TOTAL NIGERIA PLC

UNAUDITED FINANCIAL STATEMENT

31 December, 2020

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TOTAL NIGERIA PLC

RESULTS AT A GLANCE

FOR THE YEAR ENDED	31 December 2020	31 December 2019	Change
	₦'000	₦'000	%
Revenue	204,158,930	292,177,202	(30)
Profit before minimum and income taxation	3,092,497	3,070,510	1
Profit for the year	2,243,578	2,278,979	(2)
Share capital	169,761	169,761	-
Shareholders' funds	28,331,172	28,319,784	0
Total dividend	**-**	**2,278,192**	
Interim dividend - paid	-	-	
Final dividend - proposed	-	2,278,192	
Dividend declared	-	2,278,192	

	31 December 2020	31 December 2019	Change
PER SHARE DATA:			%
Based on 339,521,837 ordinary shares of 50 kobo each:			
Earnings per 50 kobo share (Naira) - basic	*6.61*	*6.71*	*(2)*
Stock exchange quotation (Naira)	*130.00*	*129.50*	*0*
Number of staff	440	451	(2)

TOTAL NIGERIA PLC

STATEMENT OF FINANCIAL POSITION
AS AT

	Notes	31 December 2020 ₦'000	31 December 2019 ₦'000
Non-current assets			
Property, plant and equipment	17	36,207,654	35,476,862
Right-of-use assets	5.21 (i)	8,189,839	7,525,045
Intangible assets	16	142,420	11,730
Trade and other receivables	19.1	2,674,118	3,085,587
Total non-current assets		**47,214,031**	**46,099,224**
Current Assets			
Inventories	18	21,619,936	33,642,490
Trade and other receivables	19	42,333,559	45,434,587
Prepayments	20	781,619	378,696
Cash and cash equivalents	24	30,805,413	8,232,734
Current tax assets	12.2	850,106	-
Total current assets		**96,390,633**	**87,688,507**
Total assets		**143,604,664**	**133,787,731**
Equity			
Share capital	23	169,761	169,761
Retained earnings		28,161,411	28,150,023
Total equity		**28,331,172**	**28,319,784**
Non-current liabilities			
Deferred tax liabilities	12.3	4,583,615	4,622,026
Lease lliabilities	21 (ii)	514,276	394,147
Employee benefits	13	608,925	555,566
Total non-current liabilities		**5,706,816**	**5,571,739**
Current liabilities			
Trade and other payables	22	73,224,129	57,178,455
Deferred income	22.2	2,160,715	2,165,614
Lease liabilities	21 (ii)	498,810	362,592
Employee benefits	13	67,159	85,289
Current tax liabilities	12.2	-	226,952
Loans and borrowings	21 (i)	33,615,863	39,877,306
Total current liabilities		**109,566,676**	**99,896,208**
Total liabilities		**115,273,492**	**105,467,947**
Total equity and liabilities		**143,604,664**	**133,787,731**

These financial statements were approved by the Board of Directors of the Company on 28 January 2021 and signed on behalf of the Board by:

Imrane Barry - Managing Director
FRC/2020/003/00000020346

Lesley Green - Executive Director
FRC/2020/003/00000020494

Additionally certified by:

Samson Eghwerehe - Head of Finance
FRC/2018/ICAN/00000018952

The notes on pages 6 to 47 form an integral part of these financial statements.

TOTAL NIGERIA PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED

		For the three months ended		For the twelve months ended	
		31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
	Notes	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Revenue	7	52,451,787	70,341,791	204,158,930	292,177,202
Cost of sales	11	(43,296,450)	(60,386,130)	(173,974,052)	(257,125,843)
Gross profit		**9,155,337**	**9,955,661**	**30,184,878**	**35,051,359**
Other income	10.1	386,303	1,968,212	1,538,603	3,337,782
Other expenses	10.2	301,609	-	-	-
Selling & distribution costs	11	(554,770)	(1,021,760)	(2,962,259)	(3,838,780)
Administrative expenses	11	(7,092,909)	(6,999,486)	(24,983,146)	(24,502,389)
Impairment loss on trade receivables	27 (iv)	244,622	177,886	(56,396)	(226,251)
Operating profit		**2,440,192**	**4,080,514**	**3,721,680**	**9,821,721**
Finance income	9	65,947	862,301	2,263,185	1,149,795
Finance costs	9	(326,527)	(1,755,355)	(2,892,368)	(7,901,006)
Net finance costs		**(260,580)**	**(893,054)**	**(629,183)**	**(6,751,211)**
Profit before minimum and income taxation		**2,179,612**	**3,187,460**	**3,092,497**	**3,070,510**
Minimum taxation	12.1.3	164,546	(319,512)	-	(319,512)
Income taxation	12.1.1	(600,698)	(384,125)	(848,919)	(472,019)
Profit for the year		**1,743,460**	**2,483,823**	**2,243,578**	**2,278,979**
Other comprehensive income		-	-	-	-
Total comprehensive profit for the year		**1,743,460**	**2,483,823**	**2,243,578**	**2,278,979**
Earnings per share					
Basic and diluted earnings per share	15	5.14	7.32	6.61	6.71

