

CONOIL PLC

**UNAUDITED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2014**

CONTENTS

- 2 Result at a glance
- 3 Unaudited Statement of comprehensive income
- 4 Unaudited Statement of financial position
- 5 Unaudited Statement of changes in equity
- 6 Unaudited Statement of cash flows
- 7 -34 Notes to the annual financial statements

CONOIL PLC

RESULTS AT A GLANCE FOR THE PERIOD ENDED 30 SEPTEMBER 2014

	September 2014 N'000	September 2013 N'000	Change %
Revenue	104,223,841	121,803,182	(14)
Profit before taxation	2,098,572	3,084,294	(32)
Profit after taxation	1,427,029	2,088,067	(32)
Share capital	346,976	346,976	0

	September 2014 N'000	December 2013 N'000	
Shareholders' Fund	16,688,656	17,055,409	(2)

PER SHARE DATA:

Based on 693,952,117 ordinary
shares of 50 kobo each

Earnings per 50k share (Naira)- Basic	206	301	(32)
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Stock Exchange quotation (Naira)

Number of Staff	248	266	(7)
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CONOIL PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2014

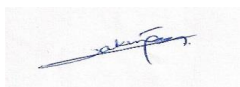
	Note	September 2014 N'000	September 2013 N'000
Revenue	5	104,223,841	121,803,182
Cost of sales	6	<u>(93,427,921)</u>	<u>(109,579,020)</u>
Gross profit		10,795,920	12,224,162
Other operating Income	7	165,377	119,526
Distribution expenses		(2,522,217)	(2,800,615)
Administrative expenses		(4,817,303)	(4,774,220)
Finance cost	8	<u>(1,523,205)</u>	<u>(1,684,560)</u>
Profit before tax	10	2,098,572	3,084,294
Income tax expense	11	<u>(671,543)</u>	<u>(996,227)</u>
Profit for the period		<u>1,427,029</u>	<u>2,088,067</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u><u>1,427,029</u></u>	<u><u>2,088,067</u></u>
Earnings per share			
Basic (Kobo per share)	13	<u><u>206</u></u>	<u><u>301</u></u>

CONOIL PLC

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

	Note	September 2014 N'000	December 2013 N'000
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	14	4,128,729	4,833,632
Investment property	15	459,263	496,500
Other intangible assets	16	87,562	95,522
Prepayments-Non current portion	17	411,104	245,566
Other financial asset	18	10	10
Total non-current assets		<u>5,086,668</u>	<u>5,671,230</u>
<i>Current assets</i>			
Inventories	19	10,769,434	10,635,426
Trade and other receivables	20	62,467,547	38,117,934
Prepayments and other current assets	17	269,345	160,889
Cash and bank balances	21	<u>15,890,351</u>	<u>27,786,547</u>
Total current assets		<u>89,396,678</u>	<u>76,700,796</u>
Total assets		<u>94,483,345</u>	<u>82,372,026</u>
Equity and liabilities			
<i>Capital and reserves</i>			
Share capital	22	346,976	346,976
Share premium	22	3,824,770	3,824,770
Retained earnings	23	<u>12,516,909</u>	<u>13,865,688</u>
Total equity		<u>16,688,656</u>	<u>18,037,434</u>
<i>Non-current liabilities</i>			
Other liability	26	498,897	496,397
Deferred tax liabilities	11	352,909	352,910
Decommissioning liability	27	<u>27,669</u>	<u>27,669</u>
Total non-current liabilities		<u>879,475</u>	<u>876,976</u>
<i>Current liabilities</i>			
Borrowings	24	10,323,571	11,828,937
Trade and other payables	25	63,093,894	48,802,473
Current tax liabilities	11	<u>3,497,749</u>	<u>2,826,206</u>
Total current liabilities		<u>76,915,214</u>	<u>63,457,616</u>
Total liabilities		<u>77,794,689</u>	<u>64,334,592</u>
Total equity and liabilities		<u>94,483,345</u>	<u>82,372,026</u>

The unaudited financial statements on pages 2 to 34 were approved by the Board of Directors on 30 October, 2014 and signed on it's behalf by:



Akin Fabunmi
FRC/2013/ICAN/00000003436



Adeyinka Adebisi
FRC/2014/IMN/00000008577

CONOIL PLC

STATEMENT OF CHANGES IN EQUITY AS AT 30 SEPTEMBER 2014

	Share capital N'000	Share premium N'000	Retained earnings N'000	Total equity N'000
Balance at 1 January 2013	346,976	3,824,770	11,489,549	15,661,295
Total comprehensive income for the year	-	-	3,070,091	3,070,091
Payment of dividends	-	-	(693,952)	(693,952)
Balance at 31 December 2013	346,976	3,824,770	13,865,688	18,037,434
Total comprehensive income for the year	-	-	1,427,029	1,427,029
Proposed/Payment of dividends	-	-	(2,775,808)	(2,775,808)
Balance at 30 September 2014	346,976	3,824,770	12,516,909	16,688,655

