



ARDOVA PLC
(Formerly Forte Oil Plc)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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Corporate information

Ardova Plc (the Company) is a leading indigenous, integrated energy company in Nigeria involved in the marketing of petroleum products.

The Company operates a network of 450 retail outlets spread across the Country with major petroleum storage installations at both Apapa (Lagos State) and Onne (Rivers State). Ardova Plc also provides aircraft refuelling operations at its Aviation Joint User's hydrants in Ikeja and Joint Aviation depots in Abuja, Port Harcourt and Kano making the Company one of Nigeria's leading providers of aviation fuel for local and international airlines. The Company also procures and markets Liquefied Petroleum Gas.

The Company manufactures and distributes a wide range of quality lubricants, which include Super V, Visco 2000, Diesel Motor Oil from its lubricating oil blending plant at its Apapa terminal in Lagos. The Company is also the sole authorised distributor of the Texaco branded Havoline Engine Oils and Lubricants for the Nigerian market.

In addition to its strategic retail and commercial network in Nigeria, Ardova Plc has embarked on providing clean energy hubs and mini-grids and renewable energy solutions through its solar brand, which distributes low cost solar power solutions to domestic customers.

Ardova Plc's business philosophy is premised on a people-first oriented and star service Company, with sound management in place to deliver a holistic brand vision, via deep investments in technology and exceptional service delivery across the energy value chain.

Further to a special resolution passed at the Extraordinary General Meeting of the Company held on December 17, 2019, the Corporate Affairs Commission ("the Commission") has approved the change of name of the Company to ARDOVA PLC. As Ardova Plc, the Company remains committed to the practice of strong corporate governance and compliance at all levels, culture of strong ethics and discipline and an enhanced safety, health and sustainability policies.

Board of Directors

AbdulWasiu O. Sowami	-	Chairman
Olumide Adeosun	-	Chief Executive Officer
Moshood Olajide	-	Executive Director, Finance & Risk Management
Mohammed Aminu Umar	-	Non-Executive Director
Olusola Adeeyo	-	Independent Non-Executive Director
Aniola Durosinmi-Etti	-	Independent Non-Executive Director

Ag. Company Secretary/General Counsel

Oladeinde Nelson-Cole

Registered Office

13, Walter Carrington Crescent, Victoria Island, Lagos

Registrars and Transfer Office

Veritas Registrars Limited
Plot 89A, Ajose Adeogun Street, Victoria Island, Lagos

Auditors

Deloitte and Touche
Civic Towers, Plot GA1, Ozumba Mbadiwe Road Victoria Island Lagos

Bankers

First Bank of Nigeria Limited
Guaranty Trust Bank Plc
Union Bank of Nigeria Plc
Zenith International Bank Plc
Keystone Bank Limited
Stanbic IBTC Bank Plc

Origins and key historical milestones

From its incorporation as British Petroleum (Nigeria) in 1964, Ardova Plc (AP) has emerged the energy for a brave new world, a publicly listed and widely renowned corporation with one of the fastest growing business portfolios within the energy sector.

2019	Name Change: To Ardova Plc (AP)
2019	New Acquisition Ignite investments and Commodities Ltd concludes acquisition of 74.02% equity stake in Forte Oil Plc's downstream operations
2016-2018	New Frontiers: Consolidate growth, build resilience and entrench best practices
2012-2015	Transformation Program Results: <ul style="list-style-type: none"> • Profits up by 342% • Acquired 414 mw Thermal IPP • Resumed dividend payments • Capital reorganisation
2010-2011	Rebrand: To Forte Oil with new management and 3-year turn-around program
2007	New Era: Zenon Petroleum, led by Mr Femi Otedola acquires a majority interest from NNPC ushering in a new era
2005	NNPC buys equity stake and increases interest by converting AP debt
2000	Privatization: NNPC sold 40% to the Nigerian public
1979	Name Change: To African Petroleum Limited (AP)
1978	Indigenization: NNPC acquires 60% stake, with Nigeria public buying 40%
1964	Incorporation: As British Petroleum (Nigeria)

CORPORATE GOVERNANCE

The Board of Ardova Plc (formerly Forte Oil Plc) believes that the proper application of world-class corporate governance practice is a key pillar towards achieving long term value for all our shareholders and stakeholders. The Board is committed to ensuring that all business conducted by the company is in compliance with all applicable laws and regulations, including the regulations of the Nigerian Stock Exchange, the Securities and Exchange Commission’s Code of Corporate Governance and the Nigerian Code of Corporate Governance.

At Ardova Plc, we believe that sound corporate governance goes beyond adhering to rules and policies of the regulators, but also about accountability and stakeholder engagement at all times.

The Board of Directors during the year under review complied with the corporate governance requirements as set out in the report below:

THE BOARD OF DIRECTORS

This is the highest decision making body of the Company. It is responsible for the overall long-term success and the strategic direction of the Company as well as providing effective oversight to ensure the delivery of long term value to shareholders and stakeholders.

BOARD COMPOSITION

January 1 – 20 June 2019: In this period, the Board was made up of Eight (8) members, which included the Chairman, one (1) Non-Executive Director, two (2) Executive Directors and Four (4) Independent Non-Executive Directors. All resigned with effect from 20 June, 2019.

June 20 – 31 December, 2019: In this period, the Board was made up of Six (6) members, which included the Chairman, 1, Non-Executive Director, 2 Executive Directors and 2 Independent Non-Executive Directors in keeping with the Nigerian Code of Corporate Governance. All were appointed with effect from 20 June, 2019.

The Board met seven (7) times in 2019.

BOARD MEETING ATTENDANCE

S/N	NAME	POSITION	6 FEBRUARY 2019	26 MARCH, 2019	30 APRIL, 2019	26 JUNE, 2019	2 SEPTEMBER, 2019	29 OCTOBER, 2019	5 DECEMBER, 2019
1.	MR. FEMI OTEDOLA (CON)*	CHAIRMAN	✓	✓	✓	N/A	N/A	N/A	N/A
2.	MR. AKIN AKINFEMIWA*	DIRECTOR	✓	✓	✓	N/A	N/A	N/A	N/A
3.	MR. JULIUS OMODAYO-OWOTUGA*	DIRECTOR	✓	✓	✓	N/A	N/A	N/A	N/A
4.	MR. NICO VERVELDE*	DIRECTOR	✓	✓	✓	N/A	N/A	N/A	N/A
5.	DR. (MRS.) MAIRO MANDARA*	DIRECTOR	✓	✓	✓	N/A	N/A	N/A	N/A
6.	MRS. SALAMATU SULEIMAN*	DIRECTOR	✓	X	✓	N/A	N/A	N/A	N/A
7.	MR. CHRISTOPER ADEYEMI*	DIRECTOR	✓	✓	✓	N/A	N/A	N/A	N/A
8.	MR. ANIL DUA*	DIRECTOR	✓	✓	✓	N/A	N/A	N/A	N/A
9.	MR. ABDULWASIU SOWAMI**	CHAIRMAN	N/A	N/A	N/A	✓	✓	✓	✓
10.	MR. MOHAMMED AMINU UMAR**	DIRECTOR	N/A	N/A	N/A	✓	✓	✓	✓
11.	MRS. ANIOLA DUROSINMI-ETTI**	DIRECTOR	N/A	N/A	N/A	✓	✓	✓	✓
12.	MR. OLUSOLA ADEEYO**	DIRECTOR	N/A	N/A	N/A	✓	✓	✓	✓
13.	MR. OLUMIDE ADEOSUN**	DIRECTOR	N/A	N/A	N/A	✓	✓	✓	✓
14.	MR. MOSHOOD OLAJIDE**	DIRECTOR	N/A	N/A	N/A	✓	✓	✓	✓

KEY	MEANING
✓	Present
X	Absent
*	Resigned with effect from 20 June, 2019
**	Appointed with effect from 20 June, 2019
N/A	Not a member in the given period

Corporate governance (cont'd)

THE BOARD COMMITTEES

The Board implements its oversight function through Board Committees, with each committee addressing specific topics based on its charter. The charter of each committee sets out its composition, agenda, frequency of meetings and responsibilities.

The Committees of the Board include:

- Statutory Audit Committee
- Corporate Governance and Remuneration Committee
- Risk Management Committee

Each committee meets regularly to discuss matters in accordance with its charter, in addition to regular reports provided through the company secretariat on any significant issue to be considered by the various committees. Outside of these Board Committees, other management committees exist namely; Management Committee, Risk Management Committee, Credit Risk Committee and Bid Committee.

CORPORATE GOVERNANCE AND REMUNERATION COMMITTEE

The corporate governance and remuneration committee's role is to assist the board in fulfilling its responsibilities in relation to corporate governance and remuneration. The committee comprises of one non-executive director and two independent non-executive directors who oversee the nomination and board appointment process, board and company-wide remuneration and human resources issues. The committee is also responsible for the review of the company's governance structure and ensures compliance with the code of corporate governance. It also oversees the succession planning process of the board and the company.

The Committee held two (2) meetings in year 2019.

S/N	NAME	26 MARCH, 2019	28 OCTOBER, 2019
1.	MR. CHRISTOPHER ADEYEMI	✓	N/A
2.	DR (MRS.) MAIRO MANDARA	✓	N/A
3.	MRS. SALAMATU SULEIMAN	✓	N/A
4.	MRS. ANIOLA DUROSINMI-ETTI	N/A	✓
5.	MR. MOHAMMED AMINU UMAR	N/A	✓
6.	MR. OLUSOLA ADEEYO	N/A	✓

RISK MANAGEMENT COMMITTEE

The risk management committee assists the board in fulfilling its oversight responsibilities regarding the enterprise risk management of the company. This includes but is not limited to the identification, assessment, management of risk and adherence to internal risk management policies and procedures. The committee is further responsible for development of an effective risk governance framework and disclosure process, reviewing of changes in the economic and business environment and reviewing of company's compliance with regulations that impact on its activities.

Corporate governance (cont'd)

RISK MANAGEMENT COMMITTEE (CONT'D)

The Committee held two (2) meetings in the year 2019.

S/N	NAME	26 MARCH, 2019	29 OCTOBER, 2019
1	MR. ANIL DUA	✓	N/A
2	DR. (MRS) MAIRO MANDARA	✓	N/A
3	MR. AKIN AKINFEMIWA	✓	N/A
4	MR. JULIUS OMODAYO-OWOTUGA	✓	N/A
5.	MR. MOHAMMED AMINU UMAR	N/A	✓
6.	MRS. ANIOLA DUROSINMI - ETTI	N/A	✓
7.	MR. OLUMIDE ADEOSUN	N/A	✓
8.	MR. MOSHOOD OLAJIDE	N/A	✓

STATUTORY AUDIT COMMITTEE

The audit committee is comprised of six (6) members; three (3) shareholders' representatives, one (1) non-executive director and two (2) independent non-executive directors.

The functions of the committee are set out in section 359 (6) of CAMA 2004. The committee reviews the company's control policies, management accounting and reporting systems, internal control and overall standard of business conduct. The committee in addition, approves both the audit plan and internal audit review plan for the year, as well as the financial statement. The committee also monitors and reviews key audit matters.

The Audit Committee held four (4) meetings in the year 2019.

S/N	NAME	1 MARCH, 2019	26 MARCH, 2019	29 JULY, 2019	28 OCTOBER, 2019	5 DECEMBER, 2019
1.	MR. TOKUNBO SHOFOLAWÉ-BAKARE	✓	✓	✓	N/A	N/A
2.	MR. EMMANUEL OKORO	✓	✓	✓	N/A	N/A
3.	MR. SULEMAN AHMED	✓	✓	✓	N/A	N/A
4.	MRS. SALAMATU SULEIMAN	✓	X	N/A	N/A	N/A
5.	MR. CHRISTOPHER ADEYEMI	✓	✓	N/A	N/A	N/A
6.	MR. ANIL DUA	✓	✓	N/A	N/A	N/A
7.	MR. OLUSOLA ADEEYO	N/A	N/A	✓	✓	✓
8.	MR. MOHAMMED AMINU UMAR	N/A	N/A	✓	✓	✓
9.	MRS. ANIOLA DUROSINMI - ETTI	N/A	N/A	✓	✓	✓
10.	MR. SAFIU OKUNOLA	N/A	N/A	N/A	✓	✓
11.	MRS. ADEBISI OLUWAYEMISI BAKARE	N/A	N/A	N/A	✓	✓
12.	MR. JOB IHEJIRIKA ONWUGHARA	N/A	N/A	N/A	✓	✓

Corporate governance (cont'd)

SEPARATION OF THE POSITIONS OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the chairman of the board and the chief executive officer of the company are occupied by different individual persons.

The chief executive officer is fully responsible for the execution of the company's business strategy and the day-to-day management of the business, while the chairman is responsible for ensuring compliance with the company's strategic goals and that directors receive accurate and timely information to enable the Board take informed decisions. The Chairman also facilitates the contribution of directors and promotes effective relationships and open communications between executive and non-executive directors.

BOARD EVALUATION REPORT

The annual board assessment is conducted to ensure the board, committees and individual directors are effective and productive, and to promote opportunities for improvement. The governance structure of the company is designed to ensure that the board discharges its functions and responsibilities as provided for in the board charters and in accordance with all legislative and regulatory standards.

COMMUNICATION WITH STAKEHOLDERS

The board is committed to sustaining regular interactions with the company's shareholders and other stakeholders through a well-established communication and complaint management process.

The board is committed to the equitable treatment of shareholders, protection of their rights and complete disclosure and transparency at all times by the management of the company.

To this end, the company has in place, a well-managed Investor Relations Unit to attend to all enquiries on the company's financial performance, financial statements, corporate actions, strategy and all other corporate information.

All other related information on the company's business operations and allied matters can be obtained by all stakeholders and the public from the company's website www.ardovapl.com

DIRECTORS REMUNERATION

The remuneration of directors is governed by the Company's Policy on Directors. During the year under review, the Non-Executive Directors and Chairman each received a prorated annual directors' fee as stated below:

<u>Directors</u>	<u>Amount per Annum (N)</u>
Chairman	800,000.00
Non-Executive Directors	600,000.00
Executive Directors	NIL

STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Arдова Plc affirms its commitment to adhere to the principles of excellent corporate governance practices. The company always strives to carry out its business operations on the principles of integrity and professionalism through transparent conduct.

As a public quoted company, the company was compliant in its corporate governance practices and operations regarding the Listing Rules of the Nigerian Stock Exchange, the directions of the Securities and Exchange Commission, the Nigerian Code of Corporate Governance and international best practices.

Corporate governance (cont'd)

INSIDER TRADING

The board of directors have an approved securities trading policy which prescribes a code of behavior for directors, management of the company, external advisers and other related persons in possession of market sensitive information. The code prohibits these persons from dealing in the company's securities during closed periods in accordance with the provisions of the Investments and Securities Act Cap 124 Laws of the Federation of Nigeria, 2004 and the Post Listing Rules of the Nigerian Stock Exchange.

Under the policy, no director or principal officer of the company, or a close family of the director and/or the principal officer of the company who is aware of material non-public information relating to the company may directly or through family members or other persons buy or sell shares of the company or engage in any other action to take advantage of that information during closed periods. All insiders are notified of closed periods via written or electronic communication from the company secretary.

The Securities Trading Policy is available on the website of the Company.

SUSTAINABILITY REPORT

Arдова Plc firmly believes in the importance of contribution to the creation of a thriving society in Nigeria. To this end, the Company is committed to the support of environmentally sustainable initiatives and investments that will impact the lives of our immediate community and the society as a whole.

During the period under review, the Company supported and implemented a variety of initiatives in the advancement of the above objectives.

THE GENERAL MANDATE LETTER

ISSUED IN COMPLIANCE WITH CLAUSE 6 OF THE RULES OF THE NIGERIAN STOCK EXCHANGE GOVERNING RELATED PARTIES OR INTERESTED PERSONS

In order to ensure that its operations are carried out in the most efficient manner possible, the company seeks for the grant of a general mandate in respect of all recurrent transactions entered into with a related party or interested person which are of a revenue or trading nature or are necessary for the company's day to day operations. These transactions have been assessed to cumulatively exceed 5% of the value of the net tangible assets or issued share capital of the company.

The class of related parties and interested persons with which the company will be transacting include; shareholders, employees and their family members, companies or entities within Company.

The rationale for the transactions is that they are necessary for the operations of the company, the discharge of legal and contractual obligations currently binding on the company, are of strategic importance to the continued operations of the company, they guarantee the uninterrupted supply of goods and services necessary for the operation of the company as a going concern, are carried out on a transparent basis and are cost effective and performed efficiently.

Directors' report

In accordance with the provisions of the Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria, 2004, the Board of Directors of Ardova Plc ("the Company") is pleased to present its report on the affairs of the Company together with the audited financial statements and the auditor's report for the year ended 31st December 2019.

