

transcorp



Transnational Corporation of Nigeria Plc Annual Report and Financial Statements

For the year ended 31 December 2012



Creating successful businesses

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GROUP OVERVIEW

OUR VISION

To create sustainable value for our stakeholders in our chosen markets.

OUR MISSION

To build a conglomerate of successful businesses underpinned by execution, excellence and entrepreneurship.

ABOUT TRANSCORP

Transnational Corporation of Nigeria Plc (Transcorp) was incorporated on 16 November 2004 with the goal of creating a truly Nigerian conglomerate with the ability to compete successfully on a global scale. The founding goals included setting up a company capable of mobilizing local and international capital in the development of world-class enterprises, under strong Nigerian management and leadership.

Today, Transcorp is a publicly quoted conglomerate with a diversified shareholder base of about 290,000 investors, the most prominent of which is Heirs Holdings Limited, a pan-African proprietary investment company. The Transcorp portfolio comprises strategic investments in the hospitality, agriculture and energy sectors. Our notable businesses include Transcorp Hilton Hotel, Abuja; Transcorp Hotels, Calabar; Teragro Commodities Limited, operator of Teragro Benfruit juice concentrate plant – Nigeria's first-of-its-kind juice concentrate plant; Transcorp Ughelli Power Limited and Transcorp Energy Limited, operator of OPL 281.

Resilience

OUR BUSINESSES

AGRICULTURE



Teragro Commodities Limited

The agribusiness subsidiary of Transcorp, Teragro Commodities Limited, is a full value-chain enterprise with the objective of creating value in agricultural raw materials using technology to develop, manufacture, distribute and market high-quality consumer goods for all markets. Our products are designed to meet international standards and specifications, which position them for competitiveness within Nigerian and global markets.

Our world-class fruit juice concentrate production plant, with a capacity of 26,500 metric tonnes per annum, is located at the industrial layout in Makurdi, the capital of Benue State. Ours is a story of a successful public-private partnership that has provided opportunities for job creation for Benue State, other local markets and has contributed to the development of the Nigerian economy.

The Teragro plant is complete with an extraction unit, product receiving and juice preparation units, juice concentration unit, concentration and aseptic filling units, fruit nectar unit and sterilization sections. The plant produces orange, pineapple and mango concentrates, as well as mango puree. The concentrate is produced using the utmost hygienic and professionally sound international-standard technology.

Over the next two years, Teragro plans to install a world-class production plant which is estimated to be five times larger (in size and capacity) than the existing facility. Ongoing discussions are being held with several state governments for joint ventures in rice, cassava, tomato, cocoa and oil palm production.



ENERGY



Transcorp Energy Limited

Transcorp Energy Limited is a fully owned subsidiary which was established in 2008 to spearhead the Group's thrust into the energy sector and to focus on upstream petroleum exploration. The company oversees a joint venture agreement with SacOil Holdings Limited (SacOil) to develop OPL 281 in collaboration with Energy Equity Resources Limited (EER).

Transcorp Ughelli Power Limited

Transcorp Ughelli Power Limited (TUPL) is a subsidiary of Transcorp. The company successfully emerged as the preferred bidder for the acquisition of the Ughelli Power Plant which is being privatised by the Federal Government. The Plant is located in Delta State and has an installed capacity of 972 MW and an available capacity of 228 MW as at end 2012.



HOSPITALITY



Transcorp Hilton
ABUJA

Transcorp Hilton Hotel, Abuja

Transcorp Hilton Hotel is situated in the heart of Nigeria's Federal Capital Territory, a 40-minute drive from the Nnamdi Azikiwe International Airport, Abuja. It is a 670-room, 5-star hotel that provides luxury accommodation, exotic cuisines, fully equipped meeting rooms and leisure facilities to business travellers and tourists from all over the world. The hotel offers the benefit of the international standard guest reward programme. Hilton Honors® with which Points and Miles® are earned by members for stays at 3,700 hotels world-wide and airline miles with over 50 airline partners.

Under Transcorp's effective leadership, the Transcorp Hilton Hotel was awarded the best Hilton Hotel in Africa, Middle East and Asia for the year 2010. The hotel was also named the winner of Hilton Worldwide prize for '2012 GC& E (Group Conference and Events) Sales Team of the Year for the Middle East and Africa regions.



Transcorp Hotels

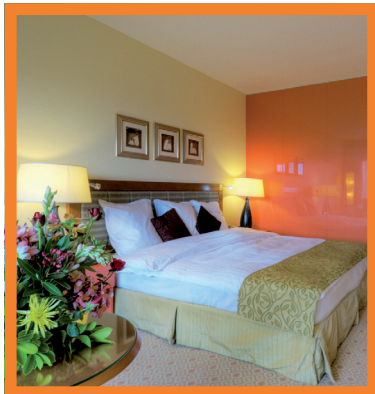
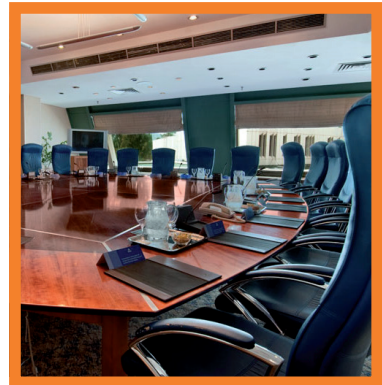
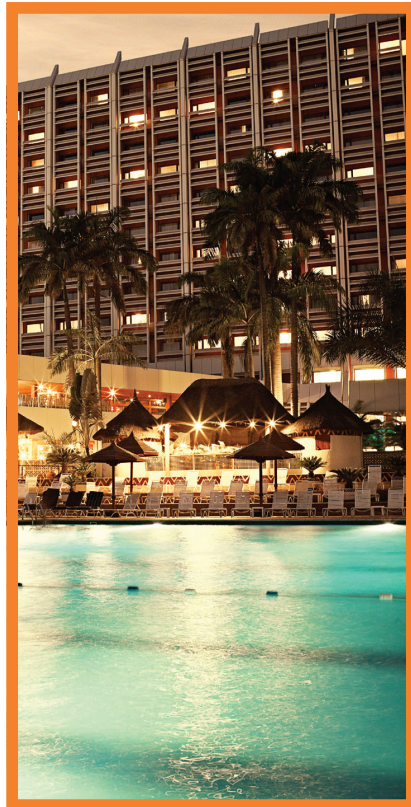
Transcorp Hotels, Calabar

The 146-room Transcorp Hotels, Calabar is a premier destination hotel in Calabar, Cross River State, which is fast becoming the desirable city for vacation and conferences in Nigeria.

The hotel is located in the heart of Calabar and is a well-known landmark for both locals and visitors. It provides the perfect meeting ground for business and pleasure. It also provides outstanding conferencing facilities; fine dining, 24-hour room service, a fitness centre, complimentary airport shuttle, complimentary WiFi connection in all guest rooms and guest discounts with local merchants.

Transcorp continues to develop strategies in the medium and long term that will consistently position the Company as a key player in the hospitality industry.





TRANSCORP HILTON, ABUJA • TRANSCORP HOTELS, CALABAR

WWW.TRANSCORPNIGERIA.COM

WITH LUXURIOUS ROOMS, OUTSTANDING FACILITIES AND
AMENITIES TO CATER FOR TRAVELLERS FROM ALL OVER THE
WORLD, VISIT US TODAY AND EXPERIENCE

hospitality like never before!

...MORE HOTEL PROJECTS UNDERWAY...

RESULTS AT A GLANCE

The Group

	2012 N'000	2011 N'000	Change %
For the year ended 31 December			
Revenue and other income	15 807 764	14 534 544	9
Administrative Expenses	7 522 739	6 204 611	21
Profit Before Tax	3 948 215	4 605 927	(14)
As at 31 December 2012			
Non-current assets	50 988 839	51 472 274	(1)
Current assets	24 615 363	9 999 811	146
Total Assets	75 604 202	61 472 085	23
Share Capital	12 906 999	12 906 999	0
Equity Attributable to Owners of the Parent	30 300 925	28 759 695	5
Non Controlling Interest	11 134 022	12 199 049	(9)
Per Share data			
Earnings per Share (Kobo)	4.38	7.74	(43)
Net Assets per Share (Kobo)	117	111	5
Number of Employees	1 527	1 639	(7)

The Company

	2012 N'000	2011 N'000	Change %
For the year ended 31 December			
Revenue and other income	4 803 934	3 128 652	54
Administrative Expenses	1 081 343	1 553 954	(30)
Profit Before Tax	2 874 600	1 313 375	119
As at 31 December 2012			
Non-current assets	27 917 466	22 204 720	26
Current assets	10 729 254	2 044 926	425
Total Assets			
Share Capital	12 906 999	12 906 999	0
Total Equity	17 734 017	15 194 840	17
Per Share data			
Earnings per Share (kobo)	9.84	3.69	167
Net Assets per Share (kobo)	69	59	17
Number of Employees	21	22	(5)

LIST OF DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

Directors

Mr. Tony O. Elumelu, CON	Chairman
Mr. Obinna Ufudo	President/CEO
Olorogun O'tega Emerhor, OON	Director
Mr. Kayode Fasola	Director
Dr. Stanley Lawson	Director
Ms. Angela Aneke	Director
Alhaji Mohammed Nasir Umar	Director
Mr. Chibundu Edozie	Director
Dr. Julius Kpaduwa	Director

Company Secretary

Chinedu Eze

Registered Office

Transnational Corporation of Nigeria Plc
38 Glover Road (Formerly 22B)
Ikoyi, Lagos

Auditors

PricewaterhouseCoopers
252E Muri Okunola Street
Victoria Island
Lagos

Registrar and Transfer Office

Africa Prudential Registrars Plc
220B Ikorodu Road
Palmgrove
Lagos
Tel: 01-4612373-76
info@africaprudentialregistrars.com

BOARD OF DIRECTORS

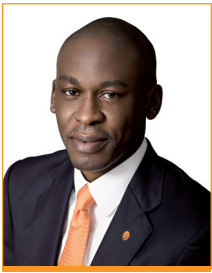


Tony O. Elumelu, CON

Chairman

Holds graduate and post-graduate degrees in Economics and is an alumnus of Harvard Business School, the Institute of Management Development, Switzerland and the Singapore Institute of Management.

His corporate reputation as a leading African business leader is based on his instrumental role in reshaping the African financial services industry.



Obinna Ufudo

President/CEO

Holds an M.Sc degree in International Securities, Investment and Banking from the University of Reading, UK. He also holds an EMBA from the IESE Business School, University of Navarra, Barcelona, Spain and a B.Sc in Finance from Enugu State University of Science and Technology, Enugu, Nigeria.

He is a financial industry veteran and has held senior level positions in trading, investment management and advisory services.



Olorogun O'tega Emerhor, OON

Non-executive Director

Known as a turnaround expert due to his involvement/leadership in many turnaround assignments both in the banking and manufacturing sectors.

Holds a first class degree from the University of Nigeria, Nsukka and he is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN), the institute of Credit and Risk Management of Nigeria and the Academy for Entrepreneurial studies respectively. He is also a member of the Institute of Marketing Consultants.



Chibundu Edozie

Non-executive Director

Holds a Bachelor of Science degree in Geology and Mining from the University of Jos and is an alumnus of the New York Institute of Finance, IMD and Lagos Business School.

Has over 19 years' experience in the capital market and investment banking industry.



Angela Aneke

Non-executive Director

Holds a B.Sc degree from the American University, Washington DC, USA. She is an International Associate of the American Institute of Certified Public Accountants.

Has over 27 years' experience garnered from key financial institutions in countries across West Africa, some of which include: Ecobank Transnational Incorporated, Citibank Nigeria and United Bank for Africa Plc.



Alhaji Mohammed Nasir Umar

Non-executive Director

Has vast and varied experience in lands and survey matters spanning over a period of 33 years.

Holds an M.Sc degree in Lands and Survey from Ahmadu Bello University, Zaria. A registered surveyor with the Surveyors Council of Nigeria and a fellow of the Nigerian Institute of Surveyors.



Dr. Stanley Lawson

Non-executive Director

Holds an M.Sc in Petroleum Geology and an MBA in Finance, both from the University of Ibadan.

Has multi-disciplinary professional experience spanning three decades in the energy and financial services sectors.

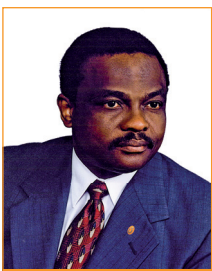


Kayode Fasola

Non-executive Director

Holds a B.Sc in Agricultural Economics from the University of Ibadan and an MBA in Finance from Obafemi Awolowo University, Ile-Ife. He also holds an MBA in Banking from Ladoke Akintola University, Ogbomoso. He is an alumnus of the prestigious Lagos Business School and the London Business School.

Has over 21 years' experience covering all facets of banking and business strategy.



Dr. Julius Kp aduwa

Non-executive Director

A graduate of Berea College in Kentucky, USA and an alumnus of Howard University Medical School, USA.

He represents the interest of Nashville Capital Partners on the Board of Transcorp.

SUBSIDIARY CEOs



Valentine Ozigbo

Chief Executive Officer, Transnational Hotels and Tourism Services Limited

Has over 17 years' rich and varied experience in banking (commercial, retail, investment and international), business development and transformation and more recently hospitality asset development and management.

Holds a B.Sc. in Accounting and an MBA in Banking and Finance from the University of Nigeria, Nsukka (UNN). Graduated from the Lancaster University, UK with a Distinction in M.Sc. Finance. A Fellow of the Institute of Chartered Accountants of Nigeria and an Associate Member of the Chartered Institute of Taxation of Nigeria.



Dr. Jide Adedeji, Ph.D

Chief Executive Officer, Teragro Commodities Limited

Has over two decades of experience in the food flavour, natural products and consumer packaged goods industries. An expert in the creation and development of natural flavour ingredients from reactions and natural sources.

Holds a B.Sc. in Agricultural Biochemistry and Nutrition, an M.Sc. and Post-graduate Diploma in Food Science and Technology from the University of Ibadan. Earned doctorate and Master's degrees in Food Science from Rutgers University in New Jersey, USA.

EXECUTIVE MANAGEMENT

The Executive Management of Transcorp comprises the following principal officers:



Oyewale Ariyibi

Chief Finance Officer

Has over two decades of solid experience in professional accounting, banking and other financial institutions.

Holds a B.Sc. from University of Ilorin and an MBA from University of Lagos. A Fellow of the Institute of Chartered Accountants of Nigeria, and an Associate of both the Chartered Institute of Taxation of Nigeria and the Certified Pension Institute of Nigeria.



Dupe Olusola

Director of Resources

Has over 16 years' experience in Banking, Private Equity, Developmental Business Consulting and Asset Management.

Holds a BA in Economics from the University of Leicester, UK and an MA in Development Economics from the University of Kent at Canterbury and an Investor Relations Certification from the UK.



Yemi Okojie

Head, Strategy and Business Transformation

Has extensive experience in Business Transformation, Consulting and Corporate Strategy.

Holds a first class degree in Mechanical Engineering from Brunel University in England and an MBA from the University of Chicago Booth School of Business, with concentrations in Finance, Strategy and General Management.



Barnabas Umelo

Acting Chief Internal Auditor

Has over 25 years' professional experience spanning over Banking, Asset Management, International Trade and Consultancy.

Holds an MBA in Finance and Accounting from Ogun State University. Qualified as a Chartered Accountant in 1992 and became a Fellow of the Institute in 2005.



Janet Mbu

Legal Adviser

Has broad corporate and commercial experience gained across different industry sectors with a particular focus on debt/equity capital raising transactions, corporate governance and general commercial work.

She holds a B.A. in History from Sussex University and has a postgraduate diploma in law (CPE) from City University, London. She attended the College of Law, London and trained as a solicitor with City firm, Allen & Overy. She is a member of the UK Law Society and student member of the Institute of Chartered Secretaries and Administrators.



Chinedu Eze

Company Secretary

Has over a decade of corporate, commercial, legal and company secretarial experience in the Banking and Finance industry.

Holds an LL.B degree from the University of Nigeria, an LL.M degree from the University of Lagos and another LL.M from the University of British Columbia (UBC), Vancouver, Canada where he graduated with a first class. He is a Member of the Nigerian Bar Association, an Associate of the Chartered Institute of Arbitrators (UK & Nigeria), an Associate Member of the Institute of Capital Market Registrars and a Member of the UK Environmental Law Association.



Distinguished Shareholders,

I am pleased to welcome you to the 7th Annual General Meeting of Transnational Corporation of Nigeria Plc (Transcorp) and to present the Annual Report and the Audited Financial Statements for the financial year ended December 31, 2012. The accounts have been prepared in accordance with International Financial Reporting Standards. And for the very first time in the history of Transcorp, the auditors have issued a clean audit opinion on the financial statements. This is a clear testimony of the success of the turn-around efforts of the current Board and Management of the Company.

Highlights of Our Performance in 2012

Transcorp has continued to make significant progress in its operational and financial performance due to the strong foundation we have laid for optimum growth. The operating environment has remained very turbulent with a myriad of challenges and risks confronting our businesses. In spite of these, your Company achieved virtually all its goals for 2012. Profits before tax more than doubled, increasing by N1.6 billion from N1.3 billion to N2.9 billion. This phenomenal growth in profit is as a result of focused execution of our redefined corporate strategy of diversifying income which was complemented by efficient cost optimisation and effective risk management and control measures. With these results, it is indeed very clear that we have successfully turned around the company.

The Group's total revenue dipped by N656 million due mainly to a slight reduction in occupancy experienced at the Transcorp Hilton Hotel Abuja during the year under review. The nationwide industrial action over the increase in fuel pump prices, safety fears within the aviation sector and the continuous security threats in the North all combined to precipitate the reduction in occupancy. We expect that all these will

be surmounted in the current year in view of recent pronouncements and various corrective actions taken by the government.

Total assets of both the Company and the Group increased by N14.4 billion and N14.1 billion over the previous year representing a growth of 59% and 23% respectively. This was fuelled by the Company's new strategic investment in the power sector through the on-going acquisition of Ughelli Power Plc under the government's privatisation of the power sector.

The Global Economy

The global operating environment is fraught with raging headwinds with the lingering European debt crisis, the threatening fiscal cliff in the United States, and the general slowdown in the major emerging economies, including China. Rounds of negotiations and summits have failed to restore normalcy in the eurozone and the poor economic performance in the single-currency area has adversely impacted global economic growth. The United States Federal Reserve announced a new round of quantitative measures earlier this year to stimulate the U.S. economy. However, this was overshadowed by the US\$600 billion fiscal overhang which threatened to push the U.S. economy back into recession towards the end of the presidential election year. In relation to emerging economies, China for example, was according to Goldman Sachs, expected to maintain its GDP growth rate of about 7.7 percent in 2012, although this is far lower than growth rates achieved in previous years. Nonetheless, pundits still expect China to maintain stable economic growth and further extend its investments to foreign countries in the coming years.

A further review of 2012 revealed that consumers in developed economies saw their incomes stagnate, while consumer spending in the eurozone shrank to levels not seen since 2003. Total consumer expenditure was estimated at US\$41 trillion globally with spending in emerging and developing countries believed to have risen by more than 5%. Overall, in 2012, consumers were value-conscious and value driven; very mobile; experience-seeking; networking socially; and enthusiastic about the environment. The world now knows the nine growth market economies – the BRICS plus South Korea, Indonesia, Mexico, and Turkey. These economies, according to IMF 2012 GDP estimates produced close to \$15 trillion, more than the GDP of the United Kingdom, Germany, France, Italy and Canada put together. Their combined size is now approximately that of the US economy with total annual output reaching \$15.6 trillion (roughly 25% of global GDP). Unless their growth rates slow sharply, their contribution to world output will rise

dramatically, and global growth will be stronger as a result. This implies that these economies could add \$1trillion to global GDP in 2013 if they expand by an average of 7% in US dollar terms.

Back home in Africa, the continent has recorded some important milestones over the last decade and indeed in the past year. The IMF's forecast for Sub-Saharan Africa anticipated average growth rates of 5.5% in 2012. A number of economies in West Africa were expected to exceed the 7% mark. Regardless, Africa has not been immuned to the recent market volatility stemming from the eurozone crisis, or the growth slowdown in some of the largest developing economies and in particular, China which constitutes an important market for Africa's mineral exports.

High commodity prices and strong export growth in those countries that have made mineral discoveries in recent years have fuelled economic activity and are expected to underpin Africa's economic growth going forward. Other drivers of growth in Africa include domestic population growth, urbanization, economic reforms, improving political stability, growing natural resource base, greater government spending, strong domestic and foreign investments, remittances from the Diaspora. Moreover, Africa's growing middle class, estimated at over 300 million, and growing consumer spending, which is forecast to reach US\$1.4 trillion by 2020 provide ample opportunities across the continent. In addition, Africa's trade relations with the rest of the world continue to grow, particularly with Asia. Africa's exports rebounded notably in the first quarter of 2012, growing at an annual rate of 32%, versus an 11% decline recorded in the last quarter of 2011, when China's trade value with Africa reached US\$160 billion. Indeed, the value of China's trade with Africa is estimated to have grown to almost US\$180 billion in 2012, thereby making the continent one of its largest trading partners.

The Local Economy

Nigeria's economy continues to remain one of the fastest growing in Africa, averaging a growth rate of 7% over the last three years. In 2012, GDP growth averaged 6.6% over the four quarters with 6.99% growth recorded in the last quarter of the year. This economic expansion has been helped by strong oil prices and stable daily output of crude throughout the year. GDP growth stayed below 7% during the year due to workers' strike action early on in the year, pockets of violence in northern Nigeria, floods in southern Nigeria and the Central Bank of Nigeria's tight monetary policy stance, which made borrowing expensive and thus reduced the pace of investment and spending. Some of these factors contributed to the increase in aggregate prices towards the end of

the year, following the rise in food prices after the floods. The year ended with 12% inflation rate, just shy of an average of 12.2% for the entire year. Interest rates in Nigeria have remained high given the CBN's contractionary monetary policy measures including keeping the benchmark rate i.e. (MPR) at 12% and a raised cash reserve ratio of 30%. Despite this, rates on financial assets eased in the last quarter of 2012, with the yield on 91-day treasury bills dropping by almost 250 basis points during the quarter to 11.6%.

The Nigerian capital market recorded some growth and gained momentum in 2012 as investors' confidence began to return to the market. Overall, market capitalization of listed equities appreciated by 37.3% to reach N8.98 trillion, while the All Share Index gained 35.4% to cross 28,000 points. In the same vein, the fixed income (bond) market also had a fair share of appreciation as it garnered a 55.6% return in 2012 to close with a capitalization of N5.82 trillion. One of the drivers of the bond market's good performance was the inclusion of Nigerian government bonds in the JP Morgan Government Bond Index for Emerging Markets. This move gave Nigerian government bonds better international recognition, thereby making them attractive to global institutional investors.

Board Changes

During the year, Chief O.B Lulu-Briggs a Non-executive Director retired from the Board of Transcorp. On behalf of the staff, management, the Board of Directors and our Shareholders, I would like to thank him for his invaluable contributions to the growth of the Company.

Transition

The Chairman of the Statutory Audit Committee, Chief Sylvannus Ezendu passed away on March 17, 2013 after a brief illness. We pray for the repose of the soul of Chief Ezendu and that God will grant his family the fortitude to bear the loss.