The notes on pages 6 to 47 form an integral part of these financial statements.

TOTAL NIGERIA PLC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Notes	Share capital ₦'000	Retained earnings ₦'000	Total equity ₦'000
Balance at 1 January 2020		169,761	28,150,023	28,319,784
Profit for the year		-	2,243,578	2,243,578
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	2,243,578	2,243,578
Transactions with owners of the Company:				
Contributions and Distributions				
Unclaimed dividend written back	14.1	-	46,002	46,002
Prior year final dividend	14.1	-	(2,278,192)	(2,278,192)
Total transactions with owners of the Company		-	(2,232,190)	(2,232,190)
Balance at 31 December 2020		**169,761**	**28,161,411**	**28,331,172**

For the year ended 31 December 2019

	Notes	Share capital ₦'000	Retained earnings ₦'000	Total equity ₦'000
Balance as at 1 January 2019		169,761	30,561,127	30,730,888
Profit for the year		-	2,278,979	2,278,979
Other comprehensive income for the year		-	-	-
Total comprehensive loss for the year		-	2,278,979	2,278,979
Transactions with owners of the Company:				
Contributions and Distributions				
Unclaimed dividend written back	14.1	-	63,223	63,223
Prior year final dividend	14.1	-	(4,753,306)	(4,753,306)
Total transactions with owners of the Company		-	(4,690,083)	(4,690,083)
Balance at 31 December 2019		**169,761**	**28,150,022**	**28,319,783**

The notes on pages 6 to 47 form an integral part of these financial statements.

TOTAL NIGERIA PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED

	Note	31 December 2020 ₦'000	31 December 2019 ₦'000
Profit for the year		2,243,578	2,278,979
Adjustments for:			
Depreciation of PPE	17	4,791,893	4,771,328
Depreciation of right-of-use asset	5.21	1,730,183	1,663,979
Amortisation	16	14,692	19,237
Provision for employee benefits	32(iii)	88,625	235,001
(Write back)/ write down of inventory (Net)	18.1	(99,594)	104,592
Gain on disposal of PPE	10.1	(26,827)	(2,763,151)
Net foreign exchange gain	10	(4,122)	(292,744)
Net finance costs	9	629,183	6,751,211
Petroleum Products Pricing Regulatory Agency	9	-	325,673
Income taxation	12.1.1	848,919	472,019
Minimum taxation	12.1.3	-	319,512
		10,216,530	13,885,636
Changes in:			
- Inventories		12,122,148	(3,701,905)
- Trade and other receivables		3,753,345	5,007,813
- Prepayments		(88,971)	8,708,426
- Trade and other payables		16,708,512	(2,304,792)
- Right-of-use assets		670,449	(7,765,482)
- Deferred income		(4,899)	2,127,079
Cash generated from operating activities		**43,377,114**	**15,956,775**
Payment for employee benefits	13	(53,396)	(29,554)
Petroleum Subsidy Fund (PSF)	9	2,038,435	413,467
Interest on loans and receivables	9	122,600	225,145
Tax paid	12.2	(1,280,703)	(1,035,490)
Withholding tax credit notes recovered	12.2	19,832	60,850
Withholding tax credit notes	12.2	(703,516)	(479,439)
Net cash generated from operating activities		**43,520,366**	**15,111,754**
Cash flows from investing activities			
Additions to right-of-use asset	5.21	(2,427,909)	(393,647)
Purchase of property, plant and equipment	17	(5,842,850)	(7,159,274)
Purchase of intangible assets	16	(145,382)	(2,674)
Interest on unclaimed dividend	9	59,745	98,438
Interest on deposits	9	42,405	87,072
Proceeds from disposal of property, plant and equipment		33,039	3,407,798
Net cash used in investing activities		**(8,280,952)**	**(3,962,287)**
Cash flows from financing activities			
Interest on bank overdraft and loans	9	(2,111,638)	(6,893,098)
Interest on import loans	9	(637,520)	(895,223)
Payment on lease liabilities	21	(524,380)	(385,840)
Trade finance loan	21	(6,073,325)	(3,437,635)
Commercial paper instrument	21	14,814,846	-
Unsecured bank loan	21	(5,000,000)	5,000,000
Short term intercompany loan	21	10,408,250	-
Dividends paid	14.1	(1,981,399)	(7,314,619)
Net cash generated/(used in) financing activities		**8,894,834**	**(13,926,415)**
Net decrease in cash and cash equivalents		**44,134,248**	**(2,776,948)**
Cash and cash equivalents at 1 January		(18,010,135)	(16,054,454)
Effect of movement in exchange rates on cash held		(1,150,356)	821,267
Cash and cash equivalents as at year ended	24	**24,973,757**	**(18,010,135)**

