



Opening Up New Vistas

Annual Report and Financial Statements

FOR THE YEAR ENDED 31 DECEMBER, 2020



Energy for A Brave New World

The premium grade engine oils

AP offers and distributes a vast range of quality lubricant brands to satisfy the various automotive and industrial lubrication needs of our customers.



Cleans engine



Reduce friction



Cools engine



Perfect protection against wear and tear



Excellent cold starting characteristics



Extended drain interval





welcome



Energy for A Brave New World

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Corporate Information

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

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

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

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

On 11 March 2020, Ardova Plc incorporated a wholly owned subsidiary, Axles and Cartage Limited. The new subsidiary is involved in haulage and transportation.

As Ardova Plc, the Company remains committed to the practice of strong corporate governance and compliance at all levels, culture of strong ethics and discipline and an enhanced safety, health and sustainability policies.

Board of Directors

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

Ag. Company Secretary/General Counsel

Oladeinde Nelson-Cole

Registered Office

1, AP/Conoil Road, Ijora, Lagos

Registrars and Transfer Office

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

Auditors

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

Principal Bankers

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



Origins and Key Historical Milestones

From its incorporation as British Petroleum (Nigeria) in 1964, Ardova Plc has emerged into an integrated energy company with one of the fastest growing business portfolios within the energy sector.

1964

Incorporation:
As British
Petroleum
(Nigeria)

1978

Nationalization: NNPC
acquires 60% stake,
with Nigerian Public
buying 40%

1979

Name Change: to
African Petroleum
Limited

2000

Privatization: NNPC
divests 30% stake to
core investor and 10%
to Nigerian public

2005

Core investor sells
stake while NNPC
increases interest by
converting AP debt





1964



1979



2010



2019

2007

New Era: Zenon Petroleum acquires a majority interest from NNPC ushering in a new era

2010 - 2011

Rebrand: To Forte Oil, with new management and 3-year turn-around program

2012 - 2015

Transformation Program Results:

- Profits up 342%
- Share price up >1000%
- Included in the MSCI Index
- Acquired 414 MW Thermal IPP
- Resumed dividend payments

2016 - 2018

New Frontiers: Consolidate Growth, build resilience and entrench best practices

2019 - 2020

New Acquisition: Ignite Investments and Commodities Limited concludes acquisition of 74.02% equity stake in Forte Oil Plc's downstream operations. Changed its name to Ardova Plc



Notice of Annual General Meeting

Notice of 42nd Annual General Meeting

NOTICE IS HEREBY GIVEN that the 42nd Annual General Meeting of Ardova Plc will hold at Oduduwa Hall, Southern Sun Hotel, 47 Alfred Rewane Road, Ikoyi, Lagos on Monday 12 April 2021 at 10.00am to transact the following business:

Ordinary Business

1. To lay before the members, the Audited Financial Position with the Statement of Profit or Loss and other Comprehensive Income for the year ended 31 December 2020, the Report of the Directors and the Reports of the Auditors and Statutory Audit Committee thereon.
2. To declare a dividend.
3. To re-elect Mrs. Aniola Durosinmi-Etti to the Board of Directors as a Director whose term expires in accordance with Articles 88 and 89 of the Company's Articles of Association but being eligible, offers herself for re-election.
4. To authorize the Directors to fix the remuneration of the External Auditors for the 2021 Financial year.
5. To elect/re-elect the members of the Statutory Audit Committee.
6. To disclose the remuneration of managers of the Company.

Special Business

7. To fix the remuneration of the Directors.
8. To consider and if thought fit, pass the following as ordinary resolutions:
 - i. That pursuant to Article 79 of the Articles of Association, the Company be and is hereby authorized to raise capital in an aggregate amount not exceeding 60,000,000,000.00 (Sixty Billion Naira) through the issuance of shares, convertible or non-convertible securities, loan notes, bonds, global depository notes and any other instrument whether as a standalone or through the establishment of a programme whether by way of a public offering, rights issue, or any other method(s), in such tranches, series or proportions, and at such date and times and on such terms and conditions including through a book building process or any other process as may be determined by the Directors, subject to obtaining all relevant regulatory approvals.
 - ii. Further to resolution 8(i) above, the Directors be and are hereby authorized to appoint such professional parties and perform all such other acts and do such other things as may be necessary for and/or incidental to the bringing into effect of the above resolutions.
9. To renew the general mandate authorizing the Company to enter into recurrent transactions which are of a trading nature or those necessary for its day-to-day operations with related parties or companies in accordance with the Rules of the Nigerian Stock Exchange governing transactions with related parties or interested persons.

Dated 12 March 2021.

BY ORDER OF THE BOARD



OLADEINDE NELSON - COLE

Ag. Company Secretary

FRC/2019/00000019918

1 AP/Conoil Road, Ijora, Lagos.

Notes

Relevant documents in connection with the Meeting are available to all Shareholders from 15 March 2021 on the Company's Website www.ardovapl.com.

Proxy

Members of the Company, entitled to attend and vote, are entitled to appoint proxies to attend and vote in their stead. A proxy need not be a member of the Company. A proxy form is provided with this Annual Report and Financial Statement. The Proxy form has been pre-stamped for the use of the shareholders. To be valid for the purpose of the meeting, the form must be completed and deposited at the office of the Registrars, Veritas Registrars Limited, not later than 48 hours before the time appointed for holding the meeting.

Due to the safety concerns posed by the COVID-19 pandemic and in accordance with the Coronavirus Disease (COVID-19) Health Protection Regulations 2021 ("COVID Regulations"), on the restriction of large gatherings and social distancing measures, the Company has under the guidelines issued by the Corporate Affairs Commission (CAC), obtained the approval of the CAC to hold the Annual General Meeting by proxy. Members are hereby informed, that the Annual General Meeting shall only be held by proxy in line with the said guidelines. The proceedings of the meeting shall also be streamed live.

Attendance at the Annual General Meeting shall be limited to the maximum crowd size for public gatherings stipulated in the COVID Regulations and permitted by Lagos State Government, the host city of the meeting.

Nominated Proxies

In view of the above, Members entitled to vote are advised to appoint any of the under listed proxies to attend and vote in their stead:

1. Mr. AbdulWasiu Sowami
2. Sir Sunny Nnamdi Nwosu, KSS
3. Mrs. Adebisi Oluwayemisi Bakare
4. Mr. Patrick Ajudua
5. Mr. Boniface Okezie
6. Pastor Samson Olagoke
7. Chief Timothy Adesiyen
8. Mrs. Esther Augustine
9. Pastor Alex Adio

Each Member is to appoint a proxy by ticking the relevant box in the proxy Form attached hereto to indicate how his/her vote is to be cast for each proposed resolution on the agenda.

For the appointment to be valid, a completed and duly stamped proxy form by the Commissioner of Stamp Duties must be deposited at the office of the Registrar, Veritas Registrars Limited, Plot 89A Ajoye Adeogun Street, Victoria Island, Lagos or submitted via their email addresses enquiry@veritasregistrars.com or veritasregistrars@veritasregistrars.com not less than 48 hours before the time fixed for the meeting.

Each duly completed proxy form shall be counted as one.

Appointment of Members of the Statutory Audit Committee

The Statutory Audit Committee consists of 3 shareholders and 2 Directors in accordance with Section 404(3) of the Companies and Allied Matters Act 2020. In line with Section 404(6) of the Act any member may nominate a shareholder as a member of the Statutory Audit Committee by giving written notice of such nomination to the Secretary of the Company at least 21 days before the Annual General Meeting. Nominees to the Statutory Audit Committee must be compliant with the laws, rules and regulations guiding listed companies in Nigeria. Accordingly, we would, therefore, request that the nominations be accompanied by a copy of the nominee's curriculum vitae.

Dividend

If the Dividend recommended by the Directors is approved by the members at the Annual General Meeting, Dividend will be paid by 13 April 2021 to the Shareholders whose names appear in the Company's Register of Members at the close of business of 25 March 2021.

Re-Election of Directors

In accordance with Articles 88 and 89 of the Company's Articles of Association, the Director retiring by rotation is Mrs. Aniola Durosinmi-Etti and being eligible offers herself for re-election. A biographical detail of Mrs. Aniola Durosinmi-Etti is available in the Annual Report and on the Company's website, www.ardovapl.com.

Right to Ask Questions

Members and Stakeholders have the right to ask questions not only at the Meeting, but also in writing prior to the Meeting,

and such questions must be submitted to the Company no later than 9 April 2021. For ease of submission a dedicated email address, shareholders@ardovapl.com has been created to receive the submissions.

Unclaimed Dividends

The Company notes that some dividend warrants sent to shareholders are yet to be presented for payment and some shareholders are yet to mandate their bank accounts for the payment of e-dividends. Therefore, all shareholders with “unclaimed dividends” should address their claim(s) to the Registrars, Veritas Registrars Limited, Plot 89A Ajose Adeogun Street, Victoria Island, Lagos or to the Company Secretary at the address of the registered office. Members are urged to avail themselves of the use of the forms provided to update their information, particularly as it relates to the mandate of their dividend(s) and use of the Central Securities Clearing System (CSCS).

The unclaimed dividend list will be uploaded on the Company’s Website www.ardovapl.com for your attention and necessary action.

Special Business

The CAC has approved that the matters under Special Business be tabled at the Annual General Meeting.

Viewing of the Proceedings of the Meeting

The Meeting will be streamed live online to enable Shareholders and other Stakeholders who will not be attending physically to follow the proceedings. The link for the live streaming of the meeting will be made available on the Company’s website at www.ardovapl.com

Closure of Register

The Register of Members will be closed from 26 March 2021 for the purpose of updating the Register of Members.

E-Report

Shareholders who wish to receive only the electronic version of the Company’s Annual Report are please requested to complete the detachable form inserted in the Annual Report and return same to the Registrars.

The Company’s Annual Reports are available online for viewing and downloading from our website at www.ardovapl.com or the Registrar’s website at www.veritasregistrars.com

Chairman's Statement



Dear valued shareholders, the press, guests, ladies, and gentlemen, I am delighted to share our 2020 Annual Report, on behalf of the Board of Ardova PLC.

In what has been an unprecedented time for the oil sector globally, 2020 put our business operations, standards, and ambitions on trial. The novel coronavirus brought the world to a standstill - testing everything conceivable, including our company's resilience, strategy, and transformational initiatives.

Thankfully, our company's 50 plus years of operating in the downstream sector and management's proactiveness in the early activation of our business continuity plan proved essential and productive as we stayed true to our vision and delivered on milestones that we had set out to achieve when we began this journey. Twelve months on and there is broad global optimism as vaccination programs begin in several countries and territories.

Several operational drivers underpinned our compelling 2020 performance: optimization of core assets, operational efficiency across product lines, financial discipline in investment decisions, and our stated intent to transition Ardova Plc into an end-to-end energy Company with clean energy being the mainstay of our business. It is against

this strategic backdrop that Ardova Plc hit the 1.2billion litre milestone on aggregate volume of fuels sales, increased market share across most of our white products with premium motor-spirit ranking 1st amidst peers. Furthermore, the Company delivered a normalized growth in profitability, and retained our healthy working capital position. This performance is the platform we will leverage to build sustainability in our business while further ensuring that we prioritize the health and safety of all employees and stakeholders.

COVID-19 and the Global Economic Environment

Global oil prices plunged to a record low of \$11.26 and averaged \$39.68 in 2020 on the back of disputes between OPEC+ members on oil production cuts. Economic activities further worsened with the outbreak of the novel coronavirus in Wuhan, China which fanned rapidly across the world with a mortality rate of circa 3.4% and the United States, Brazil, and Mexico recording the highest number of cases. Business and economic activities slowed down or halted to safeguard human health.

Stock markets across global economies performed relatively well amid monetary and fiscal stimulus implemented by authorities. The reopening of some economies also came at a cost in the form of a mutated strain of the virus discovered in the United Kingdom and a few other countries. With the global rollout of the vaccination program, there seems to be hope for world economies to return to pre-Covid levels. The World Bank has projected a global expansion of GDP to 4.0% from an expected -4.3% contraction in 2020 while emerging markets and developing economies will grow by 5.0% in 2021 from a contraction of -2.6%

"Thankfully, our company's 50 plus years of operating in the downstream sector and management's proactiveness in the early activation of our business continuity plan proved essential and productive as we stayed true to our vision and delivered on milestones that we had set out to achieve when we began this journey."

Domestically, following a surprise exit from recession in Q4 2020 and a marginal year-on-year growth rate of 0.11%, economic recovery in Nigeria is projected to be modest in 2021 with a forecasted growth of 1.1%. The global health crisis impacted export earnings and 50% of government revenue, while domestic economic activities were grounded. As a policy response to the pandemic, the federal government and CBN announced several interventions to curtail the impact of the virus. These interventions ranged from the restriction of movement, adjustment to the 2020 budget, and stimulus packages to the most vulnerable citizens amongst others.

My view is that sustained momentum in economic activities, strengthening of global oil demands, and rising oil prices, will drive economic recovery for the year ahead. Within the downstream oil sector, NNPC announced that PMS would be deregulated in response to the crash in global crude prices. My expectation is that the market will evolve albeit gradually to the new regulatory reality. Elsewhere, the Petroleum Products Pricing Regulatory Agency (PPPRA) also announced the cancellation of the erstwhile monthly pricing guide for the distribution and sale of Premium Motor Spirit (PMS) to allow the forces of demand and supply in the crude oil markets dictate the pump price of petrol. President Muhammadu Buhari also passed the Petroleum Industry Governance Bill (PIGB) to the Senate, this is a step in the right direction as we await consent and implementation of the new structuring plan for the NNPC.

Foreign exchange scarcity was and remains a major challenge the business faced through the year. The CBN deployed different instruments to achieve a balanced currency during the year. In March 2020 CBN weakened its official exchange rate from N307/\$ to N360./\$; and in what can be said to be a technical devaluation of the naira from N361/\$ to N379/\$ in August 2020 and N379/\$-N390/\$ in November 2020. This was clearly a direct play to access funding aid from the IMF and the World Bank. With FX availability being a major problem for Major Oil Marketers, and the broader sector, the industry was largely unable to source products at competitive rates which would have been positive for margins.

Similarly, inflation rate increased to 15.75% in December 2020, largely driven by a perfect storm of events: increased food prices, reduced agricultural activities caused by flooding and insecurity, closure of the land borders, COVID lockdown, exchange rate devaluation, increase in electricity tariffs and the attempted removal of fuel subsidies. Working

“Domestically, following a surprise exit from recession in Q4 2020 and a marginal year-on-year growth rate of 0.11%, economic recovery in Nigeria is projected to be modest in 2021 with a forecasted growth of 1.1%.”

“Our business resilience shone through as we delivered exceptional performance across our five strategic themes: sustainability, brand, core asset optimization, our people, and strategic partnerships. 2020 reflects our full-year performance following our transformational journey that began in June 2019.”

with our regulators and the Federal Government, we remain committed to exploring favorable solutions to create an enabling business environment for the downstream business in Nigeria.

2020 Business Performance

Our business resilience shone through as we delivered exceptional performance across our five strategic themes: sustainability, brand, core asset optimization, our people, and strategic partnerships. 2020 reflects our full-year performance following our transformational journey that began in June 2019. Not only have we achieved notable milestones amidst a challenging environment, but we also demonstrated our commitment to deliver energy sufficiency through investment in clean energy solutions. In the medium to long term, we are committed to ensuring investments in these solutions will drive business sustainability, environmental benefits and support the achievement of the sustainable development goals (SDG) of the United Nations.

In clear demonstration of this commitment to cleaner energy, I am honoured to announce that in Q4-2020 Ardova commissioned the construction of a 20,000MT LPG storage facility in Ijora. Once completed, this will become the largest storage facility within the west coast region. The adoption of LPG has increasingly become imminent, as the federal government declared 2020 as the year for gas in addition to recent moves to adopt LPG Autogas solution as an alternative to gasoline. Well executed, these initiatives will provide a triple bottom line for the Company: alleviate the environmental damage caused by deforestation; reduce the occurrence of health issues, especially in women, associated with the use of biomass such as firewood for cooking; and lastly generate new LPG revenue for our Company. The Board and I are in agreement that the management team seek to acquire a large market share of the foreseeable 3-5millions tons of LPG demand forecast for 2025. We believe going this route will create long-term value for our company.

During the year, we launched a haulage and transport subsidiary, Axles and Cartage Limited. The reason for establishing this subsidiary is to take control of a marginal portion of the operation of our transport and logistics business. Consequently, Axles and Cartage currently has over 200 trucks delivering products across our various outlets.

New products onstream in 2020

The company's flagship lubricant products Super V and Visco 2000 have maintained their market presence. To compete better in the premium motor oils range, Ardova closed a deal with Shell as the sole distributor of Shell's range of lubricants in Nigeria. The company, as a result of this deal, expects to grow higher margins from the lubricants business in the years ahead.

In December, we commenced the nationwide roll out of our retail service stations, with the launch of our fully solar powered retail station located in Oniru, Lagos. By the close of 2020, we had situated over 30 AP branded retail service stations in locations across the country, with more lined up for roll out in 2021.

In a bid to deliver superior customer experience and convenience to all our corporate customers, we launched the Diesel to Door initiative to our customers' doorsteps. Most recently, we signed a non-binding offer for the potential acquisition of Enyo Retail and Supply Limited. Once concluded, Ardova will emerge as one of the largest indigenous players in the downstream sector. We will capitalize on our strength as the leading player in PMS market share and the broader platform which the Enyo brand offers us to build a formidable downstream business and position ourselves as the catalyst for energy sufficiency in Africa.

Conclusion

We remain focussed on creating long-term value for our stakeholders and hold firm on our strategic pillars to deliver sustainable value. I have to say that I am proud of staff and management of our company, especially of their resilience and outstanding efforts in the face of what has been a challenging year globally. In the years ahead, we commit to our brand promise of future-proofing our business, connecting with our people, engaging with customers and stakeholders while enhancing value for investors as we continue this transformational journey.

Based on our 2020 performance, The Board of Directors and I have proposed the payment of a dividend of N0.19 per 50kobo ordinary share to be approved at the Annual General Meeting of shareholders to be held on 12 April 2021.

I will take this opportunity to thank you all for your continued support and engagement during the year as we look forward to a positive start to 2021.

AbdulWasiu O. Sowami

Chairman

CEO's Statement



Dear Shareholders,

I am pleased to present Ardova Plc's financial and operational reports for the year 2020. Along with the rest of the world, we witnessed in real time an unprecedented global event in recent history, mainly resulting from the combination of the quick spread of Covid-19 from a novel virus to a global pandemic and other geopolitical tensions that occurred across the globe.

Closer to home, 2020 marked the first full calendar year for our company and its present management. Much of the progress we made in 2020 is owed to our focus on 'futureproofing our business' as a key pillar of our transformation to an integrated energy company. The business continuity frameworks we put in place facilitated our seamless adaptation to the steep changes in both operational and market conditions caused by the Covid-19 pandemic, subsequent lockdowns and socio-economic frictions that arose afterwards.

Being able to switch to remote work with near-zero impediment to our operational efficiency enabled us to maintain our focus on crossing key milestones we had set in our strategic roadmap. This achievement is in no small part due to the efforts of all our staff, particularly those in front line operational and functional support roles for their commitment and drive.

Delivering on Our Strategy

In 2019, we commenced the transformation process to re-orient this institution from a downstream oil and gas organization to an integrated energy company well suited to emerge as the first choice in providing energy sufficiency for our customers; in their homes, automobiles and across enterprises. To achieve this, we laid out four pillars on which this transformation would be built:

- Connecting with our people
- Engaging with our customers and stakeholders
- Creating value for our shareholders and
- Futureproofing our business.

Please read our **response to Covid-19 on page 20**.

A Brand New AP: Accelerating Performance

We recognized that delivering on our ambitions, necessitated the right foundations to (re)build the brand that matched our new aspirations. Our renewed values of **Growth, Responsibility, Innovation, Partnership** and **Service Excellence** have provided the needed common catalyst to set us on course.

