



SCOA NIGERIA PLC
[RC: 6293]

**ANNUAL REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2019**



BBC PROFESSIONALS
CHARTERED ACCOUNTANTS



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Independent Accountants*

Independent Auditor's Report To the Shareholders of SCOA Nigeria Plc

Opinion

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

In our opinion, the accompanying consolidated financial statements gives a true and fair view in all material respects, the consolidated financial position of the Group at 31 December, 2019 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs), the Companies and Allied Matters Act, CAP C20 LFN 2004, and the Financial Reporting Council Act No. 6, 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 consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. However, there were no issues of key audit matters during the financial year.

Other information than the Financial Statements and Audit Report thereon

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

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

Other information than the Financial Statements and Audit Report thereon (Continued)

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards; in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and the requirements of the Companies and Allied Matters Act, CAP C20, LFN 2004, and for such internal controls as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicated with the Audit Committee 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 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, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters 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 public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

In accordance with Schedule 6 of the Companies and Allied Matters Act CAP C20 LFN, 2004 we expressly state that:

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

Lagos, Nigeria
26 June, 2020



Everestus U. Itodo, FCA
FRC/2013/ICAN/00000002513
For: BBC PROFESSIONALS
Chartered Accountants

SCOA NIGERIA PLC

**Consolidated Statement Of Profit Or Loss
And Other Comprehensive Income**
For the year ended 31 December, 2019

	Notes	The Group		The Company	
		2019 N'000	2018 N'000	2019 N'000	2018 N'000
Continuing operations					
Revenue	10	4,034,367	2,451,366	2,852,163	920,197
Cost of sales	11	(3,494,806)	(1,617,259)	(2,712,034)	(642,750)
Gross profit		539,561	834,107	140,129	277,447
Other income	12	1,176,636	1,068,780	1,105,984	970,419
Distribution costs	13	(118,515)	(77,548)	(75,449)	(11,697)
Administrative expenses	14	(1,428,268)	(1,399,151)	(1,042,411)	(824,364)
Operating profit		169,414	426,189	128,253	411,805
Finance income	15	1,027	65,502	1,027	65,502
Finance costs	16	(100,692)	(999,296)	(100,692)	(995,193)
Profit/(loss) before taxation		69,749	(507,605)	28,588	(517,886)
Income tax	17.1	249,427	461,725	265,901	461,725
Profit/(loss) for the year from operations		319,176	(45,880)	294,489	(56,161)
Other comprehensive loss					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement loss on defined benefit plans	31	(4,789)	(21,689)	(4,789)	(21,689)
Other comprehensive loss for the year		(4,789)	(21,689)	(4,789)	(21,689)
Total comprehensive income/(loss) for the year		314,387	(67,569)	289,700	(77,850)
Total profit/(loss) attributable to:					
Equity holders of the parent		310,085	(45,940)	294,489	(56,161)
Non-controlling interests	21	9,091	60	-	-
		319,176	(45,880)	294,489	(56,161)
Total comprehensive income/(loss) attributable to:					
Equity holders of the parent		305,296	(67,629)	289,700	(77,850)
Non-controlling interests		9,091	60	-	-
Profit/(loss) for the year		314,387	(67,569)	289,700	(77,850)
Earnings/(loss) per share from operations:					
Earnings/(loss) per share (Naira)	18	0.49	(0.07)	0.45	(0.09)

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

SCOA NIGERIA PLC

Consolidated Statement Of Financial Position

As at 31 December, 2019

	Notes	The Group		The Company	
		2019 N'000	2018 N'000	2019 N'000	2018 N'000
Assets					
Non-current assets					
Property, plant and equipment	19	6,611,507	6,844,155	5,188,994	5,422,597
Investment in subsidiary	20	-	-	567,292	567,292
Deferred tax	17.4	870,907	595,566	951,690	-
Total non-current assets		7,482,414	7,439,721	6,707,976	5,989,889
Current assets					
Inventories	22	1,959,409	2,033,744	1,600,499	1,749,263
Trade and other receivables	24	4,861,802	3,020,482	4,920,098	3,753,952
Other current assets	25	316,836	496,810	296,105	491,381
Cash and cash equivalents	26	170,096	32,535	16,971	26,012
Total current assets		7,308,143	5,583,571	6,833,673	6,020,608
Total assets		14,790,557	13,023,291	13,541,649	12,010,497
Equity					
Share capital	27.2	324,913	324,913	324,913	324,913
Share premium	28	194,405	194,405	194,405	194,405
Revaluation reserves	29	4,224,807	4,224,807	4,146,484	4,146,484
Retained loss	30	(3,346,478)	(3,651,774)	(3,292,586)	(3,582,286)
Equity attributable to equity holder of the parent		1,397,647	1,092,351	1,373,216	1,083,516
Non-controlling interest	21	583,058	573,967	-	-
Total equity		1,980,705	1,666,318	1,373,216	1,083,516
Non-current liabilities					
Non-current borrowings	33.2	5,084,654	4,713,471	5,084,654	4,713,471
Defined benefit plan	31.2	101,057	98,543	101,057	54,604
Deferred tax	17.4	-	-	-	105,723
Total non-current liabilities		5,185,711	4,812,014	5,185,711	4,873,798
Current liabilities					
Advances from customers	23	843,259	843,259	843,259	843,259
Trade and other payables	32	4,575,052	2,333,716	4,013,160	1,906,002
Current borrowings	33.1	2,160,756	3,335,339	2,107,222	3,280,456
Current tax payable	17.3	45,074	32,646	19,081	23,466
Total current liabilities		7,624,141	6,544,960	6,982,722	6,053,183
Total liabilities		12,809,852	11,356,974	12,168,433	10,926,981
Total equity and liabilities		14,790,557	13,023,291	13,541,649	12,010,497

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

These consolidated financial statements were approved by the Board of Directors on 26 June, 2020 and signed on its behalf by:



Mr. Henry Agbamu
FRC/2013/NIM/00000003968
Chairman



Dr. Massad F. Boulos
FRC/2013/IOD/00000003008
Group Managing Director/ CEO



Mrs. Angelina Okereke
FRC/2013/ICAN/00000002373
General Manager Finance

SCOA NIGERIA PLC

Consolidated Statement Of Changes In Equity

For the year ended 31 December, 2019

	Issued share capital N'000	Share premuim N'000	Retained loss N'000	Revaluation reserves N'000	Total N'000	Non controlling interest N'000	Total equity N'000
The Group							
Attributable to equity holders of the Group							
At 1 January, 2018	324,913	194,405	(2,644,769)	4,224,807	2,099,356	574,027	2,673,383
Prior year adjustment	-	-	(939,436)	-	(939,436)	-	(939,436)
Loss for the year	-	-	(45,880)	-	(45,880)	(60)	(45,940)
Other comprehensive income	-	-	(21,689)	-	(21,689)	-	(21,689)
Total comprehensive loss	-	-	(3,651,774)	-	1,092,351	573,967	1,666,318
Addition during the year							
At 31 December, 2018	324,913	194,405	(3,651,774)	4,224,807	1,092,351	573,967	1,666,318
At 1 January, 2019	324,913	194,405	(3,651,774)	4,224,807	1,092,351	573,967	1,666,318
Profit for the year	-	-	310,085	-	310,085	9,091	319,176
Other comprehensive loss	-	-	(4,789)	-	(4,789)	-	(4,789)
Total comprehensive loss	-	-	(3,346,478)	-	1,397,647	583,058	1,980,705
							-
At 31 December, 2019	324,913	194,405	(3,346,478)	4,224,807	1,397,647	583,058	1,980,705

SCOA NIGERIA PLC

Consolidated Statement Of Changes In Equity

For the year ended 31 December, 2019

	Issued share capital N'000	Share premium N'000	Retained loss N'000	Revaluation reserves N'000	Total equity N'000
The Company					
Attributable to equity holders of the Company					
At 1 January, 2018	324,913	194,405	(2,560,821)	4,146,484	2,104,981
Prior year adjustment			(943,615)		(943,615)
Loss for the year	-	-	(56,161)	-	(56,161)
Other comprehensive loss	-	-	(21,689)	-	(21,689)
Total comprehensive loss	-	-	(3,582,286)	-	1,083,516
At 31 December, 2018	324,913	194,405	(3,582,286)	4,146,484	1,083,516
At 1 January, 2019	324,913	194,405	(3,582,286)	4,146,484	1,083,516
Profit for the year	-	-	294,489	-	294,489
Other comprehensive loss	-	-	(4,789)	-	(4,789)
Total comprehensive loss in the year	-	-	(3,292,586)	-	1,373,216
At 31 December, 2019	324,913	194,405	(3,292,586)	4,146,484	1,373,216

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

Consolidated Statement Of Cash Flows

For the year ended 31 December, 2019

	Notes	The Group		The Company	
		2019 N'000	2018 N'000	2019 N'000	2018 N'000
Cash flows from operating activities					
Profit/(loss) for the year		314,387	(67,569)	289,700	(77,850)
Adjustment for:					
Depreciation of property, plant and equipment	19	226,161	232,471	223,875	230,267
Finance costs	16	100,692	999,296	100,692	995,193
Finance income	15	(1,027)	(65,502)	(1,027)	(65,502)
Foreign exchange gain	12	(6,209)	(53,590)	(6,208)	(53,591)
Prior year adjustment	30	-	(939,436)	-	(943,615)
Profit/(loss) on disposal of property, plant and equipment		(257,943)	21,449	(257,943)	21,449
Remeasurement (loss)/profit on define benefit plans		4,789	(21,689)	4,789	(21,689)
Provision no longer required		-	861,911	-	861,911
Tax credit offst		(13,486)	-	(13,486)	-
Movement in non-controlling interest	21	9,091	60	-	-
Income tax expense	17.1	(249,427)	-	(265,901)	-
		127,028	967,401	74,491	946,573
Changes:					
Changes in Inventories		74,335	115,748	148,764	293,006
Changes in Trade and other receivables		(1,841,320)	(529,745)	(1,166,146)	(1,040,691)
Changes in Other current assets		179,974	(127,346)	195,275	(121,914)
Changes in Trade and other payables		2,674,963	1,596,177	1,766,113	2,035,605
Changes in Advances from customers		-	294,394	-	294,394
Changes in Gratuity		2,513	30,744	46,453	(13,195)
		1,217,492	2,347,373	1,064,950	2,393,778
Income taxes paid	17.3	-	(10,983)	-	(10,983)
Net cash generated from operating activities		1,217,492	2,336,390	1,064,950	2,382,795
Purchase of property plant and equipment	19	(29,665)	(28,773)	(26,424)	(28,773)
Proceeds from sale of property, plant and equipment		260,565	64,931	260,565	64,931
Net cash generated from investing activities		230,900	36,158	234,141	36,158
Finance costs		(100,692)	(999,296)	(100,692)	(995,193)
Finance income		1,027	65,502	1,027	65,502
Decrease in current borrowings		(1,174,583)	(1,779,858)	(1,173,234)	(1,834,741)
Increase in Non-current borrowings		371,183	2,833,985	371,183	2,833,985
Net Cash (used)/generated from financing activities		(903,065)	120,333	(901,716)	69,553
Net increase in cash and cash equivalents		545,327	2,492,881	397,375	2,488,506
Cash and cash equivalents at 1 January		(900,032)	(3,392,913)	(905,205)	(3,393,711)
Cash and cash equivalents at 31 December	26	(354,705)	(900,032)	(507,830)	(905,205)

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

1 The reporting entity

1.1 Legal form

SCOA Nigeria Plc was established and commenced business as a private Company in 1926 and incorporated as a limited liability Company in 1969 with a registration number of RC 6293. The Company was listed on the Nigerian Stock Exchange in 1977 and has since attained the status of a public limited liability Company (Plc) with its shares continue to be traded on the Nigerian Stock Exchange. The Company is domiciled in Nigeria.

1.2 Corporate office

The registered office of the Company is at 157, Apapa/Oshodi Expressway, Isolo, Lagos, Nigeria.

1.3 Principal activity

The principal activities of SCOA Nigeria Plc include the distribution, maintenance and leasing of motor vehicles, assembling, sales and servicing of power generators, sales and servicing of earth-moving and construction equipment, road construction, industrial compressors, agricultural agricultural tractors, machinery and implements. There was no change in the activities of the Group during 2019.

2 Basis of preparation

2.1 Statement of compliance with IFRSs

The consolidated financial statements for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRSs). Additional information required by national regulations is included where appropriate.

The consolidated financial statements comprise of the consolidated statement of financial position, consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes to the consolidated financial statements.

2.2 Basis of measurement

The consolidated financial statements have been prepared in accordance with the going concern principle under the historical cost convention except for financial instruments measured at fair value. The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates, it also requires management to exercise its judgment in the process of applying the group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate the group's financial statements presents the financial position and results fairly.

2.3 Functional and presentation currency

The consolidated financial statements are presented in naira which is the group's presentational currency and all values are rounded to the nearest thousand (N'000), except where otherwise indicated. The consolidated financial statements are presented in the currency of the primary economic environment in which the group operates (its functional currency). For the purpose of the consolidated financial statements, the consolidated results and financial position are expressed in naira, which is the functional currency of the group and the presentational currency for the financial statements.

2 Basis of preparation (Continued)

2.4 Current versus non-current classification

The group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.5 Going concern status

The consolidated financial statements have been prepared on a going concern basis, which assumes that the entity will be able to meet its financial obligations as and when they fall due. There are no significant financial obligations that will impact on the entity's resources which will affect the going concern of the entity. Management is satisfied that the entity has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the consolidated financial statements.

2.6 Basis of consolidation

The consolidated financial statements comprise the financial statements of the SCOA Nigeria Plc and its subsidiaries as at 31 December, 2019.

The financial statements of the subsidiaries have been prepared on a historical cost basis. The company accounts for its investment in subsidiaries at cost.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

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

2.6 Basis of consolidation (Continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

In the Company the investment in its subsidiaries are accounted for using the cost method.

2.7 Accounting estimates and judgement

The group makes estimate and assumption about the future that affects the reported amounts of assets and liabilities. Estimates and judgment are continually evaluated and based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumption.

The effect of a change in an accounting estimate is recognized prospectively by including it in the profit or loss and other comprehensive income in the period of the change, if the change affects that period only, or in the period of change and future period, if the change affects both the estimates and assumptions that have a significant risks of causing material adjustment to the carrying amount of asset and liabilities in the next consolidated financial statements are discussed below:

a. Asset useful lives and residual values:

Property, plant and equipment are depreciated over their useful lives, taking into account residual values where appropriate. The actual useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the assets and projected disposal values.

2.7 Accounting estimates and judgement (Continued)**b. Taxes**

- i Uncertainties exist with respect to the amount and timing of future taxable income. Given the complexities of existing contractual agreement, differences arising between the actual results and the assumptions made could necessitate future adjustment to tax income and expenses already recorded. The Company establishes provisions based on reasonable estimates.
- ii Deferred taxes are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

c. Provisions/contingencies

Provisions are liabilities of uncertain timing and are recognised when the entity 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 that has been reliably estimated. 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.

d. Impairment of financial assets

In assessing collective impairment, the group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income statement and reflected in an allowance account against receivables. Interest on the impaired asset where applicable continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through statement of profit or loss.

e. Employee benefit obligations

The cost of defined plans and other post-employment retirement benefits and the present value of the obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates etc. As a result of the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in assumptions. All assumptions are reviewed by the actuary, in determining the obligation due at each reporting date.

2.7 Accounting estimates and judgement (Continued)**f. Non-current assets held for sale**

On retirement of items of property, plant and equipment (usually operational motor vehicles) from operations, they are fair-valued and reclassified to a non-current-assets-held-for-sale account at the lower of their NBVs and fair-value less cost to sell with any differences arising thereon taken to profit or loss. Since there are no active markets dealing in second-hand vehicles, the Group exercises judgment in placing realistic values to the assets classified as held-for-sale by reference to the circumstances of previous disposals taking cognizance of physical conditions, vehicle brands, age, economic realities etc. These valuations are usually carried out by an assets disposal committee comprising the head of materials management, head of administration, head of internal audit, head of finance and the service engineer. The gross value of these assets are usually material and future results could be affected where actual proceeds differ materially from the valuations.

g. Allowances on trade receivables

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income statement and reflected in an allowance account against receivables. Interest on the impaired asset where applicable continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss and other comprehensive income.