Significant Achievements and Outlook for 2013

Re-organisation of Capital

Over the years, the issue of non-completion of the reconciliation of shares issued to the proceeds received for shares during the Company's 2005 public offer has beleaguered successive Boards and management teams and has formed a major basis for the issuance of qualified audit opinions by the independent auditors. During the year under review, an independent consultant was engaged to undertake a forensic audit of the share capital issues and receipts with a view to resolving this matter. At the end of the exercise, we sought and obtained the necessary regulatory approvals for capital

re-organisation. The major regulatory approval was received on December 20, 2012 and the Court order was secured on December 28, 2012. The Company, accordingly held the required Court-ordered meeting on January 30, 2013.

Distinguished Shareholders, that meeting marked a critical turning point in the history of Transcorp. It was at this meeting that you approved by a vote of 99.97%, the proposed Capital Reorganisation Scheme which provided the authority to restate the Company's Shareholders' funds in a positive manner. However, our auditors have strongly advised that the recognition of the full effect of this re-organisation should be in 2013 when the Shareholders actually approved the scheme. In view of the foregoing, the Directors are not able to propose a dividend in respect of the accounts laid before you at this meeting.

Rights Issue

Transcorp's strategic medium term plan is to create new businesses across the Energy, Hospitality and Agriculture sectors, with a view towards increasing the income streams and the revenue base of the Group. In line with this strategy, Transcorp is embarking on new investments in power (Energy) and new hotels development (Hospitality) across Nigeria. These strategic investments led to the increase in borrowings as reported in the annual accounts. As you are all aware, bank borrowings can be very expensive, hence the need for re-financing at lower cost with alternative longer term funds. This was the basis for proposing to you at the last extraordinary general meeting held on March 28, 2013, an increase in the Company's authorised Share Capital and issue of new Shares through a Rights Issue. Again, you have demonstrated strong confidence in the Company, not only by unanimously approving the proposed Rights Issue but with the unprecedented acceptance of your Rights. By the closing date of Friday June 7, 2013, I was reliably informed that all the 12,906,999,142 Shares on offer have been accepted. Thank you for your support.



From third left- Hon. Labaran Maku, Minister of Information of the Federal Republic of Nigeria, Jide Adedeji, PhD, CEO Teragro Commodities Limited and Mark Abuh, Head, Finance and Admin, Teragro during the Minister's visit to the fruit juice concentrate plant in Makurdi, Benue State



From left to right – Mr. Tony O. Elumelu, CON, Chairman, Transcorp and Dr. Goodluck Ebele Jonathan, President and Commander-in-Chief of the Armed Forces of the Federal Republic of Nigeria during the reception held at the Presidential Villa, Abuja for the successful bid winners of the Power Companies being privatised by the Federal Government of Nigeria



From left to right – Vikram Jamwal, Director, Business Development, Transcorp Hilton, Chris Nassetta, President/CEO, Hilton Worldwide, Valentine Ozigbo, CEO, Transnational Hotels and Tourism Services Limited and Rudi Jagersbacher (President, Hilton Worldwide Middle East & Africa) during the presentation of the Hilton Worldwide prize for '2012 GC&E Sales Team of the Year for the Middle East & Africa (MEA) Region' to Transcorp Hilton, Abuja in Berlin, Germany

Acquisition of Ughelli Power Plc

In 2012, Transcorp led a consortium that submitted the most financially and technically competitive bid for the acquisition of Ughelli Power Plc (UPP) under the Government's on-going Power Sector Reforms and Privatisation programme. Our consortium was selected as the strategic investor to purchase the 100% stake from the Government for a total cash consideration of USD300 million. The consortium incorporated a Special Purpose Vehicle (SPV) called Transcorp Ughelli Power Limited (TUPL) to raise the equity and debt finance for the acquisition and to own 100% of UPP. As such, TUPL has executed a Share Sale Agreement (SSA) with the Bureau of Public Enterprises (BPE) and Ministry of Finance Incorporated (MOFI). In line with the SSA, TUPL has paid the initial deposit of USD75 million and the balance will be paid in due course in line with the SSA. We believe strongly in the power sector reform of the Government and are committed to ensure that, with your Company's involvement in power generation, the perennial problem of power outages in Nigeria will soon be a thing of the past.

Hospitality

The Transcorp Hilton Hotel Abuja was named the winner of the Hilton Worldwide Sales Team of the Year Prize for 2012 GC&E (Group Conference and Events) for the Middle East & Africa (MEA) Region. The award is in recognition of the hotel as the highest performing hotel Sales Team as measured by specific Hilton Worldwide conference and events measurement metrics. In addition, we completed the refurbishment and rebranding of Transcorp's Hotels, Calabar (previously, Transcorp Metropolitan Hotel) in Year 2012.

Our intent is to solidify the hotel's position as the choice destination for travellers from all over the country and the world over

In line with our strategic plan, Transnational Hotels and Tourism Services Limited (THTSL) the hospitality subsidiary of Transcorp has intensified discussions with its partners (Hilton Worldwide), international building engineering firms and other related parties for the development and construction of the following hospitality assets:

1. Renovation, refurbishment and modernisation of the Transcorp Hilton Hotel Abuja
2. Development and construction of apartments and a new conference centre in Abuja
3. A new-build Transcorp Hilton Hotel in Ikoyi, Lagos, State

4. A new-build Transcorp Hilton Hotel in Port-Harcourt Rivers State
5. A new-build Transcorp Hilton Hotel in Ikeja, Lagos State

These projects will be completed in phases beginning in 2016.

Also, in our hospitality business, the protracted dispute over the ownership of Capital Leisure and Hospitality Limited which has been highlighted in the auditor's opinion for the past seven years is finally expected to be resolved by the end of the second quarter of 2013.

Conclusion

The on-going power sector reform by the current administration is expected to be concluded successfully in the near term. Privatisation of power generation companies (Gencos) and distribution companies (Discos) by the Government and the eventual take-over of these companies by new private sector owners will usher in a new era of economic growth and development in Nigeria. Our involvement in this sector is a transformational and impact investment that will, through its multiplier effect increase employment, enhance the quality of life of all Nigerians, reduce the cost of doing business, and certainly create significant economic prosperity and wealth for all our stakeholders. It is a big leap of faith and we are committed to its successful execution. We are confident that this investment will usher in a new dawn for our Company.

Finally, I would like to reiterate our appreciation to all of you our Shareholders for your patience and support over the years. I would also like to thank the Board of Directors for their contribution and the management and staff of the Company for their doggedness, creativity, immense contributions and continuous commitment to the growth of the Company.

Thank you.



Tony O. Elumelu, CON
Chairman, Board of Directors



The Lounge of Transcorp Hotels, Calabar, Cross River State



Transcorp Head Office, 38 Glover Road, (Formerly 22B) Ikoyi, Lagos, Nigeria

PRESIDENT/CHIEF EXECUTIVE OFFICER'S REPORT

For the year ended 31 December 2012



Esteemed Shareholders,

I am pleased to present the operating results of Transnational Corporation of Nigeria Plc (Transcorp) and its subsidiaries for the year ended December 31, 2012. You will recall that last year, in my inaugural letter to you as President/Chief Executive Officer, I detailed the Company's five to ten-year strategic plan, following an extensive review of our businesses and the opportunities in the market. This is the result of the first year implementation of the revised strategic plan.

2012 Operating Results and Financial Performance

In line with the extant regulations, the accounts of the company have been prepared in conformity with the International Financial Reporting Standards (IFRS). This is the first time that the company will be preparing the accounts using IFRS, hence prior year comparative figures have been restated in line with the standards. The company's profit for the year at N2.5 billion nearly tripled that of prior year increasing by N1.6 billion and representing a growth of 167% over Year 2011. This unprecedented growth resulted from the combined effects of reduction in administrative expenses and a quantum leap in investment income. The cost optimisation exercise instituted at the corporate centre continues to yield the desired results as administrative expenses reduced by N473 million or 30%, while at the same time other income (mainly from investment) increased by N1.7 billion or 627% over prior year. The robust performance from our careful management of cost and investment completely neutralised a reduction of N507 million (18%) in dividend income mainly caused by challenges faced in our hospitality business.

Multiple macro-economic factors including nationwide industrial action over the increase in the pump price of petrol, fears over air safety and other

challenges within the aviation sector including the continuous perception of insecurity in the North all combined to negatively impact the top line of our hospitality businesses. Group revenues fell by 4.72% to N13.24 billion from the previous year's figure of N13.9 billion. Consequently, Group PBT reduced by N658 million or 14%. Macro-economic indicators are more favourable in 2013, and we expect our businesses to continue on their long-term growth trajectory.

Total assets of both the Company and the Group increased by N14.4 billion and N14.1 billion respectively over prior year, representing a growth of 59% and 23%. This increase is due mainly to new investments undertaken by the Company in Year 2012 especially in the Power sector.

Key Business Achievements

In the hospitality space, we consolidated the ownership of our two hotels into Transnational Hotels and Tourism Services Limited (THTSL) to improve efficiency and lower overheads. Our flagship hotel, Transcorp Hilton Hotel Abuja, celebrated its 25th Anniversary in April, 2012 and remains the foremost hotel in the Federal Capital Territory, Abuja and the best in the country. International recognition was also recorded in the year as the Transcorp Hilton Abuja Sales Team was adjudged the best Hilton Worldwide Sales Team in the Middle East & Africa (MEA) Region for Group Conference and Events (GC&E). We are working with Hilton International on our plans to further upgrade the hotel as well as expand our hospitality portfolio in Abuja and in major cities across Nigeria. Hilton International is fully supportive of our vision to set up multiple Transcorp Hilton Hotels across the country over the next three to seven years, and the collaborative planning process has begun. In the same vein, we have fully refurbished our Calabar Hotel and rebranded it Transcorp Hotels, Calabar (formerly Transcorp Metropolitan Hotel Calabar) to showcase Transcorp's commitment to establishing high quality hotels rendering best-in-class services.

In July 2012, the Transcorp consortium bid for the acquisition of Ughelli Power Plc; one of six power generation companies being privatized by the Federal Government of Nigeria. Our consortium, being adjudged the most technically and financially qualified bidder, won the bid to acquire 100% shares of Ughelli Power Plc, owner and operator of the 972 MW Ughelli power plant. Subsequently, Transcorp Ughelli Power Limited, a subsidiary of Transcorp, was incorporated as the legal entity to acquire the shares of Ughelli Power

Plc. We are quite excited at the potentials of this new addition to the Transcorp portfolio.

You will recall that at the last annual general meeting, we reported the commissioning of our first-of-its-kind juice concentrate production facility in Nigeria, I am happy to inform you that, the initial production challenges experienced by Teragro have been surmounted, our customers are happy with the juice concentrates and we have fulfilled purchase orders to large, medium and small scale juice manufacturers in the country. We are working hard to build this venture into a long-term profit contributor for the Group

Significant Post 2012 Year-End Events

As stated in the Chairman's section of this annual report, the key significant events that occurred subsequent to the year-end are the successful re-organisation of the Company's Capital, issue of new shares of the company through Rights Issue, execution of the Share Sale Agreement between Transcorp Ughelli Power Limited and BPE/MOFI in the on-going acquisition of Ughelli Power Plc and resolution of dispute over the ownership of Capital Leisure and Hospitality Limited. We are monitoring events and strongly focused on the business with a view towards ensuring maximisation of the wellbeing of all our stakeholders.

2013 Strategic Plan

We are on track to deliver on our aggressive expansion plans across our chosen sectors of energy, hospitality and agriculture; in line with our medium term strategic intent to create new businesses and diversify our revenue base. Accordingly, we will continue to acquire suitable businesses in our chosen sectors or develop Greenfield businesses where acquisition is not economically viable. Specifically, we will focus on the following in Year 2013:

Energy Sector: In our energy business, we plan to complete the payment of the balance of acquisition cost by the end of the second quarter of 2013 and take full control of the Ughelli Power Plant in earnest. We hope to achieve some quick wins in terms of stabilising the plant output and cost optimisation. In addition, we plan to conclude the negotiation of the production

sharing contract (PSC) of OPL 281 with the Department of Petroleum Resources before the end of this year. This will enable us commence exploration and production of crude oil from this block.

Hospitality: in our hospitality business, we have commenced planning and intend to begin construction of new hospitality assets in Lagos and Abuja before the end of Year 2013.

Agriculture: for our agriculture business, our plan is to expand our capacity in juice concentrate manufacturing to meet the growing needs of our customers. We are also keeping a keen eye on emerging opportunities in other crops such as cassava and rice processing.

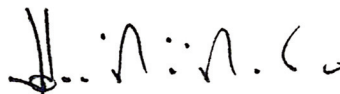
Conclusion

We have, with tenacity of purpose and an acute sense of execution, successfully tackled and resolved all the legacy issues that confronted the very existence of the Company. This is the beginning of a new era for Transcorp with a clear trajectory of accelerated growth, firmly on the path of sustainable success and poised to begin the fulfilment of the aspirations of its founders in the very near future.

In closing, I would like to thank you, our shareholder, for your continuing support, for the trust and confidence reposed in us and especially for your patience over the years. Very soon, this patience shall be rewarded.

I also thank all the staff of our Company and its subsidiaries for their creativity, commitment to improving the businesses in Year 2012, for their team spirit and I covet their continuing dedication in 2013 and beyond.

Thank you.

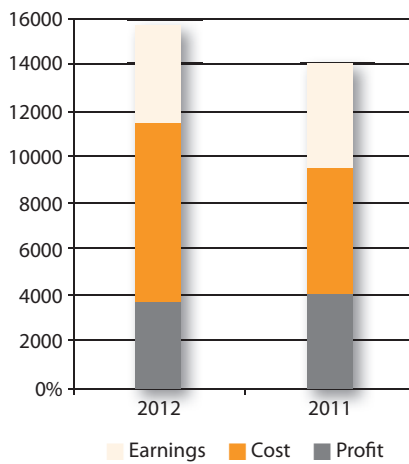
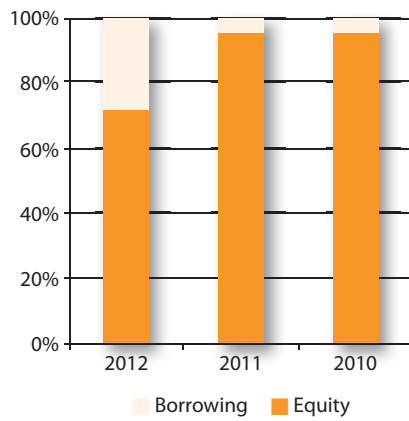
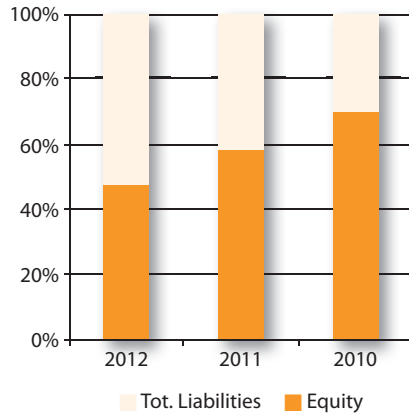


Obinna Ufudo

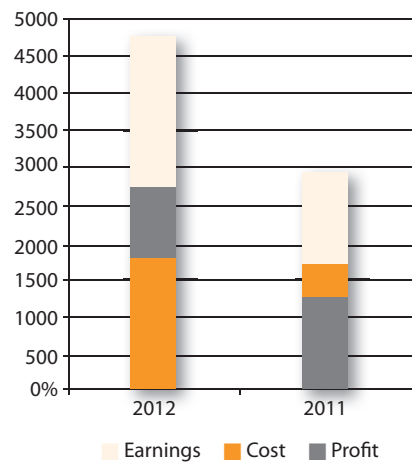
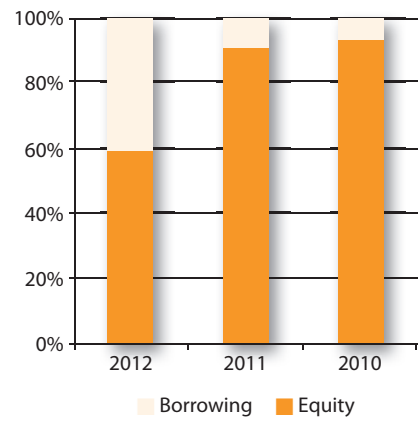
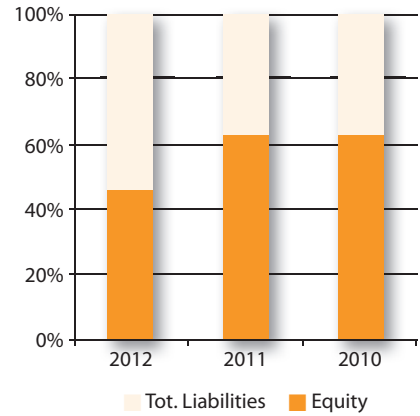
President/Chief Executive Officer

Excellence

Group



Company



Transnational Corporation of Nigeria Plc (Transcorp) is committed to high standards of Corporate Governance. At Transcorp the principles of good corporate governance are at the center of our businesses and an important ingredient in creating and sustaining value for our key stakeholders. Transcorp strives at all times, to comply with the provisions of the Code of Corporate Governance issued by the Securities and Exchange Commission (SEC).

1. Overview

During the year under review, the Company further embedded good corporate governance practices. This is in line with our belief that good corporate governance practices should not be a knee-jerk response to regulatory impositions, but self-propagated to engender good order which ultimately improves the perception of the Company and its brand equity. Consequently, we have continued to work assiduously towards improving not only the Group's financial performance but also to develop and adopt good corporate governance practices without which such financial performances cannot be sustained in the long run. Along these lines, the mandates of the existing board committees (Nominations and Governance (NGC) and Finance and Investment (FIC) Committees) were reviewed and updated.

Corporate governance policies approved by the Board of Directors remained operational throughout the period under review. These are:

- **Group Policy Governance Framework**

This framework explains the governance laws applicable to the Company's businesses. It provides for policy development and application, policy classification, review and revision as well as policy deviations and guiding templates.

- **Board Governance and Board Committees Governance Charter**

This charter provides the governance framework for the Group Board and Board Committees, to promote effective governance throughout the Group.

- **Executive Management Charter**

This charter provides for the Executive Management Committee (EMC) of the Company – its composition, role, terms of reference, proceedings and general governance framework.

- **Subsidiary Governance Charter**

The Subsidiary Governance Charter provides for Group subsidiary governance, subsidiary Boards of Directors, subsidiary governance structure, subsidiary Board committees, executive management and organisation structure.

2. Board of Directors

2.1 General

The Board of Directors consists of nine members made up of one executive and eight Non-executive directors. In accordance with the provisions of the Companies and Allied Matters Act, 2004 (CAMA) and the Board Governance Charter of the Company, the Chairman of the Board of Directors presides over Board proceedings. The Board meets at least four times a year. During the year under review, the Board met on six occasions inclusive of emergency Board meetings. Details of Directors' attendance at these meetings are disclosed on page 24. The Board establishes formal delegations of authority, defining the limits of management's power and authority and delegating to management certain powers to manage the business of the Company. The delegations of authority conform to statutory limitations, specifying responsibilities of the Board that cannot be delegated to management. Any responsibility not delegated to management remains with the Board and its committees. The Company has continued to benefit tremendously from the wealth of experience of its Directors, mostly successful individuals who have distinguished themselves in their chosen fields.

2.2 Membership of the Board

During the year under review, High Chief O.B. Lulu-Briggs resigned from the Board. Hence, the Board of Directors of the Company comprised the following as at the end of the year:

Mr. Tony Elumelu, CON

Chairman

Appointed: 2011

Mr. Tony O. Elumelu holds a graduate and post-graduate degrees in Economics and is an alumnus of Harvard Business School, the Institute of Management Development, Switzerland and the Singapore Institute of Management. He is the Chairman of Heirs Holdings Limited, an African proprietary investment firm that focuses on creating economic and social value across Africa via long-term investments in a number of sectors including financial services, natural resources, infrastructure, healthcare and real estate. He is also the founder of

The Tony Elumelu Foundation, an African-based and funded philanthropy, whose mission is to identify and assist entrepreneurs and the leaders of Africa's increasingly confident private sector, serve as a source of policy development, and work to ensure that the private sector drives economic growth across Africa.

His corporate reputation as a leading African business leader is founded on the instrumental role he played in reshaping the African financial services industry. He was the driving force behind the rise of United Bank for Africa Plc (UBA), transforming it from a single country bank, to a Pan-African institution serving over 7 million customers in 20 African countries and operating in three continents.

Mr. Elumelu holds an honorary Doctor of Science degree from Benue State University and an honorary Doctor of Business Administration from the University of Nigeria, Nsukka.

Mr. Obinna Ufudo

President/CEO

Appointed: 2011

Mr. Obinna Ufudo holds a M.Sc. degree in International Securities, Investment and Banking from the University of Reading, United Kingdom. He also holds an Executive Master of Business Administration (EMBA) from the IESE Business School, University of Navarra, Barcelona, Spain, and a B.Sc in Finance from Enugu State University of Technology, Enugu, Nigeria.

Mr. Ufudo is a financial industry veteran who has held senior level positions in trading, investment management and advisory services. Prior to his appointment as President/CEO of Transcorp, he was the Chief Operating Officer of the Heirs Holdings Group, where he optimised day-to-day operations of the Group and supervised its various subsidiaries.

Mr. Ufudo is an Associate Member of the Chartered Institute of Bankers of Nigeria and is an International Fixed Income and Derivatives Certified Professional.

Olorogun O'tega Emerhor, OON

Non-executive Director

Appointed: 2007

Olorogun O'tega Emerhor holds a First Class Honours Degree in Accounting from the University of Nigeria, Nsukka. He is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN); the Institute of Credit and Risk Management of Nigeria and Academy for Entrepreneurial Studies. He is also a member of the Institute of Marketing Consultants.

Olorogun Emerhor is presently the Vice Chairman/Group CEO of Standard Alliance Insurance Plc; Chairman, Synetics Technologies Limited and Heroes Group. He trained as a Chartered Accountant with reknowned PricewaterhouseCoopers and has worked in many local and foreign banks, including Citibank, Fidelity Bank Plc and GTBank. He was the Managing Director of the erstwhile Crystal Bank. He is on the board of several companies and is the recipient of numerous professional and business awards.

Ms. Angela Aneke

Non-executive Director

Appointed: 2011

The Chairman of the Nominations and Governance Committee, Ms. Angela Aneke holds a B.Sc degree from the American University, Washington DC, USA. She is an International Associate of the American Institute of Certified Public Accountants.

Ms. Aneke is also a member of the Company's Finance and Investment Committee and serves as Chairman of Teragro Commodities Limited, the Company's agribusiness subsidiary. Her career spans over 27 years with vast experience garnered from key financial services institutions across West Africa, including Ecobank Transnational Incorporated, Citibank Nigeria and United Bank for Africa Plc. She has held executive management positions at international and regional levels.

Dr. Julius Kpaduwa

Non-executive Director

Appointed: 2011

Dr. Julius C. Kpaduwa is a graduate of Berea College in Kentucky, USA, and an alumnus of Howard University Medical School, USA. He completed his post-graduate training at the State University of New York (SUNY), Donn State Medical Center, and Kings County Hospital, USA.