Corporate governance (cont'd)

LEGAL FORM

The Company was incorporated in 1964 as British Petroleum (BP) Nigeria Limited with the marketing of BP Petroleum Products as the main focus. The Company changed from a private to public company in 1978, when 40% of the shares were sold to Nigerian citizens in compliance with the provisions of the Nigerian Enterprises Promotion Decree of 1977. On July 31, 1979, the Federal Government of Nigeria (FGN) acquired 60% share capital held originally by BP, for the Nigerian National Petroleum Corporation (NNPC). This step transformed the Company into an entirely Nigerian concern necessitating the subsequent change of name to African Petroleum Plc (AP) in 1979.

In March 1989, FGN sold 20% of its share-holding to the Nigerian public, thus making AP the first public company privatized under the Privatization and Commercialization Policy. The FGN, under its privatization programme in year 2000 divested its remaining 40% shareholding in AP, thus making AP a privately owned Company, with over 153,000 shareholders.

In 2007, the Company was acquired by a majority shareholder, Zenon Petroleum and Gas Limited which led to the change of name from AP to Ardova Plc.

In June 2019, Ignite Investments and Commodities Limited became the majority shareholder in the Company after the former majority shareholder disposed off his majority shares in the Company. This led to the change of name from Forte Oil Plc to Ardova Plc.

During the period, the Company divested from its subsidiaries AP Oil and Gas Ghana, Forte Upstream Service Limited and Amperion Power Distribution Company Limited.

PRINCIPAL ACTIVITY

The Company is a major marketer of refined petroleum products with a strong presence in the thirty-six (36) States of Nigeria and the Federal Capital Territory, Abuja. The Company procures and markets petroleum products which include Premium Motor Spirit (PMS), Automotive Gas Oil (AGO), Dual Purpose Kerosene (DPK), Fuel Oils, Liquefied Petroleum Gas (LPG) and Aviation Turbine Kerosene (ATK) amongst others. The Company manufactures and distributes a wide range of lubricants foremost amongst them are the SUPER V and VISCO 2000 brands and has also obtained exclusive rights for the distribution of Chevron's Havoline Motor Oils.

Further, the Company develops clean energy hubs and mini-grids and provides renewable energy solutions through its solar brand, which distributes low cost solar power solutions to domestic customers.

Directors' report (cont'd)

OPERATING RESULTS:

The following is a summary of the Company's operating results for the year ended December 31, 2019:

	COMPANY
	N'000
Profit before income tax	4,654,147
Income tax expense	739,007
Profit after tax	3,915,140
Total Comprehensive income for the period	3,915,140
Retained earnings, at 1 January	6,418,039
Retained earnings, at 31 December	8,829,683
Basic earnings per share	3.00

DIVIDEND

The Board of Directors, pursuant to the powers vested in it by the provisions of section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria on the 10th of June, 2019 paid an interim dividend of N1.15 per 50k ordinary share. This is the final dividend for the year ended 31 December, 2019.

PROPERTY, PLANT AND EQUIPMENT

Information relating to changes in property, plants and equipment during the year is given in Note 13 to the financial statements.

DIRECTORS

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

AbdulWasiu O. Sowami	Appointed on 20 June, 2019
Olumide Adeosun	Appointed on 20 June, 2019
Moshood Olajide	Appointed on 20 June, 2019
Mohammed Aminu Umar	Appointed on 20 June, 2019
Olusola Adeeyo	Appointed on 20 June, 2019
Aniola Durosinmi-Etti	Appointed on 20 June, 2019
Femi Otedola (CON)	Resigned on 20 June, 2019
Akin Akinfemiwa	Resigned on 20 June, 2019
Julius B. Omodayo-Owotuga, FCA, CFA	Resigned on 20 June, 2019
Christopher Adeyemi	Resigned on 20 June, 2019
Anil Dua	Resigned on 20 June, 2019
Mairo Mandara	Resigned on 20 June, 2019
Nicolaas A. Vervelde	Resigned on 20 June, 2019
Salamatu Suleiman	Resigned on 20 June, 2019

DIVERSITY ON THE BOARD

Arдова Plc is committed to diversity in all aspects of its business and at all levels, including its Board of Directors. The Board of Directors support the election and appointment of diverse candidates to the Board which include gender, race, and ethnicity, along with varied skills and experiences which contributes to a balanced and effective Board.

We believe the benefit of having a diverse Board is an essential element in maintaining a competitive advantage.

Directors' report (cont'd)

DIRECTORS INTERESTS

The Directors of the Company who held office during the year together with their direct and indirect interest in the share capital of the Company were as follows:

NAME	DIRECT HOLDING 31/12/19	INDIRECT HOLDING 31/12/19	DIRECT HOLDING 31/12/18	INDIRECT HOLDING 31/12/18
ABDULWASIU O. SOWAMI	NIL	970,666,694	NIL	NIL
OLUMIDE ADEOSUN	NIL	NIL	NIL	NIL
MOSHOOD OLAJIDE	NIL	NIL	NIL	NIL
MOHAMMED AMINU UMAR	NIL	NIL	NIL	NIL
OLUSOLA ADEEYO	NIL	NIL	NIL	NIL
ANIOLA DUROSINMI-ETTI	NIL	NIL	NIL	NIL
MR. FEMI OTEDOLA CON	NIL	7,133,272	186,260,357	838,472,441
MR. AKIN AKINFEMIWA	24,000	NIL	24,000	NIL
MR. JULIUS OMODAYO-OWOTUGA	NIL	NIL	NIL	NIL
MR. CHRISTOPHER ADEYEMI	96,582	NIL	96,582	NIL
MR. NICOLAAS VERVELDE	NIL	NIL	NIL	NIL
MR. ANIL DUA	NIL	NIL	NIL	NIL
MRS. SALAMATU SULIEMAN	NIL	NIL	NIL	NIL
DR. MAIRO MANDARA	NIL	NIL	NIL	NIL

CONTRACTS

For the purpose of section 277(1) and (3) of Companies and Allied Matters Act of Nigeria, (CAMA), all contracts with related parties during the year were conducted at arm's length. Information relating to related parties transactions are contained in Note 33 to the financial statements.

ACQUISITION OF SHARES

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

SHARE OPTIONS SCHEME

The Directors did not partake in any share option scheme during the year under review.

MAJOR SHAREHOLDING

According to the Register of Members, the shareholders under-mentioned held more than 5% of the issued share capital of the Company as at 31 December 2019:

	No. of Shares	% Holding
IGNITE INVESTMENTS AND COMMODITIES LIMITED	970,666,694	74.06

Directors' report (cont'd)

SHARE CAPITAL HISTORY

AUTHORISED CAPITAL			ISSUED AND FULLY PAID CAPITAL			CONSIDERATION
DATE	FROM	TO	DATE	FROM	TO	
	₦	₦		₦	₦	₦
22/06/78	6,000,000	7,500,000	28/02/79	6,000,000	7,500,000	-
17/07/80	7,500,000	11,250,000	17/07/80	7,500,000	11,250,000	Bonus (1:2)
28/08/82	11,250,000	22,500,000	24/08/82	11,250,000	22,500,000	Bonus (1:1)
04/08/84	22,500,000	30,000,000	10/08/84	22,500,000	30,000,000	Bonus (1:3)
06/08/86	30,000,000	36,000,000	16/09/86	30,000,000	36,000,000	Bonus (1:5)
12/07/88	36,000,000	43,200,000	03/08/88	36,000,000	43,200,000	Bonus (2:3)
29/06/90	43,200,000	72,000,000	24/09/90	43,200,000	86,400,000	Rights Issue
29/07/93	72,000,000	86,400,000	10/01/94	72,000,000	86,400,000	Bonus (1:4)
28/11/97	86,400,000	108,000,000	28/11/99	86,400,000	108,000,000	Rights Issue
19/02/99	108,000,000	144,000,000	13/09/04	108,000,000	216,000,000	Rights Issue
15/11/02	144,000,000	5,000,000,000	25/11/04	216,000,000	234,263,450.50	-
			30/09/05	234,263,450.50	281,116,141	Bonus (1:5)
			28/10/06	281,116,141	394,393,919	Placement
			20/04/09	394,393,919	443,271,555	Rights Issue
			20/04/09	443,271,555	543,535,383	Public Offer
26/11/13	5,000,000,000	2,000,000,000	6/12/13	543,535,383	543,535,383	-
			11/07/14	543,535,383	546,095,528	Underwriting of 2008/2009 Hybrid Offer
			15/04/15	546,095,528	655,314,633	Bonus (1:5)

ANALYSIS OF SHAREHOLDING

The analysis of the distribution of the shares of the Company at the end of the 2019 financial year is as follows:

Range	No. of Holders	Holders %	Units	Units %	
1	1,000	132,740	81.78%	44,358,268	3.38%
1,001	5,000	23,559	14.52%	48,162,671	3.67%
5,001	10,000	3,209	1.98%	22,305,181	1.70%
10,001	100,000	2,541	1.57%	61,634,867	4.70%
100,001	500,000	210	0.12%	42,260,866	3.24%
500,001	1,000,000	25	0.02%	18,433,970	1.41%
1,000,001	10,000,000	18	0.01%	77,966,862	5.95%
10,000,001	100,000,000	1	0.00%	29,400,929	2.24%
100,000,001	1,000,000,000	3	0.00%	966,105,654	73.71%
		162,306	100.00%	1,310,629,268	100.00%

Report of the Statutory Audit Committee

To the Members of Ardova Plc

In accordance with the provision of Section 359(6) of the Companies and Allied Matters Act, Cap C 20, Laws of the Federation of Nigeria, 2004; we, the members of the Audit Committee of Ardova Plc, having carried out our statutory functions under the Act hereby confirm that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices.

In our opinion:

1. The scope and planning of the audit for the year ended 31 December, 2019 were adequate.
2. The External Auditor's findings on Management letters and Management's responses thereto were satisfactory.
3. We have kept under review the effectiveness of the Company's system of accounting and internal controls.

Dated this 27th day of February 2020.



Olusola Adeeyo
Chairman, Statutory Audit Committee
FRC/2013/NIM/00000001919

S/N	NAME	REPRESENTATION	POSITION
1.	MR. OLUSOLA ADEEYO	INDEPENDENT NON-EXECUTIVE DIRECTOR	CHAIRMAN
2.	MRS. ANIOLA DUROSINMI-ETTI	INDEPENDENT NON-EXECUTIVE DIRECTOR	MEMBER
3.	MR. MOHAMMED AMINU UMAR	NON-EXECUTIVE DIRECTOR	MEMBER
4.	MR. SAFIU OKUNOLA	SHAREHOLDER REPRESENTATIVE	MEMBER
5	MRS. ADEBISI OLUWAYEMISI BAKARE	SHAREHOLDER REPRESENTATIVE	MEMBER
6.	MR. JOB IHEJIRIKA ONWUGHARA	SHAREHOLDER REPRESENTATIVE	MEMBER

Directors' report (cont'd)

DONATIONS AND CHARITABLE GIFTS

The Company identifies with the aspirations of the community as well as the environment within which it operates and made charitable donations to the under-listed organizations amounting to N12, 484,000 during the year under review as follows:

S/N	ORGANIZATION/BODY	AMOUNT
1	Donation to Five Cowries Art Education Initiatives	6,732,000
2	Donation to Capital Market Correspondence Association of Nigeria	500,000
3	Donation to National Association of Energy Correspondents Agency	500,000
4	Donation to Photojournalist Association of Nigeria	500,000
5	Donation to Nigerian Guild of Editors	500,000
6	Donation to Government Of Enugu State	3,000,000
7	Diesel supply to Maouagwu Community Masha	282,000
8	Diesel supply to Lagos State Motherless Babies Home Lekki	470,000

DISCLOSURES

• **Borrowing and Maturity Dates**

The details of the borrowings and maturity dates are stated in Note 25 to the financial statements.

• **Risk Management and Compliance System**

Ardova Plc has a structured enterprise risk management framework that puts in place and undertakes a thorough risk assessment of all aspects of the business. The risk assessment is based on two criteria, 'Business Impact' and 'Likelihood of Occurrence' and for every identified business risk, mitigating measures are implemented by the Company.

The Directors are responsible for the total process of risk management as well as expressing their opinion on the effectiveness of the process. The risk management framework of the Company is integrated into the day-to-day operations of the company and provides guidelines and standards for administering the acceptance and on-going management of key risks such as operational, reputational, financial, market and compliance risk.

The Directors are of the view that an effective internal audit function exists in the company and that risk management control and compliance systems are operating efficiently and effectively in all respects.

• **Related Party Transactions**

The Company has contractual relationship with related companies in the ordinary course of business. The details of the outstanding amounts arising from the related party transactions are stated in Note 31 to the financial statements.

Directors' report (cont'd)

EMPLOYMENT OF PHYSICALLY CHALLENGED PERSONS

The Company is an equal opportunity employer and will not discriminate on any grounds. The Company operates a non-discriminatory policy in the consideration of applications for employment, including those received from physically challenged persons. In the event of any employee becoming disabled in the course of employment, the Company will arrange appropriate training and facilities upgrade to ensure the continuous employment of such a person without subjecting him/her to any disadvantage in his/her career development. As at 31 December 2019, the Company had no disabled persons in its employment.

HEALTH, SAFETY AND WELFARE OF EMPLOYEES

It is the policy of Ardova Plc to carry out its activities in a manner that safeguards the health and safety of its workers and other stakeholders, the protection of the Company's facilities and the environment and compliance with all regulatory and industry requirements.

The Company considers health, safety and environmental issues as important as our core businesses and assume the responsibility of providing a healthy, safe and secure work environment for our employees and contractors as required by law. Our objective is to minimize the number of cases of occupational accidents, illnesses, damage to property and environmental degradation.

Our vision is to achieve leadership role in sustainable health, safety and environment practices through the establishment and implementation of effective business management principles that are consistent with local and international regulations and standards.

EMPLOYEE INVOLVEMENT AND TRAINING

The Company encourages participation of employees in arriving at decisions in respect of matters affecting their well-being. To this end, the Company provides opportunities for employees to deliberate on issues affecting the Company and employees' interests, with a view to making inputs to decisions thereon. The Company places a high premium on the development of its human capital. Consequently, the Company sponsored its employees for various training courses in the year under review.

POST YEAR END EVENTS

All post year end events have been reviewed and considered for materiality. Appropriate disclosures and adjustments, where necessary, were also made with respect to the events.

AUDITORS

Messrs. PKF Professional Services resigned their appointment as Auditors to the Company during the year; Messrs. Deloitte & Touch were appointed on 13 November, 2019 by the Directors to fill the vacancy created in line with Section 357(6); and hold office till the end of 2019 Annual General Meeting. In accordance with Section 357(2) of the Companies and Allied Matters Act (Cap C 20) Laws of the Federation of Nigeria 2014, Messrs. Deloitte & Touche have indicated their willingness to continue in office as External Auditors of the Company. A resolution will be proposed at the Annual General meeting authorising the Directors to determine their remuneration.

BY ORDER OF THE BOARD



OLADEINDE NELSON-COLE

Ag. Company Secretary
FRC/2019/NBA/00000019918
FO House, 13 Walter Carrington Crescent
Victoria Island
Lagos.
27 February 2020

Statement of Directors' responsibilities

For the preparation and approval of the financial statements

The Directors of Ardova Plc ("the company") are responsible for the preparation of the financial statements that give a true and fair view of the financial position of the Company as at 31 December 2019 and the results of its operations, cash flows and changes in the equity for the year ended, in compliance with the International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matter Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

In preparing the financial statements, the Directors are responsible for:

- Properly selecting and applying accounting policies
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- Making an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation of Nigeria and IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and preventing and detecting fraud and other irregularities.

Going Concern:

The Directors have assessed the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

The financial statements of the Company for the year ended 31 December 2019 were approved by Directors on February 28, 2020.

On behalf of the Directors of the Company

Olumide Adeosun
Managing Director/CEO
FRC/2020/003/00000020356

Moshood Olajide
Executive Director, Finance
FRC/2018/MULTI/00000017818

Independent Auditor's report

To the Shareholders of Ardova Plc (*formerly Forte Oil Plc*)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Ardova Plc ("the Company")** which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Ardova Plc as at 31 December 2019 and the financial performance and statement of cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act Cap C20 LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated and separate financial statements of Forte Plc (now Ardova Plc) and its subsidiaries for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 26 March, 2019.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current year. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key Audit Matters

How the matter was addressed in the audit

Revenue Recognition

Our review of the entity business processes, reveals that revenue recognition is triggered only when the customers acknowledges receipt of dispatched products from the company.

This is done through the use of an electronic device that synchronizes with the company's financial system application. A manual waybill is also signed in addition to this.

However, whereas customers signed the manual waybill upon receipt of products; in some cases, the device is not activated, thus making the transaction process incomplete in the financial system. Consequently, a significant number of delivered products remained in Goods-in-Transit account at year end.

Following from the above, we identified significant risks around the completeness and cut-off of revenue balances recorded in the year i.e. revenue earned by the Company within the year may not have been fully recorded due to customers' omission to electronically confirm product delivery.

