

ABC TRANSPORT PLC

**FINANCIAL STATEMENTS
31 DECEMBER 2012**

ABC TRANSPORT PLC
FOR THE YEAR ENDED 31 DECEMBER 2012

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ABC TRANSPORT PLC

COMPANY REGISTRATION NUMBER 219970

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	Dr. Aloy Nwaogugu	- Chairman
	Mr. Frank Nneji	- Managing Director
	Mr. Jude Nneji	- Deputy Managing Director
	Mr. Olumide Obayomi	- Non-Executive Director
	Mrs. Uche Ohimai-Ehimiahe	- Non-Executive Director
	Alh. Kabiru Yusuf	- Non-Executive Director
	MR. John Okoro	- Non-Executive Director

SECRETARY: Vivian C. Okpe

REGISTERED OFFICE: KM, MCC/Uratta Road, Umuoba Uratta
P.O. BOX 2575, Owerri Imo State
Tel: 080396600958, 08053002000,
Fax: 083-231275
E-mail: info@abctransport.com
www.abctransport.com

AUDITORS: Akintola Williams Deloitte
#15, Emeyal Road GRA Phase II
Port-Harcourt, Rivers State

PRINCIPAL BANKERS: Fidelity Bank Plc
Zenith Bank Plc
Diamond Bank Plc
Guaranty Trust Bank Plc

REGISTRAR First Registrars Nigeria Limited
Plot 2, Abebe Village Road
Iganmu, Lagos

ABC Transport Plc

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors submit their report together with the audited financial statements for the year ended 31 December 2012.

1 RESULT

N'000

Profit for the year after taxation	325,515
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2 LEGAL FORM

ABC Transport plc was incorporate as a Private Limited Company on April 5, 1993 and was converted to a Public Limited Liability Company on November 21, 2005. The shares were quoted on the Nigerian Stock Exchange on December 20, 2006. As approved by the Shareholders at the Annual General Meeting of August 12th 2011, the Company's name was changed from Associated Bus Company Plc to ABC Transport Plc in 2011. In line with the provisions of a Code of Corporate Governance an independent Director was appointed at the 2012 Annual General Meeting.

3 PRINCIPAL ACTIVITIES

Principal activity of the company is road transportation.

4 DIRECTORS AND DIRECTORS' INTERESTS

No Director has any disclose-able interest in contracts in which the company was involved during the year under review.

5 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 Company at the end of each financial year and of the profit or loss for that period and which comply with the Companies and Allied Matters Act CAP C20 LFN 2004. In doing so they ensure that:

- proper accounting records are maintained;
- internal control procedures are instituted which as far as is reasonably possible, safeguard the assets and prevent and detect fraud and other irregularities;
- applicable accounting standards are followed;
- suitable accounting policies are adopted and consistently applied;
- judgments and estimates made are reasonable and prudent; and
- the going concern basis is used, unless it is inappropriate to presume that the Company will continue in business.
- Internal control procedures are instituted which, as far as is reasonably possible, safeguard the assets and prevent and detect fraud and other irregularities.

ABC Transport Plc

REPORT OF THE DIRECTORS (continued)

6 Directors' Shareholding as at December 31st 2012:

Name		Direct holding
Dr. Aloy Nwaogugu	-	100,000
Mr. Frank Nneji	-	560,000,000
Mr. Jude Nneji	-	12,000,000
Mr. Olumide Obayomi	-	100,000
Alhaji Kabiru Yusuf	-	1,000,000
Leoandoe Investment Ltd (Rep: Mrs. Uche Ohimai-Ehimiahe)	-	107,477,784
Mr. John Okoro	-	20,000

7 PROPERTY, PLANT & EQUIPMENT

Movements in fixed assets during the year are shown in Note 15 on page 41.

8 POST BALANCE SHEET EVENTS

There are no significant post balance sheet events which have not been provided for in these accounts.

9 MAJOR SUPPLIERS:

The Company's significant local suppliers are:

CONOIL Company Limited
Infinity Tyres Limited
Leventis Motors Limited
Strange Seasons Energy Limited
St. Cusi Oil & Gas Limited

10 DONATIONS

The following amounts have been given by way of donations and gifts during the year under review.

		N
Donation to Federal Road Safety Corp (FRSC)	-	500,000.00
Donations for book launch	-	270,000.00
Scholarship first instalment donation	-	1,200,000.00
Lagos Business School donation for LBS project	-	500,000.00
Donation to Fadeyi Youths	-	265,000.00
Support for Oriade Youth Programme	-	42,000.00
Staff wedding and condolence/burial assistance	-	1,910,745.30
		4,687,745.30

There was no donation or gift made to any political party, political association or for any political purpose in the course of the year under review.

ABC TRANSPORT PLC

REPORT OF THE DIRECTORS (continued)

11 EMPLOYMENT AND EMPLOYEES

1. Employment and Employees

ABC transport plc is an equal opportunity employer concerned with the retention of staff and strives to remain the employer of choice within the road transport sector. The company provides a total compensation package that enables it to attract and retain highly skilled and qualified employees while recognizing the need to manage payroll costs.

2. Employment of Disabled Persons

The Company has reviewed its employment policy in line with the needs of the business. A policy of the Company stipulates that there should be no discrimination in considering applications for employment including those from disabled persons. All employees whether or not disabled are given equal opportunities to develop.

3. Work Environment

The Company endeavours to ensure a safe working environment for its employees. Health and safety regulations are in force within the Company's premises and employees are aware of existing regulations. Subsidies are provided to all levels of employees for medical, transportation, housing etc

4. Employee Involvement, Development and Training

Training workshops and seminars are organized regularly for employees at all levels. The Company is committed to keeping employees informed regarding its progress and performance and the views of the employees are sought particularly with respect to matters which directly affect them.

The company places considerable value in the involvement of its employees in the attainment of its goals and has continued to keep them as fully informed as possible regarding the company's performance and progress. Formal meetings are held amongst staff within the operational zones and suggestions and opinions of employees are sought and considered on the general operations of the company as well as matters affecting them employees.

Career development of each employee and succession planning are major priorities of the company. The employees of the company attend short and long term training programmes which are tailored to meet the needs of both the employee and company.

Employees are adequately rewarded and motivated to achieve results.

5. Health, safety at work and welfare of employees

The company considers the health, safety and welfare of its employees of paramount importance. In demonstration of this, the company has a group life insurance policy, pension scheme and has retained the services of healthcare providers across various locations. Safety standards are adhered to in the workplace. The employees of the company are currently enrolled by the company to the National Health Insurance Scheme.

ABC TRANSPORT PLC

REPORT OF THE DIRECTORS (continued)

6. Safety Policy

ABC places a premium on the safety of its passengers and crew while in transit. To this end, the company organizes quarterly safety re-orientation and training programmes for its crew. All the vehicles in our fleet are fitted with tracking devices which monitor speed as the movement of the vehicles. For the period under review, the accident rate of the company's fleet was well within acceptable limits, with a large number of the recorded accidents attributable to the errors and miscalculations of other road users.

12. AUDITORS

In accordance with the provisions of the Companies and Allied Matters Act CAP C20 LFN 2004, the Auditors will be appointed/re-appointed at the Company's Annual General Meeting. A resolution will be proposed authorising the Directors to determine their remuneration.

BY ORDER OF THE BOARD

Vivian C. Okpe

Company Secretary/Legal Adviser

Imo State, Nigeria.

29 April, 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABC TRANSPORT PLC

Report of the Financial Statements

We have audited the accompanying consolidated financial statements of **ABC Transport Plc**, and its subsidiaries which comprise the consolidated statements of financial position as at 31 December 2012, 31 December 2011, and 1 January 2011, the consolidated income statement, statement of changes in equity, statement of cash flows for the years ended 31 December 2012 and 31 December 2011, a summary of significant accounting policies and other explanatory information set out on pages 2 to 67.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Companies and Allied Matters Act, CAP C20, LFN 2004, the Financial Reporting Council of Nigeria Act No. 6, 2011, the International Financial Reporting Standards and for such internal control as the Directors determine are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **ABC Transport Plc** and its subsidiaries as at 31 December 2012 and 31 December 2011 and 1 January 2011 and of their financial performance and cash flows for the years then ended 31 December 2012 and 31 December 2011 in accordance with International Financial Reporting Standards.

**Chartered Accountants
Port Harcourt, Nigeria**

2013

ABC TRANSPORT PLC

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

		2012 Group N'000	2011 Group N'000	2012 Company N'000	2011 Company N'000
Continuing operations	Note				
Revenue	6.1	6,528,831	5,878,891	6,505,021	5,851,025
Cost of sales	8	<u>(4,781,024)</u>	<u>(4,528,308)</u>	<u>(4,732,957)</u>	<u>(4,501,027)</u>
Gross profit		1,747,807	1,350,583	1,772,064	1,349,998
Administrative expenses	8	(1,096,453)	(1,062,366)	(1,085,430)	(1,065,005)
Other operating income	6.2.1	73,221	32,483	72,449	32,483
Interest income	6.2.2	449	269	449	260
Impairment losses	9	(46,220)	(3,077)	(46,220)	(3,077)
Other gains and losses	6.2.3	104,751	55,049	104,489	54,568
Finance costs	10	<u>(251,783)</u>	<u>(265,302)</u>	<u>(251,783)</u>	<u>(265,302)</u>
Profit before tax		531,772	107,639	566,018	103,925
Income tax expenses	11	<u>(206,257)</u>	<u>(36,616)</u>	<u>(203,128)</u>	<u>(33,278)</u>
Profit from continuing operations		<u>325,515</u>	<u>71,023</u>	<u>362,890</u>	<u>70,647</u>
Attributable to:					
Equity shareholders		338,032	70,892	362,890	70,647
Non-controlling interests		<u>(12,517)</u>	<u>131</u>	<u>-</u>	<u>-</u>
		<u>325,515</u>	<u>71,023</u>	<u>362,890</u>	<u>70,647</u>
Basic earnings per share (kobo)		22	5	24	5

ABC TRANSPORT PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

		2012 Group N'000	2011 Group N'000	2012 Company N'000	2011 Company N'000
Profit for the year		325,515	71,023	362,890	70,647
Foreign exchange translation gains/losses, net of tax	25	5,904	(195)	-	-
Net actuarial gains/(losses) on defined benefit plans	34	(10,324)	-	(10,324)	-
income statement others		-	-	-	-
Other comprehensive income/(loss)		(4,420)	(195)	(10,324)	-
Total comprehensive income/(loss) for the period		321,095	70,828	352,566	70,647
Attributable to:					
Equity shareholders		332,185	70,683	352,566	70,647
Non-controlling interests		(11,090)	145	-	-
		321,095	70,828	352,566	70,647

ABC TRANSPORT PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2012

		31/12/12	31/12/11	1/1/11	31/12/12	31/12/11	1/1/11
	Note	Group N'000	Group N'000	Group N'000	Company N'000	Company N'000	Company N'000
Non-current assets							
Deferred tax asset	11	62,242	55,675	-	62,242	56,272	-
Goodwill	14	-	-	-	-	-	-
Other intangible assets	14	4,678	807	-	4,678	807	-
Property, plant and equipment	15	3,601,370	4,079,998	3,222,385	3,588,629	4,057,725	3,203,312
Investment in associates	16	-	-	-	-	-	-
Investment in subsidiaries		-	-	-	6,520	6,520	6,520
Financial assets - FVTPL	17	15,150	-	-	15,150	-	-
Finance lease receivables	18	169,560	-	-	169,560	-	-
		<u>3,853,000</u>	<u>4,136,480</u>	<u>3,222,385</u>	<u>3,846,779</u>	<u>4,121,324</u>	<u>3,209,832</u>
Current assets							
Inventory	19	217,089	257,475	212,513	191,268	182,826	139,444
Finance lease receivables	18	70,024	-	-	70,024	-	-
Trade and other receivables	20	378,530	234,847	227,804	478,504	339,479	336,158
Other assets	21	235,161	351,443	121,861	210,590	341,600	119,146
Cash and bank balances	23	236,003	92,167	79,580	201,342	57,756	30,632
		<u>1,136,807</u>	<u>935,932</u>	<u>641,758</u>	<u>1,151,728</u>	<u>921,661</u>	<u>625,380</u>
Non-current assets held for sale	22	4,578	-	-	4,578	-	-
Total assets		<u>4,994,385</u>	<u>5,072,412</u>	<u>3,864,143</u>	<u>5,003,085</u>	<u>5,042,985</u>	<u>3,835,212</u>
Equity							
Issued share capital	24	753,500	753,500	753,500	753,500	753,500	753,500
Share premium	24	582,068	582,068	582,068	582,068	582,068	582,068
Reserves	25.1	251,925	251,925	251,925	251,925	251,925	251,925
Retained earnings	26	611,696	296,505	255,622	651,812	299,246	258,739
Foreign translation reserve	25.2	3,835	(2,069)	(1,874)	-	-	-
		<u>2,203,024</u>	<u>1,881,929</u>	<u>1,841,241</u>	<u>2,239,305</u>	<u>1,886,739</u>	<u>1,846,232</u>
Non-controlling interests	27	3,622	14,712	14,567	-	-	-
Total equity		<u>2,206,646</u>	<u>1,896,641</u>	<u>1,855,808</u>	<u>2,239,305</u>	<u>1,886,739</u>	<u>1,846,232</u>
Non-current liabilities							
Long-term borrowings	28	447,381	892,993	453,087	447,381	892,993	453,087
Finance lease obligations	29	109,105	66,190	46,021	109,105	66,190	46,021
Post employment benefits - defined benefits	30	187,234	155,638	132,140	186,408	155,260	131,919
Provisions	31	55,955	-	-	55,955	-	-
		<u>799,675</u>	<u>1,114,821</u>	<u>631,248</u>	<u>798,849</u>	<u>1,114,443</u>	<u>631,027</u>
Current liabilities							
Deferred tax	11	-	-	51,712	-	-	51,598
Short term borrowings	28	903,417	969,138	540,056	903,417	969,138	540,056
Finance lease obligations	29	157,150	112,734	46,021	157,150	112,734	46,021
Post employment benefits - defined contribution	30	31,350	52,806	50,693	31,350	52,806	50,693
Current taxation liabilities	11	208,153	260,543	227,016	205,603	258,719	223,414
Trade and other payables	32	667,520	554,434	356,761	646,937	537,111	341,343
Deferred income	33	20,474	4,384	5,518	20,474	4,384	5,518
Bank overdrafts		-	106,911	99,310	-	106,911	99,310
		<u>1,988,064</u>	<u>2,060,950</u>	<u>1,377,087</u>	<u>1,964,931</u>	<u>2,041,803</u>	<u>1,357,953</u>
Total equity and liabilities		<u>4,994,385</u>	<u>5,072,412</u>	<u>3,864,143</u>	<u>5,003,085</u>	<u>5,042,985</u>	<u>3,835,212</u>

The financial statements on pages 2 to 67 were approved by the Board of Directors on _____ and signed on its behalf by:

..... } **Chairman**
..... }
..... } **Managing Director/CEO**
..... }
..... } **Chief Financial Officer**

The accounting policies and explanatory notes on pages 8 to 65 form part of these of financial statements

ABC TRANSPORT PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital N'000	Share premium N'000	Capital reserve N'000	Retained earnings N'000	Translation reserve N'000	Non controlling interests N'000	Total N'000
1 January 2011	753,500	582,068	251,925	255,622	(1,874)	14,567	1,855,808
Total profit/(loss) for the year	-	-	-	70,647		145	70,792
Translation loss	-	-	-	-	(195)	-	(195)
Dividends paid	-	-	-	(30,140)	-	-	(30,140)
31 December 2011	753,500	582,068	251,925	296,129	(2,069)	14,712	1,896,265
Total profit/(loss) for the year	-	-	-	362,890	-	(11,090)	351,800
Translation gain	-	-	-	-	5,904	-	5,904
Other comprehensive income	-	-	-	(10,324)	-	-	(10,324)
Dividends paid	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
31 December 2012	753,500	582,068	251,925	648,695	3,835	3,622	2,243,645

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

ABC TRANSPORT PLC

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital N'000	Share premium N'000	Capital reserve N'000	Retained earnings N'000	Total N'000
1 January 2011	753,500	582,068	251,925	258,739	1,846,232
Total profit/(loss) for the year	-	-	-	71,023	71,023
Dividends paid	-	-	-	(30,140)	(30,140)
31 December 2011	753,500	582,068	251,925	299,622	1,887,115
Total profit/(loss) for the year	-	-	-	325,515	325,515
Other comprehensive income	-	-	-	(10,324)	(10,324)
31 December 2012	753,500	582,068	251,925	614,813	2,202,306

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

ABC TRANSPORT PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 N'000 Group	2011 N'000 Group	2012 N'000 Company	2011 N'000 Company
Cash flows from operating activities					
Cash received from customers, staff and related parties		6,563,569	5,959,649	6,444,342	5,395,015
Cash paid to suppliers and others		<u>(4,557,818)</u>	<u>(4,383,148)</u>	<u>(4,443,094)</u>	<u>(3,828,956)</u>
Cash generated from operations		2,005,751	1,576,501	2,001,248	1,566,059
Income tax paid		<u>(122,148)</u>	<u>(90,708)</u>	<u>(119,749)</u>	<u>(87,966)</u>
Net cash from operating activities	34	<u>1,883,603</u>	<u>1,485,793</u>	<u>1,881,499</u>	<u>1,478,093</u>
Cash flows from investing activities:					
Investments in financial assets		(14,425)	-	(14,425)	-
Purchase of property, plant and equipment		(804,934)	(2,058,823)	(803,479)	(2,036,585)
Purchase of intangible assets		(4,606)	-	(4,606)	-
Proceeds on sale of property plant and equipment		86,989	49,587	86,989	49,586
Cash received from investment in finance leases		<u>20,500</u>	<u>-</u>	<u>20,500</u>	<u>-</u>
Net cash used in investing activities		<u>(716,476)</u>	<u>(2,009,236)</u>	<u>(715,021)</u>	<u>(1,986,999)</u>
Cash flows from financing activities:					
Additional borrowings taken		627,987	1,470,453	627,987	1,470,453
Repayment of borrowings		(1,378,508)	(863,231)	(1,378,508)	(863,231)
Repayment of finance lease obligations		(165,460)	(48,653)	(165,460)	(48,653)
Dividends paid to the company's shareholders		<u>-</u>	<u>(30,140)</u>	<u>-</u>	<u>(30,140)</u>
Net cash (used in)/from financing activities		<u>(915,981)</u>	<u>528,429</u>	<u>(915,981)</u>	<u>528,429</u>
Net increase in cash and cash equivalents		251,146	4,986	250,497	19,523
Cash and cash equivalents at 1 January		(14,744)	(68,678)	(49,155)	(68,678)
Cash and cash equivalents at 31 December	23	<u>236,402</u>	<u>(63,692)</u>	<u>201,342</u>	<u>(49,155)</u>

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. General information

1.1. The Group

ABC Transport Plc was incorporated in Nigeria in April 1993 with registered office at Km 5, MCC/Uratta Road, Umuoba Uratta, P.O. Box 2575, Owerri, Imo State. The company's primary business is road passenger transportation between major cities in the South, North Central and Abuja.

