

**UTC NIGERIA PLC
LAGOS, NIGERIA
REPORT OF THE DIRECTORS
AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2012**

TABLE OF CONTENTS

	PAGE REFERENCE
GENERAL INFORMATION	1
REPORTS FROM THE DIRECTORS	2
STATEMENT OF DIRECTORS RESPOSIBILITIES	3
INDEPENDENT AUDITORS REPORT	4
STATEMENT OF COMPREHENSIVE INCOME	6
STATEMENT OF FINANCIAL POSITION	7
STATEMENT OF CHANGES IN EQUITY	8
STATEMENT OF CASH FLOWS	9
NOTES TO THE FINANCIAL STATEMENTS	10

GENERAL INFORMATION

DIRECTORS

Apostle H. I.A. Alile, OFR	Chairman
Folusho Olaniyan	Managing Director/CEO
Bode Adediji	
Engr. Bayo Adeola	
Victor G. Osibodu, MFR	
Fola Adeola, OFR	
Deji Alli	

SECRETARY

Olu Awolowo

REGISTERED OFFICE

27/29, Creek road, Apapa, Lagos
Tel: 8765611, 8765419

WEBSITE

www.utcnig.com

REGISTRARS & TRANSFER OFFICE

UBA Registrars Limited
Raymond House
3rd & 4th Floors
97/105, Broad Street,
P.O. Box 6492 Lagos.

PRINCIPAL BANKERS

Oceanic Bank International Plc
Guaranty Trust Bank Plc
Zenith Bank Plc
Sterling Bank Plc
Equitorial Trust Bank
Ecobank of Nigeria Plc

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2013**

The Directors have pleasure in submitting to the members of the Company their report together with the audited financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company was incorporated in 1932. It became a private limited liability company on 8th August, 1969 and a public company on 26th November 1971. It has since been quoted on the Nigeria Stock Exchange. The principal activities of the company are food processing, manufacturing of sausages, meat products, meat products, fast foods, bakery, confectionery and services connected therewith.

STATE OF AFFAIRS

In the opinion of the Directors, the state of the Company's affairs is satisfactory and there has been no material change since the balance sheet date, which would affect the financial statements as presented.

RESULT FOR THE YEAR	2012	2011
	₦,000	₦,000
Profit/(loss) for the year before taxation	(601,102)	325,141
Taxation	<u>(3,981)</u>	<u>7,250</u>
Profit for the year after taxation	<u>(605,083)</u>	<u>317,890</u>

FIXED ASSETS

Information relating to movement in fixed assets is shown in note 19 to the financial statements. In the opinion of the Directors, the market value of the Company's fixed assets is not less than the value shown in the financial statements.

DIRECTORS INTEREST IN CONTRACT

None of the directors have any interest in the share capital of the Company.

SHAREHOLDING STRUCTURE.

EVENTS AFTER REPORTING PERIOD

There is no material post balance sheet event which could have had a material effect on the state of affairs of the Company as at 31 December 2012.

EMPLOYMENT AND EMPLOYEES

Employment of disabled Persons

The Company employed no disabled person during the year. It is the Company's policy to consider disabled persons for employment if suitably qualified.

Employee Interest and Training

The Company regards its employees as priceless assets and regular training programmes are run for the benefit of the employees.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as the Company's auditors in accordance with the provision of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004. A resolution will be proposed to authorise the Directors to fix their remuneration.

BY ORDER OF THE BOARD

Olu Awolowo

....., 2013

STATEMENT OF DIRECTORS RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2012

The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company:

- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004;
- b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards issued by International Accounting Standard Board and the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, and Financial Reporting Council of Nigeria dated Nov 6, 1 Jan 2012.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit or loss. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Director

Director

-----2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UTC (NIGERIA) PLC

Report on the financial statements

We have audited the financial statements of UTC Nigeria Plc Ltd, which comprise the Statement of financial position as at 31 December 2012, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and in compliance with the Financial Reporting Act, No 6, 1 Jan 2012 and for such internal control as the directors determines necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UTC Nigeria Plc as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and in compliance with the Financial Reporting Council Act, No 6, 1 Jan 2012.

Report on Other Legal and Regulatory Requirements

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, we confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
- iii) the Company's balance sheet and profit and loss account are in agreement with the books of account.

Lagos, Nigeria

..... 2013

**STATEMENT OF COMPREHENSIVE INCOME
AS AT 31 DECEMBER, 2012**

		N'ooo	N'ooo
Revenue	5	1,636,493	2,800,011
Cost of sales	6	(1,184,753)	(1,852,303)
		-	
Gross profit		451,740	947,708
		-	
Other operating income	7	38,448	512,785
Selling and distribution cost	8	(28,479)	(32,707)
Administrative expenses	9	(800,252)	(778,750)
Other operating expenses	10	(137,592)	(235,092)
		-	
Operating profit		(476,135)	413,944
Finance cost	11a	(127,703)	(98,180)
Finance income	11b	19	347
		-	
Profit before tax		(603,819)	316,111
		-	
Income tax expense	12	(3,981)	(7,250)
		-	
Profit for the year		(607,800)	308,861
Earnings per share			
Basic	13		0.25

The attached notes 1 to 29 form an integral part of these financial statements.

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

Non Current Asset	NOTE	2012 N000	2011 N000	1 January 2011 N000
Property Plant And Equipment	14	2,362,560	2,328,976	2,022,264
Intangible assets	15	6,281	7,197	7,007
Available for sale financial Assets	16	16,500	16,500	45,371
		<u>2,385,341</u>	<u>2,352,672</u>	<u>2,074,643</u>
Current Assets				
Inventories	17	70,945	142,646	168,303
Trade and other receivables	18	144,906	150,755	337,315
Prepayments	19	49,184	63,541	21,485
Loans and receivables	20	1,140	6,410	8,710
Cash and cash equivalents	21	6,110	163,025	51,176
		272,285	526,377	586,989
Noncurrent assets classified as held for sale	22	316	316	180
Total current asset		272,601	526,693	587,169
		-	-	-
Total Assets		<u>2,657,942</u>	<u>2,879,366</u>	<u>2,661,811</u>
Liabilities and Equity				
Equity				
Issued share capital	23	616,688	616,688	616,688
Share premium		41,605	41,605	41,605
Revaluation reserves		50,121	50,121	1,148,223
Retained earning		217,656	825,456	(581,506)
Total equity		<u>926,070</u>	<u>1,533,871</u>	<u>1,225,010</u>
Non Current Liabilities				
Interest-bearing loans and borrowings	24	354,558	416,301	194,926
Government grant	25	83,100	94,432	-
Employee benefit liability	26	231,857	228,749	206,408
		<u>669,515</u>	<u>739,482</u>	<u>401,334</u>
Current Liabilities				
Trade and other payables	27	522,629	272,903	460,011
Interest-bearing loans and borrowings	24	464,789	276,211	535,670
Government grant	25	11,332	11,332	-
Employee benefit liability	26	59,823	42,210	39,699
Current Tax Liabilities	12	3,784	3,357	86
		<u>1,062,357</u>	<u>606,013</u>	<u>1,035,466</u>
Total liabilities		<u>1,731,872</u>	<u>1,345,495</u>	<u>1,436,800</u>
Total liabilities and equity		<u>2,657,942</u>	<u>2,879,366</u>	<u>2,661,811</u>