3. New Standards, amendments and Interpretations adopted by the Company

In the current year, the Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

3.1 IFRS 9: Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include:

- (a) impairment requirements for financial assets, and ;
- (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods.
- Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms on the financial asset that give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value through profit or loss (FVTPL) at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an entity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 1 January, 2018. The Company has adopted the standard for the first time in the 2018 financial statements.

The impact of the standard is set out in note 8, 'Changes in Accounting Policy'.

3.2 IFRS 15: Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11: Construction contracts, IAS 18: Revenue, IFRIC 13: Customer Loyalty Programmes, IFRIC 15: Agreements for the construction of Real Estate, IFRIC 18: Transfers of Assets from Customers and SIC 31: Revenue - Barter Transactions Involving Advertising Services.

Notes to the Consolidated financial statements

For the year ended 31 December, 2019

3. New Standards, amendments and Interpretations adopted by the Company (Continued)**3.2 IFRS 15: Revenue from Contracts with Customers (Continued)**

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer.
- Determine the performance obligations in the contract.
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract.
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements. The Effective date of the standard is for years beginning on or after 1 January, 2018. The Company has adopted the standard for the first time in the 2018 financial statements. The impact of the standard is set out in note 6, 'Changes in Accounting Policy'.

4. New Standard and Interpretation Issued but not Adopted by the Company

The following standards and interpretations are effective for annual periods beginning after 1 January 2019. These standards and interpretation have not been applied in preparing these financial statements.

Management is in the process of assessing the impact of the standards on the Company:

i. IFRS 3: Business Combinations

On 22 October 2018, the IASB issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting periods beginning on or after 1 January 2020.

ii. IBOR Reform Phase 1 Amendments

On September 2019, the IASB issued 'Interest Rate Bench mark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as a first reaction to the potential effects the IBOR reform could have on financial reporting. The amendments are effective for annual reporting periods beginning on or after 1 January, 2020.

iii. New Materiality Definition

On 31 October 2018, the IASB issued 'Definition of Materiality (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.

4. New Standard and Interpretation Issued but not Adopted by the Company (Continued)

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

iv. Conceptual Framework

Together with the revised 'Conceptual Framework' published in March 2018, the IASB also issued 'Amendments to References to the Conceptual Framework in IFRS Standards'.

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

v. IFRIC 23 Uncertainty Over Income Tax Treatments (Continued)

The Interpretation requires an entity to:

- reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty.
- measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable);
- reassess the judgements and estimates applied in facts and circumstances change (e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires); and
- Consider whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution.

The Interpretation is applicable for annual periods beginning on or after January 1, 2019

vi. Amendments to IFRS 10 and IAS 28 Consolidated Financial Statements and Investments in Associates and Joint Ventures

Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- Require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations).
- Require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

5. Summary of significant accounting policies

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

5.1 Investments in subsidiaries

The consolidated financial statements incorporates the financial statements of the company and all its subsidiaries where it is determined that there is a capacity to control.

Control means the power to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities. All the facts of a particular situation are considered when determining whether control exists.

Control is usually present when an entity has:

- power over more than one-half of the voting rights of the other entity;
- power to govern the financial and operating policies of the other entity;
- power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
- power to cast the majority of votes at meetings of the board of directors or equivalent governing body of the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date that control ceases. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners).

In its separate accounts, the Company accounts for its investment in subsidiaries at cost.

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. Consistent accounting policies are used throughout the Group for consolidation.

5.2 Investment in an associate

The financial statements of the associate have been prepared on a historical cost basis.

An associate is an entity in which the Group has significant influence. Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

In the Company, the investments in its associate are accounted for using the cost method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

5. Summary of significant accounting policies (Continued)

The profit or loss reflects the share of the results of operations of the associate, Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The share of profit of an associate is shown on the face of the statement of profit or loss and other comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

5.2 Investment in an associate (Continued)

The financial statements of the associate are prepared for the same reporting year as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

5.3 Fair value measurement

The Group does not measure any asset or liabilities at fair value.

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. The fair value measurement is based transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability. Or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

5.4 Foreign currency translation

The consolidated financial statements of SCOA Nigeria Plc and its subsidiaries are presented in Naira, which is also the parent company's functional currency for each entity: the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. For all years to date, the functional and presentation currencies of the company and all subsidiaries have been presented in Naira.

5. Summary of significant accounting policies (Continued)**Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group entities at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to profit or loss with the exception of all monetary items that forms part of a net investment in a foreign operation. All subsidiaries and associates are domiciled in Nigeria. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

5.4 Foreign currency translation (Continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

5.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties. The following specific recognition criteria must also be met before revenue is recognised:

5.5.1 Sale of goods

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

5.5.2 Interest income

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

5.5.3 Construction Contracts

The Group principally operates fixed price contracts if the outcome of such a contract can be reliably measured; revenue associated with the construction contract is recognised by reference to the stage of completion of the contract activity as at year end (the percentage of completion method).

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs incurred can be compared with prior estimates when the outcome of a construction cannot be recognised only to the extent of costs incurred that are expected to be recoverable.

In applying the Value of work certified method, The Group recognises revenue based on value of work certified by an independent engineer at a particular period.

5. Summary of significant accounting policies (Continued)

Contract revenue: Contract revenue corresponds to value certified by independent surveyor to the extent that it is probable that they will result in revenue and they can be reliably measured.

Contract Costs: Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that can relate directly to a specific contract comprise: cost of material and labour, depreciation of equipment used on the contract: costs of design and technical assistance that is directly related to the contract.

5.5 Revenue (Continued)**5.5.3 Construction Contracts (Continued)**

The Group's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the value of work certified method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

Assets covered by a single contract are treated separately when:

- Tile separate proposals have been submitted for each asset
- Each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset.
- The costs and revenues of each asset can be identified.

A group of contracts are treated as a single construction contract when:

- The group of contracts is negotiated as a single package; the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin.
- The contracts are performed concurrently or in a continuous sequence.

Revenue is recognized when Group's right to receive the payment is established.

5.6 Taxation

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

5.6.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

5. Summary of significant accounting policies (Continued)**5.6.2 Deferred taxation**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

5. Summary of significant accounting policies (Continued)**5.6.3 Value added tax (VAT)**

Non-recoverable VAT paid in respect of an item of non capital nature is written off to Statement of Comprehensive Income. Non-recoverable VAT paid in respect of fixed assets is capitalized as part of the cost of the fixed assets. The net amount owing to or due from the tax authority is included in receivables or payables.

3.6.4 Withholding tax

The withholding tax credit is set off against income tax payable. Tax credits, which are considered irrecoverable, are written off as part of the tax charge for the year.

5.6.5 Capital gains tax

Capital gains tax is included in the tax expense for the period to which it relates.

5.7 Property, plant and equipment

Items of Property and equipment are carried at cost less accumulated depreciation and impairment losses except for land and building which is carried at revalued amount. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property, plant and equipment. Exchanges of assets are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. The cost of the acquired asset is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. Where fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up.

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

Class of assets	No of years
Plant and machinery	12
Building	20
Motor vehicles	8
Generator set	8
Office equipment	7
Fixtures and fittings	10

5. Summary of significant accounting policies (Continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

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

Construction assets in progress and freehold land are not depreciated.

5.7 Property, plant and equipment (Continued)

Major maintenance and repair (Cost of overhaul): Expenditure on major maintenance or repairs comprises the cost of replacement assets or parts of assets, inspection costs and the costs of overhauling. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the item will flow to the Group. The expenditure is capitalized and the carrying amount of the replaced asset is derecognized. Inspection costs associated with major maintenance programs are capitalized and amortized over the year to the next inspection. Routine maintenance and repairs are charged to expense as incurred. Expenditure on major maintenance or repairs comprises the cost of replacement assets or parts of assets. Where an asset or part of an asset that was separately depreciated and is now written off or is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the replacement expenditure is capitalised. Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. All other maintenance costs are expensed as incurred.

5.8 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, call deposits and other short term highly liquid investments with an original maturity of three months or less and which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

For the purpose of the statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

5.9 Inventories

Inventories represent all assets held by the Group for sale in the ordinary course of business or in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services. The Group's inventories primarily consist of raw materials, finished goods and work-in-progress, spare parts.

- Raw materials: purchase cost on a weighted average basis.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

5. Summary of significant accounting policies (Continued)

Inventories are stated at the lower of cost and net realisable value. Costs of inventory represent purchase price, freight inwards and transit insurance charges, customs duties, transport and handling costs determined on a Weighted Average basis. Costs include directly attributable costs incurred in bringing inventories to the present location and condition for intended use by management. In the case of manufactured inventory and work in progress, cost includes an appropriate share of production overheads based on normal activity levels. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value is determined by reference to prices existing at the reporting date.

5.10 Leases

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

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

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

5.11 Impairment of non-current assets

The Group assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication of impairment exists, the Group makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level (Cash generating unit) at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. An asset's group recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. Impairment losses are recognized in profit or loss.

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

5. Summary of significant accounting policies (Continued)

Impairment losses recognized in prior years can be reversed up to the original carrying amount, had the impairment loss not been recognized. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

5.12 Provisions, Contingent Liabilities and Contingent Assets

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event for which it is probable that an outflow of resources will be required and when a reliable estimate can be made regarding the amount of the obligation. The amount of the liability corresponds to the best possible estimate.

5.12 Provisions, Contingent Liabilities and Contingent Assets (Continued)

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax risk-free rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized within finance costs.

Where applicable, provisions are split between amounts expected to be settled within 12 months of the reporting date (current) and amounts expected to be settled later (non-current).

5.12.1 Contingent liabilities

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Group or present obligations where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote. Where the Group makes contributions into a separately administered fund for restoration, environmental or other obligations, which it does not control, and the Group's right to the assets in the fund is restricted, the obligation to contribute to the fund is recognized as a liability where it is probable that such additional contributions will be made. The Group recognizes a reimbursement asset separately, being the lower of the amount of the associated restoration, environmental or other provision and the Group's share of the fair value of the net assets of the fund available to contributors.

5.13 Borrowing Costs

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

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

5. Summary of significant accounting policies (Continued)**5.14 Employee benefits**

The Group operates two broad employee benefit schemes including contribution plan and defined benefit plan.

5.14.1 Defined contribution plan: Pension

The Group operates a defined contribution pension plan under which the Group pays fixed contributions into a separate entity for the benefit of qualifying employees. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. Under this scheme, both the employer and qualifying employees contribute 10% and 8% respectively base on each of the employees' eligible allowances in compliance with the provision of the Pension Reform Act, funded through payroll deductions, while the Company's contribution recognised as part of staff cost in the profit or loss.

5.14.2 Defined benefit plan

The Group also operates a post-employment benefit plan under which Group's net obligation under the scheme is calculated separately by estimating the amount of future benefit that employees have earned in return for their services in the current and prior years: that benefit is discounted to determine its present value. The discount rate is the market yield at the reporting date on a credit-rated bonds that have maturity dates approximating the terms of the group's obligation and that are denominated in the currency in which the benefit are expected to be paid. The calculation is performed annually by a qualified actuary using the projected credit unit method.

The re-measurement comprising of actuarial gains or losses are recognised immediately recognizes in the statement of financial position with corresponding debits or credit to retained earnings through other comprehensive income (OCI) in the period in which they occur. Re-measurement are not reclassified to profit or loss in subsequent periods.

Past service cost are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability. The group recognises the following changes in defined benefit obligation under administrative expenses in the consolidated statement of profit or loss (by function):

- Service costs comprising current service costs, past service costs, gains or losses on curtailments and non-routine settlements;
- Net interest expense or income. The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on settlement or curtailment comprises any resulting change in the fairvalue of the plan asset and any change in the present value of defined benefit obligation.

5. Summary of significant accounting policies (Continued)**5.14.3 Termination benefits**

Termination benefits are recognized as an expense when the Group is demonstrably committed without realistic possible withdrawal, to a formal detail 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 benefit for voluntary redundancies is recognized as expenses if the Group has made an offer of voluntary redundancy and it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If the benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

5.14.4 Short term employee benefits:

These are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

5.15 Financial Instruments

The Group accounting policies were changed to comply with IFRS 9. IFRS 9 replaces the provisions of IAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

(a) Classification and measurement**Financial assets**

It is the Group policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss. The Company does not currently have financial assets measured at fair value through profit or loss.

Classification and subsequent measurement is dependent on the Company's business model for managing the asset and the cash flow characteristics of the asset. On this basis, the Company may classify its financial instruments at amortised cost, fair value through profit or loss and at fair value through other Comprehensive income.

The business models applied to assess the classification of the financial assets held by the Company are:

- **Held to collect:** Financial assets in this category are held by the Company solely to collect contractual cash flows and these cash flows represent solely payments of principal and interest. Assets held under this business model are measured at amortised cost.
- **Fair value through other comprehensive income:** Financial assets in this category are held to collect contractual cash flows and sell where there are advantageous opportunities. The cash flows represent solely payment of principal and interest.

5. Summary of significant accounting policies (Continued)

- Fair value through profit or loss: This category is the residual category for financial assets that do not meet the criteria described above. Financial assets in this category are managed in order to realise the asset's fair value.

The Company's financial assets are held to collect contractual cashflows that are solely payments of principal (for non-interest bearing financial assets) or solely payments of principal and interest (for interest bearing financial assets). The financial assets are measured at amortised cost.

The Group financial assets include trade and other receivables and cash and cash equivalents. They are included in current assets, except for maturities greater than 12 months after the reporting date which are included in non-current assets. Interest income from these assets is included in finance income using the effective interest rate method.

5.15 Financial Instruments**(a) Classification and measurement (Continued)****Financial liabilities**

Financial liabilities of the Company are classified and measured at fair value on initial recognition net of directly attributable transaction costs and subsequently measured at amortised cost.

The Company's financial liabilities include trade and other payables. They are included in current liabilities, except for maturities greater than 12 months after reporting date which are included in non-current liabilities.

(b) Impairment of financial assets

Recognition of impairment provision under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to the Company's financial assets classified at amortised cost. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The simplified approach is applied to all trade related receivables while the general approach is applied to other receivables (Staff debtors) and amount due from related parties.

(i) Simplified Approach

The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Company's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

5. Summary of significant accounting policies (Continued)**(ii) General (3 Stages) Approach**

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as 12 months ECL which is a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after assessing the portion of the outstanding asset that is deemed to be irrecoverable at the reporting period. The EAD is the total amount of outstanding receivable at the reporting period. These three components are multiplied together and adjusted for forward looking information, such as the gross domestic product (GDP) and inflation rate to arrive at an ECL which is then discounted to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate.

5.15 Financial Instruments**(b) Impairment of financial assets (Continued)**

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss and presented on the face of the statement of profit or loss.

Significant increase in credit risk and default definition

The Company assesses the credit risk of its financial assets based on the information obtained during periodic review of publicly available information, industry trends and payment records. Based on the analysis of the information provided, the Company identifies the assets that require close monitoring.

Furthermore, financial assets that have been identified to be more than 30 days past due on contractual payments are assessed to have experienced significant increase in credit risk. These assets are grouped as part of Stage 2 financial assets where the three-stage approach is applied.

In line with the Company's credit risk management practices, a financial asset is defined to be in default when contractual payments have not been received at least 90 days after the contractual payment period. Subsequent to default, the Company carries out active recovery strategies to recover all outstanding payments due on receivables. Where the Company determines that there are no realistic prospects of recovery, the financial asset and any related loss allowance is written off either partially or in full.

(c) Derecognition**- Financial assets**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition. Gains or losses on derecognition of financial assets are recognised as other income/(losses).

5. Summary of significant accounting policies (Continued)**- Financial liabilities**

The Company derecognises a financial liability when it is extinguished i.e when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in the statement of profit or loss.

(d) Offsetting of financial assets and financial liabilities

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

The legally enforceable right is not contingent on future events and is enforceable in the normal course of business, and in the event of default, insolvency or bankruptcy of the Company or the counter party.