In July 2004, the company commenced road passenger transportation on the West Coast between Lagos, Nigeria and Accra, Ghana. ABC Transport Ghana in which ABC Transport Plc owns a 99% equity stake was incorporated in 2007 to provide transport services within Ghana and to offer passenger and cargo handling services to ABC Transport Plc. ABC Transport Plc is also involved in cargo business across the road passenger network and hospitality business at its City Transit Inn (CTI), Abuja. Haulage activities picked up actively for the company in the year 2010.

ABC Transport Plc which became a public liability company in 2005 equally owns 50% equity stake in Transit Supports Services Ltd, a trading company engaged in the importation and sales of vehicle spares and installation of motor vehicle speed governing devices, and a 40% stake in ABC Express Courier (ABEX) Ltd.

1.2. Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the group's ability to continue as a going concern. Therefore the financial statements are prepared on the going concern basis.

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the international financial reporting standards

The Group financial statements have been prepared in compliance with IFRS 1, First-time Adoption of IFRS. The applicable disclosure requirement under IFRS 1 are set out below:

2.2 Basis of preparation

The company is listed on the Nigerian Stock Exchange (NSE) and is required to prepare its Group financial statements in accordance with the International Financial Reporting standards (IFRS) set by the International Accounting Standards Board (IASB) and adopted by the Federal Republic of Nigeria, under the regulation of the Financial Reporting Council of Nigeria with effective date of transition to IFRS on 1st January 2011. The disclosures required by IFRS 1, First-time Adoption on International Financial Reporting Standards are as set out below.

The financial statements are prepared on the historical cost basis of accounting other than for certain items of property, plant and equipment that have been stated at deemed cost under the transition rules of IFRS. Certain financial instruments are measured at fair value.

The financial statements are presented in Naira, which is the functional currency of the economic environment in which the entity operates.

3. Statement of significant accounting policies

The following are the significant accounting policies adopted by the Group:

3.1 Revenue

Revenue is measured at the fair value of the consideration received or receivable in respect of passenger operation, cargo services, haulage, hire services and hospitality business.

Revenue received in advance (advance bookings) is treated as a liability, until the service is rendered. Revenue for cargo items not yet delivered to destination as at the reporting date is equally treated as a liability while all attributable revenue on delivered loads (haulage and cargo) at the end of the reporting period are included in revenue irrespective of when they are invoiced to the customer.

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Proceeds from the disposal of property, plant and equipment are excluded from revenue, they form part of other income as gains or losses from disposal of property, plant and equipment. Gains or losses on the remeasurement of non-current assets classified as held for sale that does not meet the definition of discontinued operations are included in profit or loss from continuing operations.

3.2. Customer loyalty programme

On presentation of 11 manual tickets or 10 e-tickets, a customer is awarded a free ticket for the next travel, hence revenue from passenger operation (coach) is regarded as a multiple-component sales i.e the components being revenue and award credit.

The Group grants award credits for each sale/travel which is accumulated for each passenger up to the number required for redemption of the award. The consideration initially received for each travel is allocated between revenue and the award credit. The consideration allocated to award credits represents the amount that the entity has received for accepting an obligation to supply awards if customers redeem the credits. This amount reflects both the value of the awards and the Group's expectations regarding the proportion of credits that will be redeemed, i.e. the risk of a claim being made. A customer loyalty award obligation is recognized as a liability until the Group fulfills its obligations to deliver awards to customers or when the risk of a claim has expired. Claims in respect of a particular year expire at the end of February of the succeeding year. Hence, revenue relating to award credits is recognized as the risk expires, i.e. based on the number of award credits that have been redeemed relative to the total number expected to be redeemed. This is in accordance with International Financial Reporting Interpretation Committee 13 (IFRIC 13).

3.3. Property, plant and equipment

The revalued amounts of land and buildings have been adopted as the deemed cost for these assets. All other assets have been recognized at their historical costs.

Property, plant and equipment are stated at cost less accumulated depreciation and any recognized impairment loss. Bus terminals and other buildings are carried at their historical cost less accumulated depreciation and any impairment loss. Where a building has been revalued, it is subsequently carried at the revalued amount less accumulated depreciation and any impairment loss. If the revaluation relates to land and buildings, 40% of the revaluation surplus is attributable to the land element, while the remaining 60% is attributable to the building element. Durability of such items is considered before capitalisation. Major spare parts of motor vehicles which include axle, gear box, engine and body are capitalised when they are replaced and depreciated over the remaining useful lives of the assets. The values of the replaced parts are derecognised on replacement.

Buildings on leasehold lands are depreciated over their estimated useful lives unless there are indications that the lease will not be renewable at the expiration of the extant lease terms, in which case the buildings are depreciated over the remaining life of the lease. In such a case a decommissioning cost is capitalised and discounted over the remaining life of the lease in accordance with IAS 37.

Major refurbishments and renovations are capitalized as part of the item of the property, plant and equipment and are depreciated over the remaining useful lives of the assets. Depreciation is provided on the cost of assets less any residual value over their estimated useful lives, using the straight-line method, as follows: Luxury buses and Trucks 5- 7 years Trailer beds 7 - 10 years Shuttle buses 2 - 5 years Pool buses 4 - 6 years Computers 3 -5 years Furniture and equipment 4 - 5 years Buildings 15 - 20 years. Depreciation commences when an asset is available for use.

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The useful lives of the assets are reviewed at least at each financial year end and, if expectation differs from previous estimates, the change is accounted for as a change in accounting estimate in accordance with IAS 8. Asset classified as held for sale are carried at the lower of carrying amount and fair value less cost to sell in accordance with IFRS 5. Items of PPE classified as held for sale are not depreciated in accordance with IFRS 5 non-current assets held for sale and discontinued operations.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in other income.

Borrowing costs relating to self constructed items of property, plant and equipment are capitalised in line with IAS 23 borrowing costs.

3.4. Basis of consolidation

The consolidated financial statements incorporate the financial statement of ABC Transport Plc and its subsidiaries made up to 31 December each year.

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

Although the equity interest of the Group in Transit Support Service Ltd is 50%, control is predicated on the fact that: The managing director of ABC Transport Plc owns the other 50% equity of the equity shares and is equally the managing director of Transit Support Services Ltd:

An executive director in ABC Transport Plc represents the company on the Board of Transit Support Services Ltd; and ABC Transport Plc is a major customer to Transit Support Services Ltd, which deals on vehicle consumable.

All intra-group transactions, income and expenses are eliminated in full on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly by ABC Transport Plc. Non-controlling interests are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position separately from the parent shareholders' equity.

Associates are those entities over which the Group can exercise significant influence, but not control or joint control. Investment in associate is accounted for in the financial statements using the equity method. Investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share in the net assets of associate, less any impairment in value. The income statement reflects the Group's share of the results of the operations of associate.

3.5. Inventories

Spare parts and other stock items are valued at the lower of cost and net realisable value. Cost includes purchase cost and other cost incurred in bringing the stocks to their present location and condition. The weighted average cost method is used to determine cost.

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3.6. Impairment

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the asset does not belong to a cash generating unit, its fair value is determined and compared to its carrying amount to determine its recoverable amount. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent of previous revaluation gains, with any residual impairment recognised as an expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Indicators of impairment

The Group's motor vehicle performance report provides the primary reference for motor vehicles impairment review. The report has such indicators as number of breakdowns per vehicle, spares consumption per vehicle, number of operation run per vehicle, accidented vehicles etc. Secondary indicators include market prices and the general economic situation in the country.

3.7. Provisions

The Group recognises a provision if, and only if:

- i. A present obligation (legal or constructive) has arisen as a result of past event,
- ii. Payment is probable (more likely than not), and
- iii. The amount can be reliably estimated.

A possible obligation i.e. a contingent liability is disclosed but not accrued. However, disclosure is not made if payment is remote.

Provision for settlement of litigation is measured at the most likely amount payable, as advised by the Group's solicitors. Provision for warranties is measured at a probability weighted expected value. Both measurements are at discounted present values using a pre- tax discount rate that reflects the current market assessment of the time value of money specific to the liability.

3.8. Foreign currencies

The functional currency of the Group is Naira. Transactions in currencies other than naira are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gain and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement.

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Assets and liabilities of ABC Ghana limited are translated from its functional currency into naira at the exchange rate prevailing at the reporting date. Trading results are translated at the average rate for the period. Exchange differences arising on the consolidation of the net assets of ABC Ghana limited are dealt with through the foreign currency translation reserve, while those arising from trading transactions are dealt with in the income statement. On disposal of a business, the cumulative exchange differences previously recognised in the foreign currency translation reserve relating to that business are transferred to the income statement as part of gain or loss on disposal.

3.9. Taxation/deferred tax assets

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between Deferred tax is determined using the tax rates that have been enacted or substantially enacted by the reporting date and which are expected to apply when related deferred tax asset is realised or deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

3.10. Bank borrowings

Borrowings are recognised initially at fair value. Transaction costs relating to such facilities such as management fees, commitment fees, legal fees etc are thereafter deducted from the fair value and the new carrying amount applied to the cash flows incidental to the facility to determine the effective interest rate.

Borrowings are subsequently stated at amortized cost over the period of the borrowing using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the financial year end.

3.11. Segmental reporting

The management of ABC Transport Plc has determined the operating segments of the Group based upon the information provided to the Managing Director who is considered to be the chief operating decision maker.

The Group is primarily organized on a business basis and it includes the following:

Coach operation
Shuttle operation
Sprinter operation
Haulage service; and
Cargo service.

This is consistent with the way the group manages itself and the format of the Group's internal financial reporting. The second analysis is presented according to the geographic markets comprising Nigeria and Ghana. The Group's geographical segments are determined by the location of the Group's assets and operations.

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3.12. Trade and other receivables

Trade and other receivables are recognised and carried at the lower of their original value and recoverable amount. Allowance is made where there is evidence that the balances will not be recovered in full.

3.13. Retirement benefit cost, defined benefit obligation and short term employee benefit

The Group operates a funded contributory pension scheme in accordance with the Pension Reform Act, 2004, where both employer and employee contribute 7.5% each of the sum of the employee's basic salary, housing and transport allowances. The Group's portion is charged to the income statement. The Group also operates an unfunded gratuity scheme for the benefit of its employees. Provision for the scheme is reviewed annually in line with the actuarial gratuity computations at the end of each financial year. IAS 19 paragraph 51 on employee benefits allows the Group to use estimates, averages and computational short cuts to provide reliable approximations to the liability, in conformity with the projected unit credit method.

The cost of the defined benefit plan is determined using actuarial valuation method as valued by professional actuaries. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

The undiscounted amount of short-term benefits which include wages and salaries, bonuses and other allowances attributable to services which have been rendered by employees in the period are recognised as an expense. Any difference between the amount expensed and cash payments made is treated as liability or prepayment. Provisions are made for un-lapsed compensated leave of absence not yet taken by employees as at the reporting date.

3.14. Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Key estimates were made in the area of impairment of assets held for sale, contingent liability, provision for defined benefit plan and general allowance on trade receivables.

3.15 Leases

The Group as a lessee

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are included in the statement of financial position at fair value, or, if lower, at the present value of the minimum lease payments, each determined at inception of the lease less depreciation and impairment losses. These assets are depreciated over the shorter of the asset's useful life and the lease term. Where the lease term is shorter than the useful lives of the assets and there is a reasonable expectation that ownership will be obtained after the expiration of the lease term, the assets are depreciated over their useful lives.

The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

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3.16 Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term highly liquid investments with a maturity of less than 90 days that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

3.17. Share premium

This relates to issue of the shares of ABC Transport Plc.

3.18. Reserves

The translation reserve:

The translation reserve comprises all foreign currency differences arising from the translation of the net assets of overseas operations.

Revaluation reserve

This relates to the revaluation of Amuwo and Abuja bus terminals.

3.19. Government grants

Government grants are recognized where there is reasonable assurance that the group will comply with the conditions attaching to it, and that the grant will be received. Where government grant is by the extension of interest free loans or below-market rate of interest, the benefit of the interest free/below market interest rate is measured as the difference between the initial carrying value of the loan determined in accordance with IAS 39 and the proceeds received. Government grants are recognized in the profit or loss on a systematic basis over the periods in which the group recognizes as expenses the related costs for which the grants are intended to compensate.

4. Application of new and revised accounting standards

The following new and revised International Financial Reporting Standards (IFRSs) are mandatorily effective for the year ended 31 December 2012:

4.1. Amendments to IFRS 1 Severe Hyperinflation

(Effective for annual periods beginning on or after 1 July 2011)

The amendments regarding severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. This standard does not apply to the Group's circumstances for the period under review.

4.2. Amendments to IFRS 1 Removal of fixed dates for first-time adopters

(Effective for annual periods beginning on or after 1 July 2011)

The amendments regarding the removal of fixed dates provide relief to first-time adopters of IFRSs from reconstructing transactions that occurred before their date of transition to IFRSs. This Group applied the relief

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4.3. Amendments to IFRS 7 Disclosures-transfer of financial assets (Effective for annual periods beginning on or after 1 July 2011)

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfer of financial assets.

The Group was not involved in any transfer of financial assets within the period.

4.4. Amendments to IAS 12: Deferred tax-recovery of underlying assets (Effective for annual periods beginning on or after 1 January 2012)

The amendments to IAS 12 provide exception to the general principle set out in IAS 12 Income Taxes that the measurement of deferred tax should reflect the manner in which an entity expects to recover the carrying amount of an asset. Specifically, the amendments establish a rebuttable presumption that the carrying amount of an investment property measured using the fair value model in IAS 40, Investment Property will be recognized entirely through sale. The Group does not own invest properties and hence its deferred tax computation was not affected by this amendment.

4.5. New IFRS on financial instruments IFRS 9 Financial Instruments(as revised in 2010) (Effective for annual periods beginning on or after 1 January 2015)

IFRS 9 (as originally issued in 2009) introduces new requirements for the classification and measurement of financial assets.

Under IFRS 9, all recognised financial assets that are currently within the scope of IAS 39 financial instruments: Recognition and measurement will be subsequently measured at either amortised cost or fair value. A debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at amortised cost. All other debt instruments must be measured at fair value through profit and loss (FVTPL). A fair value option is available (provided that certain specified conditions are met) as an alternative to amortised cost measurement.

All equity investments within the scope of IAS 39 are to be measured in the statement of financial position at fair value, with the gains and losses recognised in the profit and loss. If equity investments is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at fair value through other comprehensive income (FVTOCI), with only dividend income generally recognised in profit or loss.

In 2010, a revised version of IFRS was issued. The revised version of IFRS 9 mainly adds the requirement for the classification and measurement of financial liabilities and derecognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability. Specifically, under IFRS 9, for financial liabilities that are designated as FVTPL, the amount of change in the fair value of financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the changes in the liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

In December 2011, the IASB issued Amendments to IFRS 9 and IFRS 7. The amendments defer the mandatory effective date of IFRS 9 from 1 January 2013 to 1 January 2015, with early application permitted. The amendments also modify the transactional requirements from IAS 39 to IFRS 9.

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The Group does not expect the adoption of this standard to have a material impact on its results, financial position and cash flows as the Group has a minimal investment in derivative financial assets with others consisting of trade receivables and investment in associates. The financial liabilities consist mainly of borrowings measured at amortized cost and trade payables with no derivative financial liabilities.

4.6. New revised IFRS on consolidation, joint arrangements, associates and disclosures (Effective for annual periods beginning on or after 1 January 2013)

In 2011, the IASB issued a package of five standards on consolidation, joint arrangements, associates including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). Each of the five standards is effective for annual periods beginning on or after 1 January 2013, with early application permitted. In general, if an entity wishes early application, it should apply all of the five standards early at the same time.

4.6.1 IFRS 10 consolidation financial statements

IFRS 10 replaces the part of IAS 27 Consolidation and separate financial statements that deals with consolidated financial statements and SIC -12 Consolidation-Special Purpose Entities.

Headline changes brought about by IFRS 10 are as follows:

Under IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. This change removes the perceived inconsistency between the previous version of IAS 27 and SIC12- the former used control concept whilst the later placed greater emphasis on risks and rewards.

