

NIPCO PLC



CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

NIPCO PLC

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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BOARD OF DIRECTORS, PROFESSIONAL ADVISERS, ETC.

REGISTRATION NUMBER: RC 399339

BOARD OF DIRECTORS:

Chief (Dr) Bestman P. Anekwe
Suresh Kumar

Chairman
Managing Director
Group Executive Director
(Corporate Services)

Alhaji Abdulkadir Aminu (Sarkin Hurmi Adasmawa)
Ramesh Virwani
Alhaji Habu Jajire
Alhaji Sharif Usmanla
Alhaji Umaru Ngelzarma
Chief (Dr) D. I. Ezeamaku
Alhaji Sani Yau
Grace O. Idowu (Mrs.)
Ramesh Kansagra
Rishi Kansagra
Tunji Adeniji

Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director

Retired - 3 November 2020

HEAD OFFICE:

1 & 15 Dockyard Road,
Apapa, Lagos State

COMPANY SECRETARIES:

P. C. Obi & Co.
Providence Chambers
37 Norman Williams Street
Off Awolowo Road, S. W. Ikoyi
Lagos State, Nigeria

INDEPENDENT AUDITORS:

Grant Thornton Nigeria
(Chartered Accountants)
2A Ogalade Close
Off Ologun Agbaje Street, Off Adeola Odéku Street
Victoria Island
Lagos State.

BANKERS:

Access Bank Plc
Eco Bank Plc
Fidelity Bank Plc
First Bank of Nigeria Limited
First City Monument Bank Plc
Guaranty Trust Bank Plc
Heritage Bank Plc
Stanbic IBTC Bank Plc
Standard Chartered Bank UK
Titan Trust Bank
Union Bank of Nigeria Plc
United Bank for Africa Plc
Zenith Bank Plc

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Directors' Report

The directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2020, which disclose the state of affairs of the company.

Legal Form

The company was incorporated as a private limited liability company on 08 January 2001 with an authorised share capital of 1,000,000 ordinary shares of ₦1.00 each. The company's authorised share capital was subsequently increased to 300,000,000 ordinary shares of ₦1.00 each.

Principal Activity

The principal activity of the group continues to be the buying, storing and distribution of petroleum products to IPMAN members and others. The group also deals in Liquefied Petroleum Gas (LPG), Compressed Natural Gas (CNG) and aviation fuel.

Operating Results	Group		Company	
	2020 ₦,000	2019 ₦,000	2020 ₦,000	2019 ₦,000
Revenue	428,819,137	443,950,869	288,615,228	279,838,138
Profit before tax	6,689,588	14,384,037	3,246,583	2,984,324
Tax expense	(3,621,662)	(8,405,040)	(1,572,321)	(1,632,388)
Profit for the year	3,067,926	5,978,997	1,674,262	1,351,936

Directors

The directors who held office during the year and to the date of this report were:

Chief (Dr) Bestman P. Anekwe	Chairman	Nigerian	
Suresh Kumar	Managing Director	Indian	
Alhaji Abdulkadir Aminu (Sarkin Hurmi Adamawa)	Group Executive Director	Nigerian	
Ramesh Virwani	Non-Executive Director	Indian	
Tunji Adeniji	Non-Executive Director	Nigerian	
Alhaji Umaru Ngelzama	Non-Executive Director	Nigerian	
Chief (Dr) D. I. Ezeamaku	Non-Executive Director	Nigerian	Retired - 3 November 2020
Ramesh Kansagra	Non-Executive Director	British	
Alhaji Habu Jajere	Non-Executive Director	Nigerian	
Alhaji Sharif Usmania	Non-Executive Director	Nigerian	
Rishi Kansagra	Non-Executive Director	British	
Grace O. Idowu (Mrs.)	Non-Executive Director	Nigerian	
Alhaji Sani Yau	Non-Executive Director	Nigerian	

Directors Shareholding

The direct and indirect interests of directors in the issued share capital of the company as recorded in the register of directors shareholding and /or as notified by the directors for the purposes of sections 301 of the Companies and Allied Matters Act 2020 are:

	No of Shares
Chief (Dr) Bestman P. Anekwe	700,000
Tunji Adeniji	87,500
Alhaji Abdulkadir Aminu (Sarkin Hurmi Adamawa)	87,500
Alhaji Habu Jajere (Alternate to B. S. Kansagra)	100,000

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Directors Report (Cont'd)

Directors interests in contracts

For the purpose of section 303 of the Companies and Allied Matters Act 2020, none of the directors has notified the company of any direct or indirect interest in contracts or proposed contracts with the company during the year.

Subsidiaries

The parent company has two subsidiaries (NIPCO Investments Limited and NIPCO Gas Limited) and a sub-subsidiary (11 Pic). 11 Pic has a subsidiary called 11 Hospitality Limited. They engage in the sale of compressed natural gas (CNG), investment activities, hotel services and buying, storing, selling and marketing of petroleum products and liquified natural gas (LPG).

Donations and Charitable Gifts

There was a donation of N350 million as COVID 19 Palliative to CACOVID during the year.

Human Resources

Employment of disabled persons

The company continues to maintain a policy of giving fair consideration to the application for employment made by disabled persons with due regard to their abilities and aptitudes. The company's policy prohibits discrimination of disabled person in the recruitment, training and career development of its employees. In the event of members of staff becoming disabled, efforts will be made to ensure that their employment with the company continues and appropriate training arranged to ensure that they fit into the company's working environment.

Health, safety and welfare at work

The company enforces strict health and safety rules and practices at work environment, which are reviewed and tested regularly. The company retains top-class private hospitals where medical facilities are provided for staff at the company's expense.

Fire prevention and Fire-fighting equipment are installed in strategic locations within the company's premises.

The company operates both Group Personal Accident and contributing to the Nigeria Social Insurance Trust Fund in compliance with the requirements of Employees Compensation Act (ECA), 2010. It also operates a contributory pension plan in line with the Pension Reform Act, 2014.

Employee involvement and training

The company ensures, through various fora, that employees are informed on matters concerning them. Formal and informal channels are also employed in communication with employees with an appropriate two-way feedback mechanism.

In accordance with the company's policy of continuous development, training facilities are provided in the company's training school. In addition, employees of the company are nominated to attend both locally and internationally organized courses. These are complemented by on-the job training.

Independent Auditors

In accordance with Section 401(2) of the Companies and Allied Matters Act 2020, Messrs. Grant Thornton (Chartered Accountants) will be reappointed to continue in office as Auditors to the Company having indicated their willingness to do so.

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Directors Report (Cont'd)

Shareholdings

Major shareholding


According to the Register of Members, Purebond Limited of Portland House, 69/71 Wembley Hill Road, Wembley, Middlesex, HA9 8BU, England, has 120,000,000 ordinary shares of N1.00 each representing 64% of the issued share capital of the company. No other shareholder held more than 10% of the share capital of the company as at the reporting date.

Analysis of shareholding

	Range		No. of Holders	Units
1	-	100,000	938	29,498,514
100,001	-	500,000	83	19,609,544
500,001	-	1,000,000	17	14,357,352
1,000,001	-	and Above	4	124,202,919
Total			1,042	187,668,329

Proposed dividend

Based on the current performance of the company, the Directors are proposing a dividend of N3.00 per share for the year ended 31 December 2020.


BY ORDER OF THE BOARD
P. C. OBI & CO
COMPANY SECRETARIES
FRC/2014/NBA/000000009239
LAGOS, NIGERIA.

NIPCO PLC

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Corporate Governance Report

1 Introduction

NIPCO Plc ("the company") sees good corporate governance, good risk management and internal control as key elements in a successful business and a prerequisite to maintain trust among customers, shareholders, authorities and stakeholders. This facilitates effective entrepreneurial and prudent management, thereby contributing to the long term success of the company's business.

Corporate governance remains a dynamic issue, which requires ongoing implementation and embedding the organization's culture. The Board's approach to governance is to keep track of development and adopt those practices that are most relevant to the company to strengthen its competitive advantages once they become part of its operating reality.

2 The Board of Directors

The company is governed by a Board of Directors comprising Directors, and it is a crucial part of the company's corporate structure. The Board has the overall responsibility of managing the affairs of the company and may delegate responsibility to the Chief Executive Officer and to other senior management. It is fully cognizant of its role to provide oversight and strategic counsel with its responsibility to ensure conformance with regulatory requirements and acceptable risk tolerance parameters.

The Board recognizes that there is a limit to the effectiveness of prescriptive governance rules and compliance with the letter of the law, thus, it is proactive about not just ensuring compliance with the regulatory codes of corporate governance, but also embraces the spirit of the principles in their business practices.

3 Responsibilities of the Board

In fulfilling its role as the body charged with the responsibility for the corporate governance framework of the company which ensures robust strategic guidance of the company, effective monitoring of management, and accounting to the shareholders, its stated responsibilities include:

- * Reviewing and guiding corporate strategy, major plans of action, risk policies, annual budgets and business plans, setting performance objectives, monitoring implementations and corporate performance, and overseeing major capital expenditures, acquisitions and diversities.
- * Monitoring the effectiveness of the company's governance practices and making changes where necessary.
- * Selecting, compensating, monitoring and when necessary, replacing key executives and overseeing succession planning.
- * Aligning key executive and board remuneration with the long term interests of the company and its shareholders.
- * Ensuring a formal and transparent board nomination and election process.
- * Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.
- * Ensuring the integrity of the company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control and compliance with the law and relevant standards.
- * Exercising objective independent judgment on corporate affairs by appointing a sufficient number of non-executive Board members capable of exercising independent judgment to tasks where there is a potential conflict of interest.

NIPCO PLC

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Corporate Governance Report (Cont'd)

In discharging its responsibilities, the Board seeks to set, promote and demonstrate adherence to clear values and ethical standards for the company. The Board also remains cognizant of the need to observe the duties owed by directors in law, including the overriding duty for each director to act in the way he considers, in good faith, will be most likely to promote the success of the company for the benefit of its members as a whole, whilst balancing the interest of stakeholders (the company's Shareholders, Customers and the broader community).

The Board discharges its responsibilities through an annual programme of board and other meetings. Through a planned programme of board agenda, the Board ensures that all necessary matters are discussed. The Board meets at least once in every quarter and additional meetings are convened as may be necessary. Prior to board meetings, the Company Secretary coordinates the development of the agenda in a timely and effective manner for approval by the Chairman and ensures the timely dispatch of the agenda and board papers to all the Directors.

The Board is afforded sufficient time for debate and challenge, particularly in respect of strategy and risk, including risk appetites. The Board also seeks to allow sufficient opportunity for the review of past decisions where necessary. At board meetings, the Board receives and considers papers and presentations from management in respect of matters under review.

4 Composition

As at 31 December 2020, the Company had 12 Directors comprised of a Non-Executive Chairman, 2 Executive Directors and 9 Non-Executive Directors.

5 Roles of the Chairman and the Chief Executive Officer

In accordance with recognised practice of good corporate governance, there is a clear division of responsibilities between the running of the board and the executive responsibility for the running of the company's business. No one person has unfettered powers of decision. The roles of the Chairman and Chief Executive are separate and distinct.

The Chairman, Chief (Dr) Bestman P. Anekwe, is a Non-Executive Director and he leads the Board. He is responsible for creating the conditions for, and for ensuring an effective board and effective contributions from internal directors, based on a culture of mutual respect, openness, debate and constructive challenge. The Chairman is in frequent contact with the Managing Director, meeting face to face or by telephone at least once each week. The Chairman also keeps the non-executive directors up to date with significant developments between board meetings.

The Managing Director, Mr Suresh Kumar, has day to day management responsibility for the running of the company's operations, and the implementation of strategy and policies agreed by the Board. The Board has given the Managing Director broad authority to operate the business of the company. The Managing Director promotes the company's culture and standards, including appropriate standards.

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Corporate Governance Report (Cont'd)

6 Non-Executive Directors

The responsibilities of the Non-Executive Directors of the company are as follows:

- * Monitoring and scrutinizing the performance of management in meeting agreed goals, strategy and objectives.
- * Ensuring that the financial information produced by the company is accurate and that the financial controls and system of risk management are both robust and defensible.
- * Determining appropriate levels of remuneration of executive directors, and recommending the appointment, and where necessary removal of executive directors and in succession planning.
- * Promoting the highest standards of corporate governance and seeks compliance with the provisions of the SEC Code.
- * Supporting the Chairman and the Managing Director in their leadership roles while monitoring their conducts.

7 Attendance at Board Meetings

The primary reasons for holding meetings is to allow the Board to make decisions and providing a forum where the Directors regularly come together to focus on their roles and responsibilities, identify the challenges facing the company and plan for the future.

The table below shows the number of Board meetings held within the review period and members' attendance.

