

ARDOVA PLC

(formerly Forte Oil Plc)

UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

ARDOVA PLC *(formerly Forte Oil Plc)*

INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

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ARDOVA PLC (formerly Forte Oil Plc)

QUARTER TWO 2020 FINANCIAL HIGHLIGHTS

	6 months 30-Jun-20 N'000	6 months 30-Jun-19 N'000
Revenue	87,313,516	82,785,486
Cost of sales	(81,965,241)	(77,200,870)
Gross profit	<u>5,348,275</u>	<u>5,584,616</u>
Profit before income tax	1,171,390	6,327,926
Income tax expense	(159,023)	(877,363)
Profit after tax	<u>1,012,367</u>	<u>5,450,563</u>
<hr/>		
Net assets	17,175,692	16,163,325
Retained earnings	9,842,050	8,829,683

ARDOVA PLC (formerly Forte Oil Plc)

Statement of Directors' responsibilities For the preparation and approval of the interim financial statements

The Directors of Ardova Plc ("the company") are responsible for the preparation of the interim financial statements that give a true and fair view of the financial position of the Company as at 30 June 2020 and the results of its operations, cash flows and changes in the equity for the year ended, in compliance with the International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matter Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

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

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

The Directors are responsible for:

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

Going Concern:

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

The interim financial statements of the Company for the period ended 30 June 2020 were approved by Directors on 30 July, 2020.

On behalf of the Directors of the Company



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

Date: 30 July, 2020



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

Date: 30 July, 2020

**INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2020**


	Notes	Apr-June 2020 N'000	30-Jun-20 N'000	Apr-June 2019 N'000	30-Jun-19 N'000
Revenue	7.1.1.	35,261,732	87,313,516	40,227,346	82,785,486
Cost of sales	7.1.2.	(32,702,388)	(81,965,241)	(37,707,537)	(77,200,870)
Gross profit		2,559,344	5,348,275	2,519,809	5,584,616
Other income	8.	58,379	604,842	455,334	3,488,212
Distribution expenses	9b.	(429,900)	(1,029,081)	(544,976)	(1,131,607)
Administrative expenses	9b.	(1,400,416)	(3,400,916)	(2,676,662)	(4,406,559)
Operating profit		787,407	1,523,120	(246,495)	3,534,662
Finance income	10.	42,616	150,622	4,254,087	4,452,240
Finance cost	10.	(238,936)	(502,352)	(809,286)	(1,658,976)
Net finance cost		(196,320)	(351,730)	3,444,801	2,793,264
Profit before income tax		591,087	1,171,390	3,198,306	6,327,926
Income tax expense	11.	(76,164)	(159,023)	(1,072,184)	(877,363)
Profit after tax		514,923	1,012,367	2,126,122	5,450,563
Other Comprehensive Income:					
Items that may be reclassified subsequently to profit or loss					
Total other comprehensive income net of taxes		-	-	-	-
Total comprehensive income for the period		514,923	1,012,367	2,126,122	5,450,563
Earnings per share					
Basic/diluted in (N)	12.	0.39	0.78	1.63	4.18

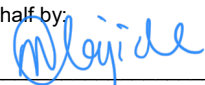
The accompanying notes and significant accounting policies form an integral part of this interim financial statements.

**INTERIM STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020**

	Note	30-Jun-20 N'000	31-Dec-19 N'000
Assets			
Non-current assets			
Property, plant and equipment	13.	10,013,994	11,116,680
Right of use assets	14	1,340,407	1,376,470
Investment property	15.	1,493,822	1,506,546
Intangible assets	16.	46,730	72,753
Trucks on Hire purchase receivables	17.	296,261	-
Deferred tax assets	18.	805,861	783,157
Long term investments	25.	36,735	36,735
Total non-current assets		14,033,810	14,892,341
Current assets			
Inventories	19.	9,196,526	12,834,373
Trade and other receivables	20.	19,470,994	16,677,971
Short term investments	25.	642,865	610,302
Restricted cash	21.	20,140	19,707
Cash and cash equivalents	22.	1,976,752	1,984,260
Total current assets		31,307,277	32,126,613
Total assets		45,341,087	47,018,954
Equity			
Share capital	24.	655,314	655,314
Share premium	24.	8,071,943	8,071,943
Other reserves	24.	(5,041)	(5,041)
Retained earnings	24.	9,842,050	8,829,683
Total equity attributable to equity holders of the Company		18,564,266	17,551,899
Treasury stock	24.	(1,388,574)	(1,388,574)
Total equity		17,175,692	16,163,325
Liabilities			
Non-current liabilities			
Deferred tax liabilities	18.	1,177,850	1,463,956
Medium term bond	26	1,415,577	2,735,388
Total non-current liabilities		2,593,427	4,199,344
Current liabilities			
Trade and other payables	27.	19,258,491	22,823,177
Current income tax liabilities	11.	1,229,465	976,632
Employee benefits	25.	-	262,902
Medium term bond	26	2,669,172	2,476,801
Bank overdraft	22.	2,414,839	116,773
Total current liabilities		25,571,967	26,656,285
Total liabilities		28,165,394	30,855,629
Total equity and liabilities		45,341,087	47,018,954

The Interim financial statements were approved by the Board on 30 July 2020 and signed on its behalf by:


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


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

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

**INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2020**

	Share capital N'000	Share premium N'000	Reserves N'000	Retained earnings N'000	Total N'000	Treasury shares N'000	Total equity N'000
Balance at 1 January 2020	655,314	8,071,943	(5,041)	8,829,683	17,551,899	(1,388,574)	16,163,325
Changes in equity for 2020:							
Profit for the period	-	-	-	1,012,367	1,012,367	-	1,012,367
Balance at 30 June 2020	655,314	8,071,943	(5,041)	9,842,050	18,564,266	(1,388,574)	17,175,692

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

**INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2019**

	Share capital N'000	Share premium N'000	Reserves N'000	Retained earnings N'000	Total	Treasury shares N'000	Total equity N'000
Balance at 1 January 2019	655,314	8,071,943	(7,752)	6,418,039	15,137,544	(1,388,574)	13,748,970
Changes in equity for 2019:							
Profit for the period	-	-	-	5,450,563	5,450,563	-	5,450,563
Dividend				(1,500,785)	(1,500,785)		(1,500,785)
Balance at 30 June 2019	655,314	8,071,943	(7,752)	10,367,817	19,087,322	(1,388,574)	17,698,748