We commenced a phased roll out of the new Ardova Plc branded stations in December 2020, with the launch of our Oniru service station being one of my stand-out moments of 2020. The station is one of about 12 rolled out in 2020, which run solely on solar energy. As we roll out more stations, our strategy is to upgrade and build locations that are 100% solar powered, community responsive, big on customer experience, and offer channels to introduce innovation in the communities we serve in a socially and economically viable manner.

At the end of 2020, we had rolled out over 30 Ardova Plc (AP) brand stations.

“Our revenue grew by 2.9% y-o-y at the Company to N181.7 billion (N176.6 billion: FY 2019) while revenue at the Group closed at N181.9 billion.”

As we continue to expand our presence nationwide, we look forward to increasing our customer engagement by providing excellent and distinct services at our forecourts and through other marketing initiatives.

Financial Performance: Opening New Vistas in the Era of Lockdown

Our revenue grew by 2.9% y-o-y at the Company to N181.7 billion (FY 2019: N176.6 billion) while revenue at the Group closed at N181.9 billion. The growth in revenue was primarily driven by 3.4% growth in the fuels business (constituting 90% of revenue), high margins on lubes sales (9% of revenue) as well as the transport and logistics business (constituting 0.2%) of the Group revenue.

The results we have delivered for FY 2020, while commendable given the persistence of the pandemic and subsequent lockdown, meant that the numbers we brought in are lower than we had expected to yield at the end of the financial year. If there is a business case to demonstrate why we needed to develop resilience as an organization as well as diversify our portfolio, 2020 provided the perfect scenario.

On the back of revenue achieved, gross profit margin improved to 6.7% compared to 6.4% in the prior period. This reflects the increased earnings generating capacity of the business operating expense (comprising administrative and distribution expense) which declined by 13.4% amidst inflationary pressure and an inflation rate of 15.75% in Dec 2020. This performance reflects our drive to continually optimise our cost base while maximizing revenue.

Adjusting for one-off items (accrued interest on subsidy and disposal of assets) in 2019 Profit Before Tax (PBT) increased by 49.1% to N3.2billion (FY 2019: N2.1billion) while Profit after Tax (PAT) increased by 46.7% to N2.1 billion (FY 2019: N1.4billion). The company's capital structure remained well optimised with a gearing ratio of 35.1% at the company and 49.7% at the Group. Our earnings generating capacity remained sufficient to cover existing debt/borrowing with normalised interest cover printing at 3.8x in FY 2020 relative to 1.1x in FY 2019.

We were able to grow the Company's Shareholder's fund by 11.9% y-o-y to N19.6 billion in FY 2020 (FY 2019: N17.55 billion) due to a 24% growth in retained earnings. The Board of Directors, pursuant to the powers vested in it by the provisions of the Companies and Allied Matters Act proposed a final dividend of N0.19 per share from the retained earnings account as of 31 December 2020, to be presented for ratification by the shareholders.

With the investment in capital projects aimed at expanding our reach, our total assets base increased by 32.8% y-o-y to N64.9billion. In terms of business segment performance, the revenue from our fuels business grew by 3% to N164.6billion in FY 2020 from N159.2billion in the corresponding period. Our fuels business contributed 90% to revenue and grew market share considerably from 20.5% to 27.3% as we emerged the top seller of Petrol Motor Spirit (PMS) sales volume amongst our peers in the Major Oil Marketers Association of Nigeria. (MOMAN).

The lubricants and grease business contributed N16.9Billion (9%) to total revenue (FY 2019: N17.2billion). AP flagship lubricant products, SuperV and Visco 2000 sustained its high market demand during the year, increasing market share from 17.7% to 18.6% in FY 2020.

The recent partnership that has seen us become the sole distributor of Shell Lubricants in Nigeria is expected to increase revenue in our lubes segment going forward.

Our renewable energy segment (solar home systems) business achieved a revenue of N10.7Million compared to N39Million in the corresponding period. Revenue derived from this segment is largely from stock out of the discontinued solar home systems line. During the year, we partnered with Mobile Power UK to establish a Battery-as-a-Service (BaaS) solution company in Nigeria in line with our drive to create clean energy and enable energy access on a for profit basis to lower income off grid communities.

At the end of FY 2020 the LPG business through cylinder sales delivered a revenue of N9.9Million from N17.5Million in 2019. To ramp up our capacity to increase our market share and revenue in this sub-segment, we have commissioned the construction of a 20,000MT LPG storage facility at our Apapa terminal which will enable us to generate more income via throughput from our LPG storage facility.

“Adjusting for one-off items (accrued interest on subsidy and disposal of assets) in 2019 Profit Before Tax (PBT) increased by 49.1% to N3.2billion (FY 2019: N2.1billion) while Profit after Tax (PAT) increased by 46.7% to N2.1 billion (FY 2019: N1.4billion). The company's capital structure remained well optimised with a gearing ratio of 35.1% at the company and 49.7% at the Group. Our earnings generating capacity remained sufficient to cover existing debt/borrowing with normalised interest cover printing at 3.8x in FY 2020 relative to 1.1x in FY 2019.”

With the launch of our haulage and transport service business, Axles and Cartage, we achieved a revenue contribution of N274Mn in the first year of operation contributing 0.2% to Group revenue. Axles and Cartage currently has over 200 company owned trucks and an automated fleet management system. The plan is to further scale this business to increase our control of end-to-end supply of AP products across Nigeria.

Despite the challenging operating environment and the resulting impact of the COVID 19 pandemic we retained our 1billion mark in aggregate volume on all products, as aggregate volume grew by 8.2% to 1.2billion from 1.1billion in FY 2019.

Connecting with our People

Lockdowns and social distancing, consequently led to a decentralised workforce at AP. It also quickly prioritized the need to unite the company behind our new vision, mission, and values. Post lockdown, we eased in to working from the offices on a skeletal basis, while we relocated our base of operations from our previously rented Victoria Island office to our own facility in Ijora. This move has created a sense of 'one culture' across corporate and core business operations teams. We continued our quarterly Townhall meetings, streamlined our business units into 8 business function areas and provided flexible work options for applicable staff. Lastly, in ensuring continual growth of our staff, we initiated trainings across various competencies for improved work performance.

Axles & Cartage: Driving the Wheels of Change

The need to have better end-to-end control & efficiency of our supply chain led to the decision to vertically integrate through the establishment of Axles & Cartage, our wholly owned subsidiary focused on the haulage and transport of fuels. Presently, the subsidiary company manages & operates a fleet of over 200 company owned trucks and a top of the line automated fleet management and integrated system with the capacity to deliver logistics services across conventional fuels (PMS, AGO, ATK) and low carbon fuels (LPG).

Looking Forward: A Brave New World

The transformation of our company to the preferred provider of energy products in Nigeria is in progress and we remain steadfast in delivering on the milestones we have set. In

2020, the strategic pillars provided AP with the resilience and momentum to withstand what has been the greatest global challenge in modern times.

The impact of the pandemic it is both global and minute. Evidently, we might not return to reality as we knew it before the pandemic. This means even in our business and operations, we are seeing changes in consumer behaviour and logistics models as companies evolve to satisfy their customers. These shifts present an opportunity for us to accelerate our plans to provide a one-stop shop for energy and daily needs for more customers, provide world class maintenance services in our lube bays and create innovative products to adapt to changing consumer behaviour. We will also be introducing Apex, our chain of retail marts to provide a broader range of services on our forecourts and generate non-fuel revenue.

Consolidating to our optimal position in the Nigerian downstream will require a blend of organic and inorganic activities. To increase our retail footprint across the nation we signed a non-binding offer for the potential acquisition of Enyo Retail and Supply Limited. Once concluded, AP will emerge as one of the largest indigenous players in the downstream sector.

We commissioned the construction of a 20,000MT LPG storage facility in Ijora, which will be the largest in the West African region. This decision is in line with our aspiration to become the leading energy solutions provider in Nigeria and along the west Africa beachfront. In the coming years, we will begin to reap the benefits of the investments made as renewables and low carbon energy begin to make considerable contribution to our bottom-line.

Looking ahead, we can safely assume that market reality will come in both foreseeable and unpredictable ways. To help us leverage the opportunities these changes will bring, we have sought and have received Board approval on a budget to commence full digital transformation in all areas of our business and operations. This is in recognition and understanding that technology and data are key resources for decision making and our future growth.

Lastly, I would like to thank the Board Management and Staff of Ardova Plc, our stakeholders across operations for their unwavering support through 2020. To our esteemed shareholders, I thank you for the trust and commitment you have placed in our company. We assure you of our resilience and our positioning to create sustainable value for you.



Olumide Adeosun
Chief Executive Officer

“Despite the challenging operating environment and the resulting impact of the COVID 19 pandemic we retained our 1billion mark in aggregate volume on all products, as aggregate volume grew by 8.2% to 1.2billion from 1.1billion in FY 2019.”

Introducing

OTD Automation
Order-To-Delivery

Customers can now place orders for products at their convenience with the AP OTD App.



- Seamless ordering process
- Creating additional value for customers
- Automated proof of delivery
- Efficient & convenient freight bill processing
- Paperless Servicing with minimal human intervention

Responding to Covid-19: Doing Well, Doing Good.

At the time of publishing this report, the world is still confronted with the Covid-19 pandemic and the consequent health and economic hardships it has created. Globally, the energy sector was terribly disrupted by the pandemic and the necessary protocols implemented to prevent its spread, as curfews and lockdowns began in March 2020 and still very much a reality for some countries, decimating the demand for the fuels we provide as vehicular movement worldwide reduced and at a point came to a gradual halt

At the point when the virus crossed international borders, we immediately put in place an emergency response team at Ardova Plc (AP), to design a response program that will minimize the impact on the organisation and ensure reduced disruptions in our operations. These efforts can be summarized along three key themes:

- Safeguarding our people & customers
- Empowering our communities to fight the disease.
- Business continuity & delivering customer needs.

Safeguarding our people and customers

Immediately the index case in Nigeria was confirmed, we commenced intense monitoring of the spread of the disease. When the growth curve crossed our internal marker, we transitioned to remote work as a means of safeguarding our people and employing best practice for pandemic prevention. This transition occurred before the Federal and Lagos State Government mandated lockdown began.

Our role as an energy provider meant that we remained operational during the lockdown, to reduce the risk of infection for staff who had to show up at our facilities, we heightened safety & hygiene standards at our offices, all retail stations, our terminals and blending plants. All essential staff were provided with the necessary Personal Protective Equipment (PPE) to ensure that they were protected in the execution of their jobs.

Empowering our communities to fight the disease

It became evident early on that effectively combatting the pandemic required a complement of government, businesses, and communities. We created a three-pronged strategy to combat the pandemic by:

- Directly impacting the communities, we served
- Partnering businesses and other organisations to raise funds to finance covid-19 targeted initiatives
- Providing government, the support needed to effectively flatten the curve of the pandemic.

AP provided 10,000 families spread across all local governments in Ogun State with individual palliative packs to dampen the negative effect of the pandemic on their livelihood.

We teamed up with Prudent Energy and Services Limited to donate an ambulance to Ogun State Government to help expand its capacity of transporting persons who had contracted Covid-19 to isolation centres.

We donated 3 solar energy systems to isolation centres in Lagos and Abuja to ensure that patients and medical personnel in these facilities have consistent power supply.

Isolation centres and pandemic nerve centres in Lagos State were also recipients of free fuel provided by AP.

As part of an industry-wide effort, AP donated ₦50 million to the Nigerian National Petroleum Corporation's (NNPC) collective industry fund, via the Major Oil Marketers Association of Nigeria (MOMAN). This fund was instituted to upgrade at least one hospital and build an isolation Centre.

We partnered with Five Cowries Initiative to produce and freely distribute educational materials to children in communities impacted by the pandemic. These materials helped to make learning more accessible in these communities and provided optimism of better days ahead.

Business continuity & delivering customer needs

Our foresight in setting up business continuity frameworks for unprecedented circumstances such as this enabled us to experience near-zero impediments to our operational efficiency. Throughout the period of lockdown, AP remained committed to supplying the energy needs of our customers and our stations remained open to provide them with fuels, lubricants, and cooking gas.

Presently, AP has eased into a flexible work arrangement in observance of the social distancing measures required to curb the spread of this pandemic.

A brave new world post COVID-19

The actual impact of the pandemic will be realized in years to come. With the advent of the vaccine, there is some optimism that the worst is over. Ardova Plc will be ready then, as we are now, to power the brave new world that emerges.

Subsidiary Review



Axles and Cartage Limited

Axles and Cartage Limited ('A&C', 'the Company') is a fully owned subsidiary of Ardova Plc, which was incorporated on March 11, 2020 and began its operations in July 2020. The Company is a downstream energy transportation company, focused on distribution, administration, and oversight of energy products. The Company's fleet of trucks are optimized to distribute products for all its clients across the nation. The Company also utilizes data-driven technology for efficient and optimized service delivery.

Business Outlook for 2021

ACL in 2020, successfully provided haulage and logistics services to major downstream oil and gas players, including Ibile Oil and Gas Corporation, Gas Terminalling Limited, Prudent Energy & Services Limited (PESL), and Ardova Plc.

In 2021, ACL will optimize its scope towards increased revenue generation through the following means:

- Support & sustain Ardova Plc's volume distribution.
- Drive Ardova Plc's door-to-door peddling deliveries.
- Ramp up LPG volumes from PESL and other third-party clients. Deploy more assets if the need arises.
- Support & sustain volume distribution for PESL & other third-party clients.
- Explore opportunities for business expansion.
- Continue to leverage on strategic partnerships to support operations.

Operating Results:

The following is a summary of the company's operating results for the year ended 31 December 2020:

| | 2020 N'000 |
|---------------------|---------------|
| Revenue | 274,211 |
| Cost of sales | (250,494) |
| Gross profit | <u>23,717</u> |
| Loss before tax | (293,800) |
| Income tax (credit) | <u>88,234</u> |
| Loss for the period | (205,566) |

Corporate Governance Report

Corporate Governance

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

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

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

The Board of Directors

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

Board Composition

The Board is made up of six (6) members which includes the Chairman, 1 Non-Executive Director, 2 Executive Directors and 2 Independent Non-Executive Directors in keeping with the Nigerian Code of Corporate Governance.

The Board met four (4) times in 2020.

Board Meeting Attendance

| S/N | NAME | POSITION | FEBRUARY 24, 2020 | MAY 20, 2020 | JULY 30, 2020 | OCTOBER 29, 2020 |
|-----|----------------------------|----------|----------------------|-----------------|------------------|---------------------|
| 1. | Mr. AbdulwasIU Sowami | Chairman | ✓ | ✓ | ✓ | ✓ |
| 2. | Mr. Mohammed Aminu Umar | Director | ✓ | ✓ | ✓ | ✓ |
| 3. | Mrs. Aniola Durosinmi-Etti | Director | ✓ | ✓ | ✓ | ✓ |
| 4. | Mr. Olusola Adeeyo | Director | ✓ | ✓ | ✓ | ✓ |
| 5. | Mr. Olumide Adeosun | Director | ✓ | ✓ | ✓ | ✓ |
| 6. | Mr. Moshood Olajide | Director | ✓ | ✓ | ✓ | ✓ |

| KEY | MEANING |
|-----|---------|
| ✓ | Present |
| x | Absent |

The Board Committees

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

The Committees of the Board include:

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

Each committee meets regularly to discuss matters in accordance with its charter, in addition to regular reports provided through the company secretariat on any significant issue to be considered by the various committees.

Outside of these Board Committees, other management committees exist namely; the Executive Management Committee, Management Committee, Risk Management Committee, Credit Risk Committee and Bid Committee.

Corporate Governance and Remuneration Committee

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

The Committee held two (2) meetings in year 2020.

| S/N | NAME | MAY 19, 2020 | OCTOBER 28, 2020 |
|-----|----------------------------|--------------|------------------|
| 1. | Mrs. Aniola Durosinmi-Etti | ✓ | ✓ |
| 2. | Mr. Mohammed Aminu Umar | ✓ | ✓ |
| 3. | Mr. Olusola Adeeyo | ✓ | ✓ |

Risk Management Committee

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

The Committee held two (2) meetings in the year 2020.

| S/N | NAME | MAY 19, 2020 | OCTOBER 28, 2020 |
|-----|------------------------------|--------------|------------------|
| 1. | Mr. Mohammed Aminu Umar | ✓ | ✓ |
| 2. | Mrs. Aniola Durosinmi - Etti | ✓ | ✓ |
| 3. | Mr. Olumide Adeosun | ✓ | ✓ |
| 4. | Mr. Moshood Olajide | ✓ | ✓ |

Statutory Audit Committee

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

The functions of the committee are set out in the Companies and Allied Matters Act 2020 and the Nigerian Code of Corporate Governance. The committee reviews the company's control policies, management accounting and reporting systems, internal control and overall standard of business conduct. The committee in addition, approves both the audit plan and internal audit review plan for the year, as well as the financial statement. The committee also monitors and reviews key audit matters.

The Audit Committee held four (4) meetings in the year 2020.

| S/N | NAME | FEBRUARY 24, 2020 | MAY 20, 2020 | JULY 30, 2020 | OCTOBER 29, 2020 |
|-----|---------------------------------|----------------------|-----------------|------------------|---------------------|
| 1. | Mr. Olusola Adeeyo | ✓ | ✓ | ✓ | ✓ |
| 2. | Mr. Mohammed Aminu Umar | ✓ | X | ✓ | ✓ |
| 3. | Mrs. Aniola Durosinmi - Etti | ✓ | ✓ | ✓ | ✓ |
| 4. | Mr. Safiu Okunola | ✓ | ✓ | ✓ | ✓ |
| 5. | Mrs. Adebisi Oluwayemisi Bakare | ✓ | ✓ | ✓ | ✓ |
| 6. | Mr. Job Ihejirika Onwughara | ✓ | ✓ | ✓ | ✓ |

Separation of the Positions of Chairman and Chief Executive Officer

The positions of the Chairman of the Board and the Chief Executive Officer (CEO) of the company are occupied by different individual persons.

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

Board Evaluation Report

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

Communication With Stakeholders

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

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

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

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

Directors Remuneration

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

| Directors | Amount Per Annum (₦) |
|-------------------------|----------------------|
| Chairman | 800,000.00 |
| Non-Executive Directors | 600,000.00 |
| Executive Directors | <u>Nil</u> |

Statement of Compliance with the Corporate Governance Code

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

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

Corporate Governance Rating System Certification

Arдова Plc is a Corporate Governance Rating System (CGRS) certified company.



INSIDER TRADING

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

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

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

Sustainability Report

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

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

The General Mandate Letter

Issued In Compliance With Clause 6 Of The Rules Of The Nigerian Stock Exchange Governing Related Parties Or Interested Persons

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

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

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



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Profile of Directors



AbdulWasiu O. Sowami

Chairman

Mr. Sowami is the Founder & Chief Executive Officer of Prudent Energy & Services LTD., a \$600m gross-revenue mid to downstream company. He sits on the boards of several companies including Prudent E&P LTD., FES Energy Limited (UAE), Ignite Investment & Commodities Limited, Prudent Gas LTD., and Prudent Effsow Commodities LTD.

By developing and leveraging on first tier relationships with the leadership of top international trading companies including Glencore, Shell Trading Rotterdam, Vitol and BP Oil International LTD., Mr. Sowami has amassed a combined trading line of over US\$100m.

Mr. Sowami is also well-known for his philanthropy. He established the Abdul-Lateef & Sanni Foundation to build schools and provide scholarships to indigent students.

Education & Certifications: Mr. Sowami holds an M.Sc. in Corporate Governance from Leeds Beckett University, England and a B.Sc. in Sociology from the University of Maiduguri. He is a member of the Institute of Directors, Nigeria.

Olumide Adeosun

Chief Executive Officer

Mr Adeosun is a respected thought leader in the energy sector, with a proven track record of senior leadership and strategic advisory, and has gained over 18 years' experience in oil and gas finance, renewable energy, power and strategy.