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

Notes	Issued share capital	Share premium	Retained earnings	Revaluation revaluation	Total equity
	N'ooo	N'ooo	N'ooo	N'ooo	N'ooo
As at January 1, 2012	616,688	41,605	825,457	50,121	1,533,871
Loss for the year			(607,798)		(607,798)
Transfer					-
Other comprehensive income	-	-	-		-
Total Comprehensive Income for the year					
As at 31 December, 2012	616,688	41,605	217,659	50,121	926,073

Notes	Issued share capital	Share premium	Retained earnings	Revaluation revaluation	Total equity
	N'ooo	N'ooo	N'ooo	N'ooo	N'ooo
As at January 1, 2011	616,688	41,605	(581,506)	1,148,223	1,225,011
Profit for the year			308,861		308,861
Transfer	-	-	1,098,102	(1,098,102)	-
Other comprehensive income					-
Total Comprehensive Income for the year					
As at 31 December, 2011	616,688	41,605	825,457	50,121	1,533,871

**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	2012 N000	2011 N000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customer			2,824,990
Cash paid to suppliers and employees			(2,783,782)
VAT (net)			5,544
Income tax paid			<u>(3,979)</u>
Net cash flow from operating activities			<u>42,773</u>
Investing activities:			
Purchase of property, plant and equipment	14		(1,578,438)
Proceed from sale of property, plant and equipment			<u>1,665,259</u>
Net cash flows from investing activities			<u>86,821</u>
Financing activities:			
Bank loan obtained	24		400,000
Bank loan repaid	24		(91,069)
Finance cost			<u>(88,492)</u>
Net cash flows from financing activities			<u>220,439</u>
Net (decrease)/increase in cash and cash equivalents			350,033
Cash and cash equivalents at 1 January			<u>(384,534)</u>
Cash and cash equivalents at 31 December	21		<u>(34,501)</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

1. CORPORATE INFORMATION

1.1 ACTIVITIES

UTC Nigeria Plc is a Public limited liability company incorporated and domiciled in Nigeria whose shares are publicly traded. The registered office is located at 2-4, Alhaji Adejumo Avenue, along Oshodi Expressway, Illupeju, Lagos, Nigeria.

The principal activities of the company are food processing, manufacturing of sausages, meat products, fast foods, bakery, confectionery and services connected therewith.

There was no change in the nature of business of the company during the year.

2.1 Basis of preparation and adoption of IFRS

The financial statements of UTC Nigeria Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial Statement is also prepared to meet all the requirements of the Company and Allied Matters act, CAP C20 Laws of the Federation of Nigeria.

These are UTC Nigeria Plc' first financial statements prepared in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied subject to certain transition elections disclosed in Note 2.3, UTC Plc has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2011 (date of transition) and throughout all periods presented, as if these policies had always been in effect. Note 2.3 discloses the impact of the transition to IFRS on UTC reported financial position, statement of comprehensive income and cash flows,

2.2. Summary of significant accounting policies

The following are the significant accounting policies applied by UTC Nigeria Plc in preparing its financial statements:

2.2.1 Intangible Assets

Intangible assets include purchased computer software and software licences with finite useful lives. Purchased software and software licences are recognised as assets if there is sufficient certainty that future economic benefits associated with the item will flow to the entity. Depreciation is calculated using the straight-line method over 4 years.

Computer software primarily comprises external costs and other directly attributable costs

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

2.2.2 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. Cost comprises the cost of acquisition and costs directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect costs attributable to the construction work, including salaries and wages, materials, components and work performed by subcontractors.

Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

The depreciation base is determined as cost less any residual value. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets and begins when the assets are available for use.

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER 2012**

The assets' residual values, and useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively.
Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the income statement as an expense.

The estimated useful lives of the major asset categories are:

Asset category	Year of Purchase	Remaining Life
	%	%
Plant and machines	28	15
Furniture, fittings and equipments	23 1/2	8 1/2
Motor Vehicle	40	8
Land and buildings		
With 50 years or over to expiry	2% per annum	
With less than 50 years to expiry	Over the period of lease	
Land is not depreciated		

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

2.2.3 Earnings per share**Basic earnings per share**

Basic earnings per share are determined by dividing the profit attributable to share holders by the weighted average number of shares on issue during the year.

2.2.3 Impairment of Non-financial assets

Property, plant and equipment and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash-generating units (CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGUs). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

UTC evaluates impairment losses for potential reversals when events or circumstances may indicate such consideration is appropriate. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognised for the asset in prior years.

2.2.4 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials:

Weighted average cost

Finished goods and work in progress:

Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.2.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The company's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, unquoted equity investment.

The company recognises two classes of financial assets:

- a) Available for sale financial investments
- c) Loans and receivables

All financial assets are recognised initially at fair value plus transaction costs.

Subsequent measurement

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

Available for sale financial investments

Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised in the available-for-sale reserve through other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for sale reserve to the income statement.

Investments in unquoted equity instruments that do not have an active market and whose fair value cannot be reliably measured and or derivatives that is linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR method.

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 EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Included in this classification are personal loans given to employees.

De-recognition

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

The rights 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)

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER 2012**

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 of 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.

ii) 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, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs. The company's financial liabilities include trade and other payables, loans and borrowings.

