

**CAVERTON OFFSHORE SUPPORT GROUP PLC**  
**Lagos, Nigeria**

**REPORT OF THE DIRECTORS**

**CONSOLIDATED**

**AND**

**SEPARATE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

**CAVERTON OFFSHORE SUPPORT GROUP PLC**  
**REPORT OF THE DIRECTORS, CONSOLIDATED AUDITED AND SEPARATE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
CORPORATE INFORMATION	3
REPORT OF THE DIRECTORS	4
STATEMENT OF DIRECTORS' RESPONSIBILITIES	8
INDEPENDENT AUDITORS' REPORT	9
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	11
STATEMENT OF FINANCIAL POSITION	12
STATEMENT OF CHANGES IN EQUITY	14
STATEMENT OF CASH FLOWS	15
NOTES TO THE FINANCIAL STATEMENTS	17
STATEMENT OF VALUE ADDED	63
FIVE -YEAR FINANCIAL SUMMARY	64

## CAVERTON OFFSHORE SUPPORT GROUP PLC

### CORPORATE INFORMATION

#### FOR THE YEAR ENDED 31 DECEMBER 2013

**DIRECTORS:**

Mr. Aderemi Makanjuola	-	Chairman
Mr. Olabode Makanjuola	-	Managing Director
HRM King Edmund Daukoru		
Mr. Adeniyi Makanjuola		
Mr. Sola Falola		
Mallam Bello Gwandu		
Mr. Bashiru Bakare		
Mr. Akin Kekere-Ekun		

**REGISTRATION  
NUMBER:**

RC 750603

**CORPORATE  
OFFICE:**

1, Prince Kayode Akingbade Close  
Off Muri Okunola Street  
Victoria Island  
Lagos, Nigeria

**SOLICITORS:**

Messrs. G. Elias & Co. (Barrister and Solicitors) Building (6 <sup>th</sup> Floor) 6, Broad Street Lagos, Nigeria	Probitas Partners & Co (Barrister and Solicitor) 70 Queens Road Off Herbert Macaulay Way Yaba, Lagos, Nigeria	NCR
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**JOINT  
AUDITORS:**

Messrs Ernst & Young (Chartered Accountants) 2A Bayo Kuku Road Ikoyi, Lagos Nigeria	ECN + CO (Chartered Accountants) 65, Oshodi road Dolphin Estate, Ikoyi Nigeria
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**BANKERS:**

Mainstreet Bank Limited  
Zenith Bank Plc  
Access Bank Plc  
Keystone Bank Limited

## CAVERTON OFFSHORE SUPPORT GROUP PLC

### REPORT OF THE DIRECTORS

#### FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors have pleasure in presenting their report on the affairs of Caverton Offshore Support Group Plc (“the Company”) together with its subsidiaries (“the Group”) and the consolidated audited and separate financial statements of the Group and Company for year ended 31 December 2013.

#### LEGAL FORM

Caverton Offshore Support Group Plc was incorporated in Nigeria as a private limited liability company on 2 June 2008 and became a public limited liability company on 4 July 2008. The certificate of incorporation number of the company is RC 750603.

#### PRINCIPAL ACTIVITY

The principal activity of the Company is the provision of offshore services to the oil and gas industry. It commenced business on 1 July 2008.

#### CHANGE IN REPORTING FRAMEWORK

Following the directives of the Regulator, Financial Reporting Council of Nigeria the Company changed its accounting policy from Nigerian Statements of Accounting Standard (SAS) to International Financial Reporting Standards (IFRS) in 2013.

#### 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 date of the financial position.

#### RESULT OF OPERATION

	The Group		The company	
	Dec 2013	Dec 2012	Dec 2013	Dec 2012
	₦'000	₦'000	₦'000	₦'000
Turnover	18,662,906	16,132,083	276,210	495,000
	=====	=====	=====	=====
Profit before income tax expense	3,158,854	2,162,855	583,050	427,750
Income tax expense	(1,283,839)	(802,688)	(194,126)	(144,737)
	-----	-----	-----	-----
Profit for the period	<b>1,875,015</b>	1,360,167	388,924	283,013
	=====	=====	=====	=====

## **CAVERTON OFFSHORE SUPPORT GROUP PLC**

### **REPORT OF THE DIRECTORS – Continued**

#### **FOR THE YEAR ENDED 31 DECEMBER 2013**

##### **DIVIDEND**

The directors do recommend the payment of 12.5kobo/share dividend in respect of the year ended 31 December 2013 (2012: 9.5kobo).

##### **FIXED ASSETS**

Information relating to changes in fixed assets is shown in Note 12 to the financial statements. In the opinion of the Directors, the market value of the Company's fixed assets is not less than the carrying value shown in the financial statements.

##### **ACQUISITION OF OWN SHARES**

The Company has not purchased any of its own shares during the period under review.

##### **DIRECTORS' INTERESTS IN SHARES**

The interests of the directors are stated in the Memorandum and Articles of the company. The following directors of the company held office during the period and had interest in the shares of the company as follows:

Number of ordinary shares of 50k each held as at 31 December 2013

Aderemi Makanjuola - Chairman	589,110,975
Olabode Makanjuola	50,005,000
Adeniyi Makanjuola	50,005,000
Sola Falola	20,000,000
HRM King Edmund Daukoru	15,000,000
Mallam Bello Gwandu	10,000,000
Bashiru Bakare	20,000,000
Akin Kekere-Ekun	30,000,000

## CAVERTON OFFSHORE SUPPORT GROUP PLC

### REPORT OF THE DIRECTORS – Continued

#### FOR THE YEAR ENDED 31 DECEMBER 2013

#### RETIREMENT OF DIRECTORS

All the directors retire by rotation and being eligible, offer themselves for re-election.

#### DIRECTORS' INTEREST IN CONTRACTS

None of the Directors has notified the Company for the purpose of section 277 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 of any discloseable interest in contracts with which the Company is involved as at 31 December 2013.

#### SHAREHOLDING STRUCTURE

The issued and fully paid share capital of the Company as at 31 December 2013 was beneficially owned as follows:

		%	
	Number of Holders	Holdings	%
Foreign	9	4,150,000	0.12
Corporate Body	24	2,393,949,025	71.03
Individuals	290	972,410,725	28.85
	-----	-----	-----
	323	3,350,509,750	100.00
	===	=====	=====

#### EMPLOYMENT OF DISABLED PERSONS

The company has a non-discriminatory policy on the consideration of applications for employment, including those received from disabled persons. All employees are given equal opportunities to develop themselves. The company's policy is that the highest qualified and most experienced persons are recruited for appropriate job levels irrespective of an applicant's state of origin, ethnicity, religion or physical condition.

#### EMPLOYEES INVOLVEMENT AND TRAINING

The company places a high premium on the development of its manpower and consults with employees on matters affecting their well-being. Formal and informal channels of communication are employed in keeping staff abreast of various factors affecting the performance of the company.

#### HEALTH, SAFETY AT WORK AND WELFARE OF EMPLOYEES

Health and safety regulations are in force within the Company's premises and employees are aware of existing regulations.

**CAVERTON OFFSHORE SUPPORT GROUP PLC**

**REPORT OF THE DIRECTORS – Continued**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

**CHARITABLE CONTRIBUTION AND DONATION**

The company made a donation of ₦24,501,000 to charitable organizations during the period (2012: ₦18,500,000).

**FINANCIAL COMMITMENTS**

The Directors are of the opinion that all known liabilities and commitments have been taken into account. These liabilities are relevant in assessing the company's state of affairs.

**EVENTS AFTER THE REPORTING DATE**

As stated in Note 30, there are no events or transactions that have occurred since the reporting date which would have a material effect on the financial statements as presented.

**FORMAT OF FINANCIAL STATEMENTS**

The financial statements of Caverton Offshore Support Group Plc have been prepared in accordance with the reporting and presentation requirement of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

**AUDITORS**

Messrs Ernst & Young and ECN + CO has expressed their willingness to continue in office as the Company's auditor in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

A resolution will be proposed at the Annual General Meeting empowering the Directors to fix their remuneration.

**BY ORDER OF THE BOARD**

**Modupe Omojafor**

**FRC/2013/MBA/0000002397**

**Company Secretary**

**16 May 2014**

**CAVERTON OFFSHORE SUPPORT GROUP PLC**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

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 period 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 the International Accounting Standard Board and the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

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 for the year ended 31 December 2013. 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**

**16 May 2014**





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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

### **CAVERTON OFFSHORE SUPPORT GROUP PLC**

#### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Caverton Offshore Support Group Plc and its subsidiaries, which comprise the consolidated financial position as at 31 December 2013, consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes comprising a summary of significant accounting policies and other explanatory information in pages 16-62.

#### **Directors' responsibility for the financial statements**

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and the Financial Reporting Council of Nigeria Act No 6, 2011 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Caverton Offshore Support Group Plc and its subsidiaries as at 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, Financial Reporting Council of Nigeria Act no 6, 2011 and the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

**CAVERTON OFFSHORE SUPPORT GROUP PLC - (Continued)**

**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 consolidated statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account;

Yusuf Aliu, FCA/FRC/2012/ICAN/00000000138

**For: Ernst & Young  
Chartered Accountants**

Lagos, Nigeria  
16 May 2014

Precious C Nwoha, FRC/2013/ICAN/00000002307

**For ECN + Co  
Chartered Accountants**

Lagos, Nigeria  
16 May 2014

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 December 2013**

	Notes	The Group		The Company	
		31 December 2013 N'000	31 December 2012 N'000	31 December 2013 N'000	31 December 2012 N'000
Revenue	5	18,662,906	16,132,083	<b>276,210</b>	<b>495,000</b>
Operating expenses	6	(11,208,740)	(6,948,183)	-	-
<b>Operating Profit</b>		<b>7,454,166</b>	<b>9,183,900</b>	<b>276,210</b>	<b>495,000</b>
Administrative expenses	7	(5,701,012)	(6,483,010)	(169,874)	(67,250)
Other operating income	8	2,664,604	862,105	476,714	-
<b>Total Operating Profit</b>		<b>4,417,758</b>	<b>3,562,995</b>	<b>583,050</b>	<b>427,750</b>
Finance cost	9	(1,258,904)	(1,400,140)	-	-
<b>Profit before income tax expense</b>		<b>3,158,854</b>	<b>2,162,855</b>	<b>583,050</b>	<b>427,750</b>
Income tax expense	10	(1,283,839)	(802,688)	(194,126)	(144,737)
<b>Profit for the period</b>		<b>1,875,015</b>	<b>1,360,167</b>	<b>388,924</b>	<b>283,013</b>
Profit attributable to:					
Owners of the Company		1,856,265	1,344,395	-	-
Non-controlling interests		18,750	15,772	-	-
<b>Profit for the period</b>		<b>1,875,015</b>	<b>1,360,167</b>	<b>388,924</b>	<b>283,013</b>
Other Comprehensive income		-	-	-	-
Total Comprehensive income for the year, net of tax		<b>1,875,015</b>	<b>1,360,167</b>	<b>388,924</b>	<b>283,013</b>
<b>Basic Earnings per share (N)</b>	11b	<b>0.55</b>	<b>0.40</b>	0.12	0.08