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

**INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2020**

	Notes	30-Jun-20 N'000	30-Jun-19 N'000
Cash flows from operating activities			
Profit for the period		1,012,367	5,450,563
Adjustment for:			
Depreciation of property, plant and equipment	13	530,884	624,804
Depreciation of Right of use assets	14	188,007	-
Depreciation of investment property	15.	12,724	12,724
Amortization of intangible asset	16.	26,023	36,580
Provision no longer required	25.	(371)	(13,368)
Profit on disposal of property, plant and equipment	13.	(269,714)	34,462
Gain on disposal of subsidiaries net of cash		-	(2,674,891)
Impairment allowances	20.5	111,366	-
Finance income	10.	(150,622)	(4,452,240)
Finance cost on loans and borrowings	10.	502,352	1,658,976
Transfer of employee benefits		-	9,072
Current service cost	25.	-	248,674
Income tax expense	11.	159,023	877,363
		<u>2,122,039</u>	<u>1,812,720</u>
Changes in:			
Inventories	19.	3,637,847	246,957
Trade and other receivables	20.	(2,647,743)	12,190,685
Trade and other payables	27.	(3,564,686)	(835,237)
		<u>(452,543)</u>	<u>13,415,125</u>
Cash (used in)/generated from operating activities			
Employee benefit paid	25.	(262,531)	(483,820)
Income taxes paid		(215,000)	(151,591)
		<u>(930,074)</u>	<u>12,779,714</u>
Net cash (used in)/generated from operating activities			
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	13,8	317,418	14,397
Acquisition of property, plant and equipment	13.	(162,974)	(440,033)
Acquisition of ROU Asset	14	(17,777)	-
Return on planned assets reinvested	25.	(32,563)	(39,547)
Interest received	10.	150,622	4,452,240
		<u>254,726</u>	<u>3,987,057</u>
Net cash generated from investing activities			
Cash flows from financing activities			
Loan and borrowings	26	(1,127,440)	(2,467,461)
Dividend paid		-	(1,500,785)
Interest paid	10.	(502,352)	(1,658,976)
		<u>(1,629,792)</u>	<u>(5,627,221)</u>
Net cash used in financing activities			
Net (decrease)/increase in cash and cash equivalents			
Restricted cash	21.	(433)	-
Cash and cash equivalents as at 1 January		1,867,487	(8,319,276)
Cash and cash equivalents at 30 June	22.	<u>(438,087)</u>	<u>2,820,274</u>

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

ARDOVA PLC (formerly Forte Oil Plc)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE, 2020

1. The Company

1.1 General information

The Company was incorporated on 11 December 1964 as British Petroleum. It became African Petroleum through the nationalisation policy of the Federal Government of Nigeria in 1979. The

Company changed its name to Forte Oil Plc in December 2010 as a result of a restructuring and rebranding exercise. In June, 2019, Ignite Investments and Commodities Limited became the majority shareholder in Forte Oil Plc after the former majority shareholder disposed off his shares in the Company. The company's name was changed to Ardova Plc in January, 2020.

During the period ended 31 March 2019, the Company disposed off its Upstream Services, Power and a portion of its Fuel segments. The Company disposed AP Oil and Gas Ghana, Forte Upstream Service Limited and Amperion Power Distribution Company Limited.

Principal activities

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

1.2 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as issued by the International Accounting Standard Board (IASB) and in compliance with the Financial Reporting Council of Nigeria Act. The financial statements for the period ended 30 June 2020, have been prepared in accordance with IAS 34 Interim Financial Reporting has been applied.

1.3 Composition of Financial statements

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

* Interim Statement of profit and loss and other comprehensive income

* Interim Statement of financial position

* Interim Statement of changes in equity

* Interim Statement of cash flows

* Interim Segment information.

1.4 Financial Period

This interim financial statements cover the period from 1 January 2020 to 30 June 2020 with comparative figures for the financial year from 1 January 2019 to 30 June 2019.

2.1 New amendments and interpretations issued and effective 2020.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2.1.1 Covid - 19 - Related Rent Concessions:- Amendment to IFRS 16

The IASB amends IFRS 16 to:

- Provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID 19-related rent concession is a lease modification;
- Require lessees that apply the practical expedient to account for COVID-19-related rent concessions as if they were not lease modifications;
- Require lessees that apply the practical expedient to disclose whether the practical expedient has been applied to all eligible contracts, or, if not, information about the nature of the contracts to which the practical expedient has been applied; and
- Require lessees to apply the practical expedient retrospectively, recognising the cumulative effect of applying the amendment as an adjustment to the opening retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment.

• No changes are made with regard to lessor accounting.

• The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at 28 May 2020.

Impact on Initial Application

These amendments do not have any impact on the Company financial statements.

2.1.2 Amendments to IFRS 3 Definition of a business

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

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

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

Impact on Initial Application

These amendments do not have any impact on the Company financial statements.

2.1.3 Conceptual Framework for Financial Reporting

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

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applicable standard in place and to assist all parties to understand and interpret the standards.

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

- Chapter 1 – The objective of financial reporting
 - Chapter 2 – Qualitative characteristics of useful financial information
 - Chapter 3 – Financial statements and the reporting entity
 - Chapter 4 – The elements of financial statements
 - Chapter 5 – Recognition and derecognition
 - Chapter 6 – Measurement
 - Chapter 7 – Presentation and disclosure
 - Chapter 8 – Concepts of capital and capital maintenance.
- The Conceptual Framework is accompanied by a Basis for Conclusions.

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

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

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

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

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

Changes and reasoning behind the changes

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

The definition of material, an important accounting concept in IFRS Standards, helps companies decide whether information should be included in their financial statements. The updated definition amends IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are a response to findings that some companies experienced difficulties using the old definition when judging whether information was material for inclusion in the financial statements.

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

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

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

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

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

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

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

New standards and interpretations not yet adopted

Standards and interpretations issued but not yet effective

2.1.5 IFRS 17: Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured each reporting period. Contracts are measured using the building blocks of: • Discounted probability-weighted cash flows • An explicit risk adjustment, and • A contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. The directors of the Company do not anticipate that the application of the Standard in the future will have an impact on the Company's financial statement.

2.1.6 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

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

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

The amendments:

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

Impact on Initial Application

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

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

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

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

2.1.8 Classification of Liabilities as Current or Non-current - Amendments to IAS 1

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

Right to defer settlement

The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date.

Existence at the end of the reporting period

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

Management expectations IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

Meaning of the term 'settlement'

The Board added two new paragraphs (paragraphs 76A and 76B) to IAS 1 to clarify what is meant by 'settlement' of a liability. The Board concluded that it was important to link the settlement of the liability with the outflow of resources of the entity. Settlement by way of an entity's own equity instruments is considered settlement for the purpose of classification of liabilities as current or non-current, with one exception.

In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or non-current. Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore not considered to represent 'settlement'.

Effective for annual periods beginning on or after 1 January 2022.

3.0 Summary of significant accounting policies

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

3.1 Basis of measurement

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

3.1.1 Foreign currency transactions

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

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

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

- exchange differences on foreign currency borrowings which are regarded as adjustments to interest costs, where those interest costs qualify for capitalisation to assets under construction;

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- exchange differences on transactions entered into to hedge foreign currency risks; and
- exchange differences on loans to or from a foreign operation for which settlement is neither planned nor likely to occur and therefore forms part of the net investment in the foreign

operation, which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

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

3.1.2 Foreign operations

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

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

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

3.2 Financial assets and financial liabilities

Recognition and initial measurement

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

Financial assets

Initial recognition and measurement of financial assets

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

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

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

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

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

Subsequent measurement

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

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

Debt instruments

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

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

Amortised cost:

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

Fair value through other comprehensive income (FVOCI):

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

Fair value through profit or loss:

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

Other financial assets:

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

Expected credit losses

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

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

significant financial difficulty of the customer; or
it is becoming probable that the customer will enter bankruptcy or other financial reorganization.
Impairment losses related to trade and other receivables are not presented separately in the income statement but are reported under the heading, administrative expenses

Business model:

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

Solely Payment of Principal and Interest (SPPI):