A more robust definition of control has been developed in IFRS 10 in order to address unintentional weaknesses of the definition of control set out in the previous version of IAS 27. The definition of control in IFRS 10 includes three elements; (a) power over an investee, (b) exposure, or rights, to variable returns from involvement with the investee; and (c) ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 requires an investor to focus on activities that significantly affect the returns of an investee (relevant activities) in assessing whether it has control over the investee (not merely financial and operating policies as set out in the previous version of IAS 27) IFRS 10 replaces the term 'benefit' with the term 'returns so as to clarify that an investor's returns could potentially be positive, negative or both. IFRS 10 requires that, in assessing control, only substantive rights (i.e rights that their holder has the practical ability to exercise) are considered. For a right to be substantive, the right needs to be currently exercisable at the time when decisions about the relevant activities need to be made.

IFRS 10 adds application guidance to assist in assessing whether an investor controls an investee in complex scenarios, including:

Application guidance on when an investor that has less than 50 per cent of the voting rights of an investee has control over the investee (commonly referred to as de facto control). Application guidance on whether a decision maker is acting as a principal or an agent for another party. A decision maker that has decision making authority over relevant activities of an investee does not have control over the investee when it is merely an agent. Application guidance on when a particular set of assets and liabilities of an investee (i.e. a portion of an investee) can be deemed as a separate entity for the purposes of determining whether that portion is a subsidiary of the investor. IFRS 10 states that a portion of an investee is treated as a separate entity for consolidation purposes when that portion is economically 'ring fenced from the rest of the investee. IFRS 10 does not contain 'bright lines as to when an investor should or should not consolidate an investee.

Overall, the application of IFRS 10 requires significant judgment on a number of aspects. IFRS 10 requires investors to reassess whether or not they have control over their investees on transition to IFRS 10. In general, IFRS 10 requires retrospective application, with certain limited transitional provisions.

Regarding the requirements for the preparation of consolidated financial statements, most of the requirements have been moved unchanged from the previous version of IAS 27 to IFRS 10.

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4.6.2 IFRS 11 joint arrangements

IFRS 11 replaces IAS 31 Interests in Joint Venture and SIC-13 Jointly Controlled Entities-Non monetary Contributions by ventures.

IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11; joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' right and obligations under the arrangements.

4.6.3 IFRS 12 Disclosure of interests in other entities

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structure entities. IFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of IFRS 12 is that an entity should disclose information that helps users of financial statements evaluate the nature of and risk associated with its interests in other entities and the effects of those interests on its financial statements.

The disclosure requirements set out in IFRS 12 are more extensive than those in the current standards.

4.6.4 Amendments to IFRS 10, IFRS 11 and IFRS 12 consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition Guidance

The amendments clarify certain transitional guidance on the application of IFRS 10, IFRS 11 and IFRS 12 for the first time. The major clarifications are as follows:

The amendments explain that the 'date of initial application' of IFRS 10 means the beginning of the annual reporting period in which IFRS 10 is applied for the first time. The amendments clarify how a reporting entity should adjust comparative period(s) retrospective if the consolidation conclusion reached at the date of initial application under IFRS 10 is different from that under IAS 27/SIC -12.

When the control over an investee was lost during the comparative period (e.g. as a result of a disposal), the amendments confirm there is no need to adjust the comparative figures retrospectively (even though a different consolidation conclusion might have been reached under IAS 27/SIC -12 IFRS 10).

When reporting entity concludes, on the basis of the requirements of IFRS 10, that it should consolidate an investee that was not previously consolidated, IFRS 10 requires the entity to apply acquisition accounting in accordance with IFRS 3 Business Combinations to measure assets, liabilities and non controlling interests of the investee at the date when the entity obtained control of the investee (based on the requirements of IFRS 10). The amendments clarify which version of IFRS 3 should be used in different scenarios.

The amendments provide additional transitional relief by limiting the requirements to present adjusted comparative information to the period immediately before the date of initial application. They also eliminate the requirements to present comparative information for disclosures related to unconsolidated structured entities for any period before the first annual periods in which IFRS 12 is applied. The effective date of the amendments is the same as the effective date of IFRS 10, IFRS 11 and IFRS 12 (i.e 1 January 2013 for calendar -year entities).

The adoption of IFRS 10 by 2013 is not expected to alter the consolidation arrangements currently in place as the present subsidiaries and associate will retain their status when gleaned from the positions of the new standards. The group is presently not under any joint arrangement and does not envisage entering into any in the foreseeable future and thus does not expect the adoption of IFRS 11 to impact its results, financial position and cash flows. While some measure of disclosure of involvement with other entities has been provided in the current financial statements, full disclosures will be effected from the effective date of IFRS 12.

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4.7 New IFRS on fair value measurement

IFRS 13 Fair value measurement

(Effective for annual periods beginning on or after 1 January 2013)

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which item should be measured or disclosed at fair value. IFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non financial instrument items for which other IFRS require or permit fair value measurements, except in specified circumstances. In general, the disclosures requirements in IFRS 13 are more exclusive than those required by the current standards. For example, qualitative and quantitative disclosures based on the three level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial instruments:

Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope. IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is applied. The disclosure requirements of IFRS 13 need not to be applied in comparative information provided for periods before initial application of the standards.

Adoption of IFRS 13 will not have any material effect on the present methods employed by the Group in ascertaining fair values for the relevant financial statements elements.

4.8 IAS 19 Employee benefit (as revised in 2011)

(Effective for annual periods beginning on or after 1 January 2013)

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Another significant change to IAS 19 relates to the presentation of changes in defined benefit obligations and plan assets with changes being split into three components.

- * Service cost – recognized in profit or loss and includes current and past service cost as well as gains
- * Net interest – recognized in profit or loss and calculated by applying the discount rate at the period.
- * Remeasurement – recognized in other comprehensive income and comprises actuarial gains

As a result, the profit or loss will no longer include an expected return on plan assets; instead, imputed finance income is calculated on the plan assets and is recognized as part of the net interest cost in profit or loss. Any actual return above or below the imputed finance income on plan assets is recognized as part of remeasurement in other comprehensive income.

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The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions.

The Group's defined benefit obligation is unfunded while the corridor approach has not been adopted to limit the recognition of actuarial gains or losses. The Group therefore does not expect the adoption of this amendment to have a significant impact on its results, financial position and cash flows. Changes in defined benefit obligations will however be split into service cost, interest and actuarial gain/loss on adoption.

4.9 Amendments to other IFRSs

Amendments to IFRS 1 Government loans

(Effective for annual periods beginning on or after 1 January 2013)

The amendments provide relief to first-time adopters of IFRSs by amending IFRS 1 to allow prospective application of IAS 39 or IFRS 9 and paragraph 10A of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance to government loans outstanding at the date of transition to IFRSs.

This amendment will not be applicable to the Group.

Amendments to IAS 32 and IFRS 7 offsetting financial assets and financial liabilities and the related disclosures. (Effective for annual periods beginning on or after 1 January 2014 and 1 January 2013 respectively)

The amendments to IAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'. The amendments to IAS 32 are effective for annual periods beginning on or after 1 January 2014, with retrospective application required. The possible impact of adopting this standard in 2014 cannot be estimated.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments to IFRS 7 are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. The possible impact of adopting the standard in 2013 cannot be estimated.

4.10 Amendments to IAS 1 Presentation of Items of other comprehensive income

(Effective for annual periods beginning on or after 1 July 2012)

The amendments to IAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

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4.11 IFRIC 20 Stripping costs in the production phase of a surface mine (Effective for annual periods beginning on or after 1 January 2013)

IFRIC 20 applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Under the Interpretation, the costs from this waste removal activity ('stripping') which provide improved access to one is recognized as a non-current asset ('stripping activity asset') when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with IAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

The Interpretation is effective for annual periods beginning on or after 1 January 2013. An entity should apply this interpretation to production stripping costs incurred on or after the beginning of the earliest period presented, with specific transitional provisions. This standard is not relevant to the Group's business.

5.0 Critical accounting estimates

The Group prepares its consolidated financial statements in accordance with IFRS, the application which often requires judgments to be made by management when formulating the Group's financial position and results. Under IFRS, the directors are required to adopt those accounting policies most appropriate to the Group's circumstances for the purpose of presenting fairly the Group's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net assets position of the Group should it later be determined that a different choice would be more appropriate.

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and accordingly provides an explanation of each below.

The discussions below should also be read in conjunction with the Group's disclosure of significant accounting policies.

5.1 Property, plant and equipment

Property plant and equipment represent the most significant proportion of the asset base of the group, accounting for about 80% of the Group's total assets. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group's financial position and performance.

Estimation of useful life

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in the reduced depreciation charge in the consolidated income statement.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

PPE is stated at fair value less accumulated depreciation and any impairment losses. Depreciation is calculated to write off the fair value of PPE other than land and work-in-progress on a straight-line basis over the estimated useful life of the respective classes of assets at the following annual rates:

	Years
Freehold buildings	20
Motor vehicles	5 - 7
Furniture and equipments	5
Flat beds	7
Furniture, fixtures and equipment	5

The useful lives and residual values of motor vehicles are determined by management based on historical experience as well as anticipation of future events and circumstances which may impact their useful lives such as utility, nature of the road infrastructure, and changes in automobile technology.

Buildings on owned land are depreciated over the period management expects to derive benefit from their use and this period is reviewed annually for appropriateness. Judgment is however applied on the useful lives of buildings constructed on lands held on short-term leases which are only depreciated over a period extending beyond the expiry of the lease if there is reasonable expectation that the lease will be renewed. Depreciation charged in the income statement together with the carrying amounts will differ significantly should an expected renewal of short-term fail to materialize. This is in view of the under-provision resulting from the shorter useful lives and the possible impacts of un-capitalized decommissioning costs.

5.2 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Judgment is equally exercised in assessing the likelihood that a pending litigation will succeed, or a liability will arise and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in the foregoing evaluation processes, actual outcomes may be different from the originally estimated provisions.

5.3 Allowances for trade receivables

The group exercises judgment in measuring and recognizing allowance for trade receivables

Impairment allowance is made when there is objective evidence that the company/group will not be able to collect the debts. The allowance raised is the amount needed to reduce the carrying value to the present value of expected future cash receipts.

Receivables resulting from barter arrangements are not subject to the aged-analysis above as judgment is exercised by management in determining the position of such receivables.

Defined benefit obligation

The Group operates an unfunded defined benefit scheme which entitles staff who put in a minimum qualifying working period of five years to gratuity upon leaving the employment of the company. IAS 19 requires the application of the Projected Unit Credit Method for actuarial valuations. Actuarial measurements involve the use of several demographic projections regarding mortality, rates of employee turnover etc and financial projections in the area of future salaries and benefit levels, discount rate, inflation etc.

The uncertainty underlying these assumptions about the future is likely to make actual payments differ from liabilities carried in the statement of financial position.

Taxation

The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the of the group's total tax charge necessarily involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until resolution has been reached with the relevant tax authority. Under the Nigerian tax system, self-assessment returns are subjected to a desk review for the determination of tax due for remittance in the relevant year of assessment. This is however not conclusive as field audits are carried out within six years of the end of the relevant year of assessment to determine the adequacy or otherwise of sums remitted under self-assessment thus making tax positions uncertain.

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted.

Recognition therefore involves judgment regarding the future financial performance of the particular legal entity in which the deferred tax asset has been recognized which will not crystallize where future performance does approximate the projections.

ABC TRANSPORT PLC

Critical accounting estimates (continued)

5.4 Non-current assets held for sale

On retirement of items of PPE(usually operational motor vehicles) from operations, they are fair-valued and reclassified to a non-current-assets-held-for-sale account at the lower of their NBVs and fair-value less cost to sell with any differences arising thereon taken to profit or loss. Since there are no active markets dealing in second-hand vehicles, the Group exercises judgment in placing realistic values to the assets classified as held-for-sale by reference to the circumstances of previous disposals taking cognizance of physical conditions, vehicle brands, age, economic realities etc. These valuations are usually carried out by an assets disposal committee comprising the head of materials management, head of administration, head of internal audit, head of finance and the service engineer. The gross value of these assets are usually material and future results could be affected where actual proceeds differ materially from the valuations.

6.0. Revenue and other income

6.1. Revenue

The following is an analysis of the Company's and Group's revenue for the year from continuing operations (excluding investment income)

Categories of revenue	2012 N'000 Group	2011 N'000 Group	2012 N'000 Company	2011 N'000 Company
Transport earnings	3,340,887	2,997,381	3,340,282	2,992,849
Haulage operations	2,081,562	1,888,921	2,081,562	1,888,921
Loads and waybill	987,968	881,979	987,968	881,979
Hospitality	93,263	85,060	93,263	85,060
Sale of vehicle spares and speed governors	23,205	23,333	-	-
Service charge (cash transfer services)	1,946	2,216	1,946	2,216
	6,528,831	5,878,891	6,505,021	5,851,025

The company is into a barter arrangement with a government parastatal (Federal Radio Corporation of Nigeria-FRCN) in which it extends coach passenger services in exchange for advert placement on the parastatal's broadcast media. Revenue on this arrangement is recognized at the fair value of the services rendered which is the aggregate value of tickets issued. Included in transport earnings above is the sum of N51.01m (2011: N47.74m) earned from the barter arrangement for the period. Invoices on advert placements are included in advertisement expenses. All barter income is earned by the parent company

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

6.2. Other income

	2012	2011	2012	2011
	N'000	N'000	N'000	N'000
	Group	Group	Company	Company
6.2.1. Other operating income				
Insurance indemnity	33,627	18,707	33,627	18,707
Operating rental income	9,895	6,350	9,122	6,350
Finance lease income	23,376	-	23,376	-
Income from adverts	1,352	2,006	1,352	2,006
Sale of scrap/other assets	2,838	4,737	2,838	4,737
Tour package income	1,091	-147	1,091	(147)
Demurrage on waybills	1,043	830	1,043	830
	<u>73,221</u>	<u>32,483</u>	<u>72,449</u>	<u>32,483</u>
6.2.2. Interest income				
Bank interest	<u>449</u>	<u>269</u>	<u>449</u>	<u>260</u>
6.2.3. Others				
Profit on disposal of PPE	8,119	10,818	8,199	10,818
Others (reversal of provisions/accruals, exchange gains etc)	<u>96,632</u>	<u>44,231</u>	<u>96,290</u>	<u>43,750</u>
	<u>104,751</u>	<u>55,049</u>	<u>104,489</u>	<u>54,568</u>

7 Segment information

7.1 Description of segments

Management has determined the operating segments based on the reports reviewed by the Budget Committee (chaired by the Managing Director) that are used to make strategic decisions. The Budget committee currently consists of the managing director, the chief financial officer, the head of planning, the chief internal auditor, head of human resources and the operating divisional heads. The committee considers the business from an operating basis based on services, subject to differing risks and return patterns and have identified the reportable segments as follows:

Coach passenger operations	- long distance service using luxury buses
Sprinter passenger operations	- long distance service using midi buses.
Shuttle passenger service	- relatively shorter distance service using mini buses
Haulage services	- dedicated long distance haulage servicing manufacturers.
Cargo services	- consolidated cargo services including mails and light packages delivery
Hospitality CTI	- budget accommodation targeted at sleep-over passengers.
Corporate and others	- head office revenue and others

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

7.2 Business segment

	Coach N'000	Sprinter N'000	Shuttle N'000	Cargo N'000	Haulage N'000	CTI N'000	CT N'000	Others N'000	Total N'000
Revenue:									
Gross segment revenue	2,553,976	238,231	548,075	918,778	2,081,562	93,263	1,946	8,943	6,444,774
Intersegment revenue	84,057	-	-	-	-	-	-	-	84,057
Other income	-	-	-	-	-	-	-	178,421	162,393
	<u>2,638,033</u>	<u>238,231</u>	<u>548,075</u>	<u>918,778</u>	<u>2,081,562</u>	<u>93,263</u>	<u>1,946</u>	<u>187,364</u>	<u>6,691,224</u>
Less: Directly allocated costs									
Material	681,179	67,318	151,464	162,025	618,416	17,098	-	-	1,697,500
Salaries and wages	119,916	17,919	59,269	79,102	126,808	9,843	-	-	412,857
Finance lease charges	43,989	751	4,986	166	170,326	-	-	31,565	251,783
Other direct overheads	1,076,359	56,214	165,140.00	237,804	875,600	20,334	-	144,170	2,575,621
Impairment	28,947	-	7,374	9,898	-	-	-	5,053	51,272
	<u>1,950,390</u>	<u>142,202</u>	<u>388,233</u>	<u>488,995</u>	<u>1,791,150</u>	<u>47,275</u>	<u>-</u>	<u>180,788</u>	<u>4,989,033</u>
Gross profit/(loss)	687,643	96,029	159,842	429,783	290,412	45,988	1,946	6,576	1,702,191
Less: Apportioned costs									
Workshop charge	52,395	4,366	17,465	26,735	109,754	-	-	-	210,714
General administration	354,829	33,228	127,219	222,838	370,820	6,000	-	(139,202)	930,252
	<u>407,224</u>	<u>37,594</u>	<u>144,684</u>	<u>249,573</u>	<u>480,574</u>	<u>6,000</u>	<u>-</u>	<u>(139,202)</u>	<u>1,140,966</u>
Profit/(loss) before taxation	280,419	58,435	15,158	180,210	(190,162)	39,988	1,946	145,778	531,772

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

7.3 Geographical segment

	2 0 1 2			2 0 1 1		
	Nigeria N'000	Ghana N'000	Total N'000	Nigeria N'000	Ghana N'000	Total N'000
Revenue and other income	5,809,999	897,253	6,707,252	5,174,026	792,666	5,966,692
Operating profit	2,957,313	606,850	3,564,163	3,336,262	457,653	3,793,915
Interest income	449	-	449	269	-	269
Finance cost	241,815	9,968	251,783	262,255	3,047	265,302
Income tax expense or income	203,461	2,950	206,411	249,282	2,477	251,759
Segment assets	4,572,802	421,583	4,994,385	4,591,750	480,662	5,072,412
Capital expenditure	804,934	-	804,934	2,058,823	-	2,058,823

7.4 Segment assets and liabilities

	Coach N'000	Sprinter N'000	Shuttle N'000	Cargo N'000	Haulage N'000	Corporate and others N'000	Total N'000
Segment assets							
2012	1,441,705	141,706	487,369	543,205	2,294,732	85,668	4,994,385
2011	1,456,172	202,859	328,034	1,097,885	1,858,477	128,985	5,072,412
Segment liabilities							
2012	-	-	-	-	-	-	2,797,274
2011	-	-	-	-	-	-	3,175,771
Capital expenditure							
2012	314,246	15,713	403	57,624	227,543	189,411	804,940
2011	530,343	12,600	133,260	-	1,131,496	251,124	2,058,823

Segment asset is made up of items of property, plant and equipment and held for sale assets. Other assets like debtors, prepayment etc are normally reported to the Chief Operating Decision Maker on a segment basis, hence they are not included in this report. Liabilities are also not reviewed by the Chief Operating Decision Maker on a segmental basis, hence it has been provided on the Group basis.

