

BOC GASES NIGERIA PLC
Financial Statements -- 31 December 2013
Together with Directors' and Auditor's Reports

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Corporate information

Registration number: RC 2035

Board of directors:	Name	
	Mr David Akinbola Akintola	- Chairman
	Mr Johnson Adeyi Idowu	- Managing Director
	Mr Abiodun Olabode Alabi	- Non-executive
	Mr Jonathan Narayadoo (South African)	- Non-executive
	Mr Hendrik Mentz De Waal (South African)	- Non-executive
	Mr Adeshina Alayaki	- Finance Director
Company Secretary:	G E Orisch	
Registered office:	Plots 1-3, Block H Oshodi Industrial Estate Oshodi Lagos State	
Registrar:	All Crown Registrars Limited Registrar's Department 180 Awolowo Road Ikoyi Lagos	
Auditor:	KPMG Professional Services KPMG Tower Bishop Aboyade Cole Street Victoria Island Lagos Tel: (01) 2718955 www.ng.kpmg.com	
Bankers:	Guaranty Trust Bank Plc Standard Chartered Bank Nigeria Limited Zenith Bank Plc	
Members of the Audit Committee:	Rev P O Oyebanjo - Chairman Mr Abiodun Olabode Alabi Mr Peter Okoh Mr Hendrik Mentz De Waal (South African)	

The year at a glance

	2013 N'000	2012 N'000	% increase /(decrease)
Revenue	2,091,618	2,325,714	(10)
Results from operating activities	324,046	472,793	(31)
Profit before income tax	380,322	499,049	(24)
Income tax expense	(117,565)	(194,417)	(40)
Profit for the year	262,757	304,632	(14)
Total comprehensive income for the year	262,757	304,632	(14)
Declared dividend during the year*	83,249	-	100
Share capital	208,122	208,122	-
Total equity	1,823,426	1,643,918	11
Number of 50 kobo ordinary shares issued	416,244,706	416,244,706	
Per 50k share data			
Basic earnings per share (kobo)	63	73	
Dividend per share:			
- Declared during the year	20k	-	
- Bonus shares	-	1 for 17	
Proposed dividend:			
- Cash	10k	20k	
Net assets per share (Naira)	4.38	3.95	
Stock exchange quotation at end of year	N6.33	N6.25	
Market capitalisation at end of year (N: '000)	2,634,829	2,601,529	

* Dividend declared during the year represents the dividend proposed during the preceding year and approved by the shareholders for payment in the current year.

Directors' report

For the year ended 31 December 2013

The directors present their annual report on the affairs of BOC Gases Nigeria Plc ("the Company") together with the financial statements and the auditor's report for the year ended 31 December 2013.

1 Legal status

BOC Gases Nigeria Plc ("the Company"), a public company quoted on the Nigerian Stock Exchange in 1979, was incorporated as a public limited liability company on 12 November 1959 under the name Industrial Gases (Nigeria) Limited. The name was changed on 10 July 1961 to Industrial Gases Limited and thereafter to BOC Gases Nigeria Plc on 17 March 1997. The Company is a subsidiary of BOC Holdings Limited, U.K., which holds 60% interest in the equity of BOC Gases Nigeria Plc. BOC Holdings Limited, U.K. is a subsidiary of Linde AG, Germany, the ultimate holding company. The Company's registered office address is Plots 1-3, Block H, Oshodi Industrial Estate, Oshodi, Lagos.

2 Principal activities

The Company engages in the manufacture of industrial and medical gases and the sale of special gases, welding and medical equipment.

3 Operating results

The following is a summary of the Company's operating results:

	2013	2012
	N'000	N'000
Revenue	2,091,618	2,325,714
Results from operating activities	324,046	472,793
Profit before income tax	380,322	499,049
Profit for the year	262,757	304,632
Total comprehensive income for the year	262,757	304,632
Retained earnings	1,615,304	1,435,796

4 Dividend

The directors have recommended for approval the payment of a dividend of 10k (2012: 20k) per share on the issued share capital of 416,244,706 (2012: 416,244,706) shares of 50k each, before deduction of withholding tax.

5 Directors and their interests

- (a) The directors who served during the year and their interests in the shares of the Company are as follows:

Name	Date appointed/(resigned)	Interest in the ordinary shares of the Company	
		2013 No. of shares	2012 No. of shares
Mr David Akinbola Akintola - Chairman		19,185	19,185
Mr Johnson Adeyi Idowu - Managing Director		232,537	232,537
Mr Abiodun Olabode Alabi		16,326	16,326
Mr Willem Coetzee (South African)	(12 December 2013)	Nil	Nil
Mr Nicholas Alexander Thomson (British)	(12 December 2013)	Nil	Nil
Mr Adeshina Alayaki		Nil	Nil
Mr Jonathan Narayadoo (South African)	12 December 2013	Nil	Nil
Mr Hendrik Mentz De Waal (South African)	12 December 2013	Nil	Nil

Other than as disclosed above, the directors do not have any other interests required to be disclosed under section 275 of the Companies and Allied Matters Act of Nigeria.

- (b) In accordance with section 277 of the Companies and Allied Matters Act of Nigeria, none of the directors has notified the Company of any declarable interests in contracts with the Company.
- (c) In accordance with article 95 of the Company's Article of Association, Messrs Jonathan Narayadoo and Hendrik Mentz De Waal who were appointed directors after the last Annual General Meeting retire and, being eligible, offer themselves for re-election.
- (d) In accordance with article 90 of the Company's Article of Association, Mr David Akinbola Akintola retires and, being eligible, offers himself for re-election.

6 Responsibilities of the directors for internal control

The Board retains full responsibilities for the overall direction and control of the Company. The directors are responsible for the Company's system of financial internal control and for monitoring effectiveness. They are also responsible for taking such steps as are reasonably available to safeguard the assets of the Company and to prevent and detect fraud and irregularities.

The directors believe that intelligent risk taking is an important element of the Company's entrepreneurship approach. This means that the business risks need to be managed by applying effective controls. Management is responsible to the Board for the identification and measurement of risks and to confirm that effective systems of controls are in place and that appropriate corrective action is taken.

Systems of internal controls can provide only reasonable, not absolute assurance against material misstatement or loss. Systems of internal control exercised by the Board include:

- i. Delegating authority to management within defined areas of responsibility;

- ii. Receiving regular reports from management on financial performance and other issues;
- iii. Ensuring that a continual assessment is made of all risks and that appropriate measures are taken to mitigate the impact of those risks; and
- iv. Maintaining and directing an effective and independent internal audit function, receiving reports of findings as well as taking action thereon.

7 Records of directors' attendance

Further to the provisions of section 258(2) of the Companies and Allied Matters Act of Nigeria, the records of directors' attendance at Board meetings during the year under review is available at the Annual General Meeting for inspection.

8 Substantial shareholding

The fully paid shares of the Company as at 31 December were beneficially held as follows:

	2013		2012	
	No. of shares	%	No. of shares	%
BOC Holdings Limited, U.K.	249,746,823	60	249,746,823	60
TY Holdings Limited	48,473,212	12	48,473,212	12
Nigerian Citizens and other associations	118,024,671	28	118,024,671	28
	416,244,706	100	416,244,706	100

No other shareholder, except as disclosed above, held more than 5% of the issued share capital of the Company at 31 December 2013.

9 Property, plant and equipment

Information relating to changes in property, plant and equipment is given in Note 12 to the financial statements.

10 Gifts and donations

The Company made no donations or charitable contributions during the year (2012: ₦341,670).

In compliance with section 38(2) of the Companies and Allied Matters Act of Nigeria, the Company did not make any donation or gift to any political party, political association or for any political purpose in the course of the year under review (2012: Nil).

11 Business review and future development

The Company intends to continue fulfilling its objectives as stated in its Memorandum and Articles of Association.

12 Major distributors

The Company has a network of distributors and agents throughout Nigeria in order to ensure that its products are brought as close as possible to end-users.

13 Suppliers

The Company procures materials (mainly engineering spare parts, liquid gases and welding equipment) from BOC Holdings Limited, U.K., which is its parent company and African Oxygen Limited, South Africa, which is a fellow subsidiary to BOC Holdings Limited, U.K.

The Company's major local suppliers are Apex African Gas Nigeria Limited, Premier Gases and Welding Products Limited and Gaslink Nigeria Limited.

14 Employment and employees

(a) *Employment of physically challenged persons*

It is the policy of the Company that there is no discrimination in considering applications for employment including those of physically challenged persons.

The Company had one physically challenged person in its employment at 31 December 2013 (2012: one).

All employees, whether or not physically challenged, are given equal opportunities to develop their experience and knowledge and to qualify for promotion in furtherance of their careers. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of physically challenged persons should, as far as possible, be identical to that of other employees.