In addressing this matter, we performed procedures that involved assessing the design and implementation of controls surrounding revenue recognition, tested the operating effectiveness of these controls and further carried out detailed substantive procedures which included the following:

- Evaluated that the revenue recognition policies and methods are appropriate and applied consistently in compliance with IFRS 15
- Obtained an understanding of the controls put in place by management to identify product deliveries (performance obligation) which are yet to be confirmed by the customer;
- Performed test of control to confirm the design, implementation and operating effectiveness of the controls around revenue completeness and cut-off across individual product lines.
- In conjunction with our specialists, we tested the design, implementation and operating effectiveness of the applications involved in the revenue recognition process and also the integrity of the IT infrastructure.
- Performed substantive tests to ensure that revenue earned in the current year has been completely captured appropriately by performing the following procedures:
 - Performed a sales volume reconciliation taking into consideration the opening and closing inventory ledgers and purchases made in the year to arrive at expected sales for the year.
 - We selected samples of sales made in the year and traced to support documents ensuring that performance obligation to customers had occurred before sales were recorded, and that they were sold at approved prices.
 - We selected samples and tested early and late cut-off of sales. We focused on sales made before period end, sales invoices after period end to ensure they were recorded in the appropriate period.

Based on the procedures followed, we considered the revenue recognition method adopted by the management appropriate.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report and Audit Committee's Report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, Financial Reporting Council Act, 2011 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.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the Company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee and the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide the audit committee and Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee and/or the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the benefits derivable by the public from such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFN 2004 we expressly state that:

- i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) The Company has kept proper books of account, so far as appears from our examination of those books.
- iii) The Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.



Olufemi Abegunde (FRC/2013/ICAN/0000004507)

For: Deloitte & Touche

Chartered Accountants

Lagos, Nigeria

28 February 2020



Statement of profit or loss and other comprehensive income

	Notes	31-Dec-19 N'000	31-Dec-18 N'000
Revenue	7	176,550,766	134,706,306
Cost of sales	7	<u>(165,269,049)</u>	<u>(123,376,240)</u>
Gross profit		11,281,717	11,330,066
Other income	8	4,317,155	1,859,809
Distribution expenses	9	(2,280,966)	(2,245,688)
Administrative expenses	9	<u>(8,393,460)</u>	<u>(7,995,101)</u>
Operating profit		4,924,446	2,949,086
Finance income	10	4,555,095	1,181,038
Finance cost	10	<u>(4,825,394)</u>	<u>(3,101,580)</u>
Net finance cost		<u>(270,299)</u>	<u>(1,920,542)</u>
Profit before income tax		4,654,147	1,028,544
Income tax expense	11	<u>(739,007)</u>	<u>(397,073)</u>
Profit after tax		3,915,140	631,471
Other Comprehensive Income:			
Items that may be reclassified subsequently to profit or loss			
Total other comprehensive income net of taxes		-	-
Total comprehensive income for the period		3,915,140	631,471
Earnings per share			
Basic/diluted in (N)	12	<u>3.00</u>	<u>0.48</u>


The accompanying notes and significant accounting policies form an integral part of these financial statements.

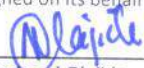
For the year ended 31 December 2019

Statement of financial position
At 31 December 2019

	Note	31-Dec-19 N'000	31-Dec-18 N'000
Assets			
Non-current assets			
Property, plant and equipment	13	11,116,680	8,789,910
Right of use assets	14	1,376,470	-
Investment property	15	1,506,546	1,531,995
Intangible assets	16	72,753	143,811
Deferred tax assets	17	783,157	577,571
Long term investments (employee benefits)	24	36,735	563,910
Total non-current assets		14,892,341	11,607,197
Current assets			
Inventories	18	12,834,373	9,528,146
Trade and other receivables	19	16,677,971	28,611,871
Short term investments (employee benefits)	24	610,302	-
Restricted cash	20	19,707	-
Cash and cash equivalents	21	1,984,260	1,154,269
Assets classified as held for sale	22	32,126,613 -	39,294,286 10,296,796
Total current assets		32,126,613	49,591,082
Total assets		47,018,954	61,198,279
Equity			
Share capital		655,314	655,314
Share premium	23	8,071,943	8,071,943
Other reserves	23	(5,041)	(7,752)
Retained earnings	23	8,829,683	6,418,039
Total equity attributable to equity holders of the Company		17,551,899	15,137,544
Treasury stock	23	(1,388,574)	(1,388,574)
Total equity		16,163,325	13,748,970
Liabilities			
Non-current liabilities			
Deferred tax liabilities	17	1,463,956	1,490,741
Employee benefits	24	-	468,546
Loans and borrowings	25	-	634,369
Medium term bond	25	2,735,388	5,041,359
Total non-current liabilities		4,199,344	7,635,015
Current liabilities			
Trade and other payables	26	22,823,177	26,473,273
Current income tax liabilities	11	976,632	296,217
Loans and borrowings	25	-	1,437,094
Employee benefits	24	262,902	-
Medium term bond	25	2,476,801	2,134,164
Bank overdraft	21	116,773	9,473,546
Total current liabilities		26,656,285	39,814,294
Total liabilities		30,855,629	47,449,309
Total equity and liabilities		47,018,954	61,198,279

The financial statements were approved by the Board on 28 February 2020 and signed on its behalf by:


Olumide Adeosun
Chief Executive Officer
FRC/2020/003/00000020356


Moshood Olajide
Executive Director, Finance
FRC/2018/MULTI/00000017818

The accompanying notes and significant accounting policies form an integral part of these financial statements

Statement of changes in equity

	Share capital N'000	Share premium N'000	Reserves N'000	Retained earnings N'000	Total N'000	Treasury shares N'000	Total equity N'000
Balance at 1 January 2019	655,314	8,071,943	(7,752)	6,418,039	15,137,544	(1,388,574)	13,748,970
Changes in equity for 2019:							
Adjustment	-	-	2,711	(2,711)	-	-	-
Profit or loss for the year	-	-	-	3,915,140	3,915,140	-	3,915,140
Dividend	-	-	-	(1,500,785)	(1,500,785)	-	(1,500,785)
Balance at 31 December 2019	655,314	8,071,943	(5,041)	8,829,683	17,551,899	(1,388,574)	16,163,325
Balance at 1 January 2018	655,314	8,071,943	(7,752)	5,805,859	14,525,364	(1,388,574)	13,136,790
Changes in equity for 2018:							
Effect of retrospective adoption of IFRS 9	-	-	-	(19,291)	(19,291)	-	(19,291)
Profit or loss for the period	-	-	-	631,471	631,471	-	631,471
Balance at 31 December 2018	655,314	8,071,943	(7,752)	6,418,039	15,137,544	(1,388,574)	13,748,970

The accompanying notes and significant accounting policies form an integral part of these financial statements.

ARDOVA PLC
(Formerly Forte Oil Plc)
Annual Reports and Financial statements
For the year ended 31 December 2019

Statement of cash flows

	Notes	31-Dec-19 N'000	31-Dec-18 N'000
Cash flows from operating activities			
Profit for the period		3,915,140	631,471
Adjustment for:			
Depreciation of property, plant and equipment	13b	2,054,952	1,324,413
Depreciation of investment property	15	25,449	25,449
Amortization of intangible asset	16	71,058	72,236
Gain on disposal of subsidiaries	8	(2,674,891)	-
(Profit)/Loss on disposal of property, plant and equipment	13	30,067	(6,537)
Finance income	10	(4,555,095)	(1,181,038)
Finance cost on loans and borrowings	10	4,825,394	3,101,580
Current service cost	24	254,680	97,347
Increase in impairment allowance for trade receivables	9	69,436	443,944
Provisions no longer required		(23,055)	77,402
Effect of retrospective adoption of New standard		-	(19,291)
Income tax expense	11	739,007	397,073
		4,732,142	4,964,049
Changes in:			
Inventories	18	(3,306,227)	(4,909,760)
Trade and other receivables	19a	9,204,260	4,675,901
Trade and other payables	26	(3,912,260)	(303,620)
Non trade payables and other creditors	26	(295,696)	83,745
		6,422,219	4,510,315
Cash generated from operating activities			
Employee benefit paid	24	(530,084)	(102,173)
Income taxes paid		(209,058)	(241,852)
		5,683,077	4,166,290
Net cash generated from operating activities			
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	13	212,821	32,263
Acquisition of property, plant and equipment	13	(816,036)	(371,798)
Acquisition of intangibles		-	(19,397)
Acquisition of ROU assets	14	(245,542)	-
Proceeds from disposal of subsidiaries	8	12,960,887	-
Interest received		539,103	1,106,542
		12,651,233	747,611
Net cash generated from investing activities			
Cash flows from financing activities			
Loan repayment	25	(5,438,107)	(10,442,422)
Dividend paid		(1,500,785)	-
Interest paid	10	(1,188,948)	(3,101,580)
		(8,127,840)	(13,544,002)
Net cash used in financing activities			
		10,206,470	(8,630,100)
Net increase / (decrease) in cash and cash equivalents			
Restricted cash	20	(19,707)	-
Cash and cash equivalents as at 1 January	21	(8,319,276)	310,823
		1,867,487	(8,319,277)
Cash and cash equivalents at 31 December			

The accompanying notes and significant accounting policies form an integral part of these financial statements.

Operating segment

The Company has four reportable segments, as described below, which are the Company's strategic business units. The strategic business units offer different products, and are managed separately. For each of the strategic business units, the Company's CEO reviews internal management reports on at least monthly basis. The following summary describes the operations in each of the Company's reportable segments.

Segment	Description
Fuels	This segment is responsible for the sale and distribution of petroleum products (white products) and Aviation Turbine Kerosene (ATK) in retail outlets and to industrial customers.
Lubricants and Greases	This segment manufactures and sells lubricants and greases.
Solar system	This segment sells solar system.
LPG and Cylinder Sales	This segment sells Liquefied Petroleum Gas and cylinder Sales.

As at 31 March 2019, the subsidiaries Forte Upstream Services, AP Oil and Gas- Ghana and Amperion Power Distribution Company Limited, which had been previously classified as held for sale at the end of June 2018, were disposed of. Details of the profit or loss from disposal has been included in Note 8.5. The accounting policies of the reportable segments are the same as described in notes 2 to 5.

Information regarding the results of each reportable segment is included below:

	31 DECEMBER 2019				31 DECEMBER 2018					
	Fuels N'000	Lubricants and greases N'000	Solar system N'000	LPG and Cylinder Sales N'000	TOTAL N'000	Fuels N'000	Lubricants and greases N'000	Solar system N'000	LPG and Cylinder Sales N'000	TOTAL
Revenue	159,245,196	17,249,004	39,097	17,469	176,550,766	120,844,440	13,720,830	141,036	-	134,706,306
Cost of Sales	(152,387,320)	(12,822,179)	(41,102)	(18,448)	165,269,049	112,346,536	10,909,732	119,972	-	123,376,240
Gross Profit / (loss)	6,857,876	4,426,825	(2,005)	(979)	11,281,717	8,497,904	2,811,098	21,064	-	11,330,066
Other income	2,618,645	1,694,006	3,027	1,477	4,317,155	1,394,915	461,436	3,458	-	1,859,809
Distribution expenses	(1,385,336)	(895,027)	(405)	(198)	(2,280,966)	(1,684,336)	(557,177)	(4,175)	-	(2,245,688)
Administrative expenses	(5,097,736)	(3,293,504)	(1,492)	(728)	(8,393,460)	(5,996,576)	(1,983,661)	(14,864)	-	(7,995,101)
	(3,864,427)	(2,494,525)	1,130	551	(6,357,271)	(6,285,997)	(2,079,402)	(15,581)	-	(8,380,980)
Operating Profit	2,993,449	1,932,300	(875)	(428)	4,924,446	2,211,907	731,696	5,483	-	2,949,086
Net finance cost	(164,212)	(106,016)	(48)	(23)	(270,299)	(1,440,467)	(476,505)	(3,570)	-	(1,920,542)
Profit before income tax	2,829,237	1,826,284	(923)	(451)	4,654,147	771,440	255,191	1,913	-	1,028,544
Income tax expense	(449,224)	(289,978)	131	64	(739,007)	(297,817)	(98,518)	(738)	-	(397,073)
Profit after tax	2,380,013	1,536,306	(792)	(387)	3,915,140	473,623	156,673	1,175	-	631,471

Operating Segment (cont'd)

The Company's CEO measures performance based on segment profit before income tax, as included in the internal management reports. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of these segments.

The measurement policies the Company uses for segment reporting are the same as those used in its financial statements. There have been no changes from prior years in the measurement methods used to determine reported segment profit or loss.

Revenue of approximately NGN52 billion are derived from ten external customers. 90% of these revenues are attributable to the fuels segment.

The geographical location of the company operations is Nigeria, operations outside Nigeria are non-existent and do not constitute a segment.

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

Notes to the financial statements

1. The Company

1.1 General information

The Company was incorporated on 11 December 1964 as British Petroleum. It became African Petroleum through the nationalisation policy of the Federal Government of Nigeria in 1979. The Company changed its name to Forte Oil Plc in December 2010 as a result of a restructuring and rebranding exercise. In June, 2019, Ignite Investments and Commodities Limited became the majority shareholder in Forte Oil Plc after the former majority shareholder disposed off his shares in the Company. The company's name was changed to Ardova Plc in December 2019.

During the period, the Company disposed off its Upstream Services, Power and a portion of its Fuel segments. The Company disposed AP Oil and Gas Ghana, Forte Upstream Service Limited and Amperion Power Distribution Company Limited.

Principal activities

The Company engages in the marketing of petroleum products, which is divided into fuels, lubricants and greases.

1.2 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as issued by the International Accounting Standard Board (IASB) and in compliance with the Financial Reporting Council of Nigeria Act. The financial statements for the year ended 31 December 2019, have been prepared in accordance with International Financial Reporting Standard (IFRS).

1.3 Composition of Financial statements

This financial statement is presented in Naira, which is the Company's functional currency. Except as indicated in this financial statements, financial information presented in Naira has been rounded to the nearest thousand.

- * Statement of profit and loss and other comprehensive income
- * Statement of financial position
- * Statement of changes in equity
- * Statement of cash flows
- * Segment information.

The Directors also provided the following additional statements in compliance with Companies and Allied Matters Act:

- * Value added statement
- * Five-year financial summary

1.4 Financial Period

These financial statements cover the period from 1 January 2019 to 31 December 2019 with comparative figures for the financial year from 1 January 2018 to 31 December 2018.

Notes to the financial statements

2.0 Adoption of new and revised IFRS standards

2.1 New and amended IFRS Standards that are effective for the current year, adopted by the Company

2.1.1 Impact of initial application of IFRS 16 Leases

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the company recognising a right-of-use asset in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months and no related lease liability was recognised because future lease payment were made at the inception of all the operating lease contract from the date of initial application

The new Standard has been applied using the modified retrospective approach; however, in our case we have no cumulative effect of adopting IFRS 16 to be recognised in equity to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term.

The Company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 January 2019:

	31-Dec-19	31-Dec-18	1-Jan-18
	N'000	N'000	N'000
Right of use asset	1,376,470	1,934,210	2,701,972

In the current year, the Company did not apply any other amendments to the IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2019.

Notes to the financial statements

2.2 New Standards and interpretations issued but not yet effective.

2.2.1 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 17 is effective for annual periods beginning on or after January 1, 2021, well after the effective date of IFRS 9 Financial Instruments, January 1, 2018. IFRS 9 will cover a majority of an insurer's investments; therefore, the expected differing effective dates created concerns relating to temporary volatility and accounting mismatches in profit or loss. Some companies have also expressed concerns about the need to implement two significant changes in accounting on different dates, which will increase costs and complexity.

In September 2016, the IASB issued amendments to its existing insurance contracts standard, IFRS 4. The amendments introduced two approaches that supplement existing options in the Standard that can be used to address the temporary volatility as a result of the different effective dates of IFRS 9 and the forthcoming insurance contracts standard.

The amendments:

- provide a reporting entity (whose predominant activity is to issue insurance contracts) a temporary exemption from applying IFRS 9 until the earlier of: a) the application of IFRS 17; or b) January 1, 2021 (to be applied at the reporting entity level) (referred to as the 'temporary exemption'); and
- give entities issuing insurance contracts the option to remove from profit or loss the incremental volatility caused by changes in the measurement of specified financial assets upon application of IFRS 9 (referred to as the 'overlay approach'). This option will be in place until IFRS 17 comes into effect.

Impact on Initial Application

The amendment to the standard might not have any impact on the Company financial statements when it becomes effective in 2021

2.2.2 IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendment to the standard might not have any impact on the Company financial statements when it becomes effective in 2021.

Notes to the financial statements

2.2.3 Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

"The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted."

2.2.4 Conceptual Framework for Financial Reporting

Purpose: - The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts overrides those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Key provisions: The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, and guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 – The objective of financial reporting
- Chapter 2 – Qualitative characteristics of useful financial information
- Chapter 3 – Financial statements and the reporting entity
- Chapter 4 – The elements of financial statements
- Chapter 5 – Recognition and derecognition
- Chapter 6 – Measurement
- Chapter 7 – Presentation and disclosure
- "• Chapter 8 – Concepts of capital and capital maintenance.

The Conceptual Framework is accompanied by a Basis for Conclusions."

