# AFRICAN PETROLEUM PLC

## ANNUAL REPORT AND ACCOUNTS
## 31 DECEMBER, 2002

Akintola Williams
Deloitte
& Touche

AMINU IBRAHIM & CO
Chartered Accountants

## CONTENTS

### REPORT OF THE BOARD OF DIRECTORS AND AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER, 2002


| | Page |
|---|---|
| Board of Directors | 2 |
| Notice of meeting | 3 |
| Chairman's Statement | 4 |
| Report of the directors | 7 |
| Report of the auditors | 11 |
| Report of the audit committee | 12 |
| Statement of significant accounting policies | 13 |
| Profit and loss account | 15 |
| Balance sheet | 16 |
| Statement of cash flows | 17 |
| Notes to the financial statements | 18 |
| Value added statement | 26 |
| Five year financial summary | 27 |

## BOARD OF DIRECTORS

| | |
|---|---|
| Peter Olisaeloka Okocha | Chairman |
| Abdullahi A. Sule | Managing Director |
| Olayiwola Bolodeoku | |
| Aliko Dangote | |
| Grace Ekpenyong | |
| David Nwaezeapu | |
| Olatunji Lawal-Solarin | |
| Aliyu J'afaru Paki | Appointed November 18, 2002 |
| Mustapha Musa II | Appointed November18, 2002 |
| Oladipo Yemitan | Resigned December 31, 2002 |
| Yusuf Abubakar | Retired November 15, 2002 |
| Shehu Wunti | Retired November 15, 2002 |

## OTHER CORPORATE INFORMATION

**SECRETARY**
Elizabeth Obiajulu Idigbe (Mrs)

**REGISTERED OFFICE**
54/56 Broad Street.
Lagos

**JOINT AUDITORS**
Akintola Williams Deloitte & Touche
235 Ikorodu Road.
Lagos

Aminu Ibrahim & Co
26 Post Office Road.
Kano

**REGISTRAR AND TRANSFER OFFICE**
Bethram U. Akubueze
African Petroleum Plc
AP/National Road.
Via 7up Ijora,
P.M.B 12929.
Lagos

**BANKERS**

| | |
|---|---|
| First Bank of Nigeria Plc. | Equitorial Trust Bank Limited |
| Union Bank of Nigeria Plc. | Diamond Bank Limited |
| Afribank Plc. | Guaranty Trust Bank Plc. |
| Fidelity Bank Plc. | Zenith International Bank Limited |
| African International Bank Limited | Continental Trust Bank Limited |

## NOTICE OF MEETING

Notice is hereby given that the Annual General meeting of the members African Petroleum Plc will be held at Hill Station Hotel , Jos Plateau State on Thursday the 16th day of October 2003 at 10am.

## AGENDA

### ORDINARY BUSINESS

1. To receive the Report of the Directors, the Balance Sheet as at 31st December 2002 together with the Profit and Loss Account for the year ended on that date and the Report of the Auditors thereon.
2. To re-elect Directors under Articles 91 & 95 of the Company's Articles of Association.
3. To authorise the Directors to fix the remuneration of the Auditors
4. To elect members of the Audit Committee.

### SPECIAL BUSINESS

1. To fix the remuneration of the Directors

By Order of the Board

### PROXIES

A member of the company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member. A form of proxy is enclosed. To be valid for the purpose of this meeting it must be duly stamped by the Commissioner for Stamp Duties and deposited at the office of the Registrar. AP/NATIONAL ROAD, via 7UP Ijora. Lagos. P.M.B 12929, Lagos not later than 48 hours before the time of the meeting.

### CLOSURE OF REGISTER AND TRANSFER BOOKS

The Register of Members and Transfer books will be closed from the 26th day of September – October 2, 2003 both dates inclusive for the purpose of preparing an up – to – date Register.

### AUDIT COMMITTEE

Any member may nominate a shareholder as a member of the Audit Committee by giving notice in writing of such nomination to the Secretary of the Company at least 21 days before the Annual General Meeting.

**ELIZABETH OBIAJULU IDIGBE (MRS)**
Company Secretary
AP House,
54/56 Broad Street, Lagos
**Dated this 9th day of September, 2003.**

## CHAIRMAN'S STATEMENT

Fellow Shareholders, Directors, Distinguished guests, once again it is with great pleasure that I welcome you to this annual general meeting of our company.

Before presenting your company's performance in year 2002, I would like to highlight some important issues that impacted on your company's operations and performance in the year under review.

## YEAR 2002

2002 was a very remarkable and challenging year for African Petroleum Plc. Your Board and Management relentlessly pursued all the sustainable growth strategies put in place to achieve a total corporate culture change, improved processes, reduction of over heads, staff re – orientation and increased efficiency.

Your Board endorsed the radical pursuit of these strategies and a number of significant initiatives, which were also pursued and completed within the year under review. As part of the drive to achieve total corporate and operational excellence, your Company's Vision, Mission and Key Values were changed to reflect the new AP.

Today, the company has successfully charted a new course, with emphasis on efficiency and increased shareholder value. Despite stiff competition and the financial problems that your company was faced with, in the past year, it remained in business as reflected in the results before you today.

AP Plc is now a highly focused company, concentrating on the vibrant areas of its operations to ensure that sustainable progress and profit growth is achieved. In this light, available resources are now aligned to meet the company's needs. The modern treasury management technique in place in your company is instrumental to the reduction from ₦3.6 billion in 2001 to ₦3.0 billion in 2002 in our interest payment.

