



30<sup>th</sup> April, 2019

The Director-General  
Securities & Exchange Commission  
Plot 272, Samuel Ademulegun Street  
Central Business District  
Garki  
Abuja

Dear Sir

**FILING OF 2019 FIRST QUARTER UNAUDITED RESULTS FOR ASHARAMI SYNERGY PLC**

In compliance with the rules and regulations of the Securities and Exchange Commission, please find attached the unaudited first quarter results of Asharami Synergy Plc for 2019 prepared in compliance with IFRS.

Kindly acknowledge receipt.

Yours faithfully  
For: ASHARAMI SYNERGY PLC



**ADESOJI OGUNGBESAN**  
CHIEF FINANCE OFFICER

Encl.



30<sup>th</sup> April, 2019

The Director-General  
Securities & Exchange Commission  
SEC Tower  
Plot 272 Samuel Ademulegun Street  
Central Business District  
Abuja

Dear Sir

CERTIFICATION PURSUANT TO SECTION 60(2) OF THE INVESTMENT & SECURITIES ACT, 2007

We, the undersigned Managing Director and Chief Finance Officer respectively of Asharami Synergy Plc. hereby certify in respect of the 2019 unaudited first quarter results of the Company herewith forwarded to you for filing as follows:

- a) That we have reviewed our 2019 unaudited first quarter;
- b) That based on our knowledge, the Results does not contain -
  - i) any untrue statement of a material fact, or
  - ii) omit to state a material fact, which would make the statement misleading;
- c) Based on our knowledge, the Financial Statements and other financial information included in the report fairly present in all material respects the financial condition and results of operations of the company as of, and for the period ended 31<sup>st</sup> March, 2019.
- d) That we:
  - i) are responsible for establishing and maintaining internal controls
  - ii) have designed such internal controls to ensure that material information relating to the Company is made known to us by others within our Company particularly during the 2019 first quarter.
  - iii) have evaluated the effectiveness of the Company's internal controls as of date within 30 days prior to the 2019 unaudited first quarter.
  - iv) have presented in the 2019 unaudited first quarter results our conclusions about the effectiveness of our internal controls based on our evaluation as of that date.

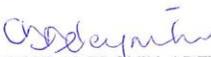




- e) We have disclosed to the Auditors of the Company and Audit Committee:
- i) all significant deficiencies in the design or operation of internal controls which would adversely affect the Company's ability to record, process, summarise and report financial data and have identified for the Company's Auditors any material weakness in internal controls;
  - ii) any fraud, whether or not material, that involves management or other employees who have significant role in the Company's internal controls;
- f) We have identified in the 2019 unaudited first quarter results whether or not there were significant changes in internal controls or 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.

Please note that statutory audit of financial statements for 2018 financial year is ongoing, hence comparative numbers are unaudited as well.

GIVEN under our hands this 30<sup>th</sup> day of April, 2019.



MOROTI ADEDOYIN-ADEYINKA  
MANAGING DIRECTOR



ADESOJI OGUNGBESAN  
CHIEF FINANCE OFFICER



**ASHARAMI SYNERGY PLC**  
FINANCIAL STATEMENTS  
(Q1 2019 UNAUDITED FINANCIALS)

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST MARCH 2019**

	<b>Current (Jan - Mar 2019)</b>	<b>Prior Period (Jan - Mar 2018)</b>	<b>% Change</b>	<b>Current (Jan - Dec 2018)</b>	<b>Prior Period (Jan - Dec 2017)</b>	<b>% Change</b>
	N	N	N	N	N	N
<b>Revenue</b>	24,120,674,343	24,458,783,411	-1.4%	24,120,674,343	24,259,484,281	-1%
<b>Cost of Sales</b>	23,558,534,880	23,450,087,930	0.5%	22,900,879,603	22,717,813,919	1%
<b>Distribution/Admin and Other Expenses</b>	1,008,128,321	982,797,941	2.6%	1,666,188,451	1,721,316,471	-3%
<b>Other Income</b>	584,683,121	510,518,208	14.5%	584,624,382	898,826,567	-35%
<b>Financial Charges</b>	7,953,887	22,421,518	-64.5%	7,489,996	27,796,517	-73%
<b>Profit/Loss Before Tax</b>	130,740,376	513,994,231	-74.6%	130,740,675	691,383,942	-81%
<b>Taxation</b>	41,836,920	49,908,973	-16.2%	41,837,016	199,635,892	-79%
<b>Profit/Loss After Tax</b>	88,903,456	464,085,258	-80.8%	88,903,659	491,748,049	-82%
<b>Other Comprehensive Income</b>	-	-	0.0%	-	-	0%
<b>Total Comprehensive Income</b>	88,903,456	464,085,258	-80.8%	88,903,659	491,748,049	-82%
<b>Profit/Loss After Tax Attr. To Noncontrolling Int</b>	-	-	0.0%	-	-	0%
<b>Profit/Loss After Tax Owners of the Company</b>	88,903,456	464,085,258	-80.8%	88,903,659	491,748,049	-82%
<b>Total Comp. Inc.Attr. to Non-Controlling Interest</b>	-	-	0.0%	-	-	0%
<b>Attributable to Owners of the Company</b>	88,903,456	464,085,258	-80.8%	88,903,659	491,748,049	-82%
<b>Basis Earnings per Share</b>	0.18	0.93	-80.8%	0.18	0.98	-82%
<b>Fully Diluted Earnings per Share</b>	0.18	0.93	-80.8%	0.18	0.98	-82%

**STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2019**

	<b>Current Quarter (31st Mar 2019)</b>	<b>Prior-Year (31st Mar 2018)</b>	<b>% Change</b>	<b>Beginning of Prior Year</b>
	N	N		N
<b>Property, plant and equipment</b>	6,381,564,919	5,906,611,967	8%	
<b>Prepayment Non-Current</b>	7,016,351	9,343,758	-25%	
<b>Investment property</b>	-	-	0%	
<b>Intangible Assets</b>	-	-	0%	
<b>Investments accounted for using the equity method</b>	-	-	0%	
<b>Financial assets</b>	10,000,000	10,000,000	0%	
<b>Deferred tax assets</b>	-	-	0%	
<b>Non-current asset held for sale and disposal groups</b>	-	-	0%	
<b>Total Non Current Assets</b>	6,398,581,270	5,925,955,726	8%	
<b>Inventories</b>	7,557,880,601	8,823,928,765	-14%	
<b>Debtors and Other Receivables</b>	33,031,582,828	22,768,721,883	45%	
<b>Cash and cash equivalents</b>	4,608,096,023	8,532,641,952	-46%	
<b>Other Assets</b>	8,689,495,153	2,372,797,908	266%	
<b>Total Current Assets</b>	53,887,054,605	42,498,090,507	27%	
			0%	
<b>Trade and Other Payables</b>	36,145,179,239	28,664,860,212	26%	
<b>Current Financial liabilities</b>	3,993,687,128	693,687,128	476%	
<b>Current Tax Liabilities</b>	643,812,907	1,123,108,892	-43%	
<b>Deferred Income</b>	10,583,125	15,028,287		
<b>Total Current Liabilities</b>	40,793,262,399	30,496,684,519	34%	
<b>Non-Current Financial liabilities</b>	3,993,687,128	-	0%	
<b>Provisions</b>	-	-	0%	
<b>Deferred Tax Liabilities</b>	131,600,472	131,600,472	0%	
<b>Liabilities included in disposal groups classified as held for sale (Where applicable)</b>	-	-	0%	
<b>Total Non-Current Liabilities</b>	4,125,287,600	131,600,472	3035%	
<b>Working Capital</b>	13,093,792,206	12,001,405,988	9%	
<b>Net Assets</b>	15,367,085,876	17,795,761,242	-14%	
<b>Non Controlling Interest</b>				
<b>Attributable to Owners of the Company</b>				

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR  
ENDED 31st MARCH 2019**

	Share Capital	Capital Reserve	PPE Revaluation Surplus	Available for Sale Fin. Assets	Cash Flow Hedging Reserve	Currency Translations Reserve	Other Reserves	Retained Earnings	Total Equity
<b>Balance as at Beginning of the Prior Year</b>	19,999,000	1,011,884,000	-	-	-	-	-	-	1,031,883,000
<b>Changes in Accounting Policy</b>	-	-	-	-	-	-	-	-	-
<b>Restated Balance</b>	-	-	-	-	-	-	-	1,186,643,135	1,186,643,135
<b>Changes in Equity for the Prior Year:</b>									
<b>Issued Share Capital</b>	480,001,000	-	-	-	-	-	-	(480,001,000)	-
<b>Dividend</b>	-	-	-	-	-	-	-	-	-
<b>Total Comprehensive Income</b>	-	-	-	-	-	-	-	491,748,049	491,748,049
<b>Balance as at End of the Prior Year</b>	500,000,000	1,011,884,000	-	-	-	-	-	1,198,390,184	2,710,274,184
<b>Changes in Equity Current year</b>									
<b>Issued Share Capital</b>	-	-	-	-	-	-	-	-	-
<b>Prior Year Adjustment</b>	-	-	-	-	-	-	-	151,487,644	151,487,644
<b>Dividend</b>	-	-	-	-	-	-	-	-	-
<b>Total Comprehensive Income</b>	-	-	-	-	-	-	-	88,903,659	88,903,659
<b>Balance as at End of the Current Year</b>	500,000,000	1,011,884,000	-	-	-	-	-	1,438,781,487	2,950,665,487