5.16 Dividend**5.16.1 Dividend distributions**

Dividend distributions to the company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividend are declared.

5.16.2 Unclaimed dividend

Unclaimed dividends are amounts payable to shareholders in respect of dividend previously declared by the Group, which have remained unclaimed by the shareholders. In compliance with Section 385 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria, unclaimed dividends after twelve years are transferred to retained earnings.

5.17 Earnings per share

The Group presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the Group by the number of shares outstanding during the year.

Adjusted earnings per share is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shareholders adjusted for the bonus shares issued.

5.18 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 instruments.

5.19 Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

5. Summary of significant accounting policies (Continued)**5.20 Key management personnel**

For the purpose of related party disclosures, key management personnel are those who have authority and responsibility for planning, directing and controlling the activities of Group. For SCOA Nigeria Plc key management personnel are considered to be designations from senior divisional head levels at the Group.

6 Financial risk management

The group's operations expose it to a number of financial risks. Adequate risk management procedures have been established to protect the group against the potential adverse effects of these financial risks. There has been no significant change in these financial risks since the prior year.

The group has established a risk management function with clear terms of reference from the board of Directors, its committees and the executive management committees.

This is supplemented with a clear organizational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers.

Lastly, the Internal Audit unit provides independent and objective assurance on the robustness of the risk management framework, and the appropriateness and effectiveness.

The group's principal significant risks are assessed and mitigated under three broad headings:

Strategic risks - This specifically focused on the economic environment, the products offered and market. The strategic risks arise from a company's ability to make appropriate decisions or implement appropriate business plans, strategies, decision making, resource allocation and its inability to adapt to changes in its business environment.

Operational risks - These are risks associated with inadequate or failed internal processes, people and systems, or from external events.

Financial risks - Risk associated with the financial operation of the group, including underwriting for appropriate pricing of plans, provider payments, operational expenses, capital management, investments, liquidity and credit.

The management approves the group's risk management policies and meets regularly to approve any commercial, regulatory and organizational requirements of such policies. These policies define the group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting to the corporate goals, and specify reporting requirements to meet.

6.1 Strategic risks

The following capital management objectives, policies and approach to managing the risks which affect its capital position are adopted by the company.

- i. To maintain the required level of financial stability thereby providing a degree of security to clients and plan members.
- ii. To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- iii. To retain financial flexibility by maintaining strong liquidity.
- iv. To align the profile of assets and liabilities taking account of risks inherent in the business and regulatory requirements.
- v. To maintain financial strength to support new business growth and to satisfy the requirements of the regulators and stakeholders.

6.1 Strategic risks (Continued)**Approach to capital management**

The group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and customers.

The group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital level on a regular basis.

The group's primary source of capital in 2016 is funding from the banks and foreign lenders.

There has been no significant changes to its capital structure during the past year from previous years.

6.2 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the group's processes, personnel, technology and infrastructure, and from external factors such as provider tariffs, medical costs, premium review for adequacy, prompt premium payments and collections. Others are legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the group's operations.

The group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that 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 unit. This responsibility is supported by the development of operational standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including independent authorisation of transactions.
- requirements for the reconciliation and monitoring of transactions.
- compliance with regulatory and other legal requirements.
- documentation of controls and procedures.
- training and professional development.
- ethical and business standards.

6.3 Financial risks

The group has exposure to the following risks from financial instruments:

- Credit risks
- Market risks
- Liquidity risks

6.3.1 Credit risk:

Credit risk is risk of financial loss to the group if a customer or counter party to a financial instrument fails to meet its contractual obligations. It arises from group's receivables from customers.

Credit risks are managed within a frame work of credit policies, guidelines and processes as stated below:

(I) Exposure to credit risk

The carrying amount of financial assets that represents credit risk at the end of the reporting period was as follows:

	The Group		The Company	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
Financial assets				
Investment in subsidiaries	-	-	567,292	567,292
Trade and other receivables	4,861,802	3,020,482	5,352,888	3,753,952
Cash and cash equivalents	170,096	32,535	16,971	26,012
	<u>5,031,898</u>	<u>3,053,017</u>	<u>5,937,151</u>	<u>4,347,256</u>

The receivables' age analysis is also evaluated on a regular basis for potential doubtful receivables, where this is considered necessary. The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

An analysis of trade receivables:

	Total N'000	Past due but not impaired				
		0-30 days N'000	31-60 days N'000	61-90days N'000	91-365 days N'000	> 365 days N'000
The Group						
2019						
Trade receivables	<u>5,619,388</u>	<u>-</u>	<u>2,165,329</u>	<u>-</u>	<u>6,631</u>	<u>3,294,792</u>
2018						
Trade receivables	<u>3,020,482</u>	<u>10,072</u>	<u>6,567</u>	<u>112,725</u>	<u>10,373</u>	<u>2,880,745</u>
The Company						
2019						
Trade receivables	<u>5,352,888</u>	<u>-</u>	<u>2,165,329</u>	<u>-</u>	<u>6,631</u>	<u>3,180,928</u>
2018						
Trade receivables	<u>3,753,952</u>	<u>10,072</u>	<u>6,567</u>	<u>112,725</u>	<u>10,373</u>	<u>3,614,215</u>

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. At 31 December 2019, the Group had 79 customers (2018 : 35 customers) that owed the Group more than N1,000,000 each and accounted for approximately 85% (2018 : 85%) of all receivables owing. The requirement for impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

6.3.2 Market risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. The group is susceptible to the following market risks as a result of its transactions: interest rate risk; foreign currency risk; and equity price risk. The impact of these risks on the consolidated financial statements of the Group as a whole are explained below:

a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets. Our interest rate liability risk arises primarily from borrowings issued at floating interest rates which exposes the group to cash flow interest rate risk. It is the group's policy to settle trade payables within in the credit terms allowed and the group does therefore not incur interest on overdue balances. Borrowings are sourced from both local and foreign financial markets, covering short and long-term funding.

The Group manages interest rate risk on borrowings by ensuring access to diverse sources of funding, reducing risks of refinancing by establishing and managing in accordance with target maturity profiles.

b) Foreign currency risk

Foreign currency risk refers to the risk that the value of a financial commitment or recognised asset or liability will fluctuate due to changes in foreign currency rates. The group is exposed to foreign currency risk as a result of, foreign borrowings, usually denominated in dollar.

The group foreign currency risk exposure from recognised assets and liabilities arises primarily from short term borrowings denominated in foreign currency. The borrowings are usually import finance facilities which have a tenor of about three months, the impact of fluctuations in these commitments on the consolidated financial statement as a whole are considered minimal and reasonable as a result of the stable market and the short term of these facilities. This is because the group in the year under review, established facilities with the option of denominating these facilities in either Nigerian Naira or US Dollar, and considering the current economic conditions with regards to foreign exchange movements has opted to transact in these facilities in Nigerian Naira.

c) Equity price risk

In the year under review, the group had nil investments in financial assets which are measured using equity prices, thus it was not exposed to equity price risk. This impact of this risk on the consolidated financial statements either on the income statement or other comprehensive income is therefore considered nil for both the current year and the comparative year.

6.3.3 Liquidity risk

The group maintains sufficient amount of cash for its operations. Management review cashflow forecasts on a regular basis to determine whether the group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities. The group also makes use of overdraft banking facilities, N524.8 million (2018 : N932.6 million) which is used as an additional means of easing liquidity risk when considered necessary.

Worthy of note is that in the year under review, the group's trade payables of N3.4 billion (2018: N1.2 billion) increased by 183%. This was as a result of the group's ability to pay its suppliers, and increased purchases in the year.

Contractual maturity analysis for financial liabilities:

The following are the contractual maturities of financial liabilities presented in Nigeria Naira:

	Due within one year N'000	Due after one year N'000	Total N'000
The Group			
2019			
Financial liabilities			
Trade and other payables	4,575,052	-	4,575,052
Short term borrowings	2,160,756	-	2,160,756
Long term borrowings	-	5,084,654	5,084,654
	<u>6,735,808</u>	<u>5,084,654</u>	<u>11,820,461</u>
2018			
Trade and other payables	2,333,716	-	2,333,716
Short term borrowings	3,335,339	-	3,335,339
Long term borrowings	-	4,713,471	4,713,471
	<u>5,669,055</u>	<u>4,713,471</u>	<u>10,382,525</u>
The Company			
2019			
Financial liabilities			
Trade and other payables	4,013,160	-	4,013,160
Short term borrowings	2,107,222	-	2,107,222
Long term borrowings	-	5,084,654	5,084,654
	<u>6,120,382</u>	<u>5,084,654</u>	<u>11,205,036</u>
2018			
Trade and other payables	1,906,002	-	1,906,002
Short term borrowings	3,280,456	-	3,280,456
Long term borrowings	-	4,713,471	4,713,471
	<u>5,186,458</u>	<u>4,713,471</u>	<u>9,899,929</u>

The group's focus on the maturity analysis of its financial liabilities is as highlighted above; the group classifies their financial liabilities into due within one year and those due after one year.

The contractual cash flows disclosed in the maturity analysis are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the consolidated financial statements which is based on the discounted cash flows.

The financial liabilities of the group affected are the long term borrowings (Including current portion), all other financial liabilities included in the consolidated financial statements are assumed to approximate their carrying amounts due to their short term nature and are therefore, not discounted.

6.4 Financial instruments and fair values previously,

As explained, financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of income or comprehensive income.

These categories are: fair value through profit or loss; loans and receivables; Held-to-maturity; available for sale assets; and, for liabilities, amortized cost.

The fair value of financial assets together with the carrying amounts shown in the statement of financial position are as follows:

	Financial assets				Financial liabilities		
	Fair value through profit or loss N'000	Loans and receivables N'000	FVOCI N'000	Amortized cost N'000	Fair value N'000	Total carrying amount N'000	Fair value N'000
The Group							
At 31 December 2019							
Assets							
Trade and other receivables	-	4,861,802	-	-	-	4,861,802	4,861,802
Cash and cash equivalents	170,096	-	-	-	-	170,096	170,096
	170,096	4,861,802	-	-	-	5,031,898	5,031,898
Liabilities							
Trade and other payables	-	-	-	-	4,575,052	4,575,052	4,575,052
Long term borrowings (including current portion)	-	-	-	-	5,084,654	5,084,654	5,084,654
Advance from customers	-	-	-	-	843,259	843,259	843,259
Other short term borrowings	-	-	-	-	2,160,756	2,160,756	2,160,756
	-	-	-	-	12,663,721	12,663,721	12,663,721
At 31 December 2018							
Assets							
Trade and other receivables	-	3,020,482	-	-	-	3,020,482	3,020,482
Cash and cash equivalents	32,535	-	-	-	-	32,535	32,535
	32,535	3,020,482	-	-	-	3,053,017	3,053,017
Liabilities							
Trade and other payables	-	-	-	-	2,333,716	2,333,716	2,333,716
Long term borrowings (including current portion)	-	-	-	-	4,713,471	4,713,471	4,713,471
Advance from customers	-	-	-	-	843,259	843,259	843,259
Other short term borrowings	-	-	-	-	3,335,339	3,335,339	3,335,339
	-	-	-	-	11,225,785	11,225,785	11,225,785

The group had no financial instruments classified as 'Held to maturity', and 'Available for sale assets' for the years ended 2019 and 2018 respectively.

	Financial assets					Financial liabilities		
	Fair value through profit or loss N'000	Loans and receivables N'000	Held to Maturity N'000	Available for sale N'000	Amortized cost N'000	Fair value N'000	Total carrying amount N'000	Fair value N'000
The Company								
At 31 December 2019								
Assets								
Investment in subsidiaries	-	-	-	567,292	-	-	567,292	567,292
Trade and other receivables	-	4,920,098	-	-	-	-	4,920,098	4,920,098
Cash and cash equivalents	16,971	-	-	-	-	-	16,971	16,971
	16,971	4,920,098		567,292	-	-	5,504,361	5,504,361
Liabilities								
Trade and other payables	-	-	-	-	-	-	4,013,160	4,013,160
Long term borrowings	-	-	-	-	-	-	5,084,654	5,084,654
Advance from customers	-	-	-	-	-	-	843,259	843,259
Interest bearing loans and borrowing	-	-	-	-	-	-	2,107,222	2,107,222
	-	-	-	-	-	-	12,048,295	12,048,295
At 31 December 2018								
Assets								
Investment in subsidiaries	-	-	-	567,292	-	-	567,292	567,292
Trade and other receivables	-	3,753,952	-	-	-	-	3,753,952	3,753,952
Cash and cash equivalents	26,012	-	-	-	-	-	26,012	26,013
	26,012	3,753,952		567,292	-	-	4,347,256	4,347,257
Liabilities								
Trade and other payables	-	-	-	-	-	-	1,906,002	1,906,003
Long term borrowings	-	-	-	-	-	-	4,713,471	4,713,471
Advance from customers	-	-	-	-	-	-	843,259	843,259
Interest bearing loans and borrowing	-	-	-	-	-	-	3,280,456	3,280,456
	-	-	-	-	-	-	10,743,188	10,743,189

The company had no financial instruments classified as 'Held to maturity', and 'Available for sale assets' for the years ended 31 December 2019 and 2018 respectively.

6.5 Fair valuation methods and assumptions

Cash and cash equivalents, trade receivables, trade payables and short term borrowings are assumed to approximate their carrying amounts due to the short-term nature of these financial instruments.

The fair value of publicly traded financial instruments is generally based on quoted market prices, with unrealised gains in a separate component of equity at the end of the reporting year.

The fair values of long-term borrowings were determined by estimating future cash flows on a borrowing-by-borrowing basis, and discounting these future cash flows using a rate which takes into account the Group's spread for credit risk at year end.

6.6 Fair value measurements recognised in the statement of financial position

Financial instruments that are measured subsequent to initial recognition at fair value, are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

6.6 Fair value measurements recognised in the statement of financial position (Continued)

Level 2: for equity securities not listed on an active market and for which observable market data exist that the Group can use in order to estimate the fair value;

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

7 Capital management

In the management of its capital, the group has certain objectives which it intends to achieve, these include:

- the safeguarding of the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and the provision of an adequate return to shareholders by pricing products and services commensurately with the level of risk.

Consistently with others in the industry, the Group monitors capital on the basis of the debt-to-equity ratio.

This ratio is calculated as net debt ÷ equity:

Net debt is calculated as total liabilities (as shown in the statement of financial position) less cash and cash equivalents. Capital comprises all components of equity (ie ordinary shares, share premium, retained earnings, and other reserves).

During 2019, the group's strategy, which was unchanged from 2018, was to maintain the debt-to-capital ratio at the lower end of the range 4:1 to 3:1, in order not to deviate too far from the industry average of 3:1 attributable to manufacturing companies with a considerable reliance on debt financing.

The debt-to-equity ratios at 31 December 2019 and at 31 December 2018 were as follows:

	The Group		The Company	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
Total liabilities	12,809,852	11,356,974	12,168,433	10,926,981
Cash and cash equivalents	(170,096)	(32,535)	(16,971)	(26,012)
Net debt	12,639,756	11,324,439	12,151,462	10,900,969
Total equity	1,980,705	1,666,318	1,373,216	1,083,516
Debt-to-equity ratio	6.38	6.80	8.85	10.06

The increase in the debt-to-equity ratio in 2019 resulted primarily from both the increase of net debt and decrease of total equity. The increase in net debt was driven by the increase in trade payables of the parent company and total bank overdraft facilities outstanding as at the year end. Increase in trade payables as at year end was not caused by the inability of the company to pay up its debt as at when due but by the difficulty encountered by the company in obtaining foreign currency to settle its foreign suppliers. Whilst, banker's acceptance decreased, bank overdrafts increased due to the purchasing power of the Nigerian Naira in relation to other currencies in which the entity conducts its business, such as the US Dollar which is the major currency used to obtain the group's purchases. Thus the units of purchases N1 could obtain in the previous year had decreased significantly in the current year which is attributable to the current economic conditions, such as rising inflation rates, rising interest rates, scarcity of foreign currencies, dwindling oil prices, etc.

Finally, total equity reduced compared to the previous year as a function of the decrease in retained earnings. This was majorly caused by interest that was recognised for prior periods.