A certified obstetrician and gynaecologist, Dr. Kpaduwa is the Medical Director and Chief Executive Officer of Julius C. Kpaduwa, MD Medical Corporation, USA. He practices Medicine in the Los Angeles area of the US and is the Chief of Staff at the Greater El-Monte Community Hospital. Dr. Kpaduwa was the President of the Association of Nigerian Physicians in the Americas (ANPA) from 2008 – 2010.

He currently serves as the Chairman of the Board of Imo State University Teaching Hospital, Orlu, Imo State. He represents the interest of Nashville Capital Partners on the Board of Transcorp.

Alhaji Mohammed Nasir Umar

Non-executive Director

Appointed: 2008

A member of the Finance and Investment Committee, Alhaji Mohammed Nasir Umar is a graduate of Ahmadu Bello University, Zaria. He holds an MSc. in Land Surveys and is registered with the Surveyors Council of Nigeria. He is also a Fellow of the Nigerian Institute of Surveyors.

Alhaji Umar started his career with Sokoto Rima River Basin Development Authority in 1977. He has vast and varied experience in lands and survey matters spanning over 33 years. He has held several key positions which include Director of Planning and Survey of the Federal Capital Development Authority (FCDA) and Chairman, Resettlement Task Force of the FCDA.

Alhaji Umar is presently the Chairman/CEO of Em-N Surveys and Engineering.

Mr. Kayode Fasola

Non-executive Director

Appointed: 2009

Mr. Kayode Fasola is a member of both the Nominations and Governance Committee, and the Finance and Investment Committee. He is also a member of the Statutory Audit Committee.

He holds a B.Sc (Agricultural Economics) degree from University of Ibadan and an MBA (Finance) degree from Obafemi Awolowo University, Ile-Ife. Mr. Fasola also holds an MBA (Banking) degree from Ladoko Akintola University, Ogbomosho. He is an alumnus of the prestigious Lagos Business School and the London Business School, an Associate member of the Chartered Institute of Management and National Institute of Marketing of Nigeria, Mr. Fasola also is an Honorary Senior Member, Chartered Institute of Bankers Nigeria.

A professional banker with over 22 years' experience in most areas of banking and business strategy, Mr. Fasola was until recently the Regional Executive in charge of South West Business Group at Wema Bank Plc.

Dr. Stanley Lawson

Non-executive Director

Appointed: 2011

Dr. Stanley I. Lawson holds an M.Sc degree in Petroleum Geology and an MBA degree in Finance, both from the University of Ibadan.

He is the Managing Partner of Financial Advisory and Investment Consultants, an oil and gas sector-focused financial advisory services firm. He is a widely respected expert with multi-disciplinary professional experience spanning three decades in the energy and financial sectors. He spent the early years of his career as a Resident Geologist/Drilling Engineer after which he entered the Banking/Finance Industry where he spent over 17 years, rising to the position of Managing Director/Chief Executive of African Express Bank in 2003. In December 2004, Dr. Lawson was appointed Group Executive Director of Finance and Accounts at the Nigerian National Petroleum Corporation (NNPC) with oversight of NNPC's funding, budgeting and cash flow planning.

Dr. Lawson has attended several international leadership and management courses. He is presently pursuing a doctoral programme at the University of Phoenix, Arizona.

Mr. Chibundu Edozie*Non-executive Director*

Appointed: 2011

The Chairman of the Finance and Investment Committee and a member of the Nominations and Governance Committee, Mr. Chibundu Edozie holds a Bachelor of Science degree in Geology and Mining from the University of Jos. He is an alumnus of the New York Institute of Finance, IMD, Switzerland and Lagos Business School.

Mr. Edozie is the Group Deputy Managing Director of BGL Plc overseeing strategic business platforms, including BGL Asset Management Limited, BGL Private Equity Limited, BGL Securities Limited and the Investment Banking Group. He also oversees the international expansion of BGL Plc's operations. With over 19 years experience in the capital market and investment banking industry, Mr. Edozie is a consummate professional committed to the growth of the Nigerian capital market alongside global financial markets.

He is an authorised dealing clerk of the Nigerian Stock Exchange, a Fellow of the Chartered Institute of Stockbrokers and a past Member of the Governing Council of the Institute. He is also a member of the Nigerian Mining and Geosciences Society. Mr Edozie also serves as a director on the Boards of BGL Asset Management Limited, BGL Private Equity Limited and BGL Securities Limited, all wholly-owned subsidiaries of BGL Plc.

2.3 Board Meeting Attendance

Directors	Total number of meetings obliged to attend	Total number of meetings attended	Dates of meetings attended (dd/mm/yy)	Number of meetings not attended	Dates of meetings not attended (dd/mm/yy)
Mr. Tony Elumelu, CON	6	6	11/2/12, 28/3/12, 4/5/12, 29/6/12, 27/9/12, 19/11/12	N/A	N/A
Mr. Obinna Ufudo	6	6	11/2/12, 28/3/12, 4/5/12, 29/6/12, 27/9/12, 19/11/12	N/A	N/A
Olorogun O'tega Emerhor, OON	6	5	28/3/12, 4/5/12, 29/6/12, 27/9/12, 19/11/12	1	11/2/12
Ms. Angela Aneke	6	6	11/2/12, 28/3/12, 4/5/12, 29/6/12, 27/9/12, 19/11/12	N/A	N/A
Dr. Julius Kpaduwa (Representing Nashville Capital Partners)	6	4	11/2/12, 28/3/12, 4/5/12, 29/6/12, 27/9/12, 19/11/12	2	28/3/12, 19/11/12
High Chief O.B. Lulu-Briggs (Chief Mrs. Seinye O.B Lulu-Briggs acted as Alternate)*	2	0	N/A	2	11/2/12, 28/3/12, 4/5/12, 29/6/12, 27/9/12, 19/11/12 N/A
Alhaji Mohammed Nasir Umar	6	4	28/3/12, 4/5/12, 29/6/12, 19/11/12	2	11/2/12, 27/9/12
Mr. Kayode Fasola	6	6	11/2/12, 28/3/12, 4/5/12, 29/6/12, 27/9/12, 19/11/12	N/A	N/A
Mr. Stanley Inye Lawson	6	5	11/2/12, 4/5/12, 29/6/12, 27/9/12, 19/11/12	1	28/3/12
Mr. Chibundu Edozie	6	6	11/2/12, 28/3/12, 4/5/12, 29/6/12, 27/9/12, 19/11/12	N/A	N/A

N/A means "Not Applicable"

* Retired on 3 May, 2012.

2.4 Board Committees and Executive Management Committee

(a) Nominations and Governance Committee (formerly Establishment Committee)

The purpose of the Nominations and Governance Committee (NGC) is to, *inter alia*:

- Establish procedures for the nomination of Directors.
- Advise and recommend to the Board the composition of the Board.
- Approve recruitments, promotions, redeployments and disengagements for the Company/Group heads of departments that make up the Executive Management Committee.
- Review and evaluate the skills of members of the Board.
- Recommend to the Board compensation for all staff of the Company and subsidiary boards.
- Advise the Board on corporate governance standards and policies.
- Review and approve all human resources and governance policies for the Group.
- Review and recommend to the Board and shareholders any changes to the memorandum and articles of association.
- Evaluate and appraise the performance of the Board and Board Committees and its members annually in conjunction with consultants.

During the year under review, the Committee, amongst other things, reviewed the organisational structure of the Company, its operating businesses *vis-à-vis* the existing employees, reviewed the draft Subsidiary Governance Charter, Executive Management Charter, and Group Policy Governance Framework. The Committee made recommendations to the Board in respect of the above stated matters and other issues, which in the opinion of the Committee deserved the attention of the Board.

The Committee comprises:

1. Ms. Angela Aneke – Chairman
2. Mr. Kayode Fasola – Member
3. Mr. Chibundu Edozie – Member

The table below shows the frequency of meetings of NGC and members' attendance:

Directors	Total number of meetings obliged to attend	Total number of meetings attended	Dates of meetings attended (dd/mm/yy)	Number of meetings not attended	Dates of meetings not attended (dd/mm/yy)
Ms. Angela Aneke	2	2	27/03/12, 3/10/12	N/A	N/A
Mr. Kayode Fasola	2	2	27/03/12, 3/10/12	N/A	N/A
Mr. Chibundu Edozie	2	1	27/03/12	1	3/10/12

(b) Finance and Investment Committee (formerly New Business Committee, and Finance Committee)

The purpose of the Finance and Investment Committee (FIC) is to, *inter alia*:

- Discharge the Board's responsibilities with regard to strategic direction and budgeting.
- Provide oversight on financial matters and the performance of the Group.
- Review and recommend investment opportunities or initiatives to the Board for decision.
- Recommend financial and investment decisions within its approved limits.
- Assist the Board in fulfilling its oversight responsibilities with regard to audit and control.
- Ensure that an effective system of financial and internal control is in place.
- Monitor and assess the overall integrity of the financial statements and disclosures of the financial condition and results of the Group.
- Monitor and evaluate, on a regular basis, the qualifications, independence and performance of external and internal auditors and the financial control departments.

CORPORATE GOVERNANCE REPORT *continued*

During the year under review, the Committee, amongst other things, reviewed the Company's process of accepting credit facilities, quarterly financial statements, tax-related matters, proposed share capital reconstruction, funding requirements of operating businesses, budgets, progress on legal disputes involving key investments, disposal of fixed assets, etc. The Committee took certain decisions in respect of the abovementioned matters and made recommendations to the Board for approval. The Committee comprises:

1. Mr. Chibundu Edozie – Chairman
2. Mr. Obinna Ufudo – Member
3. Mr. Kayode Fasola – Member
4. Ms. Angela Aneke – Member
5. Alhaji Mohammed Nasir Umar – Member

The table below shows the frequency of meetings of FIC and members' attendance:

Directors	Total number of meetings obliged to attend	Total number of meetings attended	Dates of meetings attended (dd/mm/yy)	number of meetings not attended	Dates of meetings not attended (dd/mm/yy)
Mr. Chibundu Edozie	3	3	26/1/12, 27/3/12, 8/5/12	N/A	N/A
Mr. Obinna Ufudo	3	3	26/1/12, 27/3/12, 8/5/12	N/A	N/A
Mr. Kayode Fasola	3	3	26/1/12, 27/3/12, 8/5/12	N/A	N/A
Ms. Angela Aneke	3	3	26/1/12, 27/3/12, 8/5/12	N/A	N/A
Alhaji Mohammed Nasir Umar	3	2	27/3/12, 8/5/12	1	26/1/12

(c) The Statutory Audit Committee

The Statutory Audit Committee (SAC) is broadly empowered to, amongst other things, review the Group's financial reporting process, its system of audit, internal control and management of financial risk with a view to ensuring compliance with statutory, regulatory and professional requirements. The Committee, which also reviews the performance of external auditors to the Company, is chaired by a shareholder and has two other shareholders and three directors as members. In addition to the powers conferred on it by CAMA, the Committee is empowered to engage the services of independent consultants in the discharge of its duties. The Committee comprises:

1. Late Chief Sylvanus Ezendu – Chairman¹
2. Alhaji Abu Jimah – (Elected interim Chairman on 14 May 2013)
3. Mr. John Isesele – Member
4. Mr. Kayode Fasola – Member
5. Mr. Chibundu Edozie – Member
6. Ms. Angela Aneke – Member

¹ Chief Ezendu passed away on 17 March 2013.

The table below shows the frequency of meetings of SAC and members' attendance:

Committee members	Total number of meetings obliged to attend	Total number of Meetings Attended	Dates of meetings attended (dd/mm/yy)	Number of meetings not attended	Dates of meetings not attended (dd/mm/yy)
Chief Sylvanus C. Ezendu	4	4	26/1/12, 27/3/12, 19/6/12, 5/11/12,	N/A	N/A
Alhaji Abu Jimah	4	4	26/1/12, 27/3/12, 19/6/12, 5/11/12,	N/A	N/A
Mr. John Umobuarie Isesele	4	4	26/1/12, 27/3/12, 19/6/12, 5/11/12,	N/A	N/A
Mr. Kayode Fasola	4	4	26/1/12, 27/3/12, 19/6/12, 5/11/12	N/A	N/A
Ms. Angela Aneke	4	3	26/1/12, 27/3/12, 19/6/12	1	5/11/12
Mr. Chibundu Edozie*	2	2	19/6/12, 5/11/12	N/A	N/A
Olorogun O'tega Emerhor**	2	0	N/A	2	26/1/12, 27/3/12

* Was appointed into the Committee on 19/06/2012.

**Ceased to be a member of the Committee on 19/06/2012.

(d) Executive Management Committee

The Executive Management Committee (EMC) is charged with the following responsibilities:

- Articulating the strategy of the Group and recommending same to the Board for approval.
- Discussing strategic matters and their impact on the Group's investment portfolio.
- Articulating the manner through which investment sectors/new business areas and geographies will be chosen and making recommendations to the Board in that regard.
- Recommending to the Board the framework or policy for investment; and monitoring the implementation of investment procedures.
- In line with Board approvals, outlining of philosophy, policy, objectives and resultant tasks to be accomplished.
- Recommending to the Board structures and systems, through which activities are arranged, defined and co-ordinated in terms of specific objectives.
- Preparation of annual financial plans for the approval of the Board and ensuring the achievement of set objectives.
- Reviewing and approval of the structure and framework for performance reporting of subsidiary companies.

The Executive Management Committee comprises:

1. The President/CEO
2. The Chief Financial Officer
3. The Director of Resources
4. The Head, Strategy and Business Transformation
5. The Chief Internal Auditor
6. The Legal Adviser
7. Company Secretary
8. Other key departmental heads as may be approved by the NGC.

DIRECTORS' REPORT

The Directors present their annual report on the affairs of Transnational Corporation of Nigeria Plc ("the Company") together with the audited financial statements for the year ended 31 December 2012, to the members of the Company. This report discloses the state of the Company and the Group.

Incorporation and Address

The Company was incorporated on the 16th day of November, 2004 as a private limited liability company domiciled in Nigeria in accordance with the requirements of the Companies and Allied Matters Act. Following a successful initial public offer (IPO), the Company was in December 2006, listed on the Nigerian Stock Exchange. The shares of the Company have continued to be traded on the floor of the Exchange. The Company maintains controlling interests in the following companies, referred to as portfolio companies:

- Capital Leisure and Hospitality Limited
- Transnational Hotels and Tourism Services Limited
- Transcorp Metropolitan Hotels and Conferencing Limited
- Transcorp Energy Limited
- Transcorp Properties Limited
- Teragro Commodities Limited
- Transcorp Ughelli Power Limited
- Telecommunications Backbone Development Company Limited (Inactive)
- Transcorp Refining Company Limited (Inactive)
- Transcorp Telecomms Limited (Inactive)
- Transcorp Hotels and Leisure Limited (in liquidation)
- Transcorp Infrastructure Limited (in liquidation)
- Transcorp Trading and Logistics Limited (Inactive)
- Transcorp Commodities Limited (in liquidation)
- Transcorp Hilton Limited (in liquidation)
- Allied Commodities Limited (Inactive)

All the companies in liquidation noted above are undergoing the process of voluntary winding up.

Principal Activities

The Company's business is the investment in and operation of portfolio companies in the hospitality, energy and agriculture sectors. The Company has retained subsidiaries providing services and sale of goods in these sectors.

Results and Dividend

The Company and Group's results for the year ended 31 December 2012 are set out on page 36. The profit for the year of N2.54 billion (Group – N2.71 billion) has been transferred to general reserves. The summarised results are presented below.

	Group		Company	
	2012	2011	2012	2011
	N'000	N'000	N'000	N'000
Revenue	13 244 845	13 901 453	2 325 697	2 833 333
Gross profit	9 768 281	10 438 770	2 325 697	2 833 333
Total comprehensive income for the year	2 710 701	5 704 090	2 539 177	951 859
Earnings per share (kobo)	4,38	7,74	9,84	3,69

The directors did not recommend the payment of dividend.

Directors' Interests in Contracts

At the 38th meeting of the Board of Directors of the Company, the Chairman, Mr. Tony O. Elumelu, CON, declared his interest in the property lying at No. 38 Glover Road (formerly 22B) Ikoyi, Lagos. This property currently serves as the Registered Office of the Company.

Directors' Shareholding

The Directors who held office during the year, together with their direct and indirect interests in the shares of the Company, were as follows:

Director	Number of shares held at 31 December 2012			%
	Direct	Indirect	Total	
Mr. Tony O. Elumelu, CON	11 752 769	5 734 137 904	5 745 890 673	22.26
Mr. Obinna Ufudo	3 939 500	–	3 939 500	0.02
Olorogun O'tega Emerhor, OON	–	189 344 966	189 344 966	0.73
Ms Angela Aneke	4 106 720	1 000 000 000	1 004 106 720	3.89
Dr. Julius Kpaduwa	–	33 333 334	33 333 334	0.13
High Chief O.B Lulu-Briggs *	67 500 000	60 000 000	127 500 000	0.49
Alhaji Mohammed Nasir Umar	–	3 735 500	3 735 500	0.01
Mr. Kayode Fasola	1 000 000	–	1 000 000	0.00
Mr. Stanley Inye Lawson	–	–	–	–
Mr. Chibundu Edozie	–	16 428 066	16 428 066	0.06
TOTAL	88 298 989	7 036 979 770	7 125 278 759	27.60

Key

* Retired on May 3 2012

Alternate Directorship

During the year under review, Chief Mrs. Seinye O.B. Lulu-Briggs acted as Alternate Director to High Chief O.B. Lulu-Briggs. He however retired on May 3, 2012.

Shareholding

The shareholding structure of the Company as at 31 December 2012 is as follows:

Shareholder	Number		Units	
	of holders	%		%
1 – 999	2 151	0,74	999 984	0,01
1,000 – 9,999	216 999	74,35	529 664 608	2,05
10,000 – 99,999	60 563	20,75	1 369 841 353	5,31
100,000 – 999,999	10 563	3,62	2 421 866 444	9,38
1,000,000 – 9,999,999	1 428	0,49	2 991 390 882	11,59
10,000,000 – 99,999,999	135	0,05	3 387 899 621	13,12
100,000,000 – 999,999,999	35	0,01	9 269 528 747	35,91
1,000,000,000 – 9,999,999,999	2	0,00	5 842 806 644	22,63
	291 876	100,00	25 813 998 283	100,00

Substantial Interest in Shares

As at December 31 2012, only Mr. Tony Elumelu, CON directly and/or indirectly held 5% or more of the issued share capital of the Company. Mr. Elumelu held a total of 22.26% of the issued share capital of the Company.

Fixed Assets

Information relating to changes in the fixed assets of the Group and Company is given in Note 6 to the financial statements.

Employment of Physically Challenged Persons

The Group has a policy of fair consideration of job applications by physically challenged persons having regard to their abilities and aptitude. The Group's policy prohibits discrimination against such persons in the recruitment, training and career development of its employees. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the Group continues, and that appropriate training arrangements are made.

Employee Health, Safety and Welfare

The Group maintains business premises and work environments that guarantee the safety and health of its employees and other stakeholders. The Group's rules and practices in these regards are reviewed and tested regularly. Also, the Group provides free medical insurance for its employees and their families through selected health management organisations and hospitals.

Employee Training and Involvement

The Group places a high premium on the development of its manpower and consults with employees on matters affecting their wellbeing. Formal and informal channels of communication are employed in keeping staff abreast of various factors affecting the performance of various businesses in the Group. In-house and external training are carried out at various levels across the business chains in the Group. The Group's skill base has been extended by a range of trainings provided to employees.

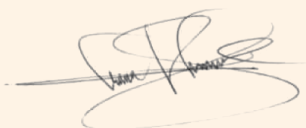
Donations and Gifts

The company did not make any donations or charitable gifts during the year.

Auditors

Messrs. PricewaterhouseCoopers have indicated their willingness to continue in office as the auditors of the Company in accordance with section 357(2) of the Companies and Allied Matters Act, 2004.

By order of the Board



Chinedu Eze

Company Secretary

FRC/2013/NBA/00000002586

May 14, 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies and Allied Matters Act (Cap C20) LFN 2004 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company:

- (a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, 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 judgements and estimates, and are consistently applied.

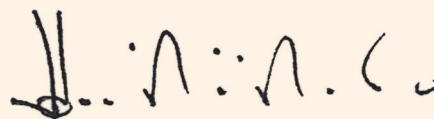
The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies and Allied Matters Act, 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 or loss. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least 12 months from the date of this statement.



Director



Director

14 May 2013

REPORT OF THE AUDIT COMMITTEE

In compliance with section 359(6) of the Companies and Allied Matters Act (Cap C20), Laws of the Federation of Nigeria 2004, members of the Audit Committee of Transnational Corporation of Nigeria Plc hereby report as follows:

- The Audit Committee met in exercise of its statutory responsibilities in accordance with section 359(6) of the Companies and Allied Matters Act (Cap C20), Laws of the Federation of Nigeria 2004.
- We have examined the Auditors' report including the financial statements for the year ended 31 December 2012.
- We have deliberated with the external Auditors, reviewed their findings and recommendations and confirm that the Auditors' report for this period is consistent with our review.
- We are satisfied that the accounting and reporting policies of the Company are in accordance with legal requirements and meet ethical standards.



Ag. Chairman, Audit Committee

14 May 2013

Members of the Audit Committee

- | | | | |
|------------------------------|------------|---|--|
| • Chief Sylvanus C. Ezendu* | (Chairman) | – | Shareholder |
| • Mr. John Umobuarie Isesele | (Member) | – | Shareholder |
| • Alhaji Abu O. Jimah | (Member) | – | Shareholder (elected interim chairman on 14/05/2013) |
| • Ms. Angela Aneke | (Member) | – | Director |
| • Mr. Kayode Fasola | (Member) | – | Director |
| • Mr. Chibundu Edozie | (Member) | – | Director (Appointed on 19/06/2012) |
| • Olorogun O'tega Emerhor | (Member) | – | Director (Resigned on 19/06/2012) |

** Chief Ezendu passed away on 17 March 2013. Alhaji Abu O. Jimah was elected interim chairman on 14 May 2013.*



REPORT OF THE INDEPENDENT AUDITOR OF TRANSNATIONAL CORPORATION OF NIGERIA PLC

Report on the financial statements

We have audited the accompanying financial statements of Transnational Corporation of Nigeria Plc (the company) and its subsidiaries (together, the group). These financial statements comprise the statement of financial position as at 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies and Allied Matters Act and for such internal control, as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the company and the group at 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

PricewaterhouseCoopers Chartered Accountants, 252E Muri Okunola Street, Victoria Island, Lagos, Nigeria



Report on other legal requirements

The Companies and Allied Matters Act requires that in carrying out our audit we consider and report to you on the following matters. 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 purposes of our audit;
- ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;
- iii) the company's balance sheet and profit and loss account are in agreement with the books of account.

PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria



17 May 2013

FRC/2013/ICAN/00000000647

STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

	Note	Group			Company		
		31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
ASSETS							
Non-current assets							
Property, plant and equipment	6	24 702 541	25 208 533	25 878 932	48 485	54 575	174 219
Intangible assets	7	24 691 298	24 676 741	22 462 519	5 080 258	5 045 102	2 856 396
Investment property	8	1 500 000	1 467 000	1 200 000	1 500 000	1 467 000	1 200 000
Investment in subsidiaries	9	–	–	–	21 288 723	15 638 043	15 641 138
Pre-paid lease rental	11	95 000	120 000	–	–	–	–
		50 988 839	51 472 274	49 541 451	27 917 466	22 204 720	19 871 753
Current assets							
Inventories	12	706 834	784 966	680 541	–	–	–
Trade and other receivables	13	2 633 425	2 170 858	3 619 673	3 139 255	1 798 574	1 381 252
Pre-paid lease rental	11	30 000	30 000	–	–	–	–
Debt and equity securities	14	15 695 241	110 826	–	7 472 139	110 826	–
Cash and cash equivalents	15	5 549 863	6 903 161	8 338 908	117 860	135 526	1 046 611
		24 615 363	9 999 811	12 639 122	10 729 254	2 044 926	2 427 863
Total assets		75 604 202	61 472 085	62 180 573	38 646 720	24 249 646	22 299 616
LIABILITIES							
Current liabilities							
Trade and other payables	16	6 597 983	3 629 596	7 294 109	5 539 376	4 687 923	5 952 681
Current income tax liabilities	17	4 107 977	4 572 027	6 425 029	228 931	126 187	247 539
Borrowings	18	3 764 127	259 111	528 571	3 264 170	259 111	528 571
Advance deposits	20	2 126 258	1 935 551	51 815	1 876 799	1 876 620	–
		16 596 345	10 396 285	14 299 524	10 909 276	6 949 841	6 728 791
Non-current liabilities							
Borrowings	18	10 003 427	2 104 965	1 327 844	10 003 427	2 104 965	1 327 844
Deferred tax	10	5 987 877	6 355 503	6 897 345	–	–	–
Retirement benefit obligation	21	1 581 606	1 656 588	1 678 982	–	–	–
		17 572 910	10 117 056	9 904 171	10 003 427	2 104 965	1 327 844
Total liabilities		34 169 255	20 513 341	24 203 695	20 912 703	9 054 806	8 056 635
EQUITY							
Ordinary share capital	29	12 906 999	12 906 999	12 906 999	12 906 999	12 906 999	12 906 999
Share premium	29	27 071 664	27 071 664	27 071 664	27 071 664	27 071 664	27 071 664
Retained earnings		(9 677 738)	(11 218 968)	(13 135 563)	(22 244 646)	(24 783 823)	(25 735 682)
Equity attributable to owners of the parent		30 300 925	28 759 695	26 843 100	17 734 017	15 194 840	14 242 981
Non-controlling interest		11 134 022	12 199 049	11 133 778	–	–	–
Total equity		41 434 947	40 958 744	37 976 878	17 734 017	15 194 840	14 242 981
Net equity and liabilities		75 604 202	61 472 085	62 180 573	38 646 720	24 249 646	22 299 616

The notes on pages 39 to 82 are an integral part of these financial statements.

The financial statements on pages 35 to 84 were approved and authorised for issue by the Board of Directors on 14 May 2013 and were signed on its behalf by



Tony O. Elumelu
Chairman, Board of Directors



Obinna Ufudo
President, Chief Executive Officer



Oyewale Ariyibi
Chief Finance Officer

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	Note	Group		Company	
		31 December 2012 N'000	31 December 2011 N'000	31 December 2012 N'000	31 December 2011 N'000
Revenue	22	13 244 845	13 901 453	2 325 697	2 833 333
Cost of sales	23	(3 476 564)	(3 462 683)	–	–
Gross profit		9 768 281	10 438 770	2 325 697	2 833 333
Administrative expenses	25	(7 522 739)	(6 204 611)	(1 081 343)	(1 553 954)
Other operating income	24	1 519 002	356 419	2 028 286	278 746
Operating profit		3 764 544	4 590 578	3 272 640	1 558 125
Finance income	27	1 043 917	276 672	449 951	16 573
Finance cost	27	(860 246)	(261 323)	(847 991)	(261 323)
Net finance (cost)/income		183 671	15 349	(398 040)	(244 750)
Profit before taxation		3 948 215	4 605 927	2 874 600	1 313 375
Taxation	17	(1 420 467)	1 255 697	(335 423)	(361 516)
Profit for the year		2 527 748	5 861 624	2 539 177	951 859
Attributable to:					
Equity holders of the parent		1 130 724	1 996 938	2 539 177	951 859
Non-controlling interest		1 397 024	3 864 686	–	–
Profit for the year		2 527 748	5 861 624	2 539 177	951 859
Other comprehensive income:					
Actuarial gains/(losses)	21	261 363	(225 048)	–	–
Tax (charge)/credit on actuarial gains/(losses)		(78 410)	67 514	–	–
Other comprehensive income/(expense) for the year, net of tax		182 953	(157 534)	–	–
Total comprehensive income for the year		2 710 701	5 704 090	2 539 177	951 859
Attributable to:					
Equity holders of the parent		1 224 029	1 916 596	2 539 177	951 859
Non-controlling interest		1 486 672	3 787 494	–	–
Total comprehensive income for the year		2 710 701	5 704 090	2 539 177	951 859
Basic EPS (kobo)	28	4,38	7,74	9,84	3,69
Diluted EPS (kobo)	28	4,38	7,74	9,84	3,69

The results shown above relate to continuing operations.

The notes on pages 39 to 82 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

The Group

Attributable to owners of the parent

	Share capital N'000	Share premium N'000	Retained earnings N'000	Total controlling interest N'000	Non controlling interest N'000	Total equity N'000
At 1 January 2011	12 906 999	27 071 664	(13 135 563)	26 843 100	11 133 778	37 976 878
Profit for the year	–	–	1 996 938	1 996 938	3 864 686	5 861 624
Other comprehensive income for the year	–	–	(80 343)	(80 343)	(77 191)	(157 534)
Dividend paid	–	–	–	–	(2 722 224)	(2 722 224)
Balance at 31 December 2011	12 906 999	27 071 664	(11 218 968)	28 759 695	12 199 049	40 958 744
Balance at 1 January 2012	12 906 999	27 071 664	(11 218 968)	28 759 695	12 199 049	40 958 744
Profit for the year	–	–	1 130 724	1 130 724	1 397 024	2 527 748
Other comprehensive income for the year	–	–	93 305	93 305	89 648	182 953
Dividend paid	–	–	–	–	(2 234 498)	(2 234 498)
Sale of interest to non-controlling interest	–	–	317 201	317 201	(317 201)	–
Balance at 31 December 2012	12 906 999	27 071 664	(9 677 738)	30 300 925	11 134 022	41 434 947

The Company

	Share capital N'000	Share premium N'000	Retained earnings N'000	Total N'000
At 1 January 2011	12 906 999	27 071 664	(25 735 682)	14 242 981
Profit for the year	–	–	951 859	951 859
Balance at 31 December 2011	12 906 999	27 071 664	(24 783 823)	15 194 840
Balance at 1 January 2012	12 906 999	27 071 664	(24 783 823)	15 194 840
Profit for the year	–	–	2 539 177	2 539 177
Balance at 31 December 2012	12 906 999	27 071 664	(22 244 646)	17 734 017

The notes on pages 39 to 82 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2012

	Note	Group		Company	
		2012 N'000	2011 N'000	2012 N'000	2011 N'000
Cash flows from operating activities					
Cash generated from operations	30	6 110 315	2 729 494	1 080 379	(579 763)
Tax paid	17	(2 097 983)	(788 300)	(109)	(199 535)
Net cash flow generated from/(used in) operating activities					
		4 012 332	1 941 194	1 080 270	(779 298)
Cash flows from investing activities					
Interest received	27	1 043 917	276 672	449 951	16 573
Oil Prospecting Licence	7	(1 500)	(2 189 693)	(34 535)	(2 192 196)
Proceeds from sale of property plant and equipment	30	23 721	84 382	17 401	82 898
Purchase of equity securities		(1 102 532)	(100 000)	(1 102 532)	(100 000)
Fixed income investment		(3 238 963)	–	(3 038 363)	–
Investment in treasury bills		(3 444 738)	–	–	–
Purchase of government-backed asset notes		(6 318 716)	–	(1 740 952)	–
Advance payment received for OPL		190 707	1 883 736	179	1 876 620
Proceeds from sale of subsidiary		–	–	1 661 320	–
Investment in subsidiary		–	–	(7 312 000)	3 095
Purchase of property, plant and equipment		(787 175)	(659 097)	(47 885)	(62 181)
Purchase of computer software		(35 758)	(47 055)	(2 723)	(2 934)
Pre-paid lease rental		–	(150 000)	–	–
Net cash used in investing activities					
		(13 671 037)	(901 055)	(11 150 139)	(378 125)
Cash flows from financing activities					
Proceeds from borrowings		17 032 789	2 375 181	16 532 831	2 375 181
Repayments from borrowings		(5 629 311)	(1 867 520)	(5 629 310)	(1 867 520)
Dividend paid to non-controlling interest		(2 234 498)	(2 722 224)	–	–
Interest payment	27	(860 246)	(261 323)	(847 991)	(261 323)
Net cash flow generated/(used in) financing activities					
		8 308 734	(2 475 886)	10 055 530	246 338
Net decrease in cash, cash equivalents and bank overdrafts					
		(1 349 971)	(1 435 747)	(14 339)	(911 085)
Cash, cash equivalents and bank overdrafts at the beginning of the year	15	6 903 161	8 338 908	135 526	1 046 611
Foreign exchange losses on cash and cash equivalents		(3 327)	–	(3 327)	–
Cash, cash equivalents and bank overdrafts at the end of the year					
		5 549 863	6 903 161	117 860	135 526

The notes on pages 39 to 82 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Transnational Corporation of Nigeria Plc, ("the Company" or "Transcorp"), was incorporated on 16 November 2004 as a private limited liability company domiciled in Nigeria in accordance with the requirements of the Companies and Allied Matters Act, 2004. Following a successful initial public offer (IPO), the Company was, in December 2006, listed on the Nigerian Stock Exchange. The shares of the Company have continued to be traded on the floor of the Exchange. The Company is domiciled in Nigeria and the registered address of its registered office is 38, Glover Road, Ikoyi, Lagos, Nigeria.

The Company, together with the subsidiaries are known as the Transcorp Group (the Group).

The Company maintains controlling interests in the following companies:

- Capital Leisure and Hospitality Limited
- Transnational Hotels and Tourism Services Limited
- Transcorp Metropolitan Hotels and Conferencing Limited
- Transcorp Energy Limited
- Transcorp Properties Limited
- Teragro Commodities Limited
- Transcorp Ughelli Power Limited
- Telecommunications Backbone Development Company Limited (Inactive)
- Transcorp Refining Company Limited (Inactive)
- Transcorp Telecomms Limited (Inactive)
- Transcorp Hotels and Leisure Limited (in liquidation)
- Transcorp Infrastructure Limited (in liquidation)
- Transcorp Trading and Logistics Limited (Inactive)
- Transcorp Commodities Limited (in liquidation)
- Transcorp Hilton Limited (in liquidation)
- Allied Commodities Limited (Inactive)
- The inactive companies are being wound up

The Company's business is the investment in and operation of portfolio companies in the hospitality, energy and agriculture sectors.

These financial statements are presented in Nigerian Naira, being the functional currency of the primary economic environment in which the Company operates.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in compliance with the Companies and Allied Matters Act (CAMA 2004) and the International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Further standards may be issued by the International Accounting Standards Board (IASB) and may be subject to interpretations issued by the IFRIC. IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied in preparing these financial statements. These financial statements are the first Transcorp Plc financial statements to be prepared in accordance with IFRS.

Financial statements of Transcorp Plc until 31 December 2011 had been prepared in accordance with the Nigerian Statements of Accounting Standards (SAS).

Subject to certain transition elections and exceptions disclosed in Note 35, the Company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at 1 January 2011 throughout all periods presented, as if these policies had always been in effect. Note 35 discloses the impact of the transition to IFRS

on the Company'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 Company's financial statements for the year ended 31 December 2011 prepared under Nigerian GAAP.

The preparation of financial statements, in conformity with Generally Accepted Accounting Principles under IFRS, requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The financial statements have been prepared on a historical cost basis, except for the fair value basis applied to certain property, plant and equipment, intangible assets, investment property and equity investments. The financial statements are presented in Naira and all values are rounded to the nearest thousand (N'000), except when otherwise indicated.

2.1.1 Going concern

The financial statements have been prepared on a going concern basis. The Directors have no doubt that the Company would remain in existence after 12 months.

2.1.2 Changes in accounting policy and disclosures

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ended 31 December 2012 and have not been early adopted.

The Group is yet to assess the full impact of the amendments and the new standards:

Amendment to IAS 19, 'Employee Benefits' Published June 2011. Effective for Annual periods beginning on or after 1 January 2013.

IFRS 10, 'Financial Statements' Published May 2011. Effective for Annual periods beginning on or after 1 January 2013.

IFRS 12, 'Disclosure of Interest in Other Entities' Published May 2011. Effective for annual periods beginning on or after 1 January 2013.

Amendments to IFRS 10, 11 and 12 on transition guidance. Published July 2012. Effective for annual periods beginning on or after 1 January 2013.

IFRS 13, 'Fair Value Measurement' Published May 2011. Effective for annual periods beginning on or after 1 January 2013.

IAS 27 (revised 2011) 'Separate Financial Statements' Published May 2011. Effective for annual periods beginning on or after 1 January 2013.

Amendment to IAS 32, 'Financial Instruments: Presentation' on offsetting financial assets and financial liabilities. Published December 2011. Effective for annual periods beginning on or after 1 January 2014.

Annual improvements to IFRSs. Published May 2012. Effective for Annual periods beginning on or after 1 January 2013 on IFRS 1, 'First-time Adoption' The IAS 1, 'Financial Statement Presentation'.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are accounted for at cost in the separate financial statements of Transnational Corporation Plc. In the financial statements, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the present ownership instrument's proportionate share in the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39, either in profit or loss or as a charge to other comprehensive income.

Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for at cost in the separate financial statements of Transnational Corporation of Nigeria Plc. In the financial statements, associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate. The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/(loss) of associates' in the income statement.

(e) Common control transactions

The Group applies predecessor values method in accounting for business combination under common control. The financial statements are prepared using predecessor book values, i.e. the book values of the net assets of the acquiree company in the consolidated accounts of the Group before the transaction, without any step up to fair value. The difference between any consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity is recorded as an adjustment to equity. This is recorded in retained earnings. No additional goodwill is created by the transaction.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Transnational Corporation of Nigeria Plc.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which Transnational Corporation of Nigeria Plc operates (the functional currency). The functional currency of Transnational Corporation of Nigeria Plc and its subsidiaries is the Nigerian naira (N). All entities in the Group have the same functional currency. The financial statements are also presented in Naira.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other (expenses)/income – net'. Translation differences related to changes in amortised cost are recognised in profit or loss.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives, as follows:

- | | |
|--------------------------|-------------|
| • Leasehold buildings | 2% – 5% |
| • Plant and machinery | 10% – 33.3% |
| • Furniture and fittings | 20% |
| • Computer equipment | 10% – 33.3% |
| • Motor vehicles | 20% – 25% |

The Group allocates the amount initially recognised in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is de-recognised when replaced. Residual values, method of amortisation and useful lives of the assets are reviewed annually and adjusted, if appropriate. Items classified as work in progress are not depreciated.

Where an indication of impairment exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

2.6 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over Transcorp's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Computer software

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- the Directors intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives. The estimated useful lives of the software of the Group is between three to eight years.

(c) Oil Prospecting Licence

The Group accounts for expenditures on the Oil Prospecting Licence having regard to the requirements of IFRS 6: Exploration for and Evaluation of Mineral Resources. Expenditures related to the Oil Prospecting Licence are capitalised at cost. Such expenditures include costs of acquisition of licence, geological and geophysical surveys and directly attributable overheads and administrative expenses. General prospecting or evaluation costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the income statement as they are incurred, if they do not meet the capitalisation criteria as specified in the IFRS framework.

The capitalised costs are not depleted but are carried forward until technical feasibility and commercial viability of extracting oil is considered to be determined. This is when proven and/or probable reserves are determined to exist. A review of the exploration licence or field is carried out, at least annually, to determine whether proven and/or probable reserves have been discovered. Upon determination of proven and/or probable reserves, E&E assets attributable to those reserves are tested for impairment and then the tangible E&E assets are transferred to property, plant and equipment as oil and gas assets.

2.7 Investment properties

Properties that are held for long-term rental yields or for capital appreciation, or both, and that are not occupied by the entities in the consolidated group, are classified as investment properties.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost was incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the date of the statement of financial position.

Gains or losses arising from changes in the fair value of investment properties are included in the consolidated income statement in the year in which they arise. Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated profit or loss during the financial period in which they are incurred.

The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is obtained from professional third party valuers contracted to perform valuations on behalf of the Group. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure. These valuations are performed annually by external appraisers.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expires.

2.9.1 Classification

The Directors determine the classification of its financial instruments at initial recognition.

(a) Financial assets and liabilities at fair value through profit or loss

Financial assets or liabilities at fair value through profit or loss are financial assets or liabilities held-for-trading. A financial asset or liability is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be realised within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprises 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

(c) Available-for-sale investments

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or Directors intends to dispose of it within 12 months of the end of the reporting period.

(d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Directors have the positive intention and ability to hold to maturity, other than:

- (i) those that the Group upon initial recognition designates as at fair value through profit or loss;
- (ii) those that the Group designates as available-for-sale; and
- (iii) those that meet the definition of loans and receivables.

(e) Financial liabilities at amortised cost

Financial liabilities at amortised cost include trade payables, bank debt and long-term debt.

2.9.2 Recognition and measurement

(a) Financial assets and liabilities at fair value through profit or loss

Financial instruments in this category are recognised initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of income. Gains and losses arising from changes in fair value are presented in the consolidated statement of income within "other gains and losses (net)" in the period in which they arise. Non-derivative financial assets and liabilities at fair value through profit or loss are classified as current, except for the portion expected to be realised or paid beyond 12 months of the reporting date, which are classified as long term. Interest swaps and warrants are classified as current.

(b) Loans and receivables

Loans and receivables are initially recognised at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortised cost using the effective interest method less a provision for impairment.

(c) Available-for-sale investments

Available-for-sale investments are recognised initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from remeasurement are recognised in other comprehensive income, except for exchange gains and losses on the translation of debt securities, which are recognised in the consolidated statement of income. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the income statement. Available-for-sale investments are classified as non-current, unless an investment matures within 12 months, or the Directors expect to dispose of it within 12 months.

(d) Held-to-maturity investments

Held-to-maturity investments are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

(e) Financial liabilities at amortised cost

Trade payables are initially recognised at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortised cost using the effective interest method. Bank debt and long-term debt are recognised initially at fair value, net of any transaction costs incurred, and subsequently at amortised cost using the effective interest method. These are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the debtor or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, 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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.12 Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined using the weighted average method. This includes the cost of direct materials to the Location of usage and other direct costs. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

2.13 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

2.14 Cash, cash equivalents and bank overdrafts

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly-liquid investments with original maturities of three months or less and bank overdrafts.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.16 Trade payables

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

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

2.17 Current and deferred tax

The tax for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is recognised in other comprehensive income or directly in equity, respectively.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

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

Deferred tax assets and liabilities are presented as non-current in the statement of financial position.

2.18 Employee benefits

(a) Gratuity scheme

Some subsidiaries operate an unfunded defined benefit gratuity scheme. The level of benefit provided is based on the length of service and earnings of the person entitled.

The cost of defined benefit plans is determined using the projected unit credit method. The related pension liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Actuarial valuations for defined benefit plans are carried out annually. The discount rate applied in arriving at the present value of the pension liability represents the yield on high-quality corporate bonds denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses are recognised in full in the period in which they occur, in other comprehensive income. Current service cost, the recognised element of any past service cost and the interest expense arising on the pension liability are included in the same line items in the income statement as the related compensation cost.

(b) Defined contribution scheme

The Group operates a defined contributory pension scheme in line with the provisions of the Pension Reform Act 2004. The employer's contributions are recognised as employee benefit expenses when they are due. The Group has no further payment obligation once the contributions have been paid.

(c) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable stated net of discounts, returns and value-added taxes. The Group earns revenue from the sale of goods and services. The Company earns revenue from dividends received.

Income from investments is recognised when it is earned. Income is earned as follows:

- (i) Dividends are earned in the profit and loss account on the date the Company's right to receive payment is established; and
- (ii) Interest earned on cash investments in money market instruments is recognised in the profit and loss account as it accrues evenly over the period of the investment.

Recognition of revenue for goods and services is recognised when it is earned. Revenue is earned when:

- The significant risks and rewards of ownership have been transferred to the customer or the service has been rendered;
- The Group does not retain effective control over goods sold;
- The amount of revenue can be reliably measured;
- It is possible that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred in respect of the sale can be measured reliably.

For goods and services, this implies when the goods have been delivered to the customer and when the service has been performed.

The Transcorp Hilton Hotel, Abuja offers a customer loyalty programme called the Hilton Honours guest reward programme on behalf of the Hilton International. Under this programme, registered members earn points when they pay for rooms or services at the Hotel. The Group accounts for the points as a separately identifiable component of the sales transaction in which they are granted (the 'initial sale' of rooms or service). The consideration received or receivable in respect of the initial sale is allocated between the points and the sale of rooms or service with reference to the fair value of the points. Revenue is measured as the net amount retained by Transcorp, i.e. the difference between the consideration allocated to the award credits and the amount payable to the Hilton International for supplying the awards.

2.20 Leases

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor), are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Finance lease

Leases of items by the Group where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the shareholders. In respect of interim dividends these are recognised when declared by the Board of Directors.

2.22 Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

2.23 Treasury shares

The cost of Transcorp's own equity instruments that has been re-acquired ('treasury shares') by the Company or by other members of the consolidated group is deducted from equity. Gain or loss is not recognised on the purchase, sale, issue, or cancellation of treasury shares. The difference between the cost and consideration received is recognised directly in retained earnings.

3. Financial risk management

3.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange 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. The Group does not hedge any of its risk exposures.

Risk management is carried out in line with policies approved by the board of directors. The board provides written policies for overall risk management, as well as set the overall risk appetite for the group. Specific risk management approaches are defined for respective risks such as interest rate risk, credit risk, liquidity and investment risk. The Group's overall risk management program seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risks arise from future commercial transactions and recognised assets. The Group makes payments and receipts primarily in Nigerian Naira. Periodically however, receipts and payments are made in other currencies, mostly in the US dollar.

The directors' approach to managing foreign exchange risk is to hold foreign currency bank accounts which act as a natural hedge for these transactions.

At 31 December 2012, if the Naira had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year of the group would have decreased or increased by N176,833 (Company: N206,273) mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated bank balances.

(ii) Price risk

The group is exposed to equity securities price risk because of investments classified on the statement of financial position as equity investments held for trading and measured at fair value through profit or loss. The group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the group diversifies its portfolio of equity investments by engaging third party expert; BGL Asset Management Limited who offers advice on sale and purchase. There is no significant concentration of price risk in any equity investments

If the market price of investments in equity securities had increased by 5% at the reporting date profit of the group and the company would have increased by N94.25 million (2011: N3.88 million) after taxes.