Name & Designation	Date of meetings & attendance			
	18-Feb-20	11-Mar-20	26-Jun-20	11-Aug-20
Chief (Dr) Bestman P. Anekwe	✓	✓	✓	✓
Sanjay Teota	✓	✗	✗	✗
Alhaji Abdulkadir Aminu (Sarkin Humi Adamawa)	✓	✓	✓	✓
Ramesh Virwani	✓	✓	✓	✓
Tunji Adeniji	✓	✗	✗	✓
Alhaji Umaru Ngelzarma	✓	✓	✓	✓
Chief (Dr) D. I. Ezeamaku	✗	✓	✗	✗
Ramesh Kansagra	✓	✓	✓	✓
Alhaji Habu Jajiro	✓	✓	✓	✗
Rishi Kansagra	✓	✓	✓	✓
Grace O. Idowu (Mrs.)	✓	✓	✓	✓
Alhaji Sani Yau	✓	✓	✓	✓
Alhaji Sharif Usmania	✓	✓	✓	✓

8 Board Committees

The Board carries out its oversight roles through its committees, each of which has Terms of Reference that clearly defines its purpose, composition, structure, and duties. The Board retains responsibility for final decision making upon recommendation made to the Board through these Committees.

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Corporate Governance Report (Cont'd)

The Board has established the underlisted committee.

* **The Statutory Audit Committee**

The Chairman of the Board is not a member of any of the committees, in line with good corporate governance practice.

9 Statutory Audit Committee

In compliance with section 404 of the Companies and Allied Matters Act 2020 and Securities and Exchange Commission Code of Corporate Governance, the Statutory Audit Committee was established by the Board of the Company.

The Committee consists of 6 (six) members comprising of 3 (three) shareholders and 3 Directors based on CAMA 2004 and forms part of the internal audit mechanism created by the Company to ensure financial regulatory and risk management compliance to financial laws and practices. However, based on CAMA 2020, section 404(3), which became effective in February 2021, the audit committee shall consist of 5 members comprising of 3 members and 2 non-executive directors.

The functions of the Statutory Audit Committee as listed in the Terms of Reference include:

- * Overseeing financial reporting and disclosure process of public companies
- * Monitoring choice of accounting policies and principles
- * Overseeing the hiring and performance and independence of External Auditors
- * Overseeing regulatory compliance of financial reporting standards, ethics & whistle-blowing activism.
- * Monitoring of internal control process
- * Overseeing the performance of internal Audit duties and
- * Evaluating risk management policies and practices, amongst others.

Membership of the Committee and record of attendance at meetings during the review period are as follows:

Dates of meetings & attendance		
Name & Designation	19-Feb-20	11-Aug-20
Alhaji Aminu Adamu - Chairman	✓	✓
Mrs. Grace O. Idowu - Director/Member	✓	✓
Chief Sir J. J. Eze-Okafor - Member	✓	✓
Mr Ramesh Virwani - Director/ Member	✓	✓
Mrs. Ngozi Aniemena - Member	✓	✓
Alhaji Sani Yau - Director/ Member	✓	✓

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Corporate Governance Report (Cont'd)

10 Directors' Continuous Professional Development

All Directors are aware of their responsibilities to the shareholders and have exercised their duties with care, skill and diligence in pursuit of the development of the company.

The Directors are supplied in a timely manner with all relevant documentation and financial information to assist them in the discharge of their duties. This includes information on the company's operational and financial performance.

Newly appointed Directors receive comprehensive and formal induction to ensure that they have a proper understanding of the business of the company and are aware of their duties and responsibilities as directors under the applicable laws.

Each Director is entitled to request for information to enable him/her to make informed opinions and adequately discharge his/her duties.

11 Performance Evaluation

With the aim of improving effectiveness, the Board undertakes annual evaluation of its own performance and that of its committees and individual directors. The evaluation, which is led by the Chairman, aims to be rigorous and objective as possible.

The process of evaluation of the board considers its strengths and weaknesses, the range and balance of skills, experience, independence and knowledge of the company on the board, its diversity, how the Board works together as a unit and any other factor considered relevant to its effectiveness. Individual evaluation aims to show whether each director continues to contribute effectively and to demonstrate commitment to the role (including time commitment). The Chairman acts on the results of the performance evaluation. The strengths are recognised and any weaknesses are addressed.

12 Information and Support

The Board has in place processes to ensure that it is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. The Chairman, through the Company Secretary and with the support of the Managing Director and management ensures that this information is of high quality in terms of accuracy, clarity, appropriateness, comprehensiveness and currency. Directors are able to seek clarifications or amplification from management where necessary.

13 Independent Professional Advice

The Directors have a right to seek professional independent advice at the expense of the company, from any legal, accounting or other expert where the need arises, in the fulfilment of their responsibilities and performance of their duties in relation to the company's affairs.

The Company Secretary is also available at all times to provide advice to the Board on all corporate governance matters applicable to the company.

14 Accountability and Audit

14.1 Financial reporting

The Directors are responsible for preparing the consolidated financial statements of the company and ensuring that the consolidated financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures timely publication of the consolidated financial statements of the company.

Management provided the Board with regular financial updates to enable the Board to give a balanced and understandable assessment of the company's position.

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Corporate Governance Report (Cont'd)

14.2 Internal control and risk management

The Board has the overall responsibility for reviewing the effectiveness of the company's internal control and ensuring that the controls are effective to protect the investors' interests.

Following from the above, the Board, with the support of the Statutory Audit Committee had reviewed the adequacy of resources, qualifications and experience of members of staff of the accounting and reporting department within the review period.

14.3 Whistle-blowing policy

Whistle-blowing policies have been established for employees and all those who deal with the company, in furtherance of the company's aim to improve corporate governance in the organisation.

The purpose of the whistle-blowing policy is to ensure that there is a process whereby genuine concerns about the company are reported for investigation without any fear of dismissal or retaliation.

15 Company Secretary

The Company Secretary is the company's compliance officer and is responsible for guiding the Board in discharging its regulatory responsibilities. The Company Secretary also plays a role in the company's corporate governance and is responsible to the Board in respect of compliance with board procedures. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the board and its committees and between management.

The Directors have unlimited access to the advice and services of the Company Secretary.

16 Shareholders participation and protection of shareholders' rights

The role of shareholders is recognised as critical for good corporate governance practice. Shareholders do not assume responsibility for day-to-day management of a company. However, they influence the corporate governance practice of the company through exercising influence on fundamental matters such as the composition of the Board, amendments to the company's roles, and approving transactions.

Shareholders exercise their influence primarily through voting at and/or attending general meetings. The principle that shareholders should be given the opportunity to participate effectively and vote at general meetings is adopted by the company as a key component of a good corporate governance framework.

All general meetings of shareholders are convened by the Board in accordance with the provisions of the Companies and Allied Matters Act 2020 and notices of meetings, agenda and all other statutory notices are communicated to the shareholders within the time specified by the laws.

The Annual General Meeting is conducted in a transparent and fair manner and it is an opportunity for shareholders to express their views on all matters relating to the company.

17 Declaration of Interests

All directors have a duty under the Companies and Allied Matters Act 2020 to avoid a situation in which they have, or could have, a direct or indirect conflict of interest or possible conflict of interest with the company and, in certain circumstances, to abstain from participating in any discussion or voting on matters in which they have a material personal interest.

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Statement of Directors Responsibilities

The Companies and Allied Matters Act 2020 requires the Directors to prepare consolidated financial statements for each financial year that give a true and fair view of the state of financial affairs of the company at the end of each financial year and its profit or loss. The responsibilities include ensuring that the company:

- Keeps proper accounting records that disclose with accuracy, the financial position of the company and comply with the requirement of the Companies and Allied Matters 2020;
- Establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- Prepares its consolidated financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

The Directors accept responsibility for the annual consolidated financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates in conformity with the International Financial Reporting Standards (IFRS), Financial Reporting Council Act No. 6, 2011 and the Companies and Allied Matters 2020.

The Directors are of the opinion that the consolidated financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of consolidated financial statements as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.



Chief (Dr) Bostman P. Anakwe
Chairman
FRC/2014/IODN/0000009238



Suresh Kumar
Managing Director/CEO
FRC/2020/003/00000021344

NIPCO PLC

REPORT OF THE STATUTORY AUDIT COMMITTEE FOR THE YEAR ENDED 31 DECEMBER 2020

In compliance with the provisions of Section 404 (7) of the Companies And Allied Matters Act 2020, the committee reviewed the audited consolidated financial statements of the company for the year ended 31-December 2020 and report as follows:

- 1 The accounting and reporting policies of the company are consistent with legal requirements and agreed ethical practices.
- 2 The scope and planning of the external audit was adequate.
- 3 The company maintained effective systems of accounting and internal control during the year.
- 4 The company's management adequately responded to matters covered in the management report issued by the External Auditors.

Alhaji Aminu Adamu
Chairman, Statutory Audit Committee

Members of the Statutory Audit Committee are:

- | | |
|------------------------------|----------------------|
| 1 Alhaji Aminu Adamu | Shareholder/Chairman |
| 2 Mrs. Grace O. Idowu | Director/Member |
| 3 Chief Sir J. J. Eze-Okafor | Member |
| 4 Alhaji Sharif Usmania | Director/Member |
| 5 Mr. Ramesh Virwani | Director/Member |
| 6 Mrs. Ngozi Aniemena | Member |
| 7 Alhaji Sani Yau | Director/Member |

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF NIPCO PLC

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the Financial Reporting Council of Nigeria Act No. 6, 2011 and the provision of the Companies and Allied Matters Act 2020.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in

accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. We have communicated the key audit matters to those charged with governance (TCWG). The key audit matters are not a comprehensive reflection of all matters discussed. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Chartered Accountants

Grant Thornton Nigeria

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Off Adenta Oduduwa Street
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Key audit matter	How our audit addressed the key audit matter
<p>Accounting for the acquisition of Lagos Continental Hotel</p> <p>During the year, 11 Plc (A Sub subsidiary) acquired Lagos Continental Hotel through its subsidiary (11 Hospitality Limited) for a purchase consideration of N22.1 billion. 11 Hospitality Limited carry on business as hoteliers, hotel proprietors and hotel managers.</p> <p>Given the higher assessed risk of material misstatement and significant management judgment regarding the identification/ measurement of identifiable assets acquired and liabilities assumed, we considered the accounting for this acquisition to be a key audit matter.</p>	<p>As part of our audit procedures for the accounting of the acquisition:</p> <ul style="list-style-type: none"> • We reviewed the deeds of assignment and Contract for sale to obtain an understanding of the transactions and the key terms. • We assessed the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms and economic circumstances. • We compared the key assumptions within each assessment to market evidence and applicable industry data. • We assessed that the identifiable assets acquired and liabilities assumed met the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements at the acquisition date. • We engaged our internal specialist to re-perform an independent assessment of the procedures performed. • We validated the appropriateness and completeness of the related disclosures in Note 34 of the consolidated financial statements. <p>Based on our procedures performed and our assessment of the disclosures made, we are satisfied that accounting for the acquisition is in accordance with the standard.</p>

Other Information

The directors are responsible for the other information. The other information comprises of the Managing Director's Foreword, Chairman's Statement, Report of the Directors, Corporate Governance Report, Statement of Directors' Responsibilities, Report of the Statutory Audit Committee and Other National Disclosures, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or 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 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. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

- v) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transaction and events in a manner that achieves fair presentation.

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.

Report on Other Legal and Regulatory Requirements

The Companies and Allied Matters Act 2020 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii) In our opinion, proper books of account have been kept by the company; and
- iii) The Group's Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss and Other Comprehensive Income are in agreement with the books of account.



Uchenna Okigbo, FCA
FRC/2016/ICAN/00000015553
For: GRANT THORNTON
(Chartered Accountants)
LAGOS, NIGERIA.