8. Changes in accounting policy - Impact on the financial statements

This note explains the impact of the adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers on the Company's financial statements.

SCOA Nigeria Plc has adopted IFRS 9: Financial Instruments on 1 January, 2019 without restating comparative figures. The adoption of IFRS 9 resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. Adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in opening retained earnings on 1 January, 2019 in the statement of changes in equity. Consequently, for notes disclosures, the consequential amendments to IFRS 9 disclosures have also been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The Group has also adopted IFRS 15: Revenue from Contracts with Customers using the Modified Retrospective method, with the effect of applying this standard recognised at the date of initial application (1 January, 2019). Accordingly, the information presented for 2019 financial year has not been restated but is presented as previously reported, under IAS 18 and related interpretations. The adjustments to the carrying amounts as a result of the adoption of IFRS 15 have no impact on the opening retained earnings as at 1 January, 2019.

Notes to the financial Statements (Continued)

For the year ended 31 December, 2019

8. Changes in accounting policy - Impact on the financial statements (Continued)

The following table summarises the impact of the adoption of IFRS 9 and 15 for each individual line item.

- i. Reconciliation of the Group statement of profit or loss and other comprehensive income for the year ended 31 December, 2018.

Group	At 31 December 2018 ₦'000	Impact of IFRS 9 ₦'000	At 1 January 2019 ₦'000	Impact of IFRS 15 ₦'000	At 1 January 2019 ₦'000
Revenue	2,451,366	-	2,451,366	-	2,451,366
Cost of sales	(1,617,259)	-	(1,617,259)	-	(1,617,259)
Gross profit	834,107	-	834,107	-	834,107
Other income	1,068,780	-	1,068,780	-	1,068,780
Distribution costs	(77,548)	-	(77,548)	-	(77,548)
Administration expenses	(998,557)	-	(998,557)	-	(998,557)
Operating profit	826,782	-	826,782	-	826,782
Finance income	65,502	-	65,502	-	65,502
Finance cost	(1,399,888)	-	(1,399,888)	-	(1,399,888)
Net finance cost	(1,334,386)	-	(1,334,386)	-	(1,334,386)
Loss before taxation	(507,604)	-	(507,604)	-	(507,604)
Tax expense	461,725	-	461,725	-	461,725
Loss after tax	(45,879)	-	(45,879)	-	(45,879)
Other comprehensive loss	(21,689)	-	(21,689)	-	(21,689)
Total comprehensive loss	(67,568)	-	(67,568)	-	(67,568)

Notes to the financial Statements (Continued)

For the year ended 31 December, 2019

8. Changes in accounting policy - Impact on the financial statements (Continued)

The following table summarises the impact of the adoption of IFRS 9 and 15 for each individual line item.

- ii. Reconciliation of the Company's statements of profit or loss and other comprehensive income for the year ended 31 December, 2018.

Company	At 31 December 2018 ₦'000	Impact of IFRS 9 ₦'000	At 1 January 2019 ₦'000	Impact of IFRS 15 ₦'000	At 1 January 2019 ₦'000
Revenue	920,197	-	920,197	-	920,197
Cost of sales	(642,750)	-	(642,750)	-	(642,750)
Gross profit	277,447	-	277,447	-	277,447
Other income	970,418	-	970,418	-	970,418
Distribution costs	(11,697)	-	(11,697)	-	(11,697)
Administration expenses	(423,771)	-	(423,771)	-	(423,771)
Operating profit	812,397	-	812,397	-	812,397
Finance income	65,502	-	65,502	-	65,502
Finance cost	(1,395,785)	-	(1,395,785)	-	(1,395,785)
Net finance cost	(1,330,283)	-	(1,330,283)	-	(1,330,283)
Loss before taxation	(517,886)	-	(517,886)	-	(517,886)
Tax expense	461,725	-	461,725	-	461,725
Loss after tax	(56,161)	-	(56,161)	-	(56,161)
Other comprehensive loss	(21,689)	-	(21,689)	-	(21,689)
Total comprehensive loss	(77,850)	-	(77,850)	-	(77,850)

Notes to the financial Statements (Cont'd)

For the year ended 31 December, 2019

8. Changes in accounting policy - Impact on the financial statements (Continued)

iii. Reconciliation of the Group statements of financial position as at 1 January, 2019.

Group	At 31 December 2018 ₦'000	Impact of IFRS 9 ₦'000	At 1 January 2019 ₦'000
Non-current assets			
Property, plant and equipment	6,844,155	-	6,844,155
Deferred tax assets	595,566	-	595,566
Total non-current assets	7,439,721	-	7,439,721
Current assets			
Inventories	2,033,744	-	2,033,744
Trade and other receivables	3,020,482	221,465	3,241,947
Other current assets	496,810	-	496,810
Cash and cash equivalents	32,535	-	32,535
Total current assets	5,583,571	221,465	5,805,036
Total assets	13,023,292	221,465	13,244,757
Equity and Liabilities			
Equity			
Share capital	324,913	-	324,913
Share premium	194,405	-	194,405
Revaluation reserves	4,224,807	-	4,224,807
Accumulated loss	(3,651,774)	221,465	(3,430,309)
Equity attributable to equity holder of the parent	1,092,351	221,465	1,313,816
Non-controlling interest	573,967	-	573,967
	1,666,318	221,465	1,887,783
Liabilities			
Non-current liabilities			
Non-current borrowings	4,713,471	-	4,713,471
Defined benefit plan	98,543	-	98,543
Total current liabilities	4,812,014	-	4,812,014
Non-current liabilities			
Advances from customers	843,259	-	843,259
Trade and other payables	2,333,716	-	2,333,716
Current borrowings	3,335,339	-	3,335,339
Current tax payable	32,646	-	32,646
Total non-current liabilities	6,544,960	-	6,544,960
Total liabilities	11,356,974	-	11,356,974
Total equity and liabilities	13,023,292	221,465	13,244,757

Notes to the financial Statements (Cont'd)

For the year ended 31 December, 2019

8. Changes in accounting policy - Impact on the financial statements (Continued)

iii. Reconciliation of the Company's statements of financial position as at 1 January, 2019.

Company	At 31 December 2018 ₦'000	Impact of IFRS 9 ₦'000	At 1 January 2019 ₦'000
Non-current assets			
Property, plant and equipment	5,422,597	-	5,422,597
Investment in subsidiary	567,292	-	567,292
Total non-current assets	5,989,889	-	5,989,889
Current assets			
Inventories	1,749,262	-	1,749,262
Trade and other receivables	3,753,953	221,465	3,975,418
Other current assets	491,381	-	491,381
Cash and cash equivalents	26,012	-	26,012
Total current assets	6,020,608	221,465	6,242,073
Total assets	12,010,497	221,465	12,231,962
Equity and Liabilities			
Equity			
Share capital	324,913	-	324,913
Share premium	194,405	-	194,405
Revaluation reserves	4,146,484	-	4,146,484
Accumulated loss	(3,582,286)	221,465	(3,360,821)
Equity attributable to equity holder of the parent	1,083,516	221,465	1,304,981
Liabilities			
Non-current liabilities			
Non-current borrowings	4,713,471	-	4,713,471
Defined benefit plan	54,604	-	54,604
Deferred tax liability	105,723	-	105,723
Total current liabilities	4,873,798	-	4,873,798
Non-current liabilities			
Advances from customers	843,259	-	843,259
Trade and other payables	1,906,002	-	1,906,002
Current borrowings	3,280,456	-	3,280,456
Current tax payable	23,466	-	23,466
Total non-current liabilities	6,053,183	-	6,053,183
Total liabilities	10,926,981	-	10,926,981
Total equity and liabilities	12,010,497	221,465	12,231,962

Notes to the financial Statements (Continued)

For the year ended 31 December, 2019

8. Changes in accounting policy - Impact on the financial statements (Continued)

There was no impact on the statement of cash flows as a result of adopting the new standards. The adjustments and other impact of adopting the standard are explained below:

IFRS 9: Financial Instruments - Impact of adoption

The new financial instruments standard, IFRS 9 replaces the provision of IAS 39. The new standard presents a new model for classification and measurement of assets and liabilities, a new impairment model which replaces the incurred credit loss approach with an expected credit loss approach, and a new hedging requirements. The Group does not apply hedge accounting.

The adoption of IFRS 9: Financial Instruments from 1 January 2019 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in the notes below. In accordance with the traditional provisions in IFRS 9, comparative figures as at 31 December, 2019 have not been restated.

Classification and measurement**(a) Financial assets**

On 1 January, 2019 (the date of initial application of IFRS 9), the Group Management assessed the classification of its financial assets which is driven by the cash flow characteristics of the instrument and the business model in which the asset is held.

The Group financial assets include cash and cash equivalent and trade and other receivables. The Group business model is to hold these financial assets to collect contractual cash flows and to earn contractual interest. For cash and cash equivalents, interest is based on prevailing market rates of the respective bank accounts in which the cash and cash equivalents are domiciled.

Cash and cash equivalents, and trade and other receivables that were previously classified as loans and receivables (L and R) are now classified as financial assets at amortised cost.

The changes in the classification and measurement requirements of IFRS 9 only resulted in a nomenclature change and as a result, this had no effect on the carrying amount of the financial assets and the opening retained earnings as at 1 January, 2019.

(b) Financial liabilities

The adoption of IFRS 9 eliminates the policy choice on the treatment of gain or loss from the refinancing of a borrowing. Day one gain or loss can no longer be deferred over the remaining life of the borrowing but must now be recognised at once. Furthermore, for financial liabilities that are measured at fair value through profit or loss, the part of the fair value change that is due to changes in their own credit risk will now be recognised in other comprehensive income rather than profit or loss.

Notes to the financial Statements (Continued)

For the year ended 31 March, 2019

8. Changes in accounting policy - Impact on the financial statements (Cont'd)**(b) Financial liabilities (Cont'd)**

The Group does not have any financial liabilities measured at fair value and there were no modifications gains or losses previously deferred on the date of adoption of the Standard. Therefore, the adoption of IFRS 9 did not affect the measurement of its financial liabilities. Consequently, no retrospective adjustments have been made in relation to these changes as at 1 January, 2019.

On the date of initial application, 1 January, 2019, the financial instruments of the Group were classified as follows:

	Classification & measurement category		Carrying amount	
			IAS 39	IFRS 9
	IAS 39	IFRS 9	₦'000	₦'000
Financial assets				
Trade receivables *	L and R	AC	3,490,775	3,712,240
Other receivables	L and R	AC	212,173	212,173
Cash and cash equivalents	L and R	AC	32,535	32,535
Financial liabilities				
Trade and other payables **	AC	AC	3,707,360	3,707,360

AC - Amortised Cost

L and R - Loans and receivables

* Trade receivables excludes prepayments and other statutory tax related items.

** Trade and other payables exclude statutory tax related items and accruals.

Impairment of financial assets

SCOA Motors Plc has revised its previous impairment methodology under IAS 39 for each of these classes of assets:

- Trade receivables
- Other receivables
- Cash and cash equivalents

The impact of the adoption of IFRS 9 on the Group retained earnings and equity is disclosed below:

	Note	₦'000
Closing retained loss as at 31 December, 2018		(3,651,774)
Decrease in provision for trade receivables	8(a)	221,465
Deferred tax impact on transition adjustments		-
Opening retained earnings as at 1 January, 2019		(3,430,309)

Atlantic Fluids And Integrated Services Limited

Notes to the financial Statements (Continued)

For the year ended 31 December, 2019

8. Changes in accounting policy - Impact on the financial statements (Continued)

Impairment of financial assets (Continued)

(a) Trade receivables

The Group applies the IFRS 9 Simplified Approach in measuring the Expected credit Losses (ECL) which recognises a lifetime expected loss allowance for all trade receivables. Trade receivables represent the amount receivable from distribution and maintenance of motor vehicles, assembly, sales, servicing and repairs of earth moving and construction equipment. The expected credit loss rate for this receivable is determined using a provision matrix approach.

The provision matrix approach is based on the historical credit loss experience observed based on the settlement pattern of customers over the expected life of the receivable and adjusted for forward-looking estimates of relevant macroeconomic variables. The macroeconomic variables considered include inflation rate and Gross Domestic Product (GDP).

The expected loss rates as at 1 January, 2019 are as follows:

Age of receivables	0 - 30 days R'000	31 - 90 days R'000	91 - 180 days R'000	181 - 360 days R'000	Over 360 days R'000	Total R'000
Gross carrying amount	226,329	76,478	159,148	-	2,389,107	2,851,061
Default rate	12.8%	13.3%	13.6%	14.3%	16.8%	
Lifetime ECL	28,990	10,162	21,570	-	400,279	461,001

The expected loss rates as at 31 December, 2019 are as follows:

Age of receivables	0 - 30 days R'000	31 - 90 days R'000	91 - 180 days R'000	181 - 365 days R'000	Over 365 days R'000	Total R'000
Gross carrying amount	-	-	-	36,363	2,855,391	2,891,754
Default rate	11.3%	11.6%	11.7%	12.2%	13.6%	
Lifetime ECL	-	-	-	4,438	388,367	392,805

Notes to the financial Statements (Continued)

For the year ended 31 December, 2019

8 Changes in accounting policy - Impact on the financial statements (Continued)

Impairment of financial assets (Continued)

(b) Other receivables (Staff debtors)

The Group also assessed the other receivables to determine their expected credit losses. The expected credit losses on staff receivables were assessed at the reporting date. However, there was no staff debtors as at the date of application of the new standard. Based on the assessment of other receivables, it was identified that the expected credit loss on other receivables as at 1 January, 2019 and 31 December, 2019 was insignificant and therefore no adjustment made in the financial statements.

(d) Cash and cash equivalents

These are cash and bank balances. These are subject to the IFRS 9 impairment requirement, however, the identified impairment loss on cash and bank balances are immaterial and have not been recognized.

Movements in the impairment provision of trade receivables that are assessed for impairment are as follows:

	₦'000
At 31 December, 2018 (IAS 39)	682,466
Decrease in impairment losses on transition to IFRS 9 - Opening retained earnings	(221,465)
Opening loss allowance as at 1 January, 2019	461,001
Impairment losses for the year (ECL) - P or L	392,805
Net movement for the year	392,805
At 31 December, 2019 (IFRS 9)	853,805

Notes to the Consolidated financial statements

For the year ended 31 December, 2019

9 Segment information

For management purposes, the Group is organised into business units based on its products and services and has four reportable segments, as follows:

Auto segment, which assemble tractors, MAN Truck and Buses, sales of harvesters. motor vehicles, leasing and services of passengers cars, trucks and other commercial vehicles.

- Equipment segment, which deal in sales/distribution of earth-moving, road construction, concrete, industrial and professional cleaning equipment and assembling of generators, fabrication of soundproof canopies, execution of power plants and power projects including transmission and distribution.
- Trading, which involves importation and sales of delicatessen and fine foods and drinks.
- Construction, execution of road and infrastructure projects.

No operating segments have been aggregated to form the above reportable operating segments. The group's Managing Director monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue. The Managing Director monitors the operating results of the whole business for the purpose of making decisions about resource allocation and performance assessment.