There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 Business Combinations and for those applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event

Notes to the financial statements

2.2.5 Definition of Material (Amendments to IAS 1 and IAS 8)

The International Accounting Standards Board (IASB) has issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves.

Changes and reasoning behind the changes

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments:

The definition of material, an important accounting concept in IFRS Standards, helps companies decide whether information should be included in their financial statements. The updated definition amends IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are a response to findings that some companies experienced difficulties using the old definition when judging whether information was material for inclusion in the financial statements.

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Three new aspects of the new definition should especially be noted:

Obscuring. The existing definition only focused on omitting or misstating information, however, the Board concluded that obscuring material information with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1 (IAS 1.30A).

Could reasonably be expected to influence. The existing definition referred to 'could influence' which the Board felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote.

Primary users. The existing definition referred only to 'users' which again the Board feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

Notes to the financial statements

3.0 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise indicated.

3.1 Basis of measurement

This financial statements are prepared on the historical cost basis except as modified by actuarial valuation of staff gratuity and fair valuation of financial assets and liabilities where applicable. There are other assets and liabilities measured at amortised cost.

3.1.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the entities within the Company.

Monetary items denominated in foreign currencies are re-translated at the exchange rates applying at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences are recognised in profit or loss in the year in which they arise except for:

- exchange differences on foreign currency borrowings which are regarded as adjustments to interest costs, where those interest costs qualify for capitalisation to assets under construction;
- exchange differences on transactions entered into to hedge foreign currency risks; and
- exchange differences on loans to or from a foreign operation for which settlement is neither planned nor likely to occur and therefore forms part of the net investment in the foreign operation, which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis.

3.1.2 Foreign operations

The functional currency of the parent Company and the presentation currency of the financial statements is Naira. The assets and liabilities of the Company's foreign operations are translated to Naira using exchange rates at year end. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rate on transaction date is used. Goodwill acquired in business combinations of a foreign operation are treated as assets and liabilities of that operation and translated at the closing rate.

Exchange differences are recognised in other comprehensive income and accumulated in a separate category of equity.

On the disposal of a foreign operation, the accumulated exchange differences of that operation, which is attributable to the Company are recognised in profit or loss.

Notes to the financial statements

3.2 Financial assets and financial liabilities

Recognition and initial measurement

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

Financial assets

Initial recognition and measurement of financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss (the Company however has no financial instrument in this category)

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

There are three measurement categories into which the Company classifies its debt instruments:

Notes to the financial statements

3.2 Financial assets and financial liabilities (cont'd)

Amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through other comprehensive income (FVOCI):

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through profit or loss:

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the profit or loss statement within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in the interest income.

Other financial assets:

Other financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets. These are initially recognised at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment losses. These comprise trade receivables, unbilled revenues, cash and cash equivalents and other assets.

Expected credit losses

The Company applies the IFRS 9 simplified approach to measuring expected credit losses ECLs for trade receivables at an amount equal to lifetime ECLs. The ECLs on trade receivables are calculated based on actual credit loss experience over the preceding three on the total balance of non-credit impaired trade receivables.

The Company considers a trade receivable to be credit impaired when one or more detrimental events have occurred such as:

- significant financial difficulty of the customer; or
- it is becoming probable that the customer will enter bankruptcy or other financial reorganization.

Impairment losses related to trade and other receivables are not presented separately in the income statement but are reported under the heading, administrative expenses

Notes to the financial statements

3.2 Financial assets and financial liabilities (cont'd)

Business model:

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at fair value through profit or loss ('FVTPL'). Factors considered by the Company in determining the business model for a Company of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely Payment of Principal and Interest (SPPI):

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/ (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Notes to the financial statements

3.2 Financial assets and financial liabilities (cont'd)

Derecognition

A financial asset is derecognised when:

The rights to receive cash flows from the asset have expired;

The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

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

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

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

Financial liabilities

Initial recognition and measurement

The Company has classified all financial liabilities within the scope of IFRS 9 under loans and borrowings and other financial liabilities as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

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

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Loans and borrowings

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

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

Notes to the financial statements

3.2 Financial assets and financial liabilities (cont'd)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

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

3.2.1 Trade and other receivables

Trade receivables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash receipts over the short credit year is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue trade receivables is recognised as it accrues.

Trade and other receivables are recognised initially at their transaction price and subsequently measured at amortized cost less loss allowances.

3.2.2 Cash and cash equivalents

Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term.

3.2.3 Non-derivative financial liabilities

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.2.4 Trade and other payables

Trade payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short payment year is not considered to be material.

3.2.5 Loans and borrowings

3.2.5a Interest-bearing borrowings

Interest-bearing borrowings are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Notes to the financial statements

3.2 Financial assets and financial liabilities (cont'd)

3.2.5b Debt instruments

Financial instruments issued by the Company are qualified as debt instruments if there is a contractual obligation to deliver cash or another financial asset to the holder of the instrument. The same applies if the Company is required to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company.

Issues of bonds are recorded at their initial fair value which normally reflects the proceeds received, net of direct issue costs less any repayments. Subsequently these are stated at amortised cost, using the effective interest method. Any difference between the proceeds after direct issue costs and the redemption value is recognised over the term of the borrowing in the income statement using the effective interest method.

3.2.6 Compound instruments

At the issue date, the fair value of the liability component of a compound instrument is estimated using the market interest rate for a similar non-convertible instrument. This amount is recorded as a liability at amortised cost using the effective interest method until extinguished upon conversion or at the instrument's redemption date.

The equity component is determined as the difference of the amount of the liability component from the fair value of the instrument. This is recognised in equity, net of income tax effects, and is not subsequently remeasured.

3.2.7 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

3.3.1 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects and costs directly attributable to the issue of the instrument.

3.3.2 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

Dividends which remained unclaimed for a year exceeding twelve (12) years from the date of declaration and which are no longer actionable by shareholders in accordance with Section 385 of Companies and Allied Matters Act of Nigeria, are written back to retained earnings.

Notes to the financial statements

3.4 Property, plant and equipment

3.4.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Items of property, plant and equipment under construction are disclosed as capital work-in-progress. The cost of construction recognised includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for the intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

3.4.2 Reclassification of investment property

When the use of a property changes from owner-occupied to investment property, the property is transferred to investment properties at its carrying amount.

3.4.3 Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

3.4.4 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful life unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case the assets are depreciated over the useful life.

Notes to the financial statements

3.4.4 Depreciation (cont'd)

The estimated useful lives for the current and comparative year are as follows:

Land	Over lease year
Buildings	25 years
Building improvements	5 years
Plant, equipment and tanks	5-20 years
Furniture and fittings	4 years
Computer equipment	3 years
Motor vehicles	5-8years

Depreciation methods, useful life and residual values are reviewed at each financial year end and adjusted, if appropriate. Capital work-in-progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

3.5 Investment property

Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the property. Investment properties under construction are disclosed as capital work-in-progress. The cost of construction recognised includes the cost of materials and direct labour, any other costs directly attributable to bringing the property to a condition of commercial lease to third parties. Land held for an undefined future use is recognised as investment property.

Property that is being constructed or developed for future use as investment property is recognised as investment property.

Depreciation is calculated over the depreciable amount, which is the cost of a property, or other amount substituted for cost, less its residual value. Depreciation is recognised on a straight - line basis over the useful life of the investment property.

The estimated useful lives for the current and comparative year are as follows:

Land	Over lease year
Buildings	25 years

The criteria used by the Company to distinguish investment property from owner occupied property are as follows:

- The property must not be actively used for the running of the core business activity of the Company that is, production and marketing of petroleum products.
- The property generates cash flows which have no direct connection with core business activity of the Company.
- The property is held primarily for rental income generation and/or value appreciation.

Notes to the financial statements

3.6.0 Intangible assets

3.6.1 Intangible assets acquired separately

Intangible assets acquired separately are shown at historical cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. These charges are included in other expenses in profit or loss.

Intangible assets with an indefinite useful life are tested for impairment annually. Other intangible assets are amortised from the date they are available for use. The estimated useful life for the current and comparative year is:

Software costs - 3 to 8 years

Amortisation years and methods are reviewed annually and adjusted if appropriate.

3.6.2 Intangible assets generated internally

Expenditures on research or on the research phase of an internal project are recognised as an expense when incurred. The intangible assets arising from the development phase of an internal project are recognised if, and only if, the following conditions apply:

- it is technically feasible to complete the asset for use by the Company;
- the Company has the intention of completing the asset for either use or resale;
- the Company has the ability to either use or sell the asset;
- it is possible to estimate how the asset will generate income;
- the Company has adequate financial, technical and other resources to develop and use the asset; and
- the expenditure incurred to develop the asset is measurable.

If no intangible asset can be recognised based on the above, then development costs are recognised in profit and loss in the year in which they are incurred.

3.6.3 Intangible assets recognised in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date.

3.6.4 Subsequent expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Notes to the financial statements

3.6.5 Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight - line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this must closely reflect the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life for the current and comparative year is:

Computer software: 3 to 8 years

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.7 Leases

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - the Company has the right to operate the asset; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of retail station (property) in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Notes to the financial statements

3.7 Leases (cont'd)

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Notes to the financial statements

3.7 Leases (cont'd)

As a lessee (cont'd)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of property that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under IAS 17

In the comparative period, as a lessee the Company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as prepayment and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Notes to the financial statements

3.7 Leases (cont'd)

As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16. However, when the Company was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

3.8 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the year in which they are incurred.

Notes to the financial statements

3.9 Taxation

Income tax for the year is based on the taxable income for the year. Taxable income differs from profit as reported in the statement of comprehensive income for the year as there are some items which may never be taxable or deductible for tax and other items which may be deductible or taxable in other years.

The Company offsets the tax assets arising from withholding tax credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set-off the recognised amounts, and it intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would not be realised.

Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the statement of financial position. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

The Company does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, joint ventures and associates where the parent Company is able to control the timing of the reversal of the temporary differences and it is not considered probable that the temporary differences will reverse in the foreseeable future. It is the Company's policy to reinvest undistributed profits arising in Company companies.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans approved by the board for the Company.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Notes to the financial statements

3.10 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of deregulated inventories - AGO, ATK, LPFO is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. The cost of regulated inventories - PMS and DPK is also based on the weighted average cost principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Packaging Materials, Solar inverters, Lubricants, and Greases are valued based on Weighted Average Cost. Inventories -in-transit are valued based on purchase cost incurred to date.

Perpetual inventory system where cost of sales and ending inventory is updated continuously is in use.

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

The production costs comprise direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads.

Allowance is made for obsolete, slow moving or defective items where appropriate.

Spare parts and consumables

Spare parts, which are expected to be fully utilized in production within the next operating cycle and other consumables, are valued at weighted average cost.

3.11 Impairment

3.11.1 Impairment of financial assets

The Company recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Notes to the financial statements

3.11 Impairment

3.11.1 Impairment of financial assets (cont'd)

The Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.11.2 Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

3.12 Employee benefits

The Company operates both defined contribution plans and defined benefit plans.

3.12.1 Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit post-retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

Notes to the financial statements

3.12.1 Defined benefit plan (cont'd)

A qualified actuary using the projected unit credit method performs the calculation annually. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average year until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

3.12.2 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the year during which services are rendered by employees. In relation to the defined contribution plan, the Company has in place the Pension fund scheme.

3.12.3 Pension fund scheme

In accordance with the revised provisions of the Pension Reform Act, 2014, the Company has instituted a Contributory Pension Scheme for its employees, where both the employees and the Company contribute 8% and 10% respectively of the employee's emoluments (basic salary, housing and transport allowances). The Company's contribution under the scheme is charged to the profit and loss account while employee contributions are funded through payroll deductions.

3.12.4 Terminal benefit

Termination benefits are recognised as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting year, then they are discounted to their present value.

3.12.5 Short term benefits - Profit-sharing and bonus plans

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

Notes to the financial statements

3.13 Provision, contingencies and decommissioning costs

3.13.1 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.13.2 Contingent liabilities

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company. Contingent liabilities are not recognised in the financial statements but are disclosed. However if the possibility of an outflow of economic resources is considered remote, such contingent liabilities are recognised in the financial statements.

3.13.3 Contingent assets

Contingent assets are possible assets that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are only disclosed when an inflow of economic benefit is probable. Asset is recognised when the realisation of income is virtually certain, in which case the related asset is no more contingent.

3.13.5 Decommissioning costs

Liabilities for decommissioning costs are recognised when the Company has an obligation to dismantle and remove a facility or an item of property, plant or equipment and to restore the site on which it is located, and when a reliable estimate of the liability can be made. Where an obligation exists for a new facility such as a retail outlet, this will be on construction. An obligation for decommissioning may also crystalize during the year of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also recognised. This is subsequently depreciated as part of the asset.

Notes to the financial statements

3.14 Models used for impairment test, valuations, actuarial results

The new impairment requirements in IFRS 9 are based on an expected credit loss model and replaces the IAS 39 incurred loss model. The expected credit loss model applies to debt instruments (such as bank deposits, loans, debt securities and trade receivables) recorded at amortised cost or at fair value through other comprehensive income, plus lease receivables, contract assets and loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss. The guiding principle of the expected credit loss model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments.

In line with the requirements of IFRS 9, the Company recognize losses on all receivables including receivables that are not past due. I.e. it is no longer necessary for a credit event to have occurred before credit losses are recognized. The Company calculates expected credit losses on trade receivables using a provision matrix based on historical, current and forecasted credit conditions. All receivables are computed based on different customer attributes and different historical loss patterns.

The Company's trade receivables by their nature do not include a significant financing component, they are measured at transaction price and do not have a contractual interest rate. Thus the Effective Interest Rate (EIR) would be zero (0). As a result of this, the discounting of cash shortfalls when measuring our ECL would not be required. The following approach is adopted by the Company in determining the expected credit loss on all receivables. In line with the requirements of IFRS 9, all receivables have an ECL provision, including receivables that are not past due.

Default based on our internal rating system is considered after 60days. All receivables are categorized based on the ageing of the receivables, associated risk rating and the impairment allowance relative to the risk class as analysed below. All receivables with credit balances have no associated risk. Also, receivables that are not past due have a risk rating of 1. In determining historical default rate, we considered internal rating over a prior period of three years for the trade receivables and compared with the rating as at reporting date. This was used to determine if there had been a significant increase in credit risk (SICR).

"The Company considers forward-looking information using reasonable and supportable forecasts of future economic conditions that is available without undue cost or effort. We considered inflation rate and GDP growth rate as the macro-economic factors that influence the default rate. The historical default rate is adjusted with the forecasts of future economic condition to arrive at a credit loss rate.

The expected credit loss is calculated by applying the credit loss rate to the receivables balance at the reporting period. Estimates for our ECL computation reflect cashflows expected from collaterals (i.e. transporters freight costs) and other credit enhancements that are part of the credit terms. These collaterals are recognized alongside the receivables being tested for impairment."

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each financial year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to the financial statements

3.15 Revenue from contract with customers

Revenue from sale of petroleum products, Aviation Turbine Kerosene, lubricants and greases, and solar panel

Revenue arises mainly from the sale of petroleum products (white products), Aviation Turbine Kerosene (ATK), lubricants and greases, and solar panel.

To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The transaction price for a contract excludes any amounts collected on behalf of third parties. Customers obtain control of products when the products are delivered to and have been accepted and revenue is recognised at that point in time. Invoices are usually payable within 30days.

3.15.1 Rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from other property is recognised as other income.

3.15.2 Throughput income

Throughput income represents fees earned from the use of the Company's storage facilities by third parties on one hand and the Nigerian National Petroleum Corporation product discharge into these storage facilities. These are recognised as other income.

3.16 Finance, dividend income and finance cost.

3.16.1 Finance and dividend income

Finance income comprises interest income on funds invested, credit bank balances, reimbursement of any foreign loss and /or interest from Petroleum Product Pricing Regulatory Agency (PPPRA). Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables recognised using the original effective interest rate. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

3.16.2 Finance cost

Finance costs comprises interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Notes to the financial statements

3.17 Earnings per share

The Company presents basic/diluted earnings per share data for its ordinary shares.

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted earnings per share adjusts the figures used in the determination of Basic earnings per share to take into account the weighted average number of additional shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3.18 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. Segment results that are reported to the Company's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of head office expenses, and tax assets and liabilities.

3.19 Petroleum subsidies

Petroleum Products Pricing Regulatory Agency (PPPRA) subsidises the cost of importation of certain refined petroleum products whose prices are regulated in the Nigerian market. The subsidies are recognised when there is reasonable assurance that they will be recovered and the Company has complied with the conditions attached to receiving the subsidy. The subsidies are recognised as a reduction to the landing cost of the subsidised petroleum product.

3.20 Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of the future cash flows, and discounted at market rates of interest at the reporting date. For trade and other receivables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

Fair value which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at market rates of interest at the reporting date. For trade and other creditors with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

3.21 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter year. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Notes to the financial statements

3.22 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.23 Repurchase and reissue of share capital (Treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

3.24 Statement of cash flows

The statement of cash flows is prepared using the indirect method. Changes in items in the statement of financial position that have not resulted in cash flows have been eliminated for the purpose of preparing the statement. Dividends paid to ordinary shareholders are included in financing activities. Finance cost is also included in financing activities while finance income received is included in investing activities.