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

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

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

Equity instruments

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

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

(iv) Derecognition

A financial asset is derecognised when:

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

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition

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

Offsetting of financial instruments

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

3.2.1 Trade and other receivables

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

3.2.2 Cash and cash equivalents

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

3.2.3 Non-derivative financial liabilities

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

3.2.4 Trade and other payables

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

3.2.5 Loans and borrowings

3.2.5 Interest-bearing borrowings

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

3.2.5 Debt instruments

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

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

3.2.6 Compound instruments

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

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

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3.2.7 Investments in subsidiaries

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

3.3.1 Share capital

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

3.3.2 Dividend distribution

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

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

3.4 Property, plant and equipment

3.4.1 Recognition and measurement

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

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

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

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

3.4.2 Reclassification of investment property

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

3.4.3 Subsequent costs

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

3.4.4 Depreciation

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

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

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

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

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

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

3.5 Investment property

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

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

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

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

Land	Over lease year
Buildings	25 years

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

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

3.60 Intangible assets

3.6.1 Intangible assets acquired separately

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

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

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

Software costs - 3 to 8 years

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

3.6.2 Intangible assets generated internally

Expenditures on research or on the research phase of an internal project are recognised as an expense when incurred. The intangible assets arising from the development phase of an

internal project are recognised if, and only if, the following conditions apply:

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

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

3.6.3 Intangible assets recognised in a business combination

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

3.6.4 Subsequent expenditure

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

3.6.5 Amortisation

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

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

Computer software: 3 to 8 years

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

3.7 Leases

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an

identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the

asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

- the Company has the right to operate the asset; or
- the Company designed the asset in a way that predetermines how and for what purpose it will be used.

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

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

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Policy applicable before 1 January 2019

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

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

As a lessee

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

Under IAS 17

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

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

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

As a lessor

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

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

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

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

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

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

3.8 Borrowing costs

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

3.9 Taxation

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

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

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

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

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

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

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

3.10 Inventories

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

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

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

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

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

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

Spare parts and consumables

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

3.11 Impairment

3.11. Impairment of financial assets

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

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

3.11. Non-financial assets

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

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

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

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

3.12 Employee benefits

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

3.12. Defined benefit plan

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

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

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

3.12. Defined contribution plan

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

3.12. Pension fund scheme

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

3.12. Terminal benefit

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

3.12. Short term benefits - Profit-sharing and bonus plans

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

3.13. Provision, contingencies and decommissioning costs

3.13. Provisions

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

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

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

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

3.13. Contingent liabilities

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

3.13. Contingent assets

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

3.13. Decommissioning costs

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

Other than the unwinding discount on the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding item of property, plant and equipment.

3.14. Models used for impairment test, valuations, actuarial results

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

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

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

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

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

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Non-financial assets

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

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

3.15 Revenue from contract with customers

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

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

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

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

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

3.15. Rental income

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

3.15. Throughput income

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

3.16 Finance, dividend income and finance cost.

3.16. Finance and dividend income

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

3.16. Finance cost

Finance costs comprises interest expense on borrowings.

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

3.17 Earnings per share

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

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

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

3.18 Segment reporting

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

3.19 Petroleum subsidies

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

3.20 Trade and other receivables

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

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

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3.21 Effective interest method

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

3.22 Offsetting financial assets and liabilities

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

3.23 Repurchase and reissue of share capital (Treasury shares)

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

3.24 Statement of cash flows

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

3.25 Related parties

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

3.26 Event occurring after the balance sheet date

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

Other non-adjusting event are disclosed in the notes.

4.0 Use of estimates and judgements

The preparation of the company financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised, if the revision

affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

In particular, the Company has identified the following areas where significant judgements, estimates and assumptions are required. Changes in these assumptions may materially affect the financial position or financial results reported in future years. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

a) Recovery of deferred tax assets

Judgement is required to determine which types of arrangements are considered to be tax on income in contrast to an operating cost. Judgement is also required in determining whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from un-utilised tax losses require management assessment of the likelihood that the Company will generate sufficient taxable earnings in future years in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by sales volume and production, global oil prices, operating costs and capital expenditure) and judgement about the application of existing tax laws.

To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted.

Future changes in tax laws could also limit the ability of the Company to obtain tax deductions in future years.

b) Decommissioning costs

The Company may incur decommissioning cost at the end of the operating life of some of the Company's facilities and properties. The Company assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary for various factors including changes to relevant legal requirements, emergence of new restoration techniques or experience on similar decommissioning exercise. The expected timing, extent and amount of expenditure can also change, for example in response to changes in laws and regulations or their interpretations. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which could affect future financial results.

c) Contingencies

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

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

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

e) Impairment review

IFRS requires management to undertake an impairment test of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area which involves management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- a) growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- b) timing and quantum of future capital expenditure;
- c) long-term growth rates; and
- d) the selection of discount rates to reflect the risks involved.

The Company prepares and approves a formal five-year management plan for its operations, which is used in the calculation of its value in use, a long-term growth rate into perpetuity has been determined as the compound annual growth rate in EBITDA in years four to five of the management plan.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Company's impairment evaluation and hence results. The Company's review includes the key assumptions related to sensitivity in the cash flow projections.

f) Provisions for employee benefits

The actuarial techniques used to assess the value of the defined benefit plans involve financial assumptions (discount rate, rate of return on assets, medical costs trend rate) and demographic assumptions (salary increase rate, employee turnover rate, etc.). The Company uses the assistance of an external independent actuary in the assessment of these assumptions. For more details refer to note 25.

5. Determination of fair values

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

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

6. Financial risk management

Overview

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

Risk Management framework

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

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

- To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated and managed.
- To establish a framework for the Company's risk management process and to ensure Company-wide implementation.

- To ensure systematic and uniform assessment of risks related with the Company's operations.
- To reduce operational surprises and losses.
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- To assure business growth with financial stability.

The Board oversees risk management through the following Committees:

Board Risk Management Committee

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

Statutory Audit Committee

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

Corporate Governance and Remuneration Committee

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

Risk Management Committee

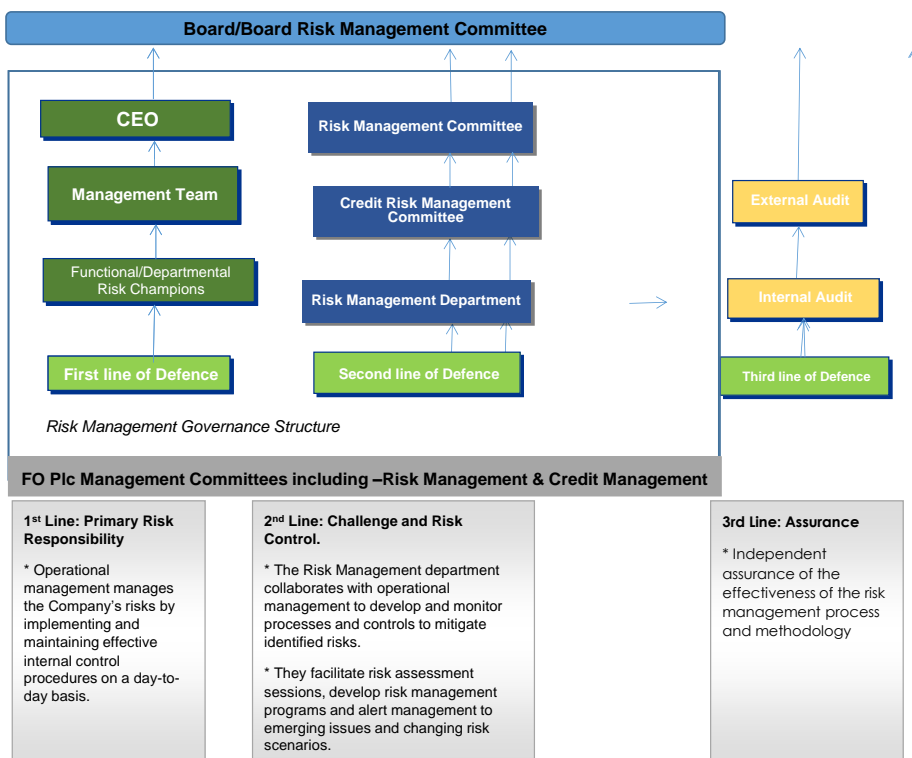
The Risk Management Committee is a Management Committee of the Company which evaluates the risks inherent within the business and ensures that they are captured appropriately within the business risk profile. The committee monitors residual risk exposures and provides assurance as to adequacy of controls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

Credit Risk Management Committee

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

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

Risk Management Structure & Governance



Risk Profile

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

have categorised the risks into the following:

- Operational Risk
- HSE Risk

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Financial Risk
Credit risk

Liquidity risk
Market risk
Capital risk management

Reputational Risk
Strategic Risk

Operational Risk

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

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

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

The Operational risk of the Company is identified and monitored through risk management review of operational processes and procedures across departments with the use of Risk

Management tool kit such as Risk registers, Control Self- Assessments, Top 20 Risk of the business and Key Risk Indicators Review.

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

HSE Risk

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

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

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

Financial Risk

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

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

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

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Credit Risk

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

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

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

Trade and other receivables

The Company has established a credit policy under which each new customer is analysed individually for creditworthiness. Credit limit is established for each customer, which represents the

maximum exposure to the customer. These limits are reviewed annually by management credit committee based on customer's performance and credit worthiness. Customers that fail to

meet the Company's credit criteria may transact with the Company on a cash-and-carry basis or provide a Bank Guarantee.

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

Allowance for impairment losses

The Company establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables. Please refer to Note 26 for the ageing of trade and other receivables and related impairment allowances for the Company at the reporting date. The historical provision rates are updated with current and forward looking information

The model used for impairment is explained in note 4.14 above

Investments

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

fail to meet its obligations.

Guarantees

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

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable and avoidable losses or risking damage to the Company's reputation. Cash flow projection is performed by the treasury unit of the Company to anticipate the cash & liquidity requirements of the Company.

The Company has a clear focus on ensuring sufficient access to capital to finance growth and to refinance maturing debt obligations. As part of the liquidity management process, the

Company has various credit arrangements with some banks and related parties which can be utilised to meet its liquidity requirements.

The Company manages its liquidity process by:

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

Lastly, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a year of 365 days, including the servicing of financial obligations; this excludes

the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial

instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign Exchange Risk

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

Currency Risk

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

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

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

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

Interest on borrowings is denominated in the currency of the borrower. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations

of the Company, primarily Naira. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020

Operating segment

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

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

The accounting policies of the reportable segments are the same as described in notes 2 to 5. Information regarding the results of each reportable segment is included below:

	30 JUNE 2020					30 JUNE 2019				
	Fuels	Lubricants and greases	Solar system	LPG and Cylinder Sales	TOTAL	Fuels	Lubricants and greases	Solar system	LPG and Cylinder Sales	TOTAL
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Revenue	79,497,252	7,805,467	7,340	3,457	87,313,516	74,308,217	8,449,924	27,345	-	82,785,486
Cost of Sales	76,527,808	5,423,837	9,884	3,712	81,965,241	70,799,886	6,370,619	30,365	-	77,200,870
Gross Profit / (loss)	2,969,444	2,381,630	(2,544)	(255)	5,348,275	3,508,331	2,079,305	(3,020)	-	5,584,616
Other income	330,171	269,341	3,479	1,929	604,842	2,191,342	1,298,757	(1,886)	-	3,488,212
Distribution expenses	(570,154)	(458,419)	(490)	(49)	(1,029,081)	(710,891)	(421,328)	612	-	(1,131,607)
Administrative expenses	(1,884,889)	(1,514,455)	(1,618)	(162)	(3,400,916)	(2,768,260)	(1,640,682)	2,383	-	(4,406,559)
	(2,124,872)	(1,703,533)	1,371	1,718	(3,825,155)	(1,287,809)	(763,253)	1,109	-	(2,049,954)
Operating Profit	844,572	678,097	(1,173)	1,463	1,522,959	2,220,522	1,316,052	(1,911)	-	3,534,663
Net finance cost	(194,983)	(156,403)	(167)	(17)	(351,730)	1,754,766	1,040,008	(1,511)	-	2,793,264
Profit before income tax	649,589	521,694	(1,340)	1,446	1,171,389	3,975,288	2,356,060	(3,422)	-	6,327,926
Income tax expense/credit	(88,292)	(70,814)	76	8	(159,023)	(551,171)	(326,666)	474	-	(877,363)
Profit after tax	561,297	450,880	(1,264)	1,454	1,012,367	3,424,117	2,029,394	(2,948)	-	5,450,563

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

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

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

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

	Apr-Jun 2020 N'000	30-Jun-20 N'000	Apr-Jun 2019 N'000	30-Jun-19 N'000
7.1 Revenue & Cost of Sales				
7.1.1. Revenue				
Fuels	31,696,729	79,497,252	35,949,238	74,308,217
Lubricants and greases	3,561,825	7,805,467	4,266,486	8,449,924
Solar system	1,495	7,340	11,622	27,345
Liquefied Petroleum Gas (LPG) and Cylinder Sales	1,683	3,457	-	-
	35,261,732	87,313,516	40,227,346	82,785,486
7.1.2. Cost of Sales				
Fuels	30,211,887	76,527,808	34,532,252	70,799,886
Lubricants and greases	2,487,048	5,423,837	3,162,909	6,370,619
Solar system	1,634	9,884	12,376	30,365
Liquefied Petroleum Gas (LPG) and Cylinder Sales	1,819	3,712	-	-
	32,702,388	81,965,241	37,707,537	77,200,870
	Apr-Jun 2020 N'000	30-Jun-20 N'000	Apr-Jun 2019 N'000	30-Jun-19 N'000
8. Other income				
Investment property rental income	50,038	102,259	90,179	149,909
Throughput income (Note 8.1)	(5,757)	42,460	106,007	254,575
Foreign exchange gain	16,736	40,441	-	-
Sundry income (Note 8.2)	9,354	35,493	40,569	83,031
Decrease in impairment allowance	-	-	58,846	58,846
Freight income (Note 8.3)	(12,192)	106,892	109,178	213,944
Gain on disposal of property, plant and equipment	200	277,297	(864)	1,598
Gain on disposal of subsidiary (Note 8.4)	-	-	-	2,674,891
Net income from crude lifting contract (Note 8.5)	-	-	51,419	51,419
	58,379	604,842	455,334	3,488,212

8.1 This represents throughput income earned on storage of products for the Pipeline and Petroleum Marketing Company (PPMC) and other petroleum marketers in Apapa tank farm during the year.