The group's activities are concentrated in one geographic region. The Group's primary format for segment reporting is based on business segments. The business segments are determined by management based on the Group's internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	Auto N'000	Equipment Premium N'000	Trading (groceries) N'000	Construction N'000	Total N'000
9 Segment information - The Group					
Year ended 31 December 2019					
Revenue					
External customers	2,759,211	926,189	348,967	-	4,034,367
Inter-segment	-	-	-	-	-
Total revenue	2,759,211	926,189	348,967	-	4,034,367
Cost of sales					
Inter-segment	(2,572,472)	(657,785)	(264,283)	(266)	(3,494,806)
Total cost of sales	(2,572,472)	(657,785)	(264,283)	(266)	(3,494,806)
Gross profit	186,739	268,404	84,684	(266)	539,561
Depreciation	-	-	(226,161)	-	(226,161)
Finance expenses	(189,112)	85,196	(10,414)	-	(114,330)
Segment profit/(loss)	(2,374)	353,600	(151,891)	(266)	199,070
Total assets					
Non-current asset					
Property, plant and equipment	-	-	6,329,426	282,081	6,611,507
Current assets	369,363	282,132	4,861,802	-	-
	369,363	282,132	11,191,228	282,081	12,124,804
Total liabilities					
Non-current liabilities					
Advances from customers	-	-	-	843,259	843,259
Current liabilities	599,237	752,158	6,139,463	-	7,490,858
	599,237	752,158	6,139,462.87	843,259	8,334,117

SCOA NIGERIA PLC

Notes to the Consolidated financial statements

For the year ended 31 December, 2019

	Auto N'000	Equipment Premium N'000	Trading (groceries) N'000	Construction N'000	Total N'000
Year ended 31 December 2018					
Revenue					
External customers	865,541	1,017,078	419,072	149,675	2,451,366
Inter-segment	-	-	-	-	-
Total revenue	<u>865,541</u>	<u>1,017,078</u>	<u>419,072</u>	<u>149,675</u>	<u>2,451,366</u>
Cost of sales					
Inter-segment	(419,823)	(697,921)	(349,840)	(149,675)	(1,617,259)
Total cost of sales	<u>(419,823)</u>	<u>(697,921)</u>	<u>(349,840)</u>	<u>(149,675)</u>	<u>(1,617,259)</u>
Gross profit	445,718	319,157	69,232	-	834,107
Depreciation	-	-	(232,471)	-	(232,471)
Finance expenses	(559)	(3,543)	(1,395,786)	-	(1,399,888)
Segment profit/ (loss)	<u>445,159</u>	<u>315,614</u>	<u>(1,559,025)</u>	<u>-</u>	<u>(798,252)</u>
Total assets					
Non-current asset					
Property, plant and equipment	-	-	6,528,542	315,613	6,844,155
Current assets	(18,913)	(303,696)	6,020,608	-	5,697,999
	<u>(18,913)</u>	<u>(303,696)</u>	<u>12,549,150</u>	<u>315,613</u>	<u>12,542,154</u>
Total liabilities					
Non-current liabilities					
Advances from customers	-	-	-	843,259	843,259
Current liabilities	462,616	690,150	5,209,924	-	6,362,690
	<u>462,616</u>	<u>690,150</u>	<u>5,209,924</u>	<u>843,259</u>	<u>7,205,949</u>

SCOA NIGERIA PLC

Notes to the consolidated financial statements

For the year ended 31 December, 2019

	The Group	
	2019	2018
	N'000	N'000
9 Segment information (cont'd)		
Reconciliation of loss		
Segment profit	539,561	834,107
Selling and distribution	(118,515)	(77,548)
Administrative expenses	(1,428,268)	(1,399,151)
Other operating income	-	-
Finance income	1,027	65,502
Finance expenses	(100,692)	(999,296)
Loss before tax	<u>(1,106,887)</u>	<u>(1,576,385)</u>
Reconciliation of assets		
Segment operating assets	10,112,954	8,625,553
Land	3,791,490	3,791,490
Capital Work-in-progress	15,204	10,682
Deferred tax assets	870,907	595,566
Total assets	<u>14,790,556</u>	<u>13,023,291</u>
Reconciliation of liabilities		
Segment operating liabilities	12,809,850	11,356,974
Equity	1,980,705	1,666,318
Total liabilities	<u>14,790,557</u>	<u>13,023,291</u>

Adjustments and eliminations

Other administrative expenses are not allocated to individual segments as the underlying instruments are managed on a group basis.

Deferred tax assets, land, capital work-in-progress and equity are not allocated to those segments as they are also managed on a group basis.

Inter-segment revenues are eliminated on consolidation.

SCOA NIGERIA PLC

Notes to the consolidated financial statements				
For the year ended 31 December, 2019				
		The Group		The Company
		2019	2018	2019
		N'000	N'000	N'000
10 Revenue				
Sales of goods (Note 10.1)		4,034,367	2,301,691	2,852,163
Construction income (Note 10.2)		-	149,675	-
		<u>4,034,367</u>	<u>2,451,366</u>	<u>2,852,163</u>
		=====	=====	=====
10.1 Sales of goods				
Autos		2,759,211	865,541	2,496,437
Equipment		926,189	1,017,078	6,759
Trading (groceries)		348,967	419,072	348,967
		<u>4,034,367</u>	<u>2,301,691</u>	<u>2,852,163</u>
		-	149,675	-
		<u>4,034,367</u>	<u>2,451,366</u>	<u>2,852,163</u>
		=====	=====	=====
10.2 Construction income				
Construction revenue recognised		-	149,675	-
		<u>-</u>	<u>149,675</u>	<u>-</u>
		=====	=====	=====
Contract cost				
Aggregate cost of contract recognised in profit or loss		-	149,675	-
Losses recognised		-	-	-
		<u>-</u>	<u>149,675</u>	<u>-</u>
		=====	=====	=====
Aggregate amount of profit recognised till date		-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>
		=====	=====	=====
Amount of advance received		843,259	843,259	843,259
		<u>843,259</u>	<u>843,259</u>	<u>843,259</u>
		=====	=====	=====

Sales and expenses on construction contracts are recognised in accordance with the technical percentage of completion method. However, when there is no significant time difference between technical percentage of completion and contractual dates of transfer of ownership, the percentage of completion is determined according to the contractual transfer of ownership as certified by the Customer and invoiced to the customer. Expected losses on contracts are fully recognised as soon as they are identified.

Estimates of work remaining on loss making contracts do not include sales from claims made by the Group except when it is highly probable that such claims will be accepted by the customer.

Progress payments received on construction contracts are deducted from contract assets as the contract is completed. Progress payments received before the corresponding work has been performed are classifieds in "Advances received from customers on contracts" in statement of financial position liabilities.

The cumulative amount of costs incurred and profit recognised, reduced by recognised losses and progress billings, is determined on a contract-by-contract basis. If this amount is positive it is categorised as "Construction contracts: assets" in statement of financial position assets. If it is negative it is recognised as "Construction contracts: liabilities" statement of financial position liabilities.

At the early stage of a contract, it is often the case that the outcome of the contract cannot be estimated reliably. Therefore, contract revenue is recognised only to the extent of contract cost incurred that is probable of recovery.

SCOA NIGERIA PLC

Notes to the consolidated financial statements

For the year ended 31 December, 2019

	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
11 Cost of sales				
Auto	2,572,472	419,823	2,441,066	143,235
Equipment	657,785	697,921	6,574	-
Trading	264,283	349,840	264,128	349,840
Construction contract	266	149,675	266	149,675
	<u>3,494,806</u>	<u>1,617,259</u>	<u>2,712,034</u>	<u>642,750</u>
	=====	=====	=====	=====
12 Other income				
Rental Income	5,654	139,454	5,654	54,092
Sales Commission (Note 12.1)	-	13,825	-	825
Profit on disposal of property, plant and equipment	257,943	-	257,943	-
Foreign exchange gain	6,209	53,590	6,208	53,591
Scrap sales	906,830	-	836,179	-
Provision no longer required	-	861,911	-	861,911
	<u>1,176,636</u>	<u>1,068,780</u>	<u>1,105,984</u>	<u>970,419</u>
	=====	=====	=====	=====
12.1 Sales commission				
Sales commission represents amount received from MAN TRUCK and BUS on the Trucks sold directly in Nigeria territory based on signed agreement. The applicable tax rate is 8% on sales invoice.				
13 Distribution costs				
Transportation	118,515	77,548	75,449	11,697
	<u>118,515</u>	<u>77,548</u>	<u>75,449</u>	<u>11,697</u>
	=====	=====	=====	=====
Distribution cost represents expenses that relate to business travel and immigration/ airport expenses incurred in the year.				

SCOA NIGERIA PLC

Notes to the consolidated financial statements

For the year ended 31 December, 2019

	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
14 Administrative expenses				
Annual General Meeting expenses	10,266	10,661	10,166	495
Audit fees	5,200	4,000	3,000	2,000
Consultancy	25,907	1,338	20,955	1,338
Consumables	6,090	7,644	4,248	5,249
Depreciation	226,161	232,471	223,875	230,267
Director fees	1,350	1,350	1,350	-
Entertainment	24,154	29,778	16,037	15,200
Electricity	20,731	19,545	15,291	9,698
Fuel consumed	46,520	13,411	26,952	8,340
Food and accommodation	2,107	445	232	-
Loss on disposal of PPE	-	21,449	-	21,449
Insurance	1,276	3,338	1,092	18
Licenses	3,377	1,614	2,949	18
Legal fees	47,196	40,445	34,141	10,283
Meetings and seminars	3,526	4,432	215	-
Other professional fees	33,467	61,695	33,017	20,555
Postages and stationeries	2,879	3,231	1,429	478
Publicity and advertisement	5,002	4,317	3,999	1,467
Impairment loss - profit or loss	392,805	35,337	392,805	35,337
Repairs and maintenance	34,852	47,336	12,072	12,919
Rent and rates	94,078	135,147	49,329	7,659
Registrar fees	2,148	2,605	2,138	-
Subscriptions	16,749	15,227	6,636	1,021
Salaries and employee related costs (Note 14.1)	285,350	277,446	112,475	33,268
Security and cleaning	15,448	16,746	8,926	4,203
Other financial charges	114,328	400,592	55,621	400,592
Telephone expenses	5,257	3,841	2,695	188
Tender fees	-	1,436	-	-
Other expenses	2,044	2,274	766	2,322
	<u>1,428,268</u>	<u>1,399,151</u>	<u>1,042,411</u>	<u>824,364</u>

SCOA NIGERIA PLC

Notes to the consolidated financial statements

For the year ended 31 December, 2019

	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
14.1 Salaries and employee related costs include the following:				
Basic salary	67,430	67,940	23,852	8,628
Leave allowance	5,237	5,204	1,539	487
House allowance	28,976	24,388	10,837	436
Transport allowance	27,041	19,470	6,815	1,866
Lunch allowance	8,786	9,406	2,278	834
Staff entertainment and meal allowance	10,415	12,445	3,854	785
Maintenance allowance	2,356	1,819	725	183
Efficiency allowance	51,347	56,972	30,389	11,660
Interim allowance	2,297	2,106	658	197
Bonus	3,333	3,441	816	294
Welfare allowance	8,799	6,717	2,817	121
Economic relief and utility	4,329	2,659	1,190	207
ITF managerial staff	1,285	1,327	1,285	578
Educational expenses	34,709	27,505	14,842	978
Out of station expense	1,262	808	287	-
Employee defined benefit costs	1,228	12,493	323	4,246
Medical	11,178	7,541	5,513	482
Staff uniform and clothes	148	16	34	-
Pension costs-defined contribution	8,955	9,257	2,465	489
Other staff expenses	6,239	5,932	1,956	798
	285,350	277,446	112,475	33,268
	=====	=====	=====	=====
14.2 Summary of salaries and wages:				
Cost of production	100,013	97,879	14,594	11,416
Administrative expenses	185,337	179,568	97,881	21,852
	285,350	277,447	112,475	33,268
	=====	=====	=====	=====
15 Finance income				
Interest income	1,027	65,502	1,027	65,502
	=====	=====	=====	=====
16 Finance costs				
Interest on bank overdrafts and loans	100,692	999,296	100,692	995,193
	=====	=====	=====	=====

SCOA NIGERIA PLC

Notes to the consolidated financial statements

For the year ended 31 December, 2019

	<u>The Group</u>		<u>The Company</u>	
	<u>2019</u>	2018	<u>2019</u>	2018
	<u>N'000</u>	N'000	<u>N'000</u>	N'000
17 Taxation account				
17.1 Income tax expense				
The major components of income tax expense for the years ended 31 December 2019 and 2018 are:				
Income tax	24,840	13,486	9,101	13,486
Education tax	1,074	-	-	-
Deferred tax write-back	(275,341)	(475,211)	(275,002)	(475,211)
	<u>(249,427)</u>	<u>(461,725)</u>	<u>(265,901)</u>	<u>(461,725)</u>
17.2 Current tax payable				
At 1 January:				
Income tax	32,646	29,015	23,466	20,963
Charge for the year :				
Income tax	25,914	13,486	9,101	13,486
Withholding tax utilized	(13,486)	(9,855)	(13,486)	(10,983)
At 31 December	<u>45,074</u>	<u>32,646</u>	<u>19,081</u>	<u>23,466</u>
The charge for taxation has been computed in accordance with the provisions of the Companies Income Tax Act, CAP C21, LFN 2004 and the Education Tax Act, CAP E4, LFN 2004 as amended.				
17.4 Deferred taxation				
17.4.1 Deferred tax assets				
At 1 January	595,566	674,181	-	674,181
Deferred tax adjustment	-	-	676,688	-
Charged through profit or loss (Note 17.1)	275,341	(78,615)	275,002	(674,181)
At 31 December	<u>870,907</u>	<u>595,566</u>	<u>951,690</u>	<u>-</u>
17.4.2 Deferred tax liabilities				
At 1 January	-	553,828	105,723	472,705
Charged through other comprehensive income	-	(553,828)	(105,723)	(366,982)
At 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,723</u>

SCOA NIGERIA PLC

Notes to the consolidated financial statements

For the year ended 31 December, 2019

	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
17.5 Income tax reconciliation				
Profit/(loss) before taxation	69,749	(507,605)	28,588	(517,886)
Tax at Nigerian statutory income tax rate of 30% (2018 : 30%)	20,925	(152,281)	8,576	(155,366)
Non deductible expenses for tax purposes	(20,925)	152,281	(8,576)	155,366
Minimum Tax	25,914	13,486	9,101	13,486
Recognised in profit or loss (Note 17.1)	25,914	13,486	9,101	13,486
	=====	=====	=====	=====
17.6 Statement of profit or loss				
Accelerated depreciation for tax purpose	-	240,563	-	240,563
Unutilized tax credit	-	1,060,453	-	1,060,453
Impairment of trade and other receivables	-	-	-	-
	-	1,301,016	-	1,301,016
	=====	=====	=====	=====
18 Basic and diluted earnings/(loss) per share				
Basic/diluted earnings/(loss) per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Group by the number of ordinary shares issued during the year. The following reflects the income and share data used in the basic earnings per share computation:				
Profit/(loss) attributable to equity holders (Kobo)	319,176	(45,880)	294,489	(56,161)
	=====	=====	=====	=====
Number of shares issued	649,826	649,826	649,826	649,826
	=====	=====	=====	=====
Basic/diluted earning/(loss) per share (Kobo)	0.49	(0.07)	0.45	(0.09)
	=====	=====	=====	=====

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

SCOA NIGERIA PLC

Notes to the consolidated financial statements

For the year ended 31 December, 2019 (Cont'd)

19. PROPERTY, PLANT AND EQUIPMENT

19.1 The Group

	Freehold Land ₦'000	Freehold Building ₦'000	Leasehold building ₦'000	Motor vehicles ₦'000	Furniture & fittings ₦'000	Generator ₦'000	Equipment ₦'000	Construction Equipment ₦'000	Plant & machinery ₦'000	Work-in progress ₦'000	T o t a l ₦'000
COST											
At 1 January, 2019	3,791,490	1,786,141	206,569	585,061	42,615	76,343	463,922	502,719	798,233	10,682	8,263,775
Addition in the year	-	-	-	12,219	-	9,062	3,862	-	-	4,522	29,665
Disposal	-	-	(1,379)	(70,632)	-	(5,297)	-	-	-	-	(77,308)
At 31 December, 2019	3,791,490	1,786,141	205,190	526,648	42,615	80,108	467,784	502,719	798,233	15,204	8,216,132
ACCUMULATED DEPRECIATION											
At 1 January, 2019	-	205,935	50,095	451,226	25,031	49,332	321,620	187,106	129,274	-	1,419,620
Charge for the year	-	89,284	10,279	42,928	2,985	8,614	47,200	33,532	22,955	-	257,777
Reclassification	-	-	-	-	-	-	1,914	-	-	-	1,914
Disposal	-	-	(749)	(68,640)	-	(5,297)	-	-	-	-	(74,686)
At 31 December, 2019	-	295,219	59,625	425,514	28,016	52,649	370,734	220,638	152,229	-	1,604,625
CARRYING AMOUNT											
At 31 December, 2019	3,791,490	1,490,922	145,565	101,134	14,599	27,458	97,050	282,081	646,004	15,204	6,611,507
At 31 December, 2018	3,791,490	1,580,206	156,474	133,835	17,584	27,011	142,302	315,613	668,959	10,682	6,844,155

The Company's freehold property at plot 10, Creek Road Apapa Lagos State was revalued on 25 November, 2016 by Tony Egboko & Associates (Estate Surveyors & Valuers), using the depreciation replacement cost method of valuation. The surplus arising on revaluation amounting to N1.150 billion has been transferred to revaluation reserve. "Open market value " means the best price at which a interest in an asset might reasonably be expected to fetch at the date of valuation, either by private treaty, public auction, or tender as may be appropriate, assuming amongst others a willing seller; a reasonable period within which to carry out the transaction.