**STATEMENT OF CASH FLOW FOR THE QUARTER ENDED 31ST MARCH 2019**

	<b>Q1 2019</b>	<b>Prior Year (31ST DEC 2018)</b>	<b>% Change</b>
	N	N	
<b>Cash Flow from Operating Activities</b>	(1,224,667,943)	(9,461,471,986)	-87%
<b>Operating Cash Flow before Changes Working Capital Changes</b>	296,270,974	4,640,584,064	-94%
<b>Net Cash Generated from Operating Activities</b>	1,745,800,943)	(10,397,081,699)	-83%
<b>Cash Flow from Investing Activities</b>	(486,925,984)	1,753,531,190	-128%
<b>Cash Flow from financing Activities</b>	(156,502,174)	(9,411,201,669)	
<b>Net Increase/Decrease Cash and Cash Equivalent</b>	(2,389,229,102)	(18,054,752,178)	-87%
<b>Cash and Cash Equivalent Beginning of the Year</b>	7,009,461,765	29,526,604,000	-76%
<b>Cash and Cash Equivalent End of the Year</b>	4,620,232,663	7,009,461,765	-34%
<b>CORPORATE ACTION</b>			
<b>Proposed Bonus</b>			
<b>Proposed Dividend</b>			
<b>Closure Date</b>			
<b>Date of Payment</b>			
<b>AGM Date</b>			
<b>AGM Venue</b>			

## **ASHARAMI SYNERGY PLC**

Financial statements for Q1 2019

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### **1. General information about the reporting entity**

Asharami Synergy Plc was incorporated in Nigeria under the Companies and Allied Matters Act as a public limited liability company. The Company is domiciled in Nigeria and the address of its registered office is Block 5, Ijora GRA, Beside Lagos State Water Corporation, Ijora, Lagos. The principal activities of the Company are to carry on the business of Petroleum sales, Marketing, Store oils, Petrol, Gas, Kerosene, Filling station, erect structures for that purpose. The Company deals in Retail and Bulk supply of Petroleum Products.

### **2. New and revised IFRSs in issue and now effective**

The Company has now applied the following new and revised IFRSs that have been issued but are not yet effective:

The Company has applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7

Mandatory Effective Date of IFRS 9 and Transition Disclosures\*

Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

### **3. Significant Accounting Policies**

#### **3.1 Statement of compliance**

The financial statements have been prepared in accordance with international Financial Reporting Standards (IFRSs) as issued by International Accounting Standard Board (IASB).

#### **3.2 Basis of Preparation and Adoption of IFRS**

The Company's financial statements for the first quarter in 2019 (Q1 2019 Unaudited) have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information required by national regulations is included where appropriate.

The financial statements are presented in Naira, which is the Company's presentation currency. The figures shown in the financial statements are stated in thousands of Naira except where stated otherwise.

#### **3.3 Revenue recognition**

IFRS 15, 'Revenue from Contracts with Customers', the IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer — so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach

entities will recognise transitional adjustments in retained earnings on the date of initial application (eg. 1 January 2017), i.e without restating the comparative period. A new five-step process must be applied before revenue can be recognised which include; identifying contracts with customers, identifying the separate performance obligations, determining the transaction price of the contract, allocating the transaction price to each of the separate performance obligation and recognise the revenue as each of the performance obligation is satisfied.

### **3.3.1 Sale of Goods**

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

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Company.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, value added taxes, excise duties and similar levies. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

### **3.3.2 Interest Income**

\* Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### **3.3.3 Rental Income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

## **3.4 Income Taxes**

The income tax components are the current taxes and deferred taxes.

### **3.4.1 Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute

the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### **3.4.2 Deferred tax**

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax liabilities arising from investment properties at fair value are measured based on the tax consequence of the presumption that the carrying amount of the investment properties measured at fair value will be recovered entirely through sale. This presumption is consistent with the management's business model for the Company's investment properties.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

### **3.4.3 Value Added Tax**

Revenues, expenses and assets are recognised net of the amount of Value Added Tax, except:

- Where the Value Added Tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the Value Added Tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of Value Added Tax included. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## **3.5 Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Property, plant and equipment transferred from Third Party of Related Parties is initially measured at the fair value at the date on which control is obtained. Land and buildings are measured at fair value, less accumulated depreciation on buildings, and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recognised in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the asset's original cost. Additionally, accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

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

The following useful lives are used in the calculation of depreciation:

Plants and machinery	5-years
Motor vehicles	5 years
Office equipment	5 years
Building	20 years
Furniture and fittings	5 years

### 3.6 Intangible assets

#### 3.6.1 Intangible assets acquired separately:

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

#### 3.6.2 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### 3.7 Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to

individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **3.8 Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a Weighted Average Cost basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The company does not hold inventory and currently operates a Just in Time System for its Inventory Procurement.