(iii) Interest rate risk

The group's interest rate risk arises from short term and long-term borrowings. Borrowings are issued at fixed rates and expose the group to fair value interest rate risk. The group's policy on managing interest rate risk is to negotiate favourable terms with the bank(s) to reduce the impact of its exposure to this risk. The interest rate risk is significantly concentrated with United Bank of Africa(UBA) being the only lender of all borrowings by the group. The borrowings are disclosed in note 18.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits and debt securities with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not have any significant concentrations of credit risk.

Credit risk is managed by the Chief Executive Officer and the Chief Finance Officer, except for credit risk relating to trade receivable balances. For deposits, the Group only deals with or invests in independently rated top 10 banks in Nigeria. The group analyses the risk profile of the obligor before making investments in debt securities. Investments are only made when such analysis are deemed satisfactory.

The credit rating for debt securities held are highlighted below:

	Credit rating by counter party			
	Group N'000 BB+	N'000 BB-	Company N'000 BB+	N'000 BB-
Fixed income investment	3 238 963	–	3 038 363	–
Investment in Treasury Bills	3 444 738	–	–	–
Investment in Akwa-Ibom State Government asset backed note	–	6 318 716	–	1 740 952
	6 683 701	6 318 716	3 038 363	1 740 952

Most of the Group's trade customers are not independently rated, therefore the quality of the customer is considered by taking into account its financial position, past experience and other factors. Each subsidiary is responsible for managing and analysing the credit risk for each of their new customers before standard delivery terms and conditions are offered. The continuous credit worthiness of the existing customers is analysed periodically based on history of performance of the obligations and settlement of their debt. The Group does not hold any collateral as security, no receivables have had their terms renegotiated.

No financial assets are past due except for trade receivables. As at December 31, 2012, trade receivables of N230 million (2011: N405 million) were fully performing, N825 million (2011: N1.015 billion) were past due but not impaired and N531 million (2011: N134 million) were impaired. The aging analysis of the latter two categories of receivables is as follows:

	Group	
	2012 N'000	2011 N'000
Past due but not impaired	824 689	1 015 031
Up to 3 months	564 104	514 820
3 to 6 months	80 144	267 798
Over 6 months	180 441	232 413
Impaired	530 947	133 911
Up to 3 months	28 394	5 604
3 to 6 months	273 057	79 086
Over 6 months	229 496	49 221

NOTES TO THE FINANCIAL STATEMENTS *continued*

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to historical information about default rates

	Group		Company	
	2012 N'000	2011 N'000	2012 N'000	2011 N'000
Customers with no history of default	30 669	72 177	2 292 092	1 761 963
– Receivable from related party	–	–	2 292 092	1 761 963
– New customers				
(less than 6 months)	6 249	15 088	–	–
– Existing customers				
(more than 6 months)	24 420	57 089	–	–
Existing customers with some past defaults which were fully recovered	199 329	332 636	–	–
Total unimpaired trade receivables	229 998	404 813	2 292 092	1 761 963

Concentration of credit risk is determined by the percentage of trade receivable due from a counterparty in proportion to the total trade receivables of the group. Any receivable equal or greater than 25% of the total trade receivable of the group is considered significant. For the years ended 31 December 2012 and 2011, the Group has no significant concentrations of credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Cash flow forecasts are prepared by the Chief Finance Officer to monitor the group's liquidity requirements and ensure it has sufficient cash to meet operational needs at all times so that the group does not breach borrowing limits on any of its borrowing facilities. Such forecasts take into consideration the group's committed and expected debt financing plans, internal and administrative cashflow requirements in arriving at the headroom for investments.

Surplus cash held by the group over and above the balance required for working capital management are invested in debt or equity securities. These can be realised in the short term to provide sufficient head-room as determined by the above-mentioned forecasts.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. There is concentration risk in this regard as United Bank for Africa Plc is the sole lender to the group.

The Group

	Less than 6 months N'000	Between 6 months and 1 year N'000	Between 1 and 2 years N'000	Between 2 and 5 years N'000	Over 5 years N'000
At 31 December 2012					
Trade and other payables	3 875 851	–	–	–	–
Accruals and other creditors	2 722 132	–	–	–	–
Borrowings	2 284 848	1 890 724	1 272 875	10 475 951	7 399 722
	Less than 6 months N'000	Between 6 months and 1 year N'000	Between 1 and 2 years N'000	Between 2 and 5 years N'000	Over 5 years N'000
At 31 December 2011					
Trade and other payables	884 823	–	–	–	–
Accruals and other creditors	2 744 773	–	–	–	–
Borrowings	296 235	292 223	550 191	1 421 314	1 420 587

The Company

	Less than 6 months N'000	Between 6 months and 1 year N'000	Between 1 and 2 years N'000	Between 2 and 5 years N'000	Over 5 years N'000
At 31 December 2012					
Accruals and other creditors	575 331	–	–	–	–
Due to related parties	4 964 045	–	–	–	–
Borrowings	1 784 891	1 890 724	1 272 875	10 475 951	7 399 722
	Less than 6 months N'000	Between 6 months and 1 year N'000	Between 1 and 2 years N'000	Between 2 and 5 years N'000	Over 5 years N'000
At 31 December 2011					
Accruals and other creditors	490 152	–	–	–	–
Due to related parties	1 679 108	2 518 663	–	–	–
Borrowings	296 235	292 223	550 191	1 421 314	1 420 587

3.2 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern to in order to maximise returns for shareholders.

Consistent with others in the industry, the group monitors capital on a monthly basis using the gearing ratio. This ratio is calculated as total debt divided by total equity. Total debt is a sum of the short and long term borrowings. Total equity is calculated as the sum of all equity components of the statement of financial position.

In order to maintain or adjust the capital structure, the group may increase or reduce its borrowings to obtain an appropriate gearing ratio.

During 2012, the group's strategy, which was unchanged from 2011, was to maintain the gearing ratio not greater than 75% for financing its long term investments in the agriculture, power, oil and gas and hospitality sectors. The gearing ratios at 31 Dec 2012 and 2011 are as follows

	Group		Company	
	2012 N'000	2011 N'000	2012 N'000	2011 N'000
Total debt	13 767 554	2 364 076	13 267 597	2 364 076
Less: cash and cash equivalents	(5 549 863)	(6 903 161)	(117 860)	(135 526)
Net debt	8 217 691	(4 539 085)	13 149 737	2 228 550
Total equity	41 434 947	40 958 744	17 734 017	15 194 840
Gearing ratio	20%	(11%)	74%	15%

The increase in the gearing ratio during 2012 resulted from an increase of over N11 billion in loans. Details have been presented in note 18.

4. Critical accounting estimates and judgements

Critical accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires the directors to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on the directors' experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Group has made in the preparation of the financial statements:

Impairment of goodwill

The Group reviews goodwill at least annually and other non-financial assets when there is any indication that the asset might be impaired. The Group has estimated the value in use and fair value of operating segments to which goodwill is allocated using discounted cash flow models that required assumptions about future cash flows, margins, and discount rates. See note 7 for methods and assumptions used in estimating net recoverable amount.

Controlling interest in THTSL

In Year 2005, Transcorp was part of a consortium which formed Capital Leisure and Hospitality Limited (CLHL) that bid and won a 51% stake in THTSL (formerly NIRMSCO Properties Limited), owner of the Transcorp Hilton Hotel Abuja. Transcorp had a 70% stake in the consortium and through a Memorandum of Understanding (MoU) and power of attorney signed with the other members of the consortium raised the entire funds for the acquisition. As at 31 December 2012, the other members of the consortium had not fulfilled their financial obligations on their 30% stake in the equity the resolution of which has been referred to arbitration.

The Board of Transnational Hotels and Tourism Services Limited (THTSL) comprises eight directors with the Company providing five of the directors including the Chairman. The judgement of the group over this matter is that Transcorp controls the board of THTSL and thus exercises control over the consortium's entire 51% stake in THTSL. Refer to note 31 for more details about the basis of consolidation of THTSL.

5. Segmental Analysis

The Group

The chief operating decision-maker has been identified as the Board of Directors of Transnational Corporation of Nigeria Plc. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The Directors have determined the operating segments based on these reports. The Board considers the business from an industry perspective and has identified 4 operating segments.

(i) Hospitality

The hospitality business of Transcorp is made up of its direct subsidiary, Transnational Hotels and Tourism Services Limited (THTSL) and an indirect subsidiary, Transcorp Metropolitan Hotel and Conferencing Limited which is fully owned by THTSL.

(ii) Agriculture

This relates to the direct subsidiary Teragro Commodities Limited.

(iii) Energy

Two subsidiaries make up the Energy segment namely, Transcorp Energy Limited and Transcorp Ughelli Power Limited.

(iv) Corporate Center

This segment is the parent company, Transnational Corporation of Nigeria Plc and the other non operational subsidiaries.

The Board assesses performance based on operating profits for each operating segment under review by the Board. Other information provided, except as noted below, to the Board is measured in a manner consistent with that of the financial statements.

Total segment assets exclude tax related assets. These are included in the reconciliation to the total statement of financial position assets.

As at 31 December 2012	Hospitality N'000	Agriculture N'000	Energy N'000	Corporate Centre N'000	Total N'000
External revenues	13 243 501	1 344	–	–	13 244 845
Inter-segment revenue	–	–	–	2 325 697	2 325 697
Reportable segment revenue	13 243 501	1 344	–	2 325 697	15 570 542
Finance income	468 965	–	125 002	449 950	1 043 917
Finance cost	–	(12 255)	–	(847 991)	(860 246)
Depreciation and amortisation	1 239 194	17 125	–	36 574	1 292 893
Profit before taxation	4 522 661	(181 340)	(393 591)	2 874 600	6 822 330
Taxation	(1 085 044)	–	–	(335 423)	(1 420 467)

	Hospitality N'000	Agriculture N'000	Energy N'000	Corporate N'000	Total N'000
Segmental assets	39 217 858	93 141	8 656 479	38 894 277	86 861 754
Segmental liability	17 446 447	614 889	7 040 069	21 619 094	46 720 499
Additions to non-current assets	652 494	86 797	–	85 142	824 433
As at 31 December 2011					
External revenues	13 901 453	–	–	–	13 901 453
Inter-segment revenue	–	–	–	2 833 333	2 833 333
Reportable segment revenue	13 901 453	–	–	2 833 333	16 734 786
Finance income	260 099	–	–	16 573	276 672
Finance cost	–	–	–	(261 323)	(261 323)
Depreciation and amortisation	1 163 772	–	–	105 352	1 269 124
Profit before taxation	6 211 516	(84 131)	(1 500)	1 313 375	7 439 260
Taxation	1 617 213	–	–	(361 516)	1 255 697
Segmental assets	38 827 923	297 985	10 000	24 264 632	63 400 540
Segmental liability	16 918 300	372 116	1 500	9 054 806	26 346 722
Additions to non-current assets	540 486	248 048	–	2 257 311	3 045 845
As at 1 January 2011					
Segmental assets	40 007 340	–	–	23 254 280	63 261 620
Segmental liability	20 293 125	–	–	9 044 319	29 337 444
Additions to non-current assets	3 171 190	–	–	1 761 996	4 933 186

Revenues from transactions with other operating segments relates to dividend income from Transnational Hotels and Tourism Services Limited to the company.

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities:

The totals presented for the Group's operating segments reconcile to the key financial figures as presented in its financial statements as follows:

	31 December 2012 N'000	31 December 2011 N'000	31 December 2010 N'000
Revenues			
Total revenue for reportable segments	15 570 542	16 734 786	
Elimination of inter-segment revenue	(2 325 697)	(2 833 333)	
Consolidated revenue	13 244 845	13 901 453	
Profit or loss			
Total profit or loss for reportable segments	6 822 330	7 439 260	
Elimination of inter-segment profits	(2 874 115)	(2 833 333)	
Consolidated profit before taxation	3 948 215	4 605 927	
Assets			
Total assets of reportable segments	86 861 754	63 400 540	63 261 620
Consolidation eliminations	(11 257 552)	(1 928 455)	(1 081 047)
Consolidated total assets	75 604 202	61 472 085	62 180 573
Liabilities			
Total liabilities of reportable segments	46 720 499	26 346 722	29 337 444
Consolidation eliminations	(12 551 244)	(5 833 381)	(5 133 749)
Consolidated total liabilities	34 169 255	20 513 341	24 203 695

Entity-wide information

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

NOTES TO THE FINANCIAL STATEMENTS *continued*

	31 December 2012 N'000	31 December 2011 N'000
Analysis of revenue by category:		
Rooms	8 354 846	8 905 347
Food and Beverage	3 792 116	3 828 002
Shop rental	439 756	391 542
Service charge	281 618	183 006
Laundry	8 169	7 618
Other operating revenue	366 996	585 938
Juice Concentrate	1 344	–
Total	13 244 845	13 901 453

The Group is domiciled in Nigeria where it generates all its external revenue. The total non-current assets of the Group are all located in Nigeria. No transaction with any external customer accounted for more than 10 per cent of revenue for all the years presented.

6. Property, plant and equipment

The Group

In accordance with IFRS transitional provisions, the Group elected to revalue its property, plant and equipment to its fair value at 1 January 2011. Professional property valuers, Jide Taiwo and Co. and Ubosi Eleh, were engaged to determine the fair value of property, plant and equipment. The value of property, plant and equipment at 1 January 2011 were determined with respect to the open market value at this date.

	Land N'000	Building and improvements N'000	Plant and machinery N'000	Furniture and fittings N'000	Computer and office equipments N'000	Motor vehicles N'000	Total N'000
Cost							
Balance as at 1 January 2011 (deemed cost)	11 067 185	11 359 899	1 674 462	1 503 333	69 819	204 234	25 878 932
Additions	–	–	338 101	175 984	1 684	143 328	659 097
Disposals	–	–	(4 203)	(14 512)	(14 167)	(85 810)	(118 692)
Balance as at 31 December 2011	11 067 185	11 359 899	2 008 360	1 664 805	57 336	261 752	26 419 337
Balance as at 1 January 2012	11 067 185	11 359 899	2 008 360	1 664 805	57 336	261 752	26 419 337
Additions	–	141 839	373 358	145 125	25 002	101 851	787 175
Disposals	–	–	(5 464)	(30 766)	(36 596)	(15 216)	(88 044)
Balance as at 31 December 2012	11 067 185	11 501 738	2 376 254	1 779 164	45 742	348 387	27 118 470
Depreciation and impairment losses							
Balance as at 1 January 2011	–	–	–	–	–	–	–
Depreciation for the year	–	263 346	327 509	519 055	53 570	83 118	1 246 598
Disposals	–	–	(422)	(6 378)	(12 568)	(16 426)	(35 794)
Balance as at 31 December 2011	–	263 346	327 087	512 677	41 002	66 692	1 210 804
Balance as at 1 January 2012	–	263 346	327 087	512 677	41 002	66 692	1 210 804
Depreciation for the year	–	264 732	351 105	550 646	14 524	89 185	1 270 192
Disposals	–	–	(3 310)	(25 821)	(34 084)	(1 852)	(65 067)
Balance as at 31 December 2012	–	528 078	674 882	1 037 502	21 442	154 025	2 415 929
Carrying amounts							
At 1 January 2011	11 067 185	11 359 899	1 674 462	1 503 333	69 819	204 234	25 878 932
At 31 December 2011	11 067 185	11 096 553	1 681 273	1 152 128	16 334	195 060	25 208 533
At 31 December 2012	11 067 185	10 973 660	1 701 372	741 662	24 300	194 362	24 702 541

The Company

	Building and improvements N'000	Plant and machinery N'000	Furniture and fittings N'000	Computer and office equipments N'000	Motor vehicles N'000	Total N'000
Balance as at 1 January 2011 (Deemed cost)	–	11 234	54 830	63 545	44 610	174 219
Additions	–	–	–	1 594	60 587	62 181
Disposals	–	(4 203)	(14 512)	(14 167)	(85 810)	(118 692)
Balance as at 31 December 2011	–	7 031	40 318	50 972	19 387	117 708
Balance as at 1 January 2012	–	7 031	40 318	50 972	19 387	117 708
Additions	3 173	65	1 896	7 551	35 200	47 885
Disposals	–	(5 464)	(30 768)	(36 596)	(9 640)	(82 468)
Balance as at 31 December 2012	3 173	1 632	11 446	21 927	44 947	83 125
Depreciation and impairment losses						
Balance as at 1 January 2011	–	–	–	–	–	–
Depreciation for the year	–	2 709	24 439	51 451	20 328	98 927
Disposals	–	(422)	(6 378)	(12 568)	(16 426)	(35 794)
Balance as at 31 December 2011	–	2 287	18 061	38 883	3 902	63 133
Balance as at 1 January 2012	–	2 287	18 061	38 883	3 902	63 133
Depreciation for the year	162	2 144	17 175	9 473	7 620	36 574
Disposals	–	(3 310)	(25 821)	(34 084)	(1 852)	(65 067)
Balance as at 31 December 2012	162	1 121	9 415	14 272	9 670	34 640
Carrying amounts						
At 1 January 2011	–	11 234	54 830	63 545	44 610	174 219
At 31 December 2011	–	4 744	22 257	12 089	15 485	54 575
At 31 December 2012	3 011	511	2 031	7 655	35 277	48 485

7. Intangible Assets

	Group				Company		
	Goodwill N'000	Computer software N'000	Oil Prospecting Licence N'000	Total N'000	Computer software N'000	Oil Prospecting Licence N'000	Total N'000
At 1 January 2011							
Cost	19 482 953	130 479	2 849 087	22 462 519	7 309	2 849 087	2 856 396
Accumulated amortisation	–	–	–	–	–	–	–
Impairment losses	–	–	–	–	–	–	–
Net book value	19 482 953	130 479	2 849 087	22 462 519	7 309	2 849 087	2 856 396
Year ended							
31 December 2011							
Opening net book value	19 482 953	130 479	2 849 087	22 462 519	7 309	2 849 087	2 856 396
Additions	–	47 055	2 189 693	2 236 748	2 934	2 192 196	2 195 130
Amortisation for the year	–	(22 526)	–	(22 526)	(6 424)	–	(6 424)
Impairment	–	–	–	–	–	–	–
Closing net book value	19 482 953	155 008	5 038 780	24 676 741	3 819	5 041 283	5 045 102

NOTES TO THE FINANCIAL STATEMENTS *continued*

	Group				Company			
	Goodwill N'000	Computer software N'000	Prospecting Licence N'000	Oil Prospecting Licence N'000	Total N'000	Computer software N'000	Prospecting Licence N'000	Total N'000
Year ended 31 December 2012								
Opening net book value	19 482 953	155 008	5 038 780	24 676 741	3 819	5 041 283	5 045 102	
Additions	–	35 758	1 500	37 258	2 723	34 535	37 258	
Amortisation for the year	–	(22 701)	–	(22 701)	(2 102)	–	(2 102)	
Impairment	–	–	–	–	–	–	–	
Closing net book value	19 482 953	168 065	5 040 280	24 691 298	4 440	5 075 818	5 080 258	
As at 31 December 2012								
Cost	19 482 953	213 292	5 040 280	24 736 525	12 966	5 075 818	5 088 784	
Accumulated amortisation	–	(45 227)	–	(45 227)	(8 526)	–	(8 526)	
Impairment	–	–	–	–	–	–	–	
Carrying amount	19 482 953	168 065	5 040 280	24 691 298	4 440	5 075 818	5 080 258	

Goodwill is not amortised but tested for impairment annually. The remaining amortisation period for computer software cost is between 3 to 6 years.

The Production Sharing Contract between Transcorp and SacOil/EER for Oil Prospecting Licence (OPL) 281 is yet to be signed by the government. Amortisation of the OPL is yet to commence. During the year, the Group capitalised borrowing costs of N33.0 million (31 December 2011: N2.5 million) as part of the costs to acquire the OPL. A weighted average capitalisation rate of 10% was applied on its general borrowings. The same amount of borrowing costs have been capitalised by the Company.

Goodwill has been allocated to the following CGUs:

	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
Transcorp Metropolitan Hotels and Conferencing Limited	863 163	863 163	863 163
Transnational Hotels and Tourism Services Limited	18 619 790	18 619 790	18 619 790
	19 482 953	19 482 953	19 482 953

Goodwill arose from the excess of the consideration over acquisition-date fair values of identifiable assets and liabilities of subsidiaries acquired. The goodwill amount relates to pre-existing goodwill from previous business combinations. No additional goodwill was recorded for the business combination under common control.

In assessing goodwill for impairment at 31 December 2012, 31 December 2011 and 1 January 2011, the Company compared the aggregate recoverable amount of the assets included in the CGUs below to their respective carrying amounts. Recoverable amount has been determined based on the value in use of the CGUs using five-year cash flow budgets approved by Directors that made maximum use of observable markets for inputs and outputs. For periods beyond the budget period, cash flows were extrapolated using growth rates that do not exceed the long-term average for the business. Key assumptions included the following:

	31 December 2012		31 December 2011		1 January 2011	
	TMHCL	THTSL	TMHCL	THTSL	TMHCL	THTSL
Budgeted gross margin	67%	78%	66%	77%	59%	76%
Weighted average growth rate	6%	6%	6%	6%	6%	6%
Pre-tax discount rate	14,95%	14,95%	17,67%	17,67%	12,04%	12,04%

Reasonably possible changes in key assumptions would not cause the recoverable amount of goodwill to fall below the carrying value.

8. Investment property

	Group N'000	Company N'000
Fair value as at 1 January	1 200 000	1 200 000
Fair value gains	267 000	267 000
Balance as at 31 December 2011	1 467 000	1 467 000
Balance as at 1 January 2012	1 467 000	1 467 000
Fair value gains	33 000	33 000
Balance as at 31 December 2012	1 500 000	1 500 000

Investment property relates to a piece of land at Rumens Road, Ikoyi measuring approximately 4,876.151 square meters. The fair value of investment property was determined as at 1 January 2011, 31 December 2011 and 31 December 2012 by professional valuers, Ubosi Eleh. The current market prices of the land were used to determine the fair value as at these dates.

9. Investment in subsidiaries

	31 December 2012 N'000	Company 31 December 2011 N'000	1 January 2011 N'000
Transnational Hotels and Tourism Services Limited	13 868 523	13 868 523	13 868 523
Transcorp Metropolitan Hotels and Conferencing Limited	–	1 661 320	1 661 320
Transcorp Ughelli Power limited	7 312 000	–	–
Teragro Commodities Limited	–	–	3 095
Other subsidiaries companies	108 200	108 200	108 200
	21 288 723	15 638 043	15 641 138

Movement in investment in subsidiaries is analysed as follows:

	31 December 2012 N'000	Company 31 December 2011 N'000	1 January 2011 N'000
At beginning of the year	15 638 043	15 641 138	15 641 138
Additions – cost	7 312 000	–	–
Transfer to subsidiary (Note 9a)	(1 661 320)	(3 095)	–
At end of the year	21 288 723	15 638 043	15 641 138

- (a) On 30 September 2012, Transnational Corporation of Nigeria Plc disposed of its 100% shareholding in Transcorp Metropolitan Hotels and Conferencing Limited to its subsidiary, Transnational Hotels and Tourism Services Limited. The Group has applied the predecessors value method to account for this common control transaction. This resulted in the restructuring of the Ultimate Holding Group, Transnational Corporation of Nigeria Plc, which controls both Transcorp Metropolitan Hotels and Conferencing Limited and Transnational Hotels and Tourism Services Limited. As a result, Transcorp Metropolitan Hotels and Conferencing Limited is an indirect subsidiary of Transnational Corporation of Nigeria Plc with the Group's equity holding reducing from 100% to 51%.