Olumide provided advisory services to multinational clients at PricewaterhouseCoopers (PwC), London and then worked across a range of Finance with BP Plc (formerly British Petroleum). He moved to commercial roles in BP's supply & trading subsidiary, BP Oil International, where his roles included Vice President, Commercial Development & Operations for BP's West Africa Trading business.

Prior to his appointment as Chief Executive Officer of Ardova Plc, Olumide led the Energy & Power (West Africa) Practice at PwC, where he held various leadership roles including Head of Strategy Consulting for West Africa and Head of Capital Projects and Infrastructure. Notably, he co-led the buy-side advisory of one of the largest acquisition deals in the Nigerian downstream oil and gas sector.

Olumide holds an M.Sc in Mathematics from Royal Holloway College, University of London and graduated from Woodbury University, California with a B.Sc in Architecture.



Moshood Olajide

Chief Financial Officer

Due to his versatility and diligent work ethic, Mr. Moshood has experienced rapid growth as a Chartered Accountant and Tax Professional.

His responsibilities at Price Waterhouse Cooper (PwC), a multi-disciplinary firm, spanned financial reporting and regulatory services, statutory audits, capital projects, infrastructure deals energy, utility and mining deals advisory and structuring, general tax advisory compliance services; client training services and company secretarial services spanning multiple sectors of the economy and more notably in Oil and Gas.

Very early on his career and prior to joining the Forte Oil PLC team as Chief Financial Officer, he had a stint with Aluko & Oyebo Law Firm where he had the responsibilities for general legal advisory, company secretariat, negotiation of commercial agreements, litigation and arbitration.

Education & Certifications: Moshood holds an LL.B from Obafemi Awolowo University and an LL.M Degree from Columbia Law School. He is a member of the Association of Chartered Certified Accountants (ACCA), the Nigerian Bar Association (NBA), the New York County Lawyers' Association (NYCLA) and the Chartered Institute of Taxation of Nigeria (CITN).

Mohammed Aminu Umar

Non-Executive Director

Mr. Umar has over 20 years of experience in the oil, gas and energy sector. Over time, he has played a significant role in shaping the maritime industry evidenced by the various roles and capacity he has served in. He currently serves as the President of Nigeria Ship-Owner's Association (NISA) and is a member of the Ministerial Committee on establishing Nigerian National Fleet, the Ministerial Committee on Nigerian Fleet Implementation Committee Member and the Advisory Council to the Executive Management of Nigerian Maritime Administration and Safety Agency (NIMASA).

Mr. Umar started his career as an accountant with the Overseas Agency Nigeria Limited (OAN) and eventually rose to become the Managing Director between 2001 and 2007.

He is Founder and CEO of Sea Transport Services Nig. LTD., one of the leading commercial managers of Tanker vessels in Nigeria. As MD/CEO of the Sea Transport Services Group, Mr. Umar has led the company on a consistent growth trajectory over the last ten (10) years with the business conservatively valued at over \$100 million and growing his fleet to a total capacity of 350,000 Metric Tonnes.

Mr. Umar is also Founder and Managing Director of Integrated Shipping Services Nig. LTD., the largest indigenous tanker port agency firm in Nigeria for Products, Crude and LNG tankers.

Education & Certifications: Mr. Umar holds a B.Sc. in Accounting from the University of Maiduguri.



Olusola Adeeyo

Independent Non-Executive Director

Mr. Adeeyo is a tested, trusted and seasoned professional in the finance, banking and business fields. He is Founder and CEO of Astral Waters Limited, a leader in quality water delivery. He is also the founder of Protea Hotel Oakwood Park Lekki, a 4-Star Hotel which is part of an international hotel brand managed by Protea Hotel Group of South Africa. Previously, he was the Managing Director of Asset & Investment Limited, a financial services company which he founded and managed.

He previously served as an independent director and the Chairman of the Corporate Governance and Remuneration Committee of the Central Securities and Clearing Systems PLC. He is the Chairman of AXA Mansard Insurance Plc and sits on the boards of several other reputable companies in Nigeria.

He was also a part of the founding management team/owner group of IBTC Ltd now Stanbic IBTC Bank Plc. Prior to this, he worked in the Treasury Unit at Nigeria International Bank (NIB) a subsidiary of Citibank New York before joining other associates to start IBTC Ltd.

Education & Certifications: Mr. Adeeyo holds an M.A. in International Relations from North Eastern University, Boston, USA and a B.A. in Political Science from the University of New York, Albany, USA.



Aniola Durosinmi-Etti

Independent Non-Executive Director

Aniola is an experienced lawyer called to the Nigerian Bar in 1982. She holds a Master's degree in Law from the University of Cambridge in England, which she obtained in 1984. Her undergraduate study was at the University of Lagos where she graduated with an LL.B (Second class upper division) in 1981. She was awarded the prize for the best student in Jurisprudence in her graduating class.

In 1985, she joined the law firm Udo Udoma & Co as an Associate of the firm where she developed extensive experience in various aspects of commercial law including preparation of key international joint venture agreements, syndications and conveyances. In 1988, she moved to Credit Transactions and Investment Company Limited, an Oil Consultancy and Investments Company where she served as a Legal and Administrative Manager. In 1992, she went on to operate her own legal practice under the name of A.I. Durosinmi-Etti & Co. She remained a consultant to Udo Udoma & Belo-Osagie till date.

In 2002 Aniola joined Linkage Assurance Plc as Legal Adviser & Head of Corporate Services. She successfully piloted the company through landmark transformational phases of growth including an IPO in 2003 and subsequently a secondary offering in 2005. In August 2006, as a reflection of her strong performance and

dedication, Aniola was appointed the Acting Managing Director of the company. In this capacity, she steered the company through the challenges of recapitalization and a subsequent merger with Central Insurance Company Ltd. Aniola was appointed the Deputy Managing Director of the company following a successful merger. As part of the new executive management, she ensured a seamless integration and stabilization of the post-merger entity prior to her resignation in 2013.

Aniola served on the board of directors of Stanbic IBTC Pensions Limited, one of Nigeria's largest pension managers, from 2009-2013. She also served on the board of Mediplan Limited, a health management company, providing healthcare services to corporate organizations and members of the public.

She is an Alumni of The Lagos Business School having undergone

- The Chief Executive's Program of Lagos Business School and the IESE Business School, in Barcelona Spain.

Throughout her career she embarked upon several educational courses in different fields in pursuit of knowledge to enhance her performance and productivity.



Director's Report

In accordance with the provisions of the Companies and Allied Matters Act, 2020, the Board of Directors of Ardova Plc ("the Company") is pleased to present its report on the affairs of the Company together with the audited financial statements and the auditor's report for the year ended 31 December 2020.

Legal Form

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

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

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

In June 2019, Ignite Investments and Commodities Limited became the majority shareholder in the Company after the former majority shareholder disposed of his shares in the Company. This led to the change of name from Forte Oil Plc to Ardova Plc in February 2020.

Principal Activity

Ardova Plc is a Nigerian leading indigenous and integrated energy company involved in the distribution of petroleum products with a strong presence in the thirty-six (36) States of Nigeria and the Federal Capital Territory, Abuja. The Company procures and markets petroleum products which include Premium Motor Spirit (PMS), Automotive Gas Oil (AGO), Dual Purpose Kerosene (DPK), Fuel Oils, Liquefied Petroleum Gas (LPG) and Aviation Turbine Kerosene (ATK) amongst others. The Company manufactures and distributes a wide range of lubricants foremost amongst them are the SUPER V and VISCO 2000 brands and has also obtained rights for the distribution of Shell Trading International Limited's lubricants.

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

Operating Results:

The following is a summary of the Company's operating results for the year ended 31 December, 2020:

| | COMPANY N'000 | GROUP N'000 |
|---|------------------|----------------|
| Profit before income tax | 3,199,188 | 2,905,489 |
| Income tax expense | 1,135,754 | 1,047,520 |
| Profit after tax | 2,063,434 | 1,857,969 |
| Total Comprehensive income for the period | 2,063,434 | 1,857,969 |
| Retained earnings, beginning of the year | 8,829,683 | 8,829,683 |
| Retained earnings, end of the year | 10,893,117 | 10,687,652 |
| Earnings per share basic | 1.58 | 1.42 |

Dividend

The Board of Directors, pursuant to the powers vested in it by the provisions of the Companies and Allied Matters Act, proposed a final dividend of N0.19k per share from the retained earnings account as at 31 December, 2020. This will be presented for ratification to the shareholders at the Annual General Meeting.

Property, Plant and Equipment

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

Directors

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

| | | |
|-----------------------|---|----------------------------|
| AbdulWasiu O. Sowami | - | Appointed on 20 June, 2019 |
| Olumide Adeosun | - | Appointed on 20 June, 2019 |
| Moshood Olajide | - | Appointed on 20 June, 2019 |
| Mohammed Aminu Umar | - | Appointed on 20 June, 2019 |
| Olusola Adeeyo | - | Appointed on 20 June, 2019 |
| Aniola Durosinmi-Etti | - | Appointed on 20 June, 2019 |

Diversity on the Board

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

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

Directors Interests

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

| NAME | DIRECT HOLDING 31/12/20 | INDIRECT HOLDING 31/12/20 | DIRECT HOLDING 31/12/19 | INDIRECT HOLDING 31/12/19 |
|-----------------------|----------------------------|------------------------------|----------------------------|------------------------------|
| Abdulwasiu O. Sowami | Nil | 970,666,694 | Nil | 970,666,694 |
| Olumide Adeosun | Nil | Nil | Nil | Nil |
| Moshood Olajide | Nil | Nil | Nil | Nil |
| Mohammed Aminu Umar | Nil | Nil | Nil | Nil |
| Olusola Adeeyo | Nil | Nil | Nil | Nil |
| Aniola Durosinmi-Etti | Nil | Nil | Nil | Nil |

Contracts

For the purpose of Section 303 of Companies and Allied Matters Act of Nigeria, (CAMA), all contracts with related parties during the year were conducted at arm's length. Information relating to related party transactions are contained in Note 34 to the financial statements.

Acquisition Of Shares

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

Share Options Scheme

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

Major Shareholding

According to the Register of Members, the shareholders under-mentioned held more than 5% of the issued share capital of the Company as at 31 December 2020:

| | No. of Shares | % Holding |
|--|---------------|-----------|
| Ignite Investments and Commodities Limited | 970,666,694 | 74.06 |

Share Capital History

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

Analysis of Shareholding

The analysis of the distribution of the shares of the Company at the end of the 2020 financial year is as follows:

| Range | No. of Holders | Holders % | Holders Cum. | Units | Units % | Units Cum. |
|-----------------------------|----------------|----------------|--------------|----------------------|----------------|---------------|
| 1 - 1,000 | 132,894 | 81.76% | 132,894 | 44,046,319 | 3.36% | 44,046,319 |
| 1,101 - 10,000 | 26,363 | 16.22% | 159,257 | 70,327,821 | 5.37% | 114,374,140 |
| 10,001 - 50,000 | 2536 | 1.56% | 161,793 | 51,243,462 | 3.91% | 165,617,602 |
| 50,001 - 100,000 | 365 | 0.22% | 162,158 | 26,424,441 | 2.02% | 192,042,043 |
| 100,001 - 500,000 | 315 | 0.19% | 162,473 | 65,652,790 | 5.01% | 257,694,833 |
| 500,001 - 1,000,000 | 46 | 0.03% | 162,519 | 32,908,306 | 2.51% | 290,603,139 |
| 1,000,001 - 10,000,000 | 17 | 0.01% | 162,536 | 49,359,435 | 3.77% | 339,962,574 |
| 10,000,001 - 100,000,000 | 0 | 0.00% | 162,536 | 0 | 0.00% | 339,962,574 |
| 100,000,001 - 1,310,629,268 | 1 | 0.00% | 162,537 | 970,666,694 | 74.06% | 1,310,629,268 |
| Grand Total | 162,537 | 100.00% | | 1,310,629,268 | 100.00% | |

Donations and Charitable Gifts

The Company identifies with the aspirations of the community as well as the environment within which it operates and made charitable donations to the under-listed organizations amounting to ₦79,640,280.00 during the year under review. Some of these donations are listed below:

| S/N | ORGANIZATION/BODY | AMOUNT (N) |
|-----|---|----------------------|
| 1 | Financial Assistance for Men's African Cup 2020 | 4,000,000.00 |
| 2 | Palliative - Donation of 10,000 Packs of Food | 18,500,000.00 |
| 3 | MOMAN Member Contribution Towards the Covid-19 Pandemic | 50,000,000.00 |
| 4 | Covid-19 Donation Ikeja Police Command | 2,275,000.00 |
| 5 | Solar Donations for Health Centres | 2,415,280.00 |
| 6 | Bronze Sponsorship Package - Five Cowries Arts Education Initiative | 1,900,000.00 |
| 7 | Sponsorship and Advertisement for 75 TH Founder's Day Anniversary of Olivet Baptist High School, Oyo | 250,000.00 |
| | | 79,340,280.00 |

*Ardova contributed to the acquisition of an ambulance as part of its response to tackle the COVID-19 pandemic.

Disclosures

• Borrowing and Maturity Dates

The details of the borrowings and maturity dates are stated in Note 28 to the financial statement.

• Risk Management and Compliance System

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

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

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

- **Related Party Transactions**

The Company has contractual relationship with related companies in the ordinary course of business. The details of the outstanding amounts arising from the related party transactions are stated in Note 33 to the financial statement.

Employment Of Physically Challenged Persons

The Company is an equal opportunity employer and will not discriminate on any grounds. The Company operates a non-discriminatory policy in the consideration of applications for employment, including those received from physically challenged persons. In the event of any employee becoming disabled in the course of employment, the Company will arrange appropriate training and facilities upgrade to ensure the continuous employment of such a person without subjecting him/her to any disadvantage in his/her career development. As at 31 December 2020, the Company had no disabled persons in its employment.

Health, Safety and Welfare of Employees

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

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

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

Employee Involvement and Training

The Company encourages participation of employees in

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

Post Year End Events

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

Auditors

In accordance with the Companies and Allied Matters Act, Messrs. Deloitte & Touche have indicated their willingness to continue in office as External Auditors of the Company. A resolution will be proposed at the Annual General meeting authorising the Directors to determine their remuneration.

BY ORDER OF THE BOARD



OLADEINDE NELSON-COLE

Ag. Company Secretary
FRC/2019/NBA/00000019918
1 AP/Conoil Road
Ijora
Lagos.

1 March, 2021.

Report of the Statutory Audit Committee

To the Members of Ardova Plc

In accordance with the provision of Section 404(7) of the Companies and Allied Matters Act, 2020; we, the members of the Audit Committee of Ardova Plc, having carried out our statutory functions under the Act hereby confirm that the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices.

In our opinion:

1. The scope and planning of the audit for the year ended 31 December, 2020 were adequate.
2. The External Auditor's findings on Management letters and Management responses thereto were satisfactory.
3. We have kept under review the effectiveness of the Company's system of accounting and internal controls.

Dated this 1st of March 2021.



Olusola Adeeyo

Chairman, Statutory Committee

FRC/2013/NIM/00000001919

| S/N | NAME | REPRESENTATION | POSITION |
|-----|---------------------------------|------------------------------------|----------|
| 1 | Mr. Olusola Adeeyo | Independent Non-Executive Director | Chairman |
| 2 | Mrs. Aniola Durosinmi-Etti | Independent Non-Executive Director | Member |
| 3 | Mr. Mohammed Aminu Umar | Non-Executive Director | Member |
| 4 | Mr. Safiu Okunola | Shareholder Representative | Member |
| 5 | Mrs. Adebisi Oluwayemisi Bakare | Shareholder Representative | Member |
| 6 | Mr. Job Ihejirika Onwughara | Shareholder Representative | Member |

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities

For the preparation and approval of the group financial statements

The Directors of Ardova Plc accept responsibility for the preparation of the consolidated and separate financial statements that give a true and fair view of the financial position of the Group as at 31 December 2020, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act, 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;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance.

Going Concern:

The Directors have made an assessment of the Group's ability to continue as a going concern and have no reason to believe the Group will not remain a going concern in the year ahead.

Certification of financial statements

In accordance with section 405 of the Companies and Allied Act of Nigeria, the Chief Executive Officer and the Chief Financial Officer certify that the financial statements have been reviewed and based on our knowledge, the

- audited consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made, and
- audited consolidated financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the company as of and for, the periods covered by the audited financial statements;

We state that management and directors:

- are responsible for establishing and maintaining internal controls and has designed such internal controls to ensure that material information relating to the Company and its subsidiaries is made known to the officer by other officers of the group, particularly during the period in which the audited financial statement report is being prepared,
- have evaluated the effectiveness of the group's internal controls within 90 days prior to the date of its audited financial statements, and
- certify that the group's internal controls are effective as of that date.

We have disclosed:

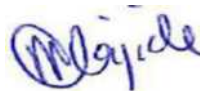
- all significant deficiencies in the design or operation of internal controls which could adversely affect the company's ability to record, process, summarise and report financial data, and has identified for the company's auditors any material weaknesses in internal controls, and
- whether or not, there is any fraud that involves management or other employees who have a significant role in the group's internal control; and

- as indicated in the report, whether or not, there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by the directors on 1 March 2021.



Olumide Adeosun
Managing Director/CEO



Moshood Olajide
Executive Director

Independent Auditor's Report

Deloitte.

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Independent Auditor's report

To the Shareholders of Ardova Plc

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the accompanying consolidated and separate financial statements of **Ardova Plc** and its subsidiaries ("**the Group and the Company**") set out in pages 42–94 which comprise the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity, consolidated and separate statements of cash flows for the year then ended and the notes to the consolidated and separate financial statements including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Ardova Plc as at 31 December 2020 and its consolidated and separate financial performance and consolidated and separate statements of cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act and the Financial Reporting Council Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the requirements of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of Financial Statements in Nigeria.

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

Key Audit Matter

Key audit matter was the matter that, in our professional judgment, was of most significance in our audit of the consolidated and separate financial statements of the current year. The matter was addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter. We have determined the matter described below as a key audit matter to be communicated in our report. This key audit matter relates to only the audit of the separate financial statements.



Key Audit Matter

How the matter was addressed in the audit

Revenue Recognition

Revenue recognition has been determined to be a key audit matter as this was an area to which significant audit attention was devoted.

The designation of revenue as a key audit matter was informed by risk associated with the Company's revenue recognition process - which occurs when the customers confirm receipt of products.

Per our understanding, this confirmation is done in two ways:

- through a software application (AP Mobile App) that is linked to the Company's accounting system (SAP). Revenue is automatically recognised in SAP once the customer confirms product receipt on the App.
- through manual confirmation of product receipts. This is done when customers acknowledge the physical copies of waybills. These sales are manually recorded in SAP by the Customers Service Team on receipt of a copy of the signed waybills.

Given the revenue recognition process put in place by the Company, especially with respect to the customer confirmation performed on the AP Mobile App as described above, we have placed increased emphasis on our audit testing to verify that revenue recorded occurred, has been completely recorded and are recorded in the correct period.

In addressing this matter, we performed procedures that involved assessing the design and implementation of controls surrounding revenue recognition, testing the operating effectiveness of these controls and performing detailed substantive procedures. Details of procedures performed include:

- Evaluated the Company's accounting policies relating to revenue recognition to verify that these are appropriate, consistently applied and in line with the provisions of the applicable standard – IFRS 15: Revenue from Contracts with Customers
- Obtained an understanding of the controls put in place by the management to appropriately identify and account for product deliveries (performance obligation) which are yet to be confirmed by the customer.
- Evaluated the design and implementation of the aforementioned control and tested the operating effectiveness in the year under audit.
- In conjunction with our IT Specialists, we tested the design, implementation and operating effectiveness of the automated controls relating to revenue recognition through the AP Mobile App. We also tested the integrity and access security of the IT Infrastructure surrounding the App.
- Performed substantive tests to ensure that revenue earned in the current year occurred, has been completely captured and in the correct period as follows:
 - Developed an independent expectation of the volume of products sold in the year by taking into consideration the opening and closing inventory balance as well as purchases made during the year (Sales Volume Reconciliation).
 - Selected samples from sales transactions recorded in the ledger and traced to supporting documents (e.g. signed waybills) to verify that the performance obligation under the contract with customer was completed before revenue was recognised.
 - We selected samples from sales transactions recorded in the SAP close to year end (few days before and few days after) and traced to relevant supporting documents (e.g. waybill, invoices etc.) to verify that revenue has been correctly recorded in the period earned.
 - Remained alert while testing other areas of the financial statements – inventory, related party transactions etc. to determine whether there are evidence of products sold to customers but not recorded in the entity's books.