3.25 Related parties

Related parties include the holding Company and other Company entities. Directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Company, are also considered to be related parties. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

3.26 Customers security deposits

Customers' security deposits relate to the amounts that dealers have paid to the Company at the onset of their agreements. These deposits are short term in nature and are repayable to the dealers at the end of the agreements or upon termination subject to the clauses within the agreement.

3.27 Event occurring after the balance sheet date

The value of asset and liabilities at the balance sheet date are adjusted if there is evidence that subsequent adjusting event warrant a modification of these values. These adjustment are made up to the date of approval of the financial statements by the Board of Directors.

Other non-adjusting event are disclosed in the notes.

Notes to the financial statements

4.0 Critical accounting judgement and key sources of estimating uncertainty

In the application of the Company's accounting policies, which are described in Note 3, The Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimated underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are revised and the revision affects only that year or in the year of the revision and the future years if the revision affects both current and future years.

4.1 Critical judgement in applying accounting policies

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

4.1.1 In making its judgement, management considered the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular, whether the entity had transferred control of the goods to the customer. Following the detailed quantification of the entity's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the rectification costs.

4.2 Key sources of estimating uncertainty

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

4.2.1 Recoverability of assets carrying amount

The Company assesses its property plant and equipment for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least at every reporting date. Such indicators include changes in the, Company's business plans, changes in commodity prices, evidence of physical damage and, for oil and gas properties, significant downward revisions of estimated recoverable volumes or increases in estimated future development expenditure.

The assessment for impairment entails comparing the carrying value of the cash-generating unit with its recoverable amount, that is, value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional market supply-and-demand conditions for crude oil, natural gas and refined products.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Such estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the financial statements

Use of estimates and judgements (cont'd)

4.2.2 Contingencies

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

4.2.3 Estimated useful lives and residual values of intangible assets and property, plant and equipment

The Company's management determines the estimated useful lives and related depreciation charge for its items of property, plant and equipment on an annual basis. The Company has carried out a review of the residual values and useful lives of property, plant and equipment as at 30 June 2019 and that has not highlighted any requirement for an adjustment to the residual lives and remaining useful lives of the assets for the current or future periods.

4.2.4 Recoverability of financial assets

The Company reviews all financial assets at least annually and when there is any indication that the asset might be impaired. Loss allowance for trade receivables is measured at an amount equal to twelve months ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has recognised a loss allowance of 100% against all receivables over 365 days past due, because historical experience has indicated that these receivables are generally not recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting year. The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, except where there is adequate security. None of the trade receivables that have been written off are subject to enforcement activities. Trade receivables are considered to be past due when they exceed the credit period granted.

4.2.5 Fair value hierarchy

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

4.2.6 Provisions for employee benefits

The actuarial techniques used to assess the value of the defined benefit plans involve financial assumptions (discount rate, rate of return on assets, medical costs trend rate) and demographic assumptions (salary increase rate, employee turnover rate, etc.). The Company uses the assistance of an external independent actuary in the assessment of these assumptions. For more details refer to Note 24.

Notes to the financial statements

5. Determination of fair values

A number of Company's accounting policies and disclosures require the determination of fair value, both for financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this and separate financial statements is determined for measurement and / or disclosures purposes based on the following methods.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

6. Financial risk management

Overview

Our risk management objective is to ensure sustainable business growth with stability by promoting a pro-active approach in identifying, evaluating, mitigating and reporting risks associated with the business. In order to achieve these objective, we have established a structured and disciplined approach to Risk Management, including the development of the Risk Matrix, in order to guide decisions of the Company on risk related issues. The Company has a risk management system embedded in our day to day business activities which guides our business operations and is being followed in a consistent and systematic manner to increase value to our shareholders. Our Enterprise Risk Management framework focuses on enterprise wide risk of the Company with the objective to protect and enhance each entity's value and by extension the Company's value.

Risk Management framework

The Board of Directors sets our overall risk appetite, approve the risk management strategy and is ultimately responsible for the effectiveness of the risk management process and system of internal control within the Company.

Specific objectives of the Company's Risk Management framework are:

- To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated and managed.
- To establish a framework for the Company's risk management process and to ensure Company-wide implementation.
- To ensure systematic and uniform assessment of risks related with the Company's operations.
- To reduce operational surprises and losses.
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- To assure business growth with financial stability.

The Board oversees risk management through the following Committees:

Notes to the financial statements

6. Financial risk management (cont'd)

Board Risk Management Committee

The Board Risk Management Committee is responsible for developing and monitoring the Company's risk management policies which are established to identify and analyse the risks faced by the Company, to set appropriate risk limit and controls, monitor risks and adherence to risk limits. The Committee ensures that risk management policies are integrated into the Company's culture. The Committee also reviews quarterly risk management reports and direct appropriate actions to be taken by senior management. The committee reports quarterly to the Board of Directors on its various activities.

Statutory Audit Committee

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Corporate Governance and Remuneration Committee

The Corporate Governance and Remuneration Committee assists the Board in fulfilling its responsibilities in relation to Corporate Governance & remuneration matters. It ensures the Company meets all legal and regulatory requirements for business operations, thus protecting the Company from incurring operational and reputational liabilities that can affect the achievement of our goals and objectives.

Risk Management Committee

The Risk Management Committee is a Management Committee of the Company which evaluates the risks inherent within the business and ensures that they are captured appropriately within the business risk profile. The committee monitors residual risk exposures and provides assurance as to adequacy of controls implemented to manage risks to the agreed level of appetite. The committee meets monthly, however risk reports are provided quarterly to the Board Risk Committee. Principal risk events are however escalated immediately.

Credit Risk Management Committee

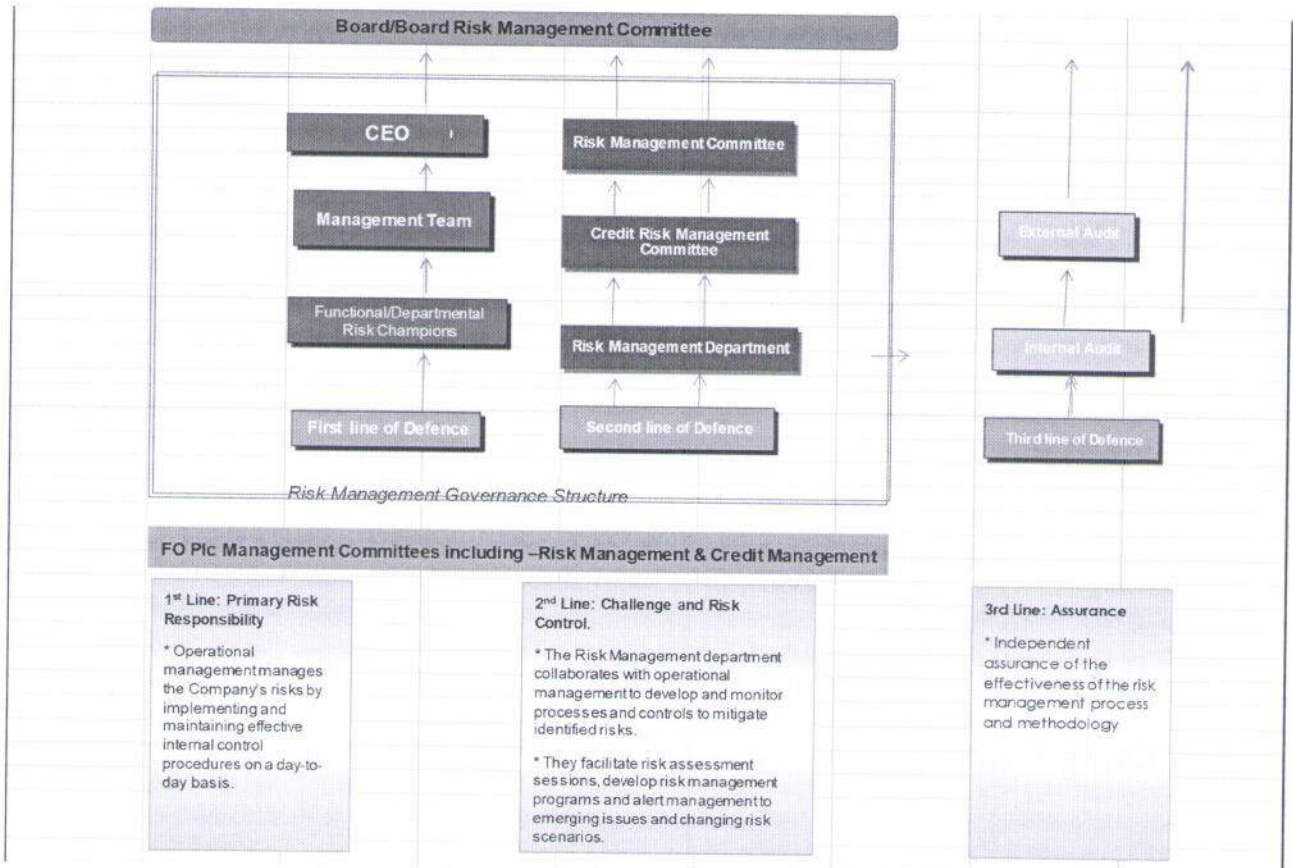
The Credit Risk Management Committee is a Sub-Committee of the Risk Management Committee that assesses the credit risk of the Company. The Committee reviews and approves credit request in line with the Company's credit policy.

The committee also meets at least monthly to review payment performance of credit customers, the adequacy of Bank Guarantees, credit limits of customers and also take appropriate actions to ensure zero tolerance for bad debts.

Notes to the financial statements

6. Financial risk management (cont'd)

Risk Management Structure & Governance



Notes to the financial statements

6. Financial risk management (cont'd)

Risk Profile

In the course of our daily operations, we are exposed to various risks. The Company has a risk management function that manages these risks with various reporting done as required. We have categorised the risks into the following:

Operational Risk

HSE Risk

Financial Risk

Credit risk

Liquidity risk

Market risk

Capital risk management

Reputational Risk

Strategic Risk

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes and controls, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk to be within its risk appetite thus ensuring that the overall control processes and procedures do not restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions/processes.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the yearly assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation approach such as adequate insurance cover on the assets of the Company.

Notes to the financial statements

6. Financial risk management (cont'd)

Operational Risk (cont'd)

The Operational risk of the Company is identified and monitored through risk management review of operational processes and procedures across departments with the use of Risk Management tool kit such as Risk registers, Control Self- Assessments, Top 20 Risk of the business and Key Risk Indicators Review.

Compliance with the Company's operating standards is also supported by a programme of yearly reviews undertaken by Business Assurance & Compliance (BAC). The results of BAC's reviews are discussed with the management of the business unit while the summaries are submitted to the Audit Committee and Executive Management of the Company.

HSE Risk

The Company is committed to managing a Health, Safety & Environmental system that promotes a safe working environment for all employees, contractors, customers and visitors to our sites. At the Company, Health and Safety has equal importance with all other business activities.

It is the policy of the Company to carry out its activities in a manner that guarantees health and safety of its workers and other stakeholders, the protection of the Company's facilities and the environment and compliance with all regulatory and industry requirements. We consider health, safety and environmental issues as important as our core businesses and assume the responsibility of providing healthy, safe and secure work environment for our workers as required by law.

Our objective is to minimize the number of cases of occupational accidents, illnesses, damage to property and environmental degradation. 45 incidents were reported by various staff from different departments at different locations 2019 while 49 incidents were reported in 2018

Financial Risk

The Company's overall risk management focuses on the unpredictability of financial markets and the adverse effect on the Company's financial and operational performance. The Company has a risk management function that manages the financial risks relating to the Company's operations under the policies approved by the Board of Directors.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Foreign Exchange Risk
- Currency Risk
- Interest Rate Risk
- Other Market Risk

Notes to the financial statements

6. Financial risk management (cont'd)

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has a policy of only dealing with creditworthy customers as a means of mitigating the risk of financial loss from defaults. We also secure our credits with Bank Guarantees from Company selected Banks.

The Company uses other publicly available financial information and its own trading records to evaluate its major customers using the Credit Application. All credits are administered in line with the company's Credit policy.

Warning signs for default are promptly identified based on our Credit Management & Reporting tools. Mitigating actions such as reduced credit term, aggressive cash collection and downward review of credit limits are highlighted and implemented for high-risk customers based on approval by Executive Management and Management Credit Committee.

Trade and other receivables

The Company has established a credit policy under which each new customer is analysed individually for creditworthiness. Credit limit is established for each customer, which represents the maximum exposure to the customer. These limits are reviewed annually by management credit committee based on customer's performance and credit worthiness. Customers that fail to meet the Company's credit criteria may transact with the Company on a cash-and-carry basis or provide a Bank Guarantee.

Our exposure to credit risk for trade and other receivables and related impairment losses at the reporting date is as disclosed in note 19.

Allowance for impairment losses

The Company establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables. Please refer to Note 27 for the ageing of trade and other receivables and related impairment allowances for the Company at the reporting date. The historical provision rates are updated with current and forward looking information

The model used for impairment is explained in note 4.14 above

Investments

The Company actively monitors the credit rating of companies and only invest in liquid securities with companies with high credit ratings. The Company does not expect any counterparty to fail to meet its obligations.

Guarantees

The Company's policy is to provide financial guarantees only to related parties after a careful review of the underlying transaction. Where the underlying transaction does not meet the Company's risk appetite, such transactions are exited.

Notes to the financial statements

6. Financial risk management (cont'd)

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable and avoidable losses or risking damage to the Company's reputation. Cash flow projection is performed by the treasury unit of the Company to anticipate the cash & liquidity requirements of the Company.

The Company has a clear focus on ensuring sufficient access to capital to finance growth and to refinance maturing debt obligations. As part of the liquidity management process, the Company has various credit arrangements with some banks and related parties which can be utilised to meet its liquidity requirements.

The Company manages its liquidity process by:

- Day to day funding, managed by monitoring future cash flows to ensure that requirements can be met.
- Monitoring balance sheet liquidity ratios against internal requirements.
- Managing the concentration and debt profile.
- Usage of overdraft facility to meet liquidity needs.

Lastly, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a year of 365 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign Exchange Risk

The foreign exchange (FX) risk management policy shall be considered in all FX transactions. This policy provides guidelines on how foreign exchange risk is managed. The sources of FX risk include Imports of all petroleum products for sale e.g. PMS, AGO, Base Oil and ATK, FX denominated operating expenses, Receivables denominated in currency other than the base currency.

Notes to the financial statements

6. Financial risk management (cont'd)

Currency Risk

The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than its functional currency. The Company is exposed primarily to US Dollars (USD), Euro (E), and Pound Sterling (GBP).

The Company monitors the movement in currency rates on an ongoing basis to mitigate the risk that the movements in the exchange rates may adversely affect the Company's income or value of their financial instruments.

The Company is allowed to hedge currency exposure within the tolerable limit by bank and must be approved by Risk Management Committee. The Company does not hedge for speculative reasons.

Interest on borrowings is denominated in the currency of the borrower. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily Naira. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

Sensitivity analysis

A change in the exchange rate either positively or negatively by 200 basis points would have increased/ (decreased) equity and profit or loss by the amount stated below. This analysis is based on foreign currency exchange rate variances that the company considered to be reasonably possible at the end of the reporting year, the analysis assumes that all other variables, in particular interest rates remain.

A weakening of the Naira against the currencies at 31 December 2019 would have increased/ (decreased) equity and profit or loss by the amount shown below:

Year end	Increase / decrease in foreign exchange rate	N'000
31-Dec-19	+-2%	4,300
31-Dec-18	+-2%	5,372

Interest Rate Risk

The Company is exposed to interest rate risk because the Company borrows funds at fixed interest rates and also utilizes overdraft facilities from Banks. This risk is managed by the Company by maintaining an appropriate mix between short and long term borrowings. The risk is also managed by the Company by constantly negotiating with the banks to ensure that interest rates are consistent with the monetary policy rates as defined by the Central Bank of Nigeria.

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

Overdraft	15.0%
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Note 23 highlights the borrowings for the reporting year.

Notes to the financial statements

6. Financial risk management (cont'd)

Sensitivity Analysis

A change in the interest rate either positively or negatively by 200 basis points would have increased/ (decreased) equity and profit or loss by the amount stated below. This analysis is based on interest bearing debt obligations at the relevant reporting dates while holding all other variables constant.

Year end	Increase / decrease in interest rate	N'000
31-Dec-19	+2%	553,205
31-Dec-18	+2%	352,211

Other market Risk

Forte Oil Plc monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are recommended by Risk Management Committee and approved by the Executive Committee.

Management is assisted by external advisors in this regard. In accordance with this strategy, certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis. The company does not enter into commodity contracts other than to meet the expected usage and sale requirements; such contracts are not settled net.