The notes on pages 6 to 47 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 The Company

Legal form:

The Company was incorporated as a private limited liability company in 1956 and was converted to a public company in 1978. The merger of the Company with Elf Oil Nigeria Limited which commenced globally in November 1999 was completed in Nigeria in 2002. With this development, the authorised, issued and fully paid share capital was ₦148,541,000 made up of 297,082,000 ordinary shares of 50k each. In 2003, to mark the completion of its corporate mergers, Total Group worldwide reverted to its former name Total and adopted a new logo with a unifying design to express its corporate ambition.

Accordingly, the Company changed its name from TotalFinaElf Nigeria Plc to Total Nigeria Plc in the same year. With the capitalisation of the bonus issue of 42,440,228 ordinary shares of 50k each in March 2004, the authorised share capital became ₦169,760,918 made up of 339,521,837 ordinary shares of 50k each. 61.72% of the Company's ordinary shares were held by Total Societe Anonyme up until 2013 when a restructuring was concluded and Total Raffinage Marketing became the shareholders of 61.72% of Total Nigeria Plc while the remaining 38.28% are held by some members of the general public. Total Raffinage Marketing is now called Total Marketing Services.

	31 December 2020		31 December 2019	
	Number	**Holdings**	**Number**	**Holdings**
	'000	**%**	**'000**	**%**
Total Raffinage Marketing	209,560	61.72	209,560	61.72
Other shareholders	129,962	38.28	129,962	38.28
	339,522	**100.00**	**339,522**	**100.00**

No shareholder, except as disclosed above, held more than 10% of the issued share capital of the Company as at 31 December 2020 (2019: Nil).

Principal activities

The principal activity of the Company is the blending of lubricants, sales and marketing of refined petroleum products and solar products .

Description of business

Total Nigeria Plc. ("the Company") is a subsidiary of Total Raffinage Marketing ("the Parent Company") in France and operates in the petroleum marketing and distribution business in Nigeria. the Company's registered office is situated at:

No. 4, Churchgate Street
Victoria Island
Lagos State

2.0 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in conformity with the Financial Reporting Council (FRC) of Nigeria Act, 2011 and the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 (“CAMA”). They were approved by the Board of Directors on 28 January 2021.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the following;
- provision for employee benefits which has been measured at the present value of the obligation (Note 13)

2.3 Functional and presentation currency

These financial statements are presented in Nigerian Naira (NGN), which is the Company's functional currency. All financial information presented in Nigerian Naira have been rounded to the nearest thousand unless otherwise stated.

2.4 Financial period

These financial statements cover the financial period from 01 January 2020 to 31 December 2020, with corresponding figures for the financial period from 01 January, 2019 to 31 December, 2019, and where appropriate from 01 January 2019 to 31 December 2019.

2.5 Going concern

The directors have undertaken a review of the effect of the subsequent events disclosed in Note 30 on the Company's business activities and have concluded that it will still be able to settle its obligations as they fall due and as these financial statements have been prepared on a going concern basis.

2.6 Significant events and transactions

Other than events already disclosed in the various notes, there are no other significant events in the year that are required to be disclosed.

2.8 Use of estimates and judgments

In preparing these financial statements, the directors have made certain judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised prospectively.

(a) *Judgement*

Information about judgements made in applying accounting policies that have the most significant effects on amounts recognised in the financial statements are as follows;

(i) Cash held with Total Treasury - Note 24

Determining if balances held with Total Treasury meets the criteria for classification as cash and cash equivalents.