The Company's freehold property at plot 13, Old GRA Layout Port-Harcourt Rivers State was revalued on 12 December, 2016 by Akujuru & Associates (Estate Surveyors & Valuers), using the depreciation replacement cost method of valuation. The surplus arising on revaluation amounting to N1.380 billion has been transferred to revaluation reserve. "Open market value" means the best price at which an interest in an asset might reasonably be expected to fetch at the date of valuation, either by private treaty, public auction, or tender as may be appropriate, assuming amongst others a willing seller; a reasonable period within which to carry out the transaction.

The Company's freehold property at plot 1 Ali Akilu road Kaduna, Kaduna State was revalued on 14 November 2016 by Jaiyeola Adeyanju Group Practices (Estate Surveyors & Valuers), using the depreciation replacement cost method of valuation. The surplus arising on revaluation amounting to N962.4 million has been transferred to revaluation reserve. "Open market value" means the best price at which an interest in an asset might reasonably be expected to fetch at the date of valuation, either by private treaty, public auction, or tender as may be appropriate, assuming amongst others a willing seller; a reasonable period within which to carry out the transaction.

The Company's freehold property at 50/51 Tafawa Balewa Road, Nasarawa District, Kano, Kano State was revalued on 11 November, 2016 by Jaiyeola Adeyanju Group Practices (Estate Surveyors & Valuers), using the depreciation replacement cost method of valuation. The surplus arising on revaluation amounting to N1.115 billion has been transferred to revaluation reserve. "Open market value" means the best price at which an interest in an asset might reasonably be expected to fetch at the date of valuation, either by private treaty, public auction, or tender as may be appropriate, assuming amongst others a willing seller; a reasonable period within which to carry out the transaction.

Capital work in progress represent uncompleted building in Scoa Foods Limited.

Depreciation charged is included in the administrative expenses and cost of sales in the consolidated statement of profit or loss and other comprehensive income. There is no impairment charge during the year. The group's property, plant and equipment have been used as a collateral for borrowings procured on a fixed and floating charge basis.

19. PROPERTY, PLANT AND EQUIPMENT

19.2 The Group

	Freehold Land N'000	Freehold Building N'000	Leasehold building N'000	Motor vehicles N'000	Furniture & fittings N'000	Generator N'000	Equipment N'000	Construction Equipment N'000	Plant & machinery N'000	Work-in progress N'000	T o t a l N'000
COST											
At 1 January, 2018	3,791,490	1,786,141	200,293	585,061	42,615	69,174	448,594	502,719	927,676	10,682	8,364,445
Addition in the year	-	-	6,276	-	-	7,169	15,328	-	-	-	28,773
Disposal	-	-	-	-	-	-	-	-	(129,443)	-	(129,443)
Transfer	-	-	-	-	-	-	-	-	-	-	-
At 31 December, 2018	3,791,490	1,786,141	206,569	585,061	42,615	76,343	463,922	502,719	798,233	10,682	8,263,775
ACCUMULATED DEPRECIATION											
At 1 January, 2018	-	39,540	117,053	405,458	22,046	40,536	269,091	153,574	149,381	-	1,196,679
Charge for the year	-	166,395	(66,958)	45,768	2,985	8,796	52,529	33,532	-	-	243,048
Disposal	-	-	-	-	-	-	-	-	(20,107)	-	(20,107)
At 31 December, 2018	-	205,935	50,095	451,226	25,031	49,332	321,620	187,106	129,274	-	1,419,620
CARRYING AMOUNT											
At 31 December, 2018	3,791,490	1,580,206	156,474	133,835	17,584	27,011	142,302	315,613	668,959	10,682	6,844,155
At 31 December, 2017	3,791,490	1,746,601	83,240	179,603	20,569	28,638	179,503	349,145	778,295	10,682	7,167,765

The Company's freehold property at plot 10, Creek Road Apapa Lagos State was revalued on 25 November, 2016 by Tony Egboko & Associates (Estate Surveyors & Valuers), using the depreciation replacement cost method of valuation. The surplus arising on revaluation amounting to N1.150 billion has been transferred to revaluation reserve. "Open market value " means the best price at which a interest in an asset might reasonably be expected to fetch at the date of valuation, either by private treaty, public auction, or tender as may be appropriate, assuming amongst others a willing seller; a reasonable period within which to carry out the transaction.

The Company's freehold property at plot 13, Old GRA Layout Port-Harcourt Rivers State was revalued on 12 December, 2016 by Akujuru & Associates (Estate Surveyors & Valuers), using the depreciation replacement cost method of valuation. The surplus arising on revaluation amounting to N1.380 billion has been transferred to revaluation reserve. "Open market value" means the best price at which an interest in an asset might reasonably be expected to fetch at the date of valuation, either by private treaty, public auction, or tender as may be appropriate, assuming amongst others a willing seller; a reasonable period within which to carry out the transaction.

The Company's freehold property at plot 1 Ali Akilu Road Kaduna, Kaduna State was revalued on 14 November 2016 by Jaiyeola Adeyanju Group Practices (Estate Surveyors & Valuers), using the depreciation replacement cost method of valuation. The surplus arising on revaluation amounting to N962.4 million has been transferred to revaluation reserve. "Open market value" means the best price at which an interest in an asset might reasonably be expected to fetch at the date of valuation, either by private treaty, public auction, or tender as may be appropriate, assuming amongst others a willing seller; a reasonable period within which to carry out the transaction.

The Company's freehold property at 50/51 Tafawa Balewa Road, Nasarawa District, Kano, Kano State was revalued on 11 November, 2016 by Jaiyeola Adeyanju Group Practices (Estate Surveyors & Valuers), using the depreciation replacement cost method of valuation. The surplus arising on revaluation amounting to N1.115 billion has been transferred to revaluation reserve. "Open market value" means the best price at which an interest in an asset might reasonably be expected to fetch at the date of valuation, either by private treaty, public auction, or tender as may be appropriate, assuming amongst others a willing seller; a reasonable period within which to carry out the transaction.

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SCOA NIGERIA PLC

Notes to the consolidated financial statements

For the year ended 31 December, 2019 (Cont'd)

19. PROPERTY, PLANT AND EQUIPMENT

19.3 The Company

	Freehold Land N'000	Freehold Building N'000	Leasehold building N'000	Motor vehicles N'000	Furniture & fittings N'000	Generator N'000	Equipment N'000	Construction Equipment N'000	Plant & machinery N'000	Work-in progress N'000	T o t a l N'000
COST											
At 1 January, 2019	2,893,040	1,741,596	206,569	556,786	29,866	76,343	460,579	502,719	276,568	-	6,744,066
Addition in the year	-	-	-	12,220	-	9,062	620	-	-	4,522	26,424
Disposal	-	-	(1,379)	(70,632)	-	(5,297)	-	-	-	-	(77,308)
At 31 December, 2019	2,893,040	1,741,596	205,190	498,374	29,866	80,108	461,199	502,719	276,568	4,522	6,693,182
ACCUMULATED DEPRECIATION											
At 1 January, 2019	-	183,234	50,095	422,952	12,282	49,332	318,277	187,106	98,191	-	1,321,469
Charge for the year	-	87,079	10,279	42,928	2,985	8,614	47,119	33,532	22,955	-	255,491
Reclassification	-	-	-	-	-	-	1,914	-	-	-	1,914
Disposal	-	-	(749)	(68,640)	-	(5,297)	-	-	-	-	(74,686)
At 31 December, 2019	-	270,313	59,625	397,240	15,267	52,649	367,310	220,638	121,146	-	1,504,188
CARRYING AMOUNT											
At 31 December, 2019	2,893,040	1,471,283	145,565	101,134	14,599	27,459	93,889	282,081	155,422	4,522	5,188,994
At 31 December, 2018	2,893,040	1,558,362	156,474	133,834	17,584	27,011	142,302	315,613	178,377	-	5,422,597

The Company's freehold property at plot 10, Creek Road Apapa Lagos State was revalued on 25 November, 2016 by Tony Egboko & Associates (Estate Surveyors & Valuers), using the depreciation replacement cost method of valuation. The surplus arising on revaluation amounting to N1.150 billion has been transferred to revaluation reserve. "Open market value " means the best price at which a interest in an asset might reasonably be expected to fetch at the date of valuation, either by private treaty, public auction, or tender as may be appropriate, assuming amongst others a willing seller; a reasonable period within which to carry out the transaction.

The Company's freehold property at plot 13, Old GRA Layout Port-Harcourt Rivers State was revalued on 12 December, 2016 by Akujuru & Associates (Estate Surveyors & Valuers), using the depreciation replacement cost method of valuation. The surplus arising on revaluation amounting to N1.380 billion has been transferred to revaluation reserve. "Open market value" means the best price at which an interest in an asset might reasonably be expected to fetch at the date of valuation, either by private treaty, public auction, or tender as may be appropriate, assuming amongst others a willing seller; a reasonable period within which to carry out the transaction.

The Company's freehold property at plot 1 Ali Akilu Road Kaduna, Kaduna State was revalued on 14 November, 2016 by Jaiyeola Adeyanju Group Practices (Estate Surveyors & Valuers), using the depreciation replacement cost method of valuation. The surplus arising on revaluation amounting to N962.4 million has been transferred to revaluation reserve. "Open market value" means the best price at which an interest in an asset might reasonably be expected to fetch at the date of valuation, either by private treaty, public auction, or tender as may be appropriate, assuming amongst others a willing seller; a reasonable period within which to carry out the transaction.

The company's property, plant and equipment have been used as a collateral for borrowings procured on a fixed and floating charge basis.

Depreciation charged is included in the administrative expenses and cost of sales in the consolidated statement of profit or loss and other comprehensive income. There is no impairment charge during the year. The Company's property, plant and equipment have been used as a collateral for borrowings procured on a fixed and floating charge basis.

An amount of N22.5million was transfer from inventory in respect of Generator set and equipment.

SCOA NIGERIA PLC

Notes to the consolidated financial statements

For the year ended 31 December, 2018

19. PROPERTY, PLANT AND EQUIPMENT

19.4 The Company

	Freehold Land ₦'000	Freehold Building ₦'000	Leasehold building ₦'000	Motor vehicles ₦'000	Furniture & fittings ₦'000	Generator ₦'000	Equipment ₦'000	Construction Equipment ₦'000	Plant & machinery ₦'000	Work-in progress ₦'000	T o t a l ₦'000
COST											
At 1 January, 2018	2,893,040	1,741,596	200,293	556,786	29,866	69,174	445,251	502,719	406,010	-	6,844,735
Addition in the year	-	-	6,276	-	-	7,169	15,328	-	-	-	28,773
Disposal	-	-	-	-	-	-	-	-	(129,442)	-	(129,442)
At 31 December, 2018	2,893,040	1,741,596	206,569	556,786	29,866	76,343	460,579	502,719	276,568	-	6,744,066
ACCUMULATED DEPRECIATION											
At 1 January, 2018	-	19,044	117,053	377,184	9,297	40,536	265,748	153,574	118,297	-	1,100,733
Charge for the year	-	164,190	(66,958)	45,768	2,985	8,796	52,529	33,532	22,955	-	263,798
Disposal	-	-	-	-	-	-	-	-	(43,061)	-	(43,061)
At 31 December, 2018	-	183,234	50,094	422,952	12,281	49,332	318,277	187,106	98,191	-	1,321,469
CARRYING AMOUNT											
At 31 December, 2018	2,893,040	1,558,362	156,474	133,834	17,584	27,011	142,302	315,613	178,377	-	5,422,597
At 31 December, 2017	2,893,040	1,722,552	83,240	179,602	20,569	28,638	179,503	349,145	287,713	-	5,744,002

The Company's freehold property at plot 10, Creek Road Apapa Lagos State was revalued on 25 November, 2016 by Tony Egboko & Associates (Estate Surveyors & Valuers), using the depreciation replacement cost method of valuation. The surplus arising on revaluation amounting to N1.150 billion has been transferred to revaluation reserve. "Open market value" means the best price at which an interest in an asset might reasonably be expected to fetch at the date of valuation, either by private treaty, public auction, or tender as may be appropriate, assuming amongst others a willing seller; a reasonable period within which to carry out the transaction.

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The Company's freehold property at plot 1 Ali Akilu Road Kaduna, Kaduna State was revalued on 14 November, 2016 by Jaiyeola Adeyanju Group Practices (Estate Surveyors & Valuers), using the depreciation replacement cost method of valuation. The surplus arising on revaluation amounting to N962.4 million has been transferred to revaluation reserve. "Open market value" means the best price at which an interest in an asset might reasonably be expected to fetch at the date of valuation, either by private treaty, public auction, or tender as may be appropriate, assuming amongst others a willing seller; a reasonable period within which to carry out the transaction.

The company's property, plant and equipment have been used as a collateral for borrowings procured on a fixed and floating charge basis.

Depreciation charged is included in the administrative expenses and cost of sales in the consolidated statement of profit or loss and other comprehensive income. There is no impairment charge during the year. The Company's property, plant and equipment have been used as a collateral for borrowings procured on a fixed and floating charge basis.

An amount of N22.5million was transfer from inventory in respect of Generator set and equipment.

SCOA NIGERIA PLC

Notes to the consolidated financial statements

For the year ended 31 December, 2019

	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
20 Investments in subsidiaries				
SCOA Properties (Nigeria) Limited	-	-	450,800	450,800
SCOA Foods Limited	-	-	243,000	243,000
SCOA Motors Limited	-	-	6,000	6,000
SCOA Equipment Limited	-	-	6,000	6,000
	-	-	705,800	705,800
Impairment of investment in subsidiary	-	-	(138,508)	(138,508)
At 31 December	-	-	567,292	567,292
	=====	=====	=====	=====

20.1 Information about subsidiary

Business information

SCOA Properties (Nigeria) Limited was incorporated on 14 May, 2007 but yet to commence operations as at the end of this year. The Company is owned by International Investment Company Limited and SCOA Nigeria Plc with 50% each of the shareholdings. The principal activity of the Company is investment holding in Estate Management.

SCOA Foods Limited was incorporated on 31 May, 2006 and commenced operations as at the end of same year. The Company is owned by SCOA Nigeria Plc and International Investment Company Limited with 45% and 55% shareholdings respectively. The principal activities of the Company include the manufacture, packaging, distribution, marketing and sales of fruit drinks, food products and beverages of alcoholic and non-alcoholic varieties and allied products.

SCOA Motors Limited was incorporated on 11 May, 2017. The Company is owned by SCOA Nigeria Plc and International Investment Company Limited with 60% and 40% shareholdings respectively. The principal activities undertaken by the Company during the year were the Business of Assembling, Manufacturing, Importing, Exporting, Supplying, Distributing and dealing in all aspect of motor vehicle transactions.

SCOA Equipment Limited was incorporated on 21 April, 2017. The Company is owned by SCOA Nigeria Plc and International Investment Company Limited with 60% and 40% shareholdings respectively. The principal activities undertaken by the Company during the period were the Business of manufacturing, importing, exporting, assembling, supplying and distribution of equipment.

There are no significant restrictions on any of the subsidiaries. All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent Company do not differ from the proportion of ordinary shares held.

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20.2 Subsidiary undertakings

All shares in subsidiary undertakings are ordinary shares.