CONOIL PLC

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

	Note	SEPTEMBER 2014 N'000	December 2013 N'000
Cash flows from operating activities			
Cash receipts from customers		106,086,523	161,537,547
Cash paid to suppliers and employees		<u>(114,597,824)</u>	<u>(121,169,248)</u>
		(8,511,301)	40,368,299
Value added tax paid		(100,638)	(278,208)
Tax paid	11	<u>-</u>	<u>(322,720)</u>
Net cash provided by operating activities	28	<u>(8,611,939)</u>	<u>39,767,371</u>
Cash flows from investing activities			
Purchase of fixed assets	14	(423,562)	(183,689)
Purchase of software	16	-	(11,700)
Refund on staff gratuity liquidation			178,834
Interest received	7	<u>165,377</u>	<u>2,375,218</u>
Net cash provided by investing activities		<u>(258,185)</u>	<u>2,358,663</u>
Cash flows from financing activities			
Distributors' deposit		2,500	-
Dividend paid	23.1		(693,952)
Interest paid	9	<u>(1,523,205)</u>	<u>(2,251,826)</u>
Net cash provided by financing activities		<u>(1,520,705)</u>	<u>(2,945,778)</u>
Net Increase/(decrease) in cash and cash equivalents		(10,390,830)	39,180,256
Cash and cash equivalents at 1 January		<u>15,957,610</u>	<u>(23,222,646)</u>
Cash and cash equivalents 30 September 2014	21	<u>5,566,780</u>	<u>15,957,610</u>

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

1. The Company

Conoil Plc ("The Company") was incorporated in 1960. The Company's authorised share capital is 700,000,000 ordinary shares of 50k each.

The Company was established to engage in the marketing of refined petroleum products and the manufacturing and marketing of lubricants, household and industrial chemicals.

2 Adoption of new and revised IFRS standards

2.1 Accounting standards and interpretations issued but not yet effective

The following revisions to accounting standards and pronouncements that are applicable to the Company were issued but are not yet effective. Where IFRSs and IFRIC interpretations listed below permits, early adoption, the company has elected not to apply them in the preparation of these financial statements.

Pronouncement	Nature of change	Required to be implemented for periods beginning on or
Recoverable amount disclosures for Non-Financial Assets (Amendments to IAS 36)	The amendment reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.	Applicable to annual periods beginning on or after 1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting' (Amendments to IAS 39)	Amends IAS 39 Financial Instruments: Recognition and Measurement make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.	Applicable to annual periods beginning on or after 1 January 2014
IFRS 9 (2010)	A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 <i>Financial Instruments: Recognition and Measurement</i> .	Applies to annual periods beginning on or after 1 January 2015
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	The amendment clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off', the application of simultaneous realisation and settlement, the offsetting of collateral amounts and the unit of account for applying the offsetting requirements.	Applicable to annual periods beginning on or after 1 January 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	The amendment provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or	Applicable to annual periods beginning on or after 1 January
IFRS 11	Joint Arrangements ¹	
IFRS 12	Disclosure of Interests in Other Entities ¹	
IFRS 13	Fair Value Measurement ¹	
Amendment to IAS 1 Presentation of items of Other Comprehensive Income		
Amendment to IAS 12 Deferred Tax - Recovery of Underlying Assets		
IAS 19 (as revised in 2011) Employee Benefits		
IAS 27 (as revised in 2011)	Separate Financial Statements ¹	

¹ Effective for annual periods beginning on or after 1 January 2013.

² Effective for annual periods beginning on or after 1 January 2014

³ Effective for annual periods beginning on or after 1 January 2015.

2.2 Early adoption of standards and interpretations

The company has not early adopted any standards or interpretations during the current year.

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Compliance with applicable law and IFRS

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies and Allied Matters Act (CAMA) and the Financial Reporting Council of Nigeria Act.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

3.2 Accounting principles and policies

The financial statements have been prepared in accordance with the Company's accounting policies approved by the Board of Directors of the Company.

3.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes (where applicable).

Exchanges of petroleum products within normal trading activities do not generate any income and therefore these flows are shown at their net value in both the statement of comprehensive income and the statement of financial position.

3.3.1 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred in respect of the transaction can be measured reliably

3.3.2 Interest revenue

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.3.

3 Service Income

Service income represents income from Entity's property at service stations while rental income represents income from letting of the entities building. Both service income and rental income are credited in statement of comprehensive income when they are earned.

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

3.4 Foreign currency translation

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.5 Pensions and other post-employment benefits

The Company operates a defined contribution pension plans for its employees and pays fixed contributions into a separate entity. The Company has no legal or constructive obligations 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.

In addition, payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The Company also operated a gratuity scheme for its qualified employees prior to 2008 which it has discontinued.

3.6 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

3.6.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

3.6.2 Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the reporting date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

3.7 Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost less accumulated depreciation and accumulated impairment loss

All other plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The initial cost of the property plant and equipment comprise of its purchase price or construction cost, any directly attributable to bringing the asset into operation, the initial estimating of dismantling obligation (where applicable) and any borrowing cost.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and assets under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The basis for depreciation is as follows:

Leasehold land and buildings	20-50 Years
Plant and machinery	5-10 Years
Motor vehicles	2-5 Years
Furniture, fittings and equipment	-
-Office furniture	3-12 Years
-Office equipment	5- 15Years
-Computer equipment	2-10 Years

Freehold land and Assets under construction are not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.8 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets are amortized on a straight-line basis over the following periods:

Software	10 years
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Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognized on disposal, or when to future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset is measured as difference between the net disposal proceeds and the carrying amount of the asset are recognized as profit or loss when the asset is derecognized

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2014**

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

3.9 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes).