NIPCO PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Group		Company	
		2020 N,000	2019 N,000	2020 N,000	2019 N,000
Revenue	9	428,819,137	443,950,869	288,615,228	279,838,138
Cost of sales	10	(396,427,765)	(408,455,174)	(271,587,639)	(284,270,131)
Gross Profit		32,391,372	35,495,695	17,047,589	15,568,007
Other income	11	13,114,605	10,897,528	3,380,600	2,672,734
Selling and marketing costs	12	(9,394,631)	(8,574,681)	(2,907,098)	(2,392,088)
Administrative expenses	13	(27,116,762)	(21,879,474)	(12,220,166)	(11,318,843)
Operating Profit		8,994,583	15,939,067	5,300,926	4,529,829
Finance costs	14	(2,603,651)	(2,109,145)	(2,123,620)	(1,797,530)
Finance income	15	298,656	554,115	69,277	252,026
Profit Before Income Tax		6,689,588	14,384,037	3,246,583	2,984,324
Tax expense	17	(3,621,662)	(8,405,040)	(1,572,321)	(1,632,388)
Profit for the Year		3,067,926	5,978,997	1,674,262	1,351,936
Other Comprehensive Income					
Items that will not be reclassified subsequently to Profit or Loss					
Loss on subsequent acquisition of Non-controlling interest by owners of parent		(427,959)	(1,001,562)	-	-
Remeasurement gain on net defined benefit obligation		(325,605)	(101,311)	(325,605)	(101,311)
Revaluation surplus		-	-	-	-
Other Comprehensive Income for the Year, Net of Tax		(753,564)	(1,102,873)	(325,605)	(101,311)
Total Comprehensive Income for the Year		2,314,361	4,876,124	1,348,656	1,250,625
Total Comprehensive Income for the year attributable to:					
Non-controlling interest		1,365,005	2,084,152	-	-
Owners of the parent		949,356	2,791,971	-	-
		2,314,361	4,876,124	-	-

Earnings per share from continuing operations attributable to owners during the year: (expressed in naira per share)

Basic Earnings Per Share (BEPS)	16.35	31.86	8.92	7.20
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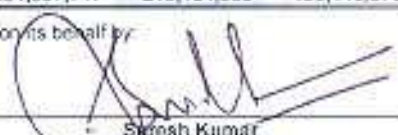
The statement of accounting policies and notes on pages 21 to 61 form an integral part of these financial statements.

NIPCO PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

Assets	Notes	Group		Company	
		2020 #,000	2019 #,000	2020 #,000	2019 #,000
Non-current Assets					
Goodwill	21	115,130,958	115,130,958	-	-
Property, plant & equipment	18	116,917,005	94,399,115	58,935,722	62,030,273
Investment property	19	16,222,690	20,796,633	-	-
Right-of-use assets	20	2,285,935	1,785,361	427,953	257,890
Other intangible assets	22	21,164	44,696	-	-
Capital work in progress	23	19,479,169	36,044,880	7,350	7,350
Investment in subsidiary	24	0	0	60,000	60,000
Other long-term financial assets	25	2,353,326	2,352,700	2,353,326	2,352,700
Non-current assets held for sale	26	-	330,501	-	-
Prepayments	28	37,234	441,094	-	-
		274,447,500	271,325,938	61,784,351	64,708,214
Current Assets					
Inventories	27	14,014,047	24,541,774	4,957,298	7,826,334
Prepayments	28	4,812,009	2,484,096	51,993	34,128
Trade and other receivables	28	37,128,401	25,715,491	133,872,287	100,072,789
Cash and cash equivalents	30	26,916,033	27,330,419	14,756,717	20,503,232
		81,872,490	80,071,780	153,640,244	128,438,463
Total Assets		356,320,070	351,397,717	215,424,595	193,146,676
Equity and Liabilities					
Equity					
Share capital	31	187,668	187,668	187,668	187,668
Share premium	32	2,010,588	2,010,588	2,010,588	2,010,588
Other components of equity	33	77,707,228	78,460,793	49,201,700	49,527,395
Retained earnings		36,375,147	35,235,231	23,899,742	22,778,466
Equity Attributable to Owners of the Parent		116,280,631	115,894,280	75,289,789	74,504,137
Equity Attributable to Owners of the Subsidiary					
Non-controlling interest		6,685,878	8,507,164	-	-
Total Equity		124,966,510	124,401,444	75,289,789	74,504,137
Liabilities					
Non-current Liabilities					
Pension and other employee Obligations	34	1,009,951	608,153	1,009,951	608,153
Borrowings	35.1	43,444,948	61,334,925	0	0
Trade and other payables	37	16,751,327	32,507,891	8,142,210	19,702,825
Deferred tax liabilities	17.3	7,090,166	6,810,629	776,357	776,357
		70,296,380	101,061,697	9,930,518	21,089,335
Current Liabilities					
Borrowings	35.2	21,047,004	13,811,330	15,475,240	9,641,188
Lease liability	36	60,308	-	60,308	-
Trade and other payables	37	69,233,785	45,143,107	57,806,303	32,667,816
Contract and other liabilities	38	67,615,465	62,210,988	54,683,753	53,621,011
Current tax liabilities	17.2	3,110,818	4,761,150	2,208,664	1,532,368
		161,057,180	125,934,575	130,204,288	97,553,204
Total Liabilities		231,353,560	226,996,272	140,134,806	118,642,539
Total Equity and Liabilities		356,320,070	351,397,717	215,424,595	193,146,676

These accounts were approved by the Board of Directors on 10 May 2021 and signed on its behalf by


 Chief (Dr) Bestman P. Anekwe
 Chairman
 FRC/2014/IODN/0000009238


 Satish Kumar
 Managing Director/CEO
 FRC/2020/003/00000021344


 Ppui Baba
 Accounts Manager
 FRC/2014/CAN/00000007667

The statement of accounting policies and notes on pages 21 to 61 form an integral part of these financial statements.

NIPCO PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

Company

Year Ended 31 December 2019	Notes	Share Capital	Share Premium	Other Components of Equity	Retained Earnings	Total
		N'000	N'000	N'000	N'000	N'000
Balance as at 1 January 2019		187,668	2,010,588	49,628,705	21,987,565	73,814,527
Adjustment from the adoption of IFRS 16		-	-	-	1,990	1,990
Adjusted balance at 1 January 2019		187,668	2,010,588	49,628,706	21,989,555	73,816,517
Dividend paid		-	-	-	(563,005)	(563,005)
Other comprehensive income		-	-	(101,311)	-	(101,311)
Profit for the year		-	-	-	1,351,936	1,351,936
Balance as at 31 December 2019		187,668	2,010,588	49,527,395	22,778,486	74,504,137
Year Ended 31 December 2020						
Balance as at 1 January 2020		187,668	2,010,588	49,527,395	22,778,486	74,504,137
Dividend paid		-	-	-	(563,005)	(563,005)
Other comprehensive income	33	-	-	(325,605)	-	(325,605)
Profit for the year		-	-	-	1,674,262	1,674,262
Balance as at 31 December 2020		187,668	2,010,588	49,201,790	23,889,742	75,289,789

The statement of accounting policies and notes on pages 21 to 61 form an integral part of these financial statements.

NIPCO PLC

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

Group

Year Ended 31 December 2019	Notes	Share Capital	Share Premium	Other Components of Equity	Retained Earnings	Total Attributable to Owners of Parent	Non- Controlling Interest	Total
		N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance as at 1 January 2019		187,668	2,010,588	79,563,666	31,901,401	113,663,323	8,413,638	122,076,961
Adjustment from the adoption of IFRS 16					1,990	1,990		
Adjusted balance at 1 January 2019		187,668	2,010,588	79,563,666	31,903,391	113,665,313	8,413,638	122,078,951
Dividend paid		-	-	-	(563,005)	(563,005)	(975,671)	(1,538,676)
Loss on subsequent acquisition of NCI		-	-	(1,001,562)	-	(1,001,562)	-	(1,001,562)
Other comprehensive income		-	-	(101,311)	-	(101,311)	-	(101,311)
Profit for the year		-	-	-	3,894,845	3,894,845	2,084,152	5,978,997
NCI movement during the year (net)		-	-	-	-	-	(1,014,955)	(1,014,955)
Balance as at 31 December 2019		187,668	2,010,588	78,460,793	35,235,231	115,894,280	8,507,164	124,401,444
Year Ended 31 December 2020								
Balance as at 1 January 2020		187,668	2,010,588	78,460,793	35,235,231	115,894,280	8,507,164	124,401,444
Dividend paid		-	-	-	(563,005)	(563,005)	(885,112)	(1,448,117)
Loss on subsequent acquisition of NCI		-	-	(427,959)	-	(427,959)	-	(427,959)
Other comprehensive income	33	-	-	(325,605)	-	(325,605)	-	(325,605)
Profit for the year		-	-	-	1,702,921	1,702,921	1,365,005	3,067,926
NCI movement during the year (net)		-	-	-	-	-	(301,180)	(301,180)
Balance as at 31 December 2020		187,668	2,010,588	77,707,228	36,375,147	116,280,631	8,685,878	124,966,509

The statement of accounting policies and notes on pages 21 to 61 form an integral part of these financial statements.

NIPCO PLC

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Group		Company	
	2020 N,000	2019 N,000	2020 N,000	2019 N,000
Cash Flows from Operating Activities				
Profit before tax	6,689,588	14,384,037	3,246,583	2,984,324
Non-Cash Adjustments:				
Depreciation & amortisation	13,668,154	11,613,398	4,984,714	4,710,725
Contribution to defined benefit plan	401,798	183,491	401,798	183,491
(Gain)/Loss on sale of PPE	318,670	31,010	48,368	(4,542)
Loss on acquisition of NCI	427,959	1,001,562	-	-
Net finance cost/income	2,304,996	1,555,030	2,054,343	1,545,505
Exchange loss/(gain)	267,355	(10,716)	267,521	34,007
Allowance and impairment loss	782,322	146,602	76,003	82,980
Operating Profit Before Working Capital Changes	24,860,840	28,904,413	11,079,330	9,536,490
Working Capital Changes:				
Changes in inventories	10,527,727	4,576,927	2,871,036	3,371,768
Changes in trade and other receivables	(11,412,910)	5,812,130	(33,799,498)	606,387
Changes in prepayment	(1,924,053)	1,791,401	(17,834)	249,304
Changes in trade and other payables	7,999,600	(15,521,552)	12,514,862	(13,706,342)
Changes in contract and other liabilities	5,398,477	12,258,682	1,041,942	12,478,537
	35,447,681	37,821,900	(6,310,163)	12,538,144
Tax paid	(4,792,169)	(4,021,168)	(996,026)	(717,631)
Net Cash Flows from Operating Activities	30,655,512	33,800,712	(7,306,188)	11,820,513
Cash Flows from Investing Activities:				
Acquisition of PPE	(6,128,159)	(6,664,823)	(1,824,329)	(3,509,191)
Lease rental additions	(845,695)	(194,095)	(291,946)	(109,562)
Proceeds from sale of PPE	12,518	6,695	7,680	4,542
Changes other long-term financial assets	(626)	1,091,646	(626)	1,091,646
Changes in capital work in progress	(11,157,049)	(16,359,566)	-	(3,720)
Loan and advances	-	(2,551,024)	-	(2,551,024)
Interest received	298,656	554,115	69,277	252,026
Dividend received	2,089,799	1,999,240	-	-
Net Cash Flows from Investing Activities	(15,730,556)	(22,117,811)	(2,039,943)	(4,825,284)
Cash Flows from Financing Activities:				
Proceeds/(repayment) of borrowings	(10,397,418)	13,258,176	5,834,053	9,641,176
Proceeds/(repayment) of bank overdraft	(256,885)	(695,750)	-	-
Interest paid	(1,877,768)	(1,595,214)	(1,401,910)	(1,285,111)
Dividend paid	(3,537,916)	(3,537,916)	(563,005)	(563,005)
Net Cash Flows from Financing Activities	(16,069,987)	7,429,296	3,869,138	7,793,060
Net Cash Flows for the Year	(1,145,031)	19,112,197	(5,476,994)	14,788,289
Cash and cash equivalents, at 1 January	27,330,419	6,207,504	20,503,232	5,748,950
Exchange difference in cash and cash equivalents	(267,355)	10,718	(267,521)	(34,007)
Cash and Cash Equivalents at 31 December	25,918,033	27,330,419	14,758,717	20,503,232
Cash and Cash Equivalents, 31 December	25,918,033	27,330,419	14,758,717	20,503,232

The statement of accounting policies and notes on pages 21 to 61 form an integral part of these financial statements.

NIPCO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1 Nature of Operations

The principal activities of NIPCO Plc and its subsidiaries (the Group) include buying, storing, selling and distribution of petroleum products to Independent Petroleum Marketers Association of Nigeria (IPMAN) members and other customers. The Group's activity also involves leasing of investment property. These activities are grouped into the following lines:

> **Petroleum Product Marketing and Distribution:** The Group activities involves buying, storing, selling and distribution of petroleum products to IPMAN members and other customers. The petroleum products comprises of petrol, automated gas oil (AGO), dual purpose kerosene (DPK), liquified petroleum gas (LPG), compressed natural gas (CNG) and lubricants.

> **Rental Service:** The Group has investment properties that are leased to corporate bodies to carry on business operations.

> **Hospitality Service:** The Group has hospitality business that provides lodging, foods and drinks services, event centres for meetings/conventions to private individuals and corporate bodies.