(b) *Health and safety at work and welfare of employees*

Health and safety regulations are in force within the Company's premises and employees are aware of existing regulations. To this end, the Company has various forms of insurance policies, including workmen's compensation and group life insurance, to adequately secure and protect its employees.

(c) *Employees' involvement and training*

The Company places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company.

Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Training is carried out at various levels through in-house and external courses.

Management, professional and technical expertise are the Company's major assets and the Company has continued the investment in developing such skills.

(d) *Dissemination of information*

In order to maintain shared perception of our goals, the Company is committed to communicating information to employees in as fast and effective a manner as possible. The Company considers this critical to the maintenance of team spirit and high employee morale.

15 Corporate Governance

BOC Gases Nigeria Plc remains committed to ensuring that fair, honest and understandable business practices are integrated into the organizational culture. Sound corporate governance is a way of life within the Company and best practices are followed.

Governance principles are incorporated into all Company's structures, systems and policies which are constantly reassessed and reviewed to ensure that continuous compliance and best practice is adhered to.

BOC Gases Nigeria Plc continues to implement the corporate governance rules of the Securities and Exchange Commission as well as those of The Nigerian Stock Exchange.

(a) The Board

The Board of Directors is responsible for setting the direction of the Company by establishing strategic objectives and key policies. The Board monitors compliance with the approved policies and achievements against objectives through quarterly performance reporting and budget updates.

Board meetings are held formally four times a year and ad-hoc meetings are arranged as necessary. Where directors are unable to attend any particular Board meeting, they communicate comments they may have regarding the agenda and general items to the committee Chairperson to be raised at the relevant meeting.

The agenda and relevant supporting documents are distributed to the directors well before each Board meeting. During the meeting, the appropriate executive director explains and motivates business items where decisions are required. The directors have unrestricted access to all Company information and records.

The attendance schedule for the year is on Note (e) below.

(b) Composition of the Board

The Board is made up of four (4) non-executive directors (including the Chairman), and two (2) executive directors:

Four non-executive directors

David Akinbola Akintola – Chairman
Abiodun Olabode Alabi
Jonathan Narayadoo
Hendrik Mentz De Waal

Two executive directors

Johnson Adeyi Idowu – Managing Director
Adeshina Alayaki - Finance Director

(c) The Chairman and Managing Director

The roles of the Chairman and the Managing Director are separate to ensure a balance of power and authority, so that no individual has unfettered powers in decision making.

The Chairman has no executive functions, but provides overall leadership of the Board. He, in conjunction with other non-executive directors, monitors and evaluates the performance of the Managing Director to ensure that the strategic and operational objectives of the Company are achieved.

(d) Rotation of directors and confirmation of new appointments

At the Annual General Meeting to be held on 26 June 2014, shareholders will be asked to confirm the reappointment of Messrs. David Akinbola Akintola, Jonathan Narayadoo and Hendrik Mentz De Waal who will retire in accordance with Company's Article of Association but who, being eligible have offered themselves for re-election.

(e) Board committees

While the Board remains accountable and responsible for the performance and affairs of the Company, it delegates to management and Board committees certain functions to assist it to discharge its duties properly. Each Board committee acts within agreed, written terms of reference. The Chairman of each Board committee reports and provides minutes of committee meetings at scheduled Board meetings.

The Board committees' chairmen and members are non-executive directors. The executive directors attend Board committee meetings by invitation. The established Board committees are shown below:

Committee	Purpose	Composition	Meetings
Statutory Audit			
Abiodun Olabode Alabi (Nicholas Alexander Thomson) Hendrik Mentz De Waal	The committee's functions are as stated in section 359 (6) of the Companies and Allied Matters Act.	Two non-executive directors	Meet three times a year
Remuneration			
Abiodun Olabode Alabi (Willem Coetzee) Jonathan Narayadoo	Determines and makes recommendations to the Board on the framework, policy, costs of executive and senior management remuneration. Determines and recommends the executive directors and other senior employees are adequately remunerated. Reviews and advises on the general principles under which compensation, training, succession plans and performance management are applied to senior employees of the Company.	Two non-executive directors	Meet two times in a year
Risk			
Abiodun Olabode Alabi (Willem Coetzee) (Nicholas Alexander Thomson) Hendrik Mentz De Waal Jonathan Narayadoo	Monitors and reviews the Company's policies, practices, risks, compliance with corporate governance principles and regulations.	Three non-executive directors	Meet four times in a year

Details of directors' attendance at the Board and committee meetings are set out below:

	Board	Audit Committee	Remuneration Committee	Risk Committee
Number of meetings held during the financial period	(5 meetings) Dates: Mar 20, June 12, Sept 12, Nov 26 & Dec 12 2013	(3 meetings) Dates: Mar 19, Sept 10 & Dec 10, 2013	(2 meetings) Dates: Mar 19 & Dec 12, 2013	(4 meetings) Dates: Mar 18, June 12, Sept 11 & Dec 11, 2013
David Akinbola Akintola**	5	N/A	N/A	N/A
Johnson Adeyi Idowu	5	3	2	4
Abiodun Olabode Alabi**	5	3	2	4
(Willem Coetzee)**	3	2	1	3
(Nicholas Alexander Thomson)**	3	2	1	3
Adeshina Alayaki	5	3	-	4
Hendrik Mentz De Waal**	1	1	N/A	1
Jonathan Narayadoo**	1	-	-	1

** Non-executive director

Note: Names in brackets are non-executive directors that have resigned.

(f) Performance assessment

Directors are required to dedicate sufficient time to be able to monitor, evaluate and comment effectively to the Board and management on the financial and operational information supplied to the Board.

(g) Employee relations

Encouragement of employee participation is a high priority. The Company has adopted several participating structures on issues that affect employees. License to work ensures every employee is competent in his/her job within specific time frames. Learning needs are identified through the development of competency profiles for specific jobs.

(h) Going concern

The directors, having considered all relevant factors, are of the opinion that the annual financial statements have been prepared on a going-concern basis. They believe that the Company has adequate resources in place to continue in operation for the foreseeable future.

(i) Code of ethics

Inextricably linked to good corporate governance is the Company's code of ethics. The Company has always espoused the highest ethical standards of business conduct and full compliance with applicable laws, regulations and industry standards.

The Company aims to earn the trust of customers, shareholders, colleagues, suppliers and communities through honesty, performance excellence, good corporate governance and accountability. The Company expects people to respect confidential information, Company time and assets. The Company believes in open and honest communication, fair treatment and equal opportunities.

Guiding principles or core values within the code define our responsibilities towards, and what we expect from:

- Directors
- Employees
- Local communities and the public
- Customers, suppliers and markets; and
- Shareholders

Allegiance to the code of ethics is the starting point from which employees draw inspiration and guidance for behaviour within a group, society or the organization. An integrity line has been established to enable employees to report contraventions of the code of ethics.

(j) Social responsibility

The Company has a strong culture of social responsibility. The objective is to assist wisely and constructively thereby making a sustainable difference.

(k) Risk management

Risk management has been further embedded in daily activities of the Company throughout 2013, and now includes, but is not limited to, quarterly review of top risks faced by the Company and progress on mitigation plans.

(l) Internal controls

Management maintains accounting records and has developed systems designed to provide assurance as to the integrity and reliability of the financial statements. Responsibility for the adequacy and operations of the systems is delegated to the executive directors. These records and systems are designed to safeguard the Company's assets and minimize fraud.

Our systems of internal control are based on organizational structures, such as written policies and procedures, which include budgeting and forecasting disciplines and the comparison of actual results against these budgets and forecasts.

(m) Internal audit

A centralized, South Africa-based, internal audit department renders independent, objective audit and consultation services geared towards creating added value and improving business processes. It helps the Company to achieve objectives by assessing and helping to improve the effectiveness of risk management, control mechanisms and the management and monitoring of processes through a systematic and targeted approach. The department is part of The Linde Group's global internal audit function.

Internal audit follows a risk-based approach and utilizes the Company's enterprise-wide risk assessment, as one of many contributors to their annual risks assessment, before arriving at their audit work plan for the year. The internal audit department focuses on six core audit functions, namely:

- Standard reviews, financial and operational processes;
- IT reviews; this role is conducted by the special auditors from the global function;
- Special reviews, as requested by the Audit Committee members or executive management;
- Projects, conducted as part of the controlling shareholder initiative and aligned to the Company's risk assessment;
- Self-assessments, conducted on a periodic basis; and
- Integrity line, conducting fraud investigations on cases reported to the independent ethics hotline.

The Head of Internal Audit attends all Audit Committee meetings where all findings are presented. The Internal Audit department is guided by a comprehensive audit manual as developed by the global function.

16 Independent auditors

Messrs KPMG Professional Services served as the Independent Auditors during the year under review. The Independent Auditor's Report was signed by Chibuzor N. Anyanechi (Mr.), FCA, a Partner in the Firm.

