 - ii. Constraint to advertising strategies.
- Real Estate/ Landlord
 - i. Increase in Rent and Service Charge
 - We need to quickly consolidate and grow the business units so as to be able to offset the heightened expectations of the agents and the landlord.
 - ii. Ambitious Neighboring Church - Christ Embassy
 - Manifesting destructive and competitive orientations that have substantially set backed

the pace of progress of the school following the carting away of our Neon Sign

- o Pending litigation to be re-open soonest giving the apparent lukewarm to re-construction.

- Stakeholders Expectation:

- Shareholder tendency to share all in the short-run.
- Customers want more for less.
- Staff susceptibility to labor market and competitive temptation and distraction.

2. Opportunities:

- IT and Management Training:

- i. Disparate macro-economic factors are known to drive the demand for training programmes.
- ii. Such factors shall remain practically unchanged.
- iii. We shall strive to get the training more visible to take advantage of such opportunities.
- iv. A progressive increase in the turnover of this business unit can be gleaned hereunder.

Months	Earnings from Trainings	Remarks
January	N191,200	
February	N171,050	

March	N252,100	
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The following programmes shall be consolidated

- Peachtree Accounting (N7, 500/2-weeks)
- Financial Modeling (N50, 000/9-weekends)
- Website Design (N35, 000/4-Months)
- Web Programming (N35, 000/4-Months)
- System Programming (N35, 000/4-Months)
- CI SCO Certifications

The strategy here is to offer products with potential for high turnover.

- Establishing the Examination/Certification unit:
 - Pearson Vue.
 - Prometric and
 - InitCert.

Place (Facility Advantaged):

- i. Structural re-modeling with
 - 2 (two) additional class rooms.
 - A new reception area.
 - A room for Certification Testing Program.
- ii. Better utilization of space.
- iii. Plan to take over of Gold Castle's office space after roughly 10 months of grace period.
- iv. Increase in the number of systems in the school, café floor and the administrative units.

- Computer Systems:

Departments	No. of systems as at at 15 th of August 2007	No. of systems as at 31 st of March 2008
Cyber café	27	33 (12 additional Machines will be added to the café floor)
Cyber café (executives)		2
Training Department	11	18 (10 additional machines will be added to the school)
Administration	2	4
Examination Unit	-	(5 Machines will be added)

Promotion Strategies:

Proposed Promotion Package;

First Quarter

- The last quarter has witnessed damping of our advertising drive to ensure that the on-going structural-remodeling is consummated. The motive is to have structures that match, complement and re-inforce the "shout".

- The HCI institute has been employed to supplant “Havilah” Computer School as there is hardly anything original about the name “Havilah” given its common source and the prolific adoption of the name by every Dick-and-Harry.

Next Quarter(s)

- The Next quarter(s) will witness a more aggressive marketing of the café and a few training programmes of the school.
- The under listed promotion configuration shall be largely adopted

Proposed Promotion package;

Promotion Type(s)	Volume	Objectives
1. Fliers and Postal- HCI Institute	10000 units per month	Price and Brand Communication
2. Banners- Havilah Cafe	50units/month	Price and Brand Communication
3. Mini-bill Board- HCI Institute	10 units	Brand and price Communication
4. www.hci-institute.com	Unlimited	School Branding Content Management System Simulated examination System Student Management System
5. 3wgate Advertisement platform	Unlimited	Brand Communication

6. Sales Lead (Direct Marketing)	Unlimited	One -2- One Marketing for products like: Financial Modeling, Peachtree Accounting. And project Management
7. Newspaper Advertisement	Twice monthly	Financial Modeling Peachtree Accounting I CT Certifications

Financial Reports and Strategies

**HAVILAH BUSINESS
GROUP
INCOME STATEMENT
FOR THE MONTH OF JAN 2008**

SALES ACCOUNT	
BROWSING SALES	389,610
BUSINESS CENTRE SALES	97,560
COFFEE CAFÉ SALES	6,630
TRAINING SCHOOL SALES	191,200
ASSET DISPOSAL INCOME	6,600
TOTAL SALES	691,600