2 General Information, statement of compliance with IFRS and going concern assumption

NIPCO Plc, the Group's ultimate parent company, is a limited liability company incorporated under the Companies and Allied Matters Act 2004, on the 8th day of January 2001. It was established by interested members of the Independent Petroleum Marketers Association of Nigeria (IPMAN) on 8 January 2001 with an initial authorised and paid-up share capital of 1,000,000 ordinary shares of N1.00 each. IPMAN is an association of independent oil marketers present in all parts of the country with over 6,000 members. The company has been changed to a public limited liability company with an authorised share capital of 300,000,000 ordinary share of N1.00 each with PUREBOND Limited (a United Kingdom based Group) chosen as a core investor. NIPCO Plc, its subsidiary and sub-subsidiary engage in marketing and distribution of petroleum products in Nigeria. Its registered office and principal place of business is 1 & 15 Dockyard Road, Apapa, Lagos state.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They have been prepared under the assumption that the Group operates on a going concern basis. The Group's audited balances for the year under review are comparable with the prior year balances in all aspects.

The consolidated financial statements for the year ended 31 December 2020 (including comparatives) were approved and authorised for issue by the board of directors of NIPCO Plc on 10 May 2021.

NIPCO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

Group General Information

NIPCO Plc (Parent Company) is the controlling entity of the group. NIPCO Plc exercise significant influence and control over the activities of other entities within the group by means of ownership of over 50% equity share interest. The group is made up of four entities: NIPCO Plc, NIPCO Investment Limited, NIPCO Gas Limited and 11 Plc. NIPCO Investment Limited and NIPCO Gas Limited are subsidiaries, while 11 Plc and 11 Hospitality Limited are sub-subsidiaries. NIPCO Plc has 100% equity share interest in the subsidiaries and 78.82% equity share interest in the sub-subsidiary.

Group Structure	Initials
NIPCO Plc	NP
NIPCO Investments Limited	NIL
NIPCO Gas Limited	NGL
11 Plc	11 Plc
11 Hospitality Limited	HPL

Initials of the entity	Principal activity	Country of incorporation & principal place of business	Proportion of interest held by the entities				
			NP	NIL	NGL	11 Plc	HPL
NP	See Note 1	Nigeria	-	100%	100%	Nil	Nil
NIL		Nigeria	Nil	-	Nil	78.82%	Nil
NGL		Nigeria	Nil	Nil	-	Nil	Nil
11 Plc		Nigeria	Nil	Nil	Nil	-	100%
HPL		Nigeria	Nil	Nil	Nil	Nil	-

Initials of the entity	Number of shares held by the entities				
	NP	NIL	NGL	11 Plc	HPL
NP	-	50,000,000	10,000,000	-	-
NIL	-	-	-	284,209,825	-
NGL	-	-	-	-	-
11 Plc	-	-	-	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)**

3 New or revised standards or interpretations**3.1 New standards adopted as at 1st January 2020**

Some accounting pronouncements which have become effective from 1 January 2020 have been adopted by the Group.

3.1.1 Definition of a Business (Amendments to IFRS 3)

The IASB has issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

Changes to the Definition of a Business (Amendments to IFRS 3)

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- clarify that 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;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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

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

Changes and reasoning behind the changes

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

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

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

- **Obscuring.** The existing definition only focused on omitting or misstating information, however, the Board concluded that obscuring material information with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1 (IAS 1.30A).
- **Could reasonably be expected to influence.** The existing definition referred to 'could influence' which the Board felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote.
- **Primary users.** The existing definition referred only to 'users' which again the Board feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.

Other Standards and amendments that are effective for the first time in 2020 (for an entity with a 31 December 2020 year-end) and could be applicable to the Group are

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to References to the Conceptual Framework (Various Standards)
- COVID-19 Rent Related Concessions (Amendments to IFRS 16)

These amendments do not have a significant impact on these Financial Statements and therefore the disclosures have not been made.

NIPCO PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group:

Other Standards and amendments that are not yet effective and have not been adopted early by the Group include:

Standards
• IFRS 17 Insurance Contracts
• Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
• References to the Conceptual Framework
• Proceeds before Intended Use (Amendments to IAS 16)
• Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
• Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9,
• Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore the disclosures have not been made.

3.2.1 IFRS 17 - Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)**

4 Significant Accounting Policies**4.1 Basis of preparation**

The Group's financial statements have been prepared on an accrual basis and under the historical cost convention. Monetary amounts are expressed in Nigerian currency (₦) and are rounded to the nearest thousands, except for earnings per share.

4.2 Basis of consolidation

The Group's financial statements consolidate those of the parent company and its subsidiaries as of 31 December 2020 (Subsidiary- NIPCO Investment Limited and NIPCO Gas Limited and sub-subsidiary - 11 Plc and 11 Hospitality Limited). The subsidiaries and sub-subsidiary have a reporting date of 31 December.

All transactions and balances between intra-group companies are eliminated on consolidation, including unrealized gains and losses on transactions between those companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries and sub-subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiary invested in during the year, are recognised from the effective date of investment and control over the entity as applicable.

The Group attributes total comprehensive income or loss of sub-subsidiaries between the owners of the parent and non-controlling interests based on their respective ownership interests.

4.3 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

4.4 Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

4.5 Foreign currency translation**Functional and presentation currency**

The consolidated financial statements are presented in Nigerian naira (₦), which is also the functional currency of all the companies within the group.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entities, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions with functional currencies other than the Naira are translated into Naira upon consolidation. The functional currencies of entities within the Group have remained unchanged during the reporting period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)**

4.6 Segment reporting

The Group has two operating segments: Petroleum Products Marketing, and investment property business segments. In identifying these operating segments, management generally follows the Group's operation lines representing its main products and services.

Each of these operating segments is managed separately as each requires different technologies, marketing approaches and other resources. All inter-segment transfers are carried out at arm's length prices based on prices charged to unrelated customers of identical goods or services.

For management purposes, the Group uses the same measurement policies as those used in its financial statements, except for certain items not included in determining the operating profit of the operating segments, as follows:

- Research costs relating to new business activities
- Share-based payment expenses

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

4.7 Revenue

Revenue arises mainly from the sale of petroleum products (namely petrol, AGO, and DPK), LPG, CNG, lubricants and hotel services.

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

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

The Group often enters into transactions involving a range of the Group's products, for example for the delivery of petroleum products to VMI Stations. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

4.7.1 Sale of petroleum products and gas

Revenue from sales of petroleum products are recognised at a point in time when the Group has satisfied its performance obligations in the contract by transferring control of the products to its customers and is entitled to receive consideration for the promised products. Control is transferred when the petroleum products are delivered to the customers. Invoice for the products transferred are due upon receipt by the customers.

4.8 Operating expenses

Operating expenses are recognised in profit or loss upon utilization of the service or as incurred. Expenditure for warranties is recognised when the Group incurs an obligation, which is typically when the related goods are sold.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)**

4.9 Earnings Per Share, Interests and dividends

Basic earnings per share have been calculated using the profit attributable to shareholders of the parent company as the numerator, i.e. no adjustments to profit were necessary in 2020 or 2019. Interest income and expenses are reported on an accrual basis using the effective interest method. Dividends, other than those from investments in associates, are recognised at the time the right to receive payment is established.

4.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

4.11 Profit or loss from discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal group(s) constituting the discontinued operation. However, there were no discontinued operations within the group during the year under review.

4.12 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

4.13 Other intangible assets**Initial recognition of other intangible assets**

Intangible assets comprise of software license, franchise costs and permits from the records of the sub subsidiary (11 Plc). Software license are acquired computer software licenses and are capitalized on the basis of costs incurred to acquire and bring to use the specific software. Franchise costs are capitalized amounts paid to UAC Nigeria Plc, which gives the company the right to use the "Mr Biggs" brand in its retail outlet while Permits are capitalized amounts paid to a third party for a right of way permit.

Intangible assets amortisation is recognised in profit or loss. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are considered to modify the amortisation period or method as appropriate, and are treated as changes in accounting estimates.

Subsequent measurement

All finite-lived intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date and subject to impairment testing. The following useful lives are applied:

- > Software license - 15 years
- > Franchise - 10 years
- > Permits - 20 years

Amortisation has been included within depreciation, amortisation and impairment of non-financial assets.

Subsequent expenditures on the maintenance of computer software is expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

4.14 Property, plant and equipment**Land**

Land held for use in production or administration is stated at revalued amount. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)**

Buildings, IT equipment and other equipment

Buildings, IT equipment and other equipment (comprising fittings & furniture, plants & machinery, vehicle & laboratory equipment and fire fighting equipment) are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management. Buildings, IT equipment and other equipment are subsequently measured at revalued amount and cost less accumulated depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the revalued amount and cost less accumulated depreciation of buildings, computer and other equipment. The following useful lives are applied:

- Building	50 years
- Motor Vehicles and Bicycles	3 - 5 years
- Office and Communication Equipment	3 - 5 years
- Pipelines	5 - 10 years
- Computer Equipment	3 years
- Furniture and Fittings	5 - 10 years
- Laboratory Equipment	3 years
- Plant and Machinery	5 - 10 years
- Fire Fighting Equipment and Electrical Installation	5 - 10 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

4.15 Leased assets**The Group as a lessee**

The Group makes the use of leasing arrangements principally for the provision of the main filling stations and related facilities, and office space. The rental contracts for offices and filling stations are typically negotiated for terms of between 1 and 10 years and some of these have extension terms. Lease terms for office fixtures and equipment have lease terms of between 1 year and 10 years without any extension terms. The Group does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis and contain a wide variety of different terms and conditions such as purchase options and escalation clauses.

The Group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use.

The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Some lease contracts contain both lease and non-lease components. These non-lease components are usually associated with facilities management services at filling stations and servicing and repair contracts in respect of plants and equipment. The Group has elected to not separate its leases for filling stations and offices into lease and non-lease components and instead accounts for these contracts as a single lease component. For its other leases, the lease components are split into their lease and non-lease components based on their relative stand-alone prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)**Measurement and recognition of leases as a lessee**

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. The incremental borrowing rate is the estimated rate that the Group would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Group.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Group's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

Payments under leases can also change when there is either a change in the amounts expected to be paid under residual value guarantees or when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to lease payments takes effect and the revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate. Except for where the change in lease payments results from a change in floating interest rates, in which case the discount rate is amended to reflect the change in interest rates.

The remeasurement of the lease liability is dealt with by a reduction in the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease for lease modifications that reduce the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss. The right-of-use asset is adjusted for all other lease modifications.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. These leases relate to residential houses for a year. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The Group as a lessor

As a lessor the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)**

4.16 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.17 Investment property

Investment properties are properties held to earn rentals or for capital appreciation, or both, and are accounted for using the fair value model.

Investment properties are revalued once every 5 years which result in gains or losses recognised in other comprehensive income. The investment properties on the statement of financial position are carried at cost model.

4.18 Financial instruments**4.18.1 Recognition, and derecognition**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

4.18.2 Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented, the corporation does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All revenue and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)**

4.18.3 Subsequent measurement of financial assets**Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in unquoted securities and listed equity securities at fair value through other comprehensive income (FVOCI). The equity investment in unquoted securities was measured at cost less any impairment charges in the comparative period under IAS 39, as it was determined that its fair value could not be estimated reliably. In the current financial year, the fair value was determined in line with the requirements of IFRS 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at fair value through other comprehensive income (FVOCI)

The Group accounts for financial assets at FVOCI, if the assets meet the following conditions:

- they are held under a business model whose objective it is 'hold to collect' the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)**

4.18.4 Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

4.18.5 Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

4.19 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)**

4.20 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the balance sheet liability method.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 'Income Taxes' specifies limited exemptions. As a result of these exemptions the Group does not recognize deferred tax on temporary differences relating to goodwill, or to its investments in subsidiaries.

4.21 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.22 Non-current assets and liabilities classified as held for sale and discontinued operations

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

4.23 Equity, reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the following:

remeasurement of net defined benefit liability – comprises the actuarial losses from changes in demographic and financial assumptions and the return on plan assets.

Revaluation gains or losses on revalued property, plant and equipment.

Retained earnings include all current and prior period retained profits and share-based employee remuneration.

All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)**4.24 Post-employment benefits and short-term employee benefits****Post-employment benefit**

The Group provides post-employment benefits through various defined contribution and defined benefit plans.

Defined contribution plans

The Group pays fixed contributions into independent entities in relation to several state plans and insurances for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that related employee services are received.

Defined benefit plans

Under the Group's defined benefit plans, the amount of pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets.

Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth rate and mortality. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Service cost on the Group's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost. Net interest expense on the net defined benefit liability is included in finance costs. Gains and losses resulting from remeasurements of the net defined benefit liability are included in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

4.25 Provisions, contingent assets and contingent liabilities

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring exists and management has either communicated the plan's main features to those affected or started implementation. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. 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. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)**

5 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

5.1 Significant management judgements

The following are the judgements made by management in applying the accounting policies of the Group that have the most significant effect on the financial statements:

5.1.1 Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised.

5.1.2 Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of non-financial assets and goodwill

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. In 2020, the Group would recognise an impairment loss on goodwill if there are indications.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and computer equipment.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by market-driven changes that may reduce future selling prices.