### **3.9 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

#### **3.9.1 The Company as a lessee**

Finance leases, which transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Company, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of

interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in profit or loss on a straight line basis over the lease term. The company substantially only has

### **3.9.2 Embedded leases**

All take-or-pay contracts are reviewed on inception to determine if they contain any embedded leases.

### **3.9.3 The Company as a lessor**

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

## **3.10 Provisions**

### *(i) General provisions*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation to the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Onerous contracts:** Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

**Restructurings:** A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The

measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Warranties: Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Company's obligation.

*(ii) Decommissioning liability*

The Company recognises a decommissioning liability where it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and reliable estimate of the amount of obligation can be made.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related oil and gas assets to the extent that it was incurred by the development/construction of the field. Any decommissioning obligations that arise through the production of inventory are expensed when the inventory item is recognised in cost of goods sold.

Changes in the estimated timing of decommissioning or changes to the decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to oil and gas assets.

Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with IAS 36. If, for mature fields, the estimate for the revised value of oil and gas assets net of decommissioning provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss as a finance cost.

The company recognises neither the deferred tax asset in respect of the temporary difference on the decommissioning liability nor the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset. The company currently has no provision for decommissioning

*(iii) Environmental expenditures and liabilities*

Environmental expenditures that relate to current or future revenues are expensed or capitalised as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future earnings are expensed.

Liabilities for environmental costs are recognised when a clean-up is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

The amount recognised is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognised is the present value of the estimated future expenditure.

### **3.11 Financial instruments - initial recognition and subsequent measurement**

#### **3.11.1 Financial Assets**

##### *Initial recognition and measurement*

Financial assets in the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which do not include transaction costs.

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

The Company's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification, as follows:

##### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative changes in fair value) or finance revenue (positive net changes in fair value) in the statement of comprehensive income.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the initial recognition date and only if the criteria in IAS 39 are satisfied. The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

The Company evaluates its financial assets as held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify them. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value, with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

#### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either:
  - the Company has transferred substantially all the risks and rewards of the asset, or
  - the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset
- When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of

the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

#### *Impairment of financial assets*

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a Company of financial assets is impaired. A financial asset or a Company of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a Company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### **3.11.2 Financial liabilities**

#### ***Initial recognition and measurement***

Financial liabilities in the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

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

The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts and derivative financial instruments.

#### ***Subsequent measurement***

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

#### *Financial liabilities at fair value through profit or loss:*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated

embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

*Gains or losses on liabilities held for trading are recognised in profit or loss.*

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial recognition date and only if the conditions in IAS 39 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

*Interest-bearing loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the EIR amortisation process.

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

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to [share premium/ other equity [describe]]. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to [retained profits/other equity. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue Of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

*Derecognition*

A financial liability is derecognised when the associated obligation 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 in profit or loss.

### **3.11.3 Offsetting of financial instruments**

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

#### **3.11.4 Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

#### **3.11.5 Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less, but exclude any restricted cash which is not available for use by the Company and therefore is not considered highly liquid - for example, cash set aside to cover decommissioning obligations.

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

### **3.12 Foreign currencies**

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for: Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

Exchange differences on transactions entered into in order to hedge certain foreign currency risks. Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these financial statements, the assets and liabilities of the Company's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

### **3.13 Employee benefits**

#### **3.13.1 Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the periods during which related services are rendered. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value.

#### **3.13.2 Termination benefits**

The company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing benefits as a result of an offer made to encourage voluntary termination. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

### **3.14 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in notes, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are

based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Segment information

All of the Company's assets and operations are located in Nigeria. For management reporting purposes, the Company is organised into business units based on the main types of activities and has three reportable operating segments, as follows:

Bulk Segment relates to Bulk Commercial Sale of Petroleum Product such as PMS, AGO, ATK/DPK and Lubes  
Retail Segment relates to sale of Petroleum Product via the Retail Outlets

Dump Segment relates to the sale of Petroleum Product via Dumpsites provided at customers site/premises.  
No operating segments have been aggregated to form the above reportable operating segments.

The Executive Management Committee monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements. However, the Company's financing (including finance costs and finance income) and income taxes are managed on a Company basis and are not allocated to operating segments.