Subsidiary	Principal activity	Country of Incorporation	Percentage held	Statutory year end
SCOA Properties (Nigeria) Limited	Investment holding in Estate Management	Nigeria	50%	31 December
SCOA Foods Limited	Manufacture, packaging, distribution, marketing and sales of fruit drinks, food products and beverages of alcoholic and non-alcoholic varieties and allied products.	Nigeria	45%	31 December
SCOA Motors Limited	Assembling, Manufacturing, Importing, Exporting, Supplying, Distributing and dealing in all aspect of motor vehicle transactions.	Nigeria	60%	31 December
SCOA Equipment Limited	Manufacturing, importing, exporting, assembling, supplying and distribution of equipment.	Nigeria	60%	31 December

The summary of the operational results of the subsidiary Companies are as follows:

	SCOA Properties (Nig) Limited N'000	SCOA Foods Limited N'000	SCOA Motors Limited N'000	SCOA Equipment Limited N'000
31 December 2019				
Revenue	-	-	262,774	919,430
(Loss)/profit after tax	(490)	(4,004)	12,731	16,454
Total assets	899,315	721,100	372,448	282,207
Total liabilities	(3,804)	(501,749)	(346,599)	(252,354)
Equity	(895,511)	(219,351)	(25,849)	(29,853)
	=====	=====	=====	=====
31 December 2018				
Revenue	-	-	514,091	1,017,078
Loss after tax	(950)	(3,767)	3,118	3,399
Total assets	899,110	725,857	475,734	703,549
Total liabilities	3,109	501,348	228,773	203,164
Equity	896,001	224,509	246,962	500,385
	=====	=====	=====	=====
	The Group		The Company	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
21. Non-controlling interest				
At 1 January	573,967	574,027	-	-
Share of profit/(loss) for the year	9,091	(60)	-	-
At 31 December	583,058	573,967	-	-
	=====	=====	=====	=====

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For the year ended 31 December, 2019

	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
22 Inventories				
Raw materials and consumables	1,051,830	114,248	838,819	11,922
Finished goods	907,579	1,919,496	761,680	1,737,341
	<u>1,959,409</u>	<u>2,033,744</u>	<u>1,600,499</u>	<u>1,749,263</u>

Inventory to the value of N1.6 billion (2018: N1.75 billion) are carried at net realisable value. The amount charged to statement of profit or loss and other comprehensive income in respect of write down of inventory to net realisable value in the year was nil (2018: nil).

	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
23 Advances received				
Kogi	843,259	843,259	843,259	843,259
	<u>843,259</u>	<u>843,259</u>	<u>843,259</u>	<u>843,259</u>
The amount relates to advances received from Federal Government of Nigeria in respect of Rehabilitation of Okene - Itobe Road in Kogi state.				
24 Trade and other receivables				
Trade receivables	5,619,388	3,490,775	5,352,888	3,332,771
Allowance for Impairments (Note 24.1)	(853,805)	(682,466)	(853,805)	(682,466)
	<u>4,765,583</u>	<u>2,808,309</u>	<u>4,499,083</u>	<u>2,650,305</u>
Receivable from related parties (Note 24.2)	1,492	-	319,511	317,837
Other receivables	94,727	212,173	101,504	785,810
	<u>4,861,802</u>	<u>3,020,482</u>	<u>4,920,098</u>	<u>3,753,952</u>

Other receivable represents collection from staff and other deposit made.

Trade receivables are non-interest bearing and are generally on terms of 30-90 days. The following shows the analysis of impairment provision recognised on individual and collective basis:

Also included in the trade receivables is an amount due from Kogi State and Ekiti State Government on road construction.

	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
24.1 Allowance for Impairments				
At 1 January	682,466	647,130	682,466	682,466
Addition in the year	171,339	35,336	171,339	-
At 31 December	<u>853,805</u>	<u>682,466</u>	<u>853,805</u>	<u>682,466</u>

Trade receivables meet the definition of financial asset and the carrying amount of the trade receivables approximates their fair value. Trade receivables are expected to be fully collected within two years.

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For the year ended 31 December, 2019

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

	Past due but not impaired					
	Total	0-30 days	31-60 days	61-90days	91-365 days	> 365 days
	N'000	N'000	N'000	N'000	N'000	N'000
2019	5,619,388	-	2,165,329	-	6,631	3,294,792
2018	3,020,482	10,072	6,567	112,725	10,373	2,880,745

See Note 6.3.1 on credit risk of trade receivables, which discusses how the entity manages and measures credit quality of trade receivables that are neither past due nor impaired.

	The Group		The Company	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
24.2 Related Companies				
SCOA Foods Limited (Subsidiary)	-	-	318,019	316,605
SCOA Property Limited (Subsidiary)	1,492	-	1,492	1,232
	1,492	-	319,511	317,837
Impairment allowance	-	-	-	-
Due from related Companies	1,492	-	319,511	317,837

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	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
25. Other current assets				
Rent	9,161	21,784	9,161	21,784
Withholding tax recoverable (Note 25.1)	262,911	221,156	242,580	215,727
Accrued income	-	4,115	-	4,115
Prepaid expenses	1,020	10,893	620	10,893
Debit balance in trade payables	43,211	238,329	43,211	238,329
Receivable from Register	163	163	163	163
Deposit on Cobranet	20	20	20	20
Deposit to DHL	350	350	350	350
	<u>316,836</u>	<u>496,810</u>	<u>296,105</u>	<u>491,381</u>
	=====	=====	=====	=====

25.1 Tax recoverable - Withheld at Source

This represents withholding tax deducted at source on certain transactions, remitted to relevant tax authorities on behalf of the Company and for which receipts are receivable

26 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and short term deposits.

	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
Cash in hand	2,610	1,081	2,565	420
Cash at Bank	167,431	24,515	14,351	18,654
Short-term deposit	55	6,939	55	6,939
Cash and short term deposit	<u>170,096</u>	<u>32,535</u>	<u>16,971</u>	<u>26,012</u>
	=====	=====	=====	=====

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

	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
Cash and short term deposit	170,096	32,535	16,971	26,012
Bank overdraft	(524,801)	(932,567)	(524,801)	(931,219)
	<u>(354,705)</u>	<u>(900,032)</u>	<u>(507,830)</u>	<u>(905,205)</u>
	=====	=====	=====	=====

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the entity, and earn interest at the respective short-term deposit rates. Short term investments are treasury bills of 90 days maturity purchased by the Company.

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	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
27 Share capital and reserves				
27.1 Authorised shares:				
2,000,000,000 ordinary shares of 50 kobo each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
27.2 Allotted, called up and fully paid:				
At 1 January	324,913	324,913	324,913	324,913
Additional shares (Note 27.3)	-	-	-	-
At 31 December: 649,825,665 ordinary share of 50k each	<u>324,913</u>	<u>324,913</u>	<u>324,913</u>	<u>324,913</u>
28 Share premium				
At 31 December	<u>194,405</u>	<u>194,405</u>	<u>194,405</u>	<u>194,405</u>
29 Revaluation reserve				
At 31 December	<u>4,224,807</u>	<u>4,224,807</u>	<u>4,146,484</u>	<u>4,146,484</u>
29.1 These relates to surplus arising on revaluation of the group properties (Building).				
30 Retained loss				
At 1 January	(3,651,774)	(2,644,769)	(3,582,286)	(2,560,821)
Transferred from statement of profit or loss and other comprehensive income	305,296	(67,569)	289,700	(77,850)
Prior year adjustment	-	(939,436)	-	(943,615)
At 31 December	<u>(3,346,478)</u>	<u>(3,651,774)</u>	<u>(3,292,586)</u>	<u>(3,582,286)</u>

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31 Employee benefit liability

The group's gratuity scheme is a defined benefit plan. The group makes provisions for gratuity for employees that have spent between 5 years and above continuing service in the group. The actuarial valuation method used to value the liabilities is the Projected Unit Method prescribed by IAS19. The liabilities have been calculated from first principles using the data as at 31 December, 2019 and the assumptions set out in this report.

The following table summarises the components of net benefit expense recognised in the statement of profit or loss and the unfunded status and amounts recognised in the statement of financial position for the respective plans:

	The Group		The Company	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
31.1 Net benefit expense (recognised in the statement of profit or loss)				
Present value of defined benefit obligations	101,057	98,543	101,057	67,799
	=====	=====	=====	=====
31.2 Movement in defined benefit plan				
At 1 January	98,543	67,799	54,604	67,799
Past service cost	(20,147)	-	20,245	(40,164)
Current Service cost	4,948	3,835	4,948	3,835
Interest cost	16,471	10,740	16,471	10,740
Actuarial gains	4,789	21,689	8,336	12,394
Benefits paid	(3,547)	(5,520)	(3,547)	-
At 31 December	101,057	98,543	101,057	54,604
	=====	=====	=====	=====
			2019	2018
			N'000	N'000
31.3 The amount recognised in the profit or loss:				
Current service costs			4,948	3,835
Interest costs			16,471	10,740
Total			21,419	14,575
			=====	=====
31.4 The amount recognised in other comprehensive income:				
Re-measurements (loss)/gain recognised in other comprehensive income			(4,789)	(21,689)
Tax on gain			-	-
Net balance			(4,789)	(21,689)
			=====	=====
The principal actuarial assumptions used were:				
Discount rate			16%	16%
Inflation rate			5%	5%
Future salary increases			3%	3%

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31.5 Sensitivity analysis

	Discount rate		Future salary increase		Mortality rate	
	1%	1%	1%	1%	0.3%	0.3%
31 December 2019	Increase	Decrease	Increase	Decrease	Increase	Decrease
Sensitivity Level						
Impact on defined benefit obligation	(101,864)	(109,491)	(110,101)	(101,254)	(105,778)	(105,252)
31 December 2018	1%	1%	1%	1%	0.3%	0.3%
Sensitivity Level	Increase	Decrease	Increase	Decrease	Increase	Decrease
Impact on defined benefit obligation	(95,005)	(102,310)	(102,939)	(94,380)	(98,779)	(98,233)

The sensitivity analysed above have determined on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumption occurring at the end of the reporting period. As reported based on actuarial valuation by Alexander Forbes for the year ended 31 December 2019. The actuarial valuation report was signed in December by Brian Karidza (FRC/2017/NAS/00000016625) a fellow of Faculty and Institute of Actuaries.

31.6 The valuation assumptions used in determining Gratuity benefit obligations for the Company's plans are shown below:

	2019	2018
	%	%
Discount rate (p.a)	16	16
Average pay increase (p.a)	3	3
Rate of inflation	5	5
Withdrawal from Service (age band)		
18 - 29	1	1
30 - 44	5.5	5.5
45 - 49	3	3
50 - 59	2	2
60	100	100

The normal retirement age is 60 years or 35 years in active services. Employees' benefits shall be paid on retirement upon attaining 60 years of age, early retirement, resignation; death and redundancy of employees. The discount rate is determined on the Company's reporting date by reference to market yields on high quality government bonds.

The discount rate should reflect the duration of the liabilities of the benefit programme. The rates of mortality assumed for members in the scheme are the rates published in the National Population Commission Bulletin. We have rated this down by one year to moderately reflect mortality in Nigeria. The Company makes provisions for gratuity for employees that have spent between 5 years and above continuing service in the Company. The Company is expected to set cash aside to fund the outstanding defined benefit obligation.

The provision is computed based on the annual gross emoluments (basic, housing, transport and leave allowance) by applying a specific rate which is a function of the length of service with the Company except for redundancy. The rate applies to all categories of employees as follows:

Rate	Length of service
1.00	5 - 9 years
1.25	10- 14 years
1.75	15 - Above years

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The provision for employee benefit on redundancy is computed based on the annual basic salary as follows:

Senior Staff	-	6 weeks basic salary for each completed year of service
Junior Staff:		
0 - 5 years	-	6 weeks basic salary for each completed year of service
6 - Above years	-	7 weeks basic salary for each completed year of service

	2019	2018
Salary weighted average age	48.1 years	46.6 years
Salary weighted past service	14.5 years	12.6 years

31.7 Tax Effect:

Re-measurement recognised in other comprehensive income: (N4,788,999.95) (2018: N21,689,000). Deferred tax computed at 30% : Nil (2018 : Nil).

	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
32 Trade and other payables				
Trade payables	3,488,831	1,218,528	3,087,647	1,063,090
Other payables (Note 32.1)	487,645	745,803	414,438	409,342
Rent received in advance	860	-	860	92,503
Dividend payable	39,978	39,978	39,978	39,978
Value Added Tax	405,135	221,844	349,123	205,393
Due to related parties (Note 32.2)	98,360	66,730	66,996	66,730
Pension Contribution (Note 32.3)	54,243	40,833	54,118	28,966
	4,575,052	2,333,716	4,013,160	1,906,002
	=====	=====	=====	=====
32.1 Other payables				
Customer deposit	65,728	216,729	59,924	55,890
Staff deductions	46,060	45,011	29,492	41,379
Withholding tax payable	25,841	25,858	25,331	25,331
Accrued interest	135	90,682	135	90,682
Registrar expenses	5,404	3,266	5,404	915
ITF Payables	642	-	642	-
Directors fee	4,150	2,800	4,050	756
Audit fee	2,978	8,912	2,338	7,312
Trade debtors with credit balances	152,638	137,568	152,636	137,568
Accrued expenses (Note 32.4)	184,069	214,976	134,486	49,509
	487,645	745,803	414,438	409,342
	=====	=====	=====	=====

32.2 Due to related parties

This represents amount due from SCOA Foods Limited to other related parties.

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	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
32.3 Pension contribution				
At 1 January	40,833	28,333	28,966	28,333
Additions in the year	13,410	12,500	25,152	633
At 31 December	54,243	40,833	54,118	28,966
	=====	=====	=====	=====

In accordance with Pension Reform Act, 2014, the employees of the Company are members of a state arranged pension scheme which is managed by several private sector service providers. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the defined contribution plan is to make the specified contributions. the total expenses recognised in profit or loss represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

32.4 Accrued expenses

These represent rents received in advance, provision for insurance and other expenses incurred but settlement is yet to be made.

	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
33 Borrowings				
Current borrowings	2,160,756	3,335,339	2,107,222	3,280,456
Non-current borrowings (Note 33.2)	5,084,654	4,713,471	5,084,654	4,713,471
Total	7,245,410	8,048,810	7,191,876	7,993,927
	=====	=====	=====	=====
33.1 Current borrowings				
Related Companies:				
International Investment Company Ltd (Sister Company)	986,931	719,447	933,397	665,913
Investra Limited (Sister Company)	44,223	36,361	44,223	36,361
Commercial loans:				
Ecobank Nigeria Plc	15,756	15,756	15,756	15,756
Access Bank Loan Account	166,045	127,458	166,045	127,458
Heritage advance- Short term 2-5	-	59,082	-	59,082
Heritage Bank Loan	288,836	-	288,836	-
Import facilities:				
FCMB Term loan	-	223,065	-	223,065
Union Bank Loan Account	98,000	275,637	98,000	275,637
Heritage Bank Loan	36,164	945,966	36,164	945,966
Bank overdraft (Note 33.3)	524,801	932,567	524,801	931,219
	2,160,756	3,335,339	2,107,222	3,280,456
	=====	=====	=====	=====

Commercial loans represents different short term loans and LCs restructured to a formal loan for the group to be repaid over a number of years. These loans were splitted into current and non-current portion.

Import finance facilities are those facilities which the group defaulted in paying and the banks converted to short term loans.

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	<u>The Group</u>		<u>The Company</u>	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
33.2 Non-current borrowings				
Ecobank long term loan account	1,828,989	1,850,975	1,828,989	1,850,975
Access long term loan account	2,026,398	1,482,820	2,026,398	1,482,820
First bank long term account	1,229,267	1,379,676	1,229,267	1,379,676
	<u>5,084,654</u>	<u>4,713,471</u>	<u>5,084,654</u>	<u>4,713,471</u>
	=====	=====	=====	=====

The group's current commercial loan facilities are revolving having a structure of 3 to 12 months term with a fixed rate of principal and interest repayment ranging from 18% to 24% respectively. These loans have no moratorium and secured along with the overdraft facility by way of negative pledge over the assets of the Group. This indicates the Group is prohibit to take a lien over the assets of the Group. The related party loans are unsecured.

i) Access Bank Plc

Access Bank granted the Company a loan of N1 billion. This loan has an interest rate of 20% per annum and its repayable over 36 months. The loan is secured by Negative pledge on the Company's assets.

ii) First City Monument Bank Plc

An amount of N164 million represent balance of loan granted by First City Monument Bank Plc. This loan has an interest rate of 22% per annum and its repayable over 25 months. The loan is secured by Negative pledge on the Company's assets.

iii) Union Bank of Nigeria Plc

An amount of N186.3 million represent balance of loan granted by Union Bank of Nigeria Plc. This loan has an interest rate of 23% per annum and its repayable over 24 months. The loan is secured by Negative pledge on the Company's assets.

iv) Eco Bank Plc

Eco Bank granted the Company a loan of N2.3 billion. This loan has an interest rate of 21% per annum and its repayable over 48 months. The loan is secured by Negative pledge on the Company's assets.

v) Heritage Bank Limited

An amount of N563.9 million represent balance of loan overdue granted by Heritage Bank. This loan has an interest rate of 20% per annum and its repayable over 3 months. The loan is secured by Negative pledge on the Company's assets. Heritage Bank also granted the Company a loan of N954.201million. This loan has an interest rate of 20% per annum and its repayable over 24 months. The loan is secured by Negative pledge on the Company's assets.