In accordance with section 357(2) of the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria, 2004, Messrs KPMG Professional Services have indicated their willingness to continue in office as Independent Auditors to the Company.

Lagos, Nigeria
27 March 2014

BY ORDER OF THE BOARD



G E Oriseh
FRC/2014/ICAN/00000006708
Company Secretary

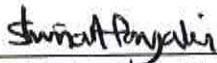
Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2013

The directors accept responsibility for the preparation of the annual financial statements set out on pages 16 to 59 that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

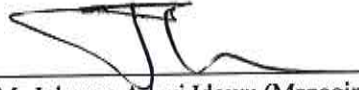
The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Mr Adeshina Alayaki (Finance Director)
FRC/2013/ICAN/00000000939
27 March 2014



Mr Johnson Adeyi Idowu (Managing Director)
FRC/2014/IODN/00000006699
27 March 2014

Report of the Audit Committee

To the members of BOC Gases Nigeria Plc

In accordance with the provisions of section 359(6) of the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011, we, the Members of the Audit Committee of BOC Gases Nigeria Plc, having carried out our statutory functions under the Act, hereby report that:

- (a) the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
- (b) the scope and planning of the audit for the year ended 31 December 2013 are satisfactory;
- (c) having reviewed the independent auditor's memorandum of recommendations on accounting procedures and internal controls, we are satisfied with management responses thereon.

Finally, we acknowledge the co-operation of management and staff in the conduct of our duties.

Members of the Audit Committee are:

- | | |
|---|---|
| 1) Rev P O Oyeбанjo | (Shareholders' representative) - Chairman |
| 2) Mr Peter Okoh | (Shareholders' representative) - Member |
| 3) Mr Abiodun Olabode Alabi | (Directors' representative) - Member |
| 4) Mr Hendrik Mentz De Waal (South African) | (Directors' representative) - Member |

The Company Secretary serves as the Secretary to the Committee.



Mr Peter Okoh

FRC/2014/NIM/00000002860

25 March 2014



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Lagos

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INDEPENDENT AUDITOR'S REPORT

To the Members of **BOC Gases Nigeria Plc**

Report on the Financial Statements

We have audited the accompanying financial statements of **BOC Gases Nigeria Plc** ("the Company") which comprise the statement of financial position as at December 31, 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 16 to 59.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements that give a true and fair view 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, these financial statements give a true and fair view of the financial position of **BOC Gases Nigeria Plc** as at December 31, 2013, and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

Report on Other Legal and Regulatory Requirements

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

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the statement of financial position and the statement of profit or loss and other comprehensive income are in agreement with the books of account.

Signed: *Chibuzor Anyanechi*

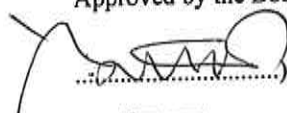
Chibuzor N. Anyanechi, FCA
FRC/2013/ICAN/0000000789
For: KPMG Professional Services
Chartered Accountants
27 March 2014
Lagos, Nigeria

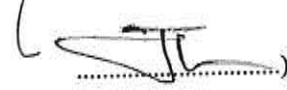


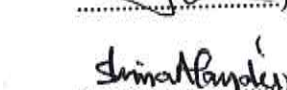
Statement of financial position as at 31 December

	Notes	2013 N'000	2012 N'000
ASSETS			
Property, plant and equipment	12	1,416,288	1,330,890
Prepayments	13	2,500	3,181
Total non-current assets		1,418,788	1,334,071
Inventories	14	267,821	281,636
Trade and other receivables	15	319,618	416,760
Current tax assets	16	102,113	77,373
Prepayments	13	56,768	90,545
Cash and cash equivalents	17	722,171	448,023
Total current assets		1,468,491	1,314,337
Total assets		2,887,279	2,648,408
EQUITY			
Share capital	18	208,122	208,122
Retained earnings		1,615,304	1,435,796
Total equity		1,823,426	1,643,918
LIABILITIES			
Employee benefits	20	18,149	14,613
Deferred tax liabilities	21	262,992	234,567
Total non-current liabilities		281,141	249,180
Current tax liabilities	10(c)	92,603	181,426
Trade and other payables	22	644,071	546,655
Deferred income	23	46,038	27,229
Total current liabilities		782,712	755,310
Total liabilities		1,063,853	1,004,490
Total equity and liabilities		2,887,279	2,648,408

Approved by the Board of Directors on 27 March 2014 and signed on its behalf by:

 Mr David Akinbola Akintola (Board Chairman) FRC/2013/IODN/00000003155

 Mr Johnson Adeyi Idowu (Managing Director) FRC/2014/IODN/00000006699

 Mr Adeshina Alayaki (Finance Director) FRC/2013/ICAN/00000000939

The notes on pages 21 to 59 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

For the year ended 31 December

	<i>Notes</i>	2013 N'000	2012 N'000
Revenue	5	2,091,618	2,325,714
Cost of sales	8(a)	(919,458)	(1,163,122)
Gross profit		1,172,160	1,162,592
Other income	6	957	8,592
Selling and distribution expenses	8(a)	(432,572)	(372,070)
Administrative expenses	8(a)	(416,499)	(326,321)
Results from operating activities		324,046	472,793
Finance income	7	56,276	26,256
Profit before income tax	8	380,322	499,049
Income tax expense	10(a)	(117,565)	(194,417)
Profit for the year		262,757	304,632
Other comprehensive income			
Items that will never be reclassified to profit or loss		-	-
Items that are or may be reclassified to profit or loss		-	-
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the year		262,757	304,632
Profit for the year attributable to:			
Owners of the Company		262,757	304,632
Total comprehensive income for the year attributable to:			
Owners of the Company		262,757	304,632
Earnings per share			
Basic and diluted earnings per share (kobo)	11	63	73

The notes on pages 21 to 59 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2013

	<i>Notes</i>	Attributable to equity holders of the Company		
		Share capital N'000	Retained earnings N'000	Total equity N'000
Balance at 1 January 2013		208,122	1,435,796	1,643,918
Comprehensive income for the year				
Profit for the year		-	262,757	262,757
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	262,757	262,757
Transactions with owners of the Company				
Contributions and distributions				
Dividends	19(b)	-	(83,249)	(83,249)
Total transactions with owners of the Company		-	(83,249)	(83,249)
Balance at 31 December 2013		208,122	1,615,304	1,823,426
<i>For the year ended 31 December 2012</i>				
Balance at 1 January 2012		196,560	1,137,984	1,334,544
Comprehensive income for the year				
Profit for the year		-	304,632	304,632
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	304,632	304,632
Transactions with owners of the Company				
Contributions and distributions				
Unclaimed dividends written back	19(b)	-	4,742	4,742
Issue of bonus shares	18(b)	11,562	(11,562)	-
Total transactions with owners of the Company		11,562	(6,820)	4,742
Balance at 31 December 2012		208,122	1,435,796	1,643,918

The notes on pages 21 to 59 are an integral part of these financial statements.

Statement of cash flows
For the year ended 31 December

	Note	2013 N'000	2012 N'000
Cash flows from operating activities			
Profit for the year		262,757	304,632
Adjustments for:			
- Depreciation	12	187,327	173,715
- Impairment loss on property, plant and equipment	12	-	2,547
- Write-down on inventories		11,714	11,385
- Inventory obsolescence/ (reversal) on inventories		18,840	(62,463)
- Impairment loss on trade and other receivables		22,685	25,520
- Interest income	7	(43,626)	(20,090)
- Long service award charge	20(a)	2,834	11,515
- Actuarial loss/(gain)	20(a)	702	(3,078)
- Gain on sale of property, plant and equipment		(24)	(1,715)
- Income tax expense	10(a)	117,565	194,417
		<u>580,774</u>	<u>636,385</u>
Changes in working capital:			
- inventories		(16,739)	46,347
- trade and other receivables		74,457	(128,020)
- current tax assets		(24,740)	(2,746)
- prepayments		34,458	58,917
- trade and other payables		91,201	143,984
- deferred income		18,809	(1,361)
Cash generated from operating activities		<u>758,220</u>	<u>753,506</u>
Withholding tax (WHT) credit notes utilised	10(c)	-	(22,766)
Long service awards paid	20(a)	-	(4,436)
Value added tax (VAT) paid *		(43,734)	(76,846)
Income tax paid	10(c)	(177,963)	(137,934)
Net cash from operating activities		<u>536,523</u>	<u>511,524</u>
Cash flows from investing activities			
Interest income		43,626	20,090
Proceeds from sale of property, plant and equipment		48	2,586
Acquisition of property, plant and equipment	12	(272,749)	(378,195)
Net cash used in investing activities		<u>(229,075)</u>	<u>(355,519)</u>
Cash flows from financing activities			
Dividends paid	19(b)	(33,300)	-
Net cash used in financing activities		<u>(33,300)</u>	<u>-</u>
Net increase in cash and cash equivalents		274,148	156,005
Cash and cash equivalents at 1 January		448,023	292,018
Cash and cash equivalents at 31 December		<u>722,171</u>	<u>448,023</u>

The notes on pages 21 to 59 are an integral part of these financial statements.