Your Management successfully negotiated repayment terms on the loans owed to all of the banks and other financial institutions. These banks as a result granted the company waivers on interest and similar charges to the tune of about ₦4.4 billion as at 31 December, 2002.

Our retail activities are on course and received a great boost in the year under review; through the improvement of our facilities and the incorporation of all aspects of best proven customer care practices in our services. More retail outlets were opened, and value added schemes on course therein to meet the challenges and competition of our time.

AP Aviation recorded a marginal increase in sales of about 3%, though the total aviation fuel market declined by 4% in Nigeria. Two modern JET A1, 40,000 litre capacity trucks were acquired to improve the delivery of aviation fuel promptly and optimise capital efficiency in our services.

This further positioned us to meet the need of our increased customer base of international passenger and cargo airlines. Our improved quality standard was a key factor in this area and has helped maintain our position amongst the players in the aviation sector.

Our loading facility was also upgraded to incorporate leading edge technology with modern systems and processes to reduce waste and facilitate easy and quick loading process.

We will recall that lack of records and the absence of a reliable management information system in the company constituted a great percentage of the problems we met in AP. Therefore, we signed an agreement for the deployment and implementation of the Oracle Enterprise Business Suite, a world-class solution for Enterprise Resource Planning in the company.

The Oracle Enterprise Business Suite on implementation would assist the company in the effective tracking of project costs and capitalisable asset as well as increase optimal efficiency. This exercise will cost your Company $363,363. In view of financial constraints, a gradual implementation of this project has been embarked on, and the first phase is almost concluded.

To make the foregoing possible, appropriate Communication Infrastructure is being deployed across our operational locations nationwide to engender online transaction processing in those locations.

Following the approval of members at the last Annual General Meeting, I am pleased to announce that our authorized share capital has been increased from ₦144,000,000 to ₦5,000,000,000 by the creation of additional 9,712,000,000 ordinary shares.

Also two new auditing firms: Akintola Williams Deloitte & Touche and Aminu Ibrahim & Co have been appointed external auditors to the company.

In essence, the last two years have been an experience that has given us knowledge, which informed every decision made in the year under review. Your Board is assuring you that AP is now a brand new company, where every aspect of operations has improved. All hands are on deck to ensure these initiatives and the resultant activities translate to dividends for all stakeholders in the near future.

## OPERATING RESULTS

In 2002 our sales value was ₦28,995,767,000 and ₦1,235,187,000 operating profit was recorded prior to the addition of exceptional items. Interest and similar charges paid in respect of the debts was ₦3,007,877,000, representing 16% decrease over what was recorded in 2001.

This performance further reflects the benefits of our strategic drive to return the company to a greater height than in the last two years. Though a significant increase in profit was made in the year, interest and similar charges your company paid would not allow for dividend payment.

Therefore, your Board and Management call for your support, patience and understanding. We are hopeful that the Federal Government would release a favourable white paper on the recommendations of the AP Tribunal of Inquiry. This no doubt will impact favourably on the company's fortunes and definitely translate all the positive developments in your company to dividends for members.

## BOARD OF DIRECTORS

Since the last AGM, there has been a number of changes in the Board Composition. Mr. Oladipo E. Yemitan clocked 70 on November 15, 2002 and retired from the board with effect from December 31, 2002 while Messrs Shehu Wunti and Yusuf H. Abubakar were not re - elected to the Board.

We thank each of them for their years of service to the Company and wish them well in their future endeavours.

Alhaji Jafaru Aliyu Paki and Mr. Mustafa Musa II were appointed to the Board on November 14. 2002 to fill the vacancies created in the North West and North Central zones. Alhaji Jafaru Aliyu Paki is a seasoned executive in the oil and gas industry and a former Managing Director of Unipetrol, while Mustafa Musa II is a very successful career civil servant and the current Deputy General Manager of Jos Steel Rolling Company Limited. The new directors are worthy and experienced men, whom I trust would bring these qualities to bear in their service to your Company.

On behalf of the Directors, Shareholders, Management and Staff, we warmly welcome these new directors to the Board and wish them a successful tenure in office.

## OUR STAFF

In pursuit of the resolve for a total staff re – orientation and service culture change. training and development programmes were organised for management and staff.

Emphasis was laid on identifying and filling in skills and competency gaps across job functions from within and outside the company. As a result about 100 staff members were promoted within the year. while 213 members of staff were severed from the services of the company under the severance scheme.

I would use this opportunity to express my sincere thanks to our Customers. Suppliers, Transporters, Banks, NNPC and of course you our valued shareholders for the patience. support and faith in the company. I also thank our employees for their dedication, hard work and individual contributions towards the success of the company in the year under review.

Finally. I assure you that with the strategies and commitment of your Board, Management and Staff to success your company will in no distant time be fully repositioned to attain its new vision: "To be a first choice integrated Oil and Gas Company, where innovative, competent and highly motivated people deliver unbeatable benefits to its stakeholders".

Thank you.

***Peter Olisaeloka Okocha***
***Chairman***

## REPORT OF THE DIRECTORS YEAR ENDED 31 DECEMBER, 2002

The Directors have pleasure in submitting to the members of the Company their report together with the audited financial statements for the year ended 31 December, 2002.