The initial cost of the investment property comprise of its purchase price or construction cost, any directly attributable to bringing the asset into operation, the initial estimating of dismantling obligation (where applicable) and any borrowing cost.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and assets under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting year, with the effect of any changes in estimate accounted for on a prospective basis. The basis for depreciation is as follows:

Leasehold land and buildings 20 Years

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the property is derecognised.

3.10 Impairment of long lived assets

The recoverable amounts of intangible assets and property, plant and equipment are tested for impairment as soon as any indication of impairment exists. This test is performed at least annually. The recoverable amount is the higher of the fair value (less costs to sell) or its value in use.

Assets are grouped into cash-generating units (or CGUs) and tested. A cash-generating unit is a homogeneous group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. The value in use of a CGU is determined by reference to the discounted expected future cash flows, based upon the management's expectation of future economic and operating conditions. If this value is less than the carrying amount, an impairment loss on property, plant and equipment, or on other intangible assets, is recognized either in "Depreciation, depletion and amortization of property, plant and equipment, or in "Other expense", respectively. Impairment losses recognized in prior periods can be reversed up to the original carrying amount, had the impairment loss not been recognized.

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

3.11 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2014**

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

3.12 Inventories

Inventories are valued at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses. Cost is determined on weighted average basis and includes all costs incurred in acquiring the inventories and bringing them to their present location and condition.

3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and highly liquid investments generally with maturities of three months or less. They are readily convertible into known amounts of cash and have an insignificant risk of changes in value.

3.14 Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

i. Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

ii. Restructuring

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2014**

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

3.15 Financial assets and liabilities

3.15.1 Initial recognition and measurement

- i. Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus (in the case of investments not at fair value through profit or loss) directly attributable transaction costs.

The Company's financial assets include cash and short-term deposits, trade and other receivables and loan and other receivables.

Subsequent measurement

- ii. The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in statement of profit or loss. The losses arising from impairment are recognised in statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less, but exclude any restricted cash which is not available for use by the Company and therefore is not considered highly liquid

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Derecognition

A financial asset (or, where an applicable part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- The right to receive cash flows from the asset have expired.

The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2014**

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

3.15.1 Financial assets (continued)

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in statement of profit or loss.

3.15.2 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition.

The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2014**

3.15.2 Financial liabilities (continued)

Interest-bearing loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised, as well as through the EIR method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in statement of profit or loss.

Derecognition

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in statement of profit or loss.

3.15.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.15.4 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include: using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

3.16 Creditors and accruals

Creditors and accruals are the financial obligations due to third parties and are falling due within one year. The outstanding balances are not interest bearing and are stated at their nominal value.

3.17 Asset retirement obligations

Asset retirement obligations, which result from a legal or constructive obligation, are recognised based on a reasonable estimate in the year in which the obligation arises. The associated asset retirement costs are capitalized as part of the carrying amount of the underlying asset and depreciated over the useful life of this asset. An entity is required to measure changes in the liability for an asset retirement obligation due to the passage of time (accretion) by applying a risk-free

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2014**

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

4.1.1 Revenue recognition

The directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the rectification costs.

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

4.2.1 Useful lives of property, plant and equipment

As described in Note 3.8, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the useful lives of property, plant and equipment

4.2.2 Decommissioning liabilities

As described in Note 28, estimates regarding cashflows, discount rate and weighted average expected timing of cashflows were made in arriving at the future liability relating to decommission costs. Should these estimates vary, profit and loss and statement of financial position in the following years would be significantly impacted.

4.2.3 Impairment losses on receivables

The company reviews its receivables to assess impairment at least on an annual basis. The Company's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be reported in profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flow. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evident of a reduction in the recoverability of the cash flows.

4.2.4 Allowance for Obsolete Inventory

The Company reviews its inventory to assess loss on account of obsolescence on a regular basis, in determining whether an allowance for obsolescence should be recorded in profit or loss, the company makes judgements as to whether there is any observable data indicating that there is any future sellability of the product and the net realizable value of such products. Accordingly, allowance for impairment, if any, is made where the net realizable value is less than cost based on best estimates by the management.

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

4.2.5 Valuation of Financial Liabilities

Financial liabilities have been measured at amortised cost. The effective interest rate used in determining the amortised cost of the individual liability amounts has been estimated using the contractual cash flows on the loans. IAS 39 requires the use of the expected cash flows but also allows for the use of contractual cash flows in instances where the expected cash flows can not be reliably determined. However, the effective interest rate has been determined to be the rate that effectively discounts all the future contractual cash flows on the loans including processing, management fees and other fees that are incidental to the different loan transactions.