Based on the procedures performed, we determined that the Company's revenue recognition process is appropriate.



Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, Financial Reporting Council Act, 2011 and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Deloitte.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

In accordance with the Fifth Schedule of Companies and Allied Matters Act 2020 we expressly state that:

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



Olufemi Abegunde (FRC/2013/ICAN/00000004507)

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
March 2021

Consolidated and separate statement of financial position as at 31 December 2020

| Assets | Notes | Group | Company | |
|---|-------|-------------------|-------------------|-------------------|
| | | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
| | | N'000 | N'000 | N'000 |
| Non-current assets | | | | |
| Property, plant and equipment | 13. | 15,220,348 | 10,160,351 | 11,116,680 |
| Right of use assets | 14. | 1,325,861 | 1,325,861 | 1,376,470 |
| Investment property | 15. | 1,481,097 | 1,481,097 | 1,506,546 |
| Intangible assets | 16. | 43,567 | 37,707 | 72,753 |
| Receivables from Trucks Disposal | 17. | 4,591 | 4,591 | - |
| Investment in Mobile Power | 18. | 50,890 | 50,890 | - |
| Investment in Axles and Cartage | 19. | - | 1,000 | - |
| Deferred tax assets | 20b. | 639,181 | 551,290 | 783,157 |
| Long term investments | 27. | - | - | 36,735 |
| Total non-current assets | | 18,765,535 | 13,612,787 | 14,892,341 |
| Current assets | | | | |
| Inventories | 21. | 14,553,608 | 14,535,714 | 12,834,373 |
| Trade and other receivables | 22. | 28,490,908 | 31,270,585 | 16,677,971 |
| Short term investments | 27. | - | - | 610,302 |
| Restricted cash | 23. | 30,127 | 30,127 | 19,707 |
| Cash and cash equivalents | 24. | 3,006,283 | 2,993,487 | 1,984,260 |
| Total current assets | | 46,080,926 | 48,829,913 | 32,126,613 |
| Total assets | | 64,846,460 | 62,442,701 | 47,018,954 |
| Equity | | | | |
| Share capital | 26. | 655,314 | 655,314 | 655,314 |
| Share premium | 26. | 8,071,943 | 8,071,943 | 8,071,943 |
| Other reserves | 26. | (5,041) | (5,041) | (5,041) |
| Retained earnings | 26. | 10,687,652 | 10,893,117 | 8,829,683 |
| Total equity attributable to equity holders of the Company | | 19,409,868 | 19,615,333 | 17,551,899 |
| Treasury stock | 26. | (1,388,574) | (1,388,574) | (1,388,574) |
| Total equity | | 18,021,294 | 18,226,759 | 16,163,325 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Deferred tax liabilities | 20b. | 1,211,164 | 1,211,507 | 1,463,956 |
| Medium term bond | 28. | - | - | 2,735,388 |
| Total non-current liabilities | | 1,211,164 | 1,211,507 | 4,199,344 |
| Current liabilities | | | | |
| Trade and other payables | 29. | 35,481,426 | 35,434,507 | 22,823,177 |
| Current income tax liabilities | 11. | 1,175,592 | 1,175,592 | 976,632 |
| Employee benefits | 27. | - | - | 262,902 |
| Medium term bond | 28. | 2,847,762 | 2,847,762 | 2,476,801 |
| Loans and borrowings | 28.3 | 2,289,627 | - | - |
| Bank overdraft | 25. | 3,819,595 | 3,546,574 | 116,773 |
| Total current liabilities | | 45,614,002 | 43,004,435 | 26,656,285 |
| Total liabilities | | 46,825,166 | 44,215,942 | 30,855,629 |
| Total equity and liabilities | | 64,846,460 | 62,442,701 | 47,018,954 |

The financial statements were approved by the Board on 1 March 2021 and signed on its behalf by:



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



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

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

Consolidated and Separate Statement of profit or loss and other comprehensive income

| | | Group | Company | |
|--|-------|------------------|------------------|------------------|
| | | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
| | Notes | N '000 | N '000 | N '000 |
| Revenue | 7.1 | 181,938,679 | 181,664,468 | 176,550,766 |
| Cost of sales | 7.2 | (169,808,131) | (169,557,638) | (165,269,049) |
| Gross profit | | 12,130,548 | 12,106,830 | 11,281,717 |
| Other income | 8 | 1,472,068 | 1,471,964 | 4,317,155 |
| Distribution expenses | 9a.1 | (2,233,371) | (2,233,371) | (2,280,966) |
| Administrative expenses | 9a.2 | (7,232,279) | (7,007,879) | (8,393,460) |
| Operating profit | | 4,136,966 | 4,337,544 | 4,924,446 |
| Finance income | 10 | 270,949 | 269,824 | 4,555,095 |
| Finance cost | 10 | (1,502,426) | (1,408,180) | (4,825,394) |
| Net finance cost | | (1,231,477) | (1,138,356) | (270,299) |
| Profit before income tax | | 2,905,489 | 3,199,188 | 4,654,147 |
| Income tax expense | 11 | (1,047,520) | (1,135,754) | (739,007) |
| Profit after tax | | 1,857,969 | 2,063,434 | 3,915,140 |
| Other Comprehensive Income: | | | | |
| Items that will not be reclassified subsequently to profit or loss | | - | - | - |
| Items that may be reclassified subsequently to profit or loss | | - | - | - |
| Total other comprehensive income net of taxes | | | | |
| Total comprehensive income | | 1,857,969 | 2,063,434 | 3,915,140 |
| Earnings per share | | | | |
| Basic/diluted in (N) | 12 | 1.42 | 1.58 | 3.00 |

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

Statement of changes in equity (Company)

Attributable to equity holders of the Company

| | Share capital | Share premium | Reserves | Retained earnings | Total equity attributable to equity holders of the company | Treasury shares | Total equity |
|---------------------------------------|----------------|------------------|----------------|-------------------|--|--------------------|--------------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Balance at 1 January 2019 | 655,314 | 8,071,943 | (7,752) | 6,418,039 | 15,137,544 | (1,388,574) | 13,748,970 |
| Changes in equity for 2019: | | | | | | | |
| Adjustment | - | - | 2,711 | (2,711) | - | - | - |
| Profit for the year | - | - | - | 3,915,140 | 3,915,140 | - | 3,915,140 |
| Dividend | - | - | - | (1,500,785) | (1,500,785) | - | (1,500,785) |
| Balance as at 31 December 2019 | 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 year | - | - | - | 2,063,434 | 2,063,434 | - | 2,063,434 |
| Balance at 31 December 2020 | 655,314 | 8,071,943 | (5,041) | 10,893,117 | 19,615,333 | (1,388,574) | 18,226,759 |

Consolidated statement of changes in equity (Group)

Attributable to equity holders - the group

| | Share capital | Share premium | Reserves | Retained earnings | Total equity attributable to equity holders of the company | Treasury shares | Total equity |
|--|----------------|------------------|----------------|-------------------|--|--------------------|-------------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Balance at 1 January 2019 | 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 year | - | - | - | 1,857,969 | 1,857,969 | - | 1,857,969 |
| Amount attributable to equity holders | 655,314 | 8,071,943 | (5,041) | 10,687,652 | 19,409,868 | (1,388,574) | 18,021,294 |

Consolidated and Separate statement of cash flows

| | | Group | Company | |
|---|--------------|--------------------|--------------------|--------------------|
| | | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
| | | N'000 | N'000 | |
| Cash flows from operating activities | Notes | | | |
| Profit for the year | | 1,857,969 | 2,063,434 | 3,915,140 |
| Adjustment for: | | | | |
| Depreciation of property, plant and equipment | 13. | 1,080,180 | 1,079,650 | 2,054,952 |
| Depreciation of Right of use assets | 14. | 339,108 | 339,108 | - |
| Depreciation of investment property | 15. | 25,449 | 25,449 | 25,449 |
| Amortization of intangible asset | 16. | 35,046 | 35,046 | 71,058 |
| Provision no longer required | 8. | (517,084) | (517,084) | (23,055) |
| Profit on disposal of property, plant and equipment | 13. | (273,006) | (273,006) | 30,067 |
| Gain on disposal of subsidiaries net of cash | | - | - | (2,674,891) |
| Impairment allowances | 22.6. | 39,468 | 39,468 | 69,436 |
| Finance income | 10. | (270,949) | (269,824) | (4,555,095) |
| Finance cost on loans and borrowings | 10. | 1,502,426 | 1,408,180 | 4,825,394 |
| Current service cost | 27. | - | - | 254,680 |
| Income tax expense | 11. | 1,047,520 | 1,135,754 | 739,007 |
| | | 4,866,127 | 5,066,175 | 4,732,144 |
| Changes in: | | | | |
| Inventories | | (1,710,235) | (1,701,341) | (3,306,227) |
| Trade and other receivables | | (10,693,245) | (13,472,923) | 9,204,260 |
| Trade and other payables | | 12,658,249 | 12,611,330 | (4,207,956) |
| Cash generated from operating activities | | 5,111,896 | 2,503,241 | 6,422,220 |
| Employee benefit paid | 27. | (262,531) | (262,531) | (530,084) |
| Income taxes paid | | (957,375) | (957,375) | (209,058) |
| Net cash generated from operating activities | | 3,891,990 | 1,283,335 | 5,683,078 |
| Cash flows from investing activities | | | | |
| Proceeds from sale of property, plant and equipment | 13.8. | 1,023,355 | 1,023,355 | 212,821 |
| Acquisition of property, plant and equipment | 13. | (5,934,198) | (873,672) | (816,036) |
| Acquisition of ROU Asset | 14. | (288,499) | (288,499) | (245,542) |
| Acquisition of software | 16. | (5,860) | - | - |
| Investment in Mobile Power | | (50,890) | (50,890) | - |
| Investment in subsidiary | 19. | - | (1,000) | - |
| Disposal of Subsidiaries | | - | - | 12,960,887 |
| Interest received | 10. | 270,949 | 269,824 | 539,103 |
| Net cash generated from investing activities | | (4,985,143) | 79,118 | 12,651,233 |
| Cash flows from financing activities | | | | |
| Loan and borrowings-Bond | 28.1 | (2,364,427) | (2,364,427) | (5,438,107) |
| Additional loan | 28.1 | 2,289,627 | - | - |
| Dividend paid | | - | - | (1,500,785) |
| Interest paid | 10. | (1,502,426) | (1,408,180) | (1,188,948) |
| Net cash used in financing activities | | (1,577,226) | (3,772,607) | (8,127,840) |
| Net increase in cash and cash equivalents | | (2,670,379) | (2,410,154) | 10,206,472 |
| Restricted cash | 23. | (10,420) | (10,420) | (19,707) |
| Cash and cash equivalents as at 1 January | | 1,867,487 | 1,867,487 | (8,319,276) |
| Cash and cash equivalents at 31 December | 24. | (813,312) | (553,087) | 1,867,487 |

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

Notes to the Consolidated Financial Statements

1. Corporate Structure and business

Arдова Plc ('Arдова' or the 'Company'), the parent of the Group, was incorporated on 11 December 1964 as British Petroleum. It was renamed African Petroleum through the nationalisation policy of the Federal Government of Nigeria in 1979.

In December 2010, the Company went through a restructuring and rebranding exercise and further changed its name to Forte Oil Plc.

In March 2019, the Company disposed of its Upstream Services, Power and a portion of its Fuel segments namely; AP Oil and Gas Ghana, Forte Upstream Service Limited and Amperion Power Distribution Company Limited.

In June 2019, the Company experienced a change in ownership structure. The majority shareholder in Forte Oil Plc sold all its shares in the Company to Ignite Investments and Commodities Limited. Following this, the Company's name was changed to Arдова Plc in January, 2020. Ignite Investments and Commodities Limited owns 74.02% of the equity shares of Arдова Plc while the balance of 25.98% is held by other shareholders.

The Company is principally engaged in the marketing of petroleum products which is divided into fuels, lubricants and greases. The Company's registered address is 1, AP/Conoil Road, Ijora, Apapa Lagos.

The Company together with its subsidiary as shown below is collectively referred to as the Group.

On 11 March 2020, the Company incorporated a wholly owned subsidiary, Axles and Cartage Limited as a private limited liability company in Nigeria. The subsidiary provides transport and haulage services to third party customers as well as Arдова Plc.

1.2 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as issued by the International Accounting Standard Board (IASB) and in compliance with the Financial Reporting Council of Nigeria Act. The financial statements for the year ended 31 December 2020, have been prepared in accordance with International Financial Reporting Standard (IFRS).

1.3 Composition of Financial statements

This financial statements are 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. The Group financial statements comprise:

- * Consolidated and separate statements of profit and loss and other comprehensive income.
- * Consolidated and separate statements of financial position
- * Consolidated and separate statements of changes in equity
- * Consolidated and separate statements of cash flows
- * Notes to the consolidated and separate financial statements

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

- * Consolidated and Separate statements of Value added
- * Separate five-year financial summary

1.4 Financial Period

These financial statements cover the period from 1 January 2020 to 31 December 2020 with comparative figures for the financial year from 1 January 2019 to 31 December 2019.

2. Significant changes in the current reporting period

The following significant changes occurred during the reporting year ended 31 December 2020:

Oil prices and demand for oil products reduced significantly due to the global Coronavirus (COVID-19) pandemic and other geopolitical events around the world. These recent events will continue to have an impact on oil price volatility. The Group will continue to monitor the oil prices and take adequate steps to manage its business and any financial impact of same.

The Group's operations are not affected by seasonality or cyclicity.

3. Summary of significant accounting policies

3.1. Introduction to summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These accounting policies have been applied to all the periods presented, unless otherwise stated. The financial statements are for the Group consisting of Arдова Plc and its subsidiary.

3.2 Basis of accounting

i) Compliance with IFRS

The consolidated financial statements of the Group for

the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC). The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and with the requirements of the Companies and Allied Matters Act and Financial Reporting Council of Nigeria Act ("FRCN Act").

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

ii) Historical cost convention

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

iii) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

3.3. New and amended IFRS standards that are effective for the current year

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2020, but do not have any material impact on the consolidated financial statements of the Group.

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7.

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are not relevant to the Group given that it does not apply hedge accounting to its benchmark interest rate

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee

that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- There is no substantive change to other terms and conditions of the lease.

These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group have any rent concessions.

3.3. New and amended IFRS standards that are effective for the current year (cont'd)

Amendments to References to the Conceptual Framework in IFRS Standards

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Amendments to IFRS 3: Definition of a Business

The amendments to IFRS 3 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.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance 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.

These amendments had no significant impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amended IFRS Standards that are effective for the current year

Amendments to IAS 1 and IAS 8: Definition of Material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

c. Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

"The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the consolidated financial statements of the Group."

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

d. Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, "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."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of the Group, nor is there expected to be any future impact to the Group.

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

e. Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

"These amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relation is affected if the reform gives rise to uncertainties about the timing and of amount of benchmark-based cashflows of the hedged item or the hedging **3.3. New and amended IFRS standards that are effective for the current year (cont'd)**

instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

3.4. New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 2020 reporting periods and have not been early adopted by the Group. The Group does not expect the new accounting standards and interpretations to have a material impact on its current or future reporting periods.

Details of these new standards and interpretations are set out below:

- IFRS 17 Insurance Contracts - Effective for annual periods beginning on or after 1 January 2023
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts beginning on or after 1 January 2021
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 - Effective for annual periods beginning on or after 1 January 2022.
- Amendments to IAS 16 Property, Plant and Equipment - Effective date for annual periods beginning on or after 1 January 2022
- Amendments to IAS 8 Accounting Policies and Accounting Estimates - Effective date for annual periods beginning on or after 1 January 2022
- Amendments to IAS 37 Onerous Contracts - Costs of Fulfilling a Contract - Effective date for annual periods beginning on or after 1 January 2022"

3.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2020. The Group comparative figures is

not presented in the financial statement as 2020 reporting period is the first year of consolidation for the company and its subsidiary. The subsidiary was acquired in 2020 financial year.

i. "Subsidiary"

A subsidiary is an entity over which the Group has control.

The consolidated financial information comprises the financial statements of the Company and its subsidiary as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

A subsidiary is consolidated from the date on which control is obtained by the Group and are deconsolidated from the date control ceases.

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

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii. Change in the ownership interest of subsidiary

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

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the

non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statements of the subsidiary is prepared for the same reporting periods as the parent company using consistent accounting policies.

Non-controlling Interest:

Information on non-controlling interest is not presented in the financial statement as the company's subsidiary Axles and Cartage Limited is wholly owned by Ardova Plc."

Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses

and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

3.6 Functional and presentation currency

Items included in the financial statements of the Group's subsidiary are measured using the currency of the primary economic environment in which the subsidiary operates ('the functional currency'), which is the Nigerian Naira. The consolidated financial statements are presented in thousands of Nigerian Naira (N'000).

i. Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end are generally recognised in profit or loss. They are deferred in equity if attributable to net investment in foreign operations.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at

the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss or other comprehensive income depending on where fair value gain or loss is reported."

3.7 Financial instruments

(a) Classification and measurement

Financial assets

It is the Group's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss (FVTPL) which are expensed in profit or loss.

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

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the objective is solely to collect the contractual cash flows from the assets or 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 FVTPL. Factors considered by the Group in determining the business model for the financial assets include past experience on how cash flows for these assets were collected, how the assets performance is evaluated and reported to key management personnel and how risks are assessed and managed.

Solely Payments of Principal and Interest: Where the business model is to collect contractual cash flows, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group 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.

Based on these factors, the Group classifies its debt instruments into one of the following measurement categories:

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 due to impairment or upon derecognition of a financial asset is recognised in profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. **Fair value through other comprehensive income:** Assets in this category are held to collect contractual cash flows

and sell where there are advantageous opportunities. A gain or loss on a financial asset is recognised in other comprehensive income except impairment gains or losses and foreign exchange gains or losses in the period in which it arises. Interest income from these financial assets is included in finance income.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a financial asset is recognised in profit or loss and presented net in the profit or loss statement within other income/(expenses) in the period in which it arises. Interest income from these financial assets is included in finance income.

The Group reclassifies its financial assets when and only when its business model for managing those assets changes. Such changes are expected to be infrequent. All the Group's financial assets as at 31 December 2020 are cash and cash equivalents and trade and other receivables and they satisfy the conditions for classification at amortised cost under IFRS 9. They are included in current assets, except for maturities greater than 12 months after the reporting date which are included in non-current assets."

Financial liabilities

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

"Fair value gains or losses for financial liabilities designated at fair value through profit or loss are accounted for in profit or loss except for the amount of change that is attributable to changes in the Group's own credit risk which is presented in other comprehensive income. The remaining amount of change in the fair value of the liability is presented in profit or loss. The Group's financial liabilities include trade and other payables, medium term bond and bank overdraft. The Group has no financial liabilities measured at fair value through profit or loss.

(b) Impairment of financial assets

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

The simplified approach is applied to all trade related receivables while the general approach is applied to other receivables and cash and cash equivalents

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

to arrive at the loss allowance for the period."