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence at all times and to sustain future development and growth of the business. The Board of Directors monitors capital on the basis of the gearing ratio, which the company defines as total liabilities (non-current liabilities and current liabilities) over total assets (non-current assets and current assets).

The Company manages its capital structure to achieve capital efficiency, maximise flexibility and give the appropriate level of access to debt markets at attractive cost levels. Also, The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The debt to capital ratio at the end of the reporting year was as follows:

	Dec-19 N'000	Dec-18 N'000
Total liabilities	30,855,629	47,449,309
Total assets	47,018,954	61,198,279

Gearing ratio as at:	66%	78%
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The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing its returns to all stakeholders

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

Notes to the financial statements

	31-Dec-19 N'000	31-Dec-18 N'000
7. Revenue & Cost of Sales		
7.1 Revenue		
Fuels	159,245,196	120,844,440
Lubricants and greases	17,249,004	13,720,830
Solar system	39,097	141,036
Liquefied Petroleum Gas (LPG) and Cylinder Sales	17,469	-
	176,550,766	134,706,306
7.2. Cost of Sales		
Fuels	152,387,320	112,346,536
Lubricants and greases	12,822,179	10,909,732
Solar system	41,102	119,972
Liquefied Petroleum Gas (LPG) and Cylinder Sales	18,448	-
	165,269,049	123,376,240
	31-Dec-19 N'000	31-Dec-18 N'000
8. Other income		
Investment property rental income	275,182	233,113
Throughput income (Note 8.1)	537,360	466,362
Foreign exchange gain (Note 8.2)	-	113,688
Sundry income (Note 8.3)	328,727	198,530
Provisions no longer required	23,054	77,402
Dividend received	-	270,000
Freight income (Note 8.4)	404,090	494,177
Gain on disposal of property, plant and equipment	9,997	6,537
Foreign exchange loss	12,435	-
Gain on disposal of subsidiary (Note 8.5)	2,674,891	-
Net Income from crude lifting contract (Note 8.6)	51,419	-
	4,317,155	1,859,809

- 8.1 This represents throughput income earned on storage of products for the Pipeline and Petroleum Marketing Company (PPMC) and other petroleum marketers in Apapa tank farm during the year.
- 8.2 This represents transactional gains of foreign exchange earned from sale of dollar inflows.
- 8.3 This represents income from sales of scrap and empty packaging materials.
- 8.4 This represents income earned on 141 trucks owned by Ardova Plc managed by various logistic companies

Notes to the financial statements

8.5 During the period ended 30 June 2019, Ardova Plc disposed its subsidiaries, Amperion Power Distribution Company Limited (Amperion), Forte Upstream Services Limited (FUS) and AP Oil and Gas Ghana, the disposal of Amperion and FUS resulted in a gain of N1.55 billion and N1.23 billion respectively, totalling N2.78 billion. The disposal of AP Oil and Gas Ghana resulted in a loss of N108 million resulting in a net gain of N2.67 billion as presented below:

	FUS N'000	APOG N'000	Amperion N'000	Total N'000
Consideration	1,242,849	28,838	11,700,000	12,971,687
Total value of Investment in Subsidiary	(10,000)	(1,094,961)	(10,149,926)	(11,254,887)
Provision for Diminution in value of investment	-	958,091	-	958,091
Gain/(Loss) on disposal	<u>1,232,849</u>	<u>(108,032)</u>	<u>1,550,074</u>	<u>2,674,891</u>

8.6 This represents net income from crude oil lifting contract executed with the Nigerian National Petroleum Corporation (NNPC) to lift out of the total crude allocation.

9a. Expenses by nature	31-Dec-19 N'000	31-Dec-18 N'000
9a.1 Selling, distribution expenses		
Fuels - freight	2,005,260	2,007,396
Lubes - freight	270,464	232,038
Commissions	5,242	6,254
	<u>2,280,966</u>	<u>2,245,688</u>
9a.2 Administrative Expenses		
Personnel expenses (Note 9a.2.1)	2,402,697	1,890,182
Depreciation and amortisation	2,151,459	1,422,098
Bank charge	169,056	164,764
Transport and travel costs	439,560	308,519
Repairs and maintenance	613,628	876,060
Safety security and quality control	240,419	190,091
Insurance	210,149	205,436
Internet and communication	108,532	165,254
Utilities	116,664	96,524
Professional and legal fees	341,721	362,676
Audit fees	34,125	34,125
Board and AGM expenses	96,755	87,592
Licenses, rates and fees	141,994	152,251
Public relations, promotions and advertisement	176,922	70,734
Rent and leases	227,676	1,064,006
Bad and uncollectible debt	9,357	13,384
Impairment charge	69,436	443,944
Shrinkage and product losses	265,220	276,433
Loss on disposal of property, plant and equipment	40,064	422
Printing and stationery expenses	15,479	17,120
Director fees	950	3,850
Other expenses	521,597	149,636
	<u>8,393,460</u>	<u>7,995,101</u>

Notes to the financial statements

	31-Dec-19	31-Dec-18
	N'000	N'000
9a.2.1 Personnel expenses		
Salaries, wages and allowances	1,195,287	1,097,228
Contributions to pension fund scheme	77,349	75,930
Gratuity and redundancy cost	611,257	97,851
Performance Bonus	-	130,000
Training, recruitment and canteen expenses	109,611	101,001
Medical expenses	43,602	47,638
Contract Manpower	344,473	307,295
Other personnel expenses	21,118	33,239
	2,402,697	1,890,182
9b. Expenses by function	31-Dec-19	31-Dec-18
	N'000	N'000
Cost of sales (Note 7.2)	165,269,049	123,376,240
Selling, distribution expenses (Note 9a.1)	2,280,966	2,245,688
Administrative expenses (Note 9a.2)	8,393,460	7,995,101
	175,943,475	133,617,029
10. Finance income and finance cost		
Finance income		
Interest income on bank deposits (Note 10.1)	185,604	194,551
Other interest income (Note 10.2)	4,369,491	986,487
	4,555,095	1,181,038
	31-Dec-19	31-Dec-18
	N'000	N'000
Finance costs		
Interest on medium term bond	(1,258,646)	(1,591,484)
Interest expense on bank loans and overdrafts (Note 10.1)	(1,981,728)	(1,510,096)
Discounting of promissory notes	(1,585,020)	-
Total Finance cost	(4,825,394)	(3,101,580)
Net finance costs	(270,299)	(1,920,542)
10.1. Interest income represents income earned on bank deposits while interest expense represents charges paid on trade finance, loans and overdraft facilities utilised during the period.		
10.2. Other interest income.	31-Dec-19	31-Dec-18
	N'000	N'000
Interest and foreign exchange differentials on subsidy	3,947,483	-
Interest on loan and receivables	158,648	940,694
Interest income on bank credit balances and other interest income	263,360	45,793
	4,369,491	986,487

Notes to the financial statements

	31-Dec-19	31-Dec-18
11. Taxation		
a) Income tax expense	N'000	N'000
Income tax	904,224	241,252
Education tax	66,819	52,543
Over provision in prior year	-	(932)
Nigerian Police Trust Fund	184	
Capital Gain	151	-
	<u>971,378</u>	<u>292,863</u>
Deferred tax (credit)/charge	(232,371)	104,210
Total income tax expense	<u>739,007</u>	<u>397,073</u>
b) Effective tax rate		
Profit for the year	3,915,140	631,471
Profit before tax	4,654,147	1,028,544
Income tax reported in the statement of profit or loss	739,007	397,073
Total income tax	739,007	397,073
Profit before tax	<u>4,654,147</u>	<u>1,028,544</u>
Effective tax rates	<u>16%</u>	<u>39%</u>
c) Effective tax rate reconciliation		
The income tax charge for the year can be reconciled to the accounting profit as follows:		
Profit before taxes	4,654,147	1,028,544
Income tax expense at 30%	1,396,244	308,563
Effect of income exempt from taxation	(972,616)	(214,543)
Effect of expenses not deductible for taxation	551,491	688,491
Effect of capital allowance	(616,202)	(525,427)
Effect of balancing charge	27,526	8,270
Loss effect	-	(265,354)
Capital gains tax	151	-
Education tax	66,819	52,543
Overprovision	-	(932)
Minimum tax	904,224	241,252
The Nigerian Police Trust Fund	184	-
Deferred tax	(232,371)	104,210
Total income tax expense	<u>739,007</u>	<u>397,073</u>

Notes to the financial statements

11. Taxation (cont'd)

c) Effective tax rate reconciliation (cont'd)

The company income tax computation for the year ended 31 December 2019 was based on the provisions of the Company Income Tax Act Cap C21 LFN 2004 and Finance act 2020.

Education tax was computed at the rate of 2% of assessable profit in accordance with the provisions of the Act.

	31-Dec-19	31-Dec-18
	N'000	N'000
c) Movement in current tax liability balance		
Liability as at 1 January	296,217	245,206
Income tax for the period	971,378	292,863
Payments during the year	(209,058)	(241,852)
Withholding tax utilised	(81,905)	-
	976,632	296,217

12. Earnings per share

Profit attributable to ordinary shareholders

Profit attributable to ordinary shareholders	3,915,140	631,471
Profit attributable to ordinary shareholders	3,915,140	631,471

Weighted average number of ordinary shares

Issued ordinary shares at 1 January *	1,310,629	1,310,629
Treasury shares	(5,599)	(5,599)

Weighted average number of ordinary shares

	1,305,030	1,305,030
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Basic/diluted earnings per share in (N)

	3.00	0.48
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The Company's basic earnings per share of N3.00 kobo (December 2018 : N0.48 kobo) is based on the profit attributable to ordinary shareholders of N3,915,140,000 (December 2018 : N631,471,000) on the 1,305,030,180 (December 2018 : 1,305,030,180) ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the current and same period of the preceding year.

Dilutive instruments

There were no dilutive instruments in the books of the Company as at the year ended 31 December 2019.

Notes to the financial statements

13 Property, plant and equipment.

	Land N'000	Building N'000	Plant, Equipment and tanks N'000	Computer equipment N'000	Furniture & fittings N'000	Motor vehicles N'000	Construction work in progress N'000	Total N'000
Cost								
Balance at 1 January 2018	3,702,195	2,769,493	8,532,837	314,724	27,244	3,049,031	47,318	18,442,842
Additions	-	-	203,429	63,215	-	105,154	-	371,798
Disposals	-	-	-	(740)	-	(123,185)	-	(123,925)
Balance at 31 December 2018	3,702,195	2,769,493	8,736,266	377,199	27,244	3,031,000	47,318	18,690,715
Additions	1,447,457	658,379	333,974	14,089	-	1,134,352	227,785	3,816,036
Transfer (Note c)	40,000	5,512	1,806	-	-	-	(47,318)	-
Disposals	(107,643)	(340)	(140,354)	(340)	-	(153,877)	-	(402,554)
Disposal of subsidiaries								
Balance at 31 December 2019	5,082,009	3,433,044	8,931,692	390,948	27,244	4,011,475	227,785	22,104,197
Depreciation and impairment losses								
Balance at 1 January 2018	382,283	1,394,493	5,188,541	279,841	15,845	1,413,588	-	8,674,591
Charge for the year	41,064	209,793	651,146	35,318	4,896	382,196	-	1,324,413
Disposals	-	-	-	(699)	-	(97,500)	-	(98,199)
Balance at 31 December 2018	423,347	1,604,286	5,839,687	314,460	20,741	1,698,284	-	9,900,805
Charge for the year	42,984	167,293	605,016	34,448	2,954	393,683	-	1,246,378
Disposals	(21,685)	(249)	(40,592)	(248)	-	(96,891)	-	(159,665)
Balance at 31 December 2019	444,646	1,771,330	6,404,111	348,660	23,695	1,995,076	-	10,987,517
Carrying amounts								
Balance at 1 January 2018	3,319,912	1,375,000	3,344,296	34,883	11,399	1,635,443	47,318	9,768,251
Balance at 31 December 2018	3,278,848	1,165,207	2,896,579	62,739	6,503	1,332,716	47,318	8,789,910
Balance at 31 December 2019	4,637,363	1,661,714	2,527,581	42,288	3,549	2,016,400	227,785	11,116,680

- (a) Depreciation charge of N1,246,378,000 (December 2018: N1,324,413,000) is included in administrative expenses in the statement of profit or loss and other comprehensive income.
(b) There was no impairment charge on property, plant and equipment during the year.
(c) The transfer of assets represents completion of Itu road service station in Uyo.
(d) The Company's assets have not been pledged as security in relation to loans held by the Company.

Notes to the financial statements

		31-Dec-19 N'000
14	Right of use assets	
	Lease property	
	Cost	
	Balance at 1 January	<u>2,701,972</u>
	Balance at 31 December 2018	1,939,502
	Addition	<u>245,542</u>
	Balance at 31 December 2019	<u>2,185,044</u>
	Depreciation	
	Charge for the period	<u>808,574</u>
	Balance at 31 December 2019	<u>808,574</u>
	Carrying amount	
	At 31 December 2019	<u>1,376,470</u>

- (a) Additions to right of use assets during year were N245,542,000
- (b) Depreciation charge of N808, 574,000 is included in administrative expenses in the statement of profit or loss and other comprehensive income.
- (c) The Company has leases for some of its retail outlet. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and no lease liability was recognised because the full lease payment for the leased periods was made to the lessor at the contract inception.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company.

Some leases contain where the lessee is desirous of renewing the lease, a written notice to that effect shall be sent to the lessor who when satisfied shall accede to the renewal with the liberty to call for a revised lease payment and other conditions to meet the exigencies of the material. The Company is prohibited from selling the underlying leased assets. It is also stated that the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

- (d) No impairment charge on lease property during the year.

Notes to the financial statements

14 Right of use assets (cont'd)

	No of right- of use assets	Leased Range of remaining term	Average remaining lease term
(e) Right-of use asset			
Leased Property	89	5 - 25 years	15years
(f) Amount recognised in profit or loss			31-Dec-19
Short term lease			N'000 192,255
Low value lease			1,134
			<hr/> 193,389 <hr/>

15. Investment property

Cost

Balance at 31 December 2018 2,235,584

Balance at 31 December 2019 2,235,584

Depreciation

Balance at 1 January 678,140
Charge for the year 25,449

Balance at 31 December 2018 703,589
Charge for the year 25,449

Balance at 31 December 2019 729,038

Carrying amount

At 31 December 2018 1,531,995

At 31 December 2019 1,506,546

- (a) Investment property comprises of a number of commercial properties that are leased to third parties. The lease year ranges between 1 - 5 years. Investment properties are carried at cost/deemed cost. The carrying amount of investment property is separated between lease hold land and buildings. Lease hold land is amortised over the lease year while building is depreciated on a straight line basis over the estimated useful life at 4% per annum.
- (b) During the year ended 31 December 2019 the Company recognised N275, 182,000 (2018: N233, 113,000) as rental income in statement of profit or loss.

Notes to the financial statements

15. Investment property (cont'd)

- (c) Depreciation charge of N25, 499,000 (2018: N25, 499,000) is included in administrative expenses in the statement of profit or loss and other comprehensive income.
- (d) The fair value of the investment properties as at 30 June 2018 was N5, 736,560,000. The fair valuation was carried out by Jide Taiwo & Co. (FRC/2012/NIESV/000000254); Ismail & Partners (FRC/2012/NIESV/0000000245) and Dele Olaiya & Associates (FRC/2013/NIESV/0000002773).

These valuations indicate upward movement in the market values of these properties compared to their carrying amounts, hence no indication of impairment for all investment properties.

Directors are of the view that the fair value of these properties as at 31st December, 2019 are not materially different from the values obtained at 30th June, 2018 and have therefore not recognised any impairment charge during the period.

- (e) No impairment charge on investment properties during the year.

16. Intangible assets

	31-Dec-19 N'000
Cost	
Balance at 1 January	1,014,969
Acquisitions	19,397
	1,034,366
Balance at 31 December 2018	1,034,366
Addition	-
	-
Balance at 31 December 2019	1,034,366
Amortisation	
Balance at 1 January	818,319
Charge for the year	72,236
Balance at 1 January	890,555
Charge for the year	71,058
	71,058
Balance at 31 December 2019	961,613
Carrying amounts	
Balance at 31 December 2018	143,811
Balance at 31 December 2019	72,753

- (a) These relate to purchased softwares.
- (b) The amortisation charge on intangible assets of N71, 058,000 (December 2018: N72, 236,000) is included in administrative expenses in the statement of profit or loss.
- (c) No impairment charge on intangible assets during the year.