8.2 This represents income from sales of scrap and empty packaging materials.

8.3 This relates to income earned by the company from transportation of petroleum products

8.4 During the period ended ended 31 March 2019, Ardova Plc disposed its subsidiaries, Amperion Power Distribution Company Limited (Amperion), Forte Upstream Services Limited (FUS) and AP Oil and Gas Ghana, the disposal of Amperion and FUS resulted in a gain of N1.55 billion and N1.23 billion respectively, totalling N2.78 billion. The disposal of AP Oil and Gas Ghana resulted in a loss of N108 million resulting in a net gain of N2.67 billion as presented below:

	FUS N'000	APOG N'000	Amperion N'000	Total N'000
Consideration	1,242,849	28,838	11,700,000	12,971,687
Total value of Investment in Subsidiary	(10,000)	(1,094,961)	(10,149,926)	(11,254,887)
Provision for Diminution in value of investment	-	958,091	-	958,091
Gain/(Loss) on disposal	1,232,849	(108,033)	1,550,074	2,674,891

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

	Apr-Jun 2020	30-Jun-20	Apr-Jun 2019	30-Jun-19
	N'000	N'000	N'000	N'000
9a. Expenses by nature				
9a.1 Selling, distribution expenses				
Fuels - freight	385,061	915,738	479,892	984,805
Lubes - freight	44,839	113,343	65,084	146,802
	429,900	1,029,081	544,976	1,131,607
9a.2 Administrative Expenses				
Personnel expenses (Note 9a.2.1)	438,585	894,607	1,099,359	1,549,558
Depreciation and amortisation	353,928	757,638	327,561	674,108
Bank charge	20,829	47,519	48,079	86,670
Transport and travel costs	25,487	80,392	252,577	296,265
Repairs and maintenance	93,898	238,045	85,469	223,068
Safety security and quality control	21,703	61,826	62,386	99,324
Insurance	54,849	103,093	53,636	104,244
Internet, communication and subscription	39,026	61,615	17,638	50,479
Utilities	34,821	69,905	19,797	36,985
Professional and legal fees	85,258	157,386	110,291	171,223
Audit fees	8,735	17,469	8,532	17,063
Board and AGM expenses	12,402	24,680	18,287	55,403
Licenses, rates and fees	56,560	64,045	89,263	100,459
Public relations, promotions and advertisement	81,412	163,723	115,274	125,327
Rent and leases	170,296	312,737	247,566	502,368
Bad and uncollectible debt	2,535	2,535	9,357	9,357
Impairment charge	111,366	111,366	-	-
Shrinkage and product losses	(215,220)	209,869	60,011	223,161
Loss on disposal of property, plant and equipment	-	7,583	33,851	36,060
Printing and stationery expenses	1,222	5,074	3,845	6,307
Foreign exchange loss	-	-	131	7,280
Director fees	-	2,600	-	950
Other expenses	2,724	7,209	13,752	30,900
	1,400,416	3,400,916	2,676,662	4,406,559
9a.2.1 Personnel expenses				
Salaries, wages and allowances	290,501	582,036	388,033	680,690
Contributions to pension fund scheme	15,545	31,265	19,865	40,638
Gratuity and redundancy cost	-	-	568,326	574,775
Training, recruitment and canteen expenses	11,728	44,055	27,652	58,278
Medical expenses	16,835	23,815	7,797	19,772
Contract Manpower	101,054	206,629	82,259	163,179
Other personnel expenses	2,922	6,807	5,427	12,226
	438,585	894,607	1,099,359	1,549,558
	Apr-Jun 2020	30-Jun-20	Apr-Jun 2019	30-Jun-19
	N'000	N'000	N'000	N'000
9b. Expenses by function				
Cost of sales (Note 7.1.2)	32,702,388	81,965,241	37,707,537	77,200,871
Selling, distribution expenses (Note 9a.1)	429,900	1,029,081	544,976	1,131,607
Administrative expenses (Note 9a.2)	1,400,416	3,400,916	2,676,662	4,406,559
	34,532,704	86,395,238	40,929,175	82,739,037

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

10. Finance income and finance cost

	Apr-Jun 2020 N'000	30-Jun-20 N'000	Apr-Jun 2019 N'000	30-Jun-19 N'000
Finance income				
Interest income on bank deposits (Note 10.1)	21,526	44,603	24,268	48,598
Other interest income	21,090	106,019	4,229,819	4,403,642
Total Finance income	42,616	150,622	4,254,087	4,452,240

	Apr-Jun 2020 N'000	30-Jun-20 N'000	Apr-Jun 2019 N'000	30-Jun-19 N'000
Finance costs				
Interest on medium term bond	(233,518)	(483,552)	(330,558)	(674,688)
Interest expense on bank loans and overdrafts (Note 10.1)	(5,418)	(18,800)	(478,728)	(984,288)
Total Finance cost	(238,936)	(502,352)	(809,286)	(1,658,976)
Net finance costs	(196,320)	(351,730)	3,444,801	2,793,264

10.1. Interest income represents income earned on bank deposits while interest expense represents charges paid on trade finance, loans and overdraft facilities utilised during the period.

10.2. Other interest income.

	Apr-Jun 2020 N'000	30-Jun-20 N'000	Apr-Jun 2019 N'000	30-Jun-19 N'000
Interest and foreign exchange differentials on subsidy	-	-	3,947,483	3,947,483
Interest on loan and receivables	-	-	24,149	197,241
Interest income on bank credit balances and other interest income	21,090	106,019	258,187	258,918
	21,090	106,019	4,229,819	4,403,642

11. Taxation

a) Income tax expense

	Apr-Jun 2020 N'000	30-Jun-20 N'000	Apr-Jun 2019 N'000	30-Jun-19 N'000
Income tax	176,598	439,589	994,809	1,067,947
Education tax	21,961	28,179	77,375	85,480
Nigerian Police Trust Fund	36	65	-	-
	198,595	467,833	1,072,184	1,153,427
Deferred tax (credit)/charge	(122,431)	(308,810)	-	(276,064)
Total income tax expense/(credit)	76,164	159,023	1,072,184	877,363

b) Movement in current tax liability balance

	30-Jun-20 N'000	31-Dec-19 N'000
Liability as at 1 January	976,632	296,217
Income tax for the period	467,833	971,378
Payments during the year	(215,000)	(209,058)
Withholding tax utilised	-	(81,905)
	1,229,465	976,632

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

	Apr-June 2020 N'000	30-Jun-20 N'000	Apr-June 2019	30-Jun-19 N'000
12. Earnings per share				
Profit attributable to ordinary shareholders				
Profit attributable to ordinary shareholders	514,923	1,012,367	2,126,122	5,450,563
Profit attributable to ordinary shareholders	<u>514,923</u>	<u>1,012,367</u>	<u>2,126,122</u>	<u>5,450,563</u>
Weighted average number of ordinary shares				
Issued ordinary shares at 1 January *	1,310,629	1,310,629	1,310,629	1,310,629
Treasury shares	(5,599)	(5,599)	(5,599)	(5,599)
Weighted average number of ordinary shares	<u>1,305,030</u>	<u>1,305,030</u>	<u>1,305,030</u>	<u>1,305,030</u>
Basic/diluted earnings per share in (N)	<u>0.39</u>	<u>0.78</u>	<u>1.63</u>	<u>4.18</u>

The Company's basic earnings per share of N0.78kobo (June 2019 : N4.18 kobo) is based on the profit attributable to ordinary shareholders of N1,012,367,000 (June 2019 : N5,450,563,000) on the 1,305,030,180 (June 2019 : 1,305,030,180) ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the current and same period of the preceding

Dilutive instruments

There were no dilutive instruments in the books of the Company for the period ended 30 June, 2020.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**
13 Property, plant and equipment.