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

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

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

(c) Significant increase in credit risk and definition of default

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

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

"Financial assets are defined to be in default when contractual payments have not been received at least 90 days after the contractual payment period. Subsequent to default, the Group carries out active recovery strategies to recover all outstanding payments due on receivables. Where the Group determines that there are no realistic prospects of recovery, the financial assets and any related loss allowances are written off either partially or in full.

(d) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition. Gains or losses on

derecognition of financial assets are recognised in profit or loss.

Financial liabilities

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

(e) Modification

When the contractual cash flows of a financial instrument are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Group recalculates the gross carrying amount of the financial instrument and recognises a modification gain or loss immediately within finance income/(cost)-net at the date of the modification. The gross carrying amount of the financial instrument is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial instrument's original effective interest rate.

(f) Offsetting of financial assets and financial liabilities

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

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

3.8 Revenue from contracts with customers

"The Group recognises revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those services. A valid contract is recognised as revenue after;

- The contract is approved by the parties.
- Rights and obligations are recognised.
- Collectability is probable.
- The contract has commercial substance.
- The payment terms and consideration are identifiable.

The Group recognises revenue by providing the following goods and services:"

(a) Sale of petroleum products (white products), Aviation Turbine Kerosene (ATK), lubricants and greases, and solar panel.

Revenue is recognised when each performance obligation for the sale of goods are fulfilled. Revenue is allocated to each performance obligation based on the relative stand-alone selling price related to each performance obligation.

Revenue from sale of petroleum products, Aviation Turbine Kerosene, lubricants, greases, and solar panel is recognised point in time when the goods are delivered to the customers.

(b) Haulage and transportation services

Haulage and transportation services are recognised as revenue when each performance obligation for the transportation service is fulfilled. Revenue is allocated to each performance obligation based on the relative stand-alone selling price related to each performance obligation. Revenue from provision of transportation and haulage service is recognised over time as customers consume the benefits as the service is being rendered.

3.9 Property, plant and equipment

3.9.1 Recognition and measurement (cont'd)

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.

Depreciation of property, plant and equipment commences when an asset is available for use.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired.

When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount

of the item, is included in profit or loss when the item is derecognised.”

3.10 Leases

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.

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.^a 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.

Short-term leases are those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases and leases of low-value assets would be recognised as expenses in profit or loss on a straight-line basis over the lease term. The Group has short term leases and low value lease.

3.10.1 Extension and termination options

Extension and termination options are included in the Group's lease arrangements. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Most of the extension options

are subject to mutual agreement by the lessee and lessor and some of the termination options held are exercisable by both parties.

3.11 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.

Investment properties are derecognised either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. If owner-occupied property becomes an investment property, the group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use."

3.12 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.

3.13.1 Rental income

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

3.13.2 Throughput income

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

3.14 Segment reporting

An operating segment is a component of the Group 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, other income like (sundry income, rental income, foreign exchange gain and gain on disposal of PPE) and tax assets and liabilities.

3.15 Loans and borrowings

3.15.1a 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.

3.15.1b Debt instruments

Financial instruments issued by the Group 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.

3.15.2 Compound instruments

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

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

3.16 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.

3.17 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.

3.18 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.

3.19 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.

3.20 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.

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.

3.21 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 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.

3.21.1 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.

3.22 Intangible assets

3.22.1 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.

3.22.2 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.

3.22.3 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.

3.22.4 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.

3.22.5 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.

Derecognition

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss is recognised in profit or loss when the asset is derecognised."

3.23 Uncertainty over income tax treatment

"The Group examines where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. It considers each uncertain tax treatment depending on which approach better predicts the resolution of the uncertainty. The factors it considers include:

- how it prepares and supports the tax treatment; and
- the approach that it expects the tax authority to take during an examination.

If the Group concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it determines the accounting for income taxes consistently with that tax treatment. If it concludes that it is not probable that the treatment will be accepted, it reflects the effect of the uncertainty in its income tax accounting in the period in which that determination is made (for example, by recognising an additional tax liability or applying a higher tax rate).

"The Group measures the impact of the uncertainty using methods that best predicts the resolution of the uncertainty. The Group uses the most likely method where there are two possible outcomes, and the expected value method when there are a range of possible outcomes.

The Group assumes that the tax authority with the right to examine and challenge tax treatments will examine those treatments and have full knowledge of all related information. As a result, it does not consider detection risk in the recognition and measurement of uncertain tax treatments. The Group applies consistent judgements and estimates on current and deferred taxes. Changes in tax laws or the presence of new tax information by the tax authority is treated as a change in estimate in line with IAS 8 - Accounting policies, changes in accounting estimates and errors.

Judgements and estimates made to recognise and measure the effect of uncertain tax treatments are reassessed whenever circumstances change or when there is new information that affects those judgements. New information might include actions by the tax authority, evidence that the tax authority has taken a particular position in connection with a similar item, or the expiry of the tax authority's right to examine a particular tax treatment. The absence of any comment from the tax authority is unlikely to be, in isolation, a change in circumstances or new information that would lead to a change in estimate.

3.24 Trade and other receivables

"Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. Other receivables generally arise from transactions outside the usual operating activities of the Group. Collateral is not normally obtained. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 5."

3.25 Employee benefits

The Group operates defined contribution plans.

3.25.1 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.

3.25.2 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.

3.25.3 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.

3.25.4 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. The company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3.26 Provision, contingencies and decommissioning costs

3.26.1 Provisions

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

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

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

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

3.26.2 Contingent liabilities

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

recognised in the financial statements.

3.26.3 Contingent assets

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

3.26.4 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.

3.27 Interest in other entities - material subsidiary

"The Group's principal subsidiary as at 31 December 2020 is Axle and Cartage Plc. The share capital consists solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The principal activity is the provision of haulage services. The country of incorporation or registration and the principal place of business of the subsidiary is Nigeria.

There were no significant judgements made in consolidating the entity. Also, there were no significant restrictions on the entity"

3.28 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.

3.29 Related party relationships and transactions

The Group is controlled by Ardova Plc (the parent Company). The parent Company is owned directly by (Ignite Investments and Commodities Limited) controlled by AbdulWasiu O. Sowami. The remaining shares in the parent Company are widely held.

3.30 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. Critical accounting judgement and key sources of estimating uncertainty

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) Revenue recognition

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

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) Recoverability of assets carrying amount

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

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

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

e) 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 during the year 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.

f) Recoverability of financial assets

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

g) Fair value hierarchy

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

h) 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.

5. 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.

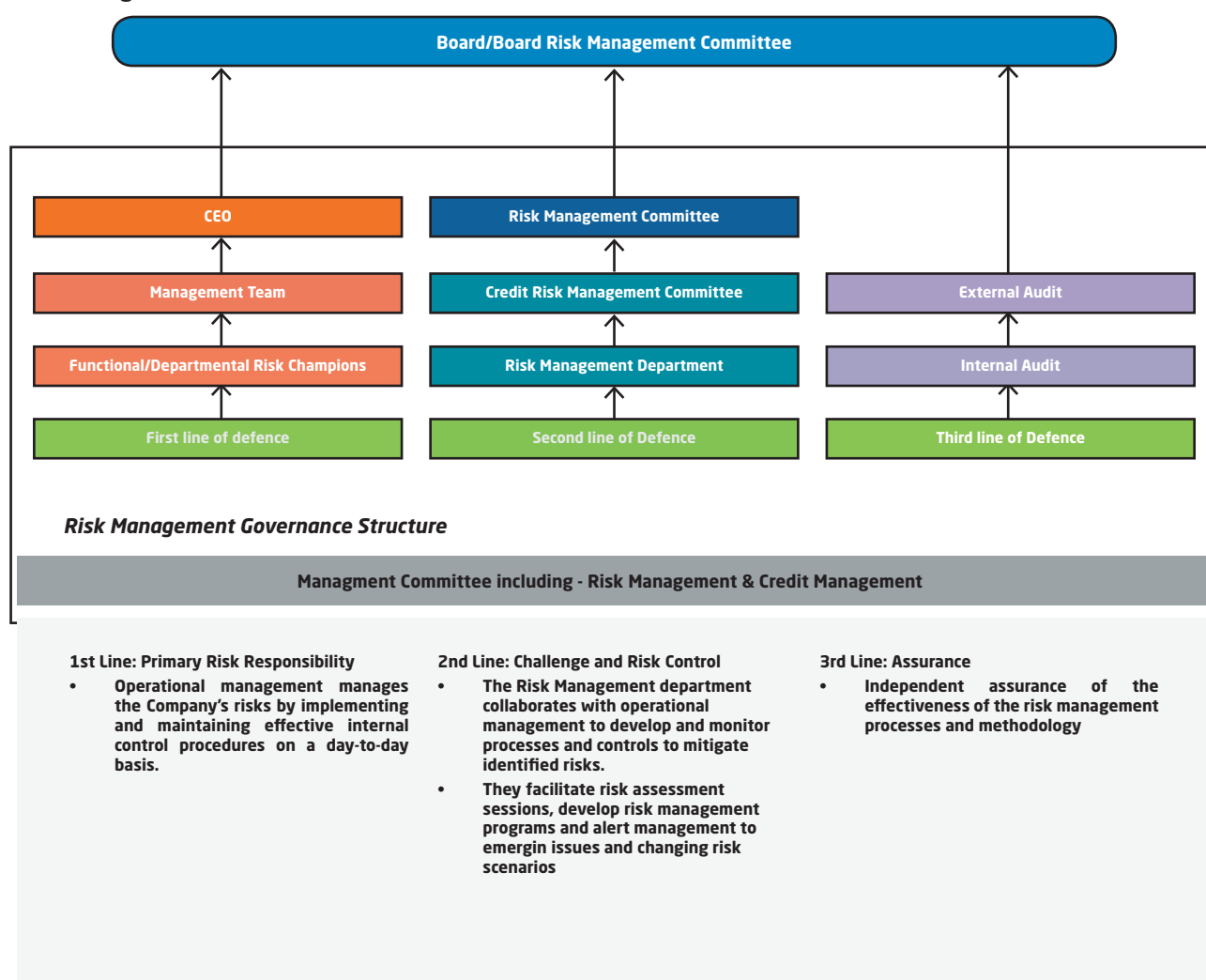
Risk Management Committee

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:

Financial Risk

Credit risk

Liquidity risk

Market risk

Capital risk management

Other risk

Reputational Risk

Strategic Risk

Operational Risk

HSE Risk

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

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 below.

Reconciliation of gross carrying amount of financial assets

The gross carrying amount financial assets as at 31 December reconcile to the opening balances as follows:

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Trade receivables | Other receivables | Trade receivables | Other receivables |
| | N'000 | N'000 | N'000 | N'000 |
| Gross carrying amount as at 1 January 2020 | 4,451,848 | 14,578,977 | 4,451,849 | 14,578,976 |
| Financial assets derecognised | - | - | - | - |
| New financial assets originated | 254,690 | 11,081,002 | 254,689 | 13,860,679 |
| Gross carrying amount as at 31 December 2020 | 4,706,538 | 25,659,979 | 4,706,538 | 28,438,656 |

Reconciliation of impairment loss on financial assets

The loss allowances for financial assets as at 31 December reconcile to the opening loss allowances as follows:

| | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Trade receivables | Other receivables | Trade receivables | Other receivables |
| | N'000 | N'000 | N'000 | N'000 |
| Opening loss allowance as at 1 January 2020 | 1,198,244 | 1,154,611 | 1,198,244 | 1,154,611 |
| Increase in loan loss allowance recognised in P/L during the year | 100,960 | - | 100,960 | - |
| Receivables written off during the year as uncollectible | (61,492) | - | (61,492) | - |
| Allowance no longer required | | (516,714) | | (516,714) |
| Closing loss allowance at 31 December 2020 | 1,237,712 | 637,897 | 1,237,712 | 637,897 |

Maximum exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | Group |
|-------------------------------------|-------------------|
| | 31-Dec-20 |
| | N' 000 |
| Trade and receivables (Note 22) | 28,490,908 |
| Cash and cash equivalents (Note 24) | 3,006,283 |
| | 31,497,191 |

Forex exposure

Bank balances denominated in other currencies

Trade and other receivables denominated in other currencies

Liabilities dominated in other currencies

31-Dec-20**N '000**

504,673

-

-

504,673**Company****31-Dec-20**

31-Dec-19

N '000**N '000**

Trade and receivables (Note 22)

31,270,585

16,677,971

Cash and cash equivalents (Note 24)

2,993,487

1,984,260

34,264,072**18,662,231****Forex exposure**

Bank balances denominated in other currencies

496,509

554,297

Trade and other receivables denominated in other currencies

-

-

Liabilities dominated in other currencies

-

-

496,509**554,297****Trade Receivables**

The aging of loans and receivables at the reporting date was:

The Group

| | Gross | Loss rate | Impairment |
|---------------------|------------------|------------------|-------------------|
| | 31-Dec-20 | 31-Dec-20 | 31-Dec-20 |
| | N '000 | % | N '000 |
| 0-2 months | 2,882,100 | 0.1% | 993 |
| 2-3 months | 181,669 | 10% | 7,150 |
| 3-6 months | 30,455 | 25% | 4,548 |
| 6-12 months | 29,162 | 50% | 14,422 |
| More than 12 months | 1,583,152 | 100% | 1,210,601 |
| | 4,706,538 | | 1,237,714 |

Other Receivables

The aging of loans and receivables at the reporting date was:

| | Gross | Loss rate | Impairment |
|---------------------|-------------------|------------------|-------------------|
| | 31-Dec-20 | 31-Dec-20 | 31-Dec-20 |
| | N '000 | % | N '000 |
| 0-2 months | 16,781,737 | - | - |
| 2-3 months | 343,660 | - | - |
| 3-6 months | 1,433,914 | - | - |
| 6-12 months | 1,488,014 | - | - |
| More than 12 months | 5,612,653 | 100% | 637,897 |
| | 25,659,979 | | 637,897 |

Trade Receivables

The aging of loans and receivables at the reporting date was:

| The Company | | | | | | |
|---------------------|------------------|------------------|-------------------|------------------|------------------|-------------------|
| | Gross | Loss rate | Impairment | Gross | Loss rate | Impairment |
| | 31-Dec-20 | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 | 31-Dec-19 | 31-Dec-19 |
| | N '000 | % | N '000 | N '000 | % | N '000 |
| 0-2 months | 2,882,100 | 0.10% | 993 | 2,799,840 | 0.24% | 2,819 |
| 2-3 months | 181,669 | 10% | 7,150 | 152,204 | 10% | 5,299 |
| 3-6 months | 30,455 | 25% | 4,548 | 20,143 | 25% | 851 |
| 6-12 months | 29,162 | 50% | 14,422 | 50,682 | 50% | 37,700 |
| More than 12 months | 1,583,152 | 100% | 1,210,601 | 1,428,982 | 100% | 1,151,574 |
| | 4,706,538 | | 1,237,714 | 4,451,849 | | 1,198,244 |

Other Receivables

The aging of loans and receivables at the reporting date was:

| | Gross | Loss rate | Impairment | Gross | Loss rate | Impairment |
|---------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|
| | 31-Dec-20 | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 | 31-Dec-19 | 31-Dec-19 |
| | N '000 | % | N '000 | N '000 | % | N '000 |
| 0-2 months | 19,561,410 | - | - | 7,268,793 | - | - |
| 2-3 months | 343,660 | - | - | 61,457 | - | - |
| 3-6 months | 1,433,914 | - | - | 256,269 | - | - |
| 6-12 months | 1,488,014 | - | - | 39,471 | 50% | 10,932 |
| More than 12 months | 5,612,657 | 100% | 637,897 | 6,952,985 | 100% | 1,143,678 |
| | 28,439,656 | | 637,897 | 14,578,976 | | 1,154,610 |

The Group

Analysis of financial assets impaired

| | Gross | Loss rate | Impairment |
|-------------------------------------|------------------|------------------|-------------------|
| | 31-Dec-20 | 31-Dec-20 | 31-Dec-20 |
| | N '000 | % | N '000 |
| Trade receivables | 4,706,538 | | 1,237,712 |
| PSF Receivables | - | - | - |
| Advances to contractors | 540,000 | 100% | 540,000 |
| Other Receivables | 52,545 | 100% | 67,338 |
| Receivables from Property customers | 15,709 | 100% | 15,709 |
| Receivables from former employees | 14,850 | 100% | 14,850 |
| | 5,329,642 | | 1,875,609 |

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

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 5 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 3.7 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.

Estimation uncertainty in measuring impairment loss

The table below shows information on the sensitivity of the carrying amounts of the Group's financial assets to the methods, assumptions and estimates used in calculating impairment losses on those financial assets at the end of the reporting period. These methods, assumptions and estimates have a significant risk of causing material adjustments to the carrying amounts of the Group's financial assets.

i. Expected cashflows recoverable

The table below demonstrates the sensitivity of the Group's profit before tax to a 10% change in the expected cashflows from financial assets, with all other variables held constant:

| Group | Effect on profit before tax | |
|--|-----------------------------|-----------------------------|
| | 31-Dec-20 | 31-Dec-19 |
| Increase/decrease in estimated cashflows | N'000 | N'000 |
| +10% | 2,915,929 | 1,776,062 |
| -10% | (2,915,929) | (1,776,062) |
| Company | Effect on profit before tax | Effect on profit before tax |
| | 31-Dec-20 | 31-Dec-19 |
| | N'000 | N'000 |
| Increase/decrease in estimated cashflows | | |
| +10% | 3,252,930 | 1,776,062 |
| -10% | (3,252,930) | (1,776,062) |

i. Significant unobservable inputs

The table below demonstrates the sensitivity of the Group's profit before tax to movements in the loss given default (LGD) for financial assets, with all other variables held constant:

| Group | Effect on profit before tax | |
|---|-----------------------------|-----------------------------|
| | 31-Dec-20 | 31-Dec-19 |
| Increase/decrease in loss given default | N'000 | N'000 |
| +10% | 187,561 | 235,286 |
| -10% | (187,561) | (235,286) |
| Company | Effect on profit before tax | Effect on profit before tax |
| | 31-Dec-20 | 31-Dec-19 |
| | N'000 | N'000 |
| Increase/decrease in loss given default | | |
| +10% | 187,561 | 235,286 |
| -10% | (187,561) | (235,286) |

The table below demonstrates the sensitivity of the Group's profit before tax to movements in probabilities of default, with all other variables held constant:

| Group | Effect on profit before tax | |
|---|-----------------------------|-----------|
| | 31-Dec-20 | 31-Dec-19 |
| | N'000 | |
| Increase/decrease in probability of default | | |
| +10% | | 187,832 |
| -10% | | (187,832) |
| Company | Effect on profit before tax | |
| | 31-Dec-20 | 31-Dec-19 |
| | N'000 | |
| Increase/decrease in probability of default | | |
| +10% | 187,832 | 235,862 |
| -10% | (187,832) | (235,862) |

The table below demonstrates the sensitivity of the Group's profit before tax to movements in the forward-looking macroeconomic indicators, with all other variables held constant:

| Group | Effect on profit before tax | |
|---|-----------------------------|-----------|
| | 31-Dec-20 | 31-Dec-19 |
| | N'000 | |
| Increase/decrease in forward looking macroeconomic indicators | | |
| +10% | | 187,581 |
| -10% | | (187,581) |
| Company | Effect on profit before tax | |
| | 31-Dec-20 | 31-Dec-19 |
| | N'000 | |
| Increase/decrease in forward looking macroeconomic indicators | | |
| +10% | 187,581 | 235,321 |
| -10% | (187,581) | (235,321) |

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 Group 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.