### PRINCIPAL ACTIVITY

The principal activity of the Company continues to be the sale of petroleum products

### RESULT FOR THE YEAR

| | ₦'000 |
|---|---|
| Profit on ordinary activities before taxation | 2,340,836 |
| Taxation | (183,943) |
| Profit retained for the year | 2,156,893 |
| Retained earnings brought forward | (22,711,993) |
| Prior year adjustments | 193,082 |
| Retained earnings carried forward | (20,362,018) |

### FIXED ASSETS

Information relating to changes in fixed assets is given in Note 6 to the financial statements.

### DIRECTORS

The names of the Directors at the date of this report and of those who held office during the year are as follows:

| | |
|---|---|
| Peter Olisaeloka Okocha | (Chairman) |
| Engr. A. A. Sule | (Managing) |
| Olayiwola Bolodeoku | |
| Aliko Dangote | |
| Grace Ekpenyong | |
| David Nwaezeapu | |
| Olatunji Lawal Solarin | |
| Shehu Wunti | Retired November 15, 2002 |
| Yusuf Abubakar | Retired November 15, 2002 |
| Oladipo Yemitan | Resigned December 31, 2002 |
| Aliyu J'afaru Paki | Appointed November 18, 2002 |
| Mustapha Musa II | Appointed November18, 2002 |

In accordance with Article 91 of the Company's Articles of Association, Alhaji Aliko Dangote, Grace Ekpenyong, and David Nwaezeapu will retire by rotation from the Board of Directors at this Annual General Meeting and being eligible, they have offered themselves for re-election.

Since the last Annual General Meeting two new Directors, Alhaji Aliyu J'afaru Paki and Mustapha Yahuza Musa II joined the Board. In accordance with Article 95 of the Company's Article of Association, they will retire at this meeting and being eligible, offer themselves for re – election.

## DIRECTORS AND THEIR INTERESTS

The Directors' interests in the issued and fully paid share capital of the Company as recorded in the members' share register and/or as notified for the purpose of section 275 and 276 of the Companies and Allied Matters Decree 1990. is as stated below:

| | NUMBER OF SHARES AS AT: | |
|---|---|---|
| | 31 DEC., 2002 | 31 DEC, 2001 |
| Peter Olisaeloka Okocha | - | - |
| A.A. Sule | 26,308 | - |
| Yusuf Abubakar | 2,713 | 2,713 |
| Olayiwola bolodeoku | - | - |
| Aliko Dangote | 1,335,000 | 1,335,000 |
| Grace Ekpenyong | 10,207 | 10,207 |
| Shehu Wunti | 25,375 | 25,375 |
| Oladipo Yemitan | 16,391 | 16,391 |
| David Nwaezeapu | - | - |
| Olatunji Lawal-Solarin | 1,250 | 1,250 |
| Aliyu J'afaru Paki | - | - |
| Mustapha Yahusa Musa II | - | - |

## DIRECTORS INTEREST IN CONTRACTS

None of the Directors has notified the Company for the purpose of Section 277 of the Companies and Allied Matters Decree 1990 of any declarable interests in contracts which the Company is involved.

## ACQUISITION OF SHARES

The Company did not purchase any of its own shares during the year.

## DONATIONS AND GIFTS

The Company made some charitable gifts or donations during the year as follows:-

| | | N |
|---|---|---|
| 1. Nigeria Oil Industry Games | - | 100,000 |
| 2. Lagos State January 27th Bomb Victims Relief Fund | - | 2,000,000 |
| 3. Dr. Nnamdi Azikiwe Institute | - | 100,000 |
| 4. Bonny Improvement Association | - | 50,000 |
| 5. Wesley School II for Deaf Children | - | 30,000 |
| 6. Down's Syndrome Association of Nig. | - | 100,000 |
| 7. Nasarawa State Atheletic Association | - | 400,000 |
| 8. Badminton Federation of Nig. | - | 1,230,000 |
| 9. Badminton (under 18) Tournament | - | 1,000,000 |
| 10. Ministry of Petroleum Resources HSE Conference | - | 250,000 |
| TOTAL | - | **5,260,000** |

## EMPLOYEES' INVOLVEMENT, TRAINING AND DEVELOPMENT

General staff meetings are held regularly where updates on issues concerning the company are discussed. Relevant information is regularly passed to employees through circulars, notices on notice boards in all locations and via our in-house journal, the AP News and e-mail.

### Manpower Development and Industrial Relations

The Company continues to encourage the training and developments of staff at various levels of the Company.

### Training

In pursuit of the Company's manpower development and motivation strategies, training was given central role within the year. In-house courses were organised by the company's training centre for senior and junior management staff of the Company. Besides, the Company maintained a continuing education programme for employees' self-improvement, which included reading for professional examinations. Some of the managers were also sent on international courses. Training facilities were also extended to all the Company's licencees, drivers, transporters and some selected industrial customers.

### Industrial Relations

The Company's emphasis on industrial relations has been focused on discussions and consultations with all employees on matters that are of concern to them and in the general interest of the Company. The Joint Consultative Committee, Joint Negotiating Council, Half-Yearly Maxi Management Meeting, seminars on the Company's corporate developments and various ad hoc meetings were some of the interactive instruments used during the period.

## HEALTH, SAFETY AND WELFARE AT WORK OF EMPLOYEES

The Area offices have reputable medical practitioners as their retainers while Head Office maintains its health post. Support and sponsorship of sporting activities, regular cleaning of the operating environment and provision of sanitary facilities were also part of the essential features.