Notes to the financial statements

17. Deferred tax

a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000	2019 N'000	2018 N'000
Property, plant and equipment	-	-	1,463,956	1,490,741	(1,463,956)	(1,490,741)
Trade receivables	538,666	381,771	-	-	538,666	381,771
Other receivables	167,190	167,190	-	-	167,190	167,190
Other liabilities	77,301	28,610	-	-	77,301	28,610
	783,157	577,571	1,463,956	1,490,741	(680,799)	(913,170)

b) Movement in temporary differences during the period

	Balance 1 January- 2019 N'000	Recognized in profit or loss N'000	Effect of forex fluctuations N'000	Recognized in other comprehensive income N'000	Balance 31 December- 2019 N'000
Property, plant and equipment	(1,490,741)	26,785	-	-	(1,463,956)
Trade receivables	381,771	156,895	-	-	538,666
Other receivables	167,190	-	-	-	167,190
Other liabilities	28,610	48,691	-	-	77,301
	(913,170)	232,371	-	-	(680,799)

Notes to the financial statements

			31-Dec-19	31-Dec-18
			N'000	N'000
18. Inventories	-	-		
White products			7,078,251	5,762,913
Raw materials			3,820,907	1,924,552
Packaging materials			109,363	90,383
Semi-finished goods of lubricants			102,786	118,631
Finished goods of lubricants			1,296,653	1,318,366
Inventory -Solar System			65,025	123,850
Consumables (Note 18.2)			361,388	189,451
			<u>12,834,373</u>	<u>9,528,146</u>
18.1	During the year, N165, 269,049,000 (31 December 2018: N123, 376,240,000) of inventory was sold and recognised as cost of sales in the statement of profit or loss.			
18.2	Consumables include spare parts for retail outlets, equipment maintenance and stationery for office use.			
			31-Dec-19	31-Dec-18
			N'000	N'000
19. Trade receivables				
Trade receivables (Note 19.1)			4,451,848	3,293,720
Impairment allowance (Note 19.6)			(1,198,244)	(1,141,893)
			<u>3,253,604</u>	<u>2,151,827</u>
19. Other receivables				
Petroleum Support Fund receivable (Note 19.2)			6,230,423	8,719,609
Notes receivable (Note 19.3)			640,082	4,628,897
Advance payment to suppliers			5,524,009	1,802,033
Interest receivable			85,525	17,016
Withholding tax recoverable			44,580	88,834
Other receivables (Note 19.4)			828,728	9,007,265
			<u>13,353,347</u>	<u>24,263,654</u>
Impairment allowance (Note 19.6)			(1,154,610)	(1,151,212)
			<u>12,198,737</u>	<u>23,112,442</u>
Prepayments				
Prepayments			995,927	2,975,098
Prepaid staff expenses			229,703	372,504
			<u>1,225,630</u>	<u>3,347,602</u>
Trade and other receivables Notes (a+b)			<u>16,677,971</u>	<u>28,611,871</u>

Notes to the financial statements

19.1 The Company carries out periodic review and financial assessment of customers before products are supplied on credit. Credit customers are categorised according to the determined default risk rating. High risk customers are required to provide bank guarantees for credit sales. The Credit Committee assesses the status of all credit customers periodically. See Note 4.2.4 (Impairment) and Note 6 (Financial Risk Management).

19.2 This balance relates to outstanding subsidy receivable from Petroleum Products Pricing Regulatory Agency (PPPRA) which represents interest on delayed payments and foreign exchange differential claims under the PSF scheme recoverable from PPPRA on PMS imported by Forte Oil Plc. The foreign exchange differential represents differences between the rate used by PPPRA in pricing Premium Motor Spirit (PMS) and the actual rates the foreign exchange in respect of these products importation were purchased. Promissory notes was issued to the oil marketers as part settlement of these outstanding in December, 2018 and July, 2019. The balance of N7.9bn is expected to be settled with a one year promissory note.

19.3 This is one of the promissory notes received from the Federal Government as a part of the outstanding subsidy.

19.4 Other receivables

	31-Dec-19	31-Dec-18
	N'000	N'000
BSG Resources Ltd	-	7,466,467
Amperion Power Distribution Company Ltd	-	681,341
Geregu Power Plc	-	13,245
AP Oil and Gas Ghana Ltd	-	61,493
Zenon Petroleum and Gas Limited	-	16,847
Other debtors	828,728	767,872
	828,728	9,007,265

19.5 Impairment allowance

At 1 January	2,293,105	1,829,870
Effect of retrospective adoption of New standard (IFRS 9)	-	19,291
Increase during the year	69,436	443,944
Allowance no longer required	(9,687)	-
	2,352,854	2,293,105

19.6 Impairment allowance

Trade Receivables	1,198,244	1,141,893
Other Receivables	1,154,610	1,151,212
	2,352,854	2,293,105

20 Restricted cash*

	31-Dec-19	31-Dec-18
	N'000	N'000
	19,707	-

This represents cash set aside and held with the bank in conformity with the bond agreement. It is used solely for the repayment of the bond liability and not for any operational needs.

Notes to the financial statements

		31-Dec-19 N'000	31-Dec-18 N'000
21	Cash and cash equivalents		
	Bank balances	1,376,867	299,638
	Short-term deposits (Note 20.1)	607,393	854,631
	Cash and bank balances	1,984,260	1,154,269
	Bank overdrafts used for cash management purposes (Note 20.2)	(116,773)	(9,473,546)
	Cash and cash equivalents in the statement of cash flows	1,867,487	(8,319,277)

21.1 Bank balances and short term deposits with banks represent placements with banks for period between 0 - 180 days. Included in these are unclaimed dividends amounting to N607, 391,099 (December 2018: N627, 305,356) held in a separate bank account in accordance with the guidelines of the Security and Exchange Commission (SEC). The unclaimed dividend deposit is restricted for use by the Company.

21.2 This represents the overdrawn current account balances with four Nigerian banks. These facilities have an average interest rate of 18%.

22 Discontinued operations and disposal Companies held for sale.

The asset and liabilities of the Company's Fuel, Production Chemicals and Power Generation segments, AP Oil and Gas, Ghana, Forte Upstream Services Limited and Amperion Power Distribution Company Limited were presented as held for sale at 30 June 2018, following the approval by the Board and shareholders at the 39th Annual General Meeting held on 23 May 2018 and approval by the Securities and Exchange Commission ('SEC') to sell the entities. Analysis of the result of entities classified as discontinued operations are as shown below:

Notes to the financial statements

22.1. Assets and Liabilities of disposal Companies held for sale

Assets and liabilities of disposal Companies held for sale comprise the assets and liabilities of FUS, APOG and Amperion as at 31 March 2019.

At the reporting date, 31 March 2019, these subsidiaries have been disposed and the assets and liabilities derecognized.

Carrying values of	FUS 31-Mar-19 N'000	APOG 31-Mar-19 N'000	Amperion 31-Mar-19 N'000	Total 31-Mar-19 N'000
Assets				
Net book value of property, plant and equipment	265,498	77,927	51,042,468	51,385,893
Intangible assets	8,584	-	754	9,338
Deferred tax asset	11,295	128,452	4,535,442	4,675,189
Inventory	535,224	2,205	727,585	1,265,014
Trade and other receivables	1,300,923	777,929	36,026,875	38,105,727
Cash and cash equivalents	111,354	(66,414)	3,790,855	3,835,795
Long term employee benefits	26,298	-	483	26,781
Total assets held for sale	<u>2,259,176</u>	<u>920,099</u>	<u>96,124,462</u>	<u>99,303,737</u>
Liabilities				
Trade and other payables	(484,877)	(1,003,429)	(25,101,888)	(26,590,194)
Current income tax liabilities	(165,684)	10	(516,517)	(682,191)
Bank overdraft	-	-	-	-
Loans and borrowings	(33)	-	(7,539,940)	(7,539,973)
Deferred Tax liabilities	(80,081)	-	-	(80,081)
Total liabilities held for sale	<u>(730,675)</u>	<u>(1,003,419)</u>	<u>(33,158,345)</u>	<u>(34,892,439)</u>
Net Assets/(Liabilities) directly associated with disposal Company	<u>1,528,501</u>	<u>(83,320)</u>	<u>62,966,117</u>	<u>64,411,298</u>
Subsidiaries classified as held for sale.			31-Dec-19 N'000	31-Dec-18 N'000
Equity:				
Forte Upstream Services Limited			-	10,000
AP Oil and Gas Ghana Limited			-	670,011
Amperion Power Distribution Company Limited			-	10,149,926
Irredeemable Preference Shares:				
Cummulative Convertible Preference Shares in AP Oil and Gas Ghana Ltd			-	424,950
			-	11,254,887
Impairment allowance			-	(958,091)
			<u>-</u>	<u>10,296,796</u>

Notes to the financial statements

22.3. Sale of AP Oil and Gas Ghana

During the period under review, the Company signed a Sale and Purchase Agreement (SPA) to dispose 100% shares in AP Oil and Gas Ghana to Cobalt International Services Limited. The transaction was concluded in March 2019. As a result of the sale the Company lost control of AP Oil and Gas Ghana and have derecognized all assets and liabilities. A gain on disposal of N112 million, has been recognized in this financial statements (under profit after tax for the period from discontinued operations).

22.4. Sale of Forte Upstream Services Limited

During the period under review, the Company signed a Sale and Purchase Agreement (SPA) to dispose 100% shares in Forte Upstream Services Limited to Gbonka Oil and Gas Limited. The transaction was concluded in March 2019. As a result of the sale the Company lost control of Forte Upstream Services Limited and have derecognized all assets and liabilities. A loss on disposal of N286 million, has been recognized in this financial statements (under profit after tax for the period from discontinued operations).

22.5. Sale of Amperion Power Distribution Company Limited

During the period under review, the Company signed a Sale and Purchase Agreement (SPA) to dispose its shares in Amperion Power Distribution Company Limited to Calvados Global Services Limited. The transaction was concluded in March 2019. As a result of the sale the Company lost control of Forte Upstream Services Limited and have derecognized all assets and liabilities. A loss on disposal of N1.4 billion has been recognized in these financial statements (under profit after tax for the period from discontinued operations).

	FUS	APOG	Amperion	Total
Consideration	1,242,849	28,838	11,700,000	12,971,687
Net liability/ (asset)	(1,528,499)	83,321	(62,966,117)	(64,411,295)
NCI	-	-	49,882,501	49,882,501
(Loss)/Gain on Disposal	(285,650)	112,159	(1,383,616)	(1,557,107)
			31-Dec-19	31-Dec-18
22.6. Results of discontinued operations			N'000	N'000
Revenue			12,670,947	39,820,598
Cost of sales			(7,512,944)	(25,113,445)
Gross profit			5,158,003	14,707,153
Other income			1,606	16,131
Administrative and distribution expenses			(570,683)	(6,412,238)
Operating profit			4,588,926	8,311,046
Net finance cost			(191,474)	(1,775,173)
Profit before tax from discontinued operations			4,397,452	6,535,873
Income tax			(104,781)	1,447,062
Profit after tax from discontinued operations			4,292,671	7,982,935
Loss on sale of discontinued operation			(1,557,108)	-
Profit after tax for the period from discontinued operations			2,735,563	7,982,935

Notes to the financial statements

	31-Dec-19 N'000	31-Dec-18 N'000
23. Share capital and reserves		
Ordinary shares		
a) Authorised ordinary shares:		
4,000,000,000 ordinary shares of 50k each	<u>2,000,000</u>	<u>2,000,000</u>
b) Issued and fully paid ordinary shares of 50k each		
1,310,629,267 ordinary share of 50k each	<u>655,314</u>	<u>655,314</u>
	31-Dec-19	31-Dec-18
	Units	Units
c) Shares outstanding		
Issued ordinary shares at 1 January	1,310,629	1,310,629
Treasury shares	<u>(5,599)</u>	<u>(5,599)</u>
Number of ordinary shares	<u>1,305,030</u>	<u>1,305,030</u>
*These are in thousand units.		
	31-Dec-19	31-Dec-18
	N'000	N'000
d) Share premium	<u>8,071,943</u>	<u>8,071,943</u>
e) Other reserves		
Other reserves represent the carried forward, other comprehensive income and expenses plus current period other comprehensive income attributable to shareholders.		
f) Retained earnings		
Retained earnings represent the carried forward recognised income net of expenses plus current year income attributable to shareholders.		
	31-Dec-19	31-Dec-18
	N'000	N'000
Balance at 1 January	6,418,039	5,805,859
Adjustment	(2,711)	-
Profit for the year	3,915,140	631,471
Effect of retrospective adoption of IFRS 9	-	(19,291)
Dividend paid	<u>(1,500,785)</u>	<u>-</u>
	<u>8,829,683</u>	<u>6,418,039</u>
g) Treasury stocks		
This represents 5,599,087 units (at the market value of N248 as at the date of the transfer) of the company's existing shares transferred to Forte Oil Plc to enable the Company recover the dividend and interest received on unpaid shares in 2009 by a shareholder. These shares were seized by the company on the ruling of the Security and Exchange Commission (SEC). The shareholders at the 37th Annual General Meeting held on the 26th of April, 2016 approved the re-issue of these shares to existing shareholders of the company on a pari passu basis at the market price of N300 per share.		

Notes to the financial statements

24. Long term employee benefits

The Company operates a funded long term employees plan (gratuity) for qualifying employees of the Company. Under the plan, the employees are entitled to a lump sum benefits on attainment of a retirement age or on disengagement after contributing a specific number of years in service. No other post-retirement benefits are provided to these employees. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out as at 31 December 2019 by KMC Actuarial Service. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method with actuarial valuation being carried out at the end of each reporting period.

The company has taken the decision to wind up the gratuity scheme as at 31 December 2019 but continue with the defined contribution plan for its staff. As a result, the total balance of the employee benefit liability as at 31 December 2019 will be distributed to the qualified beneficiaries of the program accordingly based on the company policy on gratuity computation.

Furthermore, there will be no more gratuity expenses and accrual in the financial statements of the subsequent years. Hence, the sensitivity analysis of the impact of changes in economic assumptions on the assumptions is no longer necessary.

The movement in the present value of the other long-term employee benefits was as follows:

	31-Dec-19 N'000	31-Dec-18 N'000
Gratuity liability at 1 January	468,546	473,372
Current service costs	328,735	97,347
Transfer of employee service cost	9,072	-
Provision no longer required	(13,368)	-
Payment during the year	(530,084)	(102,173)
Gratuity liability at 31 December	262,902	468,546
Investments (Employee Benefits)		
Planned asset/investment at 1 January	563,910	489,414
Actual return on planned assets	83,127	74,496
	647,037	563,910
Current portion	610,302	-
Non-current portion	36,735	563,910
	647,037	563,910
Expense recognised in comprehensive income		
Current service costs	328,735	97,347
Return on planned assets	(83,127)	(74,496)
Charged to profit or loss	245,608	22,851

Notes to the financial statements

24. Long term employee benefits (cont'd)

- (a) Long term employee benefit expense is recognised in administrative expenses in the statement of profit or loss.
- (b) The actuary valuation report was signed by Miller Kingsley (FRC/2013/NAS/00000002392) of KMC Actuarial Services a fellow of Society of Actuaries, USA.
- (c) The planned asset/investment is held by four fund managers: Meristem Wealth Management Limited; FSDH Asset Management Limited, Cardinal Stone Partners, and Afrinvest Asset Management.

The assets are placed in Treasury bills, Bonds with quoted market price in the active Nigerian bond market and Fixed deposits are placements with financial institutions and do not have quoted prices.

The plan typically exposes the Company to actuarial risks such as; assets volatility, interest rate risk, life expectancy, salary risk, changes in corporate yields and inflation risk.

Asset volatility

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in Government Securities and money market instruments. Due to the long- term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.

Interest Rate Risk

A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Life Expectancy

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants during their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary Risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Changes in bond yields

A decrease in corporate bonds yield will increase plans liabilities.

Inflation Risk

The majority of the plan's assets are either unaffected by fixed interest bonds or loosely correlated with equities inflation, meaning that an increase in inflation will also increase deficit.

There are two categories of employees in Forte Oil Plc; first category are those on direct long term contract with the company, while the second category are Associates on secondment to Forte from other companies. Only the former are covered by this long-term benefit.

In estimating the present value of the defined benefit obligation, certain assumptions on financial environment, attrition rates of withdrawal from service and death of staff likely to be experienced were made. The significant actuarial assumptions used are summarized as follows:

Notes to the financial statements

24. Long term employee benefits (cont'd)

a)	Discount rate/average rate of return on assets	13% per annum
b)	Average rate of salary increase	12% per annum
c)	Inflation rate	12% per annum
d)	Mortality rate	A67/70 English Life Tables

The weighted average liability duration of the Plan is 12.61 years. The average weighted duration of the longest Nigerian bond as at the valuation date, 31st December 2019, is the 14.8% 26-April-2049 bond with a weighted average duration of 7.46 years and with a gross redemption yield of about 12.89% as at 31st December 2019.