5 Revenue

The following is the analysis of the Company's revenue for the year from continuing operations (excluding investment income—see Note 7)

	September 2014 N'000	September 2013 N'000
Revenue from sale of petroleum products	<u>104,223,841</u>	<u>121,803,182</u>

5.1 All the sales were made within Nigeria.

6 Segment Information

The reportable segments of Conoil PLC are strategic business units that offer different products. The report of each segment is reviewed by management for resource allocation and performance assessment.

Operating segments were identified on the basis of differences in products. The Company has identified three operating and reportable segments: White products (Industrial and Aviation Fuel), Lubricants and Liquefied Petroleum Gas (LPG). The White products segment is involved in the sale of Premium Motor Spirit (PMS), Aviation Turbine Kerosene (ATK), Dual Purpose Kerosene (DPK), Low-pour Fuel Oil (LPFO) and Automotive Gasoline/grease Oil (AGO). The products under the lubricants segment are Lubricants transport, Lubricants industrial, Greases, Process Oil and Bitumen. Products traded under LPG segment are Liquefied Petroleum Gas - Bulk, Liquefied Petroleum Gas - Packed, cylinders and valves.

The segment results for the year ended 30 September 2014 are as follows:

	Fuel N'000	%	Lubricants N'000	%	LPG N'000	%	Total N'000	%
Turnover	97,924,476	94	6,228,327	6	71,038	0	104,223,841	100
Cost of sales	<u>(89,074,163)</u>	95	<u>(4,288,143)</u>	5	<u>(65,615)</u>	0	<u>(93,427,921)</u>	100
Gross profit	<u>8,850,313</u>	82	<u>1,940,184</u>	18	<u>5,423</u>	0	<u>10,795,920</u>	100

The segment results for the year ended 30 September 2013 are as follows:

	Fuel N'000	%	Lubricants N'000	%	LPG N'000	%	Total N'000	%
Turnover	114,394,362	93	7,142,261	6	266,560	1	121,803,182	100
Cost of sales	<u>(104,597,456)</u>	94	<u>(4,743,742)</u>	4	<u>(237,822)</u>	1	<u>(109,579,020)</u>	100
Gross profit	<u>9,796,906</u>	80	<u>2,398,519</u>	20	<u>28,737</u>	0	<u>12,224,162</u>	100

6.1 There is no disclosure of assets per business segment because the assets of the Company are not directly related to a particular business segment.

6.2 There is also no distinguishable component of the Company that is engaged in providing products or services within a particular economic environment and that is subject to risk and returns that are different from those of components operating in other

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

7 Other Operating Income

	September 2014 N'000	September 2013 N'000
Rental income:		
Service income (See Note 7.1)	56,052	48,325
Rent Income	100,463	55,411
Glo recharge card	4,593	14,652
Interest income:		
Bank deposits	4,269	1,138
	<u>165,377</u>	<u>119,526</u>

7.1 Service income

Service income represents commissions received from dealers for the use of the Company's properties at service stations. The dealers use the properties for the sale of Conoil's products.

8 Finance cost

	September 2014 N'000	September 2013 N'000
Interest on bank overdraft	1,523,205	1,684,560
	<u>1,523,205</u>	<u>1,684,560</u>

Bank overdrafts are repayable on demand. The average effective interest rate on bank overdrafts approximates 17% (2013 17%) per annum and are determined based on NIBOR plus lender's mark-up.
The Overdraft was for the purpose of importation/purchase of products for resale.

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

10 Profit Before Tax

This is stated after charging/(crediting) the following:

	September 2014 N'000	September 2013 N'000
Director's emoluments	36,450	29,150
Auditors remuneration	13,750	13,000
Depreciation	1,170,000	1,364,692
Exchange (Gain)/Loss	-	-

11 Income taxes

	September 2014 N'000	December 2013 N'000
Income tax based on profit for the Period	629,572	2,353,345
Education tax	41,971	173,390
Under/(Over)provision in prior year	-	-
Deferred tax	-	(1,021,002)

Per statement of Comprehensive Income

	671,543	1,505,733
At 1 January	2,826,206	736,624
Payment during the year	-	(322,720)
Withholding tax utilised during the year	-	(114,433)
Transfer to deferred tax (Note 14)	-	1,021,002

Per Statement of Financial Position

	3,497,749	2,826,206
Balance above is made up of :		
Company income tax	3,273,693	2,644,121
Education tax	223,776	181,805
Capital gains tax	280	280
	3,497,749	2,826,206

The charge for taxation in these financial statements is based on the provisions of the Companies Income Tax Act CAP C21 LFN 2004 as amended to date, Education Tax Act CAP E4 LFN 2004 and Capital Gains Tax Act CAP C1 LFN 2004. The under provision in the prior year is as a result of additional tax assessment levied by tax authority.

12.1 Deferred tax

	September 2014 N'000	December 2013 N'000
At 1 January	352,910	1,373,912
Charge to profit or loss	-	(1,021,002)
At 30 September/December	352,910	352,910

Deferred tax as at 31 September 2014 was as a result of differences between the rates of depreciation adopted for accounting purposes and the rates of capital allowances granted for tax purposes.

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

13 Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows.