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

7.5	Segment reconciliation	2012 N'000	2011 N'000
	Revenue		
	Total revenue from reportable segments	6,528,831	5,878,891
	Other revenues	<u>178,421</u>	<u>87,801</u>
	Group revenue	<u>6,707,252</u>	<u>5,966,692</u>
	Profit or loss		
	Total profit or loss from reportable segments	531,772	107,639
	Income tax expense	<u>(206,257)</u>	<u>(36,616)</u>
	Group profit	<u>325,515</u>	<u>71,023</u>
	Assets		
	Total property, plant and equipment	3,601,370	4,079,998
	Other non-current assets	251,630	56,482
	Current assets	1,136,807	935,932
	Assets held for sale	<u>4,578</u>	<u>-</u>
	Group assets	<u>4,994,385</u>	<u>5,072,412</u>

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011	2012	2011
	N'000	N'000	N'000	N'000
8 Operating profit	Group	Group	Company	Company
Operating profit has been arrived after charging/ (crediting)				
Depreciation of PPE	902,893	1,091,056	837,901	1,085,987
Amortization of intangible assets	735	733	735	733
Impairment losses	3,077	3,077	46,220	46,220
Staff cost	733,648	661,855	720,807	651,251
Operating lease rentals payable on plant and machinery	62,825	11,200	62,825	11,200
(profit) on disposal of PPE	(8,199)	(10,818)	(8,199)	(10,818)
Audit fees for the Group's auditors	12,000	10,000	12,000	10,000
Expenses by nature				
Materials consumed (spares, tyres, oil and lubricant, etc)	3,030,859	2,701,609	3,104,728	2,807,657
Employee expenses	733,648	661,855	733,648	651,251
Depreciation and amortization expenses	903,628	1,091,789	838,636	1,086,720
Rent expenses	43,327	38,859	37,763	32,367
Transport expenses	43,189	29,958	42,155	29,708
Others	1,067,343	1,066,604	1,061,457	949,289
	<u>5,821,994</u>	<u>5,590,674</u>	<u>5,818,387</u>	<u>5,556,992</u>

9 Impairment losses

In addition to the depreciation and amortisation reported above, impairment losses of N46.2m were recognised in respect of property, plant and equipment during the year

	2012	2011
	N'000	N'000
Property plant and equipment	18,021	-
Assets held for sale	28,199	-
Inventory	-	3,077
Total	<u>46,220</u>	<u>3,077</u>

The net impairment losses were based on the net realizable value calculations worked out by the Asset Disposal Committee. All impairment for the group belonged to the parent company

10. Finance costs	2012	2011
	N'000	N'000
Financing costs:		
Financial liabilities held at amortized cost:		
Interest on borrowings	239,187	261,767
Interest on finance lease obligations	12,596	3,535
	<u>251,783</u>	<u>265,302</u>
Fair value through the income statement (held for trading):	-	-
Total finance costs	<u>251,783</u>	<u>265,302</u>

All finance charges for the group were as a result of borrowings and finance leases taken by the parent company. No amounts were due to the subsidiaries

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 N'000	2011 N'000
11. Taxation		
Income tax expense		
Company income tax:		
Current year	197,167	154,983
Adjustment in respect of prior years	15,034	(11,094)
Total current tax expense	212,201	143,889
Deferred tax on origination and reversal of temporary differences:		
Company income tax deferred tax	(5,944)	(107,273)
Total deferred tax (income)/expense	(5,944)	(107,273)
Total income tax expense	206,257	36,616
Tax charged/(credited) directly to other comprehensive income	-	-
Current tax (credit)/charge	-	-
Deferred tax charge/(credit)	-	-
Total tax charged/(credited) directly to other comprehensive income	-	-
Tax (credited)/charged directly to equity		
Current tax (credit)/charge	-	-
Deferred tax charge/(credit)	-	-
Total tax charged/(credited) directly to equity	-	-
Factors affecting tax expenses for the year		
Profit before tax as shown in the consolidated income statement	531,772	107,639
Expected income tax expense on profit at statutory tax rate (30%)	159,532	32,292
Effect of portion of income taxed on a different basis-education tax	31,288	24,378
Effect of expenses that are not deductible in determining taxable profit	2,087	-
Effect of permanent differences on investment allowance	(871)	(1,467)
Effect of income and expenses that are exempt from taxation	(8,967)	(4,661)
Accelerated capital allowance on property, plant and equipment	(46,823)	-
Effect of derecognized items of property, plant and equipment	-	4,440
Effect of unabsorbed capital allowances carried forward	-	-
Temporary differences on bad debt provision retirement benefit obligation and impairment losses	27,146	5,335
Effect of different statutory tax rates of foreign/overseas jurisdiction		
- ABC Ghana Ltd	9,482	4,949
Effect of minimum taxation on loss making subsidiary - Transit Supports Services Ltd	3,920	-
Effect of temporary differences on other provisions	14,583	-
Adjustment recognized in current year in relation to current tax of prior years	14,880	(28,649)
	206,257	36,616
Effective tax rate	49%	33.7%

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 N'000	2011 N'000
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No income tax was recognized directly in equity

No income tax was recognized in other comprehensive income

Current tax assets and liabilities

Current tax assets	-	-
Current tax liabilities	197,167	154,983
Income tax payable	-	-
Others	197,167	154,983

Deferred tax balances

The following is the analysis of the deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

Deferred tax assets	62,242	56,272
Deferred tax liabilities	-	-
	<u>62,242</u>	<u>56,272</u>

2012	Opening balance N'000	Recognised in profit or loss N'000	Recognised in OCI N'000	Recognised in equity N'000	Closing balance N'000
Deferred tax (liabilities)/assets in relation to:					
Property, plant and equipment	28,176	(12,210)	-	-	15,966
Retirement benefit obligations	9,201	10,544	-	-	19,745
Accrual of other employee benefits	-	-	-	-	-
Provision for doubtful debts	9,003	2,737	-	-	11,740
Deferred income	1,315	(1,314)	-	-	-
Interest payment	7,652	(7,652)	-	-	-
Impairment	923	13,866	-	-	14,789
	<u>56,270</u>	<u>5,971</u>	<u>-</u>	<u>-</u>	<u>62,241</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

	Opening balance N'000	Recognised profit or N'000	Recognised in OCI N'000	Recognised in equity N'000	Closing balance N'000
2011					
Deferred tax (liabilities)/assets in relation to:					
Property, plant and equipment	(76,220)	104,396	-	-	28,176
Retirement benefit obligations	7,717	1,485	-	-	9,201
Accrual of other employee benefits	3,006	(3,006)	-	-	-
Provision for doubtful debts	-	9,003	-	-	9,003
Deferred income	1,655	(341)	-	-	1,315
Interest payment	12,244	(4,592)	-	-	7,652
Impairment	-	923	-	-	923
	(51,598)	107,869	-	-	56,270

There are no unrecognised deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 N'000	2011 N'000
Taxation (continued)		
Effect of previously unrecognized temporary differences including losses		
Adjustments in respect of prior years		
Expenses not deductible for tax purposes and other items	-	-
Exclude taxation of associates	-	-
Income tax expense	<u>78,413</u>	<u>78,413</u>
Deferred tax		
Analysis of movements in the net deferred tax balance during the year/period		
	2012 N'000	2011 N'000
1 January	(55,561)	51,598
Exchange movements	-	-
Debited/(credited) to the profit for the financial year	(5,944)	(107,273)
Debited to other comprehensive income	-	-
Credited directly to equity	-	-
Reclassification from current tax	-	-
Arising on acquisition	-	-
Change in consolidation status	-	-
31 December	<u>(61,505)</u>	<u>(55,675)</u>
Factors affecting the tax charge in future years		
Factors that may affect the Group's future tax charge include the impact of corporate restructurings, the resolution of open issues, future planning opportunities, corporate acquisitions and disposals, the use of brought forward tax losses and changes in tax legislation and tax rates.		
	2012 N'000	2011 N'000
12. Equity dividends		
Declared during the financial year:		
Final dividend for the year ended 31 December 2011 (kobo per share (2010-2kobo/share))	-	-
Interim dividend for the year ended 31 Dec 2012 (kobo per share) (2010 - 2011) 0 kobo per share	-	-
	<u>-</u>	<u>-</u>
Proposed after the end of the reporting period and not recognized as a liability		
Dividend for the year ended 31 Dec 2012 (13 kobo per share) (2011 0 kobo per share)	-	-
	<u>195,910</u>	<u>-</u>
12.1. Earnings per share		
Total comprehensive income attributable to parent shareholders	338,032	70,892
Weighted average number of shares for basic earning per share	1,507,000	1,507,000
Effect of dilutive potential share:restricted shares and share options	-	-
Weighted average number of shares for diluted earnings per share	1,507,000	1,507,000
Earnings for basic and diluted earnings per share(kobo)	22	5

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

13 Goodwill

There was no goodwill arising from business combinations on acquisition of the subsidiaries. This was due to the fact that the subsidiaries were acquired on start-up i.e there were no retained earnings pre-acquisition. The purchase consideration paid by ABC Plc in ABC Ghana Limited and Transit Support Services Limited formed the net assets of the subsidiaries therefore they were equal and no goodwill earned

14. Intangible assets

	Computer software N'000
Cost:	
1 January 2011	3,702
Exchange movements	-
Arising on acquisition	-
Additions	-
Disposals	-
Change in consolidation status	-
31 December 2011	3,702
Exchange movements	-
Arising on acquisition	-
Additions	4,606
Disposals	-
Change in consolidation status	-
31 December 2012	8,308
Accumulated impairment losses and amortization:	
1 January 2011	2,162
Exchange movements	-
Amortization charge for the year	733
Impairment losses	-
Disposals	-
Change in consolidation status	-
31 December 2011	2,895
Exchange movements	-
Amortization charge for the year	735
Impairment losses	-
Disposals	-
Change in consolidation status	-
31 December 2012	3,630
Net book value:	
31 December 2011	807
31 December 2012	4,678

All the intangible assets owned by the group comes from the parent company

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Computer software

The useful life of computer software is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. This usually represents management's view of expected period over which the Group will receive benefits from the software but not exceeding the licence term. Computer software are amortised on a straight-line basis over a period of 3-5 years which usually do not exceed the term of the software licences. This is applicable to both software licences purchased off-the-shelf and software uniquely developed for the Group by software vendors.

Impairment of intangibles

Impairment will arise where there are indications that the Group will not obtain future economic benefits commensurate with the carrying amounts of the software licence. This could occur in instances of software sub-optimality or due to technological and business process advancements or outright cut-over to another software. Significant use of judgment will be required where there are indications of impairment to software licences to either write-down/write off the carrying amounts or/and reduce the useful lives. There was no impairment assessed in the current year (2011-nil)

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

15. Property, plant and equipment - Group

	Land N'000	Buildings N'000	Motor vehicle N'000	Equipment furniture and fittings N'000	Computer accessories N'000	Work-in- progress N'000	Total N'000
Cost:							
1 January 2011	113,637	831,909	4,952,976	280,961	-	112,278	6,291,761
Additions	-	12,436	1,964,256	53,260	-	28,871	2,058,823
Borrowing cost	-	458	-	-	-	-	458
Reclassified to intangibles	-	-	-	(3,702)	-	-	(3,702)
Reclassified to inventory	-	-	(12,600)	-	-	-	(12,600)
Derecognition	-	-	(42,313)	(132,468)	-	-	(174,781)
Disposals	-	-	(142,162)	-	-	-	(142,162)
Transfers	-	79,785	-	(35,655)	35,655	(79,785)	-
Exchange difference	-	-	(518)	(320)	-	-	(838)
31 December 2011	113,637	924,588	6,719,639	162,076	35,655	61,364	8,016,959
Exchange movements							
Additions	391	6,071	756,295	28,066	3,994	10,117	804,934
Reclassified to held for sale	-	-	(132,238)	-	-	-	(132,238)
Reclassified to finance lease receivable	-	-	(247,000)	-	-	-	(247,000)
Disposals	-	-	(592,815)	(630)	-	-	(593,445)
Derecognised	-	-	-	(6,510)	-	(8,405)	(14,915)
Exchange difference	-	-	(1,485)	(816)	-	-	(2,301)
31 December 2012	114,028	930,659	6,502,396	182,186	39,649	63,076	7,831,994
Accumulated depreciation and impairment:							
1 January 2011	-	329,511	2,564,012	175,851	-	-	3,069,374
Exchange movements	-	-	(176)	(217)	-	-	(393)
Charge for the year	-	91,007	974,959	39,350	-	-	1,105,316
Elimination on disposals	-	-	(103,393)	-	-	-	(103,393)
Reclassification to intangibles	-	-	-	(2,895)	-	-	(2,895)
On derecognition from the books	-	-	(1,816)	-	-	-	(1,816)
Transfers	-	-	-	(19,704)	19,704	-	-
Others	-	(11,364)	-	(117,868)	-	-	(129,232)
31 December 2011	-	409,154	3,433,586	74,517	19,704	-	3,936,961
Exchange movements			(692)	(739)	-	-	(1,431)
Charge for the year	-	32,508	831,904	32,481	6,000	-	902,893
Elimination on disposals	-	-	(514,425)	(230)	-	-	(514,655)
Transfer to lease receivables	-	-	(10,292)	-	-	-	(10,292)
Elimination on reclassification	-	-	(99,461)	-	-	-	(99,461)
On derecognition from the books	-	-	-	(1,412)	-	-	(1,412)
Impairment losses recognised	-	-	18,021	-	-	-	18,021
31 December 2012	-	441,662	3,658,641	104,617	25,704	-	4,230,624
Net book value:							
31 December 2011	113,637	515,434	3,286,053	87,559	15,951	61,364	4,079,998
31 December 2012	114,028	488,997	2,843,755	77,569	13,945	63,076	3,601,370

Property, plant and equipment pledged as collateral for borrowings as at 31/12/2012 are as follows:

	Cost N'000	NBV N'000
Motor vehicles	2,795,954	2,052,749
Buildings	287,173	98,377
Land	60,739	60,739
	3,143,866	2,211,865

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

15.1 Property, plant and equipment- Parent company

Cost:	land N'000	Buildings N'000	Motor vehicle N'000	Equipment furniture and fittings N'000	Computer accessories N'000	Work-in progress N'000	Total N'000
1 January 2011	113,637	831,909	4,939,270	266,712	-	112,278	6,263,806
Additions	-	12,436	1,959,911	48,894	-	28,871	2,050,112
Borrowing cost	-	458	-	-	-	-	458
Reclassified to intangibles	-	-	-	(3,702)	-	-	(3,702)
Reclassified to inventory	-	-	(12,600)	-	-	-	(12,600)
Derecognition	-	-	(42,313)	(132,468)	-	-	(174,781)
Disposals	-	-	(142,162)	-	-	-	(142,162)
Transfers	-	79,785	-	(35,655)	35,655	(79,785)	-
31 December 2011	113,637	924,588	6,702,106	143,781	35,655	61,364	7,981,131
Exchange movements							
Additions	391	6,071	756,295	26,611	3,994	10,117	803,479
Reclassified to held for sale	-	-	(132,238)	-	-	-	(132,238)
Reclassified to finance lease receivabl	-	-	(247,000)	-	-	-	(247,000)
Disposals	-	-	(592,815)	(630)	-	-	(593,445)
Derecognised	-	-	-	-	-	(8,405)	(8,405)
31 December 2012	114,028	930,659	6,486,348	169,762	39,649	63,076	7,803,522
Accumulated depreciation and impairment:							
1 January 2011	-	329,511	2,559,889	171,095	-	-	3,060,495
Charge for the year	-	91,007	972,120	37,121	-	-	1,100,248
Elimination on disposals	-	-	(103,393)	-	-	-	(103,393)
Reclassification to intangibles	-	-	-	(2,895)	-	-	(2,895)
On derecognition from the books	-	-	(1,816)	-	-	-	(1,816)
Transfers	-	-	-	(19,704)	19,704	-	-
Others	-	(11,364)	-	(117,868)	-	-	(129,232)
31 December 2011	-	409,154	3,426,800	67,749	19,704		3,923,407
Charge for the year	-	32,508	865,024	30,216	6,000	-	933,748
Elimination on disposals	-	-	(550,299)	(230)	-	-	(550,529)
Transfer to lease receivables	-	-	(10,292)	-	-	-	(10,292)
Elimination on reclassification	-	-	(99,461)	-	-	-	(99,461)
On derecognition from the books	-	-	-	-	-	-	-
Impairment losses recognised	-	-	18,021	-	-	-	18,021
31 December 2012	-	441,662	3,649,793	97,735	25,704	-	4,214,894
Net book value:							
31 December 2011	113,637	515,434	3,275,306	76,032	15,951	61,364	4,057,724
31 December 2012	114,028	488,997	2,836,555	72,027	13,945	63,076	3,588,628

All property, plant and equipment pledged as collateral for borrowings as at 31/12/2012 indicated in note 15 in the previous page all belonged to the parent company

	Cost N'000	NBV N'000
Motor vehicles	2,795,954	2,052,749
Buildings	287,173	98,377
Land	60,739	60,739
	3,143,866	2,211,865

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

16. Investment in associate

Associates

ABC Transport Plc owns a 40% stake in Abex Parcel Services Ltd at a cost of N14,835,5845. However the investment was adjudged in 2010 to be impaired due to a succession of heavy losses and full allowance was made. More losses were incurred in the 2012 financial year therefore, management is of the opinion that there is no need to reverse the impairment

17. Financial assets designated at fair value through profit or loss

	2012 N'000	2011 N'000
Held-for-trading non-derivative assets	15,150	-

An unclaimed dividend pool of N14,424,653.73 was transferred in August 2012 from the custody of the Company's registrars to Stanbic IBTC Assets Management Limited for investment to the benefit of the company in ;line with the provisions of the Investment and Securities Act 2007. Profit of N725,351 accruing thereon for the period up to 31/12/2012 is included in non-operating income reported for the period. The financial assets created from the above has been classified as fair-value-through-profit or loss (FVTPL) in accordance with IAS 39. The unclaimed dividend liability of N14,424,653.73 is reported under other payables as at 31/12/2012

The entire amount reported for the group was invested by the parent company

18 Finance lease receivables

	2012 N'000	2011 N'000
Current portion	70,024	-
Non-current portion	169,560	-
	239,584	-

Leasing arrangements

Twenty buses costing N247,000,000 acquired within the period were given out on finance lease with effect from September 2012.The vehicles were leased to commercial operators under the mass transit arrangement. Rentals are paid by the operators on a monthly basis as per contractual terms over the lease tenor spanning between 32-36 months with defaults attracting penalties and the vehicles recoverable should defaults persist. Lessees are required to insure all the vehicles and to provide a bank guarantee covering one month rentals. Interest implicit on the lease after consideration of the estimated residual value at the end of the lease tenor is recognized under other operating income in the accordance with IAS 17. A reconciliation of the gross investment in the lease and the present value of the minimum lease payments receivable at the end of the reporting period is presented in the next page.