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings

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

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

Derecognition

A financial liability is derecognised when the obligation under the liability 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

2.2.5.1 Trade Receivable

Trade receivables are recognised initially at fair value and subsequently measured at , less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision for impairment of trade receivables is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER 2012**

amount of the provision is recognised in profit or loss within 'other operating expenses'. The carrying amount of the asset is reduced through the use of an allowance account. When trade receivables are uncollectible, it is written off as 'other operating expenses' in profit or loss. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in profit or loss.

2.2.5.2 Cash and Cash Equivalent

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

For the purpose of Cash flows cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts (if any).

2.2.6 Taxes**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in Nigeria. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the income statement.

Deferred tax

Deferred tax is provided using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits.

Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

2.2.7 Borrowing costs

Borrowing costs attributable to the acquisition or construction of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statements of comprehensive income in the period in which they are incurred.

2.2.8 Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.2.9 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

2.2.10 Leasing

(i) Finance Lease

A lease arrangement under which substantially all the risks and rewards incidental to ownership of the leased item rest with the lease are capitalised at the inception of the lease at the lower of the fair value of the related item or the present value of the minimum lease payments.

Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed to the income statement.

Capitalised leased assets are depreciated over the shorter of the lease term and the estimated useful life of the asset.

(ii) Operating Lease

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Lease payments under operating leases are charged on a straight line basis over the lease term.

The company operates an operating lease on the building it occupies in which rent is being paid to the owner of the building. The operating lease payment is recognised as an operating expense in the income statement on a straight line basis over the lease term.

2.2.11 EMPLOYEE BENEFITS

Employee benefits include short-term employee benefits (salaries and wages, housing allowance and transport allowance etc.), post-employment benefits (pensions and other retirement benefits).

a) Short term employee benefit

The company recognises a liability and an expense for short term employee benefits, including bonuses, only when contractually or constructively obliged.

b) Defined contribution

The Company operates a funded defined contributory scheme with some Pension Fund Administrators. This is in compliance with the provision of the Pension Reform Act, 2004 whereby employer and employees

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

contribute 7.5% each of the employees' eligible allowances. Staff contributions to the scheme are funded through payroll deductions, while the Company's contribution is charged to the profit and loss account.

When an employee has rendered service to an entity during a period, the company recognises the contribution payable to a defined contribution plan in exchange for that service (a) as a liability (accrued expenses), after deducting any contribution already paid, (b) as an expense.

c) *Defined benefit*

The Company also operate a defined benefit gratuity plan that is not funded by the Company. The cost of providing benefits is determined separately using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. All actuarial gains and losses are recognised in other comprehensive income in the period in which they occur. Actuarial gains and losses are presented in retained earnings in the statement of changes in equity. The past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately following the introduction of, or changes to, a pension plan, the past service cost is recognised immediately.

The defined benefit gratuity liability comprises the present value of the defined benefit obligation (using a discount rate based on Federal Government of Nigerian Treasury Bonds with terms to maturity similar to the average maturity period of the plan).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2.3 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Company is currently assessing the full impact of the remaining amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2012)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2012)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013."

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

This standard becomes effective for annual periods beginning on or after 1 January 2013

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

2.4. First-time adoption of IFRS

These financial statements, for the year ended 31 December 2011, are the first that UTC Nigeria Plc has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2010, UTC Nigeria Plc prepared its financial statements in accordance with Nigeria generally accepted accounting practice (Local GAAP). Accordingly, the company has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2011, together with the comparative period data as at and for the year ended 31 December 2010, as described in the accounting policies. In preparing these financial statements, UTC Nigeria's opening statement of financial position was prepared as at 1 January 2010, UTC's date of transition to IFRS. This note explains the principal adjustments made by NSIA Nigeria in restating its Local GAAP statement of financial position as at 1 January 2010 and its previously published Nigeria GAAP financial statements as at and for the year ended 31 December 2010.

Exemptions applied

IFRS 1 *First-Time Adoption of International Financial Reporting Standards* allows first-time adopters certain exemptions from the retrospective application of certain IFRS.

Nigeria has elected to disclose the following amounts prospectively from the date of transition.

Government grant

On 13 March 2012 the IASB issued amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards.

The amendments add an exception to the retrospective application of IFRSs to require that first-time adopters apply the requirements in IFRS 9 Financial Instruments and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans existing at the date of transition to IFRSs. This means that first-time adopters may elect not to recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant. However, entities may choose to apply the requirements of IFRS 9 and IAS 20 to government loans retrospectively if the information needed to do so have been obtained at the time of initially accounting for that loan. These amendments give first-time adopters the same relief as existing preparers of IFRS financial statements.

UTC chooses to apply the requirements of IFRS 9 and IAS 20 to government grant retrospectively only for loans collected after the year of transition.

Whether an Arrangement Contains a Lease

UTC Nigeria Plc has applied the transitional provision in IFRIC 4 Determining Whether an Arrangement Contains a Lease and has assessed all arrangements based upon the conditions in place as at the date of transition

Estimates

The estimates at 1 January 2011 and at December 31, 2011 are consistent with those made for the same date in accordance with Local GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of the Nigerian GAAP did not require estimation:

- Available-for-sale financial assets – unquoted equity shares

The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2011, the date of transition to IFRS and as of December 31, 2011

First-time adoption of IFRS continued

3.1 Reconciliation of statement of financial position as at 1 January 2011

	NOTES	NIGERIA GAAP N000	REMEASUREMENTS N000	IFRS AS AT 1 JANUARY 2011 N000
Non Current Asset				
Property Plant And Equipment	A	2,022,263	-	2,022,263
Intangible assets		7,007	-	7,007
Available for sale financial Assets		45,371	-	45,371
Current Asset				
Inventories		168,303		168,303
Trade and other receivables		337,315		337,315
Prepayments		21,485		21,485
Loans and receivables	B	8,949	(239)	8,710
Cash and cash equivalent		51,176		51,176
Assets classified as held for sale	C	-	<u>180</u>	<u>180</u>
Total Assets		<u>2,661,868</u>	<u>(59)</u>	<u>2,661,811</u>

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012
Equity

Issued share capital	616,688		616,688
Share premium	41,605		41,605
Revaluation reserves	1,148,223		1,148,223
Retained earning	<u>(468,555)</u>	<u>(112,951)</u>	<u>(581,506)</u>
Total equity	<u>1,337,961</u>	<u>(112,951)</u>	<u>1,225,010</u>