Other facilities included the provision of subsidised meals and bus service and Long Service and Merit Awards to deserving staff.

## SUBSTANTIAL SHAREHOLDERS

The Register of Members showed that as at 31 December, 2002 Sadiq Petroleum Limited owned 64,800,000 ordinary shares representing 30% of the issued and fully paid capital of the company.

The Company has 216,000,000 issued shares of 50 kobo each and the shareholdings are distributed as follows:

| NUMBER OF SHARES | HOLDERS | | HOLDINGS | |
|---|---|---|---|---|
| | No | % | No. | % |
| 1 - 1,000 | 138,193 | 89.78 | 35,661,600 | 16.51 |
| 1,001 - 5,000 | 12,412 | 8.06 | 25,120,800 | 11.63 |
| 5,001 - 10,000 | 1,793 | 1.16 | 11,966,400 | 5.54 |
| 10,001 - 50,000 | 1,240 | 0.81 | 23,090,400 | 10.69 |
| 50,001 - 500,000 | 265 | 0.17 | 31,795,200 | 14.72 |
| 500,001 - 1,000,000 | 8 | 0.01 | 4,773,600 | 2.21 |
| 1,000,001 and above | 10 | 0.01 | 83,592,000 | 38.70 |
| | | | 216,000,000 | 100.00 |

## EMPLOYMENT OF DISABLE PERSONS

The Company employed no disable person during the year. However, it is the Company's policy to consider disabled persons for employment if academically and mentally qualified.

## AUDITORS

Akintola Williams Deloitte & Touche and Aminu Ibrahim & Co. were appointed auditors during the year and having expressed their willingness, will continue in office as the Company's auditors in accordance with Section 357 (2) of the Companies and Allied Matters Act, 1990.

**BY ORDER OF THE BOARD**

**ELIZABETH OBIAJULU IDIGBE (MRS)**
**COMPANY SECRETARY**

Akintola Williams
Deloitte
&Touche

AMINU IBRAHIM & CO
Chartered Accountants

## REPORT OF THE AUDITORS TO THE MEMBERS OF

# AFRICAN PETROLEUM PLC

We have audited the financial statements of **African Petroleum Plc.** as at 31 December, 2002 set out on pages 13 to 27 which have been prepared on the basis of the accounting policies set out on pages 13 and 14

**Respective responsibilities of directors and auditors**
In accordance with the Companies and Allied Matters Act, 1990, the Company's Directors are responsible for the preparation of the financial statements. Our responsibility is to form an independent opinion based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**
We conducted our audit in accordance with international standards on auditing issued by the International Federation of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

The company has accumulated losses to date of ₦20.4 billion and the deficit in shareholders' funds at the balance sheet date amounted to ₦20.2 billion. However, the financial statements have been prepared on a going concern basis and the ability of the company to continue in operation is dependent on the support of its creditors and bankers, and injection of fresh funds by its shareholders.

During the year, the Federal Government of Nigeria set up a Judicial Commission of Enquiry to investigate the affairs of the company prior to the sale of its shares to a core investor. The outcome of the commission's findings has not been reflected in these financial statements since a Government White Paper has not been released on the recommendations of the Commission.

**Opinion**
Except for the reservation in paragraph 5 above and the adjustments or disclosures that might become necessary from the matter referred to in paragraph 6, in our opinion the financial statements, drawn up in conformity with the generally accepted accounting standards in Nigeria, give a true and fair view of the state of the Company's affairs at 31 December, 2002 and of the profit and cash flows for the year ended on that date, and have been prepared in accordance with the Companies and Allied Matters Act, 1990.

Akintola Williams Deloitte & Touche
Chartered Accountants
Lagos, Nigeria

Aminu Ibrahim
Chartered Accountants
Kano, Nigeria

3, September, 2003

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA 258876

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA 170452

## REPORT OF THE AUDIT COMMITTEE TO THE MEMBERS OF

# AFRICAN PETROLEUM PLC

In accordance with the provision of section 359(6) of the Companies and Allied Matters Act 1990 we confirm that accounting and the reporting policies of the Company are in accordance with legal requirements and agreed ethical practices.

In our opinion. the scope and planning of audit for the year ended 31 December 2002 were adequate and we have reviewed the external auditors findings on management matters and are satisfied with the departmental response thereto.

**Dated this 9th day of September 2003.**

Mr. Zakka Nagga
**Chairman, Audit Committee**

## MEMBERS OF THE AUDIT COMMITTEE

| | | |
|---|---|---|
| 1. | Mr. Zakka Nagga | Chairman |
| 2. | Mr. Paul Olele | Member |
| 3. | Mr. Oluremi Idowu | |
| 4. | Mrs. G. C. Ekpenyong | |
| 5. | Alh. Aliko Dangote | |
| 6. | Mr. David Nwaezeapu | |

## AFRICAN PETROLEUM PLC

### STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES
### YEAR ENDED 31 DECEMBER, 2002

1. **Basis of accounting**

   The accounts have been prepared under the historical cost convention.

2. **Turnover**

   Turnover represents the net value of goods and services provided by the company to third parties.

3. **Fixed assets**

   Fixed assets are stated at cost less accumulated depreciation.