**STATEMENT OF FINANCIAL POSITION  
 AS AT 31 DECEMBER 2013**

	Notes	The Group			The Company		
		31 Dec 2013	31 Dec 2012	1 Jan 2012	31 Dec 2013	31 Dec 2012	1 Jan 2012
		₦'000	₦'000	₦'000	₦'000	₦'000	
<b>Assets</b>							
<b>Non-current assets</b>							
Property, plant and equipment	12	18,195,679	12,070,710	6,117,799	559	2,057	4,452
Intangible assets	13	3,334	81,257	-	-	-	-
Goodwill	14	6,026,909	6,026,909	6,026,909	-	-	-
Investment in subsidiaries		-	-	-	8,514,000	8,514,000	8,514,000
		-----	-----	-----	-----	-----	-----
		24,225,922	18,178,876	12,144,708	8,514,559	8,516,057	8,518,452
<b>Current assets</b>							
Inventories	15	1,067,589	542,088	295,887	-	-	-
Trade and other receivables	16	10,740,211	11,374,435	14,581,253	-	-	-
Due from related parties	17	1,507,729	7,077,860	5,315,397	1,017,228	5,167,257	6,104,839
Prepayments	18	127,066	57,037	24,313	-	-	-
Cash and bank	19	1,642,287	773,795	1,875,177	2,505	45,610	1,026
		-----	-----	-----	-----	-----	-----
		15,084,882	19,825,215	22,092,027	1,019,733	5,212,867	6,105,865
		-----	-----	-----	-----	-----	-----
<b>Total assets</b>		<b>39,310,804</b>	<b>38,004,091</b>	<b>34,236,735</b>	<b>9,534,292</b>	<b>13,728,924</b>	<b>14,624,317</b>
		=====	=====	=====	=====	=====	=====
		==	==	=====	==	=====	=
<b>Equity and liabilities</b>							
<b>Equity</b>							
Ordinary share capital	20	1,675,255	1,675,255	1,675,255	1,675,255	1,675,255	1,675,255
Share premium	20	6,616,991	6,616,991	6,616,991	6,616,991	6,616,991	6,616,991
Retained earnings		2,980,627	1,442,660	366,305	395,224	324,597	309,626
Non-Controlling Interest		107,187	88,437	72,665	-	-	-
		-----	-----	-----	-----	-----	-----
<b>Total equity</b>		<b>11,380,060</b>	<b>9,823,343</b>	<b>8,731,216</b>	<b>8,687,470</b>	<b>8,616,843</b>	<b>8,601,872</b>
		-----	-----	-----	-----	-----	-----

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2013 - Continued**

		The Group			The Company		
		31 Dec 2013	31 Dec 2012	1 Jan 2012	31 Dec 2013	31 Dec 2012	1 Jan 2012
		₦000	₦000	₦000	₦000	₦000	₦000
Interest-bearing loans and borrowings	21	10,211,223	3,901,856	2,927,588	-	-	-
Other non-financial liabilities	21	8,773,518	11,321,620	8,483,194	-	-	-
Deferred tax liabilities	10	555,819	277,525	52	219	641	52
		-----	-----	-----	-----	-----	-----
		19,540,560	15,501,001	11,410,834	219	641	52
<b>Current liabilities</b>							
Trade and other payables	22	4,722,834	3,835,053	3,365,500	39,061	29,583	34,584
Due to related parties	17	776,882	708,126	170,777	396,822	365,738	161,205
Interest-bearing loans and borrowings	21	1,254,202	7,042,382	9,998,843	-	4,500,000	5,705,133
Deferred revenue	23	36,455	96,208	38,926	-	-	-
Income tax payable	10	1,599,810	997,978	520,639	410,719	216,119	121,471
		-----	-----	-----	-----	-----	-----
		<b>8,390,183</b>	<b>12,679,747</b>	14,094,685	846,602	5,111,440	6,022,393
<b>Total liabilities</b>		<b>27,930,744</b>	<b>28,180,748</b>	<b>25,505,519</b>	846,821	5,112,081	6,022,455
		-----	-----	-----	-----	-----	-----
<b>Total equity and liabilities</b>		<b>39,310,804</b>	<b>38,004,091</b>	<b>34,236,735</b>	9,534,292	13,728,924	14,624,317
		=====	=====	=====	=====	=====	=====

Approved by the Board of Directors on 16 May 2014 and signed on its behalf by:

.....  
 Chairman  
 FRC/2013/IODN/00000002400

.....  
 Director  
 FRC/2013/NIM/00000002457

.....  
 Chief Finance Officer  
 FRC/2013/ICAN/00000002398

The accompanying notes on pages 3 to 53 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 31 December 2013

	The Group						The Company			
	Issued Share Capital N'000	Share Premium N'000	Retained Earnings N'000	Total N'000	Non- controlling Interest N'000	Total equity N'000	Issued Share Capital N'000	Share Premium N'000	Retained Earnings N'000	Total N'000
Balance as at 1 January 2013	1,675,255	6,616,991	1,442,660	9,734,906	88,437	9,823,343	1,675,255	6,616,991	324,598	8,616,844
Dividend paid	-	-	(318,298)	(318,298)	-	(318,298)	-	-	(318,298)	(318,298)
Profit for the year	-	-	1,856,265	1,856,265	18,750	<b>1,875,015</b>	-	-	388,924	388,924
<b>Balance as at 31 Dec 2013</b>	<b>1,675,255</b>	<b>6,616,991</b>	<b>2,980,627</b>	<b>11,272,873</b>	<b>107,187</b>	<b>11,380,060</b>	<b>1,675,255</b>	<b>6,616,991</b>	<b>395,224</b>	<b>8,687,470</b>
Balance as at 1 January 2012	1,675,255	6,616,991	366,306	8,658,552	72,665	8,731,217	1,675,255	6,616,991	309,625	8,601,871
Dividend paid	-	-	(268,041)	(268,041)	-	(268,041)	-	-	(268,041)	(268,041)
Profit for the year	-	-	1,344,395	1,344,395	15,772	1,360,167	-	-	283,013	283,013
<b>Balance as at 31 Dec 2012</b>	<b>1,675,255</b>	<b>6,616,991</b>	<b>1,442,660</b>	<b>9,734,906</b>	<b>88,437</b>	<b>9,823,343</b>	<b>1,675,255</b>	<b>6,616,991</b>	<b>324,598</b>	<b>8,616,844</b>

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	The Group		The Company	
		31 Dec 2013 N'000	31 Dec 2012 N'000	31 Dec 2013 N'000	31 Dec 2012 N'000
<b>Operating activities</b>					
Profit before tax		3,158,544	2,162,855	583,050	427,750
<b>Non-cash adjustment to reconcile profit before tax to net cash flows</b>					
Depreciation of property, plant and equipment	12	1,558,464	971,499	1,498	2,395
Amortisation of Intangible asset	13	1,112	11,608	-	-
Loss on sale of property, plant and equipment		1,769,040	1,113	-	-
Property, plant and equipment written off		77,620			
Intangible asset written off		81,257			
<b>Working capital adjustments:</b>					
Decrease in trade and other receivables (Increase)/Decrease in due from related parties		634,224	3,206,819)	-	-
Increase in prepayments (Increase)/Decrease in inventories		3,123,392	(1,762,464))	4,150,082	937,581
Increase in trade and other payables		(70,028)	(32,724)	-	-
Increase in Due to related parties		(525,502)	(246,200)	-	-
Increase in deferred revenue		887,780	469,551	9,480	(5,000)
Tax Paid		2,515,496	537,348	31,084	204,532
		(59,755)	57,283	-	-
		13,151,644	5,376,688	4,775,194	1,567,259
		(146,293)	(20,034)	-	(49,500)
<b>Net cash flows/(used) from operating activities</b>		13,005,351	5,356,654	4,775,194	1,517,759
		=====	=====	=====	=====
		=	=	=	=
<b>Investing activities</b>					
Purchase of property, plant and equipment	12	(10,057,101)	(6,926,764)	-	-
Proceeds from disposal of property, plant and equipment		527,007	1,241		
Purchase of Intangible assets	13	(4,446)	(92,865)	-	-
<b>Net cash flows from/(used in) investing activities</b>		(9,534,540)	(7,018,388)	-	-
		=====	=====	=====	=====
		=	=	=	=
<b>Financing activities</b>					
Proceeds from borrowings		2,100,103	4,186,321	-	
Dividend paid		(318,298)	(268,041)	(318,298)	(268,041)
Repayment from borrowings	21	(257,105)	(27,842)	-	-
<b>Net cash flows from/(used in) financing activities</b>		1,524,700	3,890,438	(318,298)	(268,041)
		=====	=====	=====	=====
		=	=	=	=

STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED 31 DECEMBER 2013 (Cont.)

		<b>The Group</b>		<b>The Company</b>	
		<b>31 Dec 2013</b>	<b>31 Dec 2012</b>	<b>31 Dec 2012</b>	<b>31 Dec 2013</b>
Net increase/(decrease) in cash and cash equivalents		4,995,511	2,228,704	4,456,895	1,249,718
Cash and cash equivalents:1Jan		(3,794,143)	(6,022,847)	(4,454,390)	(5,704,108)
		-----	-----	-----	-----
Cash and cash equivalents:31Dec	19	1,201,368	(3,794,143)	2,505	(4,454,390)
		=====	=====	=====	=====
		==	=	=	=====



## Notes to the Financial Statements

### 1. Corporate Information

The consolidated financial statements of Caverton Offshore Support Group Plc and its subsidiaries (collectively, the Group) for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 15 May 2013. Caverton Offshore Support Group Plc (the Company or the parent) is a limited liabilities company incorporated and domiciled in Nigeria. The registered office is located at 1, Prince Kayode Akingbade Close, Off Muri Okunola Street, Victoria Island, Lagos, Nigeria. The Group is principally engaged in the provision of offshore services to the oil and gas industry, harbour and general marine operations; and the provision of charter, shuttle and maintenance services of helicopters and airplanes to third parties. Information on the Group's structure and other **related party relationships of the Group is provided in Note 24.**

#### 2.1 Basis of preparation

The Group previously prepared its financial statements in accordance with Nigerian generally accepted accounting principles as defined by the Statement of Accounting Standards in Nigeria. In 2010, the Financial Reporting Council of Nigeria (FRCN) announced the roadmap for the adoption of International Financial Reporting Standard (IFRS); this requires other significant public interest entities (companies that are not publicly trading their shares) to effectively adopt IFRS in the year beginning 1 January 2013. Accordingly, the Group has adopted IFRS and these are the Group's first consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a going concern basis. In these financial statements, the term "Local GAAP" refers to Nigerian GAAP before the adoption of IFRS.

The consolidated financial statements of Caverton Offshore Support Group Plc and all of its subsidiaries (the "Group") have been prepared in compliance with IFRS. Subject to certain transition elections and exceptions disclosed in the transition note, the Group has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2012 throughout all periods presented, as if these policies had always been in effect.

The transition note discloses the impact of the transition to IFRS on Group's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Group's consolidated financial statements for the year ended December 31, 2011 prepared under Nigerian GAAP.

The consolidated financial statements are presented in Naira and all values are rounded to the nearest thousand (N'000), except when otherwise indicated.

## Notes to the Financial Statements

### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Caverton Offshore Support Group Plc and its subsidiaries as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- ▶ Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- ▶ Exposure, or rights, to variable returns from its involvement with the investee, and
- ▶ The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement with the other vote holders of the investee
- ▶ Rights arising from other contractual arrangements
- ▶ The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- ▶ Derecognises the assets (including goodwill) and liabilities of the subsidiary
- ▶ Derecognises the carrying amount of any non-controlling interests
- ▶ Derecognises the cumulative translation differences recorded in equity
- ▶ Recognises the fair value of the consideration received
- ▶ Recognises the fair value of any investment retained
- ▶ Recognises any surplus or deficit in profit or loss

Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

## Notes to the Financial Statements

### 2.3 Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

#### 2.3.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest (NCI) in the acquiree. For each business combination, the Group elects to measure the components of NCI that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value as at the acquisition date (being the date the Group gains control) through profit or loss.

Any contingent consideration to be transferred by the Group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 - Financial Instruments: Recognition and measurement either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured. Subsequent settlement is accounted for within equity. In instances, where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the fair value of the identifiable net assets acquired and liabilities assumed. If this consideration is lower than the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

## **Notes to the Financial Statements**

### **2.3.2 Foreign currencies**

The consolidated financial statements are presented in Naira, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises from this method.

### **Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item in which case the translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively.

### **2.3.3 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. 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.

### **Rendering of services**

Revenue from the rendering of aviation and marine services is recognised by reference to the stage of completion based on the underlying contract. Stage of completion is measured by reference to service hours incurred to date as a percentage of total estimated service hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

### **Interest income**

For all financial instruments measured at amortized cost, interest income is recognised using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in 'finance income' in the profit or loss.

## **2.3.4 Corporate taxes**

### **2.3.4.1 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, at the reporting date in Nigeria where the Group operates and generates taxable income.

## Notes to the Financial Statements

### 2.3.4.1 Current Income Tax

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 profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### 2.3.4.2

#### Deferred Tax

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Recognition of goodwill or 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. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- ▶ 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 taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- ▶ When 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 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 profits 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 in 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 relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or recognised in profit or loss.

## Notes to the Financial Statements

### 2.3.5 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use, is included in the cost of the respective asset if the recognition criteria for a provision are met.

Property, plant and equipment transferred from customers is initially measured at the fair value at the date on which control is obtained.