Non Current Liabilities

Interest bearing loans and borrowings	D 197,310	(2,384)	194,926
Employee benefit liability	91,132	115,276	206,408

Current Liabilities

Trade and other payables	460,011		460,011
Interest bearing loans and borrowings	535,670		535,670
Employee benefit liability	39,699		39,699
Current Tax Liabilities	<u>86</u>	<u>-</u>	<u>86</u>
Total liabilities	<u>1,323,908</u>	<u>112,892</u>	<u>1,436,800</u>

Total liabilities and equity	<u>2,661,869</u>	<u>(59)</u>	<u>2,661,810</u>
-------------------------------------	-------------------------	--------------------	-------------------------

3.1 Reconciliation of statement of financial position as at 31 December 2011

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

	NOTES	NIGERIA GAAP N000	REMEASUREMENT N000	31 DECEMBER 2011 N000
Non Current Asset				
Property Plant And Equipment	A	2,302,481	26,495	2,328,976
Intangible assets		7,197		7,197
Available for sale financial Assets		16,500		16,500
Current Asset				
Inventories		142,646		142,646
Trade and other receivables		150,755		150,755
Prepayments		63,541		63,541
Loans and receivables	B	6,737	(327)	6,410
Cash and cash equivalent		163,025		163,025
Assets classified as held for sale	C	-	316	316
Total Assets		<u>2,852,882</u>	<u>26,484</u>	<u>2,879,366</u>
Equity				
Issued share capital		616,688		616,688
Share premium		41,605		41,605
Revaluation reserves		50,121		50,121
Retained earning		930,555	(105,099)	825,456
Total equity		<u>1,638,969</u>	<u>(105,099)</u>	<u>1,533,870</u>
Non Current Liabilities				
Interest bearing loans and borrowings	D	527,516	(111,215)	416,301
Government grant	E		94,432	94,432
Employee benefit liability		91,715	137,034	228,749
Current Liabilities				
Trade and other payables		272,903		272,903
Interest bearing loans and borrowings		276,211		276,211
Government grant	E	-	11,332	11,332
Employee benefit liability		42,211		42,211
Current Tax Liabilities		3,357	-	3,357
Total liabilities		<u>1,213,913</u>	<u>131,583</u>	<u>1,345,495</u>
Total liabilities and equity		<u>2,852,882</u>	<u>26,484</u>	<u>2,879,366</u>

First-time adoption of IFRS continued

3.3 Reconciliation of total comprehensive income for the year ended 31 December 2011

	NOTES	NIGERIA GAAP N000	REMEASUREMENT N000	IFRS AS AT 31 DECEMBER 2011 N000
Revenue		2,800,011		2,800,011

UTC NIGERIA PLC

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012**

Cost of sales		(1,852,303)		(1,852,303)
Gross profit		947,708		947,708
Other operating income	B,E	500,011	12,,775	512,785
Selling and distribution cost		(32,707)		(32,707)
Administrative expenses	A,B	(783,189)	4,439	(778,750)
Other operating expenses		(235,092)		(235,092)
			-	
Operating profit		396,731	17,214	413,945
Finance cost	D,E	(88,492)	(9,688)	(98,180)
Finance income		19	-	19
Profit before tax		308,258	7,526	315,784
Income tax expense		(7,250)	-	(7,250)
			-	
Profit for the year		301,008	7,526	308,534
				-
Other comprehensive income				
Total comprehensive income				308,534

First-time adoption of IFRS continued

3.4 Notes to the reconciliation of equity as at 1 January 2011 and 31 December 2011 and total Comprehensive Income for the year ended 31 December 2011

A. Property, Plant and Equipment

Under the N-GAAP, some assets were written off and depreciation on some assets bought during the year has been incorrectly calculated. The effect on the total comprehensive income was a decrease of ₦26, 495,000 to

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

administrative expenses which resulted to an increase in the carrying amount of property, plant and equipment due to incorrect calculation of the depreciation.

B Loans and Receivables

The loans to the staff were given at a no interest rate in the Nigeria GAAP. Under IFRS loans should be measured at their fair value. The fair value of the loans given to the staff has been amortised over the period of the loan. The resulting adjustment of N326, 262 (1 January 2011: ₦239, 205 against retained earnings) was charged to profit or loss.

C Non-current Asset Held for Sale

The company has decided to reclassify some of its PPE as non-current asset held for sale as at the date of transition. The carrying value of the PPE amounting to ₦316,000 has been classified as Non-current Asset held for sale.

The effect on the total comprehensive income in 2011 was decrease of ₦147, 000 (1 January 2011: ₦180, 000 against retained earnings) in the profit or loss.

D Interest bearing loans and borrowing.

Under the NGAAP, bank loan are not amortised using the effective interest rate. Under IFRS, loans are amortised using the effective interest rate. The effect of the amortising the loan using the effective interest rate has been recognised in retained earnings.

The resulting adjustment of N111, 215 (1 January 2011: ₦2,384 against retained earnings) as a result of the measurement of the loan.

E Government grant

Under the N-GAAP the loans obtained at a below interest rate as a result of government intervention were not classified between Government grant and financial Instrument.

IFRS requires the benefit of government loans advanced either interest free or at a below-market rate of interest to be treated as a government grant, measured as the difference between the initial carrying amount of the loan determined in accordance with IAS 39 or IFRS 9 and the proceeds received. The adjustment of ₦105, 764,000 resulted into government grant.

Significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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 described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the company. Such changes are reflected in the assumptions when they occur.

Material estimates in the financial statements include the following:

Estimates and assumptions

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

UTC Plc is a going concern, which assumes that it will be able to continue operation into the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of business. The financial statements have been prepared in Nigerian Naira and under the historical cost convention and the use of estimates and approximations, which have been made using careful judgment.

Actual results could differ materially from those estimates.

Material estimates in the financial statements include the following,

Accounts receivable

The allowance for doubtful accounts involves management judgment and review of individual receivable balances based on an individual customer's prior payment record, current economic trends and analysis of historical bad debts of a similar type.

Property, plant and equipment and Intangible assets

Judgments are utilised in determining the depreciation and amortisation rates and useful lives of these assets and in calculating the amount of interest to capitalize against projects in progress at the end of the period.