(ii) Asset retirement obligation - Note 5.21

Whether the Company will dismantle and remove its leasehold improvements on underlying asset or restore underlying asset.

(b) *Assumptions and estimation uncertainties*

Information about assumptions and estimation uncertainties at 31 December 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year includes;

(i) Employee benefits

The amount recognised in Note 13 of the financial statements as employee benefits - measurement of the Company's employee benefits. This estimate relates to the discount rate, mortality and inflation rate applied in the computation of the Company's liabilities.

(ii) Incremental borrowing rate - Note 21

Estimation of the applicable borrowing rates.

3 New standards and interpretations not yet adopted

Amendments to Standards and Interpretations are effective for annual periods beginning after 1 January 2020 and early application is permitted; however, the Company has not applied the amended standards in preparing these financial statements. Those Amendments to Standards and Interpretations which may be relevant to the Company are set out below.

Effective for the financial year commencing 1 January 2020

- Amendments to IAS 1 and IAS 8

The directors are of the opinion that the impact of the application of the relevant standards and interpretations will be as follows:

Standard/Interpretation not yet effective as at 31 December 2019		**Date issued by IASB**	**Effective date Periods beginning on or after**	**Summary of the requirements and assessment of impact**
Amendments to IAS 1 and IAS 8	*Definition of Material*	October 2018	1 January 2020 Early adoption is permitted	The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework. 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." The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.
Conceptual Framework amendments	*Amendments to references to conceptual framework in the IFRS Standards*	March 2018	1 January 2020 Early adoption is permitted	The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes: • A new chapter on measurement; • Guidance on reporting financial performance; • Improved definitions of an asset and a liability, and guidance supporting these definitions; and • Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. Although we expect this to be rare, some companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs. the Company expects no significant impact on the application of this standard.
Amendments to IFRS 3	*Definition of a Business*	October 2018	1 January 2020 Early adoption is permitted	Defining a business is important because the financial reporting requirements for the acquisition of a business are different from the requirements for the purchase of a group of assets that does not constitute a business. The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3. In October 2018 the IASB issued this amendment to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments: • Confirm that a business must include inputs and a process, and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs. • Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and • Add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar 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 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted. the Company expects no significant impact on the application of this standard.

4 Changes in significant accounting policies

The Company initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019, but they do not have a material effect on the Company's financial statements.
The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is not recognised in retained earnings as at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.
On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not assessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Definition of a lease
Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contact is or contains a lease based on the definition of a lease as explained below.
A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset the Company uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

Policy applicable from 1 January 2019
A. As a lessee
As a lessee, the Company leases many assets including buildings, motor vehicles and office equipment. The Company previously classified leases as operating leases based on its assessment of whether the lease transferred asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these assets i.e. these leases are on the balance sheet.
At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located (where applicable), less any lease incentives received. The Company recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.
The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company presents right-of-use assets that do not meet the definition of investment property and lease liabilities seperately in the statement of financial position.

Changes in significant accounting policies (continued)

Leases classified as operating leases under IAS 17

Previously, the Company classified building and motor vehicle leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate.

Right-of-use assets are measured at either;

- the carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application: the Company applied this approach to its building leases; or
- an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments: the Company applied this approach to all other leases.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company uses a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company;

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application (i.e. leases for residential spaces);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Short-term leases

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company has tested its right-of-use assets for impairment on te date of the transition and has concluded that there is no indication that the right-of-use assets are impaired.

B. As a lessor

The Company leases out trucks to its transporters and these are classified as finance leases.

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset. When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease. If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease and regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. The Company recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'other income'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

Policy applicable before 1 January 2019

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

— fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

— the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

— the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

—the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

—facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

i. **As a lessee**

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

ii. **As a lessor**

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease. To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

TOTAL NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS

5 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as disclosed in Note 4.

5.1 Foreign currency transactions

Transactions denominated in foreign currencies are translated at the exchange rate on the transaction date. At each reporting date, monetary assets and liabilities are translated at the closing rate. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency translated at the exchange rate at the date of the transaction. Exchange differences are recognised in profit or loss on a net basis as "Other income" (net foreign exchange gain) or "Other expenses" (net foreign exchange loss).

5.2 Revenue and other income

(i) Revenue recognition

Revenue streams

The Company generates revenue primarily from the sale of refined petroleum products and lubricants to its customers (see Note 7). Other sources of revenue include sale of special fluids and solar products.