	September 2014 N'000	September 2013 N'000
Earnings		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the Company	<u>1,427,029</u>	<u>2,088,067</u>
Number of shares	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>693,952,117</u>	<u>693,952,117</u>
Earnings per share		
	June 2014 Kobo Per Share	June 2013 Kobo Per Share
Basic earnings per share	<u>206</u>	<u>301</u>
From continuing operations		

As at the reporting date, the Company did not have any convertible shares or any instruments that gives the holder right to any equity instrument in issue (2013: NIL). Consequently, no diluted

Earnings per share is calculated by dividing net income by the number of ordinary shares outstanding during the period

Diluted earnings per share are calculated by dividing net income by the fully-diluted number of ordinary shares outstanding during the period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2014**
14. Property Plant and equipment

	Freehold land Land N'000	Freehold Buildings N'000	Plant and machinery Machinery N'000	Furniture and Fitting N'000	Motor vehicles Vehicles N'000	Computer Equipment N'000	Capital work-in- WIP N'000	Total N'000
Cost or valuation								
Balance at 1 January 2014	147,766	4,900,233	11,014,733	4,144,929	1,317,178	984,960	-	22,509,799
Additions	-	320,984	14,952	7,221	71,450	8,955	-	423,562
Transfers/Reclassification	-	-	-	-	-	-	-	-
Impairments /Write off	-	-	-	-	-	-	-	-
Revaluation increase	-	-	-	-	-	-	-	-
Balance at 30 Sep 2014	147,766	5,221,216	11,029,685	4,152,150	1,388,628	993,915	-	22,933,361
Accumulated depreciation and impairment								
Balance at 31 December 2013	-	3,107,273	8,293,295	4,087,253	1,272,348	915,997	-	17,676,166
Eliminated on revaluation	-	-	-	-	-	-	-	-
Impairments /Write off	-	-	-	-	-	-	-	-
Amortisation charge on capitalised decommissioning liability	-	2,558	-	-	-	-	-	2,558
Depreciation expense	-	165,883	780,850	61,339	102,785	15,050	-	1,125,907
Reclassification	-	-	-	-	-	-	-	-
Balance at 30 Sep 2014	-	3,275,715	9,074,145	4,148,592	1,375,133	931,047	-	18,804,632
Carrying amount								
Balance at 30 Sep 2014	147,766	1,945,502	1,955,541	3,558	13,495	62,868	-	4,128,729
At 31 December 2013	147,766	1,792,959	2,721,438	57,676	44,830	68,963	-	4,833,632

14.1 Assets pledged as security

No asset was pledged as security as at 30 September 2014 (2013:Nil)

14.2 Contractual commitments

The Company did not have any remaining contractual commitments in relation to capital expenditure as at 30 September 2014 (2013: Nil).

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

15 Investment property

Building

	September 2014 N'000	December, 2013 N'000
Cost		
Balance at beginning of year	993,000	993,000
Transferred from property, plant and equipment	-	-
Balance at the end of the period	<u>993,000</u>	<u>993,000</u>
Accumulated depreciation		
Balance at the beginning of the year	496,500	446,850
Transferred from property, plant and equipment	-	-
Depreciation	37,238	49,650
Balance at the end of the period	<u>533,738</u>	<u>496,500</u>
Carrying amount	<u>459,263</u>	<u>496,500</u>

The Company's investment property is held under freehold interests.

16 Intangible assets

	Computer software N'000
Cost	
Balance as at 1 January	106,136
Addition	-
Disposal	-
Balance as at 30 September 2014	<u>106,136</u>
Accumulated depreciation	
Balance at the beginning of the year	10,614
Depreciation	7,961
Balance at the end of the period	<u>18,575</u>
Carrying amount	
As at 30 September 2014	<u>87,562</u>
As at 31 December 2013	<u>95,522</u>

The software acquired in 2012 was fully installed and put to use in 2013. Therefore amortisation expense was incurred during the period at 10% per annum on the total cost.

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

17 Prepayments

	September 2014 N'000	December 2013 N'000
Current		
Prepaid rent and insurance	269,345	160,889
	<u>269,345</u>	<u>160,889</u>
Non-current		
Prepaid rent and insurance	411,104	245,566
	<u>411,104</u>	<u>245,566</u>

Prepayments are rents paid in advance to landlords of properties occupied by Conoil Plc for the purpose of carrying out business in various location in Nigeria

18 Other financial asset

	September 2014 N'000	December 2013 N'000
Investment in Nigerian Yeast and Alcohol Manufacturing Plc		
Cost	1,846	1,846
Impairment	(1,836)	(1,836)
	<u>10</u>	<u>10</u>

Nigerian Yeast and Alcohol Manufacturing Company Plc (NIYAMCO) has stopped business operations for several years, hence the Company has impaired its investments.

19 Inventories

	September 2014 N'000	December 2013 N'000
Raw materials	798,657	1,012,719
Finished goods	10,061,141	9,586,510
Spare parts and consumables	14,635	96,197
Obsolete Stock Provision	(105,000)	(60,000)
	<u>10,769,434</u>	<u>10,635,426</u>

The cost of inventories recognised as an expense during the period in respect of continuing operations was N93.4bn (Note 6), (2013: N109.6bn)
There was an additional provision of N45m on finished goods inventory due to leaker lubricants items and obsolete stock on account during the period.