* Value Added Tax (VAT) paid and shown separately above, has been adjusted for in deriving the change in trade and other payables.

Notes to the financial statements

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Notes to the financial statements

1 Reporting entity

BOC Gases Nigeria Plc ("the Company"), a public company quoted on the Nigerian Stock Exchange since 1979, was incorporated as a public limited liability company on 12 November 1959, under the name Industrial Gases (Nigeria) Limited. The name was changed on 10 July 1961 to Industrial Gases Limited and thereafter to BOC Gases Nigeria Plc on 17 March 1997. The Company is a subsidiary of BOC Holdings Limited, U.K., the latter having a 60% interest in the equity of BOC Gases Nigeria Plc. The Company's registered office address is Plots 1-3, Block H, Oshodi Industrial Estate, Oshodi, Lagos. The Company is principally engaged in the manufacture of industrial and medical gases and the sale of special gases, welding and medical equipment.

2 Basis for preparation

(a) Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Board of directors on 27 March 2014.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for defined benefit obligations (Note 20).

(c) Functional and presentation currency

These financial statements are presented in Naira (₦), which is the Company's functional currency. All financial information presented in Naira has been rounded to the nearest thousand, except where otherwise stated.

(d) Use of judgments and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about assumptions and estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes:

- Note 20 - Measurement of employee benefit obligations: key actuarial assumptions
- Note 25 - Contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

3 Significant accounting policies

Except for the changes explained in Note 3(q) and Note 3(c)(iii), the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency transactions

Transactions denominated in foreign currencies during the year are translated and recorded in Naira at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the rate of exchange prevailing at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Financial instruments

(i) Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using effective interest rate method, less any impairment losses. Short term receivables that do not attract interest are measured at original invoice amount where the effect of discounting is not material.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash balances with banks and call deposits with original maturities of three months or less are carried at amortised cost.

(ii) ***Non-derivative financial liabilities***

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: trade and other payables.

Trade and other payables

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. Short term payables that do not attract interest are measured at original invoice amount where the effect of discounting is not material.

(iii) ***Share capital***

The Company has only one class of shares, namely ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve. All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(c) **Property, plant and equipment**

(i) ***Recognition and measurement***

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment comprise tangible items that are held for use in the production or supply of goods and services or for administrative purposes and are expected to be used during more than one accounting period. Buildings comprise of factories and offices.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Property, plant and equipment under construction are disclosed as capital work-in-progress. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use including, where applicable, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in profit or loss.

(ii) ***Subsequent costs***

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) ***Depreciation***

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case the assets are depreciated over the useful life.

The estimated useful lives for the current and comparative periods except for motor vehicles are as follows:

Leasehold land	Lease period
Buildings	Lease period
Plant and machinery	14 years
Cylinders	20 years
Motor vehicles	7 years (Note 12(f))
Commercial tankers	15 years
Furniture and fittings	3-8 years
Other major components	3-5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

No depreciation is charged on capital work in progress. The attributable cost of each asset is transferred to the relevant category at the point when the asset becomes ready for use and is depreciated accordingly.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their present location and condition. These include:

Raw materials, spares that do not qualify as property, plant and equipment and purchased finished goods	-	Purchase cost on a weighted average basis including transportation costs
Work-in-progress and manufactured finished goods	-	Weighted average cost of direct materials and labour plus an appropriate proportion of manufacturing overhead
Inventory in transit	-	Purchase cost incurred

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventory values are adjusted for obsolete, slow-moving or defective items. Inventory write-downs are recognised in profit or loss in the relevant period.

(e) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Where applicable, interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) ***Non-financial assets***

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) ***Non-current assets held-for-sale***

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held-for-sale. Immediately before classification as held-for-sale, the assets, or components of a disposal group, are measured in accordance with the Company's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, where applicable, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets, which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(g) **Employee benefits**

(i) ***Defined contribution plan***

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(a) In line with the provisions of the Pension Reform Act 2004, the Company has instituted a defined contribution pension scheme for its staff. Staff contributions to the scheme are funded through payroll deductions whilst the Company's contribution is recognised in profit or loss as employee benefit expense in the periods during which services are rendered by employees. Employees contribute 7.5% each of their basic salary, transport and housing allowances to the Fund on a monthly basis. The Company's contribution is 7.5% and 15% of each employee's basic salary, transport and housing allowances for non-management and management employees respectively.

(b) The Company has a defined contribution scheme for junior level employees, which is funded through fixed contributions made by the Company over the service life of the employees and charged accordingly as personnel expense in profit or loss. The funds are managed and administered by Stanbic IBTC Pension Managers Limited. Stanbic IBTC Pension Managers Limited is a duly registered Fund Administrator that administers the gratuity (defined contribution) scheme for employees.

BOC Gases Nigeria Plc has no recourse to the funds, which is managed in accordance with the Pension Reform Act of 2004 and regulated by the Pension Commission.

(ii) ***Other long-term employee benefits***

The Company's other long-term employee benefits represents long service awards scheme instituted for all permanent employees. The Company's obligation in respect of this scheme is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Federal Government of Nigeria issued bonds that have maturity dates approximating the term of the Company's obligation. The calculation is performed using the projected unit credit method. Actuarial gains and losses, are recognised immediately in profit or loss in the period in which they arise.

(iii) ***Termination benefits***

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(iv) **Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(h) **Provisions and contingent liabilities**

Provisions

A provision is recognised if, as a result of past event, the Company has a present legal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

(i) **Revenue**

Revenue is measured at the fair value of the consideration received or receivable, net of Value Added Tax, discounts allowed and rebates in the ordinary course of business.

(i) **Sale of goods**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of Value Added Tax, returns, discounts allowed and rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the

amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) ***Rendering of services***

Revenue from the rendering of services is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed with reference to surveys of work performed.

(j) **Leases**

(i) ***Where the Company is the Lessee***

Leases of property, plant and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of minimum payments. Subsequently, the asset is accounted for in accordance with the accounting policy appropriate to the assets. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the finance balance outstanding.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the lessee obtains ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership, are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease.

(ii) ***Where the Company is the Lessor***

When the assets are leased under a finance lease, the net investment in the lease is recognised as the receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Finance income is recognised over the term of the lease on the lessor's net investment in the lease, which reflects a periodic constant rate of return.

(k) **Finance income and finance costs**

Finance income comprises interest income on funds invested and net gains on foreign exchange differences. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions except finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the related assets, and are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(l) **Income tax**

Income tax expense comprises current tax - company income tax and tertiary education tax, and deferred tax. Tertiary education tax is assessed at 2% of assessable profit. Current and

deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) **Current tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year in accordance with Companies Income Tax Act (CITA) using tax rates as at the reporting date and any adjustment to tax payable in respect of previous years.

(ii) **Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, using the liability method. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax is recognised in profit or loss except to the extent that it relates to a transaction that is recognised directly in equity.

(m) **Earnings per share**

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effect of all dilutive potential ordinary shares. Diluted EPS is only disclosed when there is a dilutive impact.

(n) Dividends

Dividends are recognised as liability in the period they are declared.

Dividends, which remain unclaimed for a period exceeding twelve (12) years from the date of declaration, are no longer actionable by the shareholders in accordance with section 385 of the Companies and Allied Matters Act (CAMA) of Nigeria and are therefore written back to retained earnings.

(o) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All segments' operating results are reviewed by the Company's directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Company's directors include items attributable to a segment as well as those that can be allocated on reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's office), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

(p) Statement of cash flows

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows such as other non-cash items, have been eliminated for the purpose of preparing the statement. Dividends paid to ordinary shareholders are included in financing activities. Interest paid is also included in financing activities whilst finance income is included in investing activities.

(q) Changes in accounting policies

The Company has adopted the following new standard with a date of initial application of 1 January 2013. The nature and effect of the change is explained below:

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRS, including IFRS 7.

In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.

(r) **New Standards and Interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2014 and have not been applied in preparing these financial statements. That which may be relevant to the Company is IFRS 9 *Financial Instruments*, which is expected to impact the classification and measurement of financial assets. This standard will become mandatory for the Company's 2018 financial statements. This standard will be adopted at its effective date. The Company will assess the impact once the standard becomes effective.

4 Determination of Fair Values

Some of the Company's accounting policies and disclosures require the determination of fair value, both for financial and non-financial assets and liabilities. See note 24(f) for basis of determination of fair value for financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) ***Trade and other receivables***

The fair value of trade and other receivables is estimated as the present value of the future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes. For short-term receivables, no disclosure of fair value is presented when the carrying amount is a reasonable approximation of fair value. Short term receivables that do not attract interest are measured at original invoice amount where the effect of discounting is not material.