The straight-line method is used to depreciate the cost less any estimated residual value of the assets over their expected useful lives. The Group estimates the useful lives of assets in line with their beneficial periods. Where a part of an item of property, plant and equipment has different useful life and is significant to the total cost, the cost of that item is allocated on a component basis among the parts and each part is depreciated separately. The useful lives of the Group's property, plant and equipment for the purpose of depreciation are as follows:

<b>Property, Plant and Equipment</b>	<b>Years</b>
Leasehold Land	87
Building and structures	15 - 40
Aircraft	8 -10
Vessels	5 -15
Plants and machinery	3 -10
Aircraft equipment	15-20
Motor vehicles	4
Furniture, fittings and office equipment	3

An item of property, plant and equipment is derecognised upon disposal or when no 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 when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### 2.3.6 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

## Notes to the Financial Statements

### Group as a lessee

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the profit or loss on a straight-line basis over the lease term.

Contingent rents are recognised as revenue in the period in which they are earned.

Assets leased to others under finance leases are recognised as receivables at an amount equal to the net investment in the leased assets. The finance income is recognised based on the periodic rate of return on the net investment of the lessor outstanding in respect of the finance lease.

### 2.3.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 profit or loss when the asset is derecognised.

## Notes to the Financial Statements

### 2.3.8 Financial Instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets and liabilities at initial recognition. All financial assets and liabilities are recognised initially at fair value plus directly attributable transaction costs, except for financial assets and liabilities classified as fair value through profit or loss.

#### Subsequent measurement

##### i) Financial assets

The subsequent measurement of financial assets depends on their classification.

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, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, if any.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include trade and other receivables, due from related parties, cash and short term deposits.

#### 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 fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in finance costs in profit or loss in finance costs.

#### Derecognition

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 Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In such case, the Group 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 Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.



## Notes to the Financial Statements

### Impairment of financial assets

The Group 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, 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 debtors 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 Group first assesses 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 Group 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 been 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 the 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 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 Group. 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 write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

### ii) Financial liabilities

#### Initial recognition and measurement

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, due to related parties, loans and borrowings.

#### Subsequent measurement

The measurement of financial liabilities depends on their classifications.

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 Group's financial liabilities include trade payables, other payables and loans and borrowings.

## Notes to the Financial Statements

### 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 profit or loss 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 profit or loss.

#### **Financial guarantee contracts**

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

#### **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 a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

#### **iv) Offsetting of financial instruments**

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

#### **2.3.9 Inventories**

Inventories are defined as assets held for sale in the ordinary course of business or in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services. The Group's inventories primarily consist of spare parts and tools (consumables within one accounting period). Cost of inventory represents purchase cost including freight and other incidental expenses. Inventories are measured at the lower of cost (determined on a first in first out ('FIFO') basis) and net realizable value. Inventory costs include purchase price, freight inwards and transit insurance charges and other directly attributable costs incurred in bringing inventories to present location and condition. Where appropriate, allowance is made for slow moving, obsolete and defective stock based on management's estimates on the usability of those stocks.

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

## Notes to the Financial Statements

### 2.3.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in those expense categories consistent with the function of the impaired asset

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

The following criteria are also applied in assessing impairment of specific assets:

#### Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

#### Intangible assets

Intangible assets with indefinite useful life are tested for impairment annually as at 31 December either individually or at the CGU level, as appropriate. All intangible assets are tested for impairment when circumstances indicate that the carrying value may be impaired

### 2.3.11 Cash and Short term deposit

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

## Notes to the Financial Statements

### 2.3.12 Dividend Distribution

The Group recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and is no longer at the discretion of the Group.

A corresponding amount is recognised directly in equity. Non-cash distributions are measured at the fair value of the assets to be distributed. Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in profit or loss.

### 2.3.13 Provisions

#### General

Provisions are recognised when the Group has 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 Group expects some or all of a provision to be reimbursed, 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 profit or loss 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.

#### Contingencies

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Group, or present obligations where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote. Where the Group makes contributions into a separately administered fund for restoration, environmental or other obligations, which it does not control, and the Group's right to the assets in the fund is restricted, the obligation to contribute to the fund is recognized as a liability where it is probable that such additional contributions will be made.

#### Asset retirement obligation

Asset retirement obligations (ARO) are provided for those operating lease arrangements where the Company has a binding obligation at the end of the lease period to restore the leased premises in a condition similar to inception of lease. ARO are provided at the present value of expected costs to settle the obligation using discounted cash flows and are recognised as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset

Provisions are recognised when the Group has 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.

The expense relating to any provision, net of any reimbursement is presented in the profit or loss net of any reimbursement.

### 2.3.14 Pension benefits

The Group operates a defined contribution plan in line with the provisions of the Pension Reform Act 2004. This plan is in proportion to the services rendered to the Group by the employees with no further obligation on the part of the Group.

The Group and its employees each contribute 7.5% of employees' current salaries and designated allowances to the scheme. Staff contributions to the scheme are funded through payroll deductions while the group's contribution is recorded as personnel expenses in the profit or loss.

## Notes to the Financial Statements

### **2.3.15 Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalized as part of the cost of the respective assets. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short term out of money borrowed specifically to finance a project, the income generated from the temporary investment of amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the year.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### **2.3.16 Interests in joint arrangements**

IFRS defines joint control as the contractually agreed sharing of control over an economic activity, and this exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

#### **Joint Operations**

A joint operation (JO) involves joint control and often joint ownership by the Group and other operators of assets contributed to, or acquired for the purpose of, the joint arrangement, without the formation of a corporation, partnership or other entity.

Where the Group's activities are conducted through JOs, the Group recognises its share of the jointly controlled assets and liabilities it has incurred, its share of any liabilities jointly incurred with other operators, income from the sale or use of its share of the joint output, together with its share of the expenses incurred in the joint operations, and any expenses it incurs in relation to its interest in the joint operations.

When the Group, acting as an operator, receives reimbursement of direct costs recharged to the joint operations, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint operation and therefore have no effect on profit or loss.

### **2.3.17 Key management personnel**

For the purpose of related party disclosures, key management personnel are those who have authority and responsibility for planning, directing and controlling the activities of Group. For Caverton Offshore Support Group key management personnel are considered to be designations from Director level at the Group.

## **2.4 First-time adoption of IFRS**

These consolidated financial statements, for the years ended 31 December 2013, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2012, the Group prepared its financial statements in accordance with local generally accepted accounting principle (Local GAAP). Accordingly, the Group has prepared financial statements which comply with IFRS applicable for year ending on or after 31 December 2013, together with the comparative period data as at and for the year ended 31 December 2012, as described in the summary of significant accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 January 2012, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its Local GAAP financial statements, including the statement of financial position as at 1 January 2012 and the financial statements as at and for the year ended 31 December 2012.

## **Notes to the Financial Statements**

### **Exemptions applied**

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the following exemptions:

- a. Property plant & Equipment: The Group has elected to apply the fair value as deemed cost exemption for land and building based on previous revaluation. Full retrospective adjustment was applied to other property, plant and equipment.
- b. Investments in subsidiaries, jointly ventures and associates: The Group has uses deemed cost being the previous GAAP carrying amount at the date of transition to IFRS to measure investment in subsidiary.
- c. Leases: The optional exemption was chosen and agreements existing at the transition date were assessed as to whether they contain lease based on the facts and circumstances that exist at transition date.
- d. Business combinations: The Group has elected not to apply IFRS 3 to business combination that occurred prior to the date of transition to IFRS.
- e. IAS 23 Borrowing costs: The Company has elected the exemption which allows it to apply IAS 23 to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the date of transition.

#### **IFRS mandatory exceptions**

Set out below are the applicable mandatory exceptions in IFRS 1 applied in the conversion from NGAAP to IFRS:

#### **Exception for estimates**

IFRS estimates as at 1 January 2012 are consistent with the estimates as at the same date made in conformity with Local GAAP.

#### **Derecognition of financial assets and liabilities**

Financial assets and liabilities derecognised before 1 January 2012 are not recognised under IFRS.

#### **Non-controlling interests'**

From 1 January 2012 total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### **Classification and measurement of financial assets**

The entity is not early adopting IFRS 9. However, the company's financial assets have been classified in accordance with IAS 39 based on the nature of the assets.

**Notes to the Financial Statements**

Group reconciliation of Equity as at 1 January 2012 (Date of Transition)

		Nigerian GAAP	Re-Classification	Re- measurement	IFRS
ASSETS	Notes	N'000	N'000	N'000	N'000
Property, plant and equipment	A	6,119,255	-	(1,456)	6,117,799
Goodwill		6,026,909	-	-	6,026,909
		-----	-----	-----	-----
<b>Total non-current assets</b>		12,146,164	-	(1,456)	12,144,708
		-----	-----	-----	-----
Inventories		295,887			295,887
Trade and other receivables	B	19,924,147	(5,342,894)	-	14,581,253
Due from related parties	B	-	5,315,397	-	5,315,397
Prepayments	B	-	24,313	-	24,313
Cash and bank		1,875,177	-	-	1,875,177
		-----	-----	-----	-----
<b>Total current assets</b>		22,095,211	(3,184)	-	22,092,027
		-----	-----	-----	-----
<b>Total assets</b>		<b>34,241,375</b>	<b>(3,184)</b>	<b>(1,456)</b>	<b>34,236,735</b>
		=====	=====	=====	=====
		=	=====	=	=====
<b>Equity</b>					
Ordinary share capital		1,675,255	-	-	1,675,255
Share premium		6,616,991	-	-	6,616,991
Revenue reserve	C	360,967	(360,967)	-	-
Retained earnings	A,C,D	-	360,967	5,338	366,305
Non-Controlling Interest		72,665	-	-	72,665
		-----	-----	-----	-----
<b>Total equity</b>		8,725,878	-	5,338	8,731,216
		-----	-----	-----	-----
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	D	13,042,238	(10,107,856)	(6,794)	2,927,588
Other non-financial liabilities	D		8,483,194		8,483,194
Deferred tax liabilities		52	-	-	52
		-----	-----	-----	-----
<b>Total non-current liabilities</b>		13,042,290	(1,624,662)	(6,794)	11,410,834
		-----	-----	-----	-----
Trade and other payables	F	3,578,391	(212,891)	-	3,365,500
Due to related parties	F	-	170,777	-	170,777
Interest bearing loans and borrowings	D,F	8,374,177	1,624,666	-	9,998,843
Deferred revenue	F	-	38,926	-	38,926
Income tax payable		520,639	-	-	520,639
		-----	-----	-----	-----
<b>Total current liabilities</b>		<b>12,473,207</b>	<b>1,621,478</b>	<b>-</b>	<b>14,094,685</b>

Caverton Offshore Support Group Plc  
 Consolidated and Separate Financial Statements - Continued

<b>Total Liabilities</b>	----- 25,515,497 -----	----- (3,184) -----	----- (6,794) -----	----- 25,505,519 -----
<b>Total equity and Liabilities</b>	----- 34,241,375 =====	----- (3,184) =====	----- (1,456) =====	----- 34,236,735 =====
	=	=====	=	=====



**Notes to the Financial Statements**

**Group reconciliation of equity as at 31 December 2012**

	Notes	Nigerian GAAP N'000	Re- Classification N'000	Re- measurement N'000	IFRS N'000
<b>ASSETS</b>					
Property, plant and equipment	A	12,227,046	(81,257)	(75,079)	12,070,710
Intangible assets	A	-	81,257	-	81,257
Goodwill		6,026,909	-	-	6,026,909
<b>Total non-current assets</b>		18,253,955	-	(75,079)	18,178,876
Inventories		542,088	-	-	542,088
Trade and other receivables	B	18,510,102	(7,135,667)	-	11,374,435
Due from related parties	B	-	7,077,860	-	7,077,860
Prepayments	B	-	57,037	-	57,037
Cash and bank		773,795	-	-	773,795
<b>Total current assets</b>		19,825,985	(770)	-	19,825,215
<b>Total assets</b>		<b>38,079,940</b>	<b>(770)</b>	<b>(75,079)</b>	<b>38,004,091</b>
		=====	=====	=====	=====
		=	=	=====	=====
<b>Equity</b>					
Ordinary share capital		1,675,255	-	-	1,675,255
Share premium		6,616,991	-	-	6,616,991
Revenue reserve	C	1,511,274	(1,511,274)	-	-
Retained earnings	A,C,D	-	1,511,274	(68,614)	1,442,660
Non-Controlling Interest	E	83,019	-	5,418	88,437
<b>Total equity</b>		9,886,539	-	(63,196)	9,823,343
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	F,D	21,019,590	(17,105,367)	(12,367)	3,901,856
Other non-financial liabilities	D	-	11,321,620	-	11,321,620
Deferred tax liabilities	G	277,808	-	(283)	277,525
<b>Total non-current liabilities</b>		<b>21,297,398</b>	<b>(5,783,747)</b>	<b>(12,650)</b>	<b>15,501,001</b>
Trade and other payables	F	4,362,348	(528,062)	767	3,835,053
Due to related parties	F	-	708,126	-	708,126
Interest bearing loans and borrowings	F,D	1,535,677	5,506,705	-	7,042,382
Deferred revenue	F	-	96,208	-	96,208
Income tax payable		997,978	-	-	997,978
<b>Total current liabilities</b>		<b>6,896,003</b>	<b>5,782,977</b>	<b>767</b>	<b>12,679,747</b>
<b>Total Liabilities</b>		<b>28,193,401</b>	<b>(770)</b>	<b>(11,883)</b>	<b>28,180,748</b>
		=====	=====	=====	=====
<b>Total equity and liabilities</b>		<b>38,079,940</b>	<b>(770)</b>	<b>(75,079)</b>	<b>38,004,091</b>
		=====	=====	=====	=====
		=	=	=====	=====