Spare parts and Consumables are engineering spares for maintenance of generators, pumps, plants and machinery

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

20 Trade and other receivables

	September 2014 N'000	December 2013 N'000
Trade debtors	8,187,049	10,155,430
Allowance for bad and doubtful debts	(2,667,858)	(2,622,858)
	<u>5,519,192</u>	<u>7,532,572</u>
Other debtors	137,576.24	229,323
Receivable from Petroleum Support Fund	17,528,581	14,471,219
Bridging claims receivable	16,178,906	15,350,568
Advance for product supplies	23,058,954	496,510
Withholding tax recoverable	44,338	37,742
Due from related parties (See Note 32)	-	-
	<u>62,467,547</u>	<u>38,117,934</u>

In determining the recoverability of a trade receivable the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

The Company does not hold any collateral over these balances.

	September 2014 N'000	December 2013 N'000
Ageing of past due but not impaired trade receivables		
Less than 90 days	7,970,419	9,719,934
91 - 180 days	<u>216,631</u>	<u>435,496</u>
Total	<u>8,187,049</u>	<u>10,155,430</u>
	September 2014 N'000	December 2013 N'000
Ageing of past due and impaired trade receivables		
91-180 days	1,864,432	1,834,432
181-360 days	321,861	306,861
360+ days	<u>481,565</u>	<u>481,565</u>
Total	<u>2,667,858</u>	<u>2,622,858</u>

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

	September 2014 N'000	December 2013 N'000
Allowance for doubtful debts		
As at 1 January	2,622,858	428,266
Provision for the period	45,000	2,194,592
Provision no longer required	<u>-</u>	<u>-</u>
As at 30 September	<u>2,667,858</u>	<u>2,622,858</u>

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

20.1 Bridging claims receivable

Bridging Claims are costs of transporting white products such as Premium Motor Spirit (PMS), Dual Purpose Kerosene (DPK) except Aviation Turbine Kerosene (ATK) and Automotive Gas Oil (AGO) from specific Pipelines and Products Marketing Company depots to approved zones which are claimable from the Federal Government. Bridging Claims are handled by the Petroleum Equalization Fund. The bridging claims receivable at the end of the year is stated after deduction of a specific provision for claims considered doubtful of recovery.

20.2 Withholding tax recoverable

	September 2014 N'000	December 2013 N'000
At 1 January	37,742	145,418
Addition during the year	6,596	6,757
Amount Received during the Year	-	(114,433)
	<u>44,338</u>	<u>37,742</u>
At 30 September	<u>44,338</u>	<u>37,742</u>

21 CASH AND CASH EQUIVALENTS

	September 2014 N'000	December 2013 N'000
Cash and Bank	15,890,351	27,786,547
Bank overdraft	(10,323,571)	(11,828,937)
	<u>5,566,780</u>	<u>15,957,610</u>
At 30 September	<u>5,566,780</u>	<u>15,957,610</u>

The Company did not have any restricted cash at the reporting date (2013: NIL)

22 Authorised, Issued And Paid-up Capital

	September 2014 N'000	December 2013 N'000
Authorised		
700,000,000 ordinary shares of 50k each	<u>350,000</u>	<u>350,000</u>
Issued and fully paid		
693,952,117 ordinary shares of 50k each	<u>346,976</u>	<u>346,976</u>
SHARE PREMIUM ACCOUNT		
At 30 September	<u>3,824,770</u>	<u>3,824,770</u>

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

23 Retained earnings

	Septemebr 2014 N'000	December 2013 N'000
At 1 January	13,865,688	11,489,549
Dividend declared/paid	(2,775,808)	(693,952)
Profit for the year	1,427,029	3,070,091
Transfer from revaluation reserve	-	-
At 30 June	<u>12,516,909</u>	<u>13,865,688</u>

At the Annual Meeting held on Tuesday, 30th September, 2014 the shareholders approved that dividend of 400 kobo per share be paid to shareholders (total value N2.77b) for the year ended 31 December 2013.

23.1 Dividend

	Septemebr 2014 N'000	December 2013 N'000
Summary		
At 1 January	50	50
Dividend declared	<u>2,774,808</u>	<u>693,952</u>
	2,774,858	694,002
Payments - Sterling Registrars	-	(693,952)
At 30 September	<u>2,774,858</u>	<u>50</u>

23.2 Dividend per share is based on the issued and fully paid up shares as at 31 December 2013.

24 Borrowings

	September 2014 N'000	December 2013 N'000
Unsecured borrowing at amortised cost		
Bank overdraft	<u>10,323,571</u>	<u>11,828,937</u>

Bank overdrafts are repayable on demand. The average effective interest rate on bank overdrafts approximates 17% (2013:17%) per annum and is determined based on NIBOR plus lender's mark-up.

There is no security or pledge on the Company's assets with respect to the borrowings.