(b) ***Other non-derivative financial liabilities***

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Short term payables that do not attract interest are measured at original invoice amount where the effect of discounting is not material.

5 Revenue

	2013	2012
	N'000	N'000
Gas sales	1,901,208	2,132,038
Engineering services	54,801	55,100
Others	135,609	138,576
	2,091,618	2,325,714

The Company has a single reportable segment which is in respect of the sale of gases.

Nigeria is the Company's primary geographical segment as over 95 per cent of the Company's sales are made in Nigeria and all assets employed are located in Nigeria. Revenue by geographical area is as follows:

	2013	2012
	N'000	N'000
Nigeria	2,036,817	2,270,614
Export	54,801	55,100
	2,091,618	2,325,714

Only two of the Company's customers account for more than 10 per cent of the Company's total revenue.

No further business or geographical segment information is reported.

6 Other income

	2013	2012
	N'000	N'000
Gain on sale of property, plant and equipment	24	1,715
Gain on sale of scrap	933	6,877
	957	8,592

7 Finance income and finance costs

Finance income comprises:

	2013	2012
	N'000	N'000
Interest income on bank deposits	43,626	20,090
Gain on foreign exchange transactions	12,650	6,166
Finance income	56,276	26,256

8 Profit before income tax

(a) Expenses by nature

	2013	2012
	N'000	N'000
Raw materials and consumables used	333,015	469,944
Changes in finished goods	172,074	256,456
Rendering of services	28,198	18,741
Employee benefit expense	414,567	344,313
Directors' fees	61,041	54,642
Technical aid fee	11,465	14,347
Depreciation expense	187,327	173,574
Repairs and maintenance	238,479	255,957
Travel and entertainment	39,826	42,175
Auditors' remuneration	12,936	12,789
Vehicle Expenses	65,132	75,582
Other administrative and general expenses	204,469	142,993
Total cost of sales, selling and distribution expenses and administrative expenses	1,768,529	1,861,513

Profit before income tax is stated after charging/(crediting):

	2013	2012
	N'000	N'000
Depreciation of property, plant and equipment	187,327	173,715
Auditors' remuneration	12,936	12,789
Personnel expenses	414,567	344,313
Directors' remuneration	61,041	54,642
Gain on property, plant and equipment disposed	(24)	(1,715)
Technical aid fee	11,465	14,347
Internet service charge	11,933	-

(b) Directors' remuneration

Directors' remuneration for the year includes:

	2013	2012
	N'000	N'000
Fees as directors	550	550
Other emoluments (including pensions)	60,491	54,092
	61,041	54,642

The directors' remuneration shown above includes:

	2013	2012
	N'000	N'000
Chairman	300	300
Highest paid director	41,113	36,723
	41,413	37,023

Other directors received emoluments in the following ranges:

			2013	2012
			Number	Number
₦		₦		
240,001	-	250,000	1	1
17,300,001	-	17,400,000	-	1
19,300,001	-	19,400,000	1	-
			2	2

9 Personnel expenses

(a) Staff costs including the provision for long service award benefits:

	2013	2012
	₦'000	₦'000
Salaries, wages and allowances	277,684	223,890
Contributions to defined contribution plans	58,859	56,667
Termination/ redundancy benefits	11,889	-
Expenses related to other long-term benefits	3,536	8,437
Training, recruitment and canteen expenses	15,361	23,261
Medical expenses	5,615	8,236
Other personnel expenses	41,622	23,822
	414,567	344,313

(b) Number of employees of the Company as at 31 December, whose duties were wholly or mainly discharged in Nigeria, received annual remuneration (excluding pension contributions and certain benefits) in the following ranges:

			2013	2012
			Number	Number
₦		₦		
1,000,001	-	1,100,000	-	6
1,100,001	-	1,200,000	1	11
1,200,001	-	1,300,000	9	5
1,300,001	-	1,400,000	11	10
1,400,001	-	1,500,000	6	4
1,500,001	-	1,600,000	4	7
1,600,001	-	1,700,000	5	1
1,700,001	-	1,800,000	8	5
1,800,001	-	1,900,000	2	6
1,900,001	-	2,000,000	4	4
2,000,001	-	2,100,000	6	8
2,100,001	-	2,200,000	4	4

			2013 Number	2012 Number
₦		₦		
2,200,001	-	2,300,000	6	2
2,300,001	-	2,600,000	9	2
2,600,001	-	2,700,000	2	-
2,700,001	-	2,800,000	-	1
3,100,001	-	3,200,000	1	-
3,700,001	-	3,800,000	-	2
3,800,001		4,000,000	1	-
4,000,001	-	4,500,000	1	2
4,500,001	-	4,600,000	1	1
4,700,001	-	4,800,000	1	-
4,800,001		5,000,000	1	-
5,200,001	-	5,400,000	-	4
5,500,001	-	6,000,000	4	2
6,100,001	-	7,000,000	3	2
7,000,001	-	8,000,000	3	2
Above 8,000,000			6	6
			99	97

(c) The number of persons employed as at 31 December are:

	2013 Number	2012 Number
Operations	47	45
Customers Service	3	3
Sales and Marketing	34	32
Finance and Information Technology	11	13
Administration	4	4
	99	97

10 Taxation

(a) Income tax expense

The tax charge for the year has been computed after adjusting for certain items of expenditure and income, which are not deductible or chargeable for tax purposes, and comprises:

	2013	2012
	N'000	N'000
<i>Current tax expense</i>		
Income tax	77,187	173,797
Tertiary education tax	11,953	14,322
	<u>89,140</u>	<u>188,119</u>
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	28,425	6,298
	<u>117,565</u>	<u>194,417</u>

(b) Reconciliation of effective tax rate

		2013		2012
		N'000		N'000
	%		%	
Profit before income tax		380,322		499,049
Income tax using the statutory tax rate	30.0	114,097	30.0	149,715
Impact of tertiary education tax	3.1	11,953	2.9	14,322
Effect of tax incentives and exempted income	(3.0)	(11,439)	(0.5)	(2,386)
Non-deductible expenses	1.7	6,324	3.7	18,492
Other reconciling items	(0.9)	(3,370)	2.9	14,274
	<u>30.9</u>	<u>117,565</u>	<u>39.0</u>	<u>194,417</u>

(c) Movement in current tax liability

	2013	2012
	N'000	N'000
Balance at 1 January	181,426	154,007
Payments during the year	(177,963)	(137,934)
Withholding tax credit notes utilised	-	(22,766)
Charge for the year	<u>89,140</u>	<u>188,119</u>
Balance at 31 December	<u>92,603</u>	<u>181,426</u>

11 Earnings per share

Basic and diluted earnings per share

Basic earnings per share at 31 December 2013 was based on the profit attributable to ordinary shareholders of ₦262,757,000 (2012: ₦304,632,000), and on the 416,244,706 ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the year (2012: 416,244,706 for the purpose of earnings per share), and is calculated as follows:

Weighted average number of ordinary shares (basic)

	<i>Note</i>	2013	2012
Issued ordinary shares at 1 January		416,244,706	393,120,000
Effect of bonus shares issued in 2012		-	23,124,706
Weighted average number of ordinary shares during the year	<i>18</i>	416,244,706	416,244,706

The Company had no dilutive potential ordinary shares to be accounted for in these financial statements.

12 Property, plant and equipment

(a) The movement on these accounts was as follows:

	Leasehold land N'000	Buildings N'000	Plant, machinery and cylinders N'000	Motor vehicles N'000	Commercial tankers N'000	Furniture and fittings N'000	Capital work-in- progress N'000	Total N'000
COST:								
Balance at 1 January 2013	5,300	128,564	1,495,351	276,833	55,514	109,504	394,962	2,466,028
Additions	-	-	36,504	-	-	181	236,064	272,749
Disposals	-	-	(3,172)	(6,620)	-	(4,747)	-	(14,539)
Transfers	-	-	339,096	4,410	-	5,524	(349,030)	-
Balance at 31 December 2013	5,300	128,564	1,867,779	274,623	55,514	110,462	281,996	2,724,238
ACCUMULATED DEPRECIATION:								
Balance at 1 January 2012	5,300	128,564	1,441,150	245,967	55,514	99,228	129,080	2,104,803
Additions	-	-	13,849	-	-	-	364,346	378,195
Disposals	-	-	(10,946)	(1,927)	-	(1,550)	-	(14,423)
Impairment losses	-	-	(2,547)	-	-	-	-	(2,547)
Transfers	-	-	53,845	32,793	-	11,826	(98,464)	-
Balance at 31 December 2012	5,300	128,564	1,495,351	276,833	55,514	109,504	394,962	2,466,028
ACCUMULATED DEPRECIATION:								
Balance at 1 January 2013	2,111	59,920	791,054	173,769	15,337	92,947	-	1,135,138
Depreciation for the year	141	7,468	144,331	25,066	2,973	7,348	-	187,327
Disposals	-	-	(3,148)	(6,620)	-	(4,747)	-	(14,515)
Balance at 31 December 2013	2,252	67,388	932,237	192,215	18,310	95,548	-	1,307,950