## Notes to the Financial Statements

### Group reconciliation of profit or loss for the year ended 31 December 2012

	Note	Nigerian GAAP N'000	Re- Classification N'000	Re- measurement N'000	IFRS N'000
Revenue		16,132,083	-	-	16,132,083
Operating expenses	I	(6,952,174)	3,991	-	(6,948,183)
<b>Operating profit</b>		9,179,909	3,991	-	9,183,900
Administrative expenses	I	(6,409,386)		(73,624)	(6,483,010)
Other operating income	H,I	82,218	779,887	-	862,105
<b>Total operating profit</b>		2,852,741	<b>783,878</b>	(73,624)	<b>3,562,995</b>
Finance costs		(1,405,714)	-	5,574	(1,400,140)
Exceptional item	H	391,362	(391,362)	-	-
<b>Profit before taxation</b>		<b>1,838,389</b>	392,516	(68,050)	<b>2,162,855</b>
Income tax expense	G	(802,971)	-	283	(802,688)
<b>Profit for the year</b>		1,035,418	392,516	(67,767)	<b>1,360,167</b>
Profit attributable to:					
Owners of the Company	E	1,025,064	-	-	1,344,395
Non controlling interests	E	10,354	-	-	15,772
<b>Profit for the year</b>		1,035,418	-	-	1,360,167

### Explanation of transition adjustments

#### A. Property, plant and equipment

This represents the impact of depreciation adjustment as a result of the separation of the cost of land from building. Depreciation was recalculated based on the useful life of the building and adjusted accordingly.

#### B. Trade and other receivables, Due from related parties, Prepayments

Under the Nigerian GAAP, the group classified due from related parties and Prepayments as part of Trade and other receivables. The adjustment is to reclassify those due from related parties and Prepayments as separate line items under IFRS as appropriate.

#### C. Revaluation reserve and retained earnings

Revaluation reserve and Revenue reserve were reclassified to Retained earnings under IFRS following the Group's decision of adopting the Cost model for subsequent recognition of property, plant and equipment. Revaluation reserve has been reset to zero upon transition.

#### D. Interest bearing loans and borrowings, other non-financial liabilities and Finance costs

The processing fees of the loans previously expensed under the Nigerian GAAP have been amortised and adjusted accordingly to determine the amortised cost under IFRS accordingly. In addition, advances from customers were reclassified from Interest bearing loans and borrowings under the local GAAP to Other non-financial liabilities under IFRS.

## Notes to the Financial Statements

**E. Owners of the Company and Non – Controlling interests**

The amount allocated to Non-controlling interest increased as a result of restated retained earnings consequent upon adoption of IFRS.

**F. Trade and other payables, Due to related parties and Provisions**

Under the previous GAAP, the Group classified Due to related parties and Provisions as part of Trade and other payables. The reclassification adjustment is to reclassify those Due to related parties and Provisions and related liabilities as separate line items under IFRS.

**G. Deferred tax**

The various transitional adjustments lead to different temporary differences. According to the accounting policies in 2.3.5, the Group has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

**H. Revenue, Other Income, Exceptional Income**

Items previously classified as revenue under the Nigerian GAAP but do not meet revenue definition under IFRS were reclassified as Other income for appropriate heading. Under Nigerian GAAP, Interest accrued no longer required was written back and presented as exceptional income. Upon transition to IFRS, this amount was reclassified to Other income.

**I. Operating expenses and Administrative expenses**

This represents reclassification of some accounting items from other income to Operating expenses as well as some items under Administrative expenses to other income for appropriate presentation under IFRS.

**I. Statement of cash flows**

The transition from Nigerian GAAP to IFRS has not had a material impact on the statement of cash flows

**J. Reconciliation of Equity and Profit or Loss**

All restatements from Nigerian GAAP upon adoption of IFRS have all been reflected in retained earnings. Those having impact on profit or loss with respect to comparative periods have also been reflected as part of the reconciliations presented.

**3. Significant accounting judgments, estimates and assumptions**

The preparation of the consolidated 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 assets or liabilities affected in future periods.

In particular, the Group has identified the following areas where significant judgments, estimates and assumptions are required, and where if actual results were to differ, may materially affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the financial statements.

## **Notes to the Financial Statements**

### **Property, plant and equipment**

The Group carries its property, plant and equipment at cost in the statement of financial position. Estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group's financial position and performance. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of the assets are determined by management at the time the asset is acquired and reviewed periodically. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. The Group reviewed and estimated the useful lives and residual values of its property, plant and equipment, and account for such changes prospectively.

### **Impairment of non-current 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 in an arm's length transaction of 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 Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit 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. For assumptions and estimates relating to the impairment of goodwill refer to note 14.

### **Income taxes**

Given uncertainties exist with respect to the interpretation of complex tax regulations coupled with the amount and timing of future taxable income as well as 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 Group establishes provisions, based on reasonable estimates, for possible tax implications that may result in tax liabilities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the prevailing circumstances. Deferred tax assets are recognised for all 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 hierarchy**

Where 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 judgment is required in establishing fair values. The judgments 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

### Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

### 4. 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 is of standards and interpretations issued, which the company reasonably expects to be applicable at a future date. The company intends to adopt those standards when they become effective.

#### ***IFRS 9 Financial Instruments***

IFRS 9, as issued, reflects the first phase of the IASB's 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 was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. At its February 2014 meeting, the IASB tentatively decided that the mandatory effective date of IFRS 9 will be for annual periods beginning on or after 1 January 2018. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The Group only has loans and receivables which are more likely than not to remain classified as such under IFRS 9. There may be an impact on measurement as a result of the new impairment model but that phase hasn't yet been issued... The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

#### ***Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)***

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

#### ***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" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

#### ***IFRIC Interpretation 21 Levies (IFRIC 21)***

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

#### ***IAS 39 Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39***

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future innovations.

**Notes to the Financial Statements**

5. Revenue	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 013	31 Dec 2012
	₦'000	₦'000	₦'000	₦'000
Helicopter Charter	267,685	2,609,465	-	-
Helicopter maintenance	338,313	352,400	-	-
Helicopter/Airplane contract	15,823,938	12,159,435	-	-
Charter income	2,168,859	890,584	-	-
Dividend income	-	-	276,210	495,000
Others	64,111	120,199	-	-
	-----	-----	-----	-----
	18,662,906	16,132,083	276,210	495,000
	=====	=====	=====	=====

Revenue relates to amount generated from ordinary activities of the Group from Helicopter and Marine services.

6. Operating expenses	The Group		The Company	
	31 Dec 013	31 Dec 2012	31 Dec 2013	31 Dec 012
	₦'000	₦'000	₦'000	₦'000
Aircraft rentals	3,003,524	3,118,959	-	-
Crew Salaries	4,746,986	686,230	-	-
Charter hire	520,594	245,966	-	-
Aircraft insurance premium	290,212	136,075	-	-
Consumables	2,647,424	2,760,953	-	-
	-----	-----	-----	-----
	11,208,740	6,948,183	-	-
	=====	=====	=====	=====

**Notes to the Financial Statements**

**7. Admin expenses**

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
	₦'000	₦'000	₦'000	₦'000
Audit fee	47,000	45,000	17,000	8,000
Employee benefit expense	217,542	3,832,716	-	-
Business development	14,412	32,468	-	-
Depreciation	1,558,464	971,499	1,498	2,395
Amortisation	1,112	11,608	-	-
property, plant and equipment written off	77,620	-	-	-
Intangible assets written off	81,257	-	-	-
Communication	66,876	89,217	-	-
Exchange loss	135	244,591	-	-
Donation	24,501	25,258	23,500	21,758
Key management expenses	269,836	160,812	100,359	19,000
Fuel and diesel	47,182	25,975	-	-
Insurance	33,119	20,507	-	-
Legal and professional fees	94,149	188,903	10,287	9,131
Licence and levy	104,941	77,286	-	-
Printing	15,325	2,431	-	-
Repairs and maintenance	54,088	133,637	146	146
Transport and travels	586,941	298,297	-	4,085
Disposal of PPE	1,769,040	1,113	-	-
Other expenses	637,472	321,692	17,084	2,735
	-----	-----	-----	-----
	5,701,012	6,483,010	169,874	67,250
	=====	=====	=====	=====

Other administrative expenses consist of fuelling, licenses and renewal permit, AGM expenses, freight and courier; and other admin related costs incurred by the Group during the year.

**8. Other operating income**

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
	₦'000	₦'000	₦'000	₦'000
Accrued interest written back	2,401,252	705,291	476,714	-
Exchange gain	91,363	-	-	-
Sundry income	171,989	156,814	-	-
	-----	-----	-----	-----
	2,664,604	862,105	476,714	-
	=====	=====	=====	=====

Accrued interests are the amount accrued on interest bearing loans and borrowings. During the year, the Group renegotiated its interest due on certain loans with the lenders and asked for concession in respect of repayment due on interest. The negotiation led to reduction of interest liabilities and the interest accrued on those loans was written back as part of other income to the extent of the reduction.

Sundry income represents amount of withholding tax and VAT recovered as a result of final tax assessment by the relevant tax authority.

**Notes to the Financial Statements**

9. Finance cost	The Group		The Company	
	31 Dec 2013 N'000	31 Dec 2012 N'000	31 Dec 2013 N'000	31 Dec 2012 N'000
Interest on debts and borrowings	1,258,904	1,400,140	-	-
	=====	=====	=====	=====

#### 10. Income tax

The major components of income tax expense for the years ended 31 December 2012 and December 2013 are:

	The Group		The Company	
	31 Dec 2013 N'000	31 Dec 2012 N'000	31 Dec 2013 N'000	31 Dec 2012 N'000
<b>Current income tax:</b>				
Current income tax charge	866,277	422,456	182,387	136,408
Education tax	139,216	64,950	12,109	7,740
Under provision of previous year	52	37,809	52	-
Deferred tax charge	278,294	277,473	(422)	589
	-----	-----	-----	-----
<b>Income tax expense reported in profit or loss</b>	<b>1,283,839</b>	<b>802,688</b>	<b>194,126</b>	<b>144,737</b>
	=====	=====	=====	=====
	=	=	=	=

#### Reconciliation of effective tax rate

Reconciliation between tax expense and the product of accounting profit multiplied by Caverton's domestic tax rate for the year ended 31 December 2013 is as follows:

	The Group		The Company	
	31 Dec 2013 N'000	31 Dec 2012 N'000	31 Dec 2013 N'000	31 Dec 2012 N'000
<b>Accounting profit before tax</b>	<b><u>3,158,854</u></b>	<b><u>2,162,855</u></b>	<b><u>583,050</u></b>	<b><u>427,750</u></b>
At Caverton's statutory income tax rate of 30% (2011: 30%)	947,656	648,857	174,915	128,325
Non-deductible expenses	196,863	353,720	7,050	7,632
Less: Income exempted from tax	-	(304,648)	-	(258)
Education tax	139,268	66,950	12,109	9,038
Under provision of previous year	52	37,809	52	-
	-----	-----	-----	-----
<b>Income tax</b>	<b>1,283,839</b>	<b>802,688</b>	<b>194,126</b>	<b>144,737</b>
	=====	=====	=====	=====
	=	=	=	=