Business combinations

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability.

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Leases – determination of the appropriate discount rate to measure lease liabilities

As noted above, the Group enters into leases with third-party landlords and as a consequence the rate implicit in the relevant lease is not readily determinable. Therefore, the Group uses its incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over similar terms which requires estimations when no observable rates are available.

The Group consults with its main bankers to determine what interest rate they would expect to charge the Group to borrow money to purchase a similar asset to that which is being leased. These rates are, where necessary, then adjusted to reflect the credit worthiness of the entity entering into the lease and the specific condition of the underlying leased asset. The estimated incremental borrowing rate is higher than the parent company for leases entered into by its subsidiary undertakings.

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6 Financial Risk Management

6.1 Introduction

The Group uses its financial skills to provide competitive product pricing and delivery to a broad range of customers.

Risk Management is essential to help ensure business sustainability thereby providing customers and the shareholders with a long-term value proposition.

Key elements of risk management are:

- Strong corporate governance including relevant and reliable management information and internal control processes;
- Ensuring significant and relevant skills and services are available consistently to the Group;
- Influencing the business and environment by being active participants in the relevant regulatory and business forums; and
- Keeping abreast of technology and consumer trends and investing capital and resources where required.

The overall Group focus within an appropriate risk framework is to give value to the customers through effective and efficient execution of transactions.

The board of directors acknowledges its responsibility for establishing, monitoring and communicating appropriate risk and control policies.

The Group has exposure to significant risks which are categorised as follows:

- (i) Regulatory (capital adequacy, legal, accounting and taxation);
- (ii) Business environment (reputation and strategic);
- (iii) Operational (people, information technology and internal control processes);
- (iv) Market (equity prices, interest rate and currency); and
- (v) Liquidity

6.2 Detailed discussion of significant risks

6.2.1 Regulatory risk

Regulatory risk is the risk arising from a change in regulations in any legal, taxation and accounting pronouncements or specific industry that pertain to the business of the Group. In order to manage this risk, the Group is an active participant in the petroleum industry and engages in discussions with policy makers and regulators.

6.2.2 Legal risk

Legal risk is the risk that the Group will be exposed to contractual obligations which have not been provided for.

The Group has a policy of ensuring all contractual obligations are documented and appropriately evidenced to agreements with the relevant parties to the contract.

All significant contracted claims are reviewed by independent legal resources and amounts are provided for if there is consensus as to any possible exposure. At 31 December 2020, the directors are not aware of any significant obligation not provided for.

6.2.3 Taxation risk

Taxation risk is the risk of suffering a loss, financial or otherwise, as a result of an incorrect interpretation and application of taxation legislation or due to the impact of new taxation legislation on existing products.

Taxation risk occurs in the following key areas:

- Transactional risk;
- Operational risk;
- Compliance risk; and
- Financial accounting risk.

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FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

- **Transactional risk**

The risk which concerns specific transactions entered into by the Group, including restructuring projects and reorganisations.

- **Operational risk**

The underlying risks of applying tax laws, regulations and decisions to the day-to-day business operations of the Group.

- **Compliance risk**

The risk associated with meeting the Group's statutory obligations.

- **Financial accounting risk**

The risk relates to the inadequacy of proper internal controls over financial reporting, including tax provisioning.

In managing the Group's taxation risk, the company tax policy is as follows:

The Group will fulfil its responsibilities under tax law in each of the jurisdictions in which it operates, whether in relation to compliance, planning or client service matters. Tax law includes all responsibilities which the Group may have in relation to Group taxes, personal taxes, capital gains taxes, indirect taxes and tax administration.

Compliance with this policy is aimed at ensuring that:

- All taxes due by the Group are correctly identified, calculated, paid and accounted for in accordance with the relevant tax legislation;
- The Group continually reviews its existing operations and planned operations in this context; and
- The Group ensures that, where clients participate in Group products, these clients are either aware of the probably tax consequences, or are advised to consult with independent professionals to assess these consequences, or both.

The identification and management of tax risk is the primary objective of the Group tax function, and this objective is achieved through the application of a formulated tax risk approach, which measures the fulfilment of tax responsibilities against the specific requirements of each category of tax to which the company is exposed, in the context of the various types of activities the company conducts.

6.2.4 Accounting risk

Accounting risk is the risk that the Group fails to explain the current events of the business in the financial statements.

Accounting risk can arise from the failure of management to:

- Maintain proper books and records, accounting system and to have proper accounting policies;
- Establish proper internal accounting controls;
- Prepare periodic consolidated financial statements that reflect an accurate financial position; and
- Be transparent and fully disclose all important and relevant matters.

Measures to control accounting risk are the use of proper accounting systems, books and records based on proper accounting policies as well as the establishment of proper internal accounting controls. Proposed accounting changes are researched by accounting resources, and if required external resources, to identify and advise on any material impact on the company.

Financial statements are prepared in a transparent manner that fully discloses all important and relevant matters as well as accurately reflecting the financial position, results and cash flows of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)**6.3 Business environment****6.3.1 Reputational risk**

Reputational risk is the risk of loss caused by a decline in the reputation of the Group or any of its specific business units from the perspective of its stakeholders, shareholders, customers, staff, business partners or the general public.

Reputational risk can both cause and result from losses in all risk categories such as market or credit risk.

6.3.2 Strategic risk

Strategic risk is the risk of an unexpected negative change in the Group value, arising from the adverse effect of executive decisions on both business strategies and their implementation.

This risk is a function of the compatibility between strategic goals, the business strategies developed to achieve those goals and the resources deployed to achieve those goals. Strategic risk also includes the ability of management to effectively analyse and react to external factors, which could impact the future direction of the relevant business units.

6.3.3 Company risk

Company risk identifies and assesses both those risks qualitatively as part of a quarterly evaluation. On the basis of this evaluation, company risk creates an overview of local and global risks which also includes reputational risks, analyses the risk profile of the Group and regularly informs directors and management.

6.3.4 Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

The initiation of all transactions and their administration is conducted on the foundation of segregation of duties that has been designed to ensure materially the completeness, accuracy and validity of all transactions. These controls are augmented by management and executive review of control accounts and systems, electronic and manual checks and controls, back-up facilities and contingency planning. The internal control systems and procedures are also subjected to regular internal audit reviews.

6.3.5 Market risk

Market risk includes asset liability matching risk, currency risk, interest rate risk and equity price risk.

The Group is exposed to market risk through its financial assets and financial liabilities. The most important components of this risk are interest rate risk and market price risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

6.3.6 Interest rate and market price risk

These risks have very different impacts on the various categories of business used in the Group's Assets and Liabilities Management framework. Interest rate and market price risk have been discussed together since they interact on certain types of liabilities.

6.3.7 Interest rate risk

Interest rate risk is the risk that the value and cash flow of a financial instrument will fluctuate due to changes in market interest rates.

6.3.8 Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

6.3.9 Foreign currency risk

In respect of other monetary assets and liabilities held in currencies other than the Naira, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates, where necessary, to address short-term imbalances.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

6.3.10 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss to the other party by failing to discharge an obligation.

Key areas where the company is exposed to credit risk are:

- * Certain classes of financial assets such as bonds, term deposits and cash and cash equivalent; and
- * Certain accounts within trade and other receivables.

Financial assets

Various debt instruments are entered into by the Group in order to invest surplus shareholder funds. The Group is exposed to the issuer's credit standing on these instruments.

The following policy and procedure is in place to mitigate the Group's exposure to this credit risk:

- * Exposure to outside financial institutions concerning financial instrument is monitored in accordance with parameters which have been approved by the Group's Audit Committee and the Group's board.

	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
Age analysis of receivables				
1 - 30 days	15,124,735	4,702,437	6,093,576	5,536,310
31 - 60 days	3,558,195	5,870,814	2,285,095	1,057,283
61 - 90 days	1,770,174	1,144,128	761,697	1,054,975
91 - 180 days	195,488	873,252	104,207	654,230
181 days and above	2,148,059	5,985,780	1,744,405	1,504,222
	22,794,652	18,376,412	10,988,981	9,807,021
Trade receivables	22,795,870	18,376,411	10,990,200	9,807,021
Allowance for expected credit loss	(635,569)	(587,088)	(534,564)	(458,560)
	22,160,302	17,789,324	10,455,636	9,348,460

6.3.11 Liquidity risk

Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on 360-day lookout period are identified monthly. Net cash requirements are compared to available the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by keeping committed credit lines available.

	1 - 12 Months	13 Months & above
	N'000	N'000
31 December 2020		
Borrowings	21,047,004	43,444,948
Bank over-draft	296,269	
Trade and other payables	68,680,631	18,751,327
Contract and other liabilities	67,615,465	
Total	157,639,369	62,196,275
31 December 2019		
Borrowings	13,811,330	61,334,925
Bank over-draft	553,154	
Trade and other payables	43,894,203	32,507,691
Contract and other liabilities	62,218,988	
Total	120,477,675	93,842,916

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Sensitivity Analysis

Management applies a number of sensitivity tests to the earnings of the Group to better understand the exposure to and importance of each of the main drivers of profitability.

IFRS 7 requires management to report on the changes in the net income after tax following "reasonable possible" changes in each of the factors to which the Group is exposed. Management has set the upside and downside movements for each factor at a level which represents the amount by which management believes that factor could reasonably change over the year following the valuation date. These opinions have been informed by an analysis of historical one year changes in those factors. The upper and lower limits have been set at the 75th and 25th percentiles of observed changes as these bound and interval which may be expected to contain 50% of the changes in the coming year. Management believes this represents in some sense what is "reasonably possible", though it is important to note that this opinion is based on past experience and the tested range is not sensitive to all the relevant information in the market at the reporting date.

Management has considered the impact of upside and downside movements in foreign exchange rates. In relation to these sensitivities:

- * The earnings are sensitive to changes in both the shape and level of the yield curve. Management has not considered changes in the shape of the yield curve due to several constraints although this may be reviewed in the following year.
- * The foreign exchange movements have been considered together in the same sensitivity. Observed historic negative correlations between factors would tend to dampen the effects presented. These correlations are not very large and they have not been adjusted for. This treatment has resulted in the presentation of a slightly more extreme view of what could reasonably occur over the following year.

Future rates of expense inflation, catastrophes and tax assumptions were considered but no sensitivities are presented as it is unlikely, in management's opinion that, these assumptions will change over the following year.

It should be noted that each impact on profit after tax is shown individually for each sensitivity being changed, keeping all other assumptions constant. In practice this is unlikely to occur, as changes in some of the variables may be correlated.

7 Interest in subsidiaries**7.1 Composition of the Group**

Set out below are the details of the subsidiaries held directly by the Group:

Name of the subsidiary	Country of incorporation & principal place of business	Principal activity	Proportion of interest held by the Group at year end	
			2020	2019
NIPCO Investments Limited	Lagos state, Nigeria	Investment business	100%	100%
NIPCO Gas Limited	Lagos state, Nigeria	The marketing and distribution of compressed natural gas (CNG).	100%	100%
11 Plc	Lagos state, Nigeria	Petroleum products marketing/distribution and investment property business.	78.82%	77.81%
11 Hospitality Limited	Lagos state, Nigeria	Hospitality business	78.82%	0.00%

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7.2 Sub-subsidiary with material non-controlling interest

The Group includes one sub-subsidiary, 11 Plc, with material non-controlling interests (NCI):

Name	Proportion of ownership interest and voting rights held by NCI		Total comprehensive income allocated to NCI		Accumulated NCI	
	2020	2019	2020	2019	2020	2019
			N'000	N'000	N'000	N'000
11 Plc	21.18%	22.19%	1,365,005	2,084,152	8,685,878	8,507,164

Dividend were paid to NCI during the year 2020 and 2019

Summarised financial information of 11 Plc before intragroup elimination is set out below:

	2020	2019
	N'000	N'000
Statement of Financial Position		
Non-current assets	59,970,517	51,518,005
Current assets	35,478,332	39,691,282
	95,448,850	91,199,287
Non-current liabilities	(15,438,516)	(16,288,683)
Current liabilities	(37,072,772)	(35,229,027)
Net Assets	42,937,561	39,681,576
Equity attributable to owners of the parent	34,251,683	31,174,412
Non-controlling interests	8,685,878	8,507,164
	42,937,561	39,681,576
Statement of Profit or Loss and Other Comprehensive Income		
Revenue	163,907,942	191,575,329
Profit for the year attributable to owners of the parent	7,518,744	7,244,783
Profit for the year attributable to NCI	1,365,005	2,084,152
Profit for the Year	8,883,749	9,328,935
Other comprehensive income for the year (attributable to owners of the parent)	-	-
Total comprehensive income for the year attributable to owners of the parent	7,518,744	7,244,783
Total comprehensive income for the year attributable to NCI	1,365,005	2,084,152
Total Comprehensive Income for the Year	8,883,749	9,328,935
Statement of Cash Flows		
Net cash from operating activities	18,692,203	24,315,257
Net cash used in investing activities	(12,056,097)	(17,972,026)
Net cash from (used in) financing activities	(2,602,919)	(1,390,055)
Net Cash In-Flows	4,033,197	4,953,176

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)**

8. Segment reporting

Management currently identifies the Group's three service lines as its operating segments. These operating segments are monitored by the Group's chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results.