These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the summarised accounting policies.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. Some key assumptions are used to determine the recoverable amount for the different CGUs, including a sensitivity analysis.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

4. Segment report

SEGMENT INFORMATION

For management purposes, the Company is not organised into business units, so there are no distinctly identifiable reportable segments and no other geographical location except Lagos for the purpose of segment reporting disclosure in line with IFRS 8. The company only reports product performance only at revenue and cost of sales level. Financing, expenses and Income taxes are reported company wide. The management committee monitors the operating results of the whole business for the purpose of making decisions about resource allocation and performance assessment.

The summary below shows the information made available to the management committee:

	2012	2011
5 Revenue	N000	N000
Confectioneries	1,634,502	2,658,214
Meat products	-	139,906
	<u>1,636,493</u>	<u>2,798,120</u>
Cost of sales:		
Confectioneries	1,184,753	1,675,698
Meat products	-	176,605
	<u>1,184,753</u>	<u>1,852,303</u>

	2012	2011
5 Revenue	N000	N000
Confectioneries	1,634,502	2,658,214
Meat products	-	139,906
Scrap sales	1,991	1,890
	<u>1,636,493</u>	<u>2,800,010</u>

	2012	2011
6 Cost of sales	N000	N000
Confectioneries	1,184,753	1,675,698
Meat products	-	176,605
	<u>1,184,753</u>	<u>1,852,303</u>
COST OF RAW MATERIALS	998,475	1,587,508
DIRECT LABOUR	200	92
DIRECT OVERHEADS	23,985	14,413
PACKAGING MATERIALS	82,279	157,798
CASUAL SALARY	78,259	89,409
FREIGHT CHARGES	1,555	3,019
COST OF HAMPERS	-	64
	<u>1,184,753</u>	<u>1,852,303</u>

2012**2011**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

7 Other operating income	2012 N000	2011 N000
Profit on disposal of other property, plant and equipments	3,643	2,820
Profit on disposal of property	-	463,194
Rental income	2,114	34,017
Government grant	11,332	7,555
Foreign exchange gain	4,142	-
Other sundry income	<u>17,217</u>	<u>5,200</u>
	<u>38,428</u>	<u>515,785</u>

8 Selling and distribution expenses	2012 N000	2011 N000
Trade commission	297	404
Sales gift voucher	<u>28,182</u>	<u>32,303</u>
	<u>28,479</u>	<u>32,707</u>

9 Administrative expenses	2012 N000	2011 N000
Employee cost	365,312	390,792
Insurance	4,354	4,778
Depreciation	90,958	90,472
Foreign exchange difference	-	1,115
Directors emolument	8,131	3,355
Passage and travelling expenses	10,654	14,322
Rental, rates and taxes	34,992	31,595
Repairs	26,146	32,298
Electricity, water and power	91,645	108,660
Packing materials	78,995	23,000
Audit fees	19,000	8,500
Legal, professional and licensing fees	7,197	12,095
Stationery and office supplies	11,411	11,343
Subscription and donations	960	4,964
AGM expenses	8,733	8,987
Security	11,412	10,612
Amortisation of intangible assets	916	1,111
Other administrative expenses	<u>29,437</u>	<u>20,751</u>
	<u>800,252</u>	<u>778,750</u>

10 Other operating expenses	2012 N'ooo	2011 N'ooo
This represents amount recovered from stanbic IBTC Bank Plc.		
Provision for public offer expenses	-	48,896

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

Provision for doubtful withholding tax recoverable	-	42,489
Provision for doubtful VAT recoverable	-	114,836
Provision for permanent impairment in investments	-	28,871
Provision for asset under litigation	137,592	
	137,592	235,092

11a Finance costs	2012	2011
	N000	N000
Interest expense on borrowings	<u>127,664</u>	<u>98,180</u>
11b Finance income	2012	2011
	N000	N000
Interest on staff loan	19	347
	<u>19</u>	<u>347</u>

12 Taxation	2012	2011	1 January 2011
	N000	N000	N000
Education tax		3,357	2,103
Under-provision	3,981	3,893	34,771
Tax provisions no longer required	-	-	<u>(121,877)</u>
Per profit and loss account	3,981	7,250	(85,003)
At 1 January	3,357	86	119,860
Payment during the year	<u>(3,554)</u>	<u>(3,979)</u>	<u>(34,771)</u>
Per balance sheet	<u>3,784</u>	<u>3,357</u>	<u>86</u>

- 12.3 Reconciliation of Income Tax
A reconciliation between tax expense and the product of accounting profit for the year ended 31 December 2013 is as follows:

	2012	2011
	N'000	N'000
Accounting profit before income tax	<u>(603,817)</u>	<u>316,110</u>
At Nigeria's statutory income tax rate of 30% (2011: 30%)	(181,145)	90,133

NOTES TO THE FINANCIAL STATEMENTS**31 DECEMBER 2012**

prior year under provision for income tax	3,981	3,893
Education tax		
Non-deductible expenses for tax purposes		(91,476)
At the effective income tax rate of ...% (2011: 2%)		7,250

Deferred tax computation resulted in deferred tax assets of N278million which was not incorporated in the financial statements.

13 Earnings per share

Basic earnings per share amounts is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding at the reporting date.

The following reflects the income and share data used in the basic earnings per share computations:

	2012 N000	2011 N000
Net profit attributable to ordinary shareholders for basic earnings	<u>(607,798)</u>	<u>308,860</u>
Weighted average number of ordinary shares	<u>1,233,375</u>	<u>1,233,375</u>
Basic earnings per ordinary share	(0.49)	0.25