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer. Revenue from the sale of non-regulated products in the course of ordinary activities is measured at the fair value of the received consideration or receivable, net of value adde tax, sales returns, trade discounts and volume rebates where applicable. Revenue for regulated products is measured at the regulated price of the products net of standard distribution cost directly recoverable from the prices of the regulated products.
The following table provides information about the timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Nature and timing of satisfaction of performance obligations, including significant payment terms.	Revenue recognition policies
Customers obtain control of products when the goods are delivered to and have been accepted at their premises or picked up by the customer. Invoices are generated and revenue is recognised at that point in time. Credit sales are due for collection within 30 days. This applies to all sales products.	Revenue is recognised when the goods are delivered and have been accepted by customers at their premises or picked up by the customer.

(ii) Other income

The Company recognises income from commission on sales at its *bonjour* shops as well as the rental of some of its space. The period of occupancy is the basis upon which rental income is recognised and the lease term is usually for 12 months. Rental income are for short term leases and are recognised in profit or loss on a straight line basis over the term of the lease.

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5.3 Finance income and finance costs

The Company's finance income comprises interest income on bank balances and advances to employees and reimbursement of any foreign exchange loss and/or interest from Petroleum Product Pricing Regulatory Agency (PPPRA). Interest income on bank balances and advances to employees, is recognised as it accrues in profit or loss, using the effective interest method.

PPPRA foreign exchange differentials arise when there is a difference between the CBN rate used for imports and the rate per the PPPRA pricing template. Reimbursement of interest by PPPRA arise when there is a delay in the payment of subsidy earned on import by PPPRA. Reimbursements of foreign exchange loss and/or interest from PPPRA are classified under operating activities in the Statement of Cash Flows while interest income on funds invested are classified under investing activities.

Finance costs comprise interest expense on borrowings and unwinding of discount on provisions. Interest expenses are recognised in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
– the gross carrying amount of the financial asset; or
– the amortised cost of the financial liability

5.4 Income taxes

Income tax expense comprises current tax (company income tax, tertiary education tax and Nigeria Police Trust Fund levy) and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Company had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Current taxes

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:

- Company income tax is computed on taxable profits (i.e the assessable profit after capital allowances (tax depreciation) and brought forward losses (if any) have been considered)

- Tertiary education tax is computed on assessable profits (i.e the profit of the Company that is liable to tax after exempting non-taxable income and subjecting to tax, expenses which were not wholly, reasonably, exclusively or necessarily incurred for the operations of the Company, but before the consideration of capital allowances and losses)

- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year)

Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the year are treated as income tax in line with IAS 12.

Minimum tax

Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss.

In line with the Finance Act 2020, minimum tax is determined at a base rate of 0.25% of the qualifying company's gross turnover less franked investment income. The Finance Act defines gross turnover as the gross inflow of economic benefits (cash, revenues, receivables and other assets) arising from the operating activities of a Company, including sales of goods, supply of services, receipt of interest, rents, royalties or dividends.

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognised in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as minimum tax.

The Company offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realised.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
Deferred tax is not recognised for:
– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
– temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
– taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

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

Accounting for uncertain tax treatments under IFRIC 23

The Company has applied IFRIC 23 by evaluating the cumulative effect of initially applying the interpretation as an adjustment to the opening balance of retained earnings of the annual reporting period. At the date of initial transition, there were no adjustments relating to uncertainty over income taxes recorded in the opening balance of retained earnings. The Company in line with its Compliance Framework, ensures the tax compliance outlook of its operations is in line with the enacted or substantively enacted tax laws.

The Company’s judgements with respect to income taxes are based on the likelihoods that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on its tax returns. The Company specifically reviews whether its tax treatments are consistent with requirements and recommendations of tax laws while ensuring its proper coverage of avoidable tax risks and exposures in the process.

The Company measures the impact of the uncertainty using the method that best predicts the resolution of the uncertainty; either the most likely amount method or the expected value method. Furthermore, the judgements and estimates made to recognise and measure the effect of uncertain tax treatments are reassessed whenever circumstances change or when there is new information that affects those judgements.

5.5 Earnings per share (EPS)

i *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

ii *Diluted earnings per share*

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

5.6 Property plant and equipment

i Recognition, derecognition and measurement

Property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses.
The cost of an item of property, plant and equipment shall be recognised as an asset if;
- it is possible that future economic benefits associates with the item will flow to the entity: and
- the cost of the item can be measured reliably.