The main sources of revenue for this segments are the sales of finished petroleum products, rental income from investment properties, and hospitality services.

	Petroleum products marketing	Investment property business	Hospitality Business	Petroleum products marketing	Investment property business	Total		
	2020			2019			2020	2019
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	
Revenue from external customers	427,230,653	7,660,720	1,588,485	443,950,869	7,630,271	436,479,857	451,581,140	
Cost of sales	(396,267,909)	-	(159,856)	(408,455,174)	-	(396,427,765)	(408,455,174)	
Administrative expenses	(10,111,122)	(13,510)	(2,541,655)	(10,109,593)	(9,880)	(12,666,287)	(10,119,473)	
Selling and distribution expenses	(9,384,063)	-	(10,568)	(8,574,681)	-	(9,394,631)	(8,574,681)	
Depreciation and amortisation	(9,605,646)	(2,573,741)	(1,488,787)	(9,037,200)	(2,576,198)	(13,668,154)	(11,613,398)	
Allowance and impairment loss	(107,812)	-	(674,510)	(146,602)	-	(782,322)	(146,602)	
Segment operating profit	1,754,101	5,073,469	(3,286,872)	7,627,619	5,044,193	3,540,698	12,671,812	
Segment assets	317,322,211	18,222,890	20,774,970	330,601,084	20,796,633	356,320,070	351,397,717	

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	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
9 Revenue				
Sale of petrol	210,899,512	250,326,525	131,977,659	130,476,401
Sale of AGO	104,053,599	78,743,060	102,817,289	93,865,134
Sale of DPK	238,758	5,191,456	149,258	3,962,736
Sale of aviation fuel	15,022,807	23,237,585	-	5,236,809
Sale of LPG	53,180,329	44,443,434	52,546,545	45,001,786
Sale of CNG	6,498,739	6,523,403	-	-
Sale of lubricants	37,536,909	35,485,405	1,124,476	1,295,272
Sale of food & beverages	433,710	-	-	-
Sale of other items	169,851	-	-	-
Rooms	984,923	-	-	-
	428,819,137	443,950,869	288,615,228	279,838,138

The Group's revenue disaggregated by pattern of revenue recognition is listed above.

10 Cost of Sales				
Purchase cost	391,340,967	404,458,373	267,229,949	260,691,622
Food & beverages	166,880	-	-	-
Inspection expenses	39,278	39,481	39,278	39,481
Lease rental expenses	50,854	26,413	50,854	26,413
Manufacturing cost	582,135	418,292	-	-
Management fee	3,102,614	2,803,784	3,102,614	2,803,784
Other direct cost	1,145,037	708,830	1,144,944	708,830
	396,427,765	408,455,174	271,567,639	264,270,131

The cost of sales comprises of purchases of products and other related cost that are incurred while bringing the goods to its point of sales. The group management fee represents commission on turnover, while other direct cost consist of discount allowed expenses, and carriage in ward expenses.

11 Other Income				
Rent received	7,985,846	7,916,807	5,559	26,300
Margin and others	3,285,006	1,615,580	1,531,289	1,281,295
Other income from retail division	1,374,796	824,834	1,374,796	824,834
Marketers throughput commission	-	18,302	-	18,302
NNPC throughput commission	468,957	522,003	468,957	522,003
	13,114,605	10,897,526	3,380,600	2,672,734

Other operating income relates to income earned from other activities other than the company's principal activities. Margin and others relates to income earned by dealings with third parties.

12 Selling and Marketing Cost				
Selling and marketing expenses	6,555,372	6,305,860	68,558	124,591
Sales rebate, dealers margin & haulage	2,839,259	2,268,821	2,838,539	2,267,477
	9,394,631	8,574,681	2,907,098	2,392,068

Selling and marketing cost consist of expenses incurred in promoting the company's business. While sales rebate expenses are cost incurred through rebate given to dealers on products lifted.

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	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
13 Administrative Expenses				
Employee benefit expenses	2,936,332	3,194,244	979,389	1,211,099
Directors remuneration	213,150	178,383	25,800	26,650
Audit fee	58,325	48,500	20,000	20,000
Depreciation and amortisation	13,668,154	11,613,398	4,984,714	4,710,725
Allowance and impairment loss	782,322	148,602	76,003	82,980
Rooms related expenses	88,360	-	-	-
Food & beverage related expenses	18,996	-	-	-
Exchange loss	267,355	34,029	267,521	34,007
General admin expenses	9,063,769	6,656,317	5,866,739	5,233,362
	27,116,762	21,879,474	12,220,166	11,318,843

The Group's employee benefit expenses relates to cost incurred on staff remuneration and other related employee expenses (See Note 13.1). Directors Remuneration are cost incurred on directors allowances; Depreciation expenses relate to the reduction of the depreciable amount of the respective assets. Impairment loss has been provided based on the recoverability of the asset being less than the carrying value of the group's assets. Other administrative expenses mainly comprises of advert and promotion, repairs and maintenance, printing and stationery, telephone and postages, travel and hotel expenses.

	2020	2019	2020	2019
13.1 Employee Benefit Expenses				
Wages and salaries	2,552,105	2,974,382	804,243	1,101,364
Pension - defined benefit plan	57,896	41,206	57,896	41,206
Pension - defined contribution plan	176,083	93,467	-	-
Bonus, allowance & incentives	137,529	73,943	113,044	64,779
ITF expenses	11,991	7,489	4,098	3,724
Other staff cost	728	3,756	108	27
	2,936,332	3,194,244	979,389	1,211,099

Expenses recognised for employee benefits are analysed above:

	2020	2019	2020	2019
13.2 Depreciation and Amortisation				
Depreciation of PPE	10,725,659	8,728,963	4,862,831	4,620,679
Depreciation of investment property	2,573,741	2,576,198	-	-
Depreciation of ROU assets	345,222	284,617	121,883	90,046
Amortisation of other intangible assets	23,532	23,620	-	-
	13,668,154	11,613,398	4,984,714	4,710,725

Depreciation charges comprises of depreciation charges on property, plant and equipment and investment properties. Amortisation charges comprises of amortisation of computer software, franchise and permits.

	2020	2019	2020	2019
14 Finance Cost				
Interest on loan & overdraft	1,810,002	1,526,333	1,334,144	1,216,230
Interest on defined benefit obligation	60,104	68,881	60,104	68,881
Interest on lease	7,662	-	7,662	-
Bank charges	725,883	513,931	721,710	512,419
	2,603,651	2,109,145	2,123,620	1,797,530

The Group's finance cost relates to the items listed above

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	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
15 Finance Income				
Interest income	298,656	554,115	69,277	252,026
	298,656	554,115	69,277	252,026

The Group's finance income represent interest income on short - term bank deposit and loan to employee. It also includes interest income earned on placement with banks.

16 Expenses by Nature				
Cost of sales	396,427,765	406,455,174	271,567,639	264,270,131
Selling and marketing cost	9,394,631	8,574,681	2,907,098	2,392,068
Depreciation and amortisation	13,668,154	11,613,396	4,984,714	4,710,725
Employee benefit expenses	2,936,332	3,194,244	979,389	1,211,099
Finance cost	2,603,651	2,109,145	2,123,620	1,797,530
	425,030,533	433,946,641	282,562,460	274,381,554

17 Taxation

17.1 Income Tax Recognised in Income Statement

Current Tax				
Company income tax	2,979,280	4,892,064	1,650,141	1,474,238
Education tax	410,771	476,333	170,180	158,150
Prior year (over)/under provision	(248,000)	898	(248,000)	-
	3,142,052	5,369,296	1,572,321	1,632,388
Deferred Tax				
Deferred tax expense	479,610	3,035,745	-	-
Total Income Tax Expenses Recognised in the current year	3,621,662	8,405,040	1,572,321	1,632,388

The tax rate used for the 2020 and 2019 tax computation is 30% payable by Corporate Entities in Nigeria and 2% for Education Tax.

17.2 Current Tax Liabilities

At 1 January	4,761,150	4,085,539	1,632,388	717,631
Charge for the year	3,142,052	5,369,296	1,572,321	1,632,388
	7,903,202	9,454,835	3,204,709	2,350,019
WHT credit utilised	(415)	(672,497)	-	-
Paid during the year	(4,792,169)	(4,021,188)	(996,026)	(717,631)
At 31 December	3,110,618	4,761,150	2,208,684	1,632,388

17.3 Deferred Tax

At January 1	6,610,629	3,574,884	778,357	778,357
Change for the year	479,610	3,035,745	-	-
At December 31	7,090,155	6,610,629	778,357	778,357

Deferred taxes arising from temporary differences and unused tax losses are summarised above.

NIPCO PLC

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

Company

18 Property, Plant & Equipment

Details of the company's property, plant and equipment and their carrying amounts are as follows:

	Land	Buildings	Pipelines	Plant and Machinery	Vehicle and Bicycle	Office and Communication Equipment	Computer Equipment	Furniture and Fittings	Laboratory Equipment	Fire Fighting Equipment and Electrical Installation	Total
Revalued Amount	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
As at 1 January 2020	17,020,120	8,272,759	-	36,237,302	3,809,547	89,255	32,341	74,627	8,782	1,941,527	68,086,258
Additions	72,196	23,000	-	1,035,719	430,854	2,159	6,174	835	-	253,394	1,824,329
Disposal/write off					(80,840)						(80,840)
As at 31 December 2020	17,692,316	8,295,759	-	37,273,020	4,159,561	91,414	38,515	75,460	8,782	2,194,921	68,829,747
Depreciation											
As at 1 January 2020	-	219,597	-	4,741,639	789,764	17,598	13,653	28,359	3,903	241,402	6,055,985
Charge for the year	-	165,547	-	3,685,534	792,826	18,044	11,563	7,491	2,927	158,897	4,862,831
Disposal/write off					(24,792)						-
As at 31 December 2020	-	385,144	-	8,407,173	1,557,800	35,643	25,216	35,850	6,830	440,360	10,894,025
Carrying Amount											
As at 31 December 2020	17,692,316	7,910,615		28,865,848	2,601,761	55,771	13,299	39,600	1,952	1,754,561	58,935,722
As at 31 December 2019	17,020,120	8,053,162		31,495,663	3,019,783	71,657	18,688	46,258	4,879	1,700,065	62,030,273

All depreciation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.

The property, plant and equipment of NIPCO Plc was valued by an Independent Valuer. The revaluation method adopted is Market Value basis with recourse to the income approach. The assets were revalued on 23 October 2019. The cost of the PPE before revaluation is N23,373,034,290.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

Group

18 Property, Plant & Equipment

Details of the Group's property, plant and equipment and their carrying amounts are as follows:

	Land	Buildings	Pipelines	Plant and Machinery	Vehicle and Bicycle	Office and Communication Equipment	Computer Equipment	Furniture and Fittings	Laboratory Equipment	Fire Fighting Equipment and Electrical Installation	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Revalued Amount											
As at 1 January 2020	19,364,825	18,849,069	12,495,869	52,832,447	5,625,168	132,468	34,858	426,046	8,782	2,201,886	111,971,458
Acquired	-	12,324,392	-	6,264,771	18,857	-	164,259	2,781,234	-	-	21,553,514
Additions	367,422	417,332	1,692,995	2,547,950	602,138	8,292	12,466	26,109	-	253,364	6,128,159
Transfers		54,453		5,671,912				(103,645)			5,622,760
Disposal/write off				(33,533)	(80,840)						(114,173)
As at 31 December 2020	19,732,247	31,645,306	14,388,864	67,283,747	6,165,323	140,780	211,584	3,129,804	8,782	2,455,280	145,161,718
Depreciation											
As at 1 January 2020		2,990,137	2,481,996	10,023,633	1,354,747	27,404	14,059	342,886	3,903	293,534	17,572,343
Charge for the year	-	884,114	1,961,395	5,909,854	1,052,384	27,289	64,578	595,165	2,927	237,951	10,725,657
Transfers				138,436				(138,436)			-
Disposal/write off			-	(28,495)	(24,792)						(53,287)
As at 31 December 2020		3,874,251	4,443,391	16,043,428	2,422,339	54,692	68,677	799,517	6,830	531,485	28,244,713
Carrying Amount											
As at 31 December 2020	19,732,247	27,771,056	9,945,471	51,240,319	3,742,984	86,088	142,907	2,330,187	1,952	1,923,795	116,917,005
As at 31 December 2019	19,364,825	15,856,952	10,013,870	42,808,814	4,230,420	105,085	20,760	83,158	4,879	1,908,352	94,399,115

All depreciation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.