NOTES TO THE FINANCIAL STATEMENTS *continued*

The assets and liabilities of Transcorp Metropolitan Hotels and Conferencing Limited as at 30 September 2012 is shown below:

	N'000
Non-current assets	754,601
Current assets	109,333
Total assets	863,934
Non-current liabilities	5,443
Current liabilities	1,505,841
	1,511,284
Net liabilities	647,350

	Company		
	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
(b) Investments in subsidiary companies eliminated on consolidation is shown below:			
Transnational Corporation investment in subsidiary:			
Transnational Hotels and Tourism Services Limited (THTSL)	13 868 523	13 868 523	13 868 523
Transcorp Refining Company Limited	1 000	1 000	1 000
Transcorp Telecomms Limited	10 000	10 000	10 000
Telecommunications Backbone Development Company Limited (inactive)	9 900	9 900	9 900
Teragro Commodities Limited	9 500	9 500	9 500
Transcorp Hotels and Leisure Limited (in liquidation)	9 500	9 500	9 500
Transcorp Infrastructure Limited (in liquidation)	9 500	9 500	9 500
Transcorp Trading and Logistics Limited (inactive)	10 000	10 000	10 000
Transcorp Commodities Limited (inactive)	9 500	9 500	9 500
Transcorp Hilton Limited (in liquidation)	9 900	9 900	9 900
Allied Commodities Limited (in liquidation)	9 500	9 500	9 500
Transcorp Energy Limited	9 900	9 900	9 900
Transcorp Properties Limited	10 000	10 000	10 000
Transcorp Ughelli Power Limited	7 312 000	-	-
Transcorp Metropolitan Hotels and Conferencing Limited,	-	1 661 320	1 661 320
	21 288 723	15 638 043	15 638 043
THTSL investment in subsidiary:			
Transcorp Metropolitan Hotels and Conferencing Limited,	1 661 320	-	-

The companies under liquidation are undergoing a process of voluntary winding up.

(c) Other relevant details of the investments are as follows:

Subsidiaries	Year of incorporation	Nature of business	Issued share capital (in thousands)	Group's interest
Transnational Hotels and Tourism Services Limited (THTSL)	2005	Rendering of hospitality services	5 000	51%
Transcorp Refining Company Limited	2005	Oil and gas consultancy exploration, refining and marketing	1 000	100%
Transcorp Telecomms Limited	2006	Distribution of global systems for mobile communication	10 000	100%
Telecommunications Backbone Development Company Limited	2008	Internet service providers browsing and email services	10 000	99%
Teragro Commodities Limited (TRG)	2008	Cultivate the soil and grow food, cash and fodder crops	10 000	95%
Transcorp Hotels and Leisure Limited	2008	Car rental, hiring and protocol services	10 000	95%
Transcorp Infrastructure Limited	2008	Power generation, distribution and sale	10 000	95%
Transcorp Trading and Logistics Limited	2006	General maritime operations including transportation	10 000	100%
Transcorp Commodities Limited	2008	Dealers in agricultural and mineral products	10 000	95%
Transcorp Hilton Limited	2008	Manage hotels, cafeterias, eateries, dinners, canteens cafes, pizzerias, snack bars, etc	10 000	99%
Allied Commodities Limited	2008	Sale and purchase of wholesale and retail commodities in which the Company may lawfully deal	10 000	95%
Transcorp Energy Limited	2008	Mining, refining and supply merchants of mining produce	10 000	99%
Transcorp Properties Limited	2008	Building, contractors, decorators, merchants and dealers in stone, sand, lime, iron, etc	10 000	100%
Transcorp Metropolitan Hotels and Conferencing Limited (TMHCL)	2010	Rendering of hospitality services	5 000	51%
Transcorp Ughelli Power Limited (TUPL)	2012	Investment in power generation	55 000	51%

All these subsidiaries are incorporated in Nigeria.

10. Deferred tax

	Group	
	2012 N'000	2011 N'000
The movement in deferred tax is as follows:		
(i) Deferred tax liability		
At start of the year	6 355 503	6 897 345
Income statement charge (Note 17)	(446 036)	(474 327)
Tax charge relating to components of other comprehensive income (Note 17)	78 410	(67 514)
At end of the year	5 987 877	6 355 503

	Retirement benefit obligation N'000	Accelerated tax depreciation N'000	Fair Value Gains N'000	Provisions N'000	Others N'000	Total N'000
At 1 January 2011	(164 133)	1 435 911	5 625 567	–	–	6 897 345
Charged/(credited) to income statement	193 507	(534 859)	(132 976)	–	–	(474 328)
Charged to other comprehensive income	(67 514)	–	–	–	–	(67 514)
At 31 December 2011	(38 140)	901 052	5 492 591	–	–	6 355 503
(Credited)/charged to income statement	(164 759)	(200 565)	–	(84 571)	3 859	(446 036)
Charged to other comprehensive income	78 410	–	–	–	–	78 410
At 31 December 2012	(124 489)	700 487	5 492 591	(84 571)	3 859	5 987 877

Deferred tax assets are recognised for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of N4.2 billion (31 December 2011: N6.3 billion) in respect of losses amounting to N13.1 billion (31 December 2011: N20.5 billion) that can be carried forward against future taxable income.

11. Pre-paid lease rental

	Group		
	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
At 1 January	150 000	–	–
Utilisation	(22 500)	–	–
Additions	–	150 000	–
At 31 December	127 500	150 000	–
Fees	(2 500)	–	–
Less: Minimum lease payments for the next 12 months	(30 000)	(30 000)	–
Non-current lease payments	95 000	120 000	–
Non-current lease payments has been analysed as follows:			
Due between 1 to 5 years	95 000	120 000	–
Due after 5 years	–	–	–

Pre-paid lease rental represents amounts paid to Benfruit Nigeria Limited by one of the subsidiaries, Teragro Commodities Limited, for lease of facilities and equipment. The lease is for a 10-year period, commencing from the date of commissioning at an initial lease rental of N30 million per annum subject to a renewal option for the lessee of further terms of five years each.

12. Inventories

	Group		
	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
Food and beverages	102 420	146 804	114 389
Fuel	6 222	5 630	6 701
Engineering spares	408 652	438 187	350 517
Guest supplies	152 593	187 368	208 934
Other raw materials	36 947	6 977	–
	706 834	784 966	680 541

All inventory are stated at cost. The cost of inventories recognised as an expense and included in 'cost of sales' amounted to N1.047 billion (2011: N728.7 million).

An impairment charge of N323 million was recorded on the Group's inventory in the income statement.

13. Trade and other receivables

	Group			Company		
	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
Trade receivables	1 585 634	1 553 755	841 757	–	–	–
Less: Provision for impairment of trade receivables	(215 520)	(118 827)	(32 811)	–	–	–
Trade receivables – net	1 370 114	1 434 928	808 946	–	–	–
Other receivables and pre-payments	1 263 311	735 930	2 810 727	847 163	36 611	181 505
Due from related companies	–	–	–	198 965	1 640 422	1 199 747
Dividend receivable	–	–	–	2 093 127	121 541	–
	2 633 425	2 170 858	3 619 673	3 139 255	1 798 574	1 381 252
				31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
Balance	118 827	32 811	22 568			
Impairment losses recognised on receivables	96 693	86 016	10 243			
	215 520	118 827	32 811			

NOTES TO THE FINANCIAL STATEMENTS *continued*

14. Debt and equity securities

	Group			Company		
	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
Equity securities at fair value through profit or loss	2 692 824	110 826	–	2 692 824	110 826	–
Investment in Akwa Ibom State Government asset-backed note	6 315 716	–	–	1 740 952	–	–
Investment in Treasury Bills	3 444 738	–	–	–	–	–
Fixed income investment	3 238 963	–	–	3 038 363	–	–
	15 695 241	110 826	–	7 472 139	110 826	–

Fixed income investments and equity securities at fair value through profit or loss represent investments of the Company under the management of BGL Asset Management Limited. The original amount invested in equity securities was N1.24 billion (2011: N100 million). These investments have recorded a fair value gain of N1.46 billion (2011: N10.83 million) as at the end of the year.

15. Cash and cash equivalents

	Group			Company		
	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
Cash and bank balance	5 549 863	6 903 161	8 137 390	117 860	135 526	845 093
Restricted cash	–	–	201 518	–	–	201 518
	5 549 863	6 903 161	8 338 908	117 860	135 526	1 046 611

Restricted cash as at 1 January 2011 relates to three months' principal and interest on the N1.85 billion loan obtained from UBA PLC which the Company is expected to keep in a debt reserve account throughout the duration of the loan. As at 31 December 2012 and 31 December 2011, there was no obligation to keep restricted cash.

16. Trade and other payables

	Group			Company		
	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
Trade creditors	3 875 851	884 823	1 223 160	–	–	–
Accruals and other liabilities	2 722 132	2 744 773	6 070 949	575 331	490 152	2 010 412
Due to related companies (Note 34)	–	–	–	4 964 045	4 197 771	3 942 269
	6 597 983	3 629 596	7 294 109	5 539 376	4 687 923	5 952 681

17. Taxation

	Group		Company	
	31 December 2012 N'000	31 December 2011 N'000	31 December 2012 N'000	31 December 2011 N'000
Income tax	1 526 368	1 938 838	102 853	78 183
Education tax	107 565	141 679	–	–
	1 633 933	2 080 517	102 853	78 183
Tax on franked investment income	232 570	283 333	232 570	283 333
Deferred tax (Note 10)	(446 036)	(474 328)	–	–
Tax writeback	–	(3 145 219)	–	–
	1 420 467	(1 255 697)	335 423	361 516

The movement in tax payable is as follows:

	Group		Company	
	31 December 2012 N'000	31 December 2011 N'000	31 December 2012 N'000	31 December 2011 N'000
At 1 January	4 572 027	6 425 029	126 187	247 539
Provision for the year	1 633 933	2 080 517	102 853	78 183
Writeback in the year	–	(3 145 219)	–	–
Payment during the year	(2 097 983)	(788 300)	(109)	(199 535)
At 31 December	4 107 977	4 572 027	228 931	126 187

A reconciliation between tax expense and the product of accounting profit multiplied by Nigeria's domestic tax rate for the years ended 31 December 2011 and 2012 is as follows:

	Group		Company	
	31 December 2012 N'000	31 December 2011 N'000	31 December 2012 N'000	31 December 2011 N'000
Profit before tax	3 948 215	4 605 927	2 874 600	1 313 375
Tax at Nigeria Corporation tax rate of 30% (2011: 30%)	1 184 465	1 381 778	862 380	394 013
Education tax	107 565	141 679	–	–
Tax on franked investment income	232 570	283 333	232 570	283 333
Income not subjected to tax	(1 141 549)	(933 348)	(1 141 549)	(933 348)
Tax losses for which no deferred income tax asset was recognised	54 467	45 023	–	–
Minimum tax adjustments	381 431	617 518	382 021	617 518
Education tax	–	–	–	–
Tax writeback	–	(3 145 219)	–	–
Effect of timing differences	601 518	353 539	–	–
Tax charge for the year	1 420 467	(1 255 697)	335 423	361 516

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18. Borrowings

	Group			Company		
	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
(a) Borrowings falling due within a year						
UBA Plc	3 764 127	259 111	528 571	3 264 170	259 111	528 571
(b) Borrowings falling due after one year						
UBA Plc	10 003 427	2 104 965	1 327 844	10 003 426	2 104 965	1 327 844
	13 767 554	2 364 076	1 856 415	13 267 597	2 364 076	1 856 415

(c) The Group's borrowings are analysed below:

Purpose	Principal (N'000)		Tenor	Other terms/ Security	Interest rate	Outstanding	Outstanding	Outstanding
	Loan type					Principal/ drawdown as at 31 December 2012	Principal/ drawdown as at 31 December 2012	Principal/ drawdown as at 31 December 2012
To part finance the Group's contribution to the Transcorp Consortium's acquisition of Ughelli Power Plc via a Special Purpose Vehicle, Transcorp Ughelli Power Limited – TUPL	11 600 600	Term loan	8 years inclusive of 24 months moratorium	Pledge of the entire investment of the Company in the SPV entity – TUPL	16.5 % per annum	6 012 000	–	–
To support the Group's investment in the oil and gas and hospitality businesses.	4 400 000	Term loan (Restructured)	8 years and 2 months commencing 1 November 2012;	Pledge of Transcorp's equity holding and legal mortgage over the Metropolitan Hotels	16.5 % per annum	4 358 305	2 614 029	1 852 006
To augment the Group's working capital requirements	3 000 000	Revolving term loan	5 years with 180 days review cycle	Irrevocable domiciliation of specific contract/ operational proceeds to repay any drawdown under the facility	16.5 % per annum	1 501 700	–	–
To augment the Group's working capital requirements	1 000 000	Revolving overdraft	365 days repayable on demand; available for 5 years	None	16.5 % per annum	1 000 000	–	–
To finance the staff share scheme	250 000	Medium-term loan	5 years	Charge on Transcorp investment in Akwaibom State note worth N300 million providing 120% cover	16.5% per annum	232 911	–	–
	20 250 600					13 104 916	2 614 029	1 852 006

19. Financial instruments and fair values

Measurement categories

The following table shows the carrying values of financial assets and liabilities for each of these categories at 31 December 2012 and 31 December 2011 and 1 January 2011.

The Group

Financial assets	31 December 2012		31 December 2011		1 January 2011	
	Loans and receivables N'000	Held for trading N'000	Loans and receivables N'000	Held for trading N'000	Loans and receivables N'000	Held for trading N'000
Trade and other receivables	–	–	1 434 928	–	808 946	–
Debt and equity securities	13 002 417	2 692 824	–	110 826	–	–
Cash and cash equivalents	5 549 863	–	6 903 161	–	8 338 908	–
	18 552 280	2 692 824	8 338 089	110 826	9 147 854	–

Financial liabilities	31 December 2012		31 December 2011		1 January 2011	
	Other financial liabilities N'000		Other financial liabilities N'000		Other financial liabilities N'000	
Trade payables and other liabilities	6 597 983		3 629 596		7 294 109	
Borrowings	13 767 554		2 364 076		1 856 415	
	20 365 537		5 993 672		9 150 524	

The Company

Financial assets	31 December 2012		31 December 2011		1 January 2011	
	Loans and receivables N'000	Held for trading N'000	Loans and receivables N'000	Held for trading N'000	Loans and receivables N'000	Held for trading N'000
Trade and other receivables	3 139 255	–	1 798 574	–	1 381 252	–
Debt and equity securities	4 779 315	2 692 824	–	110 826	–	–
Cash and cash equivalents	117 860	–	135 526	–	1 046 611	–
	8 036 430	2 692 824	1 934 100	110 826	2 427 863	–

Financial liabilities	31 December 2012		31 December 2011		1 January 2011	
	Other financial liabilities N'000		Other financial liabilities N'000		Other financial liabilities N'000	
Trade payables	5 539 376		4 687 923		5 952 681	
Borrowings	13 267 597		2 364 076		1 856 415	
	18 806 973		7 051 999		7 809 096	

Fair values, including valuation methods and assumptions

The following table shows the assets on the balance sheet that are measured at fair value in a hierarchy that is based on significance of the inputs used in making the measurements.

- Level 1:** Quoted prices (unadjusted) in active markets for identical assets.
- Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3:** Inputs for the asset that are not based on observable market data (that is, unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS *continued*

There were no transfer of financial assets between fair value levels of hierarchy.

	Fair value hierarchy	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
Group				
Equity investments held-for-trading	Level 1	2 692 824	110 826	–
Company				
Equity investments held-for-trading	Level 1	2 692 824	110 826	–

The carrying values of financial assets and liabilities on the statement of financial position approximate their fair values. The methods and assumptions used in estimating fair value are as follows:

Cash and cash equivalents, debt securities, trade and other receivables and trade and other payables are highly-liquid investments which are due on demand or within one year. Equity investments are carried at fair value based on market prices as at the reporting date. The fair values of the Group's borrowings approximate their carrying amounts due to the fact that interest is adjusted periodically based on changes in the prime lending rates as advised by the Central Bank of Nigeria and there have been no significant changes in the Company's own credit risk.

20. Advance deposits

	Group			Company		
	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
Customers	249 459	58 931	51 815	–	–	–
SACOIL / EER	1 876 799	1 876 620	–	1 876 799	1 876 620	–
Total advance deposits	2 126 258	1 935 551	51 815	1 876 799	1 876 620	–

Advance deposits from EER / SACOIL relates to an advance payment of \$12.5 million received from EER/SacOil as farm-in fees for Oil Prospecting Licence (OPL 281). The approval of the Production Sharing Contract (PSC) of OPL is being awaited from the Department of Petroleum Resources.

21. Retirement benefit obligations

The company's subsidiaries, THTSL and TMHCL operate a defined benefit retirement scheme for employees under its gratuity scheme. The scheme provides gratuity benefits to staff who have spent 2 years or more at exit date. The scheme is unfunded. The defined benefit scheme was discontinued with effect from December 31, 2012.

Plan liability (Gratuity provision) is based upon independent actuarial valuation performed by is HR Nigeria & Associates Ltd. This valuation was carried out as at 1 January 2011, 31 December 2011 and 31 December 2012 appropriately. The projected unit credit method was used to determine the liability as at 31 December 2010 and 31 December 2011. The obligation as at 31 December 2012 was computed on a discontinuance basis because the scheme was terminated at 31 December 2012.

	Group		
	31 December 2012 N'000	31 December 2011 N'000	1 January 2011 N'000
Statement of financial position obligations are shown below:			
Gratuity (defined benefit plan)	1 581 606	1 656 588	1 678 983
		2012 N'000	2011 N'000
Amounts recognised in income statements are shown below:			
Current service cost		231 206	263 832
Interest cost		219 002	211 790
Curtailement gain		(317 142)	–
Total, included in employee benefits expense (Note 26c)		133 066	475 622
Amounts recognised in other comprehensive are shown below:			
Actuarial losses – Change in Assumption		118 081	–
Actuarial losses/(gains) – Experience		143 282	(225 048)
		261 363	(225 048)
The movement in the defined benefit obligation over the years was as follows:			
Defined benefit obligation at the beginning of the year		1 656 588	1 678 982
Current service cost		231 206	263 832
Interest cost		219 002	211 790
Actuarial losses – Change in Assumption		118 801	–
Actuarial losses/(gains) – Experience		143 282	(225 048)
Benefits paid		(433 096)	(272 968)
Curtailement gain		(354 177)	–
Defined benefit obligation at end of the year		1 581 606	1 656 588

The principal financial assumptions used for the calculation of the defined benefit are presented in the table below:

	Transnational Hotels and Tourism Services Limited		Transcorp Metropolitan Hotels and Conferencing Limited	
	31 December 2011	1 January 2011	31 December 2011	1 January 2011
Financial assumptions				
Long term average:				
Discount Rate (p.a.)	13%	12%	13%	12%
Pay Increase (p.a.)	12%	12%	12%	12%
Rate of inflation (p.a.)	11%	10%	11%	10%

NOTES TO THE FINANCIAL STATEMENTS *continued*

The rates of mortality assumed for employees are the rates published in the A67/70 Ultimate Tables, published jointly by the Institute and Faculty of Actuaries in the UK.

Sample age	Mortality in Service	Withdrawal from service	
	No of deaths in a year out of 10,000 lives	Age	Rate
25	7	Less than or equal to 30	3,00%
30	7	31 – 39	2,00%
35	9	40 – 44	2,00%
40	14	45 – 50	0,00%
45	26		

22. Revenue

	Group		Company	
	31 December 2012 N'000	31 December 2011 N'000	31 December 2012 N'000	31 December 2011 N'000
Rooms	8 354 846	8 905 347	–	–
Food and Beverage	3 792 116	3 828 002	–	–
Shop rental	439 756	391 542	–	–
Service charge	281 618	183 006	–	–
Laundry	8 169	7 618	–	–
Other operating revenue	366 996	585 938	–	–
Juice Concentrate	1 344	–	–	–
Dividend income	–	–	2 325 697	2 833 333
	13 244 845	13 901 453	2 325 697	2 833 333

All the revenue was generated in Nigeria.

23. Cost of sales

	Group		Company	
	31 December 2012 N'000	31 December 2011 N'000	31 December 2012 N'000	31 December 2011 N'000
Rooms	574 906	717 195	–	–
Staff costs (Note 26)	1 529 427	1 294 132	–	–
Food and beverage	1 326 565	1 445 736	–	–
Other operating departments	45 667	5 620	–	–
	3 476 564	3 462 683	–	–

24. Other operating income

	Group		Company	
	31 December 2012 N'000	31 December 2011 N'000	31 December 2012 N'000	31 December 2011 N'000
Other operating income	13 247	77 109	230	919
Fair value gains	1 479 466	277 826	1 479 466	277 826
Gain on sale of investment	25 543	–	548 590	–
Profit on fixed asset disposal	746	1 484	–	–
	1 519 002	356 419	2 028 286	278 745

25. Administrative and general expenses

	Group		Company	
	31 December 2012 N'000	31 December 2011 N'000	31 December 2012 N'000	31 December 2011 N'000
Staff costs (Note 26)	1 118 780	412 146	189 753	297 720
Depreciation	1 270 192	1 246 598	36 574	98 927
Amortisation	22 701	22 526	2 102	6 424
Auditors' remuneration	75 000	62 500	30 000	27 500
Management and incentive fees	782 836	1 134 513	–	–
Professional fees	805 515	161 705	232 469	161 705
Directors' remuneration	242 939	496 478	179 516	405 281
Rent and rates	65 720	73 727	40 637	73 727
Repairs and maintenance	946 746	1 151 333	16 875	68 883
Advertising	113 284	67 438	69 078	22 379
Insurance	150 525	81 674	9 989	15 582
Energy cost	676 844	619 908	12 744	57 763
Travel and accommodation	155 820	103 174	58 359	94 637
Licences and fees	160 888	47 620	47 406	37 784
Business development	310 852	–	43 041	–
Bank charges	87 710	45 952	15 277	5 154
Other operating expenses	471 162	477 319	97 523	180 488
	7 522 739	6 204 611	1 081 343	1 553 954

26. Particulars of Directors and staff

(a) The average number of persons, (excluding Directors), employed by the Group and Company during the year was as follows:

	Group			Company		
	31 December 2012 Number	31 December 2011 Number	1 January 2011 Number	31 December 2012 Number	31 December 2011 Number	1 January 2011 Number
Managerial	26	31	31	7	6	6
Senior staff	65	61	61	4	4	4
Others	1 436	1 547	1 547	10	12	12
	1 527	1 639	1 639	21	22	22

(b) The table below shows the number of employees (excluding Directors), who earned over N240,000 as emoluments in the year and were within the bands stated:

	Group			Company		
	31 December 2012 Number	31 December 2011 Number	1 January 2011 Number	31 December 2012 Number	31 December 2011 Number	1 January 2011 Number
N240,001 – N500,000	1 035	776	776	–	–	–
N500,001 – N1,000,000	427	774	774	6	6	6
N1,000,001 – N2,000,000	26	45	45	–	4	4
N2,000,001 – N4,000,000	14	11	11	4	1	1
Above N4,000,000	25	33	33	11	11	11
	1 527	1 639	1 639	21	22	22

NOTES TO THE FINANCIAL STATEMENTS *continued*

(c) Staff costs for the above persons (excluding Directors):

	Group		Company	
	31 December 2012 N'000	31 December 2011 N'000	31 December 2012 N'000	31 December 2011 N'000
Salaries and wages	2 305 647	2 215 888	248 861	283 996
Gratuity net charge/(credit)	230 007	(645 025)	–	–
Defined contribution cost	112 553	135 415	6 117	13 724
	2 648 207	1 706 278	254 978	297 720

(d) Analysis of staff costs

	Group		Company	
	31 December 2012 N'000	31 December 2011 N'000	31 December 2012 N'000	31 December 2011 N'000
Cost of revenue	1 529 427	1 294 132	–	–
Administrative and general expenses	1 118 780	412 146	189 753	297 720
	2 648 207	1 706 278	189 753	297 720

(e) Emoluments of Directors

The remuneration paid to the Directors of the Company was:

	Group		Company	
	31 December 2012 N'000	31 December 2011 N'000	31 December 2012 N'000	31 December 2011 N'000
Salaries	109 331	178 779	63 689	145 939
Fees	7 253	32 647	4 225	26 650
Defined contribution	2 638	6 299	1 536	5 142
Benefits in kind	188 943	278 753	110 066	227 549
	308 164	496 478	179 516	405 281
Amount paid to the highest paid Director (excluding pension contributions)	63 689	129 696	63 689	129 696
Chairman's emoluments				
Fees	1 800	3 750	1 800	3 750
Benefit in kind	37 226	76 680	37 226	76 680
	39 026	80 430	39 026	80 430

The number of directors of the group (including the highest paid Director) whose remuneration, excluding pension contributions in respect of services to the company fell within the following ranges:

	Group		Company	
	31 December 2012 Number	31 December 2011 Number	31 December 2012 Number	31 December 2011 Number
Less than N10 000 000	9	29	2	10
Over N10 000 000	17	11	8	8
	26	40	10	18

27. Finance income and costs

	Group		Company	
	31 December 2012 N'000	31 December 2011 N'000	31 December 2012 N'000	31 December 2011 N'000
Interest expense on loans	(860 246)	(261 323)	(847 991)	(261 323)
Interest income	1 043 917	276 672	449 951	16 573
	183 671	15 349	(398 040)	(244 750)

28. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit after taxation by the weighted average number of ordinary shares in issue during the year. The adjusted EPS is calculated using the number of shares in issue at reporting date.