	Leasehold land N'000	Buildings N'000	Plant, machinery and cylinders N'000	Motor vehicles N'000	Commercial tankers N'000	Furniture and fittings N'000	Capital work-in- progress N'000	Total N'000
Balance at 1 January 2012	1,970	53,040	676,987	143,220	12,364	87,394	-	973,005
Depreciation for the year	141	6,880	125,013	32,476	2,973	6,232	-	173,574
Disposals	-	-	(10,946)	(1,927)	-	(679)	-	(13,552)
Balance at 31 December 2012	2,111	59,920	791,054	173,769	15,337	92,947	-	1,133,027

CARRYING AMOUNTS:

At 31 December 2013	3,048	61,176	935,542	82,408	37,204	14,914	281,996	1,416,288
At 31 December 2012	3,189	68,644	704,297	103,064	40,177	16,557	394,962	1,330,890

(b) Plant, machinery and cylinders comprise:

	Cost N'000	Depreciation N'000	Carrying amount N'000
Plant and machinery	1,542,679	839,103	703,576
Cylinders	325,100	93,134	231,966
At 31 December 2013	1,867,779	932,237	935,542
Plant and machinery	1,156,230	700,794	455,436
Cylinders	339,121	90,260	248,861
At 31 December 2012	1,495,351	791,054	704,297

- (c) All land held by the Company are under finance lease arrangements. The maximum tenor of the lease arrangements is 99 years in line with the Land Use Act. The lease amounts were fully paid at the inception of the lease arrangements.

(d) **Capital work-in-progress**

- (i) Additions to capital work-in-progress during the year includes:

	2013 N'000	2012 N'000
Plant, machinery and cylinders	223,277	310,712
Motor vehicles	-	23,553
Furniture and fittings	1,956	9,801
Buildings	10,831	20,280
	<u>236,064</u>	<u>364,346</u>

- (ii) Capital work-in-progress as at year end comprise:

	2013 N'000	2012 N'000
Plant, machinery and cylinders	281,996	386,985
Motor vehicles	-	4,409
Furniture and fittings	-	3,568
	<u>281,996</u>	<u>394,962</u>

(e) **Capital commitments**

Capital expenditure commitments authorised by the directors but not provided for in these financial statements amounted to ₦408 million (2012: ₦353 million).

(f) **Change in estimates**

Management performed a review of the useful life of assets in line with the global Linde policy. The review resulted in the change in the useful life of motor vehicles from 5 years to 7 years. The effect of this change on actual and expected depreciation expense was as follows:

Year	Charge based on:		(Decrease)/
	5 years	7 years	Increase
	N'000	N'000	N'000
2013	33,108	24,227	(8,881)
2014	27,397	22,203	(5,194)
2015	17,372	17,462	90
2016	13,651	15,877	2,226
2017	1,514	12,774	11,260
Later	-	499	499

(g) **Assessment of impairment**

The directors reviewed the carrying amounts of the Company's property, plant and equipment noting no indication of impairment.

13 Prepayments

Non-current and current prepayments represent rental expenses prepaid by the Company and advance payments made to suppliers.

14 Inventories

	2013	2012
	N'000	N'000
Raw materials and consumables	89,691	150,764
Finished goods	170,492	130,298
Goods in transit	7,638	574
	<u>267,821</u>	<u>281,636</u>

In 2013 raw materials and consumables, changes in finished goods and goods in transit included in cost of sales amounted to ₦505.08 million (2012: ₦725.4 million). The write-down of consumables to net realisable value amounted to ₦11.74 million (2012: ₦11.39 million). The allowance for inventory obsolescence recorded for raw materials and consumables during the year amounted to ₦18.8 million (2012: reversal of ₦62.46 million). The write-down and net allowance/ reversal are included in cost of sales.

15 Trade and other receivables

	2013	2012
	N'000	N'000
Due from related parties	-	5,573
Trade receivables	317,253	410,837
Other receivables	2,365	350
	<u>319,618</u>	<u>416,760</u>

Receipts of advances for which a related sale has not occurred, are presented as deferred income (See note 23).

The Company's exposure to credit and market risks and impairment losses related to trade and other receivables are disclosed in Note 24.

16 Current tax assets

	2013	2012
	N'000	N'000
Withholding tax receivables	102,113	77,373
	<u>102,113</u>	<u>77,373</u>

Payments made by Nigerian customers of the Company are subject to a withholding tax of 5% in accordance with the Nigerian tax laws. The amount withheld is available to offset the actual tax liabilities. Based on the current tax laws, these withholding taxes do not expire.

The movement on withholding tax receivables during the year was as follows:

	2013	2012
	N'000	N'000
Balance at 1 January	77,373	74,355
Additions during the year	24,740	26,025
Utilisations during the year	-	(22,766)
Impairment	-	(241)
Balance at 31 December	102,113	77,373

17 Cash and cash equivalents

	2013	2012
	N'000	N'000
Bank balances	50,829	98,647
Call deposits	668,425	345,528
Cash in hand	2,917	3,848
Cash and cash equivalents in the statement of cash flows	722,171	448,023

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in Note 24.

18 Share capital

(a) Authorised ordinary shares of 50 kobo each

	2013	2012
	N'000	N'000
500,000,000 ordinary shares	250,000	250,000

(b) Issued and fully paid ordinary shares of 50 kobo each

	2013	2012
	N'000	N'000
In issue at 1 January		
-416,244,706 (2012: 393,120,000) ordinary shares	208,122	196,560
Bonus issue		
-23,124,706 ordinary shares	-	11,562
In issue at 31 December		
- 416,244,706 ordinary shares	208,122	208,122

Issue of bonus shares

In June 2012, the Annual General Meeting of shareholders decided on the issue of 23,124,706 ordinary shares representing a bonus issue in the form of fully paid up shares in the proportion of one (1) new share of 50 kobo for every seventeen (17) shares of 50 kobo each held.

19 Dividends

(a) Dividends

The following dividends were declared by the Company for the year ended 31 December 2012:

	2013 N'000	2012 N'000
20 kobo per qualifying ordinary share	83,249	-

After the end of the reporting period, the following dividends were proposed by the directors.

	2013 N'000	2012 N'000
10 kobo (2012: 20 kobo) per qualifying ordinary share	41,625	83,249

(b) Dividends payable

	<i>Note</i>	2013 N'000	2012 N'000
Balance at 1 January		-	4,742
Dividend declared		83,249	-
Payments during the year		(33,300)	-
Unclaimed dividends transferred to retained earnings		-	(4,742)
Balance at 31 December	22	49,949	-

(i.) Unclaimed dividends transferred to retained earnings represent dividends which have remained unclaimed for over twelve (12) years and are therefore no longer recoverable or actionable by the shareholders in accordance with section 385 of the Companies and Allied Matters Act, Cap. C20, Laws of the Federal Republic of Nigeria, 2004.

(ii.) As at 31 December 2013, unclaimed dividends amounting to ₦48.48 million (2012: ₦55.56 million) are held with the Company's registrar, All Crown Registrars Limited.

20 Employee benefits

	2013	2012
	N'000	N'000
(a) Long service awards benefit plan (Note (i))	18,149	14,613

(i) Movement in long service awards benefits plan

The movement on the long service awards benefit plan liability during the year was as follows:

	2013	2012
	N'000	N'000
Obligation at 1 January	14,613	10,612
Current service costs and interest (see below)	2,834	11,515
Actuarial losses/(gains) recognised in profit or loss (see note (e))	702	(3,078)
Payments	-	(4,436)
Obligation at 31 December	18,149	14,613

Other long-term benefits expense recognised in profit or loss for long service awards obligation comprise:

	2013	2012
	N'000	N'000
Current service costs	965	9,615
Interest on obligation	1,869	1,900
Actuarial losses/(gains)	702	(3,078)
	3,536	8,437

(b) Pension contribution payable (statutory)

The balance on the pension payable account represents the amount due to the Pension Fund Administrators, which is yet to be remitted at the year end. The movement on this account during the year was as follows:

	2013	2012
	N'000	N'000
Obligation at 1 January	12,383	13,541
Charge for the year	56,367	54,842
Employees contribution	36,448	23,503
Payments	(87,796)	(79,503)
Obligation at 31 December	17,402	12,383

The balance as at year-end is included in trade and other payables.