Maturity profile of Defined Benefit Obligations

Age Band (in years)	Number of Employees	Annual Gross Pay (NGN)	Accrued Liability
26-30	12	58,395,989	9,843,134
31-35	29	243,632,746	56,210,757
36-40	32	225,422,906	97,921,248
41-45	19	161,654,295	65,087,245
46-50	7	132,001,885	33,840,109
Total	99	821,107,821	262,902,493

Past Service (in years)	Number of Employees	Annual Gross Pay (NGN)	Accrued Liability
0-5	12	575,290,345	85,185,426
6-10	29	245,817,476	177,717,067
Above 10	-	-	-
Total	99	821,107,821	262,902,493

Notes to the financial statements

25 Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	31-Dec-19 N'000	31-Dec-18 N'000
Non-current		
Term loans	-	634,369
Medium term bond (25.2)	<u>2,735,388</u>	<u>5,041,359</u>
	<u>2,735,388</u>	<u>5,675,728</u>
Current		
Loans and borrowings		
Term loans	-	861,278
Import finance facilities (note 23.2)	<u>-</u>	<u>575,816</u>
	-	1,437,094
Medium term bond (23.1)	<u>2,476,801</u>	<u>2,134,164</u>
	<u>5,212,189</u>	<u>9,246,986</u>
	31-Dec-19 N'000	31-Dec-18 N'000
25.1 Loan movement		
At 1 January	9,246,986	10,769,357
Interest cost for the year	2,592,258	1,699,415
Repayment	<u>(6,627,055)</u>	<u>(3,221,786)</u>
At 31 December	<u>5,212,189</u>	<u>9,246,986</u>

25.2 In December 2016, The Company issued N9billion unsecured corporate bond for a 5-year tenor and at a coupon and effective interest rate of 17.5% and 19.43% respectively.

The net proceeds were used to refinance existing commercial bank loan obligations and to immediately finance the company's retail outlet expansion strategy.

The restriction to the bonds issued are as follows but not limited to below:-

- a give prior notice to the Trustees of any proposed redemption and, if it shall have given Notice to the Bondholders of its intention to redeem any Bonds, duly proceed to redeem such Bonds accordingly.
- b not (and ensure that none of its Subsidiaries shall) without the consent of the Bondholders and Trustees:
 - bi incur any Indebtedness above the sum of Five Billion Naira (N5,000,000,000);
 - bii dispose any of its assets above the sum of Five Billion Naira (N5,000,000,000);

Notes to the financial statements

25 Loans and borrowings
25.2 (cont'd)

- c give to the Trustees and Bondholders a Notice prior to the acquisition of any company/business/assets where the cost of such acquisition when aggregated with the cost of any other acquisition of any company/business/assets by the Issuer during the financial year of the proposed acquisition, exceeds the total sum of Five Billion Naira (N5,000,000,000).

Borrowings are initially measured at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the year of the borrowings using the effective interest method. The carrying values of borrowings approximate their fair value.

- 25.3 Import finance facilities represents short term borrowings obtained to fund letters of credits for petroleum product importation. These facilities are secured with the product financed, the Petroleum Subsidy Fund receivable on them if applicable and any sinking fund of the company.

	31-Dec-19 N'000	31-Dec-18 N'000
26. Trade and other payables		
Current trade and other payables		
Trade payable	4,361,957	6,495,513
NNPC accounts payable	4,171,287	2,850,689
Trade creditors		
Petroleum Equalisation Fund (PEF) payable (Note 25.1)	2,402,599	2,234,526
Inventory accruals (Note 25.2)	5,673,520	8,770,024
Customer deposits for products	3,037,319	2,657,270
	19,646,682	23,008,022
Non-trade payables and other creditors (Note 25.3)	3,176,495	3,465,250
Total Trade and other payables	22,823,177	26,473,272

- 26.1 This balance relates to bridging allowance net of bridging claims due to Petroleum Equalisation Fund (PEF). Bridging claims, raised against the Federal Government of Nigeria, are costs incurred in transporting white products (excluding deregulated products) from specific PPMC depots to approved areas. Bridging allowances are compulsory contributions on each litre of white product lifted, to assist the Federal Government defray costs arising from bridging claims. Bridging claims are usually set off against bridging allowances to establish the net amount due to, or from the PEF, an organ of the Federal Government of Nigeria responsible for managing the process.

Notes to the financial statements

- 26.2** Inventory accrual accounts includes liability accrued for product and associated costs. This account holds accruals for value of goods received pending receipt of supplier's invoices.
- 26.3** This consists of unclaimed dividends, statutory payables such as; withholding tax liabilities, VAT, PAYE, NSITF, and other payables such as; transporters freight account, rents received in advance and security deposits.

	31-Dec-19	31-Dec-18
	N'000	N'000
Non-trade payables and other creditors		
Unclaimed dividend	605,811	621,443
Statutory payables (VAT, WHT etc.)	486,534	285,318
Other payables	1,715,438	2,182,836
Security deposits	368,712	375,653
	3,176,495	3,465,250

Notes to the financial statements

		Company	
		31-Dec-19	31-Dec-18
		N'000	N'000
27. Financial instruments			
Credit risk			
<i>Exposure to credit risk</i>			
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:			
Trade and receivables (Note 19)		16,677,971	28,611,871
Cash and cash equivalents (Note 20)		<u>1,867,487</u>	<u>(8,319,277)</u>
		<u>18,545,458</u>	<u>20,292,594</u>
Forex exposure			
Bank balances denominated in other currencies		554,297	292,828
Trade and other receivables denominated in other currencies		-	1,520,280
Liabilities dominated in other currencies		-	<u>(594,360)</u>
		<u>554,297</u>	<u>1,218,748</u>
	Gross	Impairment	Gross
	31-Dec-19	31-Dec-19	31-Dec-18
	N'000	N'000	N'000
Trade Receivables			
The aging of loans and receivables at the reporting date was:			
0-2 months	2,799,840	2,819	925,869
2-3 months	152,203	5,299	65,215
3-6 months	20,142	851	36,950
6-12 months	50,682	37,700	49,606
More than 12 months	<u>1,428,981</u>	<u>1,151,55</u>	<u>2,216,080</u>
	<u>4,451,848</u>	<u>1,198,244</u>	<u>3,293,720</u>
			<u>1,141,893</u>

Notes to the financial statements

27. Financial instruments (cont'd)

	Gross 31-Dec-19 N'000	Impairment 31-Dec-19 N'000	Gross 31-Dec-18 N'000	Impairment 31-Dec-18 N'000
Other Receivables				
The aging of loans and receivables at the				
reporting date was:				
0-2 months	5,998,584	-	2,031,888	-
2-3 months	61,458	-	659,112	-
3-6 months	256,269	-	1,092,782	-
6-12 months	39,471	10,933	462,393	-
More than 12 months	6,952,985	1,143,678	20,017,479	1,151,212
	<u>13,308,767</u>	<u>1,154,611</u>	<u>24,263,654</u>	<u>1,151,212</u>
	Gross 31-Dec-19 N'000	Impairment 31-Dec-19 N'000	Gross 31-Dec-18 N'000	Impairment 31-Dec-18 N'000
The Company				
Analysis of financial assets impaired.				
Trade receivables	4,451,849	1,198,244	3,293,718	1,141,893
PSF Receivables	516,713	516,713	516,713	516,713
Advances to contractors	540,000	540,000	549,686	549,686
Other Receivables	67,338	67,338	66,260	66,260
Receivables from Property customers	15,709	15,709	15,709	15,709
Receivables from former employees	14,850	14,850	2,844	2,844
	<u>5,606,459</u>	<u>2,352,854</u>	<u>4,444,930</u>	<u>2,293,105</u>

The average credit year on sales of goods is 60 days. Specific impairment is made for trade receivables that are past due and doubtful of recovery based on the probability of default. Receivables not specifically impaired are impaired collectively using the historical probability of default over the last three reporting years. Trade receivables are considered to be past due when they exceed the credit year granted.

Notes to the financial statements

27. Financial instruments (cont'd)

Loans

	Currency	Nominal Interest rate	Year of Maturity	2019		2018	
				Present value N'000	Carrying amount N'000	Present value N'000	Carrying amount N'000
The Company							
Terms and debt repayment schedule							
Terms and conditions of outstanding loans were as follows:							
Secured term loan	Naira	18.00%	Terminated	-	-	1,367,758	1,495,647
17.5% medium term bond	Naira	17.50%	2021	4,573,417	5,212,189	6,054,318	7,175,523
Trade finance lines	Naira	18.00%	2017	-	-	575,816	575,816
Total interest bearing liabilities				4,573,417	5,212,189	7,997,892	9,246,986

Notes to the financial statements

27. Financial instruments (cont'd)

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount N'000	Contractual cash flows N'000	6 months or less N'000	6-12 months N'000	1-2 years N'000	2-5 years N'000	More than 5 years N'000
31 December 2019							
Non-derivative financial liabilities							
Secured bank loans	5,212,189	6,443,966	1,610,992	1,610,992	3,221,983	-	-
Trade and other payables	23,191,889	23,191,889	-	23,191,889	-	-	-
Bank overdraft	116,773	116,773	116,773	-	-	-	-
	28,520,851	29,752,628	1,727,765	24,802,881	3,221,983	-	-
31 December 2018							
Non-derivative financial liabilities							
Secured bank loans	9,246,986	11,483,380	2,127,938	2,127,938	4,005,520	3,221,983	-
Trade and other payables	26,473,273	26,473,273	25,476,177	621,443	375,653	-	-
Bank overdraft	9,473,546	9,473,546	9,473,546	-	-	-	-
	45,193,805	47,430,199	37,077,661	2,749,381	4,381,173	3,221,983	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the financial statements

28. Contingencies

a) Guarantees

The Company did not have any guarantees as at 31 December 2019.

b) Pending litigation and claims

The Company is engaged in lawsuits that have arisen in the normal course of business. The contingent liabilities in respect of pending litigation and claims amounted to N511 Million at 31 December 2019 (31 December 2018: N116 Million). In the opinion of the directors, and based on independent legal advice, the Company is not expected to suffer any material loss arising from these claims. Thus, no provision has been made in these consolidated financial statements.

c) Financial commitments

The Directors are of the opinion that all known liabilities and commitments, which are relevant in assessing the state of affairs of the Company, have been taken into consideration in the preparation of this financial statements.

29. Transactions with key management personnel

Loan to directors

No loan to directors was issued during the year ended 31 December 2019.

	2019		2018	
	Directors N'000	Chairman N'000	Directors N'000	Chairman N'000
Directors emoluments				
Fee	750	200	3,000	850
Allowances	61,382	11,111	62,855	11,375
	<u>62,132</u>	<u>11,311</u>	<u>65,855</u>	<u>12,225</u>

There were eight (8) Directors on the Company's Board up to June 20, 2019 and subsequent to that date a new set of six (6) Directors currently sit on the Company's Board as at 31 December 2019.

Executive Directors are not entitled to and do not get paid directors fees.

Company	2019	2018
1. Chief Executive Officer	Olumide Adeosun	Akin Akinfemiwa
2. Executive Director - Finance and Risk Management	Moshood Olajide	Julius Omodayo-Owotuga

The Company has 153 employees as at 31 December 2019 and 161 as at December 2018.

Notes to the financial statements

30. Transactions with key management personnel (cont'd)

Transactions with key management personnel

Key management of the Company are the executive members of Ardova Plc. Key management personnel remuneration includes the following expenses:

	Company	
	31-Dec-19 N'000	31-Dec-18 N'000
Key management personnel compensation comprised:		
Short-term employee benefits:		
- Salaries including allowances	169,272	139,933
	169,272	139,933
Post-employment benefits:		
- Defined contribution to compulsory pension fund scheme	11,410	10,193
Defined benefit gratuity scheme	15,428	13,786
	196,110	163,912
	196,110	163,912
	31-Dec-19	31-Dec-18
Range	Number	Number
Below N1,000,000	-	11
N1,000,001 - N2,000,000	-	5
N2,000,001 - N3,000,000	26	18
N3,000,001 - N4,000,000	19	38
N4,000,001 - N5,000,000	31	12
N5,000,001 - N6,000,000	37	26
N6,000,001 - N7,000,000	10	16
N7,000,001 - N8,000,000	11	9
N8,000,001 - N9,000,000	3	8
N9,000,001 - N10,000,000	5	3
N10,000,001 and above	11	15
	153	161
Total	153	161

**These are annual emoluments*

Notes to the financial statements

31. Related party transactions

The aggregate value of transactions and outstanding balances relating to these entities were as follows:

Related Parties	Nature of Transaction	Relationship	Transaction value during the year 31-Dec-19 N'000	Balance outstanding as at 31 December 31-Dec-19 N'000	Transaction value during the year 31-Dec-18 N'000	Balance outstanding as at 31 December 31-Dec-18 N'000
Prudent Energy Nigeria Limited	Purchases	Related to core investor	17,429,738	3,162,395	-	-
BSG Resources Ltd	Advances		(7,466,467)	-	902,534	7,466,467
Amperion Power Distribution Company Limited	Advances		(681,341)	-	298,771	681,341
Geregu Power Plc.	Advances		(13,245)	-	415,748	13,245
Forte Upstream Services Ltd	Sales & Advances		226,880	-	(353,351)	(226,880)
AP Oil and Gas Ghana Ltd	Translation difference		(61,492)	-	(3,902)	61,492
Zenon Petroleum and Gas Limited	Rent		(16,847)	-	(67,580)	16,847
			9,417,226	3,162,395	1,192,220	8,012,5129

32. Events after the end of reporting date

At 31 December 2019, the company resolved to discontinue accruing for gratuity. On this basis, payment were made against the staff gratuity accrued until 31 December 2019 in January 2020. As a result of the management decision to discontinue accruing for gratuity, the outstanding provision for gratuity and planned assets were reclassified as at the year ended 31 December, 2019.

There were no other events after the reporting date that could have had any material effect on the state of affairs of the Company as at 31 December 2019 and on the profit for the year ended on that date that have not been taken into accounts in these financial statements.

33. Prior year corresponding balances

Certain prior year balances have been reclassified to ensure proper disclosure and uniformity with current year's presentation. These reclassifications have no net effect on these financial statements.

OTHER INFORMATION

Statement of value added

	The Company			
	31-Dec-19		31-Dec-18	
	N'000	%	N'000	%
Turnover	176,550,766		134,706,306	
Other income	4,317,155		1,859,809	
Finance income	<u>4,555,095</u>		<u>1,181,038</u>	
	185,423,016		137,747,153	
Bought in materials and services:				
- Local	(171,389,319)		(121,828,431)	
- Imported	<u>-</u>		<u>(8,476,318)</u>	
Value added	<u>14,033,697</u>	<u>100</u>	<u>7,323,221</u>	<u>100</u>
APPLIED AS FOLLOWS:				
To pay employees:				
Salaries, wages and other staff costs	2,402,697	18	1,890,182	25
To pay Government:				
Taxation	971,378	7	292,073	4
To pay providers of capital:				
Interest on borrowings	4,825,394	34	3,101,580	42
Retained in the business				
Deferred taxation	(232,371)	(2)	104,201	1
Depreciation and amortisation	2,151,459	15	1,422,098	19
Profit transferred to reserves	<u>3,915,140</u>	<u>28</u>	<u>631,471</u>	<u>9</u>
	<u>14,033,697</u>	<u>100</u>	<u>7,442,404</u>	<u>100</u>

Value added represents the additional wealth which the Company has been able to create/erode by its own and its employees' efforts. This statement shows the allocation of that wealth among the employees, government, providers of capital and that retained for the future creation of more wealth.

ARDOVA PLC
(Formerly Forte Oil Plc)
Annual Reports and Financial statements
For the year ended 31 December 2019

Financial summary

	2019 N'000	2018 N'000	2017 N'000	2016 N'000	2015 N'000
Funds employed					
Share capital	655,314	655,314	655,314	655,314	546,095
Share premium	8,071,943	8,071,943	8,071,943	8,071,943	8,181,162
Other reserves	(5,041)	(7,752)	(7,752)	(7,752)	(7,752)
Retained earnings	8,829,683	6,418,039	5,805,859	4,543,801	5,691,196
Total equity attributable to equity holders of the Company	17,551,899	15,137,544	14,525,364	13,263,306	14,410,701
Treasury stock	(1,388,574)	(1,388,574)	(1,388,574)	(1,388,574)	(1,388,574)
Total equity	16,163,325	13,748,970	13,136,790	11,874,732	13,022,127
Current liabilities	26,656,285	39,814,294	38,232,417	49,892,291	49,341,673
Non-current liabilities	4,199,344	7,635,015	10,748,422	11,691,972	3,377,160
	<u>47,018,954</u>	<u>61,198,279</u>	<u>62,117,629</u>	<u>73,458,995</u>	<u>65,740,960</u>
Assets employed					
Non-current assets	14,892,341	11,607,197	22,654,311	22,171,280	22,846,995
Current assets	32,126,613	49,591,082	39,463,318	51,287,715	42,893,965
	<u>47,018,954</u>	<u>61,198,279</u>	<u>62,117,629</u>	<u>73,458,995</u>	<u>65,740,960</u>
	2019 N'000	2018 N'000	2017 N'000	2016 N'000	2015 N'000
Revenue	<u>176,550,766</u>	<u>134,706,306</u>	<u>86,176,010</u>	<u>131,613,962</u>	<u>108,853,855</u>
Operating profit	4,924,446	2,949,086	2,587,372	6,707,897	5,780,627
Profit before income tax	4,654,147	1,028,544	1,895,670	5,442,482	5,831,755
Profit after tax	3,915,140	631,471	1,262,058	3,235,829	4,794,578
Basic & diluted earnings per share in (N)	3.00	0.48	0.97	2.48	4.39