	Group		Company	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Profit attributable to shareholders (N'000)	1 130 724	1 996 938	2 539 177	951 859
Weighted average number of ordinary shares in issue ('000)	25 813 998	25 813 998	25 813 998	25 813 998
Basic earnings per share (kobo)	4,38	7,74	9,84	3,69
Diluted earnings per share (kobo)	4,38	7,74	9,84	3,69

29. Share capital

(a) Authorised

	Group			Company		
	31 December 2012	31 December 2012	31 December 2010	31 December 2012	31 December 2010	31 December 2010
36 000 000 000 ordinary shares of 50 kobo each	18 000 000	18 000 000	18 000 000	18 000 000	18 000 000	18 000 000
Allotted, called up and fully paid:						
25 813 998 283 (2011: 25 813 998 283) ordinary shares of 50 kobo each	12 906 999	12 906 999	12 906 999	12 906 999	12 906 999	12 906 999
(b) Share premium						
Share premium	27 071 664	27 071 664	27 071 664	27 071 664	27 071 664	27 071 664

In 2011, the Company commenced the process of investigating and reconciling the proceeds received or receivable for its issued share capital to enable it confirm the completeness and accuracy of its share premium. As at 31 December 2012, the Company had obtained the approval of the Securities and Exchange Commission (SEC) and a court sanction permitting the Company to hold a meeting of its members to pass a resolution approving the balance in the share capital and share premium accounts as at 31 December 2011 as complete and accurate. The extraordinary general meeting (EGM) was held 30 January 2013 and the shareholders of the Company passed a resolution approving the balances as complete and accurate.

30. Cash generated from operating activities

	Group 31 December 2012 N'000	31 December 2011 N'000	Company 31 December 2012 N'000	31 December 2011 N'000
Profit before tax	3 948 215	4 605 927	2 874 600	1 313 375
Adjustment for non-cash items:				
Depreciation of fixed assets	1 270 192	1 246 598	36 574	98 927
Profit on disposal of property plant and equipment	(746)	(1 484)	–	–
Fair value gains on trading investment securities	(1 479 466)	(10 826)	(1 479 466)	(10 826)
Tax on franked investment income	(232 570)	(283 333)	(232 570)	(283 333)
Finance cost	860 246	261 323	847 991	261 323
Amortisation of intangible assets	22 701	22 526	2 102	6 424
Foreign exchange loss	3 327	–	3 327	–
Amortisation of pre-paid lease rental	25 000	–	–	–
Finance income	(1 043 917)	(276 672)	(449 951)	(16 573)
Fair value gain – investment property	(33 000)	(267 000)	(33 000)	(267 000)
Other adjustments to reconcile expenses for the year to cash from operating activities				
(Increase)/decrease in debtors and pre-payment	(462 567)	1 448 815	(1 340 681)	(417 322)
(Increase)/decrease in inventory	78 132	(104 425)	–	–
(Decrease)/increase in payables and accrued expenses	2 968 387	(3 664 513)	851 453	(1 264 758)
Increase/(decrease) in retirement benefit obligation	186 381	(247 442)	–	–
Net cash generated from/(used in) operations	6 110 315	2 729 494	1 080 379	(579 763)
In the statement of cash flows, proceeds from sale of property plant and equipment comprise:				
Net book amount	22 975	82 898	17 401	82 898
Profit on disposal of property plant and equipment	746	1 484	–	–
	23 721	84 382	17 401	82 898

31. Ownership of Capital Leisure and Hospitality Limited

In 2005, Transcorp was part of a consortium which formed, Capital Leisure and Hospitality Limited (CLHL), that bid and won a 51% stake in Transnational Hotels and Tourism Services Limited (formerly NIRMSCO Properties Limited), owner of the Transcorp Hilton Hotel, Abuja. Transcorp, through a Memorandum of Understanding (MoU) and Power of Attorney signed with the other members of the consortium raised the funds for the acquisition and exercises control over the consortium's entire 51% stake in THTSL. As at 31 December 2011, the other members of the consortium had not fulfilled their financial obligations on the 30% in equity acquisition costs, the resolution of which has been referred to arbitration.

The Board of Transnational Hotels and Tourism Services Limited (THTSL) comprises eight directors with the Company providing five of those directors including the Chairman. Accordingly, the Company controls the board of THTSL. It is on this basis that the financial statements of THTSL have been consolidated.

32. Capital commitments and contingent liabilities

In 2012, Transcorp led a consortium that won the bid for the acquisition of 100% stake in Ughelli Power Plc (UPP) during the unbundling and privatization of the Power Holding Company of Nigeria (PHCN) as advertised by the Federal Government. The consortium incorporated a special purpose vehicle, Transcorp Ughelli Power Limited (TUPL) for this investment. As at 31 December 2012, TUPL had executed financial guarantee contracts amounting to US\$57 million for the purpose of consummating the acquisition. These bid bonds were guaranteed by the United Bank for Africa (UBAPLC) in favour of the Bureau of Public Enterprises (BPE).

33. Subsequent events

On January 30 2013, the Company held an extraordinary (court ordered) general meeting where the Shareholders approved that the balance of N27.072 billion on the Company's share premium account as disclosed in the audited financial statements for year ended 31 December 2011 is complete and accurate. In addition, the Shareholders approved that the balance in the Company's Share Premium should be reduced to N1.3 billion and the amount by which it is so reduced should be transferred to the revenue

reserves account with the effect of offsetting the negative revenue reserves balance and leaving same with a zero balance. The aforementioned transactions were approved by the relevant regulatory authorities and the appropriate Courts.

On 21 February 2013, Transcorp Ughelli Power Limited (TUPL), the Special Purpose Vehicle incorporated by the Transcorp Consortium for the acquisition of 100% equity stake of the Federal Government of Nigeria in Ughelli Power Plc, executed a Share Sale Agreement with the Bureau of Public Enterprises (BPE) and Ministry of Finance Incorporated (MOFI). In line with this agreement, TUPL, on 20 March 2013 paid the sum of US\$75 million to BPE representing the initial 25% payment for the acquisition. The 75% balance of US\$225 million is due for payment within six months after the payment of the initial deposit.

The Company held another Extra-ordinary General Meeting on 28 March 2013, where the shareholders approved the creation of additional 9 billion ordinary shares of the Company to bring the total authorised shares of the Company to 45 billion Ordinary Shares. In addition, the Shareholders authorised the Board of Directors to issue up to 13 billion Ordinary Shares of the Company to existing shareholders via a Rights Issue at a price to be determined by the Board of Directors of the Company.

In March 2013, the Company executed a Deed of Settlement and Release with Unity Kapital Assurance Plc and Conrad Assets and Resources Limited, being the registered owners of Capital Leisure and Hospitality Limited (CLHL). With this agreement, the entire Shares of CLHL will be transferred to Transcorp free of all encumbrances, such that, henceforth, Transcorp becomes the sole owner of the 51% stake in Transnational Hotel and Tourism Services Limited. Transcorp has agreed to pay the sum of N1.75 billion as consideration for this.

34. Related parties

(a) Hilton International UK

A subsidiary has an agreement with Hilton International UK for the management of the operations of the hotel (Transcorp Hilton Hotel Abuja). During the year, the subsidiary paid management and incentive fees totalling N782 million (2011: N1.13 billion) to Hilton International UK. A balance of N109 million representing fees for the month of December 2012 was outstanding as at 31 December 2012.

(b) Ministry of Finance Incorporated

Ministry of Finance Incorporated (MOFI) owns 49% of Transnational Hotels and Tourism Services Limited (THTSL) shares and is represented on the board of THTSL. No transactions occurred between the Company and MOFI during the year.

(c) Key management personnel

Name	Designation	Name	Designation
Mr. Tony O. Elumelu, CON	Chairman	Dr. Julius Kpaduwa	Director
Mr. Obinna Ufudo	President/CEO	Ms. Angela Aneke	Director
Olorogun Otega Emerhor, OON	Director	Mr. Stanley Inye Lawson	Director
Mr. Kayode Fasola	Director	Mr. Chibundu Edozie	Director
Alhaji Mohammed Nasir Umar	Director	Mr. Oyewale Ariyibi	CFO

(d) Subsidiaries

Details of the subsidiaries have been disclosed in Note 9c.

(e) Capital Leisure and Hospitality Limited (CLHL)

Capital Leisure and Hospitality Limited (CLHL) is the SPV that bid for the acquisition of 51% equity interest in the THTSL. Refer to Note 31 on Transcorp's ownership interest in CLHL and Note 33 on events subsequent to the year-end.

NOTES TO THE FINANCIAL STATEMENTS *continued*

(f) Related party transactions

Name of party	Nature of relationship	Nature of transactions	Outstanding balance at 1 January 2012	Net value of Transactions in 2012	Outstanding balance at 31 December 2012
The Group					
Hilton International UK	Franchisor	Management and incentive fees	N173 million	N891 million	N109 million
The Company					
Transnational Hotels and Tourism Services Limited	Subsidiary	Receivable	25 990	–	–
Transcorp Metropolitan Hotels and Conferencing Limited	Subsidiary	Receivable	1 240 816	55 481	–
Teragro Commodities Limited	Subsidiary	Receivable	372 116	112 278	112 278
Transcorp Energy Limited	Subsidiary	Receivable	1 500	45 356	45 356
Transcorp Ughelli Power Limited	Subsidiary	Receivable	–	41 331	41 331
Transcorp Refining Company Limited	Subsidiary	Payable	1 000	–	1 000
Transcorp Telecomms Limited	Subsidiary	Payable	10 000	–	10 000
Telecommunications Backbone Development Company Limited	Subsidiary	Payable	9 900	–	9 900
Teragro Commodities Limited	Subsidiary	Payable	9 500	–	9 500
Transcorp Hotels and Leisure Limited	Subsidiary	Payable	9 500	–	9 500
Transcorp Infrastructure Limited	Subsidiary	Payable	9 500	–	9 500
Transcorp Trading and Logistics Limited	Subsidiary	Payable	10 000	–	10 000
Transcorp Commodities Limited	Subsidiary	Payable	9 500	–	9 500
Transcorp Hilton Limited	Subsidiary	Payable	9 900	–	9 900
Allied Commodities Limited	Subsidiary	Payable	9 500	–	9 500
Transcorp Energy Limited	Subsidiary	Payable	9 900	–	9 900
Transcorp Properties Limited	Subsidiary	Payable	10 000	–	10 000
Transnational Hotels and Tourism Services Limited	Subsidiary	Payable	4 089 571	766 274	4 855 845

None of the transactions incorporate special terms and conditions and no guarantees were given or received. The amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

There are no future commitments or obligation by or to any related party.

35. Explanation of transition to IFRS

As stated in Note 2.1, these are the Group's first financial statements prepared in accordance with IFRS. The Group has applied IFRS 1 in preparing these financial statements and the accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2011 and in the preparation of an opening IFRS statement of financial position at 1 January 2011 (the date of transition to IFRS).

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with Statements of Accounting Standards issued by the Nigerian Accounting Standards Board ('Nigerian GAAP'). An explanation of how the transition from Nigerian GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

The most significant IFRS impact for the Group resulted from the implementation of the IFRS 1 exemption – Fair value as deemed cost and the measurement of retirement benefit obligation using actuarial valuation and assumptions.

In preparing these financial statements in accordance with IFRS 1, the Group has applied the mandatory exceptions and some optional exemptions from full retrospective application of IFRS.

These are summarized below:

Exceptions from full retrospective application

The Group applied the following mandatory exceptions from retrospective application:

Estimates exception

Estimates under IFRS at 1 January 2011 should be consistent with estimates made for the same date under Nigerian GAAP, unless there is evidence that those estimates were in error.

De-recognition of financial assets and liabilities exception

Financial assets and liabilities de-recognised before 1 January 2004 are not re-recognised under IFRS.

Non-controlling interests exception

From 1 January 2011 total comprehensive income is attributed to the owners of the parent and to the non-controlling interests, even if it results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners) from 1 May 2009. The guidance contained in IFRS on accounting for the loss of control of a subsidiary is applied prospectively from 1 January 2011.

Classification and measurement of financial assets exception

The assessment of whether the Group's financial assets and liabilities meet the measurement requirements, as set out in IAS 39, was performed at 1 January 2011.

Optional exemptions under IFRS 1

The Group applied the following optional exemptions from retrospective application:

Business Combinations

The Group elected the business combination exemption not to restate business combinations before the date of transition.

Fair Value as Deemed Cost

The Group applied the fair value exemption, i.e. use the fair value as deemed cost for its property, plant and equipment and investment property at the transition date.

Investments in Subsidiaries, Joint Ventures and Associates

The Group applied the exemption to account for its investments in subsidiaries, joint ventures and associates at previous GAAP carrying amount at transition date.

Leases

The Group applied the exemption on leases to consider whether existing arrangements contain a lease based on facts and circumstances on 1 January 2011.

Borrowing Costs

The Group applied the exemption on borrowing costs to only capitalise prospectively from 1 January 2011.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Reconciliation of equity and comprehensive income as previously reported under Nigerian GAAP to IFRS:

The Group	Note	31 December 2011		N'000 IFRS
		N'000 N-GAAP	N'000 Adjustment	
Revenue	(a)	14 076 798	(175 345)	13 901 453
Cost of sales		(3 462 683)	–	(3 462 683)
Gross profit		10 614 115	(175 345)	10 438 770
Administrative expenses	(a, b, c)	(7 211 862)	1 007 251	(6 204 611)
Operating profit		3 402 253	831 906	4 234 159
Other operating income	(d, e)	78 593	277 826	356 419
Finance income		276 672	–	276 672
Finance cost	(f, g)	(259 754)	(1 569)	(261 323)
Net finance income/(cost)		16 918	(1 569)	15 349
Profit before taxation		3 497 764	1 108 163	4 605 927
Taxation	(h)	1 168 452	87 245	1 255 697
Profit for the year		4 666 216	1 195 408	5 861 624
Attributable to:				
Equity holders of the parent		1 257 276	739 662	1 996 938
Non-controlling interest		3 408 940	455 746	3 864 686
Profit for the year		4 666 216	1 195 408	5 861 624
Other comprehensive income:				
Actuarial loss	(b)	–	(225 048)	(225 048)
Tax on actuarial losses	(b)	–	67 514	67 514
Other comprehensive income for the year, net of tax		–	(157 534)	(157 534)
Total comprehensive income for the year		4 666 216	1 037 874	5 704 090
Attributable to:				
Equity holders of the parent		1 257 276	659 320	1 916 596
Non-controlling interest		3 408 940	378 554	3 787 494
Total comprehensive income for the year		4 666 216	1 037 874	5 704 090
The Company				
		31 December 2011		
	Note	N'000 N-GAAP	N'000 Adjustment	N'000 IFRS
Revenue		2 833 333	–	2 833 333
Gross profit		2 833 333	–	2 833 333
Administrative expenses	(c)	(1 451 646)	(102 308)	(1 553 954)
Operating profit		1 381 687	(102 308)	1 279 379
Other operating income	(d, e)	919	277 827	278 746
Finance income		16 573	–	16 573
Finance cost	(f, g)	(259 754)	(1 569)	(261 323)
Net finance income/(cost)		(243 181)	(1 569)	(244 750)
Profit before taxation		1 139 425	173 950	1 313 375
Taxation	(h)	(361 516)	–	(361 516)
Profit for the year		777 909	173 950	951 859
Total comprehensive income for the year		777 909	173 950	951 859

Reconciliation of equity for the year:

The Group

	Note	31 December 2011			1 January 2011		
		N'000 N-GAAP	N'000 Adjustment	N'000 IFRS	N'000 N-GAAP	N'000 Adjustment	N'000 IFRS
ASSETS							
Non-current assets							
Property, plant and equipment	(c, i)	6 899 581	18 308 952	25 208 533	7 832 878	18 046 054	25 878 932
Intangible assets	(i, g, j)	19 482 953	5 193 788	24 676 741	19 482 953	2 979 566	22 462 519
Investment property	(e)	–	1 467 000	1 467 000	–	1 200 000	1 200 000
Investments in subsidiaries	(j)	5 038 780	(5 038 780)	–	2 849 087	(2 849 087)	–
Deferred tax asset	(h, n)	13 883	(13 883)	–	161 659	(161 659)	–
Long-term pre-paid lease rental		120 000	–	120 000	–	–	–
		31 555 197	19 917 077	51 472 274	30 326 577	19 214 874	49 541 451
Current assets							
Inventories		784 966	–	784 966	680 541	–	680 541
Trade and other receivables		2 170 858	–	2 170 858	3 619 673	–	3 619 673
Short-term pre-paid lease rental		30 000	–	30 000	–	–	–
Debt and equity securities	(d)	100 000	10 826	110 826	–	–	–
Cash and cash equivalents		6 903 161	–	6 903 161	8 338 908	–	8 338 908
Total current assets		9 988 985	10 826	9 999 811	12 639 122	–	12 639 122
Total assets		41 544 182	19 927 903	61 472 085	42 965 699	19 214 874	62 180 573
LIABILITIES							
Current liabilities							
Trade and other payables		3 909 065	(279 469)	3 629 596	5 650 557	1 643 552	7 294 109
Current income tax liabilities		4 572 027	–	4 572 027	6 425 029	–	6 425 029
Borrowings		259 111	–	259 111	528 571	–	528 571
Advance deposits	(m)	1 876 620	58 931	1 935 551	–	51 815	51 815
		10 616 823	(220 538)	10 396 285	12 604 157	1 695 367	14 299 524
Non-current liabilities							
Borrowings	(f)	2 094 478	10 487	2 104 965	1 321 429	6 415	1 327 844
Deferred taxation liabilities	(n)	901 052	5 454 451	6 355 503	1 435 911	5 461 434	6 897 345
Retirement benefit obligation	(b, k)	1 308 916	347 672	1 656 588	965 282	713 700	1 678 982
		4 304 446	5 812 610	10 117 056	3 722 622	6 181 549	9 904 172
Total liabilities		14 921 269	5 592 072	20 513 341	16 326 779	7 876 916	24 203 695
EQUITY							
Ordinary share capital		12 906 999	–	12 906 999	12 906 999	–	12 906 999
Share Premium		27 071 664	–	27 071 664	27 071 664	–	27 071 664
Retained earnings	(o)	(19 314 988)	8 096 020	(11 218 968)	(18 612 264)	5 476 701	(13 135 563)
Equity attributable to equity holders of the Company		20 663 675	8 096 020	28 759 695	21 366 399	5 476 701	26 843 100
Non-controlling interest		5 959 238	6 239 811	12 199 049	5 272 521	5 861 257	11 133 778
Total equity		26 622 913	14 335 831	40 958 744	26 638 920	11 337 958	37 976 878
Net equity and liabilities		41 544 182	19 927 903	61 472 085	42 965 699	19 214 874	62 180 573

NOTES TO THE FINANCIAL STATEMENTS *continued*

Reconciliation of equity for the year:

The Company	Note	31 December 2011			1 January 2011		
		N'000 N-GAAP	N'000 Adjustment	N'000 IFRS	N'000 N-GAAP	N'000 Adjustment	N'000 IFRS
ASSETS							
Non-current assets							
Property, plant and equipment	(c, i)	543 357	(488 782)	54 575	604 914	(430 695)	174 219
Intangible assets	(i, g, j)	–	5 045 102	5 045 102	–	2 856 396	2 856 396
Investment property	(e)	–	1 467 000	1 467 000	–	1 200 000	1 200 000
Investments in subsidiaries	(j)	20 676 823	(5 038 780)	15 638 043	18 490 225	(2 849 087)	15 641 138
Deferred tax asset	(h, n)	–	–	–	–	–	–
Long-term pre-paid lease rental		–	–	–	–	–	–
		21 220 180	984 540	22 204 720	19 095 139	776 614	19 871 753
Current assets							
Inventories		–	–	–	–	–	–
Trade and other receivables		1 798 574	–	1 798 574	1 381 252	–	1 381 252
Debt and equity securities	(d)	100 000	10 826	110 826			
Short-term pre-paid lease rental							
Cash and cash equivalents		135 526	–	135 526	1 046 611	–	1 046 611
Total current assets		2 034 100	10 826	2 044 926	2 427 863	–	2 427 863
Total assets		23 254 280	995 366	24 249 646	21 523 002	776 614	22 299 616
LIABILITIES							
Current liabilities							
Trade and other payables	(l)	4 687 923	–	4 687 923	4 181 187	1 771 494	5 952 681
Current income tax liabilities		126 187	–	126 187	247 539	–	247 539
Borrowings		259 111	–	259 111	528 571	–	528 571
Advance deposits		1 876 620	–	1 876 620	–	–	–
		6 949 841	–	6 949 841	4 957 297	1 771 494	6 728 791
Non-current liabilities							
Borrowings	(f)	(2 094 478)	(10 487)	(2 104 965)	(1 321 429)	(6 415)	(1 327 844)
		(2 094 478)	(10 487)	(2 104 965)	(1 321 429)	(6 415)	(1 327 844)
Total liabilities		9 044 319	10 487	9 054 806	6 278 726	1 777 909	8 056 635
EQUITY							
Ordinary share capital		12 906 999	–	12 906 999	12 906 999	–	12 906 999
Share premium		27 071 664	–	27 071 664	27 071 664	–	27 071 664
Retained earnings	(o)	(25 768 702)	984 879	(24 783 823)	(24 734 387)	((1 001 295)	(25 735 682)
Equity attributable to equity holders of the Company		14 209 961	984 879	15 194 840	15 244 276	(1 001 295)	14 242 981
Non-controlling interest							
Total equity		14 209 961	984 879	15 194 840	15 244 276	(1 001 295)	14 242 981
Net equity and liabilities		23 254 280	995 366	24 249 646	21 523 002	776 614	22 299 616

Notes to the reconciliation of equity and comprehensive income:

- (a) The Hilton Hotel Abuja awards points to customers under the Hilton Honors® Guest reward program. IFRS requires that where such customer loyalty programmes exist, the consideration received should be allocated to the points awarded and to the service rendered. The revenue allocated to the points is deferred until the points are redeemed. Nigeria GAAP measures the revenue for the service at total consideration received without allocating to the points. The value of the points are expensed on redemption. A reclassification of N175 million was made between revenue and operating expenses to account for the customer loyalty points as at 31 December 2011. The net effect on the statement of financial position of these transactions as at 1 January 2011 was zero.