4. **Depreciation**

   Depreciation is provided on a straight-line basis to write off the cost of fixed assets over their estimated useful life. Principal annual depreciation rates are: -

| | |
|---|---|
| Freehold land | Not Depreciated |
| Leasehold land | Lease period |
| Buildings including Kiosks | 5% |
| Lubricating oil blending plant | $7^1/_2$% |
| Compressors, Railtanks, Trailers | 10% |
| Office furniture and Barges | 15% |
| Tanks, Pumps and house furniture | 20% |
| Office machines and equipment | 25% |
| Motor vehicles | $33^1/_3$% |

   Assets acquired or disposed off during the year are depreciated at half the applicable rates. No depreciation is provided on Capital work-in-progress.

5. **Leased Assets**

   Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the Company are capitalised. The capital element of the related obligations is included in creditors and accruals. The interest element of the rental obligations is charged to the profit and loss account evenly over the period of the lease.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)
## YEAR ENDED 31 DECEMBER, 2002

### 6. Investments

Investments are stated at cost less provision made for any permanent diminution in value.

### 7. Receivables

Receivables are stated after deduction of adequate provisions for debts considered bad or doubtful of recovery.

### 8. Inventories

Inventories are valued at the lower of cost, on a first in, first out basis, and net realisable values after making due allowance for any obsolete or slow moving items. In the case of finished goods and work-in-progress, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads.

### 9. Foreign Currency

Transactions in foreign currencies are converted at the exchange rates ruling at the transaction date. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange as at that date. Realised profit and loss arising from currency conversion are dealt with in the profit and loss account.

### 10. Deferred Taxation

Deferred taxation is provided for the timing difference between net book value and tax written down value of assets at current tax rate except in circumstances where deferred tax will not materialize in the foreseeable future.

# AFRICAN PETROLEUM PLC

## PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED 31 DECEMBER, 2002

| | Note | 2002 N'000 | 2001 N'000 |
|---|---|---|---|
| Turnover | | 28,995,767 | 28,014,361 |
| Cost of sales | | (25,675,912) | (23,076,386) |
| Gross profit | | 3,319,855 | 4,937,975 |
| Administrative expenses | | (2,246,110) | (2,184,565) |
| | | 1,073,745 | 2,753,410 |
| Other operating income | | 161,442 | 65,239 |
| Trading profit | | 1,235,187 | 2,818,649 |
| Exceptional items | 2 | 4,113,526 | (2,406,982) |
| Interest payable and similar charges | | (3,007,877) | (3,571,403) |
| Profit/(loss) on ordinary activities before taxation | 3 | 2,340,836 | (3,159,736) |
| Taxation | 4 | (183,943) | - |
| Profit/(loss) on ordinary activities after taxation | | 2,156,893 | (3,159,736) |
| Extra-ordinary item (Net) | 5 | - | 365,097 |
| Profit/(loss) for the year | 13 | **2,156,893** | **(2,794,639)** |
| Earnings/(loss) per share | | **9.98k** | **(14.63k)** |

The accounting policies on pages 13 and 14 and the notes on pages 18 to 25, form part of these financial statements.

₦9.98

(₦14.63)

# AFRICAN PETROLEUM PLC

## BALANCE SHEET AT 31 DECEMBER, 2002

| | Note | 2002 N'000 | 2001 N'000 |
|---|---|---|---|
| **FIXED ASSETS** | 6 | 2,794,028 | 2,378,882 |
| **LONG TERM INVESTMENTS** | 7 | 984,748 | 940,053 |
| **CURRENT ASSETS** | | | |
| Stocks | 8 | 894,175 | 1,570,947 |
| Debtors | 9 | 7,400,761 | 1,841,140 |
| Bank and cash balances | | 1,370,736 | 1,010,342 |
| | | 9,665,672 | 4,422,429 |
| **CREDITORS: Amounts falling due within one year** | 10 | (29,534,451) | (25,627,536) |
| **Net Current Liabilities** | | (19,868,779) | (21,205,107) |
| **Total assets less current liabilities** | | (16,090,003) | (17,886,172) |
| **CREDITORS: Amounts falling due after more than one year** | | | |
| Term loans | 11 | (4,069,736) | (4,623,542) |
| **Total assets less total liabilities** | | **(20,159,739)** | **(22,509,714)** |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 12 | 108,000 | 108,000 |
| Share premium account | | 94,279 | 94,279 |
| General reserve | 13 | (20,362,018) | (22,711,993) |
| | | **(20,159,739)** | **(22,509,714)** |

Approved by the Board of Directors on 3 September, 2003
and signed on its behalf by:

) Directors

The accounting policies on pages 13 and 14 and the notes on pages 18 to 25, form part of these financial statements.