	Land N'000	Building N'000	Plant, Equipment and tanks N'000	Computer equipment N'000	Furniture & fittings N'000	Motor vehicles N'000	Constructi on work in progress N'000	Total N'000
Cost								
Balance at 1 January 2019	3,702,195	2,769,493	8,736,266	377,199	27,244	3,031,000	47,318	18,690,715
Additions	1,447,457	658,379	333,974	14,089	-	1,134,352	227,785	3,816,036
Transfer (Note c)	40,000	5,512	1,806	-	-	-	(47,318)	-
Disposals	(107,643)	(340)	(140,354)	(340)	-	(153,877)	-	(402,554)
Balance at 31 December 2019	5,082,009	3,433,044	8,931,692	390,948	27,244	4,011,475	227,785	22,104,198
Additions	10,000	28,266	61,074	7,708	-	55,926	-	162,974
Disposals	-	-	-	(166)	-	(2,237,832)	-	(2,237,998)
Balance at 30 June 2020	5,092,009	3,461,310	8,992,766	398,490	27,244	1,829,569	227,785	20,029,174
Depreciation and impairment losse								
Balance at 1 January 2019	423,347	1,604,286	5,839,687	314,460	20,741	1,698,284	-	9,900,805
Charge for the period	42,984	167,293	605,016	34,448	2,954	393,683	-	1,246,378
Disposals	(21,685)	(249)	(40,592)	(248)	-	(96,891)	-	(159,665)
Balance at 31 December 2019	444,646	1,771,330	6,404,111	348,660	23,695	1,995,076	-	10,987,518
Charge for the period	29,815	83,443	272,449	17,789	1,477	125,911	-	530,884
Disposals	-	-	-	(166)	-	(1,503,056)	-	(1,503,222)
Balance at 30 June 2020	474,461	1,854,773	6,676,560	366,283	25,172	617,931	-	10,015,180
Carrying amounts								
Balance at 1 January 2019	3,278,848	1,165,207	2,896,579	62,739	6,503	1,332,716	47,318	8,789,910
Balance at 31 December 2019	4,637,363	1,661,714	2,527,581	42,288	3,549	2,016,399	227,785	11,116,680
Balance at 30 June 2020	4,617,548	1,606,537	2,316,206	32,207	2,072	1,211,639	227,785	10,013,994

(a) Depreciation charge of N530,884,000 (June 2019: N624,804,000) is included in administrative expenses in the statement of profit or loss and other comprehensive income.

(b) There was no impairment charge on property, plant and equipment during the period.

(c) The transfer of assets represents completion of Itu road service station in Uyo.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

	30-Jun-20 N'000
14 Right of use assets	
Lease property	
Cost	
Balance at 1 January	1,939,502
Balance at 31 December 2019	<u>2,185,044</u>
Right of use under construction	134,167
Addition	<u>17,777</u>
Balance at 30 June 2020	<u>2,336,988</u>
Depreciation	
Balance at 1 January	808,574
Charge for the period	188,007
Balance at 30 June 2020	<u>996,581</u>
Carrying amount	
Balance at 31 December 2019	1,376,470
Balance at 30 June 2020	<u>1,340,407</u>

(a) Additions to right of use assets during period was N17,777,000

(b) Depreciation charge of N188,007,000 is included in administrative expenses in the statement of profit or loss and other comprehensive income.

(c) The Company has leases for some of its retail outlet. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and no lease liability was recognised because the full lease payment for the leased periods was made to the lessor at the contract inception. Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Some leases contain where the lessee is desirous of renewing the lease, a written notice to that effect shall be sent to the lessor who when satisfied shall accede to the renewal with the liberty to call for a revised lease payment and other conditions to meet the exigencies of the material. The Company is prohibited from selling the underlying leased assets. It is also stated that the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

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

(e) Right-of use asset	No of right-of use assets	Leased Range of remaining term	Average remaining lease term
Leased Property	89	5 - 25 years	15years

(f) Amount recognised in profit or loss

Short term lease

N'000
312,737
<u>312,737</u>

ARDOVA PLC (formerly Forte Oil Plc)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

30-Jun-20
N'000

15. Investment property

Balance at 31 December 2019	2,235,584
	<u>2,235,584</u>
Balance at 30 June 2020	<u>2,235,584</u>
Depreciation	
Balance at 1 January	703,589
Charge for the year	25,449
Balance at 31 December 2019	729,038
Charge for the period	12,724
Balance at 30 June 2020	<u>741,762</u>
Carrying amount	
At 31 December 2019	<u>1,506,546</u>
At 30 June 2020	<u>1,493,822</u>

- (a) Investment property comprises of a number of commercial properties that are leased to third parties. The lease year ranges between 1 - 5 years. Investment properties are carried at cost/deemed cost. The carrying amount of investment property is separated between lease hold land and buildings. Lease hold land is amortised over the lease year while building is depreciated on a straight line basis over the estimated useful life at 4% per annum.
- (b) During the period ended 30 June 2020 the Company recognised N102,259,000 (2019 : N149,909,000) as rental income in statement of profit or loss.
- (c) Depreciation charge of N12,724,000 (2019 : N12,724,000) is included in administrative expenses in the statement of profit or loss and other comprehensive income.
- (d) The fair value of the investment properties as at 30 June 2018 was N5,736,560,000. The fair valuation was carried out by Jide Taiwo & Co. (FRC2012/NIESV/000000254); Ismail & Partners (FRC/2012/NIESV/0000000245) and Dele Olaiya & Associates (FRC/2013/NIESV/00000002773). These valuations indicate upward movement in the market values of these properties compared to their carrying amounts, hence no indication of impairment for all investment properties. Directors are of the view that the fair value of these properties as at 31st December, 2019 are not materially different from the values obtained at 30th June, 2018 and have therefore not recognised any impairment charge during the period.
- (e) No impairment charge on investment properties during the period.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

	30-Jun-20 N'000
16. Intangible assets	
Cost	
Balance at 1 January	1,034,366
Acquisitions	-
Balance at 31 December 2019	<u>1,034,366</u>
Addition	-
Balance at 30 June 2020	<u><u>1,034,366</u></u>
Amortisation	
Balance at 1 January	890,555
Charge for the year	71,058
Balance at 1 January	<u>961,613</u>
Charge for the period	<u>26,023</u>
Balance at 30 June 2020	<u><u>987,636</u></u>
Carrying amounts	
Balance at 31 December 2019	<u>72,753</u>
Balance at 30 June 2020	<u><u>46,730</u></u>

(a) These relate to purchased softwares.