Notes to the Financial Statements

(a) Tax payable per statement of financial position	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
	₦'000	₦'000	₦'000	₦'000
Balance at the beginning of year	997,978	520,639	216,119	121,471
<b>Charge for the year</b>				
Tax charge for the year	1,005,545	487,406	194,548	144,148
Prior year over/under provision	(257,420)	37,809	52	-
Payments during the year	(146,293)	(20,034)	-	(49,500)
WHT credit utilized		(27,842)	-	-
<b>Balance at the end of year</b>	<u>1,599,810</u>	<u>997,978</u>	<u>410,719</u>	<u>216,119</u>
	=	=	=	=

Deferred tax relates to the following:

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
	₦'000	₦'000	₦'000	₦'000
Properties plant and equipment	553,907	277,000	219	641
Borrowings	<u>1,912</u>	<u>525</u>	<u>-</u>	<u>-</u>
Net deferred tax assets/(liabilities)	<u>555,819</u>	<u>277,525</u>	<u>219</u>	<u>641</u>

Reconciliation of deferred tax liabilities net

Deferred tax (asset) and liabilities

Balance at the beginning of the year	277,525	52	641	52
Charged for the year	278,294	277,473	(422)	589
<b>Balance at the end of year</b>	<u>555,819</u>	<u>277,525</u>	<u>219</u>	<u>641</u>
	=	=	=	=

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

11. Earnings Per share

Authorised shares

5,000,000,000 ordinary shares of 50k each

	The Group			The Company		
	31 Dec 13	31 Dec 12	1 Jan 12	31 Dec 13	31 Dec 12	1 Jan 12
Authorised shares	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>
Issued and fully paid						
3,350,509,750 ordinary shares of 50k each	<u>1,675,255</u>	<u>1,675,255</u>	<u>1,675,255</u>	<u>1,675,255</u>	<u>1,675,255</u>	<u>1,675,255</u>
₦'000	=	=	=	=	=	=

=                    =                    =                    =                    =                    =

## Notes to the Financial Statements

### 11b. Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Group and Company by the weighted average number of ordinary shares in issue during the year.

	The Group		The Company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
	N'000	N'000	N'000	N'000
Average number of shares outstanding	1,675,255	1,675,255	1,675,255	1,675,255
Profit attributable to equity holders	1,856,265	1,344,395	388,924	283,013
Basic earnings per share (N)	0.55	0.40	0.12	0.08

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

### 12. Property, Plant and Equipment (The Company)

	Furniture N'000	Plant and Machinery N'000	Motor vehicles N'000	Office equipment N'000	Total N'000
<b>Cost</b>					
At 1 January 2012	180	2,840	8,720	435	12,175
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 December 2012	180	2,840	8,720	435	12,175
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 December 2013	<u>180</u>	<u>2,840</u>	<u>8,720</u>	<u>435</u>	<u>12,175</u>
<b>Depreciation</b>					
At 1 January 2012	65	1,846	5,584	228	7,723
Depreciation charge for the year	<u>18</u>	<u>568</u>	<u>1,744</u>	<u>65</u>	<u>2,395</u>
At 31 December 2012	<u>83</u>	<u>2,414</u>	<u>7,328</u>	<u>293</u>	<u>10,118</u>
Depreciation charge for the year	18	568	1,308	65	1,498
Depreciation on disposals	-	-	-	-	-
At 31 December 2013	<u>101</u>	<u>2,520</u>	<u>8,636</u>	<u>358</u>	<u>11,616</u>
<b>Net book value</b>					
31 December 2013	<u>79</u>	<u>320</u>	<u>84</u>	<u>77</u>	<u>559</u>
31 December 2012	<u>97</u>	<u>426</u>	<u>1,392</u>	<u>142</u>	<u>2,057</u>
1 January 2012	<u>115</u>	<u>994</u>	<u>3,136</u>	<u>207</u>	<u>4,452</u>

Notes to the Financial Statements

12. Property, Plant and Equipment (The Group)

	Land N'000	Building structures N'000	Aircraft N'000	Vessels N'000	Plant and Machinery N'000	Aircraft Equipment N'000	Motor vehicles N'000	Furniture fittings and office Equipment N'000	Construction WIP N'000	Total N'000
<b>Cost</b>										
1 January 2012	40,000	3,059,709	1,891,148	3,421,450	68,541	71,587	287,417	306,414	36,617	9,182,883
Additions	-	1,377	6,721,859	-	4,140	18,442	33,439	118,530	28,977	6,926,764
Disposals	-	-	-	-	(5,608)	-	(34,118)	(2,500)	-	(42,226)
Transfer	-	18,260	-	-	-	-	-	25,847	(44,107)	-
31 December 2012	40,000	3,079,346	8,613,007	3,421,450	67,073	90,029	286,738	448,291	21,487	16,067,421
Additions	5,385,965	527,543	3,946,390	-	12,392	43,537	37,851	103,422	-	10,057,100
Disposals	-	-	(558,048)	(3,421,450)	-	-	(8,384)	(113)	-	(3,987,995)
Write off	-	(19,848)	-	-	-	(16,058)	(41,771)	(123,618)	-	(201,295)
31 December 2013	5,425,965	3,587,041	12,001,349	-	79,465	117,508	274,434	427,982	21,487	21,935,231
<b>Depreciation</b>										
1 January 2012	3,902	753,798	673,647	1,233,113	44,681	30,408	175,617	149,918	-	3,065,084
Charge for the year	488	138,646	487,313	171,072	7,031	15,082	71,392	80,475	-	971,499
Depreciation on disposals	-	-	-	-	(5,608)	-	(34,108)	(156)	-	(39,872)
31 December 2012	4,390	892,444	1,160,960	1,404,185	46,104	45,490	212,901	230,237	-	3,996,711
Charge for the year	244	154,370	1,206,417	-	7,180	21,050	57,952	111,251	-	1,558,464
Depreciation on disposals	-	-	(284,955)	(1,404,185)	106	-	(2,884)	(30)	-	(1,691,948)
Write off	-	(7,566)	-	-	-	(6,296)	(39,352)	(70,461)	-	(123,674)
31 December 2013	4,634	1,039,248	2,082,422	-	53,390	60,244	228,617	270,997	-	3,739,552
<b>Net book value</b>										
31 December 2013	5,421,331	2,547,793	9,918,927	-	26,075	57,264	45,817	156,985	21,487	18,195,679
31 December 2012	35,610	2,186,902	7,452,047	2,017,265	20,969	44,539	73,837	218,054	21,487	12,070,710
1 January 2012	36,098	2,305,911	1,217,502	2,188,337	23,860	41,179	111,800	156,496	36,617	6,117,799

**Notes to the Financial Statements**

**Interest cost**

No interest cost was capitalized during the year

**Land and Building**

The Group adopted as deemed cost the revaluation of Building carried out in 2007. In addition, the Land was amortized over its useful of 87 years of lease as at the date of acquisition.

Intangible asset relates to acquired accounting software and it is amortised over the useful life

**13. Intangible assets (The Group)**

	N'000
<b>Cost</b>	
1 January 2012	-
Additions	92,865
Disposals	<u>-</u>
<b>31 December 2012</b>	92,865
Additions	4,446
Disposals	-
Write off	<u>(92,865)</u>
<b>31 December 2013</b>	4,446
<b>Amortisation</b>	
1 January 2012	-
Charge for the year	<u>11,608</u>
<b>31 December 2012</b>	11,608
Charge for the year	<u>1,112</u>
<b>Write off</b>	<u>(11,608)</u>
<b>31 December 2013</b>	1,112
<b>Net book value</b>	
31 December 2013	<u>3,334</u>
31 December 2012	<u>81,257</u>
1 January 2012	-

**Notes to the Financial Statements**

**14. Business combination**

**a. Interest in subsidiaries**

The summarised financial information of Caverton Helicopters Limited (CHL) and Caverton Marine Limited (CML) subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

**Summarized statement of profit or loss**

	<b>Caverton Helicopters Limited</b>		<b>Caverton Marine Limited</b>	
	<b>31 December</b>	<b>December 2012</b>	<b>31 December</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>
Revenue	16,429,936	15,208,864	2,232,970	923,220
Operating expenses	(10,646,061)	(6,616,047)	(529,197)	(327,137)
Administrative expenses	(3,568,925)	(6,083,552)	(1,962,214)	(332,208)
Other operating income	1,386,686	173,668	801,205	688,437
Finance cost	<u>(1,101,293)</u>	<u>(994,270)</u>	<u>(157,611)</u>	<u>(405,870)</u>
<b>Profit before tax</b>	2,500,343	1,688,663	385,153	546,442
Income tax expense	<u>(907,986)</u>	<u>(504,910)</u>	<u>(181,727)</u>	<u>(153,041)</u>
<b>Profit for the year</b>	<u>1,592,357</u>	<u>1,183,753</u>	<u>203,426</u>	<u>393,401</u>
<b>Total comprehensive income</b>	<u>1,592,357</u>	<u>1,183,753</u>	<u>203,426</u>	<u>393,401</u>
Attributable to:				
Equity holders of parent	1,575,642	1,171,915	201,392	389,467
Non-controlling interests	<u>15,715</u>	<u>11,838</u>	<u>2,034</u>	<u>3,934</u>
	<u>1,592,357</u>	<u>1,183,753</u>	<u>203,426</u>	<u>393,401</u>

Notes to the Financial Statements

Summarized statement of financial position

	Caverton Helicopters Limited			Caverton Marine Limited		
	31 December 2013 N'000	31 December 2012 N'000	As at 1 January 2012 N'000	31 December 2013 N'000	31 December 2012 N'000	As at 1 January 2012 N'000
Inventories and cash and bank balances (current)	2,672,841	1,264,549	2,160,395	34,531	5,724	9,643
Trade and other receivables, Due from related parties and Prepayments	13,400,118	15,035,397	15,800,136	404,399	4,730,032	4,444,633
Property, plant and equipment and other non-current financial assets (non-current)	14,798,432	9,601,617	3,379,785	3,400,022	1,962,240	2,733,561
Trade and other payables (current)	(5,694,305)	(6,427,316)	(7,337,094)	(1,816,267)	(4,143,895)	(2,432,038)
Deferred revenue	(36,454)	(96,208)	(38,926)	-	-	-
Income tax payable	(771,454)	(400,624)	(242,348)	(417,670)	(381,235)	(156,820)
Interest-bearing loans and borrowing (Current)	(846,075)	(1,524,987)	(1,858,902)	(408,127)	(1,017,397)	(2,434,807)
Interest-bearing loans and borrowing and deferred tax liabilities (non-current)	<u>(19,541,027)</u>	<u>(14,752,703)</u>	<u>(9,847,074)</u>	<u>404</u>	<u>(747,657)</u>	<u>(1,563,708)</u>
<b>Total equity</b>	<u><u>3,982,082</u></u>	<u><u>2,699,725</u></u>	<u><u>2,015,972</u></u>	<u><u>1,197,291</u></u>	<u><u>407,812</u></u>	<u><u>600,464</u></u>
Attributable to:						
Equity holders of parent	3,942,261	2,672,728	1,995,812	1,185,318	403,734	594,459
Non-controlling interests	39,821	26,997	20,160	11,973	4,078	6,005

**Notes to the Financial Statements**

**b. Goodwill**

Goodwill acquired through business combinations has been allocated to two CGUs for impairment testing as follows:

Carrying amount of goodwill allocated to each of the CGUs:

	At December 2013 N'000	At December 2012 N'000
Helicopter Services	3,885,972	3,885,972
Marine service	2,140,937	2,140,937
	-----	-----
	6,026,909	6,026,909
	=====	=====

**Helicopter CGU**

The recoverable amount of this Cash Generating Unit was based on its value in use and was determined by discounting the future cash flow projections from the financial budgets approved by senior management covering a 5 year period. Unless indicated, the value in use in December 2012 was determined in similar way as 31 December 2013. The calculation of value in use was based on the following key assumptions:

Cash flow was projected based on past experience, actual operating results and a 5- year operating cash flow.

**Revenue growth rate**

The revenue growth rate was based on 30% (2012), 58% (2013), **56%** (2014), 10% (2015) and 10% (2016). The anticipated annual revenue growth included in the cash flow projections for the years 2012-2016 has been based on growth rate in the three years prior to 2011 with an expectation of a recovery in the economy at the end of 2012.

**Pre-tax discount rate**

The pre-tax discount rate of 18% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on past experience and industry weighted average cost of capital which was based on the incremental borrowing rate.