(c) Pension contribution payable

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

	2013 N'000	2012 N'000
Obligation at 1 January	-	-
Charge for the year	2,492	1,825
Payments	(2,492)	(1,825)
Obligation at 31 December	-	-

The balance as at year-end is included in trade and other payables.

(d) The expense is recognised in the following line items in the statement of profit or loss and other comprehensive income

	Cost of sales		Administrative expenses		Total
	2013 N'000	2012 N'000	2013 N'000	2012 N'000	2012 N'000
Pension contribution (statutory)	16,910	16,453	39,457	38,389	56,367
Pension contribution	748	547	1,744	1,278	2,492
Long service awards expense	1,061	2,531	2,475	5,906	3,536
	18,720	19,531	43,677	45,573	62,395
					65,104

(e) Actuarial losses/(gains) recognised in profit or loss arises from:

	2013 N'000	2012 N'000
- Financial assumptions	702	(3,078)
- Demographic assumptions	-	-
	702	(3,078)

(f) **Actuarial assumptions**

Principal financial actuarial assumptions at the reporting date (expressed as weighted averages):

	2013	2012
Long-term average discount rate (p.a.)	13%	12%
Average pay increase (p.a.)	15%	12%
Average rate of inflation (p.a.)	10%	11.7%
Average duration (years)	13.53	14.06

These assumptions depict management's estimate of the likely future experience of the Company.

Due to unavailability of published reliable demographic data in Nigeria, the demographic assumptions regarding future mortality are based on the rates published jointly by the Institute and Faculty of Actuaries in the UK as follows:

Mortality in service

Sample age	2013 Number of deaths in year out of 10,000 lives	2012 Number of deaths in year out of 10,000 lives
25	7	7
30	7	7
35	9	9
40	14	14
45	26	26

Mortality in retirement

Sample age	Number of deaths in year out of 10,000 lives			
	Male		Female	
	2013	2012	2013	2012
65	210	210	96	96
70	325	325	165	165
75	499	499	281	281
80	760	760	474	474

Assumptions regarding future mortality rates are based on published statistics and mortality tables by Institute and Faculty of Actuaries in the UK.

Withdrawals/Turnover

It is assumed that all the employees covered by the long service awards scheme would retire at age 60 (2012: age 60).

(g) **Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the long service awards obligation by the amounts shown below:

	Increase N'000	Decrease N'000
Discount rate (1% movement)	17,097	19,325
Salary increase rate (1% movement)	19,202	17,188
Mortality rate (1 year movement)	15,674	19,757

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

21 Deferred tax liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
	N'000	N'000	N'000	N'000	N'000	N'000
Property, plant and equipment	-	-	(276,296)	(242,744)	(276,296)	(242,744)
Employee benefits	5,445	2,332	-	-	5,445	2,332
Provisions	11,654	7,695	-	-	11,654	7,695
Exchange difference	-	-	(3,795)	(1,850)	(3,795)	(1,850)
	17,099	10,027	(280,091)	(244,594)	(262,992)	(234,567)

Movement in temporary differences is as follows:

	Balance I January 2012	Recognised in profit or loss	Balance I January 2013	Recognised in profit or loss	Balance 31 December 2013
	N'000	N'000	N'000	N'000	N'000
Property, plant and equipment	(243,820)	1,076	(242,744)	(33,552)	(276,296)
Employee benefits	952	1,380	2,332	3,113	5,445
Provisions	20,655	(12,960)	7,695	3,959	11,654
Exchange difference	(6,056)	4,206	(1,850)	(1,945)	(3,795)
	(228,269)	(6,298)	(234,567)	(28,425)	(262,992)

22 Trade and other payables

	<i>Note</i>	2013 N'000	2012 N'000
Due to related parties		130,680	104,907
Trade payables		126,054	106,859
Dividend payable	19	49,949	-
Non-trade payables and accrued expenses		337,388	334,889
		<u>644,071</u>	<u>546,655</u>

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 24.

23 Deferred income

	2013 N'000	2012 N'000
Customer advances	46,038	27,229
	<u>46,038</u>	<u>27,229</u>

Some of the Company's customers make deposits for gases with the Company and utilise these deposits based on subsequent purchases from the Company. Deposits are recognised as revenue once sale occurs.

24 Financial risk management and financial instruments

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Risk Committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee reports regularly to the Board of directors on its activities.

The Company's risk management policies are established to identify and analyse risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Risk Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and other related parties.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<i>Note</i>	Carrying amount	
		2013	2012
		N'000	N'000
Trade and other receivables	15	319,618	416,760
Cash and cash equivalents	17	719,254	444,175
		1,038,872	860,935

There are no collaterals associated with these transactions.

Trade and other receivables

Management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Under the credit policies all customers requiring credit over a certain amount are reviewed and new customers analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Credit limits are established for qualifying customers and these limits are reviewed regularly by the Risk Committee. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a cash basis.

Management reviews each customer's credit limit in line with the customer's performance in the preceding quarter and perceived risk factor assigned to the customer.

More than 60 percent of the Company's customers have been transacting with the Company for over three years and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a small and medium scale, listed or high profiled customer, industry, aging profile and existence of previous financial difficulties. Trade receivables relate mainly to the Company's high profiled customers. Customers with no trading activities for a period of up to one year are placed on a dormant customer list and future sales are made on cash basis only with approval of management.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was:

	2013	2012
	N'000	N'000
Trade receivables		
- Major customers	288,068	393,807
- Others	60,894	40,294
- Impairment	(31,709)	(23,264)
	<u>317,253</u>	<u>410,837</u>
- Other receivables	6,061	4,046
- Impairment	(3,696)	(3,696)
	<u>319,618</u>	<u>411,187</u>
- Due from related parties	-	5,573
	<u>319,618</u>	<u>416,760</u>

Impairment losses

The ageing of trade and other receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
	2013	2013	2012	2012
	N'000	N'000	N'000	N'000
Past due 0-30 days	108,755	-	168,044	2,256
Past due 31-60 days	103,625	-	151,603	-
Past due 60-180 days	80,246	42	88,818	237
More than 180 days	62,397	35,363	35,255	24,467
	<u>355,023</u>	<u>35,405</u>	<u>443,720</u>	<u>26,960</u>

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2013	2012
	₦'000	₦'000
Balance at 1 January	(26,960)	(68,847)
Impairment loss recognised	(22,685)	(25,520)
Amounts written off	14,240	67,407
Balance at 31 December	(35,405)	(26,960)

The impairment loss as at 31 December 2013 relates to customers that are not expected to be able to pay their outstanding balances, mainly due to economic circumstances and disputed invoices. The Company believes that all unimpaired amounts that are past due are still collectible, based on historic payment behaviour and the underlying customers' credit ratings. The impairment loss is included in administrative expenses in profit or loss.

Based on historic default rates, the Company believes that, apart from the above, no impairment allowance is necessary in respect of trade and other receivables beyond 30 days. As at the date of these financial statements, over 35 percent of the trade receivable balance, which includes the amount owed by the Company's most significant customers, have been collected.

Cash and cash equivalents

The Company held cash and cash equivalents (excluding cash in hand) of ₦719.25 million as at 31 December 2013 (2012: ₦444.17 million), which represents its maximum credit exposure on these assets. The Company mitigates the credit risk exposure of its bank balances by selecting reputable banks with good credit ratings and a history of strong financial performance.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company's credit terms with customers are more favourable compared to payment terms to its vendors in order to help provide sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, and excluding the impact of netting agreement:

Note	Carrying amount N'000	Contractual cash flows N'000	6 months or less N'000	6 months to 1 year N'000	1-3 years N'000	4-5 years N'000	Over 5 years N'000
<i>Non-derivative financial liabilities</i>							
31 December 2013							
Trade and other payables	22	644,071	644,071	-	-	-	-
		644,071	644,071	-	-	-	-
31 December 2012							
Trade and other payables	22	546,655	546,655	-	-	-	-
		546,655	546,655	-	-	-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Guarantees

The Company has not provided any guarantees as at year-end.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return.

The Company manages market risks by keeping costs low through various cost optimisation programmes. Moreover, market developments are monitored and discussed regularly and mitigating actions are taken where necessary.

Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than its functional currency, the Naira. The currencies in which these transactions primarily are denominated are Euro (€), British Pound Sterling (GBP), US Dollar (USD) and South African

Rand (ZAR). The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

In managing currency risk, the Company aims to reduce the impact of short-term fluctuations on earnings. The Company's foreign sales are less than 4% of the total sales. Thus the exposure to currency risk in that regard is minimal. The Company's significant exposure to currency risk relates to its importation of various raw materials, spares and other property, plant and equipment. Although the Company has various measures to mitigate exposure to foreign exchange rate movement, over the longer term, however, permanent changes in exchange rates would have an impact on profit. The Company monitors the movement in the currency rates on an ongoing basis.