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

| The Group | Carrying amount N'000 | Contractual cash flows N'000 |
|---|--------------------------|---------------------------------|
| 31 December 2020 | | |
| Non-derivative financial liabilities | | |
| Loans and borrowings | 5,137,389 | 5,283,326 |
| Trade and other payables | 35,481,426 | 35,481,426 |
| Bank overdraft | 3,819,595 | 3,819,595 |
| | 44,439,410 | 44,584,347 |

| The Company | Carrying amount N'000 | Contractual cash flows N'000 |
|---|--------------------------|---------------------------------|
| 31 December 2020 | | |
| Non-derivative financial liabilities | | |
| Secured bank loans | 2,847,762 | 2,847,762 |
| Trade and other payables | 35,437,507 | 35,437,507 |
| Bank overdraft | 3,546,574 | 3,546,574 |
| | 41,828,843 | 41,828,843 |
| 31 December 2019 | | |
| Non-derivative financial liabilities | | |
| Secured bank loans | 5,212,189 | 6,443,966 |
| Trade and other payables | 22,823,177 | 22,823,177 |
| Bank overdraft | 116,773 | 116,773 |
| | 28,152,139 | 29,383,916 |

| The Group | 6 Months or less N'000 | 6-12 months N'000 | 1-2 years N'000 | 2-5 years N'000 | More than 5 years N'000 |
|---|------------------------------|----------------------|--------------------|--------------------|-------------------------------|
| 31 December 2020 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Secured bank loans | 155,326 | 3,704,119 | 1,423,881 | - | - |
| Trade and other payables | - | 35,481,426 | - | - | - |
| Bank overdraft | 3,819,595 | - | - | - | - |
| | 3,974,921 | 39,185,545 | 1,423,881 | - | - |

The Company

| | 6 Months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|---|------------------|-------------------|------------------|-----------|-------------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 |
| 31 December 2020 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Secured bank loans | - | 1,423,881 | 1,423,881 | - | - |
| Trade and other payables | - | 35,434,507 | - | - | - |
| Bank overdraft | 3,546,574 | - | - | - | - |
| | 3,546,574 | 36,858,388 | 1,423,881 | - | - |
| 31 December 2020 | | | | | |
| Non-derivative financial liabilities | | | | | |
| Secured bank loans | 1,610,992 | 1,610,992 | 3,221,983 | - | - |
| Trade and other payables | | 22,823,177 | | - | - |
| Bank overdraft | 116,773 | | | - | - |
| | 1,727,765 | 24,434,169 | 3,221,983 | - | - |

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

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.

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

Sensitivity analysis

A change in the exchange rate either positively or negatively by 1000 basis points would have increased/ (decreased) equity and profit or loss by the amount stated below. This analysis is based on foreign currency exchange rate variances that the company considered to be reasonably possible at the end of the reporting year, the analysis assumes that all other variables, in particular interest rates remain.

| | N'000 |
|------|----------|
| +10% | 54,990 |
| -10% | (54,990) |

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

| | Increase / decrease in foreign exchange rate |
|-----------|--|
| Year end | |
| 31-Dec-19 | 55,429 |

Interest Rate Risk

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

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

| | |
|-----------|--------|
| Overdraft | 10.75% |
|-----------|--------|

The borrowings for the reporting year are highlighted below

The Company

Terms and debt repayment schedule

| | Currency | Nominal Interest rate | Year of Maturity | Carrying amount N'000 | Present value N'000 | Carrying amount N'000 |
|--|----------|--------------------------|---------------------|-----------------------------|---------------------------|-----------------------------|
| Terms and conditions of outstanding loans were as follows: | | | | | | |
| 17.5% medium term bond | Naira | 17.50% | 2021 | 2,847,762 | 4,573,417 | 5,212,189 |
| Total interest bearing liabilities | | | | 2,847,762 | 4,573,417 | 5,212,189 |

Other market Risk

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

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

Capital Management

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

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

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

| | Group N'000 Dec-20 | Company N'000 Dec-20 | Company N'000 Dec-19 |
|----------------------|--------------------------|----------------------------|----------------------------|
| Total liabilities | 46,825,166 | 44,215,942 | 30,855,629 |
| Total assets | 64,846,460 | 62,442,701 | 47,018,954 |
| Gearing ratio as at: | 72% | 71% | 66% |

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing its returns to all stakeholders

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

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. 55 incidents were reported by various staff from different departments at different locations in 2020 while 45 incidents were reported in 2019.

Reputational Risk

Reputational risk is the risk that operations and activities of Ardova will negatively affect its image or public perception.

The Company understands the fact that the losses stemming from reputational exposure may not be quantifiable, thus we have implemented structures and procedures which will help protect the company against such losses.

The Board through the Risk Management committee monitor closely, media publications about the activities of Ardova Plc through Brand and Corporate Communications Unit (BCC) who ensures controls for mitigating reputational risk are active at all times.

We also regularly engage and interact with our stakeholders to know how Ardova Plc is fulfilling their expectations. We improve our performance based on the feedback obtained. Major stakeholders include customers, investors, employees, suppliers, government, regulators, special interest & consumer groups, media and the general public.

Strategic Risk

Strategic risk is the risk that the Group will make inappropriate strategic choices, or that there will be changes in the external environment to which the company fails to adapt its strategies.

The Group organizes a Strategy Review Session to deliberate on issues relating to changes in operating environment that may impact strategy execution and implementation. These include issues on Product sourcing and logistics, FX availability, currency devaluation, changes in government policies and macroeconomic variables and volatilities in crude prices which have implications for profitability, product availability and business growth.

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. |
| Renewables | This segment sells solar systems |
| LPG and Cylinder Sales | This segment sells Liquefied Petroleum Gas and cylinder Sales |
| Haulage and transportation services | This segment is responsible for haulage and transportation services of products |

The accounting policies of the reportable segments are the same as described in notes 2 to 5

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

| | 31 December 2020 | | | | | 31 December 2019 | | | | |
|---------------------------------|--------------------|------------------------|----------------|------------------------|-------------------------------------|--------------------|--------------------|------------------------|----------------|------------------------|
| | Fuels | Lubricants and greases | Solar system | LPG and Cylinder Sales | Haulage and transportation services | TOTAL | Fuels | Lubricants and greases | Solar system | LPG and Cylinder Sales |
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Revenue | 164,669,846 | 16,973,991 | 10,775 | 9,856 | 274,210 | 181,938,678 | 159,245,196 | 17,249,004 | 39,097 | 17,469 |
| Cost of Sales | 157,003,947 | 12,531,775 | 13,630 | 8,286 | 250,493 | 169,808,131 | 152,387,320 | 12,822,179 | 41,102 | 18,448 |
| Gross Profit / (loss) | 7,665,899 | 4,442,216 | (2,855) | 1,570 | 23,717 | 12,130,547 | 6,857,876 | 4,426,825 | (2,005) | (979) |
| Other income | 924,626 | 539,072 | 3,479 | 1,929 | 155,761 | 1,472,068 | 2,624,292 | 1,694,006 | (767) | - |
| Distribution expenses | (1,410,172) | (818,023) | (526) | 289 | - | (2,233,372) | (1,386,543) | (895,027) | 405 | 198 |
| Administrative expenses | (4,567,086) | (2,648,466) | (1,702) | 936 | (224,396) | (7,232,279) | (5,102,176) | (3,293,504) | 1,492 | 728 |
| | (5,052,632) | (2,927,417) | 1,251 | 3,154 | (68,635) | (7,993,582) | (3,864,427) | (2,494,525) | 1,130 | 926 |
| Operating Profit | 2,613,267 | 1,514,799 | (1,604) | 4,724 | (44,918) | 4,136,966 | 2,993,449 | 1,932,300 | (875) | (53) |
| Net finance cost | (777,929) | (453,514) | (290) | 159 | (93,121) | (1,231,477) | (164,308) | (106,438) | 49 | 23 |
| Profit before income tax | 1,835,388 | 1,061,285 | (1,894) | 4,883 | (138,039) | 2,905,489 | 2,829,141 | 1,825,862 | (826) | (30) |
| Income tax expense/credit | (661,980) | (383,603) | 247 | (136) | - | (1,047,520) | (449,224) | (289,978) | 131 | 64 |
| Profit after tax | 1,173,358 | 677,682 | (1,647) | 4,747 | (138,039) | 1,857,969 | 2,379,917 | 1,535,884 | (695) | 34 |

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

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

Revenue of approximately NGN54,481,070,797 billion are derived from ten external customers 90% of these revenues are attributable to the fuels segment.

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

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

| | Group | Company | |
|---|--------------------|--------------------|------------------|
| | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
| | N'000 | N'000 | N'000 |
| 7.0 Revenue & Cost of Sales | | | |
| 7.1 Revenue | | | |
| Fuels | 164,669,846 | 164,669,846 | 159,245,196 |
| Lubricants and greases | 16,973,991 | 16,973,991 | 17,249,004 |
| Solar system | 10,775 | 10,775 | 39,097 |
| Liquefied Petroleum Gas (LPG) and Cylinder Sales | 9,856 | 9,856 | 17,469 |
| Haulage and transportation services | 274,211 | - | - |
| | 181,938,679 | 181,664,468 | 176,550,766 |
| 7.2 Cost of Sales | | | |
| Fuels | 157,003,947 | 157,003,947 | 152,387,320 |
| Lubricants and greases | 12,531,775 | 12,531,775 | 12,822,179 |
| Solar system | 13,630 | 13,630 | 41,102 |
| Liquefied Petroleum Gas (LPG) and Cylinder Sales | 8,286 | 8,286 | 18,448 |
| Haulage and transportation services | 250,493 | - | - |
| | 169,808,131 | 169,557,638 | 165,269,049 |
| 8 Other income | | | |
| | Group | Company | |
| | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
| | N'000 | N'000 | N'000 |
| Investment property rental income | 176,521 | 176,521 | 275,182 |
| Throughput income (Note 8.1) | 90,749 | 90,749 | 537,360 |
| Foreign exchange gain | 37,216 | 37,112 | 12,436 |
| Sundry income (Note 8.2) | 222,473 | 222,473 | 328,727 |
| Provisions no longer required | 517,084 | 517,084 | 23,054 |
| Freight income (Note 8.3) | 155,761 | 155,761 | 404,090 |
| Gain on disposal of property, plant and equipment | 273,006 | 273,006 | 9,997 |
| Gain on disposal of subsidiary (Note 8.4) | - | - | 2,674,891 |
| Net income from crude lifting contract (Note 8.5) | - | - | 51,419 |
| | 1,472,068 | 1,471,964 | 4,317,155 |

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 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 | APOG | Total |
|---|------------------|------------------|------------------|
| | N'000 | N'000 | N'000 |
| Consideration | 1,242,849 | 28,838 | 12,971,687 |
| Total value of Investment in Subsidiary | (10,000) | (1,094,961) | (11,254,887) |
| Provision for Diminution in value of investment | - | 958,091 | 958,091 |
| Gain/(Loss) on disposal | 1,232,849 | (108,033) | 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.

| | Group | Company | Company |
|---|------------------|------------------|------------------|
| | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
| | N'000 | N'000 | N'000 |
| 9a. Expenses by nature | | | |
| 9a.1. Selling, distribution expenses | | | |
| Fuels - freight | 1,976,960 | 1,976,960 | 2,005,260 |
| Lubes - freight | 245,037 | 245,037 | 270,464 |
| Commissions | 11,374 | 11,374 | 5,242 |
| | 2,233,371 | 2,233,371 | 2,280,966 |
| 9a.2. Administrative Expenses | | | |
| Personnel expenses (Note 9a.2.1) | 1,793,509 | 1,756,554 | 2,402,697 |
| Depreciation and amortisation | 1,479,782 | 1,479,253 | 2,151,459 |
| Bank charge | 153,881 | 103,876 | 169,056 |
| Transport and travel costs | 145,644 | 145,644 | 439,560 |
| Repairs and maintenance | 658,443 | 652,246 | 613,628 |
| Safety security and quality control | 217,085 | 200,642 | 240,419 |
| Insurance | 188,224 | 177,203 | 210,149 |
| Internet, communication and subscription | 171,317 | 166,694 | 108,532 |
| Utilities | 136,826 | 136,826 | 116,664 |
| Professional and legal fees | 481,214 | 387,400 | 341,721 |
| Audit fees | 38,700 | 34,937 | 34,125 |
| Board and AGM expenses | 55,835 | 55,835 | 96,755 |
| Licenses, rates and fees | 229,253 | 229,253 | 141,994 |
| Public relations, promotions and advertisement | 301,331 | 300,281 | 176,922 |
| Rent and leases | 469,558 | 469,558 | 227,676 |
| Bad and uncollectible debt | 64,027 | 64,027 | 9,357 |
| Impairment charge | 39,468 | 39,468 | 69,436 |
| Shrinkage and product losses | 559,282 | 559,282 | 265,220 |
| Loss on disposal of property, plant and equipment | 7,583 | 7,583 | 40,064 |
| Printing and stationery expenses | 13,701 | 13,701 | 15,479 |
| Director fees | 5,200 | 5,200 | 950 |
| Other expenses | 22,416 | 22,416 | 521,597 |
| | 7,232,279 | 7,007,879 | 8,393,460 |

| | Group | Company | Company |
|---|--------------------|--------------------|--------------------|
| 9a.2.1 Personnel expenses | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
| | N'000 | N'000 | N'000 |
| Salaries , wages and allowances | 1,161,675 | 1,131,198 | 1,195,287 |
| Contributions to pension fund scheme | 63,341 | 61,575 | 77,349 |
| Gratuity and redundancy cost | - | - | 611,257 |
| Training, recruitment and canteen expenses | 107,937 | 106,083 | 109,611 |
| Medical expenses | 43,686 | 41,602 | 43,602 |
| Contract Manpower | 389,951 | 389,385 | 344,473 |
| Other personnel expenses | 26,919 | 26,711 | 21,118 |
| | 1,793,509 | 1,756,554 | 2,402,697 |
| | | | |
| | Group | Company | Company |
| 9b. Expenses by function | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
| | N'000 | N'000 | N'000 |
| Cost of sales (Note 7.1.2) | 169,808,131 | 169,557,638 | 165,269,049 |
| Selling, distribution expenses (Note 9a.1) | 2,233,372 | 2,233,371 | 2,280,966 |
| Administrative expenses (Note 9a.2) | 7,232,279 | 7,007,879 | 8,393,460 |
| | 179,273,781 | 178,798,888 | 175,943,475 |
| | | | |
| 10. Finance income and finance cost | | | |
| | N'000 | N'000 | N'000 |
| Finance income | | | |
| Interest income on bank deposits (Note 10.1) | 85,683 | 85,683 | 185,604 |
| Other interest income | 185,266 | 184,141 | 4,369,491 |
| Total Finance income | 270,949 | 269,824 | 4,555,095 |
| | | | |
| | N'000 | N'000 | N'000 |
| Finance costs | | | |
| Interest on medium term bond | (857,557) | (857,557) | (1,258,646) |
| Interest expense on bank loans and overdrafts (Note 10.1) | (644,869) | (550,623) | (1,333,613) |
| Discounting of promissory notes | - | - | (2,233,135) |
| Total Finance cost | (1,502,426) | (1,408,180) | (4,825,394) |
| | | | |
| Net finance costs | (1,231,477) | (1,138,356) | (270,299) |

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.

| | Group | Company | Company |
|--|------------------|------------------|------------------|
| | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
| | | N'000 | N'000 |
| 10.2. Other interest income. | | | |
| Interest and foreign exchange differentials on subsidy | - | - | 3,947,483 |
| Interest on loan and receivables | - | - | 158,648 |
| Interest income on bank credit balances and other | | | |
| Interest income | 185,266 | 184,141 | 263,360 |
| | 185,266 | 184,141 | 4,369,491 |

| | | | |
|--|------------------|------------------|------------------|
| 11. Taxation | Group | Company | Company |
| | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
| | N'000 | N'000 | N'000 |
| a) Income tax expense | | | |
| Income tax | 1,088,474 | 1,088,474 | 904,224 |
| Education tax | 67,701 | 67,701 | 66,819 |
| Nigerian Police Trust Fund | 160 | 160 | 184 |
| Capital Gain Tax | - | - | 151 |
| | 1,156,335 | 1,156,335 | 971,378 |
| Deferred tax (credit)/charge | (108,815) | (20,581) | (232,371) |
| Total income tax expense/(credit) | 1,047,520 | 1,135,754 | 739,007 |
| b) Effective tax rate | N'000 | N'000 | N'000 |
| Profit for the year | 1,857,969 | 2,063,434 | 3,915,140 |
| Profit before taxes | 1,857,969 | 2,063,434 | 3,915,140 |
| Income tax reported in the statement of profit or loss | 1,047,520 | 1,135,754 | 739,007 |
| Total income taxes | 1,047,520 | 1,135,754 | 739,007 |
| Profit before taxes | 2,905,489 | 3,199,188 | 4,654,147 |
| Effective tax rates | 36% | 36% | 16% |

| | Group | Company | Company |
|---|------------------|------------------|------------------|
| | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
| | N'000 | N'000 | N'000 |
| c) Effective tax rate reconciliation | | | |
| The income tax charge for the year can be reconciled to the accounting profit as follows: | | | |
| Profit before taxes | 2,905,489 | 3,199,188 | 4,654,147 |
| Income tax expense at 30% | 871,647 | 959,756 | 1,396,244 |
| Effect of income exempt from taxation | (1,103,968) | (1,103,968) | (972,616) |
| Effect of expenses not deductible for taxation | 1,193,521 | 1,193,521 | 551,491 |
| Effect of capital allowance | (1,005,573) | (1,005,573) | (616,202) |
| Effect of balancing charge | 629,586 | 629,586 | 27,526 |
| Loss effect | - | - | - |
| Capital gains tax | - | - | 151 |
| Education tax | 67,701 | 67,701 | 66,819 |
| Underprovision/(Overprovision) | - | - | - |
| Minimum tax | 1,088,474 | 1,088,474 | 904,224 |
| The Nigerian Police Trust Fund | 160 | 160 | 184 |
| Deferred tax | (108,815) | (20,581) | (232,371) |
| Total income tax expense | 1,047,520 | 1,135,754 | 739,007 |

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

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

| | | | |
|---|------------------|------------------|------------------|
| 11. Taxation (cont'd) | Group | Company | Company |
| | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
| | N'000 | N'000 | N'000 |
| b) Movement in current tax liability balance | | | |
| Liability as at 1 January | 976,632 | 976,632 | 296,217 |
| Income tax for the year | 1,156,335 | 1,156,335 | 971,378 |
| Payments during the year | (957,375) | (957,375) | (209,058) |
| Withholding tax utilised | - | - | (81,905) |
| | 1,175,592 | 1,175,592 | 976,632 |

12 Earnings per share

| | Group 31-Dec-20 | Company 31-Dec-20 | Company 31-Dec-19 |
|---|----------------------------|------------------------------|------------------------------|
| Profit attributable to ordinary shareholders | | | |
| Profit attributable to ordinary shareholders (N'000) | 1,857,969 | 2,063,434 | 3,915,140 |
| Profit attributable to ordinary shareholders (N'000) | 1,857,969 | 2,063,434 | 3,915,140 |
| Weighted average number of ordinary shares Issued ordinary shares at 1 January * ('000) | 1,310,629 | 1,310,629 | 1,310,629 |
| Treasury shares ('000) | (5,599) | (5,599) | (5,599) |
| Weighted average number of ordinary shares ('000) | 1,305,030 | 1,305,030 | 1,305,030 |
| Basic/diluted earnings per share in (N) | 1.42 | 1.58 | 3.00 |

The group's basic earnings per share of N1.42kobo (December 2019 : N3.00kobo) is based on the profit attributable to ordinary shareholders of N1,857,969,000 (December 2019 : N3,915,140,000) on the 1,305,030,180 (December 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 year.

Dilutive instruments

There were no dilutive instruments in the books of the Company for the period ended 31 December, 2020.