**Gross margin**

The Gross margin was projected as 38% in 2012, 42% in 2013 and 44% in 2014 **46%** (2015), 49% (2016).

As a result of this analysis, there was no impairment charged for Helicopter CGU as at 31 December 2012 and 31 December 2013.

**Marine CGU**

The recoverable amount of this Cash Generating Unit was based on its value in use and was determined by discounting the future cash flow projections from the financial budgets approved by senior management covering a 5 year period. Unless indicated the value in use in December 2012 was determined in similar way as 31 December 2013. The calculation of value in use was based on the following key assumptions:

Cash flow was projected based on past experience, actual operating results and a 5- year operating cash flow.

**Notes to the Financial Statements**

**Revenue growth rate**

The revenue growth rate was based on 35%(2012), 28%(2013), 20%(2014), 2%(2015) and 1%(2016). The anticipated annual revenue growth included in the cash flow projections for the years 2012-2016 has been based on growth rate in the three years prior to 2011 with an expectation of a recovery in the economy at the end of 2012.

**Pre-tax discount rate**

The pre-tax discount rate of 18% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on past experience and industry weighted average cost of capital which was based on the incremental borrowing rate.

**Gross Margins**

The Gross margin was projected as 58% in 2012, 60% in 2013, and 60% in 2014 **55%**(2015), 46%(2016)

A result of this analysis, there was no impairment charged for Marine CGU as at 31 December 2012 and 31 December 2013.

**15. Inventories**

	The Group			The Company		As at 1 January 2012 N'000
	31 Dec 2013 N'000	31 Dec 2012 N'000	31 Dec 2012 N'000	31 Dec 2013 N'000	31 Dec 2012 N'000	
Consumable spares	-	38,455	135,858	-	-	-
Rotary spares	-	134,129	119,515	-	-	-
Shell Project AW 139	1,029,943	328,206	-	-	-	-
Jet A1 Aviation fuel Lagos	37,646	11,814	10,809	-	-	-
Jet A1 Aviation fuel Sahara	-	29,484	29,705	-	-	-
	-----	-----	-----	-----	-----	-----
	1,067,589	542,088	295,887	-	-	-
	=====	=====	=====	=====	=====	=====

Inventories are carried at the lower of cost and net realisable value. There were no write-downs of inventory during the year and all inventory balances are current in nature. Inventory balances will be turned over within 12 months after the financial year.

**16. Trade and Other receivables**

	The Group			The Company		As at 1 January 2012 N'000
	31 Dec 2013 N'000	31 Dec 2012 N'000	As at 1 January 2012 N'000	31 Dec 2013 N'000	31 Dec 2012 N'000	
Trade receivables	1,700,672	1,235,307	935,360	-	-	-
Withholding Tax Receivable	2,374,519	794,784	755,462	-	-	-
Staff advances	16,503	1,286,036	753	-	-	-
Advance payments	6,641,844	4,488	11,975,276	-	-	-
Other receivables	6,673	8,053,820	914,403	-	-	-
	-----	-----	-----	-----	-----	-----
	10,740,211	11,374,435	14,581,253	-	-	-
	=====	=====	=====	=====	=====	=====

Trade receivables are non-interest bearing and are generally on terms of 30-60 days credit collection period. None of the receivables are considered to be impaired.

**Notes to the Financial Statements**

Advance payments represent reimbursable expenses incurred in respect of Shell Contract. Shell is meant to pay back these expenses in line with the provisions of the contract.

As at 31 December, the ageing analysis of trade receivables is as follows:

Total	Neither	Past due but not impaired	
	past due	Less than	30 – 60
			60 – 90



Caverton Offshore Support Group Plc  
Consolidated and Separate Financial Statements - Continued

		nor impaired	30 days	days	days
	₦'000	₦'000	₦'000	₦'000	₦'000
31 December 2013	1,700,672	374,148	969,383	289,114	68,027
31 December 2012	1,235,307	-	1,061,238	174,069	-
1 January 2012	935,360	205,779	533,155	159,011	37,415

17. Related Companies	The Group			The Company		
	31 Dec 2013 ₦'000	31 Dec 2012 ₦'000	As at 1 January 2012 ₦'000	31 Dec 2013 ₦'000	31 Dec 2012 ₦'000	As at 1 January 2012 ₦'000
Caverton Properties		63,439	48,513	-	-	-
C. Cylinders		33,278	33,278	-	-	-
Growmore Dev Ventures Ltd		387,108	387,039	-	-	-
LE Global Oilfield Services	1,507,729	3,849,943	2,817,698	-	-	-
Caverton Integrated Services		769	-	-	-	-
Liam Engineering		332,796	340,797	-	-	-
Reager Energy		1,722,340	1,688,072	-	-	-
Chairman's account		188,326	-			
Caverton Helicopters		-	-	1,017,228	2,972,649	4,348,290
Caverton Marine		-	-	-	2,194,608	1,756,550
Caverton RK Limited		1,359	-	-	-	-
Tasmania Investment Limited		498,502	-	-	-	-
	-----	-----	-----	-----	-----	-----
<b>Due from Related Companies</b>	1,507,729	7,077,860	5,315,397	1,017,228	5,167,257	6,104,839
	-----	-----	-----	-----	-----	-----
Chairman's account	776,882	674,101	158,021	331,133	365,738	161,205
Caverton Marine				65,689		
Caverton Helicopters Cameroon		27,967	-	-	-	-
Growmore - Associate		6,058	12,756	-	-	-
	-----	-----	-----	-----	-----	-----
<b>Due to Related Companies</b>	776,882	708,126	170,777	396,822	365,738	161,205
	=====	=====	=====	=====	=====	=====

For disclosures on related parties refer to **note 24**.

Notes to the Financial Statements

18. Prepayments

	The Group			The Company		
	31 Dec 2013	31 Dec 2012	As at 1 January 2012	31 Dec 2013	31 Dec 2012	As at 1 January 2012
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Rent prepaid	122,689	48,060	24,313	-	-	-
Insurance prepaid	4,377	8,977	-	-	-	-
	-----	-----	-----	-----	-----	-----
	127,066	57,037	24,313	-	-	-
	=====	=====	=====	=====	=====	=====
	=	=	=====	=	=	=

19. Cash and bank balance

Cash and bank balances in the statement of financial position comprise cash at banks and on hand and short term deposits with a maturity of three months or less.

	The Group			The Company		
	31 Dec 2013	31 Dec 2012	As at 1 January 2012	31 Dec 2013	31 Dec 2012	As at 1 January 2012
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and bank balances	1,642,287	773,795	1,875,177	2,505	45,610	1,026
	=====	=====	=====	=====	=====	=====
	=	=	=====	=	=	=

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

19b. Cash and cash equivalent

For the purpose of statement of cash flows, cash and cash equivalents consist of cash and bank balances as defined above, net of outstanding bank overdrafts as at 31 December:

	The Group			The Company		
	31 Dec 2013	31 Dec 2012	As at 1 January 2012	31 Dec 2013	31 Dec 2012	1 Jan 2012
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and bank balance (note 19)	1,642,287	773,795	1,875,177	2,505	45,610	1,026
Bank overdraft Note 21	(440,919)	(4,567,938)	(7,898,024)	-	(4,500,000)	(5,705,133)
	-----	-----	-----	-----	-----	-----
	1,201,368	(3,794,143)	(6,022,847)	2,505	(4,454,390)	(5,704,108)
	=====	=====	=====	=====	=====	=====

Notes to the Financial Statements

20. Ordinary share capital	The Group			The Company		
	31 Dec 2013 N'000	31 Dec 2012 N'000	As at 1 January 2012 N'000	31 Dec 2013 N'000	31 Dec 2012 N'000	As at 1 January 2012 N'000
<b>Authorised shares</b> 5,000,000,000 ordinary shares of 50k each	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>
<b>Issued and fully paid</b> 3,350,509,750 ordinary Shares of 50k each	<u>1,675,255</u>	<u>1,675,255</u>	<u>1,675,255</u>	<u>1,675,255</u>	<u>1,675,255</u>	<u>1,675,255</u>
<b>Share premium</b>	<u>6,616,991</u>	<u>6,616,991</u>	<u>6,616,991</u>	<u>6,616,991</u>	<u>6,616,991</u>	<u>6,616,991</u>

21. Interest bearing loans & Borrowings

	The Group			The Company		
	31 Dec 2013 N'000	31 Dec 2012 N'000	As at 1 January 2012 N'000	31 Dec 2013 N'000	31 Dec 2012 N'000	As at 1 January 2012 N'000
<b>Non-current</b>						
Zenith bank loan	-	573,588	736,160	-	-	-
Access bank term loan	210,000	977,142	-	-	-	-
Bank Phb			36,861			
Term Loan - AMCON	107,778	617,009		-	-	-
Sterling bank			81,817			
CDL Asset Management	-	1,734,117	2,072,751	=	=	=
Term Loan - Mainstreet N4.135b	4,345,209	=	=			
Term Loan - Mainstreet /BOI - \$17,391,550	2,700,038	=	=			
Lecon Financial Services Loan Acct	2,495,567	=	=			
Access Bank Invoice Discounting - USD	217,280	=	=			
Term Loan-Heritage Bank	135,351	-	-			
	<u>10,211,223</u>	<u>3,901,856</u>	<u>2,927,588</u>	<u>=</u>	<u>=</u>	<u>=</u>
	=====	=====	=====	=====	=====	=====

**Notes to the Financial Statements**

	The Group			The Company		
	31 Dec 2013 N'000	31 Dec 2012 N'000	As at 1 Jan 2012 N'000	31 Dec 2013 N'000	31 Dec 2012 N'000	As at 1 Jan 2012 N'000
<b>Current</b>						
Bank overdraft	440,918	4,567,938	7,898,024		4,500,000	5,705,133
<b>Other current loans</b>						
Tasmania Investment loan NGN			-	-		-
Tasmania Investment loan USD	116,081	178,656	163,800	-		-
Tasmania Investment Ltd – Others	84,411	108,113	312,353	-	-	-
Term Loan - Nexim USD3.5million	354,126	354,126	343,309	-	-	-
Term Loan Sterling Bank- N154.853M		67,120	80,000	-	-	-
Term Loan Access Bank - Viking Air Ltd			-	-		-
Access Bank Plc (Heliport) NGN 005 9302 348			-	-		-
Access Bank Plc - NGN - 0003382684		-	-	-	-	-
Term Loan CDL		585,460	1,201,357	-	-	-
Current Account -CDL		901,470	-	-	-	-
N50m Mainstreet Bank Term Loan BOI	-	20,833		-	-	-
N776m Mainstreet Bank Term Loan BOI	258,666	258,666		-	-	-
Term Loan Zenith / BOI - N825m	-	-		-	-	-
	<u>1,254,202</u>	<u>7,042,382</u>	<u>9,998,843</u>	=	<u>4,500,000</u>	<u>5,705,133</u>
<b>Total</b>	<u>11,465,425</u>	<u>10,944,238</u>	<u>12,926,432</u>	=	<u>4,500,000</u>	<u>5,705,133</u>

**AMCON loan**

This represents restructuring of various facilities that were extended to Caverton Group and its subsidiaries by Keystone bank which were subsequently transferred to AMCON. The outstanding balance of N5.7 billion was restructured to N4.5 as at 31 December 2012. The tenor of the loan is 9 years at the interest rate of 15% per annum. The restructured loan of N4.5 was paid up during the year. The Group exercised the cash option under the restructuring and liquidates the loan in January 2013 and the related gain has been taken as income.

The Security on this is:

Legal mortgage over property located at house 1 Road 34, VGC, Lekki peninsula, Lagos and property at Plot 2A, Block 11, Idanre Close, Osborne Foreshore Estate, ikoyi.

## Notes to the Financial Statements

### Zenith Bank loan

Medium term loan of ₦1.5 billion obtained to refinance existing loan obligations. The Pricing of the Loan include:

- a) Interest rate: 7% per annum. This rate is subject to upward and downward review in compliance with CBN guideline on refinancing facility to the manufacturing sector.
- b) Advisory fee: 1% flat, payable upfront upon acceptance of offer.

The repayment term of the loan involves Twenty (20) quarterly repayments of interest and principal (however, monthly deductions from revenue will be transferred to Debt Service Reserve Account (DSRA) towards repayment.