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Principal terms and the debt repayment schedule of the group's loans and borrowings are as follows as:

	Currency	Interest rate %	Maturity
Access Bank Plc	Naira	20	2019
First City Monument Bank Plc	Naira	22	2017
MainStreet Bank Limited	Naira	22	2015
Union Bank of Nigeria Plc	Naira	23	2017
Eco Bank Plc	Naira	21	2020
Heritage Bank Limited	Naira	20	2017

	<u>The Group</u>		<u>The Company</u>	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
33.3 Bank overdraft	524,801 =====	932,567 =====	524,801 =====	931,219 =====

The bank overdrafts represent overdrawn balance on current account from Nigerian Banks with an average interest rate of 17.5%. The bank overdrafts are secured by way of negative pledge over the assets of the Company.

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34 Related Parties

The financial statements include the proportion of equity of major shareholders as follow:

	No. of shares	% of capital
SCOA International, S. A.	443,491,944	68.28
Various individual shareholders	206,008,056	31.72
	<u>649,500,000</u>	<u>100.00</u>
	=====	=====

The Company entered into the following transactions with the under listed related parties during the year:

	Nature of transaction	Transaction value 2019 N'000	Balance receivable/ (payable) 2019 N'000	Balance receivable/ (payable) 2018 N'000
Related Companies:				
International Investment Company (Sister Company)	Payment of rent and interest	208,229	(986,931)	(719,447)
Investra Limited (Sister Company)	Payment of interest	40,649	(44,223)	(36,361)
Vernal Investment (Sister Company)	Administrative expenses	3,205	-	-
SCOA Petroleum Limited (Sister Company)	Purchase of goods	18,656	-	-
Data Processing Maintenance and Services Limited (Sister Company)	Rent receivable	14,014	-	-
Holding Company:				
SCOA International S.A.	Dividend payable	-	39,978	221,844
Subsidiary:				
SCOA Properties Limited	Administration expenses	60	1,492	1,232
Associate:				
SCOA Foods Limited	Purchases- goods & services, Administration expenses.	633	318,019	316,605
		=====	=====	=====

The ultimate parent of the Company is SCOA International S. A. and is based in Paris.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in competitive environment. Outstanding balances at the year end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December, 2019, there was no provision during the year for related parties.

Long term compensation to key management

The Company has no long term compensation for his key management personnel.

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Notes to the consolidated financial statements

For the year ended 31 December, 2019

		Company	
		2019	2018
		Number	Number
35 Information relating to Employees			
The average number of persons employed by the Group during the financial year was as follows:			
CEO's office and corporate affairs		5	5
Engineering /operation		55	84
Sales and marketing		20	26
Customer experience		2	4
Information systems		1	1
Human resources		3	3
Finance		11	12
		97	135
		=====	=====
Employees of the Company, other than Directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension contributions) in the following ranges:			
		2019	2018
		Number	Number
Below	1,700,000	73	74
1,800,000	- 2,299,999	15	19
2,300,000	- 2,799,999	4	1
2,800,000	- 3,299,999	3	1
3,300,000	- 3,799,999	1	6
4,800,000	- 5,299,999	1	4
		97	105
		=====	=====
36 Information relating to Directors			
36.1 Directors' mix			
Executive Directors		2	2
Non-executive Directors		6	8
		8	10
		=====	=====
36.2 Director's emolument			
The aggregate emolument of the Directors was:			
		N'000	N'000
Fees		1,350	1,350
Salaries		-	-
Sitting allowance		215	150
Other fees and allowances		-	-
Chairman emoluments (excluding pension contribution)		-	-
		1,565	1,500
		=====	=====
Highest Paid Director		-	-
		=====	=====

SCOA NIGERIA PLC

Notes to the consolidated financial statements

For the year ended 31 December, 2019

37 Contingencies

37.1 Bank guarantee

The Company has an advance payment bank guarantee amounting to Nil in 2019 (2018 : Nil) and a performance Bond also amounting to a Nil balance in 2019, (2018 : Nil) both of which are in favour of Chad Basin Development Authority for the supply of Holland Combine Harvesters. There is an advance payment Guarantee with a Nil balance in 2019 (2018 : Nil) in favour of Ekiti State Government for Road Construction and an advance payment Guarantee with a balance of a Nil balance in 2019 -2018 : Nil) in favour of Kogi State Government for road construction.

37.2 Commitment

The Company has no authorised and contracted purchase orders during the year. The Company's unfunded Letters of Credit during the year was Nil (2018 : Nil) with various banking institutions in respect of letter of credits for importation of goods for trading.

37.3 Pending litigations and claims

The Company, SCOA Nigeria Plc has some matters in courts of which some cases are for and against the Group. In some instances, some cases were settled amicably out of court while some matters were adjourned due to the COVID-19 lockdown. However, in the opinion of the Directors and based on independent legal advice on these cases, the Group is not expected to suffer any material loss arising from these claims. Thus, no provisions have been made in these consolidated financial statements.

38 Events after the reporting date

The Directors are of the opinion that there were no events that occurred subsequently to the reporting date which could have had a material effect on the consolidated financial statements or which need to be disclosed in the consolidated financial statements in the interest of fair presentation of the consolidated financial position at the reporting date except for the Corona Virus Pandemic (COVID 19) which may have an effect in 2020 financial year. The financial effect is yet to be quantified by the Board.

39 Comparative figures

Where necessary comparative figures have been reclassified to ensure proper disclosure and uniformity in the current year's presentation. This re-classification have no net impact on these consolidated financial statements

Statement of Value Added								
For the year ended 31 December, 2019								
	The Group				The Company			
	2 0 1 9		2 0 1 8		2 0 1 9		2 0 1 8	
	N'000	%	N'000	%	N'000	%	N'000	%
Sales of products and services	4,034,367		2,451,366		2,852,163		920,197	
Other operating income	1,176,636		1,068,780		1,105,984		970,419	
Finance income	1,027		65,502		1,027		65,502	
	5,212,030		3,585,648		3,959,174		1,956,118	
Deduct:								
Outside purchases of services and products:								
- Local	(4,395,218)		(2,506,518)		(4,292,060)		(2,616,051)	
- Import	(135,935)		(77,521)		(132,744)		(80,909)	
Value Added	680,878	100	1,001,608	100	465,630	100	740,842	100
Distributed as follows:								
To pay employee:								
Salaries and labour related expenses	285,350	42	277,446	28	112,475	24	33,268	203
To provider of capital:								
Interest	100,692	15	999,296	100	100,692	22	995,193	764
To pay Government:								
- Company taxes	24,840	4	13,486	1	9,101	2	13,486	7
To provide for replacement of assets and future expansion of business:								
Deferred tax	(275,341)	(40)	(475,211)	(47)	(275,002)	(59)	(475,211)	-
Depreciation of property plant and equipment	226,161	32	232,471	23	223,875	48	230,267	187
Profit/(loss) transferred from income statements	319,176	47	(45,880)	(5)	294,489	63	(56,161)	(1,261)
Value Added	680,878	100	1,001,608	100	465,630	100	740,842	100

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

SCOA NIGERIA PLC

Financial Summary - (The Group)					
For the year ended 31 December, 2019					
	2019 N'000	2018 N'000	2017 N'000	2016 N'000	2015 N'000
STATEMENT OF COMPREHENSIVE INCOME					
Revenue	<u>4,034,367</u>	<u>2,451,366</u>	<u>1,798,582</u>	<u>3,580,316</u>	<u>4,547,587</u>
Profit/(loss) before income tax	<u>69,749</u>	<u>(507,605)</u>	<u>(1,897,172)</u>	<u>(2,258,195)</u>	<u>(1,255,526)</u>
Taxation	<u>249,427</u>	<u>461,725</u>	<u>(12,131)</u>	<u>626,421</u>	<u>(10,367)</u>
Profit/(loss) for the year ended	<u>319,176</u>	<u>(45,880)</u>	<u>(1,909,303)</u>	<u>(1,631,774)</u>	<u>(1,265,893)</u>
Other comprehensive (loss)/income	<u>(4,789)</u>	<u>(21,689)</u>	<u>(4,447)</u>	<u>4,149,698</u>	<u>79,850</u>
Total comprehensive income/(loss) for the year	<u>314,387</u>	<u>(67,569)</u>	<u>(1,913,750)</u>	<u>2,517,924</u>	<u>(1,186,043)</u>
STATEMENT OF FINANCIAL POSITION					
Property, plant & equipment	<u>6,611,507</u>	<u>6,844,155</u>	<u>7,167,765</u>	<u>7,452,821</u>	<u>2,999,744</u>
Other non-current asset	<u>870,907</u>	<u>595,566</u>	<u>674,181</u>	<u>674,181</u>	<u>4,156</u>
Net current (liabilities)/asset	<u>(315,998)</u>	<u>(961,389)</u>	<u>(2,667,452)</u>	<u>(380,791)</u>	<u>(516,833)</u>
Non-current liabilities	<u>(5,185,711)</u>	<u>(4,812,014)</u>	<u>(2,501,113)</u>	<u>(3,159,243)</u>	<u>(418,023)</u>
Net asset	<u>1,980,704</u>	<u>1,666,318</u>	<u>2,673,381</u>	<u>4,586,968</u>	<u>2,069,044</u>
Funds employed					
Share capital	<u>324,913</u>	<u>324,913</u>	<u>324,913</u>	<u>324,750</u>	<u>324,750</u>
Share premium account	<u>194,405</u>	<u>194,405</u>	<u>194,405</u>	<u>194,405</u>	<u>194,405</u>
Revaluation reserve	<u>4,224,807</u>	<u>4,224,807</u>	<u>4,224,807</u>	<u>4,224,807</u>	<u>78,323</u>
Retained loss	<u>(3,346,478)</u>	<u>(3,651,774)</u>	<u>(2,644,771)</u>	<u>(735,976)</u>	<u>890,657</u>
Non controlling interest	<u>583,058</u>	<u>573,967</u>	<u>574,027</u>	<u>578,982</u>	<u>580,909</u>
	<u>1,980,704</u>	<u>1,666,318</u>	<u>2,673,381</u>	<u>4,586,968</u>	<u>2,069,044</u>
Basic/diluted earnings/(loss) per share (Naira)	0.49	(0.07)	(2.94)	(2.49)	(1.95)
Dividend per share (gross)	-	-	-	-	-
Net asset per share (Naira)	3.41	2.56	4.11	7.06	3.18

Earnings/(loss) per share are based on profit/(loss) after tax divided by the issued and fully paid ordinary shares at the end of each financial year.

Dividend per share are based on the profit after tax and the number of issued and fully paid ordinary shares at the end of each financial year.

Net assets per share are based on net assets divided by the issued and fully paid ordinary shares at the end of each financial year.

SCOA NIGERIA PLC

Financial Summary - (The Company)					
For the year ended 31 December, 2019					
	2019 N'000	2018 N'000	2017 N'000	2016 N'000	2015 N'000
STATEMENT OF COMPREHENSIVE INCOME					
Revenue	<u>2,852,163</u>	<u>920,197</u>	<u>1,798,351</u>	<u>3,569,645</u>	<u>4,528,303</u>
Profit/(loss) before income tax	<u>28,588</u>	<u>(517,886)</u>	<u>(1,889,270)</u>	<u>(2,394,365)</u>	<u>(1,256,852)</u>
Income tax expense	<u>265,901</u>	<u>461,725</u>	<u>(10,983)</u>	<u>627,624</u>	<u>(9,708)</u>
Profit/(loss) for the year ended	<u>294,489</u>	<u>(56,161)</u>	<u>(1,900,253)</u>	<u>(1,766,741)</u>	<u>(1,266,560)</u>
STATEMENT OF FINANCIAL POSITION					
Property, plant & equipment	5,188,994	5,422,597	5,744,002	6,025,284	1,573,726
Investment in subsidiary	567,292	567,292	555,292	555,292	693,800
Other non-current asset	951,690	-	674,181	674,181	4,156
Net current liabilities/asset	(149,049)	(32,574)	(2,448,504)	(167,119)	(308,221)
Non-current liabilities	(5,185,711)	(4,873,798)	(2,419,990)	(3,078,120)	(336,900)
Net asset	<u>1,373,215</u>	<u>1,083,517</u>	<u>2,104,981</u>	<u>4,009,518</u>	<u>1,626,561</u>
Funds employed					
Share capital	324,913	324,913	324,913	324,750	324,750
Share premium account	194,405	194,405	194,405	194,405	194,405
Revaluation reserve	4,146,484	4,146,484	4,146,484	4,146,484	-
Retained (loss)/earnings	(3,292,586)	(3,582,286)	(2,560,821)	(656,121)	1,107,406
	<u>1,373,216</u>	<u>1,083,516</u>	<u>2,104,981</u>	<u>4,009,518</u>	<u>1,626,561</u>
Earnings/(loss) per share (Naira)	0.45	(0.09)	(2.93)	(2.72)	(1.95)
Dividend per share (gross)	-	-	-	-	-
Net assets per share (Naira)	2.11	1.67	3.24	6.17	2.50

SCOA NIGERIA PLC

Share Capital History

The Company's authorized and fully paid up share capital has increased over the years as follows:

Date	Authorised Share Capital Increased		Issued and fully paid Share Capital Increased		Consideration
	From (₦)	From (₦)	From (₦)	From (₦)	
24/06/69	-	2,000,000	-	4	Asset
04/09/69	-	2,000,000	4	32,894	Asset
04/09/69	-	2,000,000	32,894	1,232,890	Cash
02/09/72	-	2,000,000	1,232,890	2,000,000	Cash
07/07/72	2,000,000	3,000,000	2,000,000	-	-
18/12/72	-	3,000,000	2,000,000	2,100,000	Cash
24/01/73	-	3,000,000	2,100,000	2,600,000	Cash
31/09/73	-	3,000,000	2,600,000	2,900,000	Cash
15/09/73	-	3,000,000	2,900,000	2,940,000	Cash
31/01/74	-	3,000,000	2,940,000	3,000,000	Cash
23/04/76	3,000,000	6,000,000	3,000,000	6,000,000	Bonus Issue
27/09/76	6,000,000	12,000,000	6,000,000	6,000,000	-
21/01/77	12,000,000	12,000,000	6,000,000	12,000,000	Bonus Issue
30/03/77	12,000,000	18,000,000	12,000,000	12,000,000	Bonus Issue
16/01/77	18,000,000	18,000,000	12,000,000	18,000,000	Bonus Issue
10/12/78	18,000,000	24,000,000	18,000,000	24,000,000	Bonus Issue
14/04/83	24,000,000	32,000,000	24,000,000	32,000,000	Bonus Issue
21/04/88	32,000,000	44,800,000	32,000,000	44,800,000	Bonus Issue
23/01/90	44,800,000	344,800,000	44,800,000	114,800,000	Cash
12/11/92	344,800,000	412,000,000	114,800,000	197,200,000	Cash
25/07/01	412,000,000	412,000,000	197,200,000	246,500,000	Bonus Issue
20/09/02	412,000,000	1,000,000,000	246,500,000	246,500,000	Authorised Capital Increase
11/09/03	1,000,000,000	1,000,000,000	246,500,000	324,737,000	Rights Issue