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Amount receivable under finance lease

	Minimum lease payments		Present value of minimum lease payments	
	2012 N'000	2011 N'000	2012 N'000	2011 N'000
Not later than one year	156,000		70,024	-
Later than one year and not later than 5 years	260,000		169,560	-
	416,000	-	239,584	-
Less: unearned finance income	(176,416)	-	-	-
Present value of minimum lease payment receivable	239,584	-	239,584	-
Allowance for uncollectible lease payment	-	-	-	-
	239,584	-	239,584	-

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 52% per annum.

Unguaranteed residual values of the leased assets are estimated at N20 million (N1 million per bus)

The finance lease receivables at the end of the period are not impaired

The entire amount reported for the group belongs to the parent company

	2012 N'000	2011 N'000	2012 N'000	2011 N'000
19. Inventory	Group	Group	Company	Company
Motor vehicle spares	145,327	171,836	145,146	138,636
Fuel/diesel	26,348	28,833	26,348	28,833
Stationery	9,349	9,847	9,531	9,847
Oil and lubricants	8,426	5,609	8,426	5,609
Snacks and fruit drinks	43	170	43	170
Uniform and promotional materials	2,624	1,031	2,624	1,031
Sanitation materials	96	345	96	345
City Transit Inn (CTI)	2,131	1,432	2,131	1,432
Transit Support Services (TSS)	25,822	41,449	-	-
	220,166	260,552	194,345	185,903
Impairment	(3,077)	(3,077)	(3,077)	(3,077)
	217,089	257,475	191,268	182,826

Inventory is reported net of obsolescence and impairment losses. CTI inventory include food items, food and beverage consumables, house-keeping items, etc while TSS inventory are tyres, oil filters, air filters, fuel filters, flat beds and auto control products held for sale. The Group expects to consume all inventory existing at the reporting date within twelve months from the reporting date.

Inventory consumed within the period included in cost of sales amounted to N2.14b (2011: N2.07m). No amount was written off inventory within the period as impairment (2011: N3.07m).

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 N'000 Group	2011 N'000 Group	2012 N'000 Company	2011 N'000 Company
20. Trade and other receivables				
Included within current assets:				
Trade receivables	371,681	308,278	369,095	302,939
Allowance for trade receivables	(80,873)	(73,423)	(80,873)	(73,423)
	<u>290,808</u>	<u>234,855</u>	<u>288,222</u>	<u>229,516</u>
Amounts owed by staff	3,669	27,042	3,669	27,042
Amounts owed by/(owed to) related parties	84,053	(27,050)	186,612	82,921
	<u>378,530</u>	<u>234,847</u>	<u>478,503</u>	<u>339,479</u>

20.1 Trade receivables

The average credit period is 60 days. No allowance is charged on outstanding debts for the first 60 days after the date of invoice. The group has recognised 100% allowance for debts over 365 days because historical experience has shown that debts in this category are usually irrecoverable. Allowances are also made for debts between 61 days and 365 days based on percentages that reflect the best estimate of collection with reference to entity's historical experience and an analysis of the debtor's financial position. No specific allowance was made for any debtor as at 31 December 2012 (2011- Nil)

Included in the amount of trade receivables is an amount of N2.08m (2011- N7.56m) owed by ABEX express parcel service, an associate company in the group. The amounts owed by the associate have not been impaired.

Trade receivables disclosed above also includes amounts that are past due but not considered to be impaired at the end of the reporting period. All receivables in this category are due from the barter arrangement with the Federal Radio Corporation of Nigeria (FRCN), the amounts charged against FRCN are technically not receivable from the customer but can be used at anytime by the group for advert placements in any of the broadcast stations under the FRCN. It is based on this premise that the group has decided not to make any allowances for such debts

Receivables past due but not impaired

	2012 N'000 Group	2011 N'000 Group	2012 N'000 Company	2011 N'000 Company
91 - 180 days	15,976	8,027	15,976	8,027
181 - 365 days	18,204	4,355	18,204	4,355
Over 365 days	<u>27,204</u>	<u>22,511</u>	<u>27,204</u>	<u>22,511</u>
Total amount	<u>61,384</u>	<u>34,893</u>	<u>61,384</u>	<u>34,893</u>
Average days	<u>215</u>	<u>151</u>	<u>215</u>	<u>151</u>

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

All trade are included within current assets and are stated after making allowance for bad and doubtful balances and analyzed below:

Allowances are made only for debts belonging to the parent company

Movement in the allowance for doubtful debt (trade receivables)

	2012 N'000	2011 N'000
Balance at beginning of the year	(73,423)	(45,727)
Impairment losses recognised on receivable	(34,219)	(39,883)
Amounts recovered during the year	27,270	12,187
Balance at the end of the year	<u>(80,372)</u>	<u>(73,423)</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. No impairment losses has been recognised as management is of the opinion that none of the debts will change its credit quality rating:

There were no debts considered as specifically impaired during the year (2011-Nil)

20.2 Staff receivables

The entity also has receivables from staff who owe the group. Staff debts are either in form of loans or unretired IOUs charged directly to the staff's account

Please note that staff debts for the group are 100% attributable to the parent company

	2012 N'000	2011 N'000
Gross amount owed by staff	77,811	97,252
Allowances for staff debts	(74,142)	(70,210)
Staff receivables (net)	<u>3,669</u>	<u>27,042</u>

The group makes specific allowances for staff receivables based on parameters such as the employment status of the staff concerned (whether dormant or disengaged) and/or if the debt is an unretired IOU. 100% allowances are made for unretired IOUs immediately they become due (usually 7 days)

Interests are not charged on overdue debts that arise as a result of IOUs

Movement in the allowance for doubtful debt (staff receivables)

	2012 N'000	2011 N'000
Balance at beginning of the year	(70,210)	(63,453)
Impairment losses recognised on receivable	(19,663)	(18,253)
Amount wrtten off during the year as collectible		
Amounts recovered during the year	15,731	11,496
Total	<u>(74,142)</u>	<u>(70,210)</u>

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

20.3 Receivables from related parties

The group has receivables/payables from related parties. These related parties are not part of the group but they are related in one way or the other. The bulk of these amounts do not arise from trade activities but usually from shared costs and other reimbursables

	2012 N'000	2011 N'000
Amounts owed by related parties to the group	86,422	15,577
Amounts owed by the group to the related parties	(2,369)	(42,627)
Net amounts owed.	84,053	(27,050)

The amounts outstanding are unsecured and will be settled in cash. The group does not make any allowances for related party receivables because all amounts are considered collectible within the shortest period possible

Intra-group receivables/payables have been eliminated on consolidation.

The related party receivables were due to/due from Rapido Ventures Limited.

The managing director of ABC Transport Plc, Mr Frank Nneji is the largest shareholder in both Rapido Ventures Ltd and ABC Transport Plc and is equally the managing director of Rapido Ventures Ltd.

	2012 N'000	2011 N'000
Parent company intra-group receivable as at 31 December		
ABC Plc receivables due from Rapido Ventures	86,422	7314
ABC Plc receivables due from ABC Ghana	62,120	56163
ABC Plc receivables due from Transit Support services	38,070	11881
ABC Plc receivables due from Abex Express	-	7563
	186,612	82921

21	Other assets	2012 N'000	2011 N'000	2012 N'000	2011 N'000
		Group	Group	Company	Company
	Prepaid rent	33,725	37,902	32,621	35,595
	Prepaid insurance	26,248	48,902	26,047	48,682
	Deferred expenditure	5,567	4,175	5,567	4,175
	Withholding taxes recoverable	77,921	100,914	77,921	100,914
	Deposits for vehicle and spares	62,046	128,848	39,021	121,532
	Others	29,654	30,702	29,413	30,702
		235,161	351,443	210,590	341,600

22	Assets held for sale	2012 N'000	2011 N'000
	Motor vehicles held for sale	4,578	-

The group intends to dispose off a number of vehicles it no longer utilises in the next 12 months. The vehicles were formerly used in the coach, cargo and shuttle segments of the business. Some of the vehicles had been fully depreciated at the date of reclassification while others were retired from active use. Impairment losses were recognised on some of the vehicles as at the date of reclassification. Several buyers have been contacted and it is highly unlikely that the plan to dispose off the assets will be changed.

All group assets held for sale belong to the parent company

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

23. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the statement of financial position

	2012 N'000 Group	2011 N'000 Group	2012 N'000 Company	2011 N'000 Company
Cash and cash equivalents as presented in the statement of financial position				
- Cash at hand and in Bank	236,003	92,167	201,342	57,756
- Bank overdrafts	-	(106,911)	-	(106,911)
Cash and cash equivalents as presented in the statement of cash flows	236,003	(14,744)	201,342	(49,155)

24 Share Capital

	2012 N'000	2011 N'000
Issued share capital	753,500	753,500
Share premium	582,068	582,068
	1,335,568	1,335,568
Issued share capital comprises of		
420,000,000 ordinary shares at 50k each (December 2005)	210,000	210,000
420,000,000 ordinary shares at 50k each (April 2006)	210,000	210,000
666,700,000 ordinary shares at 50k each (September 2006)	333,500	333,500
	753,500	753,500
Share premium		
420,000,000 ordinary share premium at 50k each (December 2005)	210,000	210,000
420,000,000 ordinary share premium at 50k each (April 2006)	210,000	210,000
666,700,000 ordinary share premium at 50k each (September 2006)	333,500	333,500
	753,500	753,500
Total direct expenses on the issue of shares	(171,432)	(171,432)
	582,068	582,068

All the issued shares were ordinary shares and have been fully paid as at 31 December 2012.

The Group share capital belongs wholly to the parent company

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

		2012	2011
25.	Reserves	N'000	N'000
	Property revaluation reserve	251,925	251,925
	Foreign currency translation reserve	3,835	(2,069)
		<u>255,760</u>	<u>249,856</u>

25.1	Property revaluation reserve		
	Balance at the beginning of the year	251,925	251,925
	Increase arising from revaluation of properties	-	-
	Impairment losses	-	-
	Reversal of impairment losses	-	-
	Transfer to retained earnings	-	-
		<u>251,925</u>	<u>251,925</u>

This represents surplus arising from the revaluation of the company's bus terminals at Abuja and Amuwo Odofin. The revaluation was done in 2005 by Mike Odu and Co.

25.2	Foreign exchange translation reserve	2012	2011
		N'000	N'000
	Balance at the beginning of the year	(2,069)	(1,874)
	Exchange difference arising from the translation of foreign operations for the year	5,904	(195)
		<u>3,835</u>	<u>(2,069)</u>

The exchange differences arise from the translation of the results and net assets of the group's foreign operations from their functional currency to the group's presentation currency (i.e translating ABC Ghana's results from cedis to naira). These are recognised directly in other comprehensive income and accumulated in the foreign exchange revaluation reserve

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

26. Retained earnings and dividends on equity instruments	2012 N'000 Group	2011 N'000 Group	2012 N'000 Company	2011 N'000 Company
Retained earnings	<u>611,696</u>	<u>651,812</u>	<u>611,696</u>	<u>299,246</u>
Balance at the beginning of the year	296,505	258,739	611,696	258,739
Profit/(loss) attributable to the owners of the company	325,515	71,023	321,095	325,515
Payment of dividends	<u>-</u>	<u>(30,140)</u>	<u>-</u>	<u>(30,140)</u>
	<u>611,696</u>	<u>299,622</u>	<u>611,696</u>	<u>554,114</u>

In respect of the current year, the directors propose that a dividend of 13kobo per share be paid to the shareholders. This dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total proposed dividends will amount to N195.91m. The payment of this dividend will not have any tax consequences for the group.

27 Non-controlling interests	2012 N'000	2011 N'000
Balance at the beginning of the year	14,712	14567
Share of profit for the year	<u>(11,090)</u>	<u>145</u>
Balance as at the end of the year	<u>3,622</u>	<u>14712</u>

These are the net assets of the non-controlling interests in the group.

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

28. Borrowings	2012 N'000	2011 N'000
Unsecured amounts	-	-
Secured amounts		
Bank overdrafts	-	106,911
Bank loans	1,336,144	1,854,296
Others (Notes v and vi)	14,654	7,834
Total	1,350,798	1,862,130
Analysed by		
Current (due within 1 year)	903,417	969,138
Non-current (due after 1 year)	447,381	892,992
	1,350,798	1,862,130

Summary of borrowing arrangements

i. Borrowing from Fidelity Bank for part finance of 150 units of trucks/trailers. Total amount offered was N2.498m for a tenor of 48 months. The amount is being drawdown in tranches. As at 31 December 2012, a total of N1.321m had been drawdown. Securities provided for the loans are legal mortgage over terminal at plot 7, Cadastral zone 5 Abuja, property at 52 Ikorodu Road Lagos, insurance over properties, joint ownership of vehicles financed and personal guarantee of the MD. Average effective interest rates for the loans is 18.55% p.a

ii. Borrowing from Fidelity bank in April 2010 for 90% finance of 47 trucks/trailers. Total amount offered and drawn down was N761.4m for a tenor of 48 months. Securities provided for the loan are existing legal mortgage over terminal at plot 7, Cadastral zone 5 Abuja, property at 52 Ikorodu Road Lagos, Company's property located at Elioju Junction PH, ownership of vehicles financed and personal guarantee of the MD. Effective interest rates for the loan is 20.41%.

iii. Borrowing from Fidelity Bank in January 2011 to finance the importation of 8 Mercedes Benz buses. Total amount offered and drawn down was N273.67m for a tenor of 36 months. Securities provided include the Abuja Terminal Utako, Property at 52 Ikorodu Road Jibowu Lagos, Property at Elioju Junction, Port Harcourt. Effective interest rate for the loan is 27.30%.

iv. Borrowing from GT bank in February 2011 to enhance tracking facility. Total amount offered and drawn down was N126.54m for a tenor of 24 months. Securities provided include the property housing the Head Office, personal guarantee of Mr Frank Nneji (MD)/CEO supported by statement of networth. Effective interest rate for the loan is 17.87%.

v. Borrowing from Nigerian Export-Import Bank in April 2010 to enhance tracking facility. Total amount offered was N289.68 while total amount drawn down was N108.63m for a tenor of 24 months payable quarterly. Securities provided include assignment and routing to the collection account of all receivables, charge by Nexim over the collection accounts, first legal charge/chattel mortgage, existing equitable mortgage over a property situated at Amuwo Odofin, Lagos, personal guarantee of the MD. Effective interest rate for the loan is 21.47%

vii. Borrowing from ABC co-operative society in September 2010 to finance the purchase if shuttle buses. Total amount offered and drawn down was N12m for a tenor of 30 months. Securities provided is the asset financed. Effective interest rate for the loan is 12%.

viii. Borrowing from ABC co-operative society in September 2012 to finance the purchase if shuttle buses. Total amount offered and drawn down was N14m for a tenor of 30 months. Securities provided is the asset financed. Effective interest rate for the loan is 12%.

There were no breaches on loan agreements during the year as well as in the prior year.

All liabilities due to borrowings for the group as at 31 December 2012 and (31 December 2011) belongs to the parent company

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

29. Obligations under finance lease

The group obtained some of its buses under finance leases from The Infrastructure Bank (formerly Urban Development Bank of Nigeria) . The average lease term for the buses is between 24 - 32 months. The ownership of the assets transfer to the group at the expiration of the lease term. The group's obligations to the lessor are secured by the lessor's title to the leased assets.