The Securities on the loans are:

- a) Legal Mortgage on property situate at Plot 252B, Victoria Island Annex, Lagos.
- b) Legal Mortgage on a property situate at Plots B, BA, C, CA, F, FA (Stretch of Water Front Land) Ozumba Mbadiwe, Victoria Island, Lagos.
- c) Legal Mortgage on a property situate at 2A, Block 11 Units 3, Federal Government layout, Ikoyi, Lagos (Legal Mortgage being perfected)
- d) Irrevocable domiciliation of payment to Zenith by Major Oil Companies.
- e) Debenture over assets of the company situate at Airport Hanger at MMIA, Lagos stamped for N30 million.

### BOI loan

This relates to Long term loan of \$17,391,550 for the purpose of procurement of one (1) factory new AW 139 Helicopter for offshore freight service contracts to Shell Petroleum Development Company. The tenor of the loan is five (5) years and nine (9) months, inclusive of nine (9) months moratorium on principal repayment beginning from the date of first disbursement.

The Interest rate on the loan is LIBOR plus 6% per annum, payable monthly in arrears.

The loan is secured with the Bank Guarantee/Irrevocable Standing payment Order from Access Bank Plc stating that the receivables specific to the additional AW19 helicopter in both local and foreign currencies, shall be paid into BOI's nominated accounts.

Mainstreet Bank Limited (N6.6 billion)

₦6.6 billion loan was obtained from Mainstreet bank limited at an interest rate of PLR + 2.72%, currently 17%p.a. The loan has a tenor of 90 days.

Term loan of N4.135 billion was also obtained to refinance the existing loans in other deposit money banks through the BOI funding windows. This loan has a tenor of 7 years and an interest rate of 7%.

### LECON Financial Services Limited

A loan of US \$16,252,500 was obtained for the purchase of 1 unit of Agusta Westland AW 139 Helicopter. It also includes cost of monitoring, consultancy and inspection fees. The tenor of the loan is 41 months including 8 months Lease in Process period.

**Notes to the Financial Statements**

**Security of the loan**

- i. Title of aircraft during the tenor of this lease is to be held by LECON Financial Services Limited & LECON's interest in the asset as loss payee will be noted in the insurance, which will be undertaken by IDIB as joint brokers.
- ii. Irrevocable standing order domiciling all proceeds from the Total upstream Nigeria Limited contract to a designated Collection account in the name of BOI & LECON , at Access bank Plc.

**CDL Asset Management Limited loan**

This relates to term loan of ₦1,600,000,000 that will bring the approved facility to N2,200,000,000. The loan is meant to upgrade the facilities of the Company to enable it undertake the contract obtained from Shell Petroleum Development Company (SPDC). The loan has an original tenor of 36 months and an interest rate of 22% per annum shall apply on the loan subject to changes in line with money market conditions.

Securities on the loan include:

- a) Mortgage on Company's Hangar located at Nigeria Air Force Base, Rivers State, Port harcourt.
- b) Domiciliation of receivables from contracts executed on behalf of Total Nigeria plc.
- c) Unconditional personal Guarantee of the Directors – Mr. Remi Makanjuola, Chairman, Mr Niyi Makanjuola, MD/CEO and Mr Sola Falola, Group Finance Director.

**Heritage Bank Limited**

This is a term loan facility of ₦140,000,000 to finance the lease rental of 10 Units of 4 Bedroom terrace Duplexes on 3 blocks at No.11 Adeyemo Alakija Street, G.R.A Ikeja. The tenor of the loan is 24 months. 23% per annum, which shall be subject to review from time to time in line with the prevailing money market condition.

**21d. Other non-financial liabilities**

	The Group			The Company		
	31 Dec 2013 ₦'000	31 Dec 2012 ₦'000	As at 1 January 2012 ₦'000	31 Dec 2013 ₦'000	31 Dec 2012 ₦'000	31 Dec 2012 ₦'000
SHELL Advance Payment for AW139	8,773,518	11,321,620	<b>8,483,194</b>	-	-	-
Balance, beginning of the year	11,321,620	<b>8,483,194</b>		-	-	-
Movement in the year	<u>(2,548,102)</u>	<u>2,838,426</u>	-----			
Closing balance	8,773,518	11,321,620	<b>8,483,194</b>			
	=====	=====	=====			

**Loan contracts and terms**

**SHELL Advance Payment for AW139**

Caverton Helicopters Limited obtained advance from Shell Petroleum in order to purchase an Aircraft (model: Augusta Westland). The repayment of the advance is done by offsetting the equivalent of the amount to be paid by Shell petroleum when Caverton Helicopters Limited renders aircraft services. No interest is charged on the advance and the tenor is for 60 months ending July 2017, which coincides with the end of the contract. Caverton Helicopters Limited recognizes the Aircraft in its books as part of its property, plant and equipment.

**Notes to the Financial Statements**

**22. Trade and other payables**

	The Group			The Company		
	31 Dec 2013 N'000	31 Dec 2012 N'000	As at 1 January 2012 N'000	31 Dec 2013 N'000	31 Dec 2012 N'000	31 Dec 2012 N'000
Trade payables	3,308,485	1,687,454	2,195,944	-	-	
Other payables	1,118,971	1,816,283	1,055,374	39,061	29,583	<b>34,584</b>
VAT Output	251,099	175,516	42,914	-	-	
Withholding Tax Payable	<u>44,279</u>	<u>155,800</u>	<u>71,268</u>	=	=	
	<u>4,722,834</u>	<u>3,835,053</u>	<u>3,365,500</u>	<u>39,061</u>	<u>29,583</u>	<u>34,584</u>

**Terms and conditions of the above financial liabilities:**

- Trade and other payables are non-interest bearing and are normally settled on 90-day terms.
- Other payables are non-interest bearing and have an average term of 3-6months
- VAT output and Input are offset for tax purposes as permitted by the relevant tax laws.

**23. Deferred revenue**

	The Group			The Company		
	31 Dec 2013 N'000	31 Dec 2012 N'000	As at 1 January 2012 N'000	31 Dec 2013 N'000	31 Dec 2012 N'000	31 Dec 2012 N'000
Advance Billing - NLNG	-	73,356	38,926	-	-	-
Advance Billing - Total	5,922	-	-			
Advance Billing - Other Clients	<u>30,533</u>	<u>22,853</u>	<u>-</u>	=	=	-
	<u>36,455</u>	<u>96,208</u>	<u>38,926</u>	=	=	=

The deferred revenue represents advance payments from Nigeria Liquefied Natural Gas Limited and other customers for which related services have not been fully delivered by the Group.

**24. Related Parties**

The financial statements include equity of major shareholders as follow:

	No. of Shares	% of Capital
Foreign	4,140,000	0.12%
Corporate	2,658,509,025	79.35%
Various individual shareholders	<u>687,860,725</u>	<u>20.53%</u>
Total	<u>3,350,509,750</u>	<u>100%</u>

**Notes to the Financial Statements**

**Subsidiaries:** The Group has a 99% interest in both Caverton Helicopters Limited and Caverton Marine Limited (31 December 2013: 99%).

The Group entered into the following transactions with related parties during the year:

Related party	Nature of transaction	Balance receivable/ (payable) 31 Dec 2013 N'000	Balance receivable/ (payable) 31 Dec 2012 N'000
Caverton Properties Relationship: The Group Chairman as a key management personnel	Advance to Caverton properties	-	63,439
C. Cylinders Relationship: The Group Chairman as a key management personnel	Advance to C. Cylinders	-	33,278
Growmore Dev Ventures Limited Relationship: The Group Chairman as a key management personnel	Advance to Growmore Development Ventures Limited for payment of Staff salaries	-	381,050
LE Global Oilfield Services Relationship: The Group Chairman as a key management personnel	Advance to LE Global Oilfield Services	1,507,729	3,849,943
Caverton Integrated Services Relationship: The Group Chairman as a key management personnel	Payment of expenses for CIS Incorporation	-	769
Liam Engineering Relationship: The Group Chairman as a key management personnel	Advance payment by Caverton Marine to Liam Engineering	-	332,796
Reager Energy Relationship: The Group Chairman as a key management personnel	Advance to Reager Energy		1,722,340
Chairman's account Relationship: Director	Refund of advance to Chairman	(776,882)	(485,775)
Caverton RK Limited Relationship: The Group Chairman as a key management personnel	Payment of expenses for CVRK Incorporation		1,359
Tasmania Investment Limited Relationship: The Group Chairman as a key management personnel	Advance from Caverton Marine Limited to Tasmania Investment		<u>498,502</u>
Caverton Helicopters Cameroon Relationship: The Group Chairman as a key management personnel	Purchase of Server from Caverton Cameroon	-	<u>(27,967)</u>
<b>TOTAL:</b>		<u>730,847</u>	<u>6,369,734</u>



**Notes to the Financial Statements**

**Terms and conditions of transactions with related parties**

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the years ended 31 December 2013, the Company has not recorded any impairment of receivables relating to amounts owed by related parties.

**Compensation to key management staff**

**Short term compensation**

	31 Dec 2013	31 Dec 2012
	N'000	N'000
Fees	17,000	19,000
Remuneration	<u>252,837</u>	<u>141,813</u>
	<u>269,837</u>	<u>160,813</u>

	31 Dec 2013	31 Dec 2012
	N'000	N'000
The Chairman	79,559	50,650
Other Directors	<u>190,278</u>	<u>110,163</u>
	<u>269,837</u>	<u>160,813</u>

**Long term compensation to key management**

The Group has no long-term compensation for its key management personnel.

**25. Capital commitments:**

The Group currently has no capital commitment as at 31 December 2013 (2012: nil)

**26. Contingent liabilities**

The Group currently has no contingent liabilities as at 31 December 2013 (2012: Nil).

**27. Financial risk management objectives and policies**

**(a) Financial risk**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Finance management committee under policies approved by the board of directors. Group treasury identifies, evaluates and manages financial risks in collaboration with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk and investment of excess liquidity.

## Notes to the Financial Statements

### (i) Foreign exchange risk

Management has set up a policy requiring the Group to manage their foreign exchange risk against their functional currency. The Group Company is required to manage its entire foreign exchange risk exposure with the Group finance. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, companies in the Group ensure that significant transactions are contracted in the Group's functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency. However, the Group is currently not exposed to significant foreign exchange risk as most of its transactions are denominated in its functional currency, which is naira.

### (ii) Price risk

The Group is not exposed to significant price risk.

### (iii) Interest rate risk

The Group's interest rate risk arises from borrowings. A borrowing issued at fixed rates has no significant exposure to the Group. The Group policy is to maintain approximately 100% of its borrowings in fixed rate instruments to minimise variability impact of performance. During 2013 and 2012, the Group's borrowings at fixed rate were denominated in the functional currency of the Group. In any case, interest risk can largely be managed by the flexibility of adjustment of rates on loans on the basis of the Group's ability to refinance existing loans.

### (b) Credit risk

Credit risk is managed on Group basis, except for credit risk relating to accounts receivable balances. Each company is responsible for managing and analysing the credit risk for both existing and new clients before standard payment and delivery terms and conditions are offered.

Credit risk arises from cash and cash equivalents, and short term deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group assesses the credit quality of the customers, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored to ensure debts are easily collected.

The Group places premium on maintaining credit limits to ensure that there is little or no losses from non-performance by those counterparties. This explains why no impairment loss has not been recognized as all receivable outstanding are collectable with the given credit limits.