# AFRICAN PETROLEUM PLC

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER, 2002

| | 2002<br>N'000 | 2001<br>N'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash receipts from customers | 28,622,006 | 28,368,730 |
| Cash paid to suppliers and employees | (26,008,695) | (21,674,909) |
| Cash generated from operations | 2,613,311 | 6,693,821 |
| Income taxes paid | (7,356) | (29,040) |
| Net cash provided by operating activities | 2,605,955 | 6,664,781 |
| **Cash flows from investing activities** | | |
| Purchase of fixed assets | (189,472) | (258,931) |
| Purchase of investment | (44,695) | (374,553) |
| Proceeds from sale of fixed assets | 48,359 | 409,034 |
| Net cash used in investing activities | (185,808) | (224,450) |
| **Cash flows from financing activities** | | |
| Interest paid on loan | (3,007,877) | (3,571,403) |
| Addition to term loan | 1,106,013 | 91,895 |
| Net cash used in financing activities | (1,901,864) | (3,479,508) |
| **Net decrease in cash and cash equivalents** | 518,283 | 2,960,823 |
| **Cash and cash equivalents at 1 January** | (3,739,581) | (6,700,404) |
| **Cash and cash equivalents at 31 December** | **(3,221,298)** | **(3,739,581)** |
| **Represented by** | | |
| Cash and bank balances | 1,370,736 | 1,010,342 |
| Bank overdraft | (4,592,034) | (4,749,923) |
| | **(3,221,298)** | **(3,739,581)** |

# AFRICAN PETROLEUM PLC

## NOTES TO THE ACCOUNTS

1. **The Company**

African Petroleum Plc was incorporated on 11 December, 1964. During the year ended 31 December 2000, the Federal Government under its privatisation programme sold 30% of the company together with management control to Sadiq Petroleum Limited as a core investor. As at 31 December 2002, the issued share capital of the Company was held 30% by Sadiq Petroleum Limited and 70% by other Nigerian citizens and companies

African Petroleum Plc is engaged in the marketing of petroleum products which is directed at four main market segments namely the Automobile, Industrial, Aviation and Marine markets. In addition, the company operates a lubricating oil blending plant.

| | 2002<br>N`000 | 2001<br>N'000 |
|---|---|---|
| 2. **Exceptional Items** | | |
| Unsubstantiated entries in bank accounts | (64,905) | (2,406,982) |
| Principal and interest waiver received from banks | 4,388,647 | - |
| Proceed from sale of fixed asset not in the books | 48,359 | - |
| Excess depreciation in prior years written back | 717,839 | - |
| Terminal benefits paid to staff | (976,414) | - |
| | **4,113,526** | **(2,406,982)** |

# AFRICAN PETROLEUM PLC

## NOTES TO THE ACCOUNTS (Cont'd)

| | | 2002 N'000 | 2001 N'000 |
|---|---|---|---|
| 3. | **Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):** | | |
| | Directors' emoluments | 6,054 | 27,049 |
| | Auditors' remuneration | 7,000 | 3,000 |
| | Exchange Loss | 86,557 | 303,133 |
| | Depreciation | 341,800 | 512,436 |
| | Profit on sale of fixed asset | (48,359) | - |

| | | | |
|---|---|---|---|
| 4. | **Taxation** | | |
| | Income tax based on minimum tax | 53,651 | - |
| | Education tax | 41,452 | - |
| | Under provision in prior years | 88,840 | - |
| | As per profit and loss account | 183,943 | - |
| | Balance brought forward | 84,093 | 113,133 |
| | Payment during the year | (7,356) | (29,040) |
| | As per balance sheet | **260,680** | **84,093** |

The charge for taxation has been computed in accordance with the provision of the Companies Income Tax Act, 1979 as amended to date.

| | | 2002 N'000 | 2001 N'000 |
|---|---|---|---|
| 5 | **Extra-Ordinary Item** | | |
| | Profit on sale of fixed assets | - | 405,663 |
| | Less: Capital gains tax | - | (40,566) |
| | | - | **365,097** |

# AFRICAN PETROLEUM PLC

NOTES TO THE ACCOUNTS (Cont'd)

## 6. Fixed assets

| | Freehold land and buildings N'000 | Leasehold property N'000 | Plant, equipment and furniture N'000 | Motor Vehicles N'000 | Work-in-progress N'000 | Total N'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January, 2002 | 1,965,324 | 132,226 | 1,600,592 | 232,868 | 246,868 | 4,177,878 |
| Additions | 69,122 | - | 73,147 | 9,600 | 37,603 | 189,472 |
| Transfers | - | (87,973) | 228,730 | - | (140,757) | - |
| Reclassification | - | (44,253) | (5,450) | 5,450 | (106,111) | (150,364 |
| At 31 December, 2002 | 2,034,446 | - | 1,897,019 | 247,918 | 37,603 | 4,216,98 |
| **Depreciation** | | | | | | |
| At 1 January, 2002 | 326,845 | 39,384 | 1,233,769 | 198,998 | - | 1,798,996 |
| Charge for the year | 90,177 | - | 210,288 | 41,335 | - | 341,800 |
| Excess charge in prior years written back | (67,875) | (39,384) | (568,282) | (42,297) | - | (717,838 |
| At 31 December, 2002 | 349,147 | - | 875,775 | 198,036 | - | 1,422,95 |
| **Net book value** | | | | | | |
| At 31 December, 2002 | **1,685,299** | **-** | **1,021,244** | **49,882** | **37,603** | **2,794,02** |
| At 31 December, 2001 | 1,638,479 | 92,842 | 366,823 | 47,870 | 246,868 | 2,378,882 |

## 7. Long Term Investments

| | 2002 N'000 | 2001 N'000 |
|---|---|---|
| Star - AP joint venture | 939,911 | 904,91 |
| Other investments | 44,837 | 35,14 |
| | **984,748** | **940,05** |

The directors are of the opinion that the value of all investments is not lower than cost and there has been no diminution in value of these investments.