UTC NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

14 Property and equipment

	Land N000	Building N000	Plant and machinery N000	Furniture, fittings and equipments N000	Motor vehicles N000	Capital work -in progress N000	Total N000
Cost							
At 1 January 2011	1,337,381	157,845	297,855	119,369	92,230	424,385	2,528,553
Additions	1,006,891	340,410	29,056	32,139	44,203	133,134	1,585,802
Transfer			6,321			-	6,321
Adjustments	-	-		-		(1,396)	(1,396)
Disposals	(1,304,813)	-	(24,674)	(6,228)	(44,164)	(21,871)	(1,401,751)
At 31 December 2011	1,039,459	498,255	408,046	145,249	92,269	534,251	2,717,530
Additions	145	74,453	32,495	16,311	5,800		109,357
Transfer	18,142		516,108				
Disposals	-	-	(12,717)	(1,290)	(29,995)	-	(28,815)
At 31 December 2012	1,057,746	572,708	943,933	141,613	68,074	-	2,782,970
Accumulated depreciation							
At 1 January 2011		113,748	258,793	64,644	69,103	-	506,287
Charge for the year		12,406	49,214	11,363	17,489	-	90,472
Derecognised						-	
Disposal	-	(108,507)	(24,666)	(6,227)	(41,235)	-	(180,635)
At 31 December 2011	-	17,646	255,772	69,780	45,356	-	416,124
Charge for the year		10,493	49,214	14,574	16,196		90,959
Disposal	-	-	(12,717)	(2,275)	(25,344)	-	(40,336)
At 31 December 2012	-	28,140	292,269	82,076	36,691	-	466,746
Net book value							
At 31 December, 2012	1,057,746	544,569	651,663	77,199	31,383	-	2,362,560
At 31 December, 2011	1,039,459	480,609	152,274	75,469	46,912	534,252	2,328,973
At 31 December, 2010	1,337,381	44,097	138,549	54,726	23,127	424,38	2,022,264

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012
15 Intangible asset

	Computer software
Cost:	N000
At 1 January 2011	9,471
Cost capitalised	<u>1,300</u>
At 31 December 2011	<u>10,771</u>
Addition	
At 31 December 2012	
Accumulated amortisation and impairment:	
At 1 January 2011	2,464
Amortisation	1,111
Impairment loss	<u>-</u>
At 31 December 2011	<u>3,575</u>
Amortisation	<u>916</u>
At 31 December 2012	<u>4,490</u>
Carrying amount	
At 31 December, 2012	<u>6,281</u>
At 31 December, 2011	<u>7,197</u>
At 1 January 2011	<u>7,007</u>

16 Available for sale financial Assets	2012	2011	1 January 2011
	N000	N000	N000
Servi - power Ltd	12,552	12,552	12,552
UTAL Building Products Limited	37,500	37,500	37,500
Others'	<u>21</u>	<u>21</u>	<u>21</u>
	50,073	50,073	50,073
Impairment on investment(16a)	(33,573)	(33,573)	(4,702)
	<u>16,500</u>	<u>16,500</u>	<u>45,371</u>
16a Impairment allowance	N000	N000	N000
At 1 January	33,573	4,702	
Additions		28,871	4,702
Recoveries	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December	<u>33,573</u>	<u>33,573</u>	<u>4,702</u>

Available-for-sale financial assets consist of an investment in shares of a non-listed company, which are recorded at cost since there is no active market for these investments.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012
17 Inventory

	2012	2011	As at 1
	N000	N000	January
			2011
			N000
Raw materials and components	43,980	70,990	92,033
Work-in-progress	4,333	21,537	27,259
Merchandise Stocks	-	5,477	7,594
Consumable stocks	26,670	43,439	35,089
Goods-in-transit	-	5,241	10,365
	<u>74,983</u>	<u>146,684</u>	<u>172,341</u>
Provision for obsolete stocks	<u>(4,038)</u>	<u>(4,038)</u>	<u>(4,038)</u>
	<u>70,945</u>	<u>142,646</u>	<u>168,303</u>

18	Trade and other receivables	2012	2011	1 January 2011
		N000	N000	N000
	Trade debtors	188,330	181,507	176,222
	Provision for impairment	<u>(61,603)</u>	<u>(61,603)</u>	<u>(68,175)</u>
	Net trade debtors	126,727	119,904	108,047
	WHT recoverable	19	141,545	141,509
	VAT recoverable		114,835	114,836
	Deferred interest expenses		2,718	5,519
	Others	18,160	77,030	80,661
	Provision for bad debts	-	<u>(305,277)</u>	<u>(113,257)</u>
		<u>144,906</u>	<u>150,755</u>	<u>337,315</u>

As at 30 December, the ageing analysis of trade receivables is as follows:

			Past due but not impaired			
	Total	Neither past due nor impaired	< 30 days	31-60 days	61-90days	90-180 days
2012						
2011		-				
As at 1 January						

As at 31 December 2012, trade receivables of an initial value of ₦61,603 (2011: ₦61,603 January 2011: ₦68,175) were impaired and fully provided for. See above for the movements in the provision for impairment of receivables.

	Individually impaired N000	Collectively impaired N000	Total N000
At 1 January 2011	68,175		68,175
Charge for the year	-		-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

Write off	(6,572)	6,572
Unused amounts reversed	-	-
At 31 December 2011	61,603	61,603
Charge for the year	-	-
Write off	-	-
Unused amounts reversed	-	-
At 31 December 2012	61,603	61,603

	2012	2011	As at 1 January 2011
	N000	N000	N000
19 Prepayments			
Prepaid rent	47,080	61,437	13,396
Prepaid insurance vehicle	-	-	1,683
Prepaid insurance medical	-	-	2,120
Other prepayments	2,104	2,104	4,286
	<u>49,184</u>	<u>63,541</u>	<u>21,485</u>

	2012	2011	1 January 2011
	N000	N000	N000
20 Loans and receivables			
Staff loan	3,689	6,410	8,073
STAFF LOAN - SNR	(2,549)	-	637
	<u>1,140</u>	<u>6,410</u>	<u>8,710</u>

	2012	2011	1 January 2011
	N000	N000	N000
21 Cash and cash equivalents			
Bank and cash balances	6,110	163,025	51,176
Balance as stated in the statement of financial position	6,110	163,025	51,176
Bank overdrafts	(318,430)	(197,526)	(435,710)
BALANCE FOR STATEMENT OF CASH FLOW PURPOSES	<u>(312,320)</u>	<u>(34,501)</u>	<u>(384,534)</u>

Included in the bank balances cash in United Bank for Africa Plc which was restricted for use by the court's garnishee order to UBA to freeze the account, pending when the court rules. In 2006, various creditors took the company to court and the court has not ruled till now.

Cash and cash equivalents comprise cash in hand and bank balances that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

For the purpose of the statement of cash flows only, cash and cash equivalents include bank overdrafts repayable on demand. Since the characteristics of such banking arrangements is that the bank balance often fluctuates from being positive to overdrawn, they are considered an integral part of the company's cash management.