**Notes to the Financial Statements**

**(c) Liquidity risk**

Cash flow forecasting is performed in the operating companies of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient funds on a regular basis so that the Group does not breach borrowing covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements for example, currency restrictions. Surplus cash held by the operating Companies over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, short term deposits, and other similar security. The entity's cash and cash equivalents and receivables are all redeemable between 0 and 90 days.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 year above</b>
	<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>
<b>31 Dec 2013</b>						
Interest bearing loans and borrowings	11,676,648	12,117,567	3,449,234	4,001,087	4,226,327	440,919
Trade and other payables	4,722,834	4,722,834	1,371,283	2,665,911	685,640	-
Due to related parties	776,882	776,882	776,882	-	-	-
<b>31 Dec 2012</b>						
Interest bearing loans and borrowings	10,944,238	11,233,647	951,391	185,037	5,905,954	3,901,856
Trade and other payables	3,835,053	3,835,053	1,156,444	2,104,622	573,987	-
Due to related parties	708,126	708,126	708,126	-	-	-

**Notes to the Financial Statements**

**(d) Fair values**

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

	<b>The Group Carrying value</b>		<b>The Group Fair Value</b>	
	<b>31 Dec 2013 N'000</b>	<b>31 Dec 2012 N'000</b>	<b>31 Dec 2013 N'000</b>	<b>31 Dec 2012 N'000</b>
<b>Financial assets</b>				
Trade and other receivables	10,740,211	11,374,435	10,740,211	11,374,435
Due from related parties	1,507,729	7,077,860	1,507,729	6,889,534
Cash and bank	<u>1,642,287</u>	<u>773,795</u>	<u>1,642,287</u>	<u>773,795</u>
<b>Total</b>	<b><u>13,890,227</u></b>	<b><u>19,226,090</u></b>	<b><u>13,890,227</u></b>	<b><u>19,226,090</u></b>
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings	11,676,648	10,944,238	12,117,567	22,555,267
Trade and other payables	4,772,834	3,835,053	4,772,834	3,835,053
Due to related parties	<u>776,882</u>	<u>708,126</u>	<u>776,882</u>	<u>708,126</u>
<b>Total</b>	<b><u>17,226,364</u></b>	<b><u>15,487,417</u></b>	<b><u>16,008,354</u></b>	<b><u>27,098,446</u></b>

	<b>The Company Carrying value</b>		<b>The Company Fair Value</b>	
	<b>31 Dec 2013 N'000</b>	<b>31 Dec 2012 N'000</b>	<b>31 Dec 2013 N'000</b>	<b>31 Dec 2012 N'000</b>
<b>Financial assets</b>				
Trade and other receivables	-	-	-	-
Due from related parties	1,017,228	5,167,258	1,017,228	5,167,258
Cash and bank	<u>2,505</u>	<u>45,609</u>	<u>2,505</u>	<u>45,609</u>
<b>Total</b>	<b><u>1,019,733</u></b>	<b><u>5,212,867</u></b>	<b><u>1,019,733</u></b>	<b><u>5,212,867</u></b>
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings	-	4,500,000	-	4,500,000
Trade and other payables	39,063	29,583	39,063	29,583
Due to related parties	<u>396,822</u>	<u>365,738</u>	<u>396,822</u>	<u>365,738</u>
<b>Total</b>	<b><u>435,885</u></b>	<b><u>4,895,321</u></b>	<b><u>435,885</u></b>	<b><u>4,895,321</u></b>

### **Notes to the Financial Statements**

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 short-term deposits, trade receivables, trade payables and other current liabilities are stated at their carrying amounts largely due to the short-term maturities of these instruments.
- ▶ Long-term fixed-rate borrowings are evaluated by the Group based on parameters such as interest rates, individual creditworthiness of the customer and the risk characteristics of the financed project. The fair value of the loans and borrowing are determined based on the market related rate at the reporting date.

#### **Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2013 (2012), the Group's financial instruments carried on the statement of financial position are measured at amortized cost as such, level 2 has been used for their fair value measurement in respect of those financial instruments.

Refer to measurement basis of the Groups' financial instruments disclosed in note 27.2.

**Notes to the Financial Statements**

**27.2 Financial Instrument by measurement basis**

The table below show financial instruments by their measurement bases. The values at year end approximate the fair values of the respective financial instruments except for trade and other receivables and payables which are stated at their nominal values.

<b>31 Dec 2013</b>	Available	Amortised	Carrying
<b>Nature of instrument</b>	for sale	cost	value
	N'000	N'000	N'000
Trade & other receivables	-	10,740,211	10,740,211
Due from related parties	-	1,507,729	1,507,729
Cash & cash equivalents	-	<u>1,642,287</u>	<u>1,642,287</u>
<b>Total financial assets</b>	=	<u><b>13,890,227</b></u>	<u><b>13,890,227</b></u>
Trade & Other payables	-	10,027,719	10,027,719
Interest bearing loans & borrowings	-	4,772,834	4,772,834
Due to related parties	-	<u>776,882</u>	<u>776,882</u>
<b>Total financial liabilities</b>	=	<u><b>15,577,453</b></u>	<u><b>15,577,453</b></u>

<b>31 December 2012</b>	Available	Amortised	Carrying
<b>Nature of instrument</b>	for sale	cost	value
	N'000	N'000	N'000
Trade & other receivables	-	11,374,435	11,374,435
Due from related parties	-	7,077,860	7,077,860
Cash & cash equivalents	-	<u>773,795</u>	<u>773,795</u>
<b>Total financial assets</b>	=	<u><b>19,226,090</b></u>	<u><b>19,226,090</b></u>
Trade & Other payables	-	3,835,053	3,835,053
Interest bearing loans & borrowings	-	10,944,238	10,944,238
Due to related parties	-	<u>708,126</u>	<u>708,126</u>
<b>Total financial liabilities</b>	=	<u><b>15,487,417</b></u>	<u><b>15,487,417</b></u>

**28. Capital management**

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 (2012).

**Notes to the Financial Statements**

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 60% and 70%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations if any.

	31 Dec 2013	31 Dec 2012
Interest-bearing loans and borrowings (Note 21)	<u>11,465,425</u>	<u>10,944,238</u>
Trade and other payables (Note 22)	4,722,834	3,835,053
Less: cash and bank (Note 19)	<u>(1,642,287)</u>	<u>(773,795)</u>
Net debt	14,945,972	14,005,496
Equity	<u>10,657,937</u>	<u>9,823,060</u>
Total Capital	<u>10,657,937</u>	<u>9,823,060</u>
Capital and net debt	<u>25,203,909</u>	<u>23,828,556</u>
Gearing ratio	<u>58%</u>	<u>62%</u>

**29. Information relating to Employees**

The average number of persons employed by the Group during the financial year was as follows:

	<u>The Group</u> -		<u>The Company</u> -	
	31 Dec 2013 Number	31 Dec 2012 Number	31 Dec 2013 Number	31 Dec 2012
Finance and administration	258	248	-	-
Operations	246	142	-	-
Engineering	<u>186</u>	<u>220</u>	-	-
	<u>693</u>	<u>610</u>	-	-

**30. Events after the reporting period**

No event or transaction has occurred since the reporting date as at 31 December 2013 which would have a material effect upon these financial statements at that date or which would need to be mentioned in the financial statements in order to make them not misleading.

**STATEMENT OF VALUE ADDED**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

Caverton Offshore Support Group Plc  
Consolidated and Separate Financial Statements - Continued

	The Group				The Company			
	2013 N'000		2012 N'000		2013 N'000		2012 N'000	
Revenue	18,662,906		16,132,083		276,210		495,000	
Cost of services- Local	(10,385,649)		(7,929,068)		(168,375)		(64,855)	
	-----		-----		-----		-----	
	8,277,257		8,203,015		107,835		430,145	
Other income	2,664,604		862,105		476,713		-	
	-----		-----		-----		-----	
Value added	10,941,861		9,065,120		584,548		430,145	
	=====		=====		=====		=====	
Applied as follows:		%		%		%		%
To employees								
-Wages, salaries and other benefits	4,964,528	45	4,518,946	50	-	-	-	-
To providers of capital								
-Interest	1,258,904	12	1,400,140	15	-	-	-	-
To pay government: as company taxes	1,283,839	12	802,688	9	194,126	33	144,737	34
To provide for replacement of assets and expansion of business:								
Depreciation & amortization	1,559,575	14	983,179	11	1,498	-	2,395	-
Deferred taxation	-	-	-	-	-	-	-	-
Retained profit	1,875,015	17	1,360,167	15	388,924	67	283,013	66
	-----		-----		-----		-----	
	10,941,861	100	9,065,120	100	584,548	100	430,145	100
	=====	==	=====	==	=====	==	=====	==
	=====	=	=====	==	=====	=	=====	=

The value added represents the wealth created through the use of the Company's assets by its own and its employees' efforts. This statement shows the allocation of wealth amongst employees, capital providers, government and that retained for future creation of wealth.

FIVE -YEAR FINANCIAL SUMMARY – GROUP

← IFRS →

Local GAAP



Caverton Offshore Support Group Plc  
Consolidated and Separate Financial Statements - Continued

	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-10	31-Dec-09
<b>NON-CURRENT ASSETS</b>	<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>
Property, plant & equipment	18,195,679	12,070,710	6,117,799	6,734,868	7,042,728
Intangible assets	3,334	81,257	-	-	-
Goodwill	6,026,909	6,026,909	6,026,909	6,026,909	6,026,909
Preliminary expenses	-	-	-	151,909	189,887
Net current asset/(liabilities)	6,704,699	7,145,468	7,997,342	(2,237,004)	(2,035,492)
	-----	-----	-----	-----	-----
	30,930,621	25,324,344	20,142,050	10,676,682	11,224,032
Interest bearing loans & borrowings	(10,211,223)	(3,901,856)	(2,927,588)	(1,958,765)	(2,616,859)
Other non-financial liabilities	(8,773,518)	(11,321,620)	(8,483,194)	-	-
Deferred tax liabilities	(555,819)	(277,525)	(52)	-	-
	-----	-----	-----	-----	-----
	11,380,060	9,823,343	8,731,216	8,717,917	8,607,173
	-----	-----	-----	-----	-----
<b>Financed by:</b>					
Share capital	1,675,255	1,675,255	1,675,255	1,675,255	1,675,255
Share premium	6,616,991	6,616,991	6,616,991	6,768,901	6,768,901
Retained earnings	2,980,627	1,442,660	366,305	207,133	136,558
Non-controlling interest	107,187	88,437	72,665	66,628	26,459
	-----	-----	-----	-----	-----
	11,380,060	9,823,343	8,731,216	8,717,917	8,607,173
	=====	=====	=====	=====	=====

	IFRS		Local GAAP		
	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-10	31-Dec-09
		<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>
Turnover	18,662,906	16,132,083	10,928,865	7,028,724	5,357,727
	=====	=====	=====	=====	=====
Profit before tax	3,158,854	2,162,855	309,156	592,648	589,551
Income tax expense	(1,283,839)	(802,688)	(248,783)	(190,961)	-
Profit after tax	1,875,015	1,360,167	60,373	401,687	589,551
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Per share					
Earnings per share	₦ 0.55	₦ 0.40	₦ 0.02	₦ 0.12	₦ 0.18

FIVE -YEAR FINANCIAL SUMMARY – COMPANY

IFRS ←-----→ Local GAAP

Caverton Offshore Support Group Plc  
Consolidated and Separate Financial Statements - Continued

	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-10	31-Dec-09
<b>NON-CURRENT ASSETS</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Property, plant & equipment	559	2,057	4,452	6,849	9,244
Investments	8,514,000	8,514,000	8,514,000	8,514,000	8,514,000
Preliminary expenses	-	-	-	151,909	189,887
Net current asset/(liabilities)	173,130	101,427	82,447	(198,485)	(261,960)
	-----	-----	-----	-----	-----
	8,687,689	8,617,484	8,601,924	8,474,273	8,451,171
	-----	-----	-----	-----	-----
Deferred tax liabilities	(219)	(641)	(52)	-	-
	-----	-----	-----	-----	-----
	8,687,470	8,616,843	8,601,872	8,474,273	8,451,171
	-----	-----	-----	-----	-----
<b>Financed by:</b>					
Share capital	1,675,255	1,675,255	1,675,255	1,675,255	1,675,255
Share premium	6,616,991	6,616,991	6,616,991	6,768,901	6,768,901
Retained earnings	395,224	324,597	309,626	30,117	7,015
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	8,687,470	8,616,843	8,601,872	8,474,273	8,451,171
	=====	=====	=====	=====	=====

	IFRS		Local GAAP		
	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-10	31-Dec-09
		<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Turnover	276,210	495,000	410,075	361,350	180,743
	=====	=====	=====	=====	=====
Profit before tax	583,050	283,013	379,277	310,025	172,494
Income tax expense	(194,126)	-	(121,523)	(36,135)	-
Profit after tax	388,924	283,013	257,754	273,890	172,494
	-----	-----	-----	-----	-----
Earnings per share	<b>N</b> 0.12	<b>N</b> 0.08	<b>N</b> 0.07	<b>N</b> 0.08	<b>N</b> 0.05

**Disclosure on non-IFRS comparative information**

1. The property, plant and equipment under the Local GAAP would have complied with IFRS if the useful life and residual values of the assets were re-estimated. The assets under Local GAAP were stated and measured at cost or revalue amount less accumulated depreciation.
2. Under the Local GAAP, there were no intangible assets because this was classified as fixed assets; this was measured at cost less accumulated depreciation.