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

25 Trade and other payables

	Septemebr 2014 N'000	December 2013 N'000
Trade creditors	3,332,723	6,648,937
Other creditors and accruals	38,100,066	25,075,552
Bridging contribution (Note 25.1)	16,171,273	14,709,348
Unclaimed dividend (Note 23.1)	2,775,858	50
Value added tax	1,613,234	1,359,859
Withholding tax payable	933,847	845,650
PAYE	156,406	151,748
Staff Pension and similar obligations (Note 25.2)	10,487	11,329
	63,093,894	48,802,473

25.1 Bridging contributions

Bridging Contributions are mandatory contributions per litre of all white products lifted to assist the Federal Government defray the Bridging Claims.

25.2 Staff pension

	Septemebr 2014 N'000	December 2013 N'000
At 1 January	11,329	11,902
Contributions during the year	94,383	137,060
Remittance in the year	(95,225)	(137,633)
At 30 September	10,487	11,329

26 Distributors' deposits

	September 2014 N'000	December 2013 N'000
At 1 January	497,147	496,084
New deposits	1,750	8,063
Refunds	-	(7,000)
At 30 September	498,897	497,147

Distributors' deposit represents amounts collected by the Company from its various dealers and distributors as security deposit against the value of the Company's assets with these dealers.

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

27 Decommissioning liability

The following table presents the reconciliation of the carrying amount of the obligation associated with the decommissioning of the Company's Property, plant and equipment:

	Septemebr 2014 N'000	December 2013 N'000
Balance	27,669	23,548
Accretion	-	4,121
	<u>27,669</u>	<u>27,669</u>

Decommissioning liabilities is accounted for in accordance with IAS 37, Provisions, contingent liabilities and contingent assets and IAS 16, *Property, plant and equipment*. The associated asset retirement costs are capitalized as part of the carrying cost of the asset. Our asset retirement obligations consist of estimated costs for dismantlement and removal of signages and pumps from dealer-owned service stations. An asset retirement obligation and the related asset retirement cost are recorded when an asset is first constructed or purchased. The asset retirement cost is determined and discounted to present value using commercial lending rate ruling at the reporting period. After the initial recording, the liability is increased for the passage of time, with the increase being reflected as accretion expense in the statement of Comprehensive Income.

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

28 Reconciliation of net income to net cash provided by operating activities

	September 2014 N'000	December 2013 N'000
Profit after tax	1,427,029	3,070,091
Adjustments to reconcile profit after tax to net cash provided		
Depreciation	1,170,000	1,621,120
Net Book Value of Fixed Asset Written off	-	153,155
Interest payable and similar charges	1,523,205	2,251,826
Interest receivable and similar income	(165,377)	(2,554,052)
Changes in assets and liabilities		
(Increase)/Decrease in debtors and prepayments	(24,623,607)	20,189,740
Increase in stock	(134,008)	353,755
Increase in trade creditors	(3,316,214)	(5,012,286)
Increase in other creditors (including Staff Gratuity)	14,832,990	18,621,007
Increase in decommissioning liability	-	4,121
Increase/ (decrease) in tax	671,543	2,089,582
Increase in distributors' deposits	2,500	314
Increase/(decrease) in deferred taxation	-	(1,021,002)
Net cash used in operating activities	(8,611,939)	39,767,371

29 Financial instruments

29.1 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies in Note 3 to the financial statements.

Categories of financial instruments

	September 2014 N'000	December 2013 N '000'
Financial Asset		
Financial asset at amortised cost:		
Cash and bank balance	15,890,351	27,786,547
Trade and other receivables	62,467,547	38,117,934
	78,357,898	65,904,481
Financial Liabilities		
Financial liabilities at a		
Trade and other payables	63,093,894	48,802,473
Borrowings	10,323,571	11,828,937
	73,417,465	60,631,410

29.2 Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

30 FINANCIAL RISK MANAGEMENT

Risk management roles and responsibilities are assigned to stake holders in the Company at three levels: The board, executive committee and line managers.

The Board oversight is performed by the Board of Directors through the Board Risk and Ethics Committee.

The second level is performed by the Executive Management Committee (EXCOM).

The third level is performed by all line managers under EXCOM and their direct reports. They are required to comply with all risk policies and procedures and to manage risk exposures that arise from daily operations.

The Internal Audit Department provides an independent assurance of the risk frame work. They assess compliance with established controls and recommendations for improvement in processes are escalated to relevant management, Audit Committee and Board of Directors.

30.1 Financial risk management objectives

The Company monitors and manages financial risks relating to its operations through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

30.2 Interest rate risk management

The Company is exposed to interest rate risk because entities in the Company borrow funds at both fixed and floating interest rates (overdraft). The risk is managed by the Company by maintaining an appropriate mix between short and long term borrowings. The risk is managed by the Company by constantly negotiating with the banks to ensure that interest are consistent with the monetary policy rates as defined by the Central Bank of Nigeria.

Interest rate risk

Sensitivity Analysis

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Average rate	September 2014 N'000	December 2013 N '000'
Variable rate instruments			
Financial assets	0%	-	-
Bank Overdrafts	17%	10,323,571	11,828,937
		<u>10,323,571</u>	<u>11,828,937</u>

Sensitivity Analysis of variable rate instruments

A change of 200 basis points in interest rates at the reporting date would have increased /(decreased) equity and profit and loss after tax by the amounts shown below

Change of 200 basis points (2%).