13. Property, plant and equipment.**The Group**

| | Land N '000 | Building N '000 | Plant, Equipment N '000 | Computer equipment N '000 | Furniture & fittings N '000 | Motor Vehicle N '000 | Construction Work in progress N '000 | Total N '000 |
|---|------------------------|----------------------------|--|--|--|-------------------------------------|---|-------------------------|
| Balance at 1 January 2020 | 5,082,009 | 3,433,044 | 8,931,692 | 390,948 | 27,244 | 4,011,475 | 227,785 | 22,104,198 |
| Additions | 10,000 | 53,711 | 328,646 | 60,348 | 15,207 | 295,759 | 5,170,527 | 5,934,198 |
| Transfer | | 221,805 | - | - | - | - | (221,805) | - |
| Disposals | - | - | (80,313) | (166) | - | (2,264,531) | - | (2,345,010) |
| Balance at 31 December 2020 | 5,092,009 | 3,708,560 | 9,180,025 | 451,130 | 42,451 | 2,042,704 | 5,176,507 | 25,693,386 |
| Depreciation and impairment losses | | | | | | | | |
| Balance at 1 January 2020 | 444,646 | 1,771,330 | 6,404,111 | 348,660 | 26,972 | 1,995,076 | - | 10,990,795 |
| Charge for the period | 59,670 | 170,588 | 550,920 | 37,307 | 4,324 | 257,370 | - | 1,080,179 |
| Disposals | - | - | (79,968) | (166) | (3,277) | (1,514,525) | - | (1,597,936) |
| Balance at 31 December 2020 | 504,316 | 1,941,918 | 6,875,063 | 385,801 | 28,019 | 737,921 | - | 10,473,038 |
| Carrying amounts | | | | | | | | |
| Balance at 1 January 2020 | 4,637,363 | 1,661,714 | 2,527,581 | 42,288 | 272 | 2,016,399 | 227,785 | 11,113,403 |
| Balance at 31 December 2020 | 4,587,693 | 1,766,642 | 2,304,962 | 65,329 | 14,432 | 1,304,783 | 5,176,507 | 15,220,348 |

(a) Depreciation charge of N1,080,179,000 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.

13 Property, plant and equipment.

| The Company | Land | Building | Plant, equipment and tanks | Computer equipment | Furniture & fittings | Motor Vehicles | Construction Work in progress | Total |
|---|------------------|------------------|----------------------------------|-----------------------|-------------------------|-------------------|-------------------------------------|-------------------|
| | N '000 | N '000 | N '000 | N '000 | N '000 | N '000 | N '000 | N '000 |
| Cost | | | | | | | | |
| Balance at 1 January 2019 | 3,702,195 | 2,769,493 | 8,736,266 | 377,199 | 27,244 | 3,034,278 | 47,318 | 18,693,993 |
| 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 | 4,014,753 | 227,785 | 22,107,475 |
| Additions | 10,000 | 53,711 | 328,646 | 54,213 | 11,843 | 295,759 | 119,500 | 873,672 |
| Transfer | - | 221,805 | - | - | - | - | (221,805) | - |
| Disposals | - | - | (80,313) | (166) | - | (2,264,531) | - | (2,345,010) |
| Balance at 31 December 2020 | 5,092,009 | 3,708,560 | 9,180,025 | 444,995 | 39,087 | 2,042,704 | 125,480 | 20,632,860 |
| Depreciation and impairment losses | | | | | | | | |
| 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 | 6,231 | 393,683 | - | 1,249,655 |
| 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 | 26,972 | 1,995,076 | - | 10,990,795 |
| Charge for the period | 59,670 | 170,588 | 550,920 | 37,114 | 3,988 | 257,370 | - | 1,079,650 |
| Disposals | - | - | (79,968) | (166) | (3,277) | (1,514,525) | - | (1,597,936) |
| Balance at 31 December 2020 | 504,316 | 1,941,918 | 6,875,063 | 385,608 | 27,683 | 737,921 | - | 10,472,509 |
| 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 | 272 | 2,016,399 | 227,785 | 11,116,680 |
| Balance at 31 December 2020 | 4,587,693 | 1,766,642 | 2,304,962 | 59,387 | 11,404 | 1,304,783 | 125,480 | 10,160,351 |

(a) Depreciation charge of N1,079,650,000 (December 2019: N1,249,655,000) is included in administrative expenses in the statement of profit or loss and other comprehensive income.

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

| | Group | Company |
|------------------------------------|------------------|------------------|
| | 31-Dec-20 | 31-Dec-20 |
| | N'000 | N'000 |
| 14 Right of use assets | | |
| Lease property Cost | | |
| Balance at 31 December 2019 | 2,185,044 | 2,185,044 |
| Right of use under construction | 10,500 | 10,500 |
| Addition | 277,999 | 277,999 |
| Balance at 31 December 2020 | 2,473,543 | 2,473,543 |
| Depreciation | | |
| Balance at 1 January 2020 | 808,574 | 808,574 |
| Charge for the year | 339,108 | 339,108 |
| Balance at 31 December 2020 | 1,147,682 | 1,147,682 |
| Carrying amount | | |
| Balance at 31 December 2019 | 1,376,470 | 1,376,470 |
| Balance at 31 December 2020 | 1,325,861 | 1,325,861 |

(a) Additions to right of use assets during year was N288,499,000 (2019; N245,542,000)

(b) Depreciation charge of N339,107,766 is included in administrative expenses in the statement of profit or loss and other comprehensive income.

(c) The Company has leases for some of its retail outlet. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and no lease liability was recognised because the full lease payment for the leased periods was made to the lessor at the contract inception.

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

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

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

| | | | |
|--|---------------------------|------------------------|------------------------|
| (e) | | | Average |
| | No of right-of use | Leased Range of | remaining lease |
| Right-of use asset | assets | remaining term | term |
| Leased Property | 89 | 5 - 25 years | 15years |
| (f) Amount recognised in profit or loss | | | N'000 |
| Short term lease | | | 469,558 |
| | | | 469,558 |

| | Group N'000 | Company N'000 |
|------------------------------------|------------------|------------------|
| 15. Investment property | | |
| Balance at 31 December 2019 | 2,235,584 | 2,235,584 |
| Balance at 31 December 2020 | 2,235,584 | 2,235,584 |
| Depreciation | - | - |
| Balance at 1 January 2020 | 703,589 | 703,589 |
| Charge for the year | 25,449 | 25,449 |
| Balance at 31 December 2019 | 729,038 | 729,038 |
| Charge for the year | 25,449 | 25,449 |
| Balance at 31 December 2020 | 754,487 | 754,487 |
| Carrying amount | - | - |
| At 31 December 2019 | 1,506,546 | 1,506,546 |
| At 31 December 2020 | 1,481,097 | 1,481,097 |

(a) Investment property comprises of a number of commercial properties that are leased to third parties. The lease year ranges between 1 - 5 years. Investment properties are carried at cost/deemed cost. The carrying amount of investment property is separated between lease hold land and buildings. Lease hold land is amortised over the lease year while building is depreciated on a straight line basis over the estimated useful life at 4% per annum.

(b) During the year ended 31 December 2020, the Company recognised N176,521,000 (2019 : N275,182,000) as rental income in statement of profit or loss.

(c) Depreciation charge of N25,499,000 (2019 : N25,499,000) is included in administrative expenses in the statement of profit or loss and other comprehensive income.

(d) The fair value of the investment properties as at 31 October 2020 was N6,725,900,000. The fair valuation was carried out by Jide Taiwo & Co. (FRC2012/NIESV/0000000254) and Ismail & Partners (FRC/2012/NIESV/00000000245). 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 31 December, 2020 are not materially different from the values obtained at 31 October, 2020 and have therefore not recognised any impairment charge during the period.

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

| | Group | Company |
|------------------------------------|------------------|------------------|
| | 31-Dec-20 | 31-Dec-20 |
| | N'000 | N'000 |
| 16. Intangible assets | | |
| Cost | | |
| Balance at 1 January 2019 | 1,034,366 | 1,034,366 |
| Acquisitions | - | - |
| Balance at 31 December 2019 | 1,034,366 | 1,034,366 |
| Addition | - | - |
| Software under construction | 5,860 | - |
| Balance at 31 December 2020 | 1,040,226 | 1,034,366 |
| Amortisation | | |
| Balance at 1 January | 890,555 | 890,555 |
| Charge for the year | 71,058 | 71,058 |
| Balance at 1 January | 961,613 | 961,613 |
| Charge for the year | 35,046 | 35,046 |
| Balance at 31 December 2020 | 996,659 | 996,659 |
| Carrying amounts | | |
| Balance at 31 December 2019 | 72,753 | 72,753 |
| Balance at 31 December 2020 | 43,567 | 37,707 |

(a) This relates to purchase of softwares.

(b) The amortisation charge on intangible assets of N35,046,000 (December 2019 : N71,058,000) is included in administrative expenses in the statement of profit or loss.

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

| | Group | Company |
|--|-----------------------|------------------|
| | 31-Dec-20 | 31-Dec-20 |
| | N'000 | N'000 |
| 17. Receivables from Trucks Disposal (Note 17a) | 4,591 | 4,591 |
| 17a This balance represents the non-current portion of receivables from the disposal of some of the group's delivery trucks to third party transporters | | |
| | 31-Dec-20 | 31-Dec-20 |
| | N'000 | N'000 |
| 18. Investment in Mobile Power | 50,890 | 50,890 |
| This amount represent the cost of the company's equity investment in Mobile Power Limited. | | |
| 19. Investment in subsidiary | | |
| Equity: | Company | |
| | % of ownership | N'000 |
| Axles and Cartage Limited | 100 | 1,000 |

Impairment allowance**Total investment in subsidiaries**

The consolidated financial statements include the financial statements of Ardova Plc and its subsidiary; Axles and Cartage Limited

| | | | Assets | Liabilities | Net |
|--|------------------|----------------|----------------|--------------------|--------------------|
| | | | 2020 | 2020 | 2020 |
| | | | N'000 | N'000 | N'000 |
| 20a. The Group | | | | | |
| i) Recognised deferred tax assets and liabilities | | | | | |
| Deferred tax assets and liabilities are attributable to the following: | | | | | |
| Property, plant and equipment | | | - | 1,211,164 | (1,211,164) |
| Trade receivables | | | 371,313 | - | 371,313 |
| Other receivables | | | 191,369 | - | 191,369 |
| Foreign Exchange Movement | | | (11,393) | - | (11,393) |
| Other liabilities | | | - | - | - |
| Tax losses carried forward | | | 87,891 | - | 87,891 |
| | | | 639,181 | 1,211,164 | (571,983) |
| ii Movement in temporary differences during the period | | | | | |
| | N'000 | N'000 | N'000 | N'000 | N'000 |
| Property, plant and equipment | (1,463,954) | 252,790 | - | - | (1,211,164) |
| Trade receivables | 359,473 | 11,840 | - | - | 371,313 |
| Other receivables | 346,383 | (155,014) | - | - | 191,369 |
| Foreign Exchange Movement | (1,571) | (9,822) | - | - | (11,393) |
| Other liabilities | 78,871 | (78,871) | - | - | - |
| Tax losses carried forward | - | 87,891 | - | - | 87,891 |
| | (680,798) | 108,815 | - | - | (571,983) |

| 20b. The Company | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
|--|----------------|----------------|------------------|------------------|------------------|------------------|
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| i) Recognised deferred tax assets and liabilities | | | | | | |
| Deferred tax assets and liabilities are attributable to the following: | | | | | | |
| Property, plant and equipment | - | - | 1,211,507 | 1,463,956 | (1,211,164) | (1,463,954) |
| Trade receivables | 371,313 | 538,666 | - | - | 371,313 | 359,473 |
| Other receivables | 191,369 | 167,190 | - | - | 191,369 | 346,383 |
| Foreign Exchange Movement | (11,393) | - | - | - | (11,393) | (1,571) |
| Other liabilities | | 77,301 | - | - | - | 78,871 |
| | 551,290 | 783,157 | 1,211,507 | 1,463,956 | (660,217) | (680,798) |

| | | | | | | |
|--|------------------|------------------|-------|-------|------------------|-------|
| ii) Movement in temporary differences during the period | | | | | | |
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Property, plant and equipment | (1,463,954) | 252,447 | - | - | (1,211,507) | |
| Trade receivables | 359,473 | 11,840 | - | - | 371,313 | |
| Other receivables | 346,383 | (155,014) | - | - | 191,369 | |
| Foreign Exchange Movement | (1,571) | (9,822) | - | - | (11,393) | |
| Other liabilities | 78,871 | (78,871) | - | - | - | |
| | (680,798) | 20,581 | - | - | (660,217) | |

| | Group | Company | Company |
|-----------------------------------|-------------------|-------------------|-------------------|
| | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
| | N'000 | N'000 | N'000 |
| 21. Inventories | | | |
| White products | 10,241,902 | 10,241,902 | 7,078,251 |
| Raw materials | 2,004,848 | 2,004,848 | 3,820,907 |
| Packaging materials | 152,604 | 152,604 | 109,363 |
| Semi-finished goods of lubricants | 108,033 | 108,033 | 102,786 |
| Finished goods of lubricants | 1,752,419 | 1,752,419 | 1,296,653 |
| Inventory -Solar System | 44,710 | 44,710 | 65,025 |
| Consumables (Note 20.2) | 249,092 | 231,198 | 361,388 |
| | 14,553,608 | 14,535,714 | 12,834,373 |

21.1 During the year, N169,771,069,000 (December 2019 : N165,269,049,000) of inventory was sold and recognised as cost of sales in the statement of profit or loss.

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

| | Group 31-Dec-20 N'000 | Company 31-Dec-20 N'000 | Company 31-Dec-19 N'000 |
|---|--------------------------------------|--|--|
| 22. Trade receivables | | | |
| Trade receivables (Note 22.1) | 4,706,538 | 4,706,538 | 4,451,848 |
| Impairment allowance - Trade receivables (Note 22.6) | (1,237,712) | (1,237,712) | (1,198,244) |
| | 3,468,826 | 3,468,826 | 3,253,604 |
| 22a Other receivables | | | |
| Petroleum Support Fund receivable (Note 22.2) | - | - | 6,230,423 |
| Notes receivable (Note 22.3) | 4,120,697 | 4,120,697 | 640,082 |
| Advance payment to suppliers (Note 22.8) | 18,194,518 | 17,604,184 | 5,524,009 |
| Receivables on Truck Disposal (Note 22.4) | 562,755 | 562,755 | - |
| Interest receivable | 31,524 | 31,524 | 85,525 |
| Withholding tax recoverable | 25,403 | 25,403 | 44,580 |
| Other receivables (Note 22.5) | 1,549,570 | 4,969,309 | 828,728 |
| Petroleum Equalisation Fund (PEF) payable (Note 22.7) | 686,232 | 686,232 | - |
| | 25,170,699 | 28,000,104 | 13,353,347 |
| Impairment allowance - Other receivables (Note 22.6) | (637,897) | (637,897) | (1,154,610) |
| | 24,532,802 | 27,362,207 | 12,198,737 |
| | N'000 | N'000 | N'000 |
| 22b Prepayments | | | |
| Prepayments | 296,562 | 247,097 | 995,927 |
| Prepaid staff expenses | 192,718 | 192,455 | 229,703 |
| | 489,280 | 439,552 | 1,225,630 |
| Trade and other receivables Notes (a+b) | 28,480,908 | 31,270,585 | 16,677,971 |

22.1 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).

22.2 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 Ardova 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.

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

22.4 This balance represents the current portion of receivables from the group's disposal of delivery trucks to third party transporters during the year.

| 22.5 | | Group 31-Dec-20 N'000 | Company 31-Dec-20 N'000 | Company 31-Dec-19 N'000 |
|-------|---|-----------------------------|-------------------------------|-------------------------------|
| | Other receivables | | | |
| | Related Party receivables - Axles and cartage | - | 3,423,428 | - |
| | Related Party receivables - Prudent Energy | 3,464 | - | - |
| | Other debtors | 1,546,106 | 1,545,881 | 828,728 |
| | | 1,549,570 | 4,969,309 | 828,728 |
| | | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
| | | N'000 | N'000 | N'000 |
| 22.6. | Impairment allowance | | | |
| | At 1 January | 2,352,854 | 2,352,854 | 2,293,105 |
| | Increase during the period | 39,468 | 39,468 | 69,436 |
| | Allowance no longer required | (516,712) | (516,712) | (9,687) |
| | | 1,875,610 | 1,875,610 | 2,352,854 |
| 22.7 | 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. | | | |
| 22.8 | This balance mainly consists of deposits for products made by the company to its primary suppliers as at December 2020 | | | |
| 23. | Restricted cash* | Group 31-Dec-20 N'000 | Company 31-Dec-20 N'000 | Company 31-Dec-19 N'000 |
| | | 30,127 | 30,127 | 19,707 |
| | This represents cash set aside and held with the bank in conformity with the bond agreement and order of court. The portion set aside for the bond is used solely for the repayment of the bond liability and not for any operational needs. | | | |
| 24 | Cash and cash equivalents | 31-Dec-20 N'000 | 31-Dec-20 N'000 | 31-Dec-19 N'000 |
| | Bank balances | 2,329,663 | 2,316,867 | 1,376,867 |
| | Short-term deposits (Note 24.1) | 676,620 | 676,620 | 607,393 |
| | Cash and bank balances | 3,006,283 | 2,993,487 | 1,984,260 |
| | Bank overdrafts used for cash management purposes (Note 24.2) | (3,819,595) | (3,546,574) | (116,773) |
| | Cash and cash equivalents in the statement of cash flows | (813,312) | (553,087) | 1,867,487 |

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 N602,270,000 (Dec 2019 : N605,881,099) 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.

- 25** This represents the overdrawn current account balances with four Nigerian banks. These facilities have an average interest rate of 10.75%

26 Share capital and reserves

| | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
|---|------------------|------------------|------------------|
| | N'000 | N'000 | N'000 |
| Ordinary shares | | | |
| a) Authorised ordinary shares: | | | |
| 4,000,000,000 ordinary shares of 50k each | 2,000,000 | 2,000,000 | 2,000,000 |
| b) Issued and fully paid ordinary shares of 50k each | | | |
| 1,310,629,267 ordinary share of 50k each | 655,314 | 655,314 | 655,314 |
| | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
| | Units | Units | Units |
| c) Shares outstanding | | | |
| Issued ordinary shares at 1 January | 1,310,629 | 1,310,629 | 1,310,629 |
| Treasury shares | (5,599) | (5,599) | (5,599) |
| Number of ordinary shares | 1,305,030 | 1,305,030 | 1,305,030 |
| <i>*These are in thousand units.</i> | | | |
| | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
| | N'000 | N'000 | N'000 |
| d) Share premium | 8,071,943 | 8,071,943 | 8,071,943 |

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.

| | Group | Company | Company |
|----------------------|-------------------|-------------------|------------------|
| | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
| | N'000 | N'000 | N'000 |
| Balance at 1 January | 8,829,683 | 8,829,683 | 6,418,039 |
| Adjustment | - | - | (2,711) |
| Profit for the year | 1,857,969 | 2,063,434 | 3,915,140 |
| Dividend paid | - | - | (1,500,785) |
| | 10,687,652 | 10,893,117 | 8,829,683 |

g) Treasury stocks

This represents 5,599,087 units (at the market value of N248 as at the date of the transfer) amounting to N1,388,573,576 of the company's existing shares transferred to Ardova 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.