Exposure to currency risk

The Company's transactional exposure to Euro (€), British Pound Sterling (GBP), US Dollar (USD) and South African Rand (ZAR), foreign currency risk was based on notional amounts as follows:

	31 December 2013				31 December 2012		
	EURO	GBP	USD	ZAR	EURO	GBP	USD
<i>In thousands</i>							
Financial asset							
Due from related parties	-	-	-	-	-	22	-
Cash and cash equivalents	-	1	103	-	6	-	175
Financial liability							
Due to related parties	(55)	(4)	-	(7,593)	(1)	-	-
Net exposure	(55)	(3)	103	(7,593)	5	22	175
							(5,632)
							(5,632)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
	₦	₦	₦	₦
EURO	206.969	207.797	206.473	204.770
GBP	243.517	251.750	253.889	251.056
USD	156.140	155.480	155.770	155.270
ZAR	16.600	18.958	15.240	18.392

Sensitivity analysis

A reasonably possible strengthening of the Naira, as indicated below, against the EURO, GBP, USD and ZAR at 31 December would have increased/(decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

	Profit or loss 5 percent strengthening ₦'000
31 December 2013	
EURO	(115)
GBP	70
USD	(706)
ZAR	3,941
31 December 2012	
EURO	(107)
GBP	(79)
USD	(1,337)
ZAR	4,102

A weakening of the Naira against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- documentation of processes, controls and procedures;
- periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified by the Risk Management Committee;
- training and professional development of employees;
- appropriate segregation of duties, including the independent authorisation of transactions;
- monitoring of compliance with regulatory and other legal requirements;
- requirements for reporting of operational losses and proposed remedial action;
- development of contingency plans for various actions;
- reconciliation and monitoring of transactions;
- development, communication and monitoring of ethical and acceptable business practices;
- risk mitigation, including insurance when this is effective; and
- monitoring of business process performance and development and implementation of improvement mechanisms thereof.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, which the Company defines as the result from operating activities, divided by total shareholders' equity. Management also monitors the level of dividends to all shareholders.

The Company's debt to adjusted capital ratio at the end of the reporting period was as follows:

	2013	2012
	N'000	N'000
Total liabilities	1,063,853	1,004,490
Less: Cash and cash equivalents	(722,171)	(448,023)
Net debt	341,682	556,467
 Total equity	 1,823,426	 1,643,918
Debt to adjusted capital ratio	0.19	0.34

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements.

(f) **Fair values**

Fair values vs carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	31 December 2013		31 December 2012	
		Carrying	Fair value	Carrying	Fair value
		amount N'000	N'000	amount N'000	N'000
Loans and receivables					
Trade and other receivables	15	319,618	319,618	416,760	416,760
Cash and cash equivalents	17	722,171	722,171	448,023	448,023
		<u>1,041,789</u>	<u>1,041,789</u>	<u>864,783</u>	<u>864,783</u>
Other financial liabilities					
Trade and other payables	22	644,071	644,071	546,655	546,655
		<u>644,071</u>	<u>644,071</u>	<u>546,655</u>	<u>546,655</u>

The basis for determining fair values is disclosed in Note 4.

Trade and other receivables and trade and other payables are the Company's short-term financial instruments. Accordingly, management believes that their fair values are not expected to be materially different from their carrying values.

25 Contingencies

(a) ***Guarantees and contingent liabilities***

The Company had no guarantees or contingent liabilities in respect of guarantees as at year-end (2012: Nil).

(b) ***Pending litigation and claims***

The Company is engaged in some legal actions which have arisen in the normal course of business and are being handled by the Company's external legal counsel. Claims against the Company amounts to ₦151.6 million. There are no contingent liabilities arising from these legal actions (2012: Nil). In the opinion of the directors and based on independent legal advice, the claim will not crystalize, thus no provision has been made in these financial statements.

(c) ***Financial commitments***

The directors are of the opinion that all known liabilities and commitments, which are relevant in assessing the state of affairs of the Company, have been taken into consideration in the preparation of these financial statements.

26 Related parties

(a) **Parent and ultimate controlling party**

The parent company of BOC Gases Nigeria Plc is BOC Holdings Limited UK, incorporated in the United Kingdom. BOC Holdings Limited, U.K. owns 60% of the issued share capital of BOC Gases Nigeria Plc. The ultimate holding company is Linde AG, incorporated in Germany.

Other related party transactions

The Company has transactions with its parent and African Oxygen Limited (Afrox), a related party to the Company by virtue of being a member of The Linde Group. The total amounts due to related parties by nature of the transaction are shown below:

	Transaction values for the year ended 31 December		Balance due (to)/ from	
	2013	2012	2013	2012
	N'000	N'000	N'000	N'000
<i>Sale of goods and services</i>				
Parent	(6,513)	(9,020)	(940)	5,573
Afrox	(17,688)	(11,636)	(18,424)	(736)
<i>Technical aid fees</i>				
Afrox	2,849	(14,347)	(11,498)	(14,347)
<i>Internet service charge</i>				
Ultimate holding company	(11,933)	-	(11,933)	-
<i>Administrative and others</i>				
Ultimate holding company	-	-	(245)	(245)
Afrox	1,939	(36,836)	(87,640)	(89,579)

During the year, the Company signed an internet service support agreement with Linde AG. The Company also has an active management support agreement with African Oxygen Limited. This is charged at 3 percent of the Company's profit before income tax.

All outstanding balances with these related parties are to be settled in cash within twelve months of the reporting date. None of the balances are secured nor bear interest. No debts from related parties have been impaired and there was no expense for bad debt on related parties.

(b) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director of the Company.

Loans to key management personnel

The Company did not grant any loans to or receive any loans from any key management personnel.

Key management personnel compensation

In addition to their salaries, the Company also contributes to a post-employment defined contribution plan on behalf of key management personnel in the form of pensions, and to the Company's long service award scheme.

Key management personnel compensation comprised the following:

	2013	2012
	N'000	N'000
Short-term employee benefits	121,249	112,507
Post-employment benefits (pension contribution)	12,432	11,389
Other long term benefits (long service awards)	208	934
	133,889	124,830

Key management personnel and director transactions

Directors of the Company control 0.1 percent of the voting shares of the Company.

No key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of the entity. Directors of the Company do not purchase goods from the Company.

27 Operating leases

Lease as lessee

The Company leases a number of offices under non cancellable operating leases. During the year ended 31 December 2013, an amount of ₦1.37 million was recognised as an expense in profit or loss in respect of operating lease (2012: ₦1.83 million). Lease rentals are paid upfront and included in prepayments, which are amortised to the profit and loss over the life of the lease.

28 Subsequent events

There were no significant events after the end of the reporting date which could have had a material effect on the state of affairs of the Company as at 31 December 2013 and the profit for the year ended on that date which have not been adequately accounted for or disclosed where necessary.

Additional Information

Value Added Statement

For the year 31 December

	2013 N'000	2012 N'000
Revenue	2,091,618	2,325,714
Bought in materials and services:		
- Local	(975,048)	(1,209,136)
- Imported	(108,339)	(134,348)
	1,008,232	982,229
Other income	957	8,592
Finance income	56,276	26,256
Value added by operating activities	1,065,465	1,017,077

Distribution of value added		%		%
To government as:				
Income tax	117,565	11	194,417	19
To employees:				
Salaries, wages and allowances	414,567	39	344,313	34
Retained in the business:				
To maintain and replace:				
- Property, plant and equipment	187,327	17	173,715	17
To pay proposed dividend	83,249	8	-	-
To augment reserves	262,757	25	304,632	30
Value added	1,065,465	100	1,017,077	100

Financial summary

For the year ended 31 December 2013

	2013 N'000	2012 N'000	2011 N'000
Revenue	2,091,618	2,325,714	2,361,617
Results from operating activities	324,046	472,793	460,148
Profit before income tax	380,322	499,049	487,492
Profit for the year	262,757	304,632	332,573
Total comprehensive income for the year	262,757	304,632	332,573
Employment of funds			
Property, plant and equipment	1,416,288	1,330,890	1,129,828
Prepayments	2,500	3,181	3,910
Net current assets	685,779	559,027	439,687
Employee benefits	(18,149)	(14,613)	(10,612)
Deferred tax liabilities	(262,992)	(234,567)	(228,269)
Net assets	1,823,426	1,643,918	1,334,544
Funds employed			
Share capital	208,122	208,122	196,560
Retained earnings	1,615,304	1,435,796	1,137,984
	1,823,426	1,643,918	1,334,544
Per share data (kobo):			
Earnings per share (Basic)	63	73	80
Share price at year-end	633	625	685
Declared dividend per share	20	-	36
Bonus shares	-	1 for 17	-
Net assets per share	438	395	321

The financial information presented above reflects historical summaries based on International Financial Reporting Standards. Information related to prior periods has not been presented as it is based on a different financial reporting framework (Nigerian GAAP) and is therefore not directly comparable.