EXPENSE ACCOUNT	
TRANSPORT EXPENSE	(4,310)
DIESEL EXPENSE	(173,635)
BUSINESS CENTRE EXPENSE	(6,410)
MISCELLANEOUS EXPENSE	(1,000)
COMPUTER ACCESSORIES EXP	(80,700)
LITIGATION EXPENSE	(6,500)
SALARY EXPENSE	(61,857)
LOAN INTEREST EXPENSE	(11,228)
COFFEE CAFÉ EXPENSE	(280)
COFFEE CAFÉ PURCHASE EXPENSE	(2,360)
OFFICE EXPENSE	(78,915)
ELECTRICAL EXPENSE	(15,630)
TRAINING SCHOOL EXPENSE	(31,000)
INTERNET ACCESS	(15,950)
CALL EXPENSE	(3,880)
TOTAL EXPENSE	(493,655)
NET PROFIT	197,945

**HAVILAH BUSINESS GROUP
BALANCE
SHEET
AS AT JAN 31ST 2008**

FIXED ASSETS	
FURNITURE EXPENSE CAPITALIZED	77,790.00
CURRENT ASSETS	
BANK	23,046.00
CASH	31,951.00
COFFEE CAFÉ STOCK	0.00
DEBTORS STUDENTS	125,900.00

PASTOR RIC NET	18,000.00
TOTAL ASSETS	276,687.00
CURRENT LIABILITY	
ABIODUN OGUNLABI CREDITOR	69,905.00
TUNDE BAJELA CREDITOR	174,833.00
SIRL TECHNOLOGIES	56,300.00
TOTAL LIABILITY	301,038.00
NET ASSET	(24,351.00)
<u>CAPITAL EMPLOYED</u>	
OPENING CAPITAL	0.00
NET PROFIT	197,945.00
BALANCING CAPITAL	(222,296.00)
TOTAL CAPITAL	(24,351.00)

**HAVILAH BUSINESS GROUP
INCOME STATEMENT
FOR THE MONTH OF FEB 2008**

SALES ACCOUNT	
BROWSING SALES	392,650
BUSINESS CENTRE SALES	93,900
COFFEE CAFÉ SALES	23,745
ASSET DISPOSAL INCOME	5,000
EXTRA-ORDINARY INCOME	3,000
TRAINING SCHOOL SALES	171,050
TOTAL SALES	689,345
EXPENSE ACCOUNT	
GENERATOR EXPENSE	(32,450)
TRANSPORT EXPENSE	(2,370)

DIESEL EXPENSE	(175,085)
BUSINESS CENTRE EXPENSE	(12,350)
MISCELLANEOUS EXPENSE	(1,100)
COMPUTER ACCESSORIES EXP	(63,150)
LITIGATION EXPENSE	(8,100)
SALARY EXPENSE	(79,089)
LOAN INTEREST EXPENSE	(11,228)
COFFEE CAFÉ EXPENSE	(4,657)
COFFEE CAFÉ PURCHASE EXPENSE	(19,502)
OFFICE EXPENSE	(31,755)
ELECTRICAL EXPENSE	(32,980)
TRAINING SCHOOL EXPENSE	(34,715)
INTERNET ACCESS	(7,000)
CALL EXPENSE	(2,380)
TOTAL EXPENSE ACCOUNT	(517,911)
NET PROFIT	171,434

**HAVILAH BUSINESS GROUP
BALANCE SHEET
AS AT 29TH FEB**

FIXED ASSET	
FURNITURE EXPENSE CAPITALIZED	84,030.00
CURRENT ASSETS	
BANK	148,046.00
CASH	81,871.00
COFFEE CAFÉ STOCK	880.00
DEBTOR	
STUDENTS	209,500.00
PASTOR RIC NET	18,000.00
TOTAL ASSETS	542,327.00
CURRENT LIABILITY	
ABIODUN OGUNLABI CREDITOR	72,383.00
TUNDE BAJELA CREDITOR	183,583.00
SIRL TECHNOLOGIES	30,575.00
TOTAL LIABILITY	286,541.00