	Interest charged N'000	Effect of increase/Decrease in Exchange Rate	
30 September 2014	1,523,205	+/-2	30,464
31December 2013	2,247,705	+/-2	236,579

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

Financing Facilities

Unsecured bank loans and overdrafts payable at call and reviewed annually.

	September 2014 N'000	December 2013 N '000'
Amount Used	10,323,571	11,828,937
Amount Unused	30,096,429	28,591,063
	<u>40,420,000</u>	<u>40,420,000</u>

30.3 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

30.4 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established a liquidity risk management framework for the management of the Company's short- medium - and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining reserves, banking facilities and reserve borrowing facilities, by monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Financing Facilities

Unsecured bank loans and overdrafts payable at call and reviewed annually.

	September 2014 N'000	December 2013 N '000'
Amount Used	10,323,571	29,610,760
Amount Unused	30,096,429	10,809,240
	<u>40,420,000</u>	<u>40,420,000</u>

30.5 Liquidity and interest risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	Weighted average %	0- 3 months N'000	3 months-1 Years N'000	Total N'000
30 September 2014				
Borrowings	17%	10,323,571	-	10,417,917
Trade and other Payable		63,093,894		47,996,567
		<u>58,414,484</u>	<u>-</u>	<u>58,414,484</u>
31st Decemebr 2013				
Borrowings	17%	11,828,937		11,828,937
Trade and other Payable		48,802,473	-	48,802,473
		<u>60,631,410</u>	<u>-</u>	<u>60,631,410</u>

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

31 Gearing ratio and capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing returns to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from prior year.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in relevant notes in the financial statements

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

The gearing ratio at the period is as follows:

	September 2014 N'000	December 2013 N '000'
Debt	10,323,571	11,828,937
Equity	<u>16,688,656</u>	<u>18,037,434</u>
Net debt to equity ratio	0.62	0.66

Debt is defined as long- and short-term borrowings (bank overdraft inclusive), while equity includes all capital and reserves of the Company. The gearing ratio increased over the years indicating increase in the Company's debt profile relative to equity.

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

32 Related party transactions

RELATED PARTY TRANSACTIONS

During the year, the Company traded with the following companies with which it shares common ownership based on terms similar to those entered into with third parties as stated below:

30 June 2014

	Sales of Goods	Purchase of Goods	Deposits	Overdraft and Term loan	Balance due (to)/from
	N'000	N'000	N'000	N'000	N'000
Globacom Mobile Limited	23,257	32,295	-	-	(14,398)
Consolidated Oil Limited	1,047,417	-	-	-	-
Chairman's current account	-	-	-	-	-
Synopsis Enterprises Limited	-	-	-	-	-
Southern Air Limited	65,494	-	-	-	20,214
Proline (WA) Ltd	-	226,714	-	-	(21,472)
	<u>1,136,168</u>	<u>259,009</u>	<u>-</u>	<u>-</u>	<u>(15,656)</u>

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

Related Party Transactions Continued

31 December 2013

	Sales of Goods	Purchase of Goods	Deposits	and Term loan	Balance due (to)/from
	N'000	N'000	N'000	N'000	N'000
Globacom Mobile Limited	190,306	49,590	-	-	38,918
Consolidated Oil Limited	1,986,133	-	-	-	-
Chairman's current account	137,602	-	-	-	26,498
Synopsis Enterprises Limited	-	398,618	-	-	(23,439)
Southern Air Limited					
Proline (WA) Ltd	<u>2,314,041</u>	<u>448,208</u>	<u>-</u>	<u>-</u>	<u>41,977</u>

The Chairman of the Company, Chief Mike Adenuga, is known to have significant interests in Globacom Mobile Limited, Principal Enterprises, Southern Air Limited, , Conoil Producing Limited (formerly Consolidated Oil Limited) and Synopsis Enterprises Limited.

33 CAPITAL COMMITMENTS

There were no capital commitments as at 30 September 2014 (2013 Nil).

34 FINANCIAL COMMITMENTS

As at 30 September 2014, the Company had outstanding letters of credit amounting to N12.7billion(2012: N17.7billion).

35 CONTINGENT LIABILITIES

There are a number of legal suits outstanding against the Company at various levels of the court with claims totaling N10.27billion (2013 N10.27 billion). On the advice of the Company's external Solicitors, the Board of Directors are of the opinion that no material losses are expected to arise therefrom, hence no provision has been made in these financial statements.

CONOIL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

36 INFORMATION ON DIRECTORS AND EMPLOYEES

		September 2014 N'000	December 2013 N'000
36.1	Employment Costs:		
	Employment cost including Directors salaries and wages, staff training and benefit scheme	1,167,803	2,177,470
36.2	Number of employees of the Company in receipt of emoluments within the bands listed below are:	Number	Number
	Up to 1,000,000	15	15
N1,000,001 -	N2,000,000	47	47
N2,000,001 -	N3,000,000	41	41
N3,000,001 -	N4,000,000	39	39
N4,000,001 -	N5,000,000	23	23
N5,000,001 -	Above	83	83
		248	248
36.3	Average number of employees during the year:		
	Managerial Staff	22	22
	Senior Staff	208	208
	Junior Staff	18	18
		248	248