The property, plant and equipment of NIPCO Plc was valued by an Independent Valuer. The revaluation method adopted is Market Value basis with recourse to the income approach. The assets were revalued on 23 October 2019. The cost of the PPE before revaluation is N23,373,034,290.

NIPCO PLC

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

19 Investment Property

	Land & Building N'000	Plant & Equipment N'000	Furniture & Fittings N'000	Assets Under Construction N'000	Total N'000
Cost					
As at 1 January 2020	12,645,195	20,450,384	-	293,206	33,389,785
Additions	-	-	-	-	-
As at 31 December 2020	12,646,195	20,450,384	-	293,204	33,389,785
Depreciation					
As at 1 January 2020	2,099,960	10,493,192	-	-	12,593,152
Charge for the year	298,560	2,275,180	-	-	2,573,740
As at 31 December 2020	2,398,520	12,768,372	-	-	15,166,892
Carrying Amount					
As at 31 December 2020	10,247,674	7,682,012	-	293,204	18,222,890
As at 31 December 2019	10,546,235	9,957,192	-	293,206	20,796,633

Investment properties comprises one office complex, one residential complex and four residential properties.

There was valuation of investment properties in 2019. The fair value of the properties as at April 2019 was N6.8 billion. The valuation was performed by two independent valuers, Sunbo Onitiri & Co (FRC/2014/00000002931) and Partners Chartered Surveyors & Real Estate Consultants (FRC/2012/NIESV/00000000245).

There are no restriction on the remittance of income and proceeds of disposal. The Group's investment properties has not been pledged as security for loan.

	2020 N,000	2019 N,000
Amount recognised in profit or loss for the year before tax		
Rental income from investment property	7,650,720	7,630,271
Direct operating expenses from rental generating property	(2,587,251)	(2,588,078)
	5,073,469	5,044,193

NIPCO PLC

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

Company	Land & Building	Plant & Machinery	Furniture & Fittings	Total
20 Right-Of-Use Assets	₦,000	₦,000	₦,000	₦,000
Cost				
As at 1 January 2020	173,968	139,175	34,794	347,936
Additions	145,973	116,778	29,195	291,946
Written-off	(959)	(767)	(192)	(1,918)
As at 31 December 2020	318,983	255,186	63,797	639,883
Depreciation				
As at 1 January 2020	45,023	36,019	9,005	90,046
Charge for the year	60,942	48,753	12,188	121,883
Written-off	(959)	(767)	(192)	(1,918)
As at 31 December 2020	105,006	84,005	21,001	211,930
Carrying Amount				
At 31 December 2020	213,977	171,181	42,795	427,953
At 31 December 2019	128,945	103,156	25,789	257,890

NIPCO PLC

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

Group	Land & Building N,000	Plant & Machinery N,000	Furniture & Fittings N,000	Total N,000
20 Right-Of-Use Assets				
Cost				
As at 1 January 2020	1,896,009	139,175	34,794	2,069,977
Additions	699,722	116,778	29,195	845,695
Written-off	(959)	(767)	(192)	(1,918)
As at 31 December 2020	2,594,773	255,186	63,797	2,913,755
Depreciation				
As at 1 January 2020	239,593	36,019	9,005	284,617
Charge for the year	284,280	48,753	12,188	345,221
Written-off	(959)	(767)	(192)	(1,918)
As at 31 December 2020	522,914	84,005	21,001	629,838
Carrying Amount				
At 31 December 2020	2,071,858	171,181	42,795	2,285,835
At 31 December 2019	1,656,415	103,156	25,789	1,785,361

NIPCO PLC

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

	Group		Company	
	2020 N,000	2019 N,000	2020 N,000	2019 N,000
21 Goodwill				
Goodwill on acquisition	115,130,958	115,130,958	-	-
	115,130,958	115,130,958	-	-

Impairment testing

For the purpose of annual impairment testing, goodwill is allocated to the operating segments expected to benefit from the synergies of the business combinations in which the goodwill arises, and is compared to its recoverable value. As at the reporting date 31 December 2020, there were no indicators of impairment of goodwill in line with or in reference with IAS 36.12

22 Other Intangible Assets				
Cost				
Computer software	229,582	229,582	-	-
Franchise	-	77,006	-	-
Permits	15,044	15,045	-	-
	244,627	321,633	-	-
Accumulated Amortisation				
Computer software	218,386	195,606	-	-
Franchise	-	77,006	-	-
Permits	5,077	4,325	-	-
	223,463	276,938	-	-
Amortisation for the year				
Computer software	22,780	22,780	-	-
Franchise	-	88	-	-
Permits	752	752	-	-
	23,532	23,620	-	-
Disposal				
Franchise	-	14,035	-	-
	-	14,035	-	-
Balance as at 31 December	21,164	44,696	-	-

Details of the Group's other intangible assets and their carrying amounts are listed above. This amount represents expenses incurred to acquire computer software, franchise and permits to facilitates the business operations of the group. All amortisation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.

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FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
23 Capital Work-in-Progress				
Opening balance	36,044,880	20,521,105	7,350	3,630
Additions	11,157,049	16,359,566		3,720
Transfers	(27,722,760)	(835,791)		
Carrying Amount	19,479,169	36,044,880	7,350	7,350

Capital work in progress comprises of expenditures on the ongoing projects.

24 Investment in Subsidiaries				
NIPCO Plc investment in NIPCO Investments Ltd	-	-	50,000	50,000
NIPCO Plc investment in NIPCO Gas Ltd	-	-	10,000	10,000
NIPCO Investments Ltd investments in 11 Plc	0	0	-	-
11 Plc investment in 11 Hospitality Ltd	-	-	-	-
	0	0	60,000	60,000

Investment in subsidiaries relates to NIPCO Plc direct investment in subsidiaries.

25 Other Long-Term Financial Assets				
Lease	71,237	70,611	71,237	70,611
Available for sale financial assets (i)	2,282,089	2,282,089	2,282,089	2,282,089
	2,353,326	2,352,700	2,353,326	2,352,700

Lease represent the cost of equipment bought for dealers station; recoverable from rebates.

(i) Unquoted investment/private placement	2,282,089	2,282,089	2,282,089	2,282,089
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Unquoted investments are recognised at cost as the investments are not traded in the stock market.

26 Non-Current Assets Held for Sale	-	330,501	-	-
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	Cost	Depreciation	Carrying amount
Land	30,556		30,556
Building	69,082	48,492	20,590
Plant and equipment	132,354	104,322	28,032
Fixtures and fittings	1,682	1,682	-
Write-back of unamortised prepayments			251,323
Balance as at 31 December 2019	233,674	154,496	330,501

The non-current asset held for sale relates to a service station that the Lagos state government intend to use for a major project of overriding public interest.

NIPCO PLC

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
27 Inventories				
Finished products	13,004,077	10,772,483	4,957,298	7,828,334
Raw materials	877,330	13,858,348	-	-
Consumable equipment and spares	132,640	110,943	-	-
	14,014,047	24,541,774	4,957,298	7,828,334

Inventories consist of finished product such as Petrol, Liquefied Petroleum Gas (LPG), Automotive Gas Oil (AGO), House Hold Kerosene (HHK) also called Dual Purpose Kerosene (DPK) and Lubricants that are held for sale in the ordinary course of business.

28 Prepayments				
28.1 Non-current				
Employee benefits	37,234	441,094	-	-
	37,234	441,094	-	-
28.2 Current				
Insurance	42,569	-	-	-
Rent	68,543	52,287	51,963	34,128
Trade	4,700,897	2,431,809	-	-
	4,812,009	2,484,096	51,963	34,128

Prepayment comprises of trade prepayments and employees loans that are expensed on a straight line basis

29 Trade and Other Receivables				
Trade receivable gross	22,795,870	18,376,411	10,990,200	9,807,021
Allowance for expected credit loss	(635,569)	(587,088)	(534,584)	(458,560)
	22,160,302	17,789,324	10,455,636	9,348,460
PPMC/NNPC	3,032,693	1,926,082	3,032,693	1,926,082
Throughput receivable	816,055	786,764	816,055	786,764
Intercompany receivables	(0)	904	110,368,710	83,161,278
Loans and advances	558,502	177,759	82,005	153,274
Payables with debit balances	34,183	57,702	34,183	57,702
VAT receivable	43,759	-	43,759	-
Withholding tax receivable	85,299	221,532	54,777	28,388
Other receivables	10,397,609	4,755,424	8,984,449	4,610,819
	37,128,401	25,715,491	133,872,267	100,072,769

Trade and other receivables consist of items listed above and the carrying amount is at amortised cost.

NIPCO PLC

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
30 Cash and Cash Equivalents				
Bank balances	15,337,849	22,738,211	10,683,145	20,468,923
Short term bank deposit	10,542,311	4,551,274	4,042,311	-
Cash in hand	37,873	40,933	33,261	34,309
	25,918,033	27,330,419	14,758,717	20,503,232

The bank balances includes balances in foreign currencies that are translated at the year end, using the inter-bank rate as at 31 December 2020, while cash-in-hand represents cash balance as at year end.

31 Share Capital				
Authorised				
300,000,000 Ordinary share of N1 each	300,000	300,000	300,000	300,000
Called up share capital				
200,000,000 ordinary shares of N1 each	200,000	200,000	200,000	200,000
Issued and fully paid				
187,668,329 ordinary shares of N1 each	187,668	187,668	187,668	187,668

The share capital of NIPCO Plc consist only of fully paid ordinary shares with a nominal value of N1 each.

32 Share Premium	2,010,588	2,010,588	2,010,588	2,010,588
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Proceeds received in addition to the nominal value of the shares issued have been included in share premium, less registration and other regulatory fees and net of related tax benefits.

33 Other Components of Equity
The details of other components of equity are as follows:

Company

	Revaluation reserve	Subsequent acquisition of NCI	Actuarial reserve & others	Total
Balance as at 1 January	49,590,992	-	(63,597)	49,527,395
Remeasurement of net defined benefit liability			(325,605)	(325,605)
Balance as at 31 December 2020	49,590,992	-	(389,202)	49,201,790

Group

Balance as at 1 January	81,378,452	(2,526,955)	(390,704)	78,460,793
Remeasurement of net defined benefit liability			(325,605)	(325,605)
Loss on subsequent acquisition of NCI		(427,959)		(427,959)
Balance as at 31 December 2020	81,378,452	(2,954,914)	(716,310)	77,707,228

NIPCO PLC

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
34 Pension and Other Employee Obligations				
Non-current				
Defined benefit liability	1,009,951	608,153	1,009,951	608,153
	1,009,951	608,153	1,009,951	608,153

The current portion of these liabilities represents the Group's obligations to its current and former employees that are expected to be settled during 2020. Other short-term employee obligations arise mainly from accrued holiday entitlement at the reporting date and expected pension payments in the next 12 months (without deduction of plan assets). As none of the employees are eligible for early settlement of pension arrangements, the remaining part of pension obligations for defined benefit plans is considered non-current.

Pension and other employee obligations

The plan assets are managed by a pension fund that is legally separated from the Group. The board of trustees of the pension fund is required by its articles of association to act in the best interest of the fund and it is responsible for setting the investment policies. The Group has no representation on the board of the fund.

The plan exposes the Group to actuarial risks such as interest rate risk, investment risk, longevity risk and inflation risk:

- **Interest rate risk** – The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the DBO and it is denominated in naira. A decrease in market yield on high quality corporate bonds will increase the Group's defined benefit liability, although it is expected that this would be offset partially by an increase in the fair value of certain plan assets.

- **Investment risk** – The plan assets at 31 December 2020 are predominantly real estate, equity and debt instruments. The fair value of the plan assets is exposed to the real estate market in naira. The equity instruments are significantly weighted towards the finance and pharmaceuticals sectors in Nigeria.

- **Longevity risk** – The Group is required to provide benefits for life for the members of the defined benefit liability. Increase in the life expectancy of the members, particularly in Nigeria where the pension payments are linked to CPI, will increase the defined benefit liability.

- **Inflation risk** – A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Group's liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

The provision for gratuity of N1 billion (N608 million for year 2019) are provision for post employment benefits. These balances were professionally valued by an Actuaries for the year ended 31 December 2020 as required by IAS 19.