NET ASSET	255,786.00
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<u>CAPITAL EMPLOYED</u>	
OPENING CAPITAL	(24,351.00)
NET PROFIT	171,434.00
MANAGEMENT EMOLUMENT	(150,000.00)
BALANCING CAPITAL	258,703.00
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TOTAL CAPITAL	255,786.00
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**HAVILAH BUSINESS GROUP
INCOME
STATEMENT
FOR THE MONTH OF MAR 2008**

SALES ACCOUNT		
BROWSING SALES	384,020.00	
BUSINESS CENTRE SALES	72,820.00	
COFFEE CAFÉ SALES	26,320.00	
ASSET DISPOSAL INCOME	7,000.00	
TRAINING SCHOOL SALES	251,100.00	
TOTAL SALES	741,260.00	
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EXPENSE ACCOUNT		
GENERATOR EXPENSE		(2,350.00)
TRANSPORT EXPENSE		(2,140.00)
DIESEL EXPENSE		(167,905.00)
BUSINESS CENTRE EXPENSE		(22,500.00)
COMPUTER ACCESSORIES EXP		(143,200.00)
LITIGATION EXPENSE		(80.00)
SALARY EXPENSE		(76,775.00)
LOAN INTEREST EXPENSE		(11,228.00)
COFFEE CAFÉ PURCHASE EXPENSE		(20,440.00)
COFFEE CAFÉ EXPENSE		(5,642.00)
OFFICE EXPENSE		(25,930.00)
ELECTRICAL EXPENSE		(21,300.00)
TRAINING SCHOOL EXPENSE		(101,140.00)
INTERNET ACCESS		(23,950.00)
CALL EXPENSE		(2,220.00)
TOTAL EXPENSE ACCOUNT		(626,800.00)
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NET PROFIT	114,460.00	
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HAVILAH BUSINESS GROUP		

**BALANCE SHEET
AS AT 31ST MAR 2008**

FIXED ASSET	
FURNITURE EXPENSE CAPITALIZED	138,165.00
PROMETRIC/CERTIFCATION	108,000.00
CURRENT ASSETS	
BANK	40,046.00
CASH	17,286.00
COFFEE CAFÉ STOCK	541.00
DEBTOR	
STUDENTS	331,900.00
PASTOR RIC NET	18,000.00
Prepayment	
LASA LOCAL GOVERNEMENT	15,000.00
TOTAL ASSETS	668,938.00
CURRENT LIABILITY	
ABIODUN OGUNLABI CREDITOR	74,861.00
TUNDE BAJELA CREDITOR	192,333.00
SIRL TECHNOLOGIES	145,555.00
TOTAL LIABILITY	412,749.00
NET ASSET	256,189.00
<u>CAPITAL EMPLOYED</u>	
OPENING CAPITAL	255,786.00
NET PROFIT	114,460.00
MANAGEMENT EMOLUMENT	(30,000.00)
BALANCING CAPITAL	(84,057.00)
TOTAL CAPITAL	256,189.00

Notes To The Accounts

1. Balancing Capital - This balance sheet item refers to the balancing figure employed to ensure the balance of the financial statement. This is called for as a few number of

pre-LBO transactions were yet to be recorded. Such transactions will be reflected in the next quarter report

2. Management Emolument – This refers to a monthly compensation for the operating involvements of S I R L Technologies -notably Mr. Olusegun Adekoya and Mr. Adekunle Adekoya. A sum of N15, 000 was calculated for the months of Jun to Dec 2007 and N30, 000 from Jan 2008. Note that this figures applied to the two combined which implies that the plan was to give a moderate reward that will be commensurate with the financial strength of the business.
3. LOCAL GOVERNMENT: This balance sheet item refers to the payment made to LASA on digital signage. The prepayment is expected to be written off by the year-end.
4. ASSET DISPOSAL INCOME – This income derives from a non-operating sales of junked assets inherited in the business.
5. LITIGATION EXPENSE – This refers to the expenses incurred while proceeding with litigation of Christ embassy following their destructive manifestation.
6. LOAN INTEREST EXPENSE - Refers to the interest accrued on outstanding loans employed in bootstrapping the business.