Property, plant and equipment under construction are disclosed as work in progress. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for their intended use including, where applicable, the cost of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

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

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

Property, plant and equipment are derecognised on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal.

ii Subsequent costs

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

iii Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.
Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.
Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Property, plant and equipment are depreciated to their residual values using the straight-line method over their useful lives for current and comparative periods as follows:

Type of asset	**Useful lives**
• Motor vehicles	4 years
• Office equipment and furniture	4 years
• Computer equipment and other tangibles	4 - 20 years
• Plant, machinery and fittings	3 - 30 years
• Buildings	10 - 25 years
• Land	Not depreciated

Capital work in progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

5.7 Intangible assets

i Recognition and measurement

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are computer software and software licenses. These are capitalised on the basis of acquisition costs as well as costs incurred to bring the assets to use.

Intangible assets are derecognised upon sale. The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

ii Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific intangible asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

iii Amortisation of intangible assets

Amortisation is calculated on the cost of the asset, or other amount substituted for cost, less its estimated residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Computer software and software licences have estimated useful lives for the current and corresponding periods of 3 to 5 years.

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

5.8 Dividend payable

An accrual is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

The corresponding entry of any accrual made is in reserves and not in profit or loss.

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5.9 Impairment

i Non-derivative financial assets

Financial instruments

The Company recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. The company also recognises loss allowances for ECLs on employee loan receivables which are disclosed as part of trade and other receivables.
The Company measures loss allowances at an amount equal to lifetime ECLs, except for bank balances, lease and loan receivables for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured at 12-month ECLs. Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.
The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The company considers a financial asset to be in default when:
– the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
– the financial asset is more than 180 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).
The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:
– significant financial difficulty of the borrower or issuer;
– a breach of contract such as a default or being more than 180 days past due; or
– it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For customers, the Company makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5.9 Impairment (Cont'd)

ii Non financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash flows of other assets or Cash Generating Units (CGUs).

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.
Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5.10 Financial instruments

i Recognition and initial measurement

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.
A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.
Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cashflows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income (FVOCI) as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:
- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfer of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose consistent with the company's continiuing recognition of the assets.
Financial assets that are held for trading or are merged and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

5.10 Financial instruments (cont'd)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv Offsetting

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

NOTES TO THE FINANCIAL STATEMENTS

5.11 Share capital

The Company has only one class of shares namely ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity.

5.12 Statement of cash flows

The statement of cash flows is prepared using the indirect method. Dividends paid to ordinary shareholders are included in financing activities. Interest paid is also included in financing activities while interest received is included in investing activities. Foreign exchange differential and interest claim on Petroleum Support Fund (PSF) are included in operating activities.

5.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash balances with commercial banks and Total Treasury as well as call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

5.14 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of blended products/lubricants includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventory values are adjusted for obsolete, slow-moving or defective items.

The basis of costing inventories based on the product types are as follows:

Product Type	Cost Basis
Refined Petroleum Products (AGO, ATK, PMS, DPK, LPFO)	Weighted Average Cost
Packaging Materials, Solar Lamps, Lubricants, Greases, Special fuids and Car care products	Weighted Average Cost
Inventories-in-transit	Total purchase cost incurred at transaction date

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5.15 Provisions

Provisions comprise liabilities for which the amount and the timing are uncertain. They arise from environmental risks, legal and tax risks, litigation and other risks. A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event for which it is probable that an outflow of resources will be required and when a reliable estimate can be made regarding the amount of the obligation. Provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessment of the value and the risk specific to the liability. The unwinding of the discount is recognised in profit or loss as a finance cost.

However, possible obligations depending on whether or not certain future events occur are disclosed as contingent liabilities.

5.16 Employee benefits

i Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for its permanent staff. Employees contribute 8% of their Basic salary, Transport and Housing Allowances to the Fund on a monthly basis. The Company’s contribution is 10% of each employee’s Basic salary, Transport and Housing Allowances. Staff contributions to the scheme are funded through payroll deductions while the Company’s contribution is recognised in profit or loss as staff costs in the periods during which services are rendered by employees.

Gratuity scheme

The Company operates a gratuity scheme for its employees in service before January 2001. This is funded by the Company on a monthly basis, at a rate of contribution of 9.5% of total annual emolument and paid to Fund Managers chosen by each employee.