The average implicit interest rate on the lease is 5% per annum (2011-5% per annum)

Amount payable under finance Lease

	Minimum lease payments		Present value of minimum lease payments	
	2012 N'000	2011 N'000	2012 N'000	2011 N'000
Not later than one year	155,159	118,392	143,513	112,734
Later than one year and not later than 5 years	108,971	67,982	105,513	66,190
	264,130	186,374	249,026	178,924
Less: Future finance charges	(15,104)	(7,450)	-	-
Present value of minimum lease payment receivable	249,026	178,924	249,026	178,924
Overdue unpaid amounts	17,229	-	-	-
	266,255	178,924	249,026	178,924

The group defaulted in repayments to the lessor towards the end of the 2012 financial year to the tune of N17.23m. The outstanding amounts and the related interests have been paid subsequent to year end. In the statement of financial position, this has been added to amounts payable within the next one year.

The net book value of finance leased assets as at 31 December 2012 included in property, plant and equipment reported under note 11 to this financial statements are as follows:

	2012 N'000	2011 N'000
Motor vehicles	106,608	87,052
Total	106,608	87,052

During the year, the company obtained an interest free loan under the federal government's mass transit initiative. The difference between the nominal value of the loan (N247m) and the cash flows incidental on the loan discounted at market rate for similar government loans (N229.86m) has been recognized as government grant in line with IAS 20. Interest on the loan is included in finance lease charges in financial statements while the incidental government grant has been deferred to be recognized as income over the period the company expects to obtain benefits from the usage of the financed motor vehicles.

All group finance lease obligations are owed by the parent company.

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

30. Post employment benefits

The Group operates a contributory pension scheme of 7.5% gross staff salary. Also management put in place gratuity for staff that have been in the employment of the company for a minimum of five (5) years and a long service grant of two hundred thousand naira (N200,000) for drivers who have served the company up to ten (10) years.

The defined benefit scheme is unfunded with no assets specifically set aside to meet obligations as at when due. Funds are re-invested in the Group's business to meet due obligations.

Under the defined benefit's scheme member's past service benefits have been assessed using the Projected Unit Credit Method (PUCM). This method calculates the actuarial liability (staff gratuity benefits and long service grants) as the discounted value of the benefits that have accrued over the past period of membership of the beneficiaries. In determining this value allowance is made for any future expected inflationary growth of the on-going benefits up to the exit date.

	2012 N'000 Group	2011 N'000 Group	2012 N'000 Company	2011 N'000 Company
Statement of financial position				
Defined contribution schemes	31,350	52,806	31,350	52,806
Defined benefit schemes	<u>187,234</u>	<u>155,637</u>	<u>186,408</u>	<u>155,260</u>
Total amount presented in the statement of financial position	<u>218,584</u>	<u>208,443</u>	<u>217,758</u>	<u>208,066</u>
Income statement expense				
Defined contribution schemes	25,908	22,923	25,908	22,923
Defined benefit schemes	<u>41,899</u>	<u>31,107</u>	<u>41,394</u>	<u>23,341</u>
Total amount charged to the income statement	<u>67,807</u>	<u>54,030</u>	<u>67,302</u>	<u>46,264</u>

Defined benefit schemes

The principal actuarial assumptions used for estimating the Group's benefit obligations (IAS 19) are set out below:

	2012 %	2011 %	2012 %	2011 %
Weighted average actuarial assumptions used at 31 December 2012				
Rate of inflation	10	10	10	10
Rate of increase in salaries	10	10	10	10
Return on investment	12	12	12	12
Discount rate	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Projected Unit Credit Method (PUCM) was applied to determine the present value of the Group's defined benefit obligations and the related current service cost and where applicable the past service costs in accordance with Guidance Note (GN 9) issued by the Institute and Faculty of Actuaries.

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Salary increments

It was assumed that members' basic salaries would increase in future on account of inflation at an average long term compound rate of 10% p.a.

Withdrawal rates

Withdrawals in excess of those anticipated for members with past service less than 5 years and 10 years (for drivers of heavy duty vehicles), would generally result in a reduction of the staff gratuity benefits. Accordingly, a margin has been maintained in the assumed rates of withdrawal to ensure that the expected surplus emerging on withdrawals is not overstated.

Mortality

Mortality in excess of those anticipated, for members with past service less than 5 years and 10 years (for drivers of heavy duty vehicles), would generally result in a reduction of the staff gratuity benefits. Accordingly, a margin has been maintained in the assumed rates of mortality to ensure that the expected surplus emerging on mortality is not overstated. The A1967/70 mortality tables were assumed to apply.

The present value of the liabilities of the scheme

The amount included in the statement of financial position arising from the Group's obligation in respect of its defined benefit scheme is as follows:

	2012	2011	2012	2011
	N'000	N'000	N'000	N'000
	Group	Group	Company	Company
Gratuity	163,482	147,937	162,656	147,560
Drivers long service grant	23,752	7,700	23,752	7,700
	187,234	155,637	186,408	155,260

Movement in plan liabilities:

1 January 2012	155,637	132,140	155,260	131,919
Exchange rate movements	(54)	-	-	-
Arising on acquisition	-	-	-	-
Current service cost	16,360	31,107	15,857	30,951
Interest cost	25,537	-	25,537	-
Member cash contributions	-	-	-	-
Actuarial losses/(gains)	10,324	-	10,324	-
Benefits paid	(20,570)	(7,610)	(20,570)	(7,610)
Other movements	-	-	-	-
31 December 2012	187,234	155,637	186,408	155,260

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

31. Provisions

	Provisions N'000	Total N'000
1 January 2011	-	-
Exchange movements	-	-
Amounts capitalized in the year	-	-
Amounts charged to the income statement	-	-
Utilized in the year-payments	-	-
Amount released to the income statement	-	-
Other	-	-
31 December 2011	-	-
Exchange movements	-	-
Arising on acquisition	-	-
Additions for the year (i)	55,955	55,955
Utilized in the year-payments	-	-
Amount released to the income statement	-	-
31 December 2012	55,955	55,955
Provisions have been analysed between current and non-current below:		
Current liabilities	-	-
Non-current liabilities	55,955	-
	55,955	-

i. The provisions in the financial statements relate to estimated default charges of N55.456m on unremitted statutory deductions and a judgment debt of N0.499m against the group by the Imo State High Court for which the Group has filed an appeal. Judgement was passed on March 20th, 2012. Despite the fact that the group is optimistic that it will not pay any liability, a provision has been made for the amount.

The number of grants expected to crystallize under the customer loyalty programme is immaterial hence no provision has been made in connection thereto.

There are no other constructive or legal obligations for which the entity is expected to make provisions for as at 31 December 2012.

All provisions reported by the group are attributable to the parent company.

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 N'000	2011 N'000	2012 N'000	2011 N'000
	Group	Group	Company	Company
32. Trade and other payables				
Trade payables (i)	279,880	237,371	279,880	246,411
Accruals	74,144	50,712	53,953	25,301
Industrial Training Fund Levy (ii)	6,377	5,903	6,377	5,903
Unclaimed dividends (iii)	14,425	-	14,425	-
Co-operative liabilities	15,088	6,535	15,088	6,535
Development levy liabilities	438	438	438	438
Value added tax liabilities (ii)	250,314	217,033	250,314	216,633
Withholding tax liabilities (ii)	588	799	588	246
Pay-As-You-Earn liabilities (ii)	2,894	2,170	2,894	2,170
Staff welfare liabilities	412	351	412	351
Other tax payables (iv)	13,406	19,556	13,406	19,556
Other payable	8,571	12,686	8,179	12,686
Customer cash transfer	983	880	983	881
	667,520	554,434	646,937	537,111

All the liabilities above are classified as current

i. The average credit period for the purchases of major items is 30 days. However, with certain arrangement with our major suppliers, payment terms can be renegotiated for longer periods.

ii. Statutory liabilities such as VAT, WHT, PAYE, ITF are expected to be settled in line with the relevant laws/regulations setting them up. With the exception of ITF which is payable yearly, the rest are payable monthly. The entity has defaulted in remitting VAT on a monthly basis and expects future liabilities arising from penalties from the tax authorities. These probable amounts have been estimated and a provision has been made (see note 31).

iii. These represents the total unclaimed dividend pool to several shareholders as at December 31, 2012. The amounts have been invested in line with the provisions of the Investment and Securities Act 2007.

iv. These are in respect of additional tax assessments carried out by the Imo State Board of Internal Revenue for undercharge of state tax liabilities. The group has agreed with the tax body to discharge the liabilities over a period of time.

Trade and other payables are non-interest bearing and hence approximate their fair values. The Group does not have any derivative financial instrument.

	2012 N'000	2011 N'000
33 Deferred income		
Deferred income from cargo operations (i)	4,937	4,384
Deferred government grant income (ii)	15,536	-
	20,473	4,384

i. The deferred revenue for cargo operations is in respect of undelivered cargo in transit as at 31 December 2012 for which cash has been received but the income not yet earned. It takes a period of 3 - 7 days to have the cargo delivered. Therefore, the amount reported has been earned after year end.

ii. The deferred government grant income arises from the government intervention in obtaining finance leased assets at 0% where it would have normally been 5% (see note 29). The revenue is earned on a monthly basis and taken to other revenue to be spread over the useful life of the asset.

All deferred income belong to the parent company.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

34. Reconciliation of net cash from operating activities	2012 N'000 Group	2011 N'000 Group	2012 N'000 Company	2011 N'000 Company
Profit attributable to shareholders after taxation	332,185	70,683	352,566	70,647
Add/(less): non-cash movements in income statement and PPE				
Depreciation and amortisation	903,627	1,106,049	898,608	1,086,720
Investment income	(24,101)	-	(24,101)	-
Interest expense	251,783	265,302	251,783	265,302
Income tax provision for the year	192,438	143,889	209,076	141,147
Tax paid using withholding tax certificate	(142,433)	(17,876)	(142,443)	(17,876)
Finance leased assets received	247,000	132,000	247,000	132,000
Gain on disposal of property, plant and equipment	(8,199)	(10,818)	(8,199)	(10,818)
Impairment loss recognised on non-current assets	46,220	3,077	46,220	3,077
Capitalised borrowing costs	-	(458)	-	(458)
Exchange differences	842	(1,780)	-	-
Derecognised assets	13,503	43,734	8,405	43,734
Operating profit before changes in working capital	1,812,865	1,733,802	1,838,915	1,713,475
(Increase) in deferred tax asset	(6,567)	(107,386)	(5,970)	(107,869)
(Increase) in trade and other receivables	(143,682)	(7,042)	(139,024)	(3,321)
Decrease/(increase) in other assets	116,282	(229,582)	131,010	(222,454)
Decrease/(increase) in inventory	40,386	(35,439)	(8,442)	(33,859)
Increase in post employment benefits	10,140	25,610	9,691	25,455
Increase in provisions	55,955	-	55,955	-
Increase in trade and other payables	113,086	197,673	109,827	195,766
Increase/(decrease) in deferred income	9,286	(1,135)	9,286	(1,135)
Net cash from operating activities	2,007,751	1,576,501	2,001,248	1,566,058
Before tax	2,007,751	1,576,501	2,001,248	1,566,058
Tax paid	(122,148)	(90,708)	(119,749)	(87,965)
Net cash from operating activities	1,885,603	1,485,793	1,881,499	1,478,093

i. 2012 investment income includes income earned from investment in financial assets and from finance lease receivables.

ii. 2012 interest expense includes non-cash movements in deferred income for government grants on finance lease obligations.

iii. interest payments for the entity represent a financing activity due to the nature.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

35. Commitments

Operating lease commitments

The Group has entered into commercial leases on motor vehicles. These include operating lease with Evangeline Benoit and Multitasking Incorporated. The leases are basically cover periods of one-year after which they may be renewed based on the willingness of the parties. Where any party does not intend to continue with the arrangement after the expiration of a term, notice has to be given to the other party at least within three months to the expiration of the present term.

Future minimum lease payments under one-cancellable operating leases comprise:

	2012 N'000	2011 N'000
Within one year		
In more than one year but less than two years	282,014	47,480
In more than two years but less than three years	210,607	-
In more than three years but less than four years	35,457	-
In more than four years but less than five years	-	-
In more than five years	-	-
	<u>528,078</u>	<u>47,480</u>

36. Contingent liabilities

Legal proceedings - The Group's solicitors reviewed all the outstanding cases at the end of each financial period and advised on the possibility or otherwise of each particular case resulting in a liability against the group after taking due cognisance of the peculiar circumstances of the case in question, the possibility of settling out of court on mutually agreed terms or by arbitration. The solicitors equally advised on the likely timing for the judgment or settlement and amount of the liability.

Appropriate provision has been made in these financial statements for likely liabilities arising from these cases.

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 N'000	2011 N'000
37. Directors and key management compensation		
Related parties		
Directors		
Aggregate emoluments of the directors of the company were as follows:		
Salaries, fees and sitting allowances	29,125	28,835
Incentives (Rent of MD's premises)	6,000	5,250
Others	-	-
	<u>35,125</u>	<u>34,085</u>

Key management compensation

Aggregate compensation for key management, being the directors and members of the Executive management was as follows:

	2012 N'000	2011 N'000
Short-term employee benefits	45,426	45,938
Post employment benefits:	3,343	1,563
Defined contribution schemes	1,751	1,661
Share based payments	-	-
	<u>50,520</u>	<u>49,162</u>

Executive management refers to the management staff from the level of Assistant General Manager and above.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

38. Related party transactions

The Group's related party transactions are with ABEX Courier Ltd, Rapido ventures Ltd and Mayfair suite and conference centre. As at December 31 2012, the total invoices to and fro the related parties are analysed below:

	Abex	Rapido	Mayfair	Total
	N'000	N'000	N'000	N'000
Group to the related parties	7,835	123,454	7,039	138,328
Related party invoices to the Group	701	1,828	10,122	12,651

Abex Express Parcel Services Limited

ABC Transport Plc owns 40% of the share capital of Abex Express Parcel Services Ltd. Included in trade receivables as at 31/12/12 is the sum of N2,078,935.18 due from Abex to ABC Transport Plc.

Rapido Ventures Limited

The managing director of ABC Transport Plc, Mr Frank Nneji is the largest shareholder in both Rapido Ventures Ltd and ABC Transport Plc and is equally the managing director of Rapido Ventures Ltd. Rapido Ventures owed ABC Transport Plc the sum of N86,407,187.40 as at 31/12/2012 which is reported as part of other receivables.

Mayfair Hotels and Suites

The wife of ABC Transport's managing director is the managing director of Mayfair Hotels and Suites, which offers hospitality services to ABC Transport Plc. There was no outstanding amount owed between both parties as at 31/12/2012

Transactions with directors other than compensation

During the twelve months ended 31 December 2012 neither any director or any other executive officer nor any associate of any director or any other executive officer was indebted to the Company.

During the twelve months ended 31 December 2012, the Company has not been a party to any other material transaction, or proposed transactions in which any member of the key management personnel (including directors, any other executive officer, senior manager, any spouse or relative of any of the foregoing or any relative of such spouse) had or was to have a direct or indirect material interest.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

39. Employees

The average employee headcount as at December 31, 2012 by nature of activity and by segment is shown below:

	2012 N'000	2011 N'000
By Activity:		
Operations	872	845
Accounts	67	76
Audit	33	33
Customer service and marketing	23	22
Materials management	55	59
Fleet maintenance	297	324
Hospitality	29	30
Legal	4	4
Human resources/administration	36	43
Cost control and planning	5	8
General management	22	10
	1443	1454
By Segment:		
(a) Business segment		
Coach	531	531
Sprinter	48	50
Shuttle	160	166
Trading-Transit Supports Services Ltd	12	
Cargo	140	155
Haulage	205	202
CTI	29	32
Others	318	318
	1443	1454
(b) Geographical segment		
Nigeria	1431	1441
Ghana	12	13
	1443	1454

The total cost incurred in respect of these employees (including directors) was:

Wages and salaries	691,039	626,407
Health insurance	16,700	12,525
Share- based payments	-	-
Other pension costs	25,909	22,923
	733,648	661,855

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

40. Capital and financial risk management

The board risk management committee provides the strategic direction for the overall risk management within the Group. Risk management policies approved at the board level are thereafter passed down through the managing director who oversees the implementation in conjunction with the Group Head of Finance and Chief Internal Auditor using various management organs including the budget and finance committees.

Credit risk

The Group's considers its exposure to credit risk at 31/12/12 as follows:

	2012	2011
	N'000	N'000
Cash at bank and in hand	92,167	201,342
Security deposits for lease obligations	18,630	12,563
Finance lease receivables	239,584	-
Money market fund investments	0	-
Trade and other receivables	234,847	478,504
Total	585,228	692,409

The Group has a high credit risk exposure on trade receivables. Credit exposures arise from the haulage and consolidated cargo business as proceeds from passenger business are received in advance. The haulage business services big manufacturing concerns with billings done at intervals(usually a period of one month) and payments after another interval depending on the contractual terms. While a major part of the cargo revenue is received on cash basis, about 5% credit is granted to institutional customers with a credit period of about one month. With the haulage business contributing over 40% to the Group's turnover, the implication is that a significant part of the company's reported revenue will remain uncollected at each reporting date. Though there is a subsidiary that operates in Ghana, the bulk of the credit risk is concentrated in Nigeria within the Haulage and cargo business segments as mentioned above.

Gross allowance on doubtful trade receivables was N80.25m as at 31/12/2012. No allowance on trade receivables was charged to profit or loss in 2012.

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

The company manages the credit risk from trade receivables through adequate profiling of customers, granting credit to only blue-chip companies in the haulage business. Credit limits are equally placed on cargo debtors according to their established credit profiles. The treasury units monitor credit with follow-up for collection upon maturity.

The exposure on staff loans is equally managed by profiling staff for purposes of granting loans and advances. Gross allowance on doubtful staff debts was N74.14m as at 31/12/2012.