27 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

| | Group 31-Dec-20 N'000 | Company 31-Dec-20 N'000 | Company 31-Dec-19 N'000 |
|---|--------------------------------------|--|--|
| Gratuity liability at 1 January | 262,902 | 262,902 | 468,546 |
| Current service costs | - | - | 328,735 |
| Transfer of employee service cost | - | - | 9,072 |
| Provision no longer required | (371) | (371) | (13,368) |
| Payment during the period | (262,531) | (262,531) | (530,084) |
| | - | - | (262,902) |
| Gratuity liability | - | - | 262,902 |
| Planned asset at 1 January | (647,037) | (647,037) | (563,910) |
| Redemption | 699,252 | 699,252 | |
| Actual return on planned assets | (52,215) | (52,215) | (83,127) |
| | - | - | (384,135) |
| Expense recognised in comprehensive income | | | |
| Current service costs | - | - | 328,735 |
| Return on planned assets | (52,215) | (52,215) | (83,127) |
| Charged to profit or loss | (52,215) | (52,215) | 245,608 |

28 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.

| | Group 31-Dec-20 N'000 | Company 31-Dec-20 N'000 | Company 31-Dec-19 N'000 |
|----------------------------|--------------------------------------|--|--|
| Non-current | | | |
| Medium term bond | - | - | 2,735,388 |
| | - | - | 2,735,388 |
| Current | | | |
| Loans and borrowings | 2,289,627 | - | - |
| Medium term bond (26.1) | 2,847,762 | 2,847,762 | 2,476,801 |
| | 5,137,389 | 2,847,762 | 5,212,189 |
| 28.1 Loan movement | | | |
| At 1 January | 5,212,189 | 5,212,189 | 9,246,986 |
| Addition | 2,289,627 | | |
| Interest cost for the year | 1,502,426 | 1,408,180 | 2,592,258 |
| Principal Repayment | (2,364,427) | (2,364,427) | (5,438,107) |
| Interest Repayment | (1,502,426) | (1,408,180) | (1,188,948) |
| At 31 December | 5,137,389 | 2,847,762 | 5,212,189 |

28.2 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 retails 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:
 - b (i) incur any Indebtedness above the sum of Five Billion Naira (N5,000,000,000);
 - b (ii) dispose any of its assets above the sum of Five Billion Naira (N5,000,000,000);
- a. 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.

29. Trade and other payables

| | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
|---|--------------------------|--------------------------|--------------------------|
| | N'000 | N'000 | N'000 |
| Current trade and other payables | | | |
| Trade payable | | | |
| NNPC accounts payable | 2,790,427 | 2,790,427 | 4,361,957 |
| Trade creditors | 9,073,321 | 9,063,042 | 4,171,287 |
| Petroleum Equalisation Fund (PEF) payable (Note 29.1) | - | - | 2,402,599 |
| Inventory accruals (Note 29.2) | 15,893,922 | 15,886,397 | 5,673,520 |
| Customer deposits for products | 3,639,848 | 3,639,848 | 3,037,319 |
| | <u>31,397,518</u> | <u>31,379,714</u> | <u>19,646,682</u> |
| Non-trade payables and other creditors (Note 28.3) | <u>4,083,908</u> | <u>4,054,793</u> | <u>3,176,495</u> |
| Total Trade and other payables | <u>35,481,426</u> | <u>35,434,507</u> | <u>22,823,177</u> |

29.1 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.

29.2 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.

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

| | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
|---|------------------|------------------|------------------|
| | N'000 | N'000 | N'000 |
| Non-trade payables and other creditors | | | |
| Unclaimed dividend | 602,270 | 602,270 | 605,811 |
| Statutory payables (VAT, WHT etc.) | 816,743 | 787,689 | 486,534 |
| Other payables | 2,296,183 | 2,296,121 | 1,715,438 |
| Security deposits | 368,712 | 368,712 | 368,712 |
| | <u>4,083,908</u> | <u>4,054,794</u> | <u>3,176,495</u> |

30 Contingencies**a) Guarantees**

The Company guaranteed the loan provided to its subsidiary Axles and Cartage Limited by Stanbic IBTC Plc.

b) Pending litigation and claims

The Company is engaged in lawsuits that have arisen in the normal course of business. The contingent liabilities in respect of pending litigation and claims amounted to ₦566million at 31 December 2020 (31 December 2019: ₦511 Million). In the opinion of the directors, and based on independent legal advice, the Company is not expected to suffer any material loss arising from these claims. There are no provisions made in these consolidated financial statements in respect of the above pending litigation.

c) Financial commitments

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

31. Transactions with key management personnel**Loan to directors**

No loan to directors was issued during the year ended 31 December 2020.

| | 2020 | 2020 | 2019 | 2019 |
|-----------------------------|---------------|---------------|---------------|---------------|
| | Directors | Chairman | Directors | Chairman |
| | N'000 | N'000 | N'000 | N'000 |
| Directors emoluments | | | | |
| Fee | 1,800 | 800 | 750 | 200 |
| Allowances | 44,400 | 11,100 | 61,382 | 11,111 |
| | 46,200 | 11,900 | 62,132 | 11,311 |

Executive Directors are not entitled to directors fees.

The Company has 146 employees as at 31 December 2020 and 153 as at December 2019.

| | Company | 2020 | 2019 |
|---|--|-----------------|-----------------|
| 1 | Chief Executive Officer | Olumide Adeosun | Olumide Adeosun |
| 2 | Executive Director - Finance and Risk Management | Moshood Olajide | Moshood Olajide |

Transactions with key management personnel

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

| | Group | Company | Company |
|--|------------------|------------------|------------------|
| | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
| | N'000 | N'000 | N'000 |
| Key management personnel compensation comprised: | | | |
| Short-term employee benefits: | | | |
| - Salaries including allowances | 153,701 | 153,701 | 169,272 |
| | 153,701 | 153,701 | 169,272 |
| Post-employment benefits: | | | |
| Defined contribution to compulsory pension fund scheme | 15,216 | 15,216 | 11,410 |
| - Defined benefit gratuity scheme | - | - | 15,428 |
| | 168,917 | 168,917 | 196,110 |
| Range | 31-Dec-20 | 31-Dec-20 | 31-Dec-19 |
| | | Number | Number |
| Below N1,000,000 | - | - | - |
| N1,000,001 - N2,000,000 | 108 | - | - |
| N2,000,001 - N3,000,000 | 7 | 7 | 26 |
| N3,000,001 - N4,000,000 | 38 | 30 | 19 |
| N4,000,001 - N5,000,000 | 24 | 23 | 31 |
| N5,000,001 - N6,000,000 | 22 | 21 | 37 |
| N6,000,001 - N7,000,000 | 21 | 21 | 10 |
| N7,000,001 - N8,000,000 | 12 | 11 | 11 |
| N8,000,001 - N9,000,000 | 10 | 9 | 3 |
| N9,000,001 - N10,000,000 | 3 | 3 | 5 |
| N10,000,001 and above | 21 | 21 | 11 |
| Total | 266 | 146 | 153 |

*These are annual emoluments

32. Prior year corresponding balances

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

33. Other related party transactions

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

| | | | Transaction value during the year 31-Dec-20 N'000 | Balance as at 31 December 31-Dec-20 N'000 | Transaction value during the year 31-Dec-19 N'000 | Balance as at 31 December 31-Dec-19 N'000 |
|---|------------------------|--------------------------|---|---|---|---|
| Prudent Energy & Services Limited | Purchases | Related to core investor | (31,498,674) | (1,745,809) | 17,429,738 | 3,162,395 |
| Prudent Energy & Services Limited | Sales | | 168,216 | - | 200,205 | - |
| Axles and Cartage Limited | Advances | Subsidiary | 3,423,428 | 3,423,428 | - | - |
| Axles and Cartage Limited | Sales | Subsidiary | 47,094 | - | - | - |
| Axles and Cartage Limited | Purchases | Subsidiary | 185,351 | - | - | - |
| Prudent Effsow Commodity Limited | Sales | Sister Company | 47,094 | - | - | - |
| BSG Resources Limited | Advances | | - | - | (7,466,467) | - |
| Amperion Power Distribution Company Limited | Advances | | - | - | (681,341) | - |
| Geregu Power Plc. | Advances | | - | - | (13,245) | - |
| Forte Upstream Services Ltd | Sales & Advances | | - | - | 226,880 | - |
| AP Oil and Gas Ghana Ltd | Translation difference | | - | - | (61,492) | - |
| Zenon Petroleum and Gas Limited | Rent | | - | - | (16,847) | - |
| | | | (27,859,936) | 1,677,819 | 9,617,431 | 3,162,395 |

a) All transactions with these related parties were priced at arm's length.

34. Events after the end of reporting date

There were no events after the reporting date that could have had any material effect on the state of affairs of the company as at 31 December 2020 and on the profit for the year ended on that date that have not been taken into accounts in these financial statements.

Consolidated Statement of Value Added

| | The Group | | The Company | | | |
|---------------------------------------|------------------|------------|------------------|------------|-------------------|------------|
| | 31-Dec-20 | | 31-Dec-20 | | 31-Dec-19 | |
| | N'000 | % | N'000 | % | N'000 | % |
| Turnover | 181,938,679 | | 181,664,468 | | 176,550,766 | |
| Other income | 1,472,068 | | 1,471,964 | | 4,317,155 | |
| Finance income | 270,949 | | 269,824 | | 4,555,095 | |
| | 183,681,696 | | 183,406,256 | | 185,423,016 | |
| Bought in materials and services: | | | | | | |
| - Local | (176,000,490) | | (175,563,081) | | (171,389,319) | |
| Value added | 7,681,206 | 100 | 7,843,175 | 100 | 14,033,697 | 100 |
| APPLIED AS FOLLOWS: | | | | | | |
| To pay employees: | | | | | | |
| Salaries, wages and other staff costs | 1,793,509 | 23 | 1,756,554 | 22 | 2,402,697 | 17 |
| To pay Government: | | | | | | |
| Taxation | 1,156,335 | 15 | 1,156,335 | 15 | 971,378 | 7 |
| To pay providers of capital: | | | | | | |
| Interest on borrowings | 1,502,426 | 20 | 1,408,180 | 18 | 4,825,394 | 34 |
| Retained in the business | | | | | | |
| Deferred Tax | (108,815) | (1) | (20,581) | (0) | (232,371) | (2) |
| Depreciation and amortisation | 1,479,782 | 19 | 1,479,253 | 19 | 2,151,459 | 15 |
| Profit transferred to reserves | 1,857,969 | 24 | 2,063,434 | 26 | 3,915,140 | 28 |
| | 7,681,206 | 100 | 7,843,175 | 100 | 14,033,697 | 100 |

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

Financial Summary

| | The Group | The Company | | | | |
|---|--------------------|--------------------|-------------|-------------|-------------|-------------|
| | 2020 | 2020 | 2019 | 2018 | 2017 | 2016 |
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Funds employed | | | | | | |
| Share capital | 655,314 | 655,314 | 655,314 | 655,314 | 655,314 | 655,314 |
| Share premium | 8,071,943 | 8,071,943 | 8,071,943 | 8,071,943 | 8,071,943 | 8,071,943 |
| Other reserves | (5,041) | (5,041) | (5,041) | (7,752) | (7,752) | (7,752) |
| Retained earnings | 10,687,652 | 10,893,117 | 8,829,683 | 6,418,039 | 5,805,859 | 4,543,801 |
| Total equity attributable to equity holders of the Company | 19,409,868 | 19,615,333 | 17,551,899 | 15,137,544 | 14,525,364 | 13,263,306 |
| Treasury stock | (1,388,574) | (1,388,574) | (1,388,574) | (1,388,574) | (1,388,574) | (1,388,574) |
| Non controlling interests | - | - | - | - | - | - |
| Total equity | 18,021,294 | 18,226,759 | 16,163,325 | 13,748,970 | 13,136,790 | 11,874,732 |
| Current liabilities | 45,614,002 | 43,004,435 | 26,656,285 | 39,438,641 | 38,232,417 | 49,892,291 |
| Non-current liabilities | 1,211,164 | 1,211,507 | 4,199,344 | 7,542,122 | 10,748,422 | 11,691,972 |
| | 64,846,460 | 62,422,701 | 47,018,954 | 60,729,733 | 62,117,629 | 73,458,995 |
| Assets employed | | | | | | |
| Non-current assets | 18,765,534 | 13,612,788 | 14,892,341 | 11,138,651 | 22,654,311 | 22,171,280 |
| Current assets | 45,080,926 | 48,829,913 | 32,126,613 | 49,591,082 | 39,463,318 | 51,287,715 |
| | 64,846,460 | 62,422,701 | 47,018,954 | 60,729,733 | 62,117,629 | 73,458,995 |
| | The Group | The Company | | | | |
| | 2020 | 2020 | 2019 | 2018 | 2017 | 2016 |
| | N'000 | N'000 | N'000 | N'000 | N'000 | N'000 |
| Revenue | 181,938,679 | 181,664,468 | 176,550,766 | 134,706,306 | 86,176,010 | 131,613,962 |
| Operating profit | 4,136,966 | 4,337,544 | 4,924,446 | 2,949,086 | 2,587,372 | 6,707,897 |
| Profit before income tax | 2,905,489 | 3,199,188 | 4,654,147 | 1,028,544 | 1,895,670 | 5,442,482 |
| Profit after tax | 1,857,969 | 2,063,434 | 3,915,140 | 631,471 | 1,262,058 | 3,235,829 |
| Basic & diluted earnings per share in (N) | 1.42 | 1.58 | 3.00 | 0.48 | 0.97 | 2.48 |



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Proxy Form

42nd Annual General Meeting of Ardova Plc to be held at Oduduwa Hall, Southern Sun Hotel, 47 Alfred Rewane Road, Ikoyi, Lagos on Monday April 12, 2021 at 10am.

I/We.....
being a member/members of Ardova Plc hereby appoint (please tick one out of the underlisted nominated proxies):

- Mr. AbdulWasiu Sowami
- Sir Sunny Nnamdi Nwosu, KSS
- Mrs. Adebisi Oluwayemisi Bakare
- Mr. Patrick Ajudua
- Mr. Boniface Okezie
- Pastor Samson Olagoke
- Chief Timothy Adesiyon
- Mrs. Esther Augustine
- Pastor Alex Adio

as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on April 12, 2021 and at any adjournment thereof.

Dated this day of 2021.

Signature of Shareholder

.....

Name of Shareholder.....

| NUMBER OF SHARES HELD: | | |
|---|-----|---------|
| RESOLUTIONS | FOR | AGAINST |
| To consider and approve the Audited Financial Position with the Statement of Profit or Loss and other Comprehensive Income for the year ended 31 st December 2020, the Report of the Directors and the Report of the Auditors and Statutory Audit Committee thereon | | |
| To declare a dividend | | |
| To re-elect Mrs Aniola Durosimi-Etti to the Board of Directors as a Director whose term expires in accordance with Articles 88 and 89 of the Company's Articles of Association | | |
| To authorize the Directors to fix the remuneration of the External Auditors | | |
| To elect/re-elect the members of the Statutory Audit Committee | | |
| To disclose the remuneration of managers of the Company | | |
| To fix the remuneration of the Directors | | |
| To consider and if thought fit, pass the following as ordinary resolutions; i. That pursuant to Article 79 of the Articles of Association, the Company be and is hereby authorized to raise capital in an aggregate amount not exceeding 60,000,000,000.00 (Sixty Billion Naira) through the issuance of shares, convertible or non-convertible securities, loan notes, bonds, global depository notes and any other instrument whether as a standalone or through the establishment of a programme whether by way of a public offering, rights issue, or any other method(s), in such tranches, series or proportions, and at such date and times and on such terms and conditions including through a book building process or any other process as may be determined by the Directors, subject to obtaining all relevant regulatory approvals. ii. Further to resolution (i) above, the Directors be and are hereby authorized to appoint such professional parties and perform all such other acts and do such other things as may be necessary for and/or incidental to the bringing into effect of the above resolutions. | | |
| To renew the general mandate authorizing the Company to enter into recurrent transactions which are of a trading nature or those necessary for its day-to-day operations with related parties or companies in accordance with the Rules of the Nigerian Stock Exchange governing transactions with related parties or interested persons. | | |

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

To be valid, this proxy form should be duly stamped by the Commissioner of Stamp Duties and signed before posting it to reach the address overleaf not later than 48 hours before the time for holding this meeting.

Please note that no action should be taken on the proxy form if the member is attending the meeting.

NOTE:

- In view of the health and safety measures in place by the Government and the Health Authorities including restricting the number of persons at a gathering, this Proxy Form has been prepared to enable Shareholders entitled to attend and vote at the Annual General Meeting exercise their right to vote despite not being physically present at the meeting.
- Members may appoint a Proxy of their choice from the following persons: (a) Mr. AbdulWasiu Sowami, (b) Sir Sunny Nnamdi Nwosu (KSS), (c) Mrs. Adebisi Oluwayemisi Bakare, (d) Mr. Patrick Ajudua, (e) Mr. Boniface Okezie, (f) Pastor Samson Olagoke, (g) Chief Timothy Adesiyon, (h) Mrs. Esther Augustine, (i) Pastor Alex Adio
- If the Shareholder is a Corporation, this form must be executed under its Common Seal or under the hand of some officers or an Attorney duly authorized.
- The Proxy must produce the Admission Card sent with the Notice of the meeting to gain entrance to the meeting.
- In line with the Corporate Affairs Commission Guidelines, the Company has made arrangements at its cost, for the stamping of the duly completed and signed proxy forms submitted to the Company's Registrars within the stipulated time.

Admission Card

Please admit *-----* to the 42nd Annual General Meeting of the members of Ardova Plc holding at Oduduwa Hall, Southern Sun Hotel, 47 Alfred Rewane Road, Ikoyi, Lagos on Monday April 12, 2021 at 10am.

IF YOU ARE UNABLE TO ATTEND THE MEETING

A member (shareholder) who is unable to attend an Annual General Meeting is allowed by law to vote by proxy and the above proxy form has been prepared to vote in case you cannot personally attend the meeting. The names of nine nominated proxies, who are shareholders of the Company have been entered on the form to ensure that someone will at the meeting act as your proxy.

NUMBER OF SHARES HELD

IMPORTANT

- a. The name of the shareholder must be written in BLOCK LETTERS on the form marked (*). Please stamp and sign the proxy form if you are not attending the meeting and post it so as to reach the address shown overleaf not later than April 5, 2021. If executed by a corporation, the proxy form should be sealed with a common seal.
- b. The shareholder or his proxy must produce the admission card to gain entrance to the Annual General Meeting.
- c. Shareholders or their proxies are requested to sign the admission card before attending the meeting.

Signature of person attending.



THE REGISTRAR

VERITAS REGISTRARS
PLOT 89A, AJOSE ADEOGUN STREET
VICTORIA ISLAND LAGOS,
LAGOS STATE.

E-Dividend Mandate

Veritas Registrars
Plot 89 A, Ajose Adeosun Street
Victoria Island, Lagos
www.veritasregistrars.com
Email: enquiry@veritasregistrars.com
Tel: +234 1-2784167, +234 1-2784168

Dear Sir,

I/we hereby request that all dividend(s) due to me/us from my/our holding in Ardova Plc be paid directly to my/our Bank named below

| | | |
|--------------------------|-------|-----------------------------------|
| NAME OF BANK | | BRANCH |
| BANK ADDRESS | | |
| BANK ACCOUNT NO | | |
| SHAREHOLDER'S FULL NAME | TITLE | SURNAME |
| OTHER NAMES | | |
| FULL ADDRESS | | |
| MOBILE (GSM) NO | | LANDLINE |
| SHAREHOLDER'S SIGNATURES | | BANK'S AUTHORISED SIGNATURE/STAMP |
| 1. | | 1. |
| 2. | | 2. |

Company Seal

Please fill out and send this form to the Registrar above

Authority to Electronically Receive Corporate Information

In line with the developments in electronic communications to circumvent the usual issue of late receipt of corporate information, we would like to introduce to our shareholders the electronic delivery of corporate information such as annual reports and financial statements, proxy form etc.

With this service, as an alternative to receiving paper copies of corporate information and materials, you can elect to receive an electronic copy thereof via an email, to which will provide an electronic link to the corporate information and/or a compact disk of the corporate information by post.

If you so elect, kindly complete the authority to electronically receive information attached below and return to the Company Secretariat at the Head Office at No. 1, AP/Conoil Road, Ijora, Lagos or VIA email to shareholders@ardovapl.com

Regards,



Oladeinde Nelson-Cole

Ag. Company Secretary and General Counsel

No. 1, AP/Conoil Road, Ijora, Lagos

FRC/2019/NBA/00000019918

I/We being member/members of Ardova Plc hereby authorise(s) the Company and agree to receive all future corporate information of the Company electronically.

Signature:

Email(s):

CSCS Clearing House Number:

Postal Address:

Telephone Number:

Date:

CSCS Account Number:



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