The Company's obligation are extinguished once the amounts have been transferred to the Fund Managers.

ii Other long-term employee benefits

the Company’s other long-term employee benefits represents a Long Service Award scheme and the Total home ownership scheme (TEHOS) which is a one-off payment upon tenth anniversary. These schemes are instituted for all permanent employees. the Company’s obligations in respect of this scheme is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Federal Government of Nigeria issued bonds that have maturity dates approximating the term of the Company’s obligation. The calculation is performed using the Projected Unit Credit method. Remeasurements are recognised in profit or loss in the period in which they arise. This Scheme is not funded. The obligations are paid out of the Company’s cash flows as and when due.

iii Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

iv Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

v Post-employment benefits

The Company’s post-employment benefits represents a post-retirement medical coverage for five (5) on early retirement or seven (7) years on normal retirement (i.e. at the retirement age of 60 years). These scheme are instituted for all permanent employees and is provided after the completion of employment via the Health Insurance Scheme offered third party providers. The Company's exposure under this arrangement is limited to premium payable to the providers. The benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Federal Government of Nigeria issued bonds that have maturity dates approximating the term of the Company’s obligation. The calculation is performed using the Projected Unit Credit method. Remeasurements are recognised in profit or loss in the period in which they arise. This Scheme is not funded. The obligations are paid out of the Company’s cash flows as and when due.

5.17 Government grant

Petroleum Products Pricing Regulatory Agency (PPPRA) subsidises the cost of importation of certain refined petroleum products whose prices are regulated in the Nigerian market. The subsidies are recognised when there is reasonable assurance that they will be recovered and the Company has complied with the conditions attached to receiving the subsidy. The subsidies are recognised as a reduction to the landing cost of the subsidised petroleum product in the year in which the Company makes the determination that all conditions have been met and the amount will be recovered. Where the amounts relate to interest and foreign exchange differentials, they are recognised in profit or loss when there is reasonable assurance that the amounts will be recovered. Refer to Note 5.3 for additional details on subsidy

5.18 Operating Profit

Operating profit is the result generated from the continuing principal revenue producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes net finance costs and income taxes.

5.19 Measurement of fair values

Some of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. The Final Account Manager (FAM) has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors.

The FAM regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the FAM assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Audit Committee and the Board of Directors.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5.20 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

5.21 Leases as lessee (IFRS 16)

The Company leases service stations, storage facilities and staff buses. Service Station leases typically run for a period of 10 years, with an option to renew the lease after that date. Option to renew is not legally enforceable as it is not unilateral and requires the consent of both parties. Storage facilities leases runs for 5 years. Staff bus leases typically run for 5 years which is the useful life of the asset.

Service station leases entered into are usually combined leases of land and buildings. Previously, these leases were classified as operating leases under IAS 17 and disclosed as part of prepayments on the statement of financial position.

The Company leases residential spaces with contract terms of one years. These leases are short term. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases. Information about leases for which the Company is a lessee is presented below:

i. Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as a separate line item on the statement of financial position.

	Leasehold buildings	Motor vehicles	Storage facilities	Total
	₦'000	₦'000		₦'000
2020				
Balance at 1 January	6,805,383	719,662	-	7,525,045
Additions to right-of-use assets	1,671,300	-	756,609	2,427,909
Depreciation charge for the year	(1,265,364)	(313,663)	(151,156)	(1,730,183)
Derecognition of right-of-use assets	-	(32,932)	-	(32,932)
Balance at 31 December	7,211,319	373,067	605,453	8,189,839
2019				
Balance at 1 January	-	-	-	-
Adjustment on initial application of IFRS 16	7,765,482	958,047	-	8,723,529
Adjusted balance at 1 January	7,765,482	958,047	-	8,723,529
Additions to right-of-use assets	393,647	71,848	-	465,495
Depreciation charge for the year	(1,353,746)	(310,233)	-	(1,663,979)
Balance at 31 December	6,805,383	719,662	-	7,525,045

ii. Amounts recognised in profit or loss

	2020	2019
	₦'000	₦'000
Income from short term leases	115,004	-
Interest on lease liabilities	(143,210)	(112,685)
Depreciation	(1,663,979)	(1,663,979)
Expenses relating to short-term leases	(115,004)	(115,004)
Income from short term leases	207,800	207,800

iii. Amounts recognised in statement of cash flows

	2020	2019
	₦'000	₦'000
Additions to right-of-use assets	(2,427,909)	(393,647)
Payments on lease liabilities	(524,380)	(385,840)
Total cash outflow for leases	(2,952,289)	(779,487)

iv. **Extension options**

The Company's service station lease agreements contain extension options exercisable by the Company. Where practicable, the Company seeks to include extension options in its leases to provide operational flexibility. The extension options held are exercisable only by the Company but require the consent of the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options because the Company usually prepays its station leases for about 7 -10 years and due to the fact that the decision to renew is usually based on the results of an economic evaluation of each individual service station performance to determine if it is finanically viable to extend the lease. The directors have concluded that it is not reasonably certain at commencement of the leases to determine whether or not the leases will be renewed.