Finance lease receivables arose from the lease of mass transit buses to licensed operators in Nigeria. The contractual terms provide for comprehensive insurance of the vehicles and regular inspection by designated officers to ensure the vehicles are always in good condition as they serve as part of the collateral on the receivables in the event of defaults by the lessees. The receivables are further collateralized by bank credit guarantees and cash deposits. Collaterals on finance lease receivables as at 31 December 2012 are as follows:

	2012	2011
	N'000	N'000
Bank guarantee	6,500	-
Cash deposit	<u>8,500</u>	<u>-</u>
Total	<u>15,000</u>	<u>-</u>

Investment in money market securities is managed by a professional investment firm which invests the funds in various risk-free securities such as government bonds and securities. Security deposits were cash deposits made as collateral for borrowings which are returned after the loans get fully liquidated. The Group has been meeting all obligations due on its borrowings.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

41 Liquidity risk

The Group faces the risk of liquidity as a result of the gap between the payment by trade debtors for services rendered and the pressure of immediate payment for inputs, repayment of borrowings, taxes and other obligations. Liquidity risk is managed as follows:

Negotiation of credit terms with suppliers

Negotiation of installments plan with the tax and other relevant authorities

Follow-up on matured credits for prompt collection

Maintaining a portfolio of borrowings with a varied maturity profile

Stocking of only vital inventory items

Negotiation of overdraft facilities in periods of immense pressure leveraging on the Group's high credit rating.

42 Interest rate risk

The group finances the acquisition of vehicles through bank borrowings which are often secured on the assets of the Group, the vehicles acquired and the personal guarantees of the directors. The employment of this source of funding is substantial in comparison with the equity holders funds and presents a key source of uncertainty and risk in view of the impact of interest rate fluctuations on financing costs, the pressure of repayments on liquidity and the adverse consequences of repayment defaults. The Group has a track record of keeping with the terms, conditions and covenants of its borrowings which has accorded it a very high credit rating within the financial community. This, it exploits to negotiate financing at concessionary interest rates with its financiers with relative ease. In recent times there has been an increasing shift in focus for fund sourcing from the traditional financial institutions whose interest rates are benchmarked in line with the Central Bank of Nigeria's monetary policy rates (MPR) to industrial banks providing cheaper financing targeted at the development of critical sectors of the economy in line with the government's fiscal objectives. An analysis of the borrowings at 31/12/2012 with the associated interest rates is provided under note 15 to these financial statements. Interest on borrowings is usually benchmarked against the Monetary Policy Rate(MPR) of the Central Bank of Nigeria which represents the rate at which the CBN lends to banks. From past experience changes in the rate have always led to an overall increases/decreases in the coupon rates of borrowings by an average of one to two percent. Had the MPR been altered in 2012, there would likely have been an increase or decrease of profit by approximately N32m and N38m respectively.

43 Foreign exchange risk

The Group is exposed to foreign exchange risk in the repatriation of funds generated in foreign currency on its west coast operations, in the transfer of funds to overseas for vehicle spares, and on balances on its domiciliary accounts. Funds generated from foreign operations are usually lodged in interest bearing accounts with banks of the country where they were generated and transferred to Naira denominated correspondent banks targeting periods of favourable exchange rates between the Naira and the foreign currency. Procurements are equally planned to ensure transfers to overseas suppliers are made in periods of favourable exchange rates.

The Group is exposed to foreign exchange risk arising from fluctuations in exchange rates between the Naira and the Ghanaian Cedi, and the Naira against the USD. The results of the Group's foreign operations in Ghana are translated to Naira at the average rates prevailing within the period. The Cedi has strengthened against the Naira from an average exchange rate of GHS1.43/N1 in 2007 to GHS 0.83/N1 in 2012. The average exchange rate was GHS0.83/N1 in 2012 and had the GHS strengthened by a further GHS0.12 to the Naira, operating profit reported in 2012 would have reduced by N3,426,363.11. Transactions through the domiciliary accounts are converted at the rates ruling on the dates of transaction while balances at the end of the reporting period are converted at the rate ruling at the end of the reporting period with differences taken to income. Naira is usually purchased at the rate prevailing on transactions dates and paid into the USD denominated domiciliary account for overseas procurement of vehicles spares. Transactions through the domiciliary accounts amounted to USD365,633.46. Had USD/N exchange rate moved upwards or downwards by N5, profit or loss would have been affected to the tune of N1,828,167.30.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 N'000	2011 N'000
44. Capital management		
The following table summarizes the capital of the Group:		
Cash and cash equivalents	(57,756)	(201,342)
Borrowings and leases	2,041,055	1,617,053
Other financial instruments	-	-
Net debt	1,983,299	1,415,711
Equity	1,886,739	2,239,305
Capital	3,870,038	3,655,016

The Group's policy is to ensure that some profit is retained to finance further growth which is complemented with bank borrowings where funds cannot be fully sourced internally.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of debt (which includes the borrowings and finance lease obligations) disclosed in note 28) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the relevant notes in the financial statements. The Company is not subject to any externally imposed capital requirements. The management of the Company reviews the capital structure on a frequent basis to ensure that gearing is within acceptable limit.

Gearing ratio

The gearing ratio at the year end is as follows:

	Company		Group	
	31/12/2012 N'000	31/12/2011 N'000	31/12/2012 N'000	31/12/2011 N'000
Borrowings	1,350,798	1,862,131	1,350,798	1,862,131
Finance lease obligations	266,255	178,924	266,255	178,924
Total debt	1,617,053	2,041,055	1,617,053	2,041,055
Equity	2,239,305	1,886,739	2,206,646	1,896,641
Net debt to equity ratio	72.21%	108.18%	73.28%	107.61%

i. Debt is defined as current borrowings, non current borrowings and finance lease obligations.

ii. Equity includes all capital and reserves of the Company that are managed as capital.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

45 Maturity of borrowings

The maturity profile of the anticipated future cash flows including interest in relation to the Group's non-derivative financial liabilities on an undiscounted basis which there fore differs from both the carrying value and fair value is as follows:

	Bank loans N'000	Other loans N'000	Finance lease N'000	Operating leases N'000	Trade payables N'000	Other payables N'000	Total N'000
Within 6 months	413,843	61,816	76,683	70,273	279,880	387,639	1,290,134
In 6 to 12 months	295,284	3,572	71,167	70,273	-	-	440,296
In 12 to 18 months	216,904	3,322	43,588	70,273	-	-	334,087
In 18 to 24 months	225,636	3,527	43,588	70,273	-	-	343,024
In more than 24 months	142,565	-	7,264	24,240	-	-	174,069
31 December 2012	1,294,232	72,237	242,290	305,332	279,880	387,639	2,581,610

	Bank loans N'000	Other loans N'000	Finance lease N'000	Operating leases N'000	Trade payables N'000	Other payables N'000	Total N'000
Within 6 months	496,008	2,441	77,817	17,600	237,371	317,063	1,148,300
In 6 to 12 months	478,000	4,699	99,611	24,240	-	-	606,550
In 12 to 18 months	373,697	61,816	76,663	24,240	-	-	536,416
In 18 to 24 months	218,992	3,527	71,167	24,240	-	-	317,926
In more than 24 months	140,612	3,322	43,588	24,240	-	-	211,762
31 December 2011	1,707,309	75,805	368,846	114,560	237,371	317,063	2,820,954

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

46 Carrying value and fair value information

	Carrying value 2012 N'000	Carrying value 2011 N'000	Fair value 2012 N'000	Fair value 2011 N'000
Financial liabilities measured at amortized cost:				
Bank loans	1,336,148	1,889,855	1,355,178	1,885,295
Finance leases	266,255	178,924	266,121	172,856
Other borrowings	14,650	7,839	14,650	7,839
Total	1,617,053	2,076,618	1,635,949	2,065,990

The fair values are calculated using discounted cash flows with a discount rate based on the coupon interest rates of the individual loans and leases at the reporting date.

47 Events after reporting period

There have been no significant post balance sheet events up to the time of the conclusion of this financial statements that could alter the position as presented therein.

48 Other commitments

The Group had no other commitments as at the date of conclusion of this financial statements apart from the operating lease commitments presented in note 35.

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

49 Categories of financial instruments

31 December 2012

Group	Loans and advances N'000	Available for sale N'000	Non-financial N'000	FVTPL N'000	Total N'000
Assets					
Cash and bank balances	236,003	-	-	-	236,003
Trade and other receivables	378,530	-	-	-	378,530
Other assets	-	-	235,161	-	235,161
Inventories	-	-	217,089	-	217,089
Held for trading investment	-	-	-	15,150	15,150
Property, plant and equipment	-	-	3,601,370	-	3,601,370
Intangible assets	-	-	4,678	-	4,678
Deferred tax asset	-	-	62,242	-	62,242
Finance lease receivables	-	-	239,584	-	239,584
Assets classified as held for sale	-	-	4,578	-	4,578
	614,533	-	4,360,124	15,150	4,994,385

Liabilities	Amortized cost N'000	Non-financial N'000	FVTPL N'000	Total N'000
Borrowings	1,350,798	-	-	1,350,798
Trade and other payables	-	667,520	-	667,520
Finance lease obligations	-	266,255	-	266,255
Provisions	-	55,955	-	55,955
Retirement benefit obligations	-	218,584	-	218,584
Current taxation liabilities	-	208,153	-	208,153
Deferred income	-	20,474	-	20,474
Bank overdrafts	-	-	-	-
	1,350,798	1,436,941	-	2,787,739

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Categories of financial instruments (continued)

31 December 2011

Group	Loans and advances N'000	Available for sale N'000	Non-financial N'000	FVTPL N'000	Total N'000
Assets					
Cash and bank balances	92,167	-	-	-	92,167
Trade and other receivables	234,847	-	-	-	234,847
Other assets	-	-	351,443	-	351,443
Inventories	-	-	257,475	-	257,475
Held for trading investment	-	-	-	-	-
Property, plant and equipment	-	-	4,079,998	-	4,079,998
Intangible assets	-	-	807	-	807
Deferred tax asset	-	-	55,675	-	55,675
	327,014	-	4,745,398	-	5,072,412

	Amortized cost N'000	Non-financial N'000	FVTPL N'000	Total N'000
Liabilities				
Borrowings	1,862,131	-	-	1,862,131
Trade and other payables	-	554,434	-	554,434
Finance lease obligations	-	178,924	-	178,924
Retirement benefit obligations	-	208,444	-	208,444
Current taxation liabilities	-	260,543	-	260,543
Deferred income	-	4,384	-	4,384
Bank overdrafts	106,911	-	-	106,911
	1,969,042	1,206,729	-	3,175,771

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Categories of financial instruments (continued)

31 December 2012

Company	Loans and advances N'000	Available for sale N'000	Non- financial N'000	FVTPL N'000	Total N'000
Assets					
Cash and bank balances	201,342	-	-	-	201,342
Trade and other receivables	478,504	-	-	-	478,504
Other assets	-	-	210,590	-	210,590
Inventories	-	-	191,268	-	191,268
Held for trading investment	-	-	-	15,150	15,150
Property, plant and equipment	-	-	3,588,629	-	3,588,629
Intangible assets	-	-	4,678	-	4,678
Deferred tax asset	-	-	62,242	-	62,242
Investment in subsidiaries	-	-	6,520	-	6,520
Finance lease receivables	-	-	239,584	-	239,584
Assets classified as held for sale	-	-	4,578	-	4,578
	<u>679,846</u>	<u>-</u>	<u>4,303,511</u>	<u>15,150</u>	<u>5,003,085</u>

	Amortized cost N'000	Non- financial N'000	FVTPL N'000	Total N'000
Liabilities				
Borrowings	1,350,798	-	-	1,350,798
Trade and other payables	-	646,937	-	646,937
Finance lease obligations	-	266,255	-	266,255
Provisions	-	55,955	-	55,955
Retirement benefit obligations	-	217,758	-	217,758
Current taxation liabilities	-	205,603	-	205,603
Deferred income	-	20,474	-	20,474
Bank overdrafts	-	-	-	-
	<u>1,350,798</u>	<u>1,412,982</u>	<u>-</u>	<u>2,763,780</u>

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Categories of financial instruments (continued)

31 December 2011

Company	Loans and advances N'000	Available for sale N'000	Non- financial N'000	FVTPL N'000	Total N'000
Assets					
Cash and bank balances	57,756	-	-	-	57,756
Trade and other receivables	339,479	-	-	-	339,479
Other assets	-	-	341,600	-	341,600
Inventories	-	-	182,826	-	182,826
Held for trading investment	-	-	-	-	-
Property, plant and equipment	-	-	4,057,725	-	4,057,725
Intangible assets	-	-	807	-	807
Deferred tax asset	-	-	56,272	-	56,272
Investment in subsidiaries	-	-	6,520	-	6,520
	-	-	-	-	-
	<u>397,235</u>	<u>-</u>	<u>4,645,750</u>	<u>-</u>	<u>5,042,985</u>

	Amortized cost N'000	Non- financial N'000	FVTPL N'000	Total N'000
Liabilities				
Borrowings	1,862,131	-	-	1,862,131
Trade and other payables	-	537,111	-	537,111
Finance lease obligations	-	178,924	-	178,924
Retirement benefit obligations	-	208,066	-	208,066
Current taxation liabilities	-	258,719	-	258,719
Deferred income	-	4,384	-	4,384
Bank overdrafts	-	106,911	-	106,911
	<u>1,862,131</u>	<u>1,294,115</u>	<u>-</u>	<u>3,156,246</u>

ABC TRANSPORT PLC

STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 31 DECEMBER 2012

	Group				Company			
	2012		2011		2012		2011	
	N'000	%	N'000	%	N'000	%	N'000	%
Sales	6,528,831		5,878,891		6,505,021		5,851,025	
Other income	178,421		87,801		177,387		87,311	
Bought in materials, services and excise duties								
- imports	(1,286,147)		(1,156,984)		(1,300,313)		(1,144,246)	
- local	(3,005,429)		(2,699,825)		(3,015,175)		(2,686,892)	
Value added	<u>2,415,676</u>	<u>100</u>	<u>2,109,883</u>	<u>100</u>	<u>2,366,920</u>	<u>100</u>	<u>2,107,198</u>	<u>100</u>
Applied as follows								
To pay employees								
Salaries, wages and other benefits	733,648	31	646,081	31	720,807	30	651,251	31
To pay shareholders								
Dividend	-	-	-	-	-	-	-	-
To pay providers of capital								
Interest	251,783	10	265,302	13	251,783	11	265,302	13
To pay government								
Taxation	206,257	9	36,616	2	203,128	9	33,278	2
To provide for enhancement of assets and expansion:								
- depreciation of fixed assets	902,893	37	1,091,056	52	838,636	35	1,086,720	52
- retained profit for the year	321,095	13	70,828	2	352,566	15	70,647	2
	<u>2,415,676</u>	<u>100</u>	<u>2,109,883</u>	<u>100</u>	<u>2,366,920</u>	<u>100</u>	<u>2,107,198</u>	<u>100</u>

Value added represents the additional wealth which the company has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth amongst employees, capital providers, government, and that retained for future creation of wealth.

ABC TRANSPORT PLC

THREE YEAR FINANCIAL SUMMARY FOR THE YEAR ENDED 31 DECEMBER

	Group			Company		
	2012	2011	2010	2012	2011	2010
	N'000	N'000	N'000	N'000	N'000	N'000
Assets employed						
Non current assets	3,853,000	4,137,077	3,222,385	3,846,779	4,121,324	3,209,832
Current assets	1,141,385	935,932	641,758	1,156,306	921,661	625,380
Total assets	4,994,385	5,073,009	3,864,143	5,003,085	5,042,985	3,835,212
Liabilities						
Creditors within one year	1,997,599	2,060,950	1,376,973	1,964,931	2,041,803	1,357,953
Creditors due after one year	799,675	1,114,821	631,248	798,849	1,114,443	631,027
Total liabilities	2,797,274	3,175,771	2,008,221	2,763,780	3,156,246	1,988,980
Capital employed						
Share capital	753,500	753,500	753,500	753,500	753,500	753,500
Share premium	582,068	582,068	582,068	582,068	582,068	582,068
Reserves	251,925	251,925	251,925	251,925	251,925	251,925
Retained earnings	609,618	309,745	268,429	651,812	299,246	258,739
Total equity and liabilities	4,994,385	5,073,009	3,864,143	5,003,085	5,042,985	3,835,212
Profit and loss account						
Turnover	6,528,831	5,878,891	4,612,485	6,505,021	5,851,025	4,606,987
Cost of sales	(4,781,024)	(4,528,308)	(3,101,862)	(4,732,957)	(4,501,027)	(3,455,714)
Gross profit	1,747,807	1,350,583	1,510,623	1,772,064	1,349,998	1,151,273
Administrative expenses	(1,096,453)	(1,062,366)	(1,186,770)	(1,085,430)	(1,065,005)	(863,928)
Other income	178,421	87,801	69,083	177,387	87,311	226,942
Impairment losses	(46,220)	(3,077)	-	(46,220)	(3,077)	-
Finance costs	(251,783)	(265,302)	(220,680)	(251,783)	(265,302)	(180,743)
Profit on ordinary activities before taxation	531,772	107,639	172,256	566,018	103,925	333,544
Taxation	(206,257)	(36,616)	(114,751)	(203,128)	(33,278)	(181,372)
Profit after taxation	325,515	71,023	57,505	362,890	70,647	152,172
Retained earnings for the year	325,515	71,023	57,505	362,890	70,647	152,172
Earnings per share - basic (kobo)	22	5	4	24	5	10

Earnings per share is based on profit after tax and the 1,507,000,000 ordinary shares of 50 kobo each in issue at the end of each financial year.

Net assets per share is based on the 1,507,000,000 ordinary shares of 50 kobo each in issue at the end of each financial year and net asset at the end of each financial year.

The 2010 profit and loss account was prepared under the Nigerian Generally Accepted Accounting Practice (NGAAP) which was the prevailing standards at the time of operation. However, under IFRS, adjustments would have to be made for depreciation, gratuity, deferred tax among others to be comparable.