	2012	2011	1 January 2011
	N000	N000	N000
22 Non-current assets classified as held for sale			

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

	Motor Vehicles	<u>316</u>	<u>316</u>	<u>180</u>
				1
23	Authorised and issued share capital	2012	2011	January
		N000	N000	2011
				N000
	Authorised share capital			
	2,000,000,000 Ordinary shares of N0.50k each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
	Ordinary shares issued and fully paid			
	At 1 January	616,688	616,688	616,688
	Issued during the year			
	At 31 December	<u>616,688</u>	<u>616,688</u>	<u>616,688</u>

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Revaluation reserve	Gains/losses arising on the revaluation of the Company's property (other than investment property).
Retained earnings	All other net gains and losses and transactions with owners not recognised elsewhere.

24 Interest-bearing loans and borrowings

			1
			January
			2011
			N000
Long term portion	2012	2011	
	N000	N000	
At 1 January	513,739	295,693	375,346
Additions	50,000	290,363	-
Paid during the year	(62,825)	(91,069)	(80,460)
At 31 December	500,914	494,986	294,886
Payable within one year	(115,106)	(78,685)	(99,960)
Long term portion	<u>385,808</u>	<u>416,301</u>	<u>194,926</u>
24.1 Short term portion			
Bank overdrafts	318,430	197,526	435,710
Payable within one year	115,106	78,685	99,960
	<u>433,536</u>	<u>276,211</u>	<u>535,670</u>

The carrying amount and fair value of loans and borrowings are as follows:

Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
--------------------	------------	--------------------	------------	--------------------	------------

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

	As at 31 December 2012 N000	As at 31 December 2012 N000	31 December 2011 N000	31 December 2011 N000	As at 1 January 2011 N000	As at 1 January 2011 N000
Eco Bank	386,976	234,720	290,363	65,130	-	-
Sterling Bank	156,400	101,088	204,624	141,630	250,277	600,449
Directors loan	50,000	50,000	-	-	-	-
Bank overdraft						
			197,526	197,526	435,710	435,710

- i) **Sterling Bank Loan**
Sterling Bank granted the company a loan of ₦260, 510,010.53 under the CBN/Bank of industry intervention fund term loan facility to refinance/restructure existing facility granted. The duration of the loan is for 5 years with an interest rate of 7%.
The loan is secured on the legal mortgage on the company's landed property at plot A 27/29 Creek Road, Apapa valued ₦623.6m by Jide Tiawo & co via its valuation report.
- ii) **Eco Bank Loan**
Eco Bank (formal Oceanic Bank) granted the company a loan of ₦400, 000,000 under the CBN/Bank of industry intervention fund term loan facility to refinance the existing facility granted and provide additional working capital. The duration of the loan is for 12 years with an interest rate of 7%.
The loan is secured on all asset debentures on the fixed and floating assets of the company, unstamped to ₦600m. Principal terms and the debt repayment schedule of the company's loans and borrowings are as follows as:

	Currency	Nominal rate %	Year of maturity
Eco Bank	Naira	7	2021
Sterling Bank	Naira	7	

Fair values

Set out below is a comparison by class of the carrying amounts and fair values of the company's financial instruments that are carried in the financial statements.

	2012	Carrying amount 2011	As at 1 January 2011	31 December 2012	Fair value 31 December 2011	As at 1 January 2011
	N000	N000	N000	N000	N000	N000
Financial assets						
Trade and other receivabl	144,906	15,075	337,315	144,906	15,075	337,315
Cash and short-term deposits	6,110	163,025	51,176	6,110	163,025	51,176
Available for sale financia asset	<u>16,500</u>	<u>16,500</u>	<u>45,371</u>	<u>16,500</u>	<u>16,500</u>	<u>45,371</u>
Total	<u>167,516</u>	<u>330,280</u>	<u>433,863</u>	<u>167,516</u>	<u>330,280</u>	<u>433,863</u>
Financial liabilities						
Trade and other payables	522,629	272,903	460,011	522,629	272,903	460,011

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

Interest bearing loans and borrowings	821,013	692,512	730,596	550,081	404,285	600,449
	-	-	-	-	-	-
Total	<u>1,416,349</u>	<u>365,415</u>	<u>1,190,607</u>	<u>1,072,711</u>	<u>677,188</u>	<u>1,060,460</u>

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalent, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and/or receivable are evaluated by the Company based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

	2012 N000	2011 N000	1 January 2011 N000
25 Government grant			
At 1 January	105,764	-	-
Received during the year		113,318	-
Released to the income statement	(11,332)	(7,555)	-
At 30 September	<u>94,432</u>	<u>105,764</u>	<u>-</u>
Current	11,332	11,332	
Non-current	<u>83,100</u>	<u>94,432</u>	
	<u>94,432</u>	<u>105,764</u>	

Government grants have been recognised on the loans (Eco Bank) received under the CBN/Bank of intervention fund.

	2012 N000	2011 N000	As at 1 January 2011 N000
26a Defined contribution plan			
At 1 January	42,211	39,699	16,240
Deductions	35,224	26,694	26,605
Remittances	(17,612)	(24,182)	(3,146)
At 31 December	<u>59,823</u>	<u>42,211</u>	<u>39,699</u>

26b Employee benefit liability

	2012 N000	2011 N000	As at 1 January 2011 N000
--	--------------	--------------	------------------------------------

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

	Defined contribution plan -Pension (26a)	59,823	42,211	39,699
	Defined benefit plan- gratuity	214,860	213,877	206,408
	Total	274,682	256,088	246,107
20a	Current	59,823	42,211	39,699
20b	Non-current	214,860	213,877	206,408
		274,682	256,088	246,107

The Company operates a defined benefit gratuity plan covering substantially all of its employees. The defined benefit plan is a final salary plan. No contribution is made to separately administered funds. In other words, the plan is not funded. The gratuity plan is operated under a voluntary framework.

The gratuity plan is governed by the..... The is responsible for the administration of the plan. The defined benefit gratuity plan entitles the employees to a one-off payment upon retirement.

In addition to a meeting the pension requirement under the Pension Reform Act of 2004, the company a defined contribution plan represent amount yet to be transferred to the Pension Fund Administrator.

The following table summarizes the components of net benefit expense recognised in the profit or loss, actuarial gain/loss in OCI and the amounts recognised in the statement of financial position for the plan.