NOTES TO THE ACCOUNTS (Cont'd)

| | 2002 N'000 | 2001 N'000 |
|---|---|---|
| **8. Stocks** | | |
| Raw materials | 288,374 | 760,421 |
| Finished goods | 474,515 | 632,760 |
| Consumable stores | 131,286 | 177,766 |
| | **894,175** | **1,570,947** |
| **9. Debtors** | | |
| Trade debtors | 1,176,018 | 640,816 |
| Bridging claim receivable | 3,811,206 | 1,026,002 |
| Other debtors | 2,386,081 | 71,578 |
| Prepayments | 27,456 | 102,744 |
| | **7,400,761** | **1,841,140** |
| **10. Creditors: Amounts falling due within one year** | | |
| Trade creditors (Note 10.1) | 14,692,291 | 15,856,017 |
| Other creditors (Note 10.2) | 2,063,416 | 1,690,960 |
| Bridging allowance payable | 2,493,405 | 61,718 |
| Accruals | 826,701 | 490,147 |
| Bank overdrafts (Note 10.3) | 4,592,034 | 4,749,923 |
| Payments received in advance | 251,428 | - |
| Taxation (Note 4) | 260,680 | 84,093 |
| Short-term loans (Note 10.4) | 3,972,078 | 2,312,260 |
| Dividend | 382,418 | 382,418 |
| | **29,534,451** | **25,627,536** |

10.1 Trade creditors relate to amount payable to the Nigerian National Petroleum Corporation (NNPC) for products supplied. The ageing of the balance is as follows:

| | 2002 N'000 | 2001 N'000 |
|---|---|---|
| One year and above | 10,644,676 | 519,759 |
| Within one year | 4,047,615 | 15,336,258 |
| | **14,692,291** | **15,856,017** |
| The amount due to NNPC is further analysed as to: | | |
| Invoiced liftings | 14,272,641 | 13,339,898 |
| Uninvoiced liftings | 419,650 | 2,516,119 |
| | **14,692,291** | **15,856,017** |

**10.2 Other creditors**

Included in other creditors is a net amount of N57,310,689 representing unsubstantiated entries in the company's bank accounts.

NOTES TO THE ACCOUNTS (Cont'd)

**10.3** The bank overdrafts are secured by a negative pledge.

**10.4** Short-term loans are analysed as follows:

| | 2002 | | 2001 | |
|---|---|---|---|---|
| | N'000 | $'000 | N'000 | $'000 |
| Gulf Bank - Afrexim loan facility | 634,600 | 5,000 | 745,766 | 6,246 |
| Fidelity Bank - Afrexim loan facility | - | - | 190,661 | 1,681 |
| Term loans (Current Portion: Note 11) | 3,337,478 | - | 1,375,833 | - |
| | **3,972,078** | **5,000** | **2,312,260** | **7,927** |

| | 2002 N'000 | 2001 N'000 |
|---|---|---|
| **11. Term loans** | | |
| These are made up as follows: | | |
| Revolving Underwritten Facility | - | 3,759,375 |
| Term loans | 7,407,214 | 2,240,000 |
| | 7,407,214 | 5,999,375 |
| Less: Current portion transferred to short term loans | 3,337,478 | 1,375,833 |
| | **4,069,736** | **4,623,542** |

The term loans resulted from overdrafts and short term facilities (including capitalised interests) which the company obtained from various banks prior to the new management. The restructured loans which are repayable within five years are secured by a negative pledge.

| | 2002 N'000 | 2001 N'000 |
|---|---|---|
| **12. Called up share capital** | | |
| **Authorised:** | | |
| 10,000,000,000 Ordinary shares of 50k each | **5,000,000** | **144,000** |
| **Issued and fully paid** | | |
| 216,000,000 ordinary shares of 50k each | **108,000** | **108,000** |

At the Annual General Meeting held on 15 November, 2002 the authorised share capital was increased from 288,000,000 to 10,000,000,000 ordinary shares of 50k each by the creation of additional 9,712,000,000 ordinary shares. However, the increase was filed with the Corporate Affairs Commission on 19 August, 2003.

NOTES TO THE ACCOUNTS (Cont'd)

| | | 2002 N'000 | 2001 N'000 |
|---|---|---|---|
| **13.** | **General reserve** | | |
| | Balance at 1 January | (22,711,993) | (19,917,354) |
| | Retained profit/(loss) for the year | 2,156,893 | (2,794,639) |
| | Prior year adjustments (Note 13.1) | 193,082 | - |
| | Balance at 31 December | **(20,362,018)** | **(22,711,993)** |

**13.1 Prior year adjustments**

These are made up of:

| | | |
|---|---|---|
| Unsubstantiated debt owed to Star AP joint venture | 277,642 | - |
| Unreconciled difference in creditors account | (356,931) | - |
| Net bridging claim in prior years | 231,024 | - |
| Undisclosed debts recovered | 70,125 | - |
| Other prior year expenditure | (28,778) | - |
| | 193,082 | - |

**14. Information regarding directors and employees**

**(a) Directors:**

.1 Emoluments of directors of the company were:

| | N'000 | N'000 |
|---|---|---|
| Fees | - | 820 |
| Other emoluments | 6,054 | 26,229 |

.2 Directors' remuneartion shown above (excluding pension contributions) includes:

| | | |
|---|---|---|
| Chairman | - | 1,568 |
| Highest paid director | 3,872 | 5,229 |