- (b) Hitherto the Group does not employ the services of a professional actuary in computing the defined benefit obligation. IFRS encourages the use of actuarial assumptions and techniques to make a reliable estimate of the defined benefit obligation using the projected unit credit method. HR Nigeria and Associates Limited performed a valuation of the obligation of the Group as at 1 January 2011, 31 December 2011 and 31 December 2012. The valuation of the retirement obligation based on the actuarial report resulted in an increase of N547.1 million in the retirement benefit obligation as at 1 January 2011 (31 December 2011: N127.1 million). Actuarial losses of N225 million was recorded in other comprehensive income for the year ended 31 December 2011.
- (c) The Group measures all items of property, plant and equipment at cost less accumulated depreciation. In accordance with IFRS transitional provisions, the Group elected to revalue its property, plant and equipment to its fair value at 1 January 2011. Professional property valuers, Jide Taiwo and Co. and Ubosi Eleh were engaged to determine the current market values of property, plant and equipment and intangible assets as at 1 January 2011. The resulting revaluation gains of N19.2 billion were recorded in retained earnings as at 1 January 2011. An increased depreciation expense of N236 million for the year ended 31 December 2011 was included in the income statement. The adjustment to the consolidated statement of financial position at 31 December 2011 of N19.6 billion is net of accumulated depreciation.
- (d) The Group invested in equity securities in 2011. Nigeria GAAP measures such investment securities at the lower of cost and net realisable value. These equity securities have been appropriately classified as held-for-trading investments to be measured at fair value. An adjustment to the carrying value of the investment of N10.8 million was made as at 31 December 2011. The corresponding fair value gain was recognised in the statement of comprehensive income.
- (e) IFRS requires that assets which are held for rentals or capital appreciation be disclosed as investment property. The adjustment of N1.2 billion was made to investment property as at 1 January 2011 to reclassify the fair value of land which met the definition of investment property under IFRS. Fair value increase of N267 million was recorded in the statement of comprehensive income as at 31 December 2011.
- (f) IFRS requires financial assets carried at amortised cost to be measured using the effective interest method. The effect of applying the effective interest rate resulted in an increase in borrowings by N6.4 million as at 1 January 2011 (31 December 2011: N10.4 million). The corresponding effect was recorded as finance costs in the income statement.
- (g) IFRS requires borrowing costs incurred on assets which take a substantial amount of time to get ready for use to be capitalised as part of the cost of the asset. Transcorp invested in an Oil Prospecting Licence (OPL 281) and assessments are still being performed on the commercial viability of the crude oil reserves. Under Nigerian GAAP borrowing costs have been expensed. As at 1 January 2011 no borrowing costs (31 December 2011: N2.5 million) had been capitalised. The Company obtained general borrowings in 2011 which led to the capitalisation of eligible borrowing costs. The corresponding effect has been deducted from finance costs in the income statement.
- (h) The adjustment to deferred tax, using the temporary difference approach under IAS 12, gave rise to an increase in tax expense of N87 million as at 31 December 2011. The effect on deferred tax liability is discussed in Note (n).

As at 1 January 2011, deferred tax assets of N161.7 million (31 December 2011: N13.9 million) arising from unused tax losses of Transcorp Metropolitan Hotels and Conferencing Limited had been reversed because the likelihood of future taxable profits is low. No deferred tax assets were recognised in the transition to IFRS.

- (i) The Group classifies computer software as part of property and equipment under Nigerian GAAP. Under IFRS, computer software would generally be recognised as an intangible asset unless it can be considered to be an integral part of property and equipment. As a result, the Group reclassified its computer software to intangible assets. The effect of this reclassification was to decrease Property and equipment and increase intangible assets by N130.5 million as at 1 January 2011 (31 December 2011: N152.5 million).
- (j) The Group recorded its investment in OPL 281 as long-term investment in its NGAAP financial statements. The cost of the licence of N2.8 billion as at 1 January 2011 (31 December 2011: N5.0 billion) was reclassified to intangible assets as the licence met the definition of an intangible asset under IFRS.
- (k) The Group classified obligations arising from the Hilton Internal Pension Plan as payables and accrued expenses. IFRS classifies all employee benefit plans, other than the defined contributory plan, as defined benefit plans. A reclassification of N166.5 million was made as at 1 January 2011 (31 December 2011: N220.5 million) to correctly present the obligation in the financial statements under IFRS.

NOTES TO THE FINANCIAL STATEMENTS *continued*

- (l) In the previous NGAAP accounts, the Group did not account for the financial guarantee between BGL and Telecommunications Backbone Limited, a subsidiary of the Group. This was a basis for qualification of the opinion on the financial statements. An adjustment of N1.25 billion was passed to retained earnings as at 1 January 2011 (31 December 2011: nil) to record the liability. The Group had correctly accounted for the guarantee in the 2011 NGAAP accounts.
- (m) Trade payables is one of the minimum disclosure requirements on the Statement of Financial Position under IFRS. The Group has included advance deposits in trade payables in their NGAAP financial statements. A reclassification of N51.8 million was made as at 1 January 2011 (31 December 2011: N58.9 million) from trade payables to advance deposits in line with IFRS.
- (n) The adjustments to effect the transition to IFRS increased the deferred tax liability as follows based on an income tax rate of 30% and a capital gains tax rate of 10% as at 1 January 2011 and 31 December 2011.

		31 December 2011 N'000	1 January 2011 N'000
Deferred tax liability	Note		
Fair value of property, plant and equipment and intangible assets	(c, e)	5 492 591	5 625 567
Retirement benefit obligation	(b)	(38 140)	(164 133)
Accelerated tax depreciation		901 052	1 435 911
At end of the period		6 355 503	6 897 345

- (o) The following is a summary of transition adjustments to the Group's retained earnings from Nigerian GAAP to IFRS:

		31 December 2011 N'000	1 January 2011 N'000
Retained earnings as reported under Nigerian GAAP		(19 314 988)	(18 612 264)
IFRS adjustments increase/(decrease):			
Debt and equity securities	(d)	10 826	–
Borrowings	(f)	(10 487)	(6 415)
Fair value of property, plant and equipment, intangible assets	(c, e)	19 661 457	19 376 533
Fair value gain on investment property	(e)	267 000	–
Capitalisation of borrowing costs	(g)	2 503	–
Prior year error	(o)	–	(611 956)
Retirement benefit obligation	(b)	(127 134)	(547 111)
Financial guarantee recognition	(l)	–	(1 250 000)
Deferred tax	(n)	(5 468 334)	(5 623 093)
Non-controlling interest (NCI)	(p)	(6 239 811)	(5 861 257)
Retained earnings as reported under IFRS		(11 218 968)	(13 135 563)

- (p) The impact of the IFRS transition adjustments led to an increase in NCI of N5.9 billion as at 1 January 2011 (31 December 2011: N6.2 billion).

VALUE ADDED STATEMENT

for the year ended 31 December 2012

	Group				Company			
	2012 N'000	%	2011 N'000	%	2012 N'000	%	2011 N'000	%
Revenue	13 244 845		13 901 453		2 325 697		2 833 333	
Other income	1 519 002		356 419		2 028 286		278 746	
	14 763 847		14 257 872		4 353 983		3 112 079	
Bought in services								
– Local	6 115 115		5 737 439		855 014		1 157 307	
– Foreign	782 836		1 134 513		–		–	
	6 897 951		6 871 952		855 014		1 157 307	
Value added	7 865 896		7 385 920		3 498 969		1 954 772	
Distribution								
Employees								
Salaries and benefits	2 648 207	34	1 706 278	23	189 753	5	297 720	15
Provider of funds								
Interest	(183 671)	(2)	(15 349)	–	398 040	11	244 750	13
Government								
Taxation	1 420 467	18	(1 255 697)	(17)	335 423	10	361 516	18
The Future								
Depreciation	1 270 192	16	1 246 598	17	36 574	1	98 927	5
Retained profit	2 710 701	34	5 704 090	77	2 539 177	73	951 859	49
	7 865 896	100	7 385 920	100	3 498 969	100	1 954 772	100

FIVE-YEAR FINANCIAL SUMMARY

for the year ended 31 December 2012

The Group

Balance sheet	2012	2011	Prepared under local GAAP		
	N'000		N'000	2010	2009
			N'000	N'000	N'000
Non-current asset	50 988 839	51 472 274	30 329 672	25 347 658	88 776 440
Current asset	24 615 363	9 999 811	12 636 027	9 405 026	12 363 448
Current liabilities	(16 596 345)	(10 396 285)	(12 604 157)	(9 855 460)	(74 179 033)
Non-current liabilities	(17 572 910)	(10 117 056)	(3 722 622)	(1 950 093)	(1 591 663)
Net assets	41 434 947	40 958 744	26 638 920	22 947 131	25 369 192
Capital and reserves					
Share capital	12 906 999	12 906 999	12 906 999	11 256 836	11 256 836
Share premium	27 071 664	27 071 664	27 071 664	28 721 827	28 721 827
Revenue reserves	(9 677 738)	(11 218 968)	(18 612 264)	(23 128 157)	(24 816 465)
Non-controlling interest	11 134 022	12 199 049	5 272 521	6 096 625	10 206 994
	41 434 947	40 958 744	26 638 920	22 947 131	25 369 192
Comprehensive income					
Revenue	13 244 845	13 901 453	13 927 551	12 995 152	11 064 022
Profit/(loss) before taxation	3 948 215	4 605 925	6 908 216	3 233 160	(3 760 254)
Taxation	(1 420 467)	1 255 696	(1 518 430)	(2 006 583)	(1 367 571)
Profit/(loss) after taxation	2 527 748	5 861 621	5 389 786	1 226 577	(5 127 825)
Other comprehensive income for the year, net of tax	182 953	(157 534)	-	-	-
Total comprehensive income for the year, net of tax	2 710 701	5 704 088	5 389 786	1 226 577	(5 127 825)
Basic earnings/(loss) per share (kobo)	4.4	7.7	12	3	29

The Company

Balance sheet	2012	2011	Prepared under local GAAP		
	N'000		N'000	2010	2009
			N'000	N'000	N'000
Non-current asset	27 917 466	22 204 720	19 095 139	14 528 041	77 739 268
Current asset	10 729 254	2 044 926	2 427 863	1 872 675	5 457 661
Current liabilities	(10 909 276)	(6 949 841)	(4 957 297)	(646 631)	(67 460 210)
Non-current liabilities	(10 003 427)	(2 104 965)	(1 321 429)	-	-
Net assets	17 734 017	15 194 840	15 244 276	15 754 085	15 736 719
Capital and reserves					
Share capital	12 906 999	12 906 999	12 906 999	11 256 836	11 256 836
Share premium	27 071 664	27 071 664	27 071 664	28 721 827	28 721 827
Revenue reserves	(22 244 646)	(24 783 823)	(24 734 387)	(24 241 944)	(24 241 944)
	17 734 017	15 194 840	15 244 276	15 736 719	15 736 719
Comprehensive income					
Revenue	2 325 697	2 833 333	2 382 396	2 785 717	2 561 652
Profit/(loss) before taxation	2 874 600	1 313 375	3 456 849	100 966	(5 410 238)
Taxation	(335 423)	(361 516)	(132 590)	(83 600)	(31 349)
Profit/(loss) after taxation	2 539 177	951 859	3 324 259	17 366	(5 441 587)

The balances for 2012 and 2011 have been stated in accordance with International Financial Reporting Standard (IFRS) as issued by the International Accounting Standard Board (IASB). For all periods up to and including the year ended 31 December 2010 the balances have been stated in accordance with local General Accepted Accounting Practice (Local GAAP)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventh Annual General Meeting of Transnational Corporation of Nigeria Plc will hold at Congress Hall, Transcorp Hilton Hotel, 1 Aguiyi Ironsi Street, Maitama District, FCT Abuja on Friday, June 21 2013 at 10: 00 am to transact the following business:

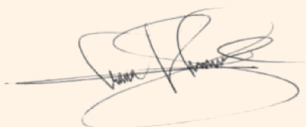
ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31 December 2012 and the Reports of the Directors, Auditors and the Audit Committee thereon;
2. To re-elect Directors;
3. To authorise the Directors to fix the remuneration of the Auditors;
4. To elect/re-elect members of the Audit Committee.

PROXY

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. For the appointment to be valid, a completed and duly stamped proxy form must be deposited at the registered office of the Registrar, Africa Prudential Registrars Plc (Formerly UBA Registrars), 220B Ikorodu Road, Palmgrove, Lagos not less than 48 hours before the time fixed for the meeting. A blank proxy form is attached to the Annual Report.

Dated this 20th day of May 2013.



Chinedu Eze

Company Secretary

FRC/2013/NBA/00000002586

Transnational Corporation of Nigeria Plc
38 Glover Road (formerly 22b)
Ikoyi, Lagos
Nigeria

Notes

1. Closure of Register

The Register of Members and transfer books will be closed on 7 June 2013

2. Audit Committee

In accordance with section 359(5) of the Companies and Allied Matters Act, 2004, any member may nominate a shareholder for election as a member of the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least 21 days before the Annual General Meeting.



Conversion of Annual Report to CD and e-Formats

TO ALL THE SHAREHOLDERS OF TRANSNATIONAL CORPORATION OF NIGERIA PLC.

Dear Esteemed Shareholder,

Global efforts at saving our planet from the devastating effects of global warming are gaining momentum. The continuing destruction of trees to feed a world hungry for paper and printed materials has been identified as a significant cause of global warming, hence the global campaign for 'going green'.

Transnational Corporation of Nigeria Plc (Transcorp) has decided to join this campaign to save our planet by printing the Year 2012 Annual Report and Accounts, in user-friendly compact disc (CD) format. Future Annual Reports and accounts will also be printed in this format.

In line with Section 344 of the Companies and Allied Matters Act 2004, these reports (in CD format) will be circulated to all shareholders not later than 21 days before the company's annual general meeting (AGM). In addition, the Annual Report and Accounts will be hosted on the company's website www.transcorp-nigeria.com.

We have taken this decision in order to:

1. Provide an easier and convenient method of retrieval of information from the Annual Report
2. Provide a means for long-term preservation of information and the minimisation of document loss or damage.
3. Reduce printing and postage costs, leading to increased profits and
4. Support the global efforts to save our planet from global warming.

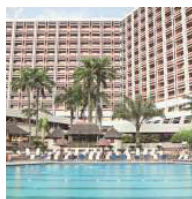
The quality of the Annual Report and Accounts in terms of content and layout will remain unchanged with the new CD format and will include all the necessary forms required for the purpose of AGM.

The above notwithstanding, if you wish to receive a printed copy of the company's Annual Report and Accounts in place of, or together with the new CD format, please send your request by email to info@transcorp-nigeria.com within two weeks from the date of this publication.

We thank you for your support and cooperation.

Yours faithfully,
For: TRANSNATIONAL CORPORATION OF NIGERIA PLC

Chinedu Eze
Company Secretary



Hospitality



Energy



Agriculture

Leading Nigeria's economic transformation

www.transcorp-nigeria.com

PROXY FORM

Seventh Annual General Meeting to be held at 10.00 a.m on Friday, June 21, 2013, at Congress Hall, Transcorp Hilton Hotel, 1 Aguiyi Ironsi Street, Maitama District, Abuja.

I/We _____

Being a member/members of **Transnational Corporation of Nigeria PLC**, hereby appoint _____

or failing him, the Chairman of the meeting as my/our proxy to act and vote for me/us and on my/our behalf at the seventh annual general meeting of the Company to be held on June 21, 2013 and at any adjournment thereof.

Dated this _____ day of _____ 2013

Shareholder's signature _____

If you are unable to attend the meeting

A member (shareholder) who is unable to attend an annual general meeting is allowed by law to vote by proxy. The above proxy form has been prepared to enable you to exercise your right to vote, in case you cannot personally attend the meeting.

Please sign this proxy form and forward it, so as to reach the registered office of the Registrar, Africa Prudential Registrars Plc (Formerly UBA Registrars), 220B Ikorodu Road, Palmgrove, Lagos, not later than 48 hours before the time fixed for the meeting. If executed by a corporation, the proxy form must be under its common seal or under the hand of a duly authorised officer or attorney.

It is a requirement of the law under the Stamp Duties Act, Cap S8, Laws of the Federation of Nigeria, 2004, that any instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of shareholders must be stamped by the Commissioner for Stamp Duties.

The proxy must produce the admission card below to gain entrance into the meeting.

Transnational Corporation of Nigeria Plc

Seventh Annual General Meeting

ADMISSION CARD

Please admit the shareholder named on this card or his duly appointed proxy to the annual general meeting of the Company to be held on June 21, 2013, at Congress Hall, Transcorp Hilton Hotel, 1 Aguiyi Ironsi Street, Maitama District, Abuja.

This admission card must be produced by the shareholder in order to gain entrance into the annual general meeting.

Resolution	For	Against
To receive the audited financial statements for the year ended December 31, 2012, together with the Report of the Directors, Auditors and Audit Committee thereon.		
To re-elect retiring directors.		
To authorise directors to fix the remuneration of the auditors.		
To elect/re-elect members of the Audit Committee.		

Please indicate with an 'X' in the appropriate square how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain from voting at his discretion.

Name of shareholder _____

Address of shareholder _____

Number of shares held _____

Signature _____

SHAREHOLDER DATA FORM

Dear Esteemed Shareholder,

The E-shareholder data form below has been attached to this report for your use. Kindly fill in your details and return to the Registrar. This will enable us to have your current information in our database.



SHAREHOLDER DATA FORM

(*=Compulsory fields)

1. SURNAME/COMPANY NAME*	<input type="text"/>	
2. FIRST NAME*	<input type="text"/>	3. OTHER NAMES <input type="text"/>
4. SPOUSE'S NAME	<input type="text"/>	
5. MOTHER'S MAIDEN NAME	<input type="text"/>	
6. EMAIL*	<input type="text"/>	
7. ALTERNATE E-MAIL	<input type="text"/>	
8. MOBILE NO. <input type="text"/>	9. PHONE NO. (HOME) <input type="text"/>	
10. POSTAL ADDRESS	<input type="text"/>	
11. SEX: MALE <input type="checkbox"/> FEMALE <input type="checkbox"/>	12. CSCS CLEARING HOUSE NO.*	<input type="text"/>
13. OCCUPATION <input type="text"/>	14. NATIONALITY	<input type="text"/>
15. NEXT OF KIN	<input type="text"/>	

DECLARATION

"I declare that the information I have provided is true and correct."

Signature: _____

Signature: _____

for joint/corporate accounts only

LAGOS
220B, Ikorodu Road,
Palmgrove
Tel: Tel: 01-893150, 01-7450427, 01-8401153
Email: info@africaprudentialregistrars.com
Website: www.africaprudentialregistrars.com

ABUJA
11, Lafia Close,
Area 8,
Garki
Tel: 09-8701645, 09-2348562

PORT-HARCOURT
Plot 137, Olu Obasanjo Road,
(2nd Floor)
Tel: 08-4803171

E-SHARE ALLOTMENT MANDATE FORM



Africa Prudential Registrars Plc

RC NO: 649007



e - SHARE ALLOTMENT MANDATE FORM

To:
The Registrar,
Africa Prudential Registrars Plc
220B, Ikorodu Road,
Palmgrove,
Lagos

I/We hereby request that from now on, all my/our shares (Bonus, Right Issue, Public Offer and Reconstructed Shares) due to me/us from my/our holdings in the companies ticked below be credited directly to my/our CSCS account as per the details provided below.

(* = Compulsory fields)

SHAREHOLDER'S NAME*:

Surname

First name

Other name

MOBILE NUMBER*:

E-MAIL*:

CSCS CLEARING HOUSE NO*:

Signature*:

Joint Shareholder's

Signature : 2.

If Company,

Authorized Signatories: 1.

2.

Shareholder
to affix
N50:00
stamp
and sign across

Company Seal:

The provision of information on your CSCS Clearing House Number, and Mobile Number is very important to enable us process your mandate.

NAME OF STOCKBROKER*:

.....

ADDRESS OF STOCKBROKER*:

.....

.....
Authorized signature and stamp of stock broking firm

- Please attach a copy of your CSCS statement to this form as evidence that a CSCS account has been opened for you.
- For other enquiries, kindly contact us via our e-mail: temp.ubaregistrars@ubagroup.com or registrar@ubagroup.com

LAGOS
220B, Ikorodu Road,
Palmgrove
Tel: Tel: 01-893150, 01-7450427, 01-8401153
Email: info@africaprudentialregistrars.com
Website: www.africaprudentialregistrars.com

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11, Lafia Close,
Area 8,
Garki
Tel: 09-8701645, 09-2348562

PORT-HARCOURT
Plot 137, Olu Obasanjo Road,
(2nd Floor)
Tel: 08-4803171

CORPORATE INFORMATION

Company Registration No. RC 611238

Registered Office 38, Glover Road,
Ikoyi, Lagos, Nigeria

Board of Directors	Mr. Tony Elumelu, CON	Chairman
	Mr. Obinna Ufudo	President/CEO
	Olorogun Otega Emerhor, OON	Director
	Mr. Kayode Fasola	Director
	Alhaji Mohammed Nasir Umar	Director
	Ms. Angela Aneke	Director
	Dr Stanley Inye Lawson	Director
	Mr. Chibundu Edozie	Director
	Dr Julius Kpaduwa	Director

Auditors PricewaterhouseCoopers
Chartered Accountants
Plot 252E Muri Okunola Street
Victoria Island, Lagos

Bankers UBA Plc
First Bank of Nigeria Plc
Wema Bank Plc

Company Secretary Mr. Chinedu Eze
38, Glover Road
Ikoyi, Lagos

Registrars Africa Prudential Registrars
220B Ikorodu Road
Palmgrove, Lagos

Excellence

transcorp
www.transcornigeria.com

teragro

transcorp
energy

transnational
hotels and tourism services limited


Transcorp Hotels