	2012	2011
	₦000	₦000
Gratuity cost charged profit or loss		
Current service cost	17,980	22,340
Interest cost	-	-
Net benefit expenses	17,980	22,340

	2012	2011
	₦000	₦000
Re-measurement gains/(losses) in other comprehensive income		
Actuarial changes arising from changes in assumptions	-	-
Actuarial changes arising from changes in experience	-	-
Amount Recognised in OCI	-	-

Defined benefit obligation

	2012	2011	As at 1 January 2011
	₦000	₦000	₦000
Defined benefit obligation as at 1 July	213,877	206,408	-

Service cost	17,980	22,340	
Actuarial (gains)/losses on assumption	-	-	
Actuarial (gains)/losses on experience	-	-	
Benefits paid	(16,997)	(14,871)	
Defined benefit obligation at 30 June	214,860	213,877	206,408

The principal assumptions used in determining gratuity plan benefit obligations for the company's plan are shown below:

	2012	2011	As at 1 January 2011
Average rate of return on assets (p.a)	12%	12%	12%
Average rate of salary increase (p.a)	10%	10%	10%
Mortality rate in service			
Average rate of withdrawal(Age band):			
Less than 31	5%	5%	5%
32 – 46	4%	4%	4%
47 – 49	3%	3%	3%
50 – 54	2%	2%	2%
55	100%	100%	100%

A quantitative sensitivity analysis for significant assumption as at 30 June is as shown below:

2012

Assumptions	Investment return		Future salary increases		Mortality rate		Withdrawal rate	
	100	-100	5%	5%	10%	10%	5%	5%
Sensitivity Level	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
214.859	N000	N000	N000	N000	N000	N000	N000	N000
Impact on the net defined benefit obligation	42,761	59,092	51,360	51,360	51,331	51,389	51,266	51,456

2011

Assumptions	Discount rate		Future salary increases		Mortality rate		Withdrawal rate	
213877	1%	1%	5%	5%	10%	10%	5%	5%
Sensitivity Level	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
	N000	N000	N000	N000	N000	N000	N000	N000
Impact on the net defined benefit obligation	26,740	45,695	36,743	36,743	36,710	36,777	36,627	36,709

As at 1 Jan 2011

[illegible]

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

Impact on the
net defined
benefit

obligation	(10,675)	9,560	-	-	(35)	36	(123)	125
------------	----------	-------	---	---	------	----	-------	-----

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

The average duration of the defined benefit plan obligation at the end of the reporting period is 14 years. The average weighted duration of the closest Nigerian bond as at the valuation date, 31st December 2012, has about 17 years term to maturity, with a gross redemption yield of about 12%.

			As at 1 January 2011 N000
27 Trade and other payables	2012 N000	2011 N000	
Trade creditor	182,273	137,781	342,156
PAYE payable	16,863	17,672	10,493
VAT payable	69,707	72,461	66,917
Accrual	51,601	4,512	4,550
Salary payable	-	18,965	-
Customer deposits	2,160	14,671	-
Unclaimed dividend	586	586	586
Other payables	<u>199,439</u>	<u>6,255</u>	<u>35,309</u>
	<u>522,629</u>	<u>272,903</u>	<u>460,011</u>

28. Risk Management Policies

a. Overview

The company deploys a number of financial instruments (financial assets and financial liabilities) in carrying out its activities. The key financial liabilities, of the company comprise bank borrowings and trade payables which are deployed purposely to finance the company's operations and to provide liquidity to support the Company's operations. The financial assets of the Company include loans and receivables.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

b. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The Company's risk management policies are established to identify and analyze the 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 Audit 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 Audit 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.

c. 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.

Cash and cash equivalent

Credit risk from balances with banks and financial institutions is managed by the UTC products plc Treasury department in accordance with the Company's policy.

The maximum exposure to credit risk for the components of the statement of financial position at 31 December 2012, 31 December 2011 and 1 January 2011 is the carrying amounts as illustrated in Note 21

Trade & other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. 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 at the reporting is the carrying value stated below:

	31 December 2012	31 December 2011	As at 1 January 2011
	₦000	₦000	₦000
Trade debtors	126,727	119,904	108,047
Other receivables	18,179	30,851	229,268
	-----	-----	-----
	144,906	150,755	337,315
	=====	=====	=====

d. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Up to 3months	Between 3 and 12 months	Over 1 year
At 31 December 2012	₦'000	₦'000	₦'000
Trade and other payables	-	504,543	-
Loans and borrowings	-	819,344	-
	-----	-----	-----
Total	-	1,323,887	-
	=====	=====	=====

	Up to 3months	Between 3 and 12 months	Over 1 year
At 31 December 2011	₦000	₦000	₦000
Trade and other payables	-	272,903	-
Loans and borrowings	-	276,211	416,301
	-----	-----	-----
Total	-	549,114	416,301
	=====	=====	=====

	Up to 3months	Between 3 and 12 months	Over 1 year
At 1 January 2011	₦000	₦000	₦000
Trade and other payables	-	460,011	-
Loans and borrowings	-	535,670	194,926
	-----	-----	-----
Total	-	995,681	194,926
	=====	=====	=====

e. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. In other words, market risk consists of interest rate risk, foreign exchange risk and other price risk such as equity price risk. The Company is only exposed to currency risk which arises as a result of foreign denominated cash and bank balances.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund's exposure to the risk of changes in foreign exchange rates relates primarily to the foreign denominated cash and bank balances. Management has set up a policy requiring the Fund to manage its foreign currency risk against its functional currency. To manage its foreign currency risk arising from future commercial transaction and recognised asset and liabilities, the Company ensures that significant transaction is contracted in the functional currency.

Foreign currency sensitivity

The table below indicates the currencies to which the Company had significant exposure at 31 December 2012 on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Nigerian Naira, with all other variables held constant, on the income statement. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase. An equivalent decrease in each of the below currencies against the Nigeria Naira would have resulted in an equivalent but opposite impact.

Change in currency rate in

Effect on loss

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

	%	before tax ₦000
2012 USD		
2011 USD		
	+2	(11,356)
	-2	11,356

f. 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.

The Board of Directors monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

	31 December 2012 ₦000	31 December 2011 ₦000	As at 1 January 2011 ₦000
Interest-bearing loans and borrowings		692,512	730,596
Trade and other payables		272,903	460,011
Less: cash and short-term deposits		(163,025)	(51,176)
	-----	-----	-----
Net debt		802,390	1,139,431
Equity		1,518,205	1,225,010
	-----	-----	-----
Capital and net debt		2,473,426	2,479,710
	=====	=====	=====
Gearing ratio		35%	48%

UTC NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012