(b) The amortisation charge on intangible assets of N26,023,000 (June 2019 : N36,580,000) is included in administrative expenses in the statement of profit or loss.

(c) No impairment charge on intangible assets during the period.

	30-Jun-20 N'000	30-Jun-19 N'000
17. Trucks on Hire purchase receivables (Note 17a)	296,261	-

17a This balance represents the non current portion of receivables from Hire purchase trucks.

ARDOVA PLC (formerly Forte Oil Plc)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

	30-Jun-20 N'000	31-Dec-19 N'000
19. Inventories		
White products	3,604,535	7,078,251
Raw materials	3,236,721	3,820,907
Packaging materials	168,335	109,363
Semi-finished goods of lubricants	71,755	102,786
Finished goods of lubricants	1,723,967	1,296,653
Inventory -Solar System	56,420	65,025
Consumables (Note 19.2)	334,793	361,388
	9,196,526	12,834,373

19.1 During the period, N81,965,241,000 (June 2019 : N77,200,870,000) of inventory was sold and recognised as cost of sales in the statement of profit or loss.

19.2 Consumables include spare parts for retail outlets, equipment maintenance and stationery for office use.

	30-Jun-20 N'000	31-Dec-19 N'000
20. Trade receivables		
Trade receivables (Note 20.1)	3,047,421	4,451,848
Impairment allowance (Note 20.5)	(1,316,110)	(1,198,244)
	1,731,311	3,253,604
20a Other receivables		
Petroleum Support Fund receivable (Note 20.2)	396,096	6,230,423
Notes receivable (Note 20.3)	5,834,327	640,082
Advance payment to suppliers	8,855,038	5,524,009
Trucks on Hire purchase Receivable (Note 20.4)	521,831	-
Interest receivable	26,484	85,525
Withholding tax recoverable	46,849	44,580
Other receivables	713,216	828,728
NNPC	1,381,787	-
	17,775,628	13,353,347
Impairment allowance (Note 20.5)	(1,148,110)	(1,154,610)
	16,627,518	12,198,737
20b Prepayments		
Prepayments	916,002	995,927
Prepaid staff expenses	196,163	229,703
	1,112,165	1,225,630
	19,470,994	16,677,971

20.1 The Company carries out periodic review and financial assessment of customers before products are supplied on credit. Credit customers are categorised according to the determined default risk rating. High risk customers are required to provide bank guarantees for credit sales. The Credit Committee assesses the status of all credit customers periodically. See Note 4.11 (Impairment) and Note 6 (Financial Risk Management).

20.2 This balance relates to outstanding subsidy receivable from Petroleum Products Pricing Regulatory Agency (PPPRA) which represents interest on delayed payments and foreign exchange differential claims under the PSF scheme recoverable from PPPRA on PMS imported by Forte Oil Plc. The foreign exchange differential represents differences between the rate used by PPPRA in pricing Power Motor Spirit (PMS) and the actual rates the foreign exchange in respect of these products importation were purchased. Promissory notes were issued to the oil marketers as part settlement of these outstanding in December, 2018, July, 2019 and April, 2020.

20.3 This balance represents promissory notes received from the Federal Government for outstanding subsidy. Maturity of the notes are March 2023 and March 2024.

20.4 This balance represents the current portion of receivables from Hire purchase trucks.

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	30-Jun-20 N'000	31-Dec-19 N'000
20.5 Impairment allowance		
At 1 January	2,352,854	2,293,105
Increase during the period	111,366	69,436
Allowance no longer required	-	(9,687)
	2,464,220	2,352,854

	30-Jun-20 N'000	31-Dec-19 N'000
21. Restricted cash*	20,140	19,707

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

22. Cash and cash equivalents		
Bank balances	577,521	1,376,867
Short-term deposits (Note 22.1)	1,399,231	607,393
Cash and bank balances	1,976,752	1,984,260
Bank overdrafts used for cash management purposes (Note 22.2)	(2,414,839)	(116,773)
Cash and cash equivalents in the statement of cash flows	(438,087)	1,867,487

22.1 Bank balances and short term deposits with banks represent placements with banks for period between 0 - 180 days. Included in these are unclaimed dividends amounting to N615,528,990 (Dec 2019 : N607,391,099) held in a separate bank account in accordance with the guidelines of the Security and Exchange Commission (SEC). The unclaimed dividend deposit is restricted for use by the Company.

22.2 This represents the overdrawn current account balances with four Nigerian banks. These facilities have an average interest rate of 11%.

23 Discontinued operations and disposal groups held for sale.

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

23.1. Assets and Liabilities of disposal groups held for sale

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

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

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Carrying values of	FUS 31-Mar-19 N'000	APOG 31-Mar-19 N'000	Amperion 31-Mar-19 N'000	Total 31-Mar-19 N'000
Assets				
Net book value of property, plant and equipment	265,498	77,927	51,042,468	51,385,893
Intangible assets	8,584	-	754	9,338
Deferred tax asset	11,295	128,452	4,535,442	4,675,189
Inventory	535,224	2,205	727,585	1,265,014
Trade and other receivables	1,300,923	777,929	36,026,875	38,105,727
Cash and cash equivalents	111,354	(66,414)	3,790,855	3,835,795
Long term employee benefits	26,298	-	483	26,781
Total assets held for sale	2,259,175	920,098	96,124,463	99,303,736
Liabilities				
Trade and other payables	(484,877)	(1,003,429)	(25,101,888)	(26,590,194)
Current income tax liabilities	(165,684)	10	(516,517)	(682,191)
Bank overdraft	-	-	-	-
Loans and borrowings	(33)	-	(7,539,940)	(7,539,973)
Deferred Tax liabilities	(80,081)	-	-	(80,081)
Total liabilities held for sale	(730,676)	(1,003,419)	(33,158,346)	(34,892,441)
Net Assets/(Liabilities) directly associated with disposal group	1,528,499	(83,321)	62,966,117	64,411,295

Subsidiaries classified as held for sale.

	31-Mar-19 N'000	31-Dec-18 N'000
Equity:		
Forte Upstream Services Limited	-	10,000
AP Oil and Gas Ghana Limited	-	670,011
Amperion Power Distribution Company Limited	-	10,149,926
Irredeemable Preference Shares:		
Cummulative Convertible Preference Shares in AP Oil and Gas Ghana Ltd	-	424,950
	-	11,254,887
Impairment allowance	-	(958,091)
	-	10,296,796

23.2. Sale of AP Oil and Gas Ghana

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

23.3. Sale of Forte Upstream Services Limited

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

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23.4. Sale of Amperion Power Distribution Company Limited

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

	FUS	APOG	Amperion	Total
Consideration	1,242,849	28,838	11,700,000	12,971,687
Net liability/ (asset)	(1,528,499)	83,321	(62,966,117)	(64,411,295)
NCI	-	-	49,882,501	49,882,501
(Loss)/Gain on Disposal	(285,650)	112,159	(1,383,616)	(1,557,108)