- Objectives:

- i. Institute a financial Capital formation and Profit Sharing Policy that will streamline access to capital without compromising the financial well-being of the business.
 - ii. Facilitate our ability to maximally exploit growth opportunities.
 - iii. Give a fair return to the shareholders for their invested capital.
- Our Approach:

In consonance with best practices, we hereby propose an organized dividend policy that is well believed will complement the above financial objectives.
 - Dividend policy (See Appendix 1.A)
 - i. This policy is to serve as a guide to sharing the profit of this venture.
 - ii. Such sharing is to be effected in constructive and strategic manner.
 - iii. Where measurable and qualitatively clear opportunities are in sight, preferences shall be accorded such.
 - iv. The sharing in all cases shall uphold the following targets.
 - Growth in stock of economic resources of the business.
 - Stability in earnings.
 - Consolidation of Capital base.
 - First-class resolution of bondholders and lenders.

- Expansion of market share.

Our Dividend/Profit Share policy shall be impacted by the Business Investment/Projects the SPV is undertaking at any point in time.

Profit/Dividend Payment Terms:

Declaration Date

The Declaration Date is the date on which a firm's board of directors issues a statement declaring a dividend.

Holder-Of-Record Date

This is the date on which the company opens the ownership books to determine who will receive the dividend.

Ex-Dividend Date

This is the date on which the right to the next dividend no longer accompanies a stock, usually two business days prior to the holder-of-record date.

Appendix 1.A

About Dividend Policy

Once a company makes a profit, they must decide on what to do with those profits. They could continue to retain the profits within the company, or they could pay out the profits to the owners of the firm in the form of dividends. Once the company decides on whether to pay dividends, they may establish a somewhat permanent dividend policy, which may in turn impact on investors and perceptions of the company in the financial markets. What they decide depends on the situation of the company now and in the future. It also depends on the preferences of investors and potential investors.

Dividends are payments made to stockholders from a firm's earnings, whether those earnings were generated in the current period or in previous periods.

Dividends may affect capital structure.

- Retaining earnings increases common equity relative to debt.
- Financing with retained earnings is cheaper than issuing new common equity.

There are various theories that try to explain the relationship of a firm's dividend policy and common stock value.

Dividend Irrelevance Theory

This theory purports that a firm's dividend policy has no effect on either its value or its cost of capital. Investors value dividends and capital gains equally.

Optimal Dividend Policy

Proponents believe that there is a dividend policy that strikes a balance between current dividends and future growth that maximizes the firm's stock price

Dividend Relevance Theory

The value of a firm is affected by its dividend policy. The optimal dividend policy is the one that maximizes the firm's value

There are various constraints that may impact on a firm's decision to pay out earnings in the form of dividends.

- Cash flow constraints
- Contractual constraints
- Legal constraints
- Tax considerations
- Return considerations

Information Content or Signaling

Signaling hypothesis says that investors regard dividend changes as signals of management's earnings forecasts

Clientele Effect

The clientele effect is the tendency of a firm to attract the type of investor who likes its dividend policy.

Free Cash Flow Hypothesis

All else equal, firms that pay dividends from cash flows that cannot be reinvested in positive net present value projects (free cash flows), have higher values than firms that retain free cash flows.

- Constant Dollar Dividend Policy
- Constant Payout Ratio
- Regular with Extras

Declaration Date

The Declaration Date is the date on which a firm's board of directors issues a statement declaring a dividend.

Holder-Of-Record Date

This is the date on which the company opens the ownership books to determine who will receive the dividend.

Ex-Dividend Date

This is the date on which the right to the next dividend no longer accompanies a stock, usually two business days prior to the holder-of-record date

A DRIP (Dividend Reinvestment Plan) is a plan that enables a stockholder to automatically reinvest dividends received back into the stock of the paying firm. The plan may either involve the firm repurchasing existing shares or it may involve newly issued shares.