A reconciliation of the Group's DBO and plan assets to the amounts presented in the statement of financial position for each of the reporting periods is presented below:

NIPCO PLC

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
34.1 Defined Benefit Obligation				
Defined benefit obligation 1 January	608,153	424,662	608,153	424,662
Current service cost before deduction of beneficiary contributions	57,896	41,206	57,896	41,206
Interest expense	60,104	68,881	60,104	68,881
Remeasurement – actuarial losses from changes in financial assumptions	325,605	101,311	325,605	101,311
Benefit paid	(41,808)	(27,907)	(41,808)	(27,907)
Defined Benefit Obligation 31 December	1,009,951	608,153	1,009,951	608,153
Unfunded				
Wholly funded	1,009,951	608,153	1,009,951	608,153
35 Borrowings				
35.1 Non-current				
Bank loan	5,109,624	-	-	-
Other loans	38,335,324	61,334,924	-	-
	43,444,948	61,334,924	-	-
This consist of bank loans and other loans obtained for capital projects and working capital operations.				
35.2 Current				
Short term bank overdraft	296,289	553,154	11	11
Bank loan	20,750,735	13,258,176	15,475,229	9,641,176
	21,047,004	13,811,330	15,475,240	9,641,188
The bank loans consist of Nipco Plc loan from Zenith Bank Plc and 11 plc loan from Citi Bank. The loans were obtained for working capital operations. The short term bank over-draft balances as at year end comprises of overdraft from First Bank Plc, and Zenith Bank Plc to facilitate the business operations of the group.				
36 Lease Liability				
Lease rental payable	50,308	-	50,308	-
	50,308	-	50,308	-
The lease liability relates to Nipco Plc lease rental payable to dealers.				
37 Trade and Other Payables				
37.1 Current				
Trade payable	13,403,688	12,239,860	4,773,938	4,016,346
Trade receivables with credit balance	37,737,114	15,047,460	37,603,490	14,321,139
Other receivables with credit balance	-	46,449	-	2,313
PPMC/NNPC	-	10	-	10
Payables to related party	10,925,083	8,391,164	2,930,537	3,264,199
Deferred income - current	7,167,901	9,418,164	-	-
Intercompany payables	0	-	12,498,338	11,053,808
	69,233,785	45,143,107	57,806,303	32,657,816
37.2 Non-current				
Deferred income - non-current	10,609,117	12,805,166	-	-
Trade payable	8,142,210	19,702,825	8,142,210	19,702,825
	18,751,327	32,507,991	8,142,210	19,702,825
Trade and other payables consist of items listed above and the carrying amount is at amortised cost. Deferred income relates to deferred rental income on the Group's property.				

NIPCO PLC

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
38 Contract and Other Liabilities				
Bridging allowance	3,084,191	3,404,161	-	-
Consumption tax	30,866	-	-	-
ITF payable	36,114	11,948	4,495	3,724
PAYE payable	12,664	2,659	349	2,191
VAT payable	1,311,029	435,153	331,537	23,520
WHT payable	461,787	384,056	363,718	383,899
Staff pension payable	2,211	5,220	1,895	4,891
Other liabilities	54,857,806	49,772,248	47,478,100	46,561,469
Unclaimed dividend	1,816,237	2,084,587	497,923	531,162
PEF payable	5,952,924	6,090,956	5,952,924	6,090,956
Professional fees payable	49,638	28,000	32,813	20,000
	67,615,465	62,218,988	54,663,753	53,621,811

Contract and other liabilities consist of items listed above and the carrying amount is at amortised cost.

	Number	Number	Number	Number
	39 Employees			
Number of employees during the year:				
Management staff	45	48	22	24
Senior staff	215	175	137	108
Junior staff	344	60	45	47
	604	283	204	179
	N'000	N'000	N'000	N'000
Aggregate Payroll Costs:				
Wages, salaries and allowances	2,936,332	3,194,244	979,389	1,211,099

40 Related Party Transactions

The Group's related parties include its ultimate parent, subsidiaries, sub-subsidiary, and key management. Post employment benefit plans for the Group's employees and others as described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

	Ultimate Parent Company - Purebond Limited		Ultimate Parent Company - Purebond Limited	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
40.1				
Opening balance	3,264,199	6,136,027	3,264,199	6,136,027
Transaction during the year	(333,662)	(2,871,827)	(333,662)	(2,871,827)
Closing Balance as at 31 December	2,930,537	3,264,199	2,930,537	3,264,199

The transactions that occurred during the year includes payment of management fees and others. The balance represent payables to Pure Bond.

	Related Company - Agri Chemical Limited		Related Company - Agri Chemical Limited	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
40.2				
Opening balance	19,702,825	41,608,787	19,702,825	41,608,787
Transaction during the year	(11,560,615)	(21,905,963)	(11,560,615)	(21,905,963)
Closing Balance as at 31 December	8,142,210	19,702,825	8,142,210	19,702,825

Agri Chemical Limited supplies white products and other materials which includes spare parts to NIPCO Plc.

NIPCO PLC

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
40.3 Transactions with subsidiaries				
40.3.1 NIPCO Investments Limited				
Opening balance	-	-	69,986,598	67,435,574
Transaction during the year			21,842,463	2,551,024
Closing Balance as at 31 December	-	-	91,829,061	69,986,598

NIPCO Investments Limited maintains intercompany transaction with NIPCO Plc for transactions carried out on its behalf. It represents NIPCO Plc receivables from NIPCO Investments Ltd.

40.3.2 NIPCO Gas Limited				
Opening balance	-	-	9,356,844	9,385,812
Transaction during the year			(5,386,878)	(28,968)
Closing Balance as at 31 December	-	-	3,969,965	9,356,844

NIPCO Plc maintains account balances relating to intercompany transactions with NIPCO Gas Limited

40.4 Transactions with sub-subsidiaries				
11 Plc				
Opening balance	-	-	(7,238,876)	4,408,629
Transaction during the year	-	-	9,302,789	2,828,247
Closing Balance as at 31 December	-	-	2,065,913	7,236,876

11 Plc maintains intercompany transaction with NIPCO Plc. Current year balance represents net receivables, while prior year balance represents net payable.

11 Hospitality Limited				
Opening balance	-	-	904	1,517
Transaction during the year	-	-	4,529	(613)
Closing Balance as at 31 December	-	-	5,433	904

11 Hospitality Limited maintains intercompany transaction with NIPCO Plc

40.5 Transactions with key management personnel				
Key management of the Group are the executive members of board of directors. Key management personnel remuneration includes the following expenses				

Short term employee benefits				
Salaries, bonuses and other benefits	213,150	176,383	25,800	26,650
Total remuneration	213,150	176,383	25,800	26,650

41 Contingent Liabilities				
Various warranty and legal claims were brought against the Group during the year. Unless recognised as a provision, management considers these claims to be unjustified and the probability that they will require settlement at the Group's expense to be remote. This evaluation is consistent with external independent legal advice.				

NIPCO PLC

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

42 Capital Management Policies and Procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern
- to provide an adequate return to shareholders by pricing products and services in a way that reflects the level of risk involved in providing those goods and services.

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented in the statement of financial position.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

	Group		Company	
	2020 N'000	2019 N'000	2020 N'000	2019 N'000
Total equity	124,966,510	124,401,444	75,289,789	74,504,137
Borrowings	64,788,221	75,699,409	15,475,252	9,641,200
Cash and cash equivalents	(25,918,033)	(27,330,419)	(14,758,717)	(20,503,232)
Capital	163,836,698	172,770,434	76,006,324	63,642,105
Total equity	124,966,510	124,401,444	75,289,789	74,504,137
Borrowings	64,788,221	75,699,409	15,475,252	9,641,200
Overall financing	189,754,730	200,100,853	90,765,041	84,145,337
Capital-to-overall financing ratio	0.86	0.86	0.84	0.76

The amounts managed as capital by the Group for the reporting periods under review are summarised above. The Group has honoured its covenant obligations, including maintaining capital ratios.

43 Events After The Reporting Date

There were no significant adjusting or non-adjusting events after the reporting date based on the opinion of the directors which could have had a material effect on the financial statements. COVID-19 pandemic is considered to be a non-adjusting event which is still on after the reporting date.

The company is actively and continuously monitoring the ongoing and potential impacts of the pandemic in order to mitigate and minimise the impact on its business.

44 Authorization of Financial Statements

The consolidated financial statements for the year ended 31 December 2020 (including comparatives) were approved by the board of directors on 10 May 2021.

OTHER NATIONAL DISCLOSURES

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NIPCO PLC

CONSOLIDATED STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2020

	Group				Company			
	2020 N,000	%	2019 N,000	%	2020 N,000	%	2019 N,000	%
Revenue	428,819,137		443,950,869		283,615,228		279,838,138	
Other income	13,114,605		10,897,526		3,380,600		2,672,734	
Bought materials and services	(402,708,263)		(412,473,652)		(277,255,122)		(269,107,809)	
Value Added	26,110,875	100	31,477,207	100	11,360,107	100	10,730,329	100
Applied as follows:								
To Pay Employees:								
Salaries, wages and other benefits	3,149,482	12	3,370,627	11	1,005,189	9	1,237,749	12
To Pay Government:								
Income and education taxes	3,621,662	14	6,405,040	27	1,572,321	14	1,632,388	15
To Pay Providers of Capital:								
Finance costs	2,603,651	10	2,109,145	7	2,123,620	19	1,797,530	17
Assets Replacement Provision:								
Depreciation & amortisation	13,666,154	52	11,613,398	37	4,984,714	44	4,710,725	44
To Provide for the Future:								
Retained profit	3,067,926	12	5,978,997	19	1,674,262	15	1,351,936	13
	26,110,875	100	31,477,207	100	11,360,107	100	10,730,329	100

Value added represents the wealth created through the efforts of the group, the company, its management and employees. The statement shows the distribution of the generated wealth amongst employees, the government, providers of capital, assets replacement provisions and amount retained for future creation of wealth.

NIPCO PLC

5 YEARS FINANCIAL SUMMARY

	GROUP				COMPANY				
	2020 N,000	2019 N,000	2018 N,000	2017 N,000	2020 N,000	2019 N,000	2018 N,000	2017 N,000	2016 N,000
Statement Of Financial Position									
Assets Employed									
Non-current assets	274,447,580	271,325,938	260,440,096	181,797,019	61,784,351	64,708,214	66,812,001	29,888,823	24,950,760
Current assets	81,872,490	80,071,780	75,514,077	62,855,141	153,640,244	126,438,463	121,891,589	92,938,489	44,018,225
Total Assets	356,320,070	351,397,717	335,954,173	244,652,160	215,424,595	193,146,676	188,703,590	122,827,312	68,968,985
Financed By									
Share capital	187,668	187,668	187,668	187,668	187,668	187,668	187,668	187,668	187,668
Share premium	2,010,588	2,010,588	2,010,588	2,010,588	2,010,588	2,010,588	2,010,588	2,010,588	2,010,588
Other components of equity	77,707,228	78,460,793	79,563,668	(1,747,780)	49,201,790	49,527,396	49,828,706	(72,808)	(83,309)
Retained earnings	36,375,147	35,235,231	31,899,627	25,491,941	23,889,742	22,778,486	21,985,790	21,055,433	15,335,504
Non-controlling interest	8,685,878	8,507,164	8,413,638	7,142,924	-	-	-	-	-
Non-current liabilities	70,296,380	101,061,696	126,808,840	130,132,429	9,930,518	21,089,336	45,387,592	38,325,389	788,614
Current liabilities	161,057,180	125,934,576	87,069,146	81,434,390	130,204,287	97,553,203	89,503,248	60,321,041	50,729,919
	356,320,070	351,397,717	335,954,173	244,652,160	215,424,594	193,146,676	188,703,590	122,827,312	68,968,985
Statement of Profit or Loss									
Revenue	428,819,137	443,950,669	393,855,696	313,024,395	288,815,228	279,836,138	254,122,768	207,078,107	114,724,538
Profit before taxation	6,689,588	14,384,037	14,824,798	12,347,922	3,246,583	2,984,324	2,209,975	2,667,353	2,014,162
Income tax expense	(3,621,662)	(8,405,040)	(5,483,909)	(4,110,897)	(1,572,321)	(1,632,386)	(730,840)	(490,943)	(594,884)
Profit After Taxation	3,067,926	5,978,997	9,340,888	8,237,025	1,674,262	1,351,938	1,479,135	2,176,410	1,419,278
Attributable to:									
Owners of the company	1,702,921	3,894,846	6,948,808	5,601,997	-	-	-	-	-
Non controlling interest	1,365,005	2,084,152	2,392,081	2,635,029	-	-	-	-	-
Per Share Data (in NGN)									
Basic earnings per share	5.60	31.88	49.77	43.60	8.92	7.20	7.88	11.60	7.56
Total assets per share	1,898.67	1,872.44	1,790.15	1,303.64	1,147.90	1,029.19	1,005.52	654.49	367.90
Dividend per share	-	-	-	-	3.00	3.00	3.00	3.75	3.50

The calculation of Earning Per Share (EPS) and Total Asset Per Share for each of the periods are based on the Ordinary Share Capital in issue on each period end date.