23.5. Results of discontinued operations

	31-Mar-19 N'000	31-Dec-18 N'000
Revenue	12,670,947	39,820,598
Cost of sales	(7,512,944)	(25,113,445)
Gross profit	5,158,004	14,707,153
Other income	1,606	16,131
Administrative and distribution expenses	(570,683)	(6,412,238)
Operating profit	4,588,927	8,311,046
Net finance cost	(191,474)	(1,775,173)
Profit before tax from discontinued operations	4,397,453	6,535,873
Income tax	(104,781)	1,447,062
Profit after tax from discontinued operations	4,292,672	7,982,935
Loss on sale of discontinued operations	(1,557,108)	-
Profit after tax for the period from discontinued operations	2,735,565	7,982,935

24. Share capital and reserves

Ordinary shares

a) Authorised ordinary shares:

4,000,000,000 ordinary shares of 50k each	2,000,000	2,000,000
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b) Issued and fully paid ordinary shares of 50k each

1,310,629,267 ordinary share of 50k each	655,314	655,314
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c) Shares outstanding

	30-Jun-20 Units	31-Dec-19 Units
Issued ordinary shares at 1 January	1,310,629	1,310,629
Treasury shares	(5,599)	(5,599)
Number of ordinary shares	1,305,030	1,305,030

*These are in thousand units.

d) Share premium

	30-Jun-20 N'000	31-Dec-19 N'000
	8,071,943	8,071,943

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e) Other reserves

Other reserves represent the carried forward, other comprehensive income and expenses plus current period other comprehensive income attributable to shareholders.

f) Retained earnings

Retained earnings represent the carried forward recognised income net of expenses plus current period income attributable to shareholders.

	30-Jun-20 N'000	31-Dec-19 N'000
Balance at 1 January	8,829,683	6,418,039
Adjustment	-	(2,711)
Profit for the period	1,012,367	3,915,140
Dividend paid	-	(1,500,785)
	<u>9,842,050</u>	<u>8,829,683</u>

g) Treasury stocks

This represents 5,599,087 units (at the market value of N248 as at the date of the transfer) of the company's existing shares transferred to Forte Oil Plc to enable the Company recover the dividend and interest received on unpaid shares in 2009 by a shareholder. These shares were seized by the company on the ruling of the Security and Exchange Commission (SEC). The shareholders at the 37th Annual General Meeting held on the 26th of April, 2016 approved the re-issue of these shares to existing shareholders of the company on a pari passu basis at the market price of N300 per share.

25. Long term employee benefits

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

At 31 December, 2019, the company discontinued accruing for gratuity. On this basis, payment were made against the staff gratuity accrued till 31 December 2019 in January 2020. As a result of the management decision to discontinue accruing for gratuity, the outstanding provision for gratuity and planned assets were reclassified at the year ended 31 December, 2019. However the planned assets in the Statement of Financial Position is the balance after the payment of all sums due to the employees of the company.

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

	30-Jun-20 N'000	31-Dec-19 N'000
Gratuity liability at 1 January	262,902	468,546
Current service costs	-	328,735
Transfer of employee service cost		9,072
Provision no longer required	(371)	(13,368)
Payment during the period	<u>(262,531)</u>	<u>(530,084)</u>
Gratuity liability	-	262,902
Planned asset at 1 January	(647,037)	(563,910)
Actual return on planned assets	<u>(32,563)</u>	<u>(83,127)</u>
	<u>(679,600)</u>	<u>(384,135)</u>
Expense recognised in comprehensive income		
Current service costs	-	328,735
Return on planned assets	<u>(32,563)</u>	<u>(83,127)</u>
Charged to profit or loss	<u>(32,563)</u>	<u>245,608</u>

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

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

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

Asset volatility

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

Interest Rate Risk

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

Life Expectancy

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

Salary Risk

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

Changes in bond yields

A decrease in corporate bonds yield will increase plans liabilities.

Inflation Risk

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

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

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

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

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

Sensitivities

The scheme liabilities has been tested against investment return, salary increase rate, withdrawal rates and mortality rates with the following results:

Revised defined benefit obligations

-300 basis point change in investment return	355,734
+300 basis point change in investment return	307,992
10% higher withdrawals	347,329
10% less withdrawals	316,414
20% higher mortality	345,973
20% lower mortality	317,727
10% higher salary increase rate	357,570
10% lower salary increase rate	308,851

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Percentage change in base results

-300 basis point change in investment return	7.2%
+300 basis point change in investment return	-7.2%
10% higher withdrawals	4.7%
10% less withdrawals	-4.7%
20% higher mortality	4.3%
20% lower mortality	-4.3%
10% higher salary increase rate	7.8%
10% lower salary increase rate	-6.9%

Methodology

The approach for conducting the sensitivity was a recalculation of the accrued benefit obligation on the scheme for each revised assumption. The percentage difference between the new result and the base result provides a measure of the sensitivity to the change.

Changes in sensitivity test basis

There are no changes in sensitivities to account for.

Maturity profile of Defined Benefit Obligations

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

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

26 Loans and borrowings

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

	30-Jun-20 N'000	31-Dec-19 N'000
Non-current		
Medium term bond (26.1)	1,415,577	2,735,388
	1,415,577	2,735,388
Current		
Medium term bond (26.1)	2,669,172	2,476,801
	4,084,749	5,212,189

26.1 Loan movement

Balance at 1 January	5,212,189	9,246,986
Interest cost for the period	483,552	2,592,258
Repayment	(1,610,992)	(6,627,055)
Balance at the period ended	4,084,749	5,212,189

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

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

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

- a** give prior notice to the Trustees of any proposed redemption and, if it shall have given Notice to the Bondholders of its intention to redeem any Bonds, duly proceed to redeem such Bonds accordingly.
- b** not (and ensure that none of its Subsidiaries shall) without the consent of the Bondholders and Trustees:
- bi** incur any Indebtedness above the sum of Five Billion Naira (N5,000,000,000);
- bii** dispose any of its assets above the sum of Five Billion Naira (N5,000,000,000);
- c** give to the Trustees and Bondholders a Notice prior to the acquisition of any company/business/assets where the cost of such acquisition when aggregated with the cost of any other acquisition of any company/business/assets by the Issuer during the financial year of the proposed acquisition, exceeds the total sum of Five Billion Naira (N5,000,000,000).

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

27. Trade and other payables

	30-Jun-20 N'000	31-Dec-19 N'000
Current trade and other payables		
Trade payable		
NNPC accounts payable	-	4,361,957
Trade creditors	2,445,728	4,171,287
Petroleum Equalisation Fund (PEF) payable (Note 27.1)	1,899,697	2,402,599
Inventory accruals (Note 27.2)	7,903,386	5,673,520
Customer deposits for products	3,331,471	3,037,319
	15,580,282	19,646,682
Non-trade payables and other creditors (Note 27.3)	3,678,209	3,176,495
Total Trade and other payables	19,258,491	22,823,177

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

27.2 Inventory accrual accounts includes liability accrued for product and associated costs. This account holds accruals for value of goods received pending receipt of supplier's invoices.

27.3 This consists of unclaimed dividends, statutory payables such as; withholding tax liabilities, VAT, PAYE, NSITF, and other payables such as; transporters freight account, rents received in advance and security deposits.

	30-Jun-20 N'000	31-Dec-19 N'000
Non-trade payables and other creditors		
Unclaimed dividend	604,114	605,811
Statutory payables (VAT, WHT etc.)	635,832	486,534
Other payables	2,069,549	1,715,438
Security deposits	368,712	368,712
	3,678,209	3,176,495