ABC TRANSPORT PLC

APPENDICES

ABC TRANSPORT PLC

Appendix 1

Explanation of transition to IFRS

Effects of first time adoption of IFRS-Group Financial Position as at 1 January 2011.

The impact of adopting International Financial Reporting Standards is shown in the reconciliation below:

		Group Nigerian GAAP N'000	Effect of transition N'000	IFRS N'000
Non-current assets	Note			
Property, plant and equipment	1	1,178,913	2,043,472	3,222,385
- reclassification from leased assets	1a		1,934,649	
- major spares now capitalised	1b		32,642	
- depreciation of Capitalised spare parts	1b		(14,510)	
- reversal of depreciation on land	1c		57,287	
- derecognition of replaced spare parts	1d		(9,869)	
- capitalisation of borrowing costs earlier expensed	1e		34,054	
- reclassification of other assets to PPE	1f		9,219	
Goodwill	2	17	(17)	-
- reversal of exchange loss in investment	2		(17)	
Finance lease assets		1,934,649	(1,934,649)	-
- reclassification to PPE	1a		(1,934,649)	
Investment in associates	3	14,836	(14,836)	-
- write off of excess losses of associate	3		(14,836)	
Total non-current assets		3,128,415	93,970	3,222,385
Current assets				
Inventory		212,513	-	212,513
Trade and other receivables	4	336,381	(108,577)	227,804
- reclassification of due from related parties to IFRS heading	4a		124,688	
- reclassification of due to related parties to IFRS heading	4a		(117,282)	
- reclassification to other assets	4b		(121,861)	
- reclassification of security deposits to other assets	5		12,563	
- reclassification of other assets to PPE	1f		\$ (9,219.00)	
- restatements of amounts that should be in credit	4c		2,534	
Due from related parties	4	124,688	(124,688)	-
- reclassification of other current assets to IFRS heading	4a		(124,688)	
Other assets	4	-	121,861	121,861
- reclassification to other assets	4b		121,861	
Cash and bank balances	5	92,143	(12,563)	79,580
- reclassification of security deposits to other assets	5		(12,563)	
Total current assets		765,725	(123,967)	641,758
Total assets		3,894,140	(29,997)	3,864,143

ABC TRANSPORT PLC

Explanation of transition to IFRS (continued)		Group Nigerian GAAP N'000	Effect of transition N'000	IFRS N'000
Non-current liabilities	Note			
Long term borrowing	6	-	453,087	453,087
- reclassification of borrowings from finance lease obligations	6a		412,275	
- adjustment for omitted interest	6c		40,812	
Provision for liabilities	7	130,572	(130,572)	-
- derecognition of provision for contingencies	7		(130,572)	
Finance lease obligation	6	458,458	(412,437)	46,021
- reclassification of borrowings from finance lease obligations	6b		(412,437)	
Defined benefit plan	8	106,416	25,724	132,140
- adjustment for additional liability	8a		25,724	
Total non-current liabilities		695,446	(64,198)	631,248
Current liabilities				
Deferred tax	14	114	51,598	51,712
- adjustment of deferred tax liability	14		51,598	
Trade and other payables	9	394,590	(37,829)	356,761
- adjustment to include omitted accruals	9a		10,022	
- reclassification of pension payable from other payables	8b		(50,693)	
- restatements of amounts that should be in credit	4c		2,842	
Defined contribution plan	8	-	50,693	50,693
- reclassification of pension payable from other payables	8b		50,693	
Bank overdrafts		99,310	-	99,310
Due to related party	4	117,282	(117,282)	-
- reclassification of due to related parties to IFRS heading	4a		(117,282)	
Finance lease obligation	6	585,914	(539,893)	46,021
- reclassification of borrowings from finance lease obligations	6c		(539,893)	
Current tax liabilities	10	232,574	(5,558)	227,016
* reclassification of VAT payable out of taxation	10		(5,558)	
Short term borrowings	6	-	540,056	540,056
- reclassification of borrowings from finance lease obligations	6a		540,056	
Deferred income	11	-	5,518	5,518
- adjustment of deferred income from revenue	11		5,518	
Total current liabilities		1,429,784	(52,697)	1,377,087
Total liabilities		2,125,230	(116,895)	2,008,335

ABC TRANSPORT PLC

NOTES TO THE FINANCIAL STATEMENTS

		Group Nigerian GAAP N'000	Effect of transition N'000	IFRS N'000
Explanation of transition to IFRS (continued)	Note			
Equity				
Share capital		753,500	-	753,500
Share premium		582,068	-	582,068
Revaluation reserve		251,925	-	251,925
Foreign currency translation reserve	13	(3,430)	1,556	(1,874)
- additional adjustment from consolidation	13		1,556	
Retained earnings	12	171,935	83,687	255,622
- net of all adjustments	12		83,687	
Total equity		1,755,998	85,243	1,841,241
Non-controlling interest	13	12,911	1,656	14,567
- additional adjustment from consolidation	13		1,656	
Total equity and liabilities		3,894,140	(29,997)	3,864,143

ABC TRANSPORT PLC

Appendix 2

Explanation of transition to IFRS - Parent Company

Effects of first time adoption of IFRS-Parent company financial Position as at 1 January 2011.

The impact of adopting International Financial Reporting Standards is shown in the reconciliation below:

		Nigerian GAAP N'000	Company Effect of transition N'000	IFRS N'000
Non-current assets	Note			
Property, plant and equipment	1	1,165,484	2,037,828	3,203,312
* reclassification from leased assets	1a		1,934,649	
* derecognition of replaced spare parts	1d		(9,869)	
* depreciation of Capitalised spare parts	1b		(14,510)	
* major spares now capitalised	1b		32,642	
* reversal of depreciation on land	1c		57,287	
* capitalisation of borrowing costs earlier expensed	1e		34,054	
* reclassification of other assets to PPE	1f		3,575	
Leased assets	1	1,934,649	(1,934,649)	-
* reclassification to PPE	1a		(1,934,649)	
Investments	3	21,373	(14,853)	6,520
* write off of excess losses of associate	3		(14,836)	
* reversal of exchange loss in investment	2		(17)	
		3,121,506	88,326	3,209,832
Current assets				
Inventory		139,444	-	139,444
Trade and other receivables	4	-	336,158	336,158
* reclassification of trade receivables to IFRS heading	4a		198,722	
* reclassification of due from related parties to IFRS heading	4a		124,688	
* reclassification of loans due from employees	4b		12,748	
Other assets			119,146	119,146
* reclassification of security deposits to other assets	5		12,563	
* reclassification of other current assets to IFRS heading	4b		114,969	
* reclassification of other assets to PPE	1f		(3,575)	
* restatements of items that should be in credit	4c		(4,811)	
Trade Debtors	4	198,722	(198,722)	-
* reclassification of trade receivables to IFRS heading	4a		(198,722)	
Other debtors and prepayments	4	127,717	(127,717)	-
* reclassification of other current assets to IFRS heading	4b		(114,969)	
* reclassification of employee receivables	4b		(12,748)	
Due from related parties	4	124,688	(124,688)	-
* reclassification of due from related parties to IFRS heading	4a		(124,688)	
Cash and bank balances	5	43,195	(12,563)	30,632
* reclassification of security deposits to other assets	5		(12,563)	
		633,766	(8,386)	625,380
Total assets		3,755,272	79,940	3,835,212

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	Note	Nigerian GAAP N'000	Company Effect of transition N'000	IFRS N'000
Non-current liabilities				
Long term borrowings	6	-	453,087	453,087
* reclassification of borrowings from finance lease obligations	6a		412,275	
* adjustment for omitted interest	6c		40,812	
Finance lease obligations	6	458,458	(412,437)	46,021
* reclassification of borrowings from finance lease obligations	6b		(412,437)	
Post employment benefits	8	106,195	25,724	131,919
* adjustment for additional liability	8a		25,724	
		564,653	66,374	631,027
Current liabilities				
Deferred tax	14	-	51,598	51,598
* adjustment of deferred tax liability	14		51,598	
Short term borrowings	6	-	540,056	540,056
* reclassification of borrowings from finance lease obligations	6a		540,056	
Post employment benefits- Defined contribution	8	-	50,693	50,693
* reclassification of pension payable from other payables	8b		50,693	
Trade and other payables	9	-	341,343	341,343
* reclassification to new IFRS heading	9		140,014	
* adjustment to include omitted accruals	9a		10,022	
* reclassification from other creditors and accruals	9		191,307	
Deferred income	11	-	5,518	5,518
* adjustment of deferred income from revenue	11		5,518	
Trade payables	9	140,014	(140,014)	-
* reclassification to new IFRS heading	9		(140,014)	
Bank Overdraft		99,310	-	99,310
Taxation	4	228,972	(5,558)	223,414
* reclassification of VAT payable out of taxation			(5,558)	
Other creditors and accruals		371,940	(371,940)	-
* reclassification of VAT payable out of taxation	10		5,558	
* reclassification of pension payable from other payables	8b		(50,693)	
* derecognition of provision for contingencies	7		(130,572)	
* reclassification from other creditors and accruals	9		(191,307)	
* restatements of amounts that should be in debit	4c		(4,926)	
Finance lease obligations	6	585,914	(539,893)	46,021
* reclassification of borrowings from finance lease obligations	6c		(539,893)	
		1,426,150	(68,197)	1,357,953

ABC TRANSPORT PLC

	Note	Nigerian GAAP N'000	Company Effect of transition N'000	IFRS N'000
Equity				
Share capital		753,500	-	753,500
Share premium		582,068	-	582,068
Capital reserve		251,925	-	251,925
General reserve	12	176,976	81,763	258,739
* net adjustments	12		81,763	
		1,764,469	81,763	1,846,232
Total equity and liabilities		3,755,272	79,940	3,835,212

Reconciliation of equity as at the date of transition 1 January 2011

	Note	Group N'000 1/1/2011	Company N'000 1/1/2011
Total equity under Nigerian GAAP		1,768,909	1,764,469
Depreciation of capitalised spare parts	1b	(14,510)	(14,510)
Major spares now capitalised	1b	32,642	32,642
Reversal of depreciation on land	1c	57,287	57,287
Derecognition of replaced spare parts	1d	(9,869)	(9,869)
Capitalisation of borrowing costs earlier expensed	1e	34,054	34,054
Reversal of exchange loss in investment	2	(17)	(17)
Impairment of Investment in ABEX	3	(14,836)	(14,836)
Being interest payments on loan earlier omitted	6c	(40,812)	(40,812)
Derecognition of Provision for contingencies	7	130,572	130,572
Additional defined benefit obligation	8a	(25,724)	(25,724)
Additional defined benefit obligation- ABC Ghana	8a	(209)	-
Additional defined benefit obligation- TSS	8a	(565)	-
Inclusion of omitted accruals	9a	(10,022)	(10,022)
Inclusion of deferred income	11	(5,518)	(5,518)
Foreign currency translation reserve	13	1,156	-
Additional revenue for NCI	13	1,656	-
Incorporation of deferred tax liabilities	14	(51,598)	(51,484)
Total adjustment to equity	12	83,687	81,763
Total equity under IFRSs		1,852,596	1,846,232

Notes on effect of transition to IFRS

1 Property, plant and equipment

a Reclassification of finance leased assets to property, plant and equipment

Under Nigerian GAAP, items of property, plant and equipment were segregated based on the method of financing, this is not required under IFRS. Under IFRS a disclosure of the amount for finance lease assets is sufficient. However, on a careful perusal of the financed assets it was agreed that majority of the assets do not qualify as finance lease, hence an amount of N1.934 billion was reclassified to Property, plant and equipment of which N108.8 million relates to assets acquired on finance lease. These items were reclassified to enhance presentation of information and have no financial effects on the consolidated statement of financial position.

b Capitalisation of major spare parts which were hitherto expensed

Major spare parts were expensed under GAAP, however, under IFRS major spare parts whose economic useful life span more than one year have been capitalized and depreciated over the shorter of their economic useful life or remaining useful life of the asset. Spare parts so capitalized amount to N31.3 million as at the transition date. Such parts were also recorded and depreciated separately in line with the componentization required by IAS 16.

c Reversal of depreciation charged on land

Under Nigerian GAAP, land and building were depreciated together. IFRS requires land to be separated from building and requires that land should not be depreciated. The total amount of depreciation related to land that was reversed is N57.3 million.

d Derecognition of replaced spare parts

As part of the componentisation policy of the company/group, once items are replaced they are expected to be derecognised however, in the past this was not done. An amount of N9.87m was derecognised from assets after careful perusal

e Capitalisation of borrowing costs earlier expensed

Borrowing costs in respect of work-in-progress that were wrongly expensed were brought back into the books in line with IAS 23.

f Reclassification from other assets into PPE

After a careful perusal of the assets schedule, other items mostly relating to spares-in-transit were

2 Goodwill

Under Nigerian GAAP, goodwill of N17,000 was recognised by the group arising from the investment in ABC Ghana, however, after a careful perusal of the amounts under IFRS, the amount did not qualify as goodwill but was a slight exchange difference. The amount was reversed. (IFRS 3)

3 Investments

Under Nigerian GAAP the amount for investment in Abex Parcel Service Ltd (an associate company of ABC Plc) was carried at cost, however, under IFRS this investment was accounted for using the equity method, hence the investment was written off as it was impaired by losses. The Groups' share of the losses of the associate is over and above the Group's cost of investment, hence the Group recognized losses up to the amount of its investment in the associate. The amount written off is N14.8 million. (IAS 28)

ABC TRANSPORT LIMITED

Notes on effect of transition to IFRS (continued)

4 Trade and other receivables

4a Reclassification of due from (and due to) related parties

A reclassification of amounts owed by related parties were included with the amounts owed by trade customers to arrive at the amounts owed as trade and other receivables in accordance with the presentation requirements of IFRS. (IAS 1). These items were reclassified to enhance presentation of information and have no financial effects on the statement of financial position.

4b Reclassification of other assets

A reclassification of amounts that were not deemed to be receivables but rather other current assets were done here. These items were reclassified to enhance presentation of information and have no financial effects on the statement of financial position.

4c Adjustment of other items

These items were corrections noted during the transition process

5 Cash and Cash equivalents

Amount of N12m relating to security deposit for finance lease was included as Cash under Nigerian GAAP. Under IFRS, this is considered to be other asset as the entity has no right to use to funds as cash but still has control over the amount.

6 a. Long term borrowings

This relates to the reclassification from finance lease obligation to long term borrowings, those obligations deemed not to have met the definition of a finance lease. This is so because, the bank merely provided fund which was collateralised as any other loan facility would and no asset (apart from cash) was delivered to the company. Moreover, the finance period is not for a major part of useful life of the assets, there was no option to purchase the assets at the end of the lease period and the assets are owned by the Group ab initio (not transferred at the end of the lease term), hence there is no transfer of ownership or ownership documents at the end of the finance period. Amount reclassified to long term borrowing is N453 million and to short term borrowing is N540 million. (IAS 32/IAS 39/IFRS 7)

b. Finance lease obligations

After the reclassification of amounts from in 7a above, amounts left were actually due to lessors under a finance lease arrangement. The buses were provided by the Urban Development Bank of Nigeria (UDBN) which belongs to the lessor till the end of the lease term. (IAS 17)

c. Capturing omitted interest charges

We noted that interest of N40.81million was omitted from the borrowings balance as at 31 December 2010. This was correctly captured during the transition process

7 Provisions for liabilities

Under Nigerian GAAP, provisions were made for contingent liabilities in respect of court cases. Under IFRS, these amounts did not meet the criteria for recognition of provisions under IAS 37 as the entity did not have any present obligation to settle. The entire amount of N130.57m was derecognised into retained earnings (IAS 37)

8 Post employment benefits

a The post employment benefits for the entity as at the transition date were not valued by an Actuary as required by IFRS. The effects of the actuarial valuation accounted for an increase in the defined plan benefits by N25.7m. (IAS 19)

b Defined contribution scheme liabilities (Pension liabilities) were presented separately on the face of the financial statements under IFRS (IAS 1)

ABC TRANSPORT LIMITED

Notes on effect of transition to IFRS (continued)

9 Trade and other payables

a Omitted accruals

We noted that interest of N10.02 million was omitted from the accruals balance as at 31 December 2010. This was correctly captured during the transition process

10 Taxation liabilities

Adjustment of N5.56m relates to correction of error of VAT liabilities wrongly included in Income tax liability

11 Deferred income

Income from undelivered waybills was included as Revenue under Nigerian GAAP. Amount of N5.52m was recorded as deferred income to account for undelivered waybills for income not yet earned for which cash has been received (IAS 18)

12 Retained earnings

This is the net effect of all the changes which occurred as a result of transition to IFRS.

13 Non-controlling Interest and other comprehensive income

Adjustments included here are due to restatements in the consolidation process after transition

14 Deferred taxation liability

The effect of IFRS adjustments on Provisions, PPE and the likes brought about a deferred tax liability for the parent to the tune of N51.5m

Reconciliation of 2011 balances from NGAAP to IFRS

The reconciliation and presentation of NGAAP statement of financial position, statement of comprehensive income and statement of cash flow to IFRS for 2011 will be impracticable as the cost of resources required for such project will far outweigh its benefits to intended users. Management therefore considered the fact that it will not be cost effective to carry out such reconciliation. However, management is of the opinion that by properly reconciling the 2010 NGAAP balances to IFRS at the transition date (1 January 2011) and properly adjusting for all the effects of IFRS translations and conversions, the 2011 reconciliation will not be necessary.

The 2010 parent company figures were also reconciled from 2010 NGAAP financial statements to IFRS. No specific reconciliations for the 2011 comparative figures have been prepared but the effects of all IFRS adjustments have been passed directly into the IFRS financial statements to provide the basis for better comparison.