.3 The table below shows the number of directors whose emoluments during the year excluding pension contributions were within the ranges stated:

| | 2002 Number | 2001 Number |
|---|---|---|
| N70,001 - N80,000 | - | 10 |
| N80,001 and Above | 2 | 1 |

NOTES TO THE ACCOUNTS (Cont'd)

| (b) Employees | 2002 Number | 2001 Number |
|---|---|---|
| .1 Average number of employees including executive directors during the year | 351 | 481 |
| | **N'000** | **N'000** |
| .2 Employment cost including social security and benefit scheme | 538,851 | 511,083 |

.3 Number of employees of the company other than directors, whose emoluments during the year excluding pension contribution were within the bands stated:

| | | | Number | Number |
|---|---|---|---|---|
| N100,001 | - | N500,000 | 71 | 85 |
| N500,001 | - | N1,000,000 | 200 | 307 |
| N1,000,001 | - | N1,500,000 | 51 | 46 |
| N1,500,001 | - | N2,000,000 | 28 | 18 |
| Above N2,000,000 | | | 1 | 25 |
| | | | 351 | 481 |

## 15. Capital commitment

| | N'000 | N'000 |
|---|---|---|
| Capital expenditure contracted but not provided for in the accounts | - | 1,633.097 |
| Capital expenditure approved by the Board but not yet committed | 331,236 | 1,378,405 |
| | 331,236 | 3,011,502 |

## 16. Contingent liabilities

| | | |
|---|---|---|
| Pending legal actions against the company which in the opinion of the directors would not result in material losses to the company | 626,889 | 78,075 |

# AFRICAN PETROLEUM PLC

## NOTES ON THE ACCOUNTS (Cont'd)

### 17. Reclassification of balances

Certain comparative balances have been reclassified to ensure proper disclosure and uniformity.

### 18. Approval of Financial Statements

These financial statements were approved by the board of directors on 3 September, 2003.

# AFRICAN PETROLEUM PLC

## VALUE ADDED STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER, 2002

| | 2002 N'000 | % | 2001 N'000 | % |
|---|---|---|---|---|
| Sales value | 28,995,767 | | 28,014,361 | |
| Bought in materials and services | (22,760,349) | | (26,214,078) | |
| | **6,235,418** | **100** | **1,800,283** | **100** |
| **Distribution -** | | | | |
| Employees | | | | |
| To pay salaries, wages and other staff costs | 544,905 | 9 | 511,083 | 28 |
| Government | | | | |
| To pay government taxation | 183,943 | 3 | - | - |
| Providers of capital | | | | |
| To pay interest on borrowings | 3,007,877 | 48 | 3,571,403 | 198 |
| Maintenance and expansion of assets | | | | |
| Depreciation | 341,800 | 5 | 512,436 | 29 |
| Profit retained/(loss consumed) in the business | 2,156,893 | 35 | (2,794,639) | (155) |
| | **6,235,418** | **100** | **1,800,283** | **100** |

**Note:** Value added is the wealth the Company has been able to create by its own and its employees' efforts.

# AFRICAN PETROLEUM PLC

## FIVE YEAR FINANCIAL SUMMARY

| | 2002 N'000 | 2001 N'000 | 2000 N'000 | 1999 N'000 | 1998 N'000 |
|---|---|---|---|---|---|
| ***Balance sheet*** | | | | | |
| Fixed assets | 2,794,028 | 2,378,882 | 2,635,758 | 2,671,627 | 2,193,402 |
| Long term investments | 984,748 | 940,053 | 565,500 | 563,766 | 535,088 |
| Net current liabilities | (19,868,779) | (21,205,107) | (22,916,333) | 312,124 | 306,901 |
| Term loans | (4,069,736) | (4,623,542) | - | (1,607,589) | (1,550,898 |
| | **(20,159,739)** | **(22,509,714)** | **(19,715,075)** | **1,939,928** | **1,484,493** |
| Share capital | 108,000 | 108,000 | 108,000 | 108,000 | 108,000 |
| Share premium | 94,279 | 94,279 | 94,279 | 94,279 | 94,279 |
| General reserve | (20,362,018) | (22,711,993) | (19,917,354) | 1,737,649 | 1,282,214 |
| | **(20,159,739)** | **(22,509,714)** | **(19,715,075)** | **1,939,928** | **1,484,493** |
| ***Profit and loss account*** | | | | | |
| Turnover | 28,995,767 | 28,014,361 | 23,017,362 | 19,793,512 | 10,831,824 |
| Profit/(loss) before taxation | 2,340,836 | (2,794,639) | (20,434,762) | 1,298,159 | 307,956 |
| Taxation | (183,943) | - | - | (194,724) | (98,546 |
| Profit/(loss) after taxation | 2,156,893 | (2,794,639) | (20,434,762) | 1,103,435 | 209,410 |
| Dividend | - | - | - | (648,000) | (216,000 |
| Profit/(loss) for the year | **2,156,893** | **(2,794,639)** | **(20,434,762)** | **455,435** | **(6,590** |
| **Per Share Data** | | | | | |
| Earnings/(loss) per share | 9.98k | (14.60k) | (94.60k) | 5.11k | 97k |
| Dividend per share | - | - | - | 300k | 100k |
| Net asset per share | (93.33k) | (104.21k) | (91.27k) | 8.98k | 6.87k |

**Note:** Earnings, dividend and net assets per share are based on 216,000,000 ordinary shares in issue at 31 December, 2002.