The Company has estimated that there are no potential future lease payments as its current assessment is that it is not probable that the lease extention option would be exercised.

The Company also estimates that obligations arising from termination of the lease are insignificant as moveable assets are reassigned to other locations at minimal transport costs while immovable assets are expected to be fully depreciated at the end of the lease term.

5.22 Leases as lessor

The Company has lease arrangements with its transporters consisting of leased trucks. These leases are classified as a finance lease.

i. Finance lease

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2020	2019
	₦'000	₦'000
Less than one year	386,018	594,788
One to two years	649,205	1,016,858
Total undiscounted lease receivable	1,035,223	1,611,646
Unearned finance income	(88,312)	(137,485)
Net investment in the lease	946,911	1,474,161

TOTAL NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS

6 Seasonality and Segment Reporting

Seasonality of Operations

The Company's operations are such that revenue and cost are not affected by the impact of seasonality.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board has given the Company's Chief Executive Officer (CEO) the power to assess the financial performance and position of the Company, allocate resources and make strategic decisions. Segment reports that are reported to the CEO includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Products and services from which reportable segments derive their revenues

Information reported to the Company's CEO for the purposes of resource allocation and assessment of segment performance is focused on the sales channels for the company's products (petroleum products, lubricants and others). The principal sales channels are Network, General Trade and Aviation. The Company's reportable segments under IFRS 8 are therefore as follows: Network, General Trade and Aviation.

The following summary describes the operations of each reportable segment.

Reportable Segment	Operations
Network	Sales to service stations
General Trade	Sales to corporate customers excluding customers in the aviation industry
Aviation	Sales to customers in the aviation industry

Segment revenue reported below represents revenue generated from external customers. There were no inter-segment sales in the current year (2019: Nil). Performance is measured based on segment which correspond with IFRS amounts in the Financial Statement.

6.1 Segment profit or loss (key items)

31 December 2020

		NETWORK		GENERAL TRADE		AVIATION		TOTAL
		₦'000		₦'000		₦'000		₦'000
Revenue	70%	142,911,250	24%	48,998,143	6%	12,249,536	100%	204,158,930
- Petroleum products	72%	112,511,964	20%	31,730,394	8%	12,249,536	100%	156,491,894
- Lubricant and others	64%	30,399,286	36%	17,267,750	0%	-	100%	47,667,036
Gross profit	73%	22,095,569	25%	7,691,744	1%	397,566	100%	30,184,878
Finance income	87%	1,968,971	8%	181,055	5%	113,159	100%	2,263,185
Finance costs	87%	(2,516,360)	8%	(231,389)	5%	(144,618)	100%	(2,892,368)
Minimum taxation	12%	-	110%	-	-22%	-	100%	-
Income taxation	12%	(101,870)	110%	(933,811)	-22%	186,762	100%	(848,919)
Impairment loss on trade receivable	64%	(36,093)	37%	(20,867)	-1%	564	100%	(56,396)
Depreciation	95%	(4,552,301)	5%	(239,595)	0%	-	100%	(4,791,896)
Amortisation	94%	(13,810)	6%	(879)	0%	-	100%	(14,692)
Depreciation of Right-of-use asset	95%	(1,643,674)	5%	(86,509)	0%	-	100%	(1,730,183)

31 December 2019

		NETWORK		GENERAL TRADE		AVIATION		TOTAL
		₦'000		₦'000		₦'000		₦'000
Revenue	70%	204,524,042	21%	61,357,212	9%	26,295,948	100%	292,177,202
- Petroleum products	71%	171,185,200	18%	43,521,049	11%	26,295,948	100%	241,002,197
- Lubricant and others	65%	33,338,842	35%	17,836,163	0%	-	100%	51,175,005
Gross profit	76%	26,639,033	21%	7,360,785	3%	1,051,541	100%	35,051,359
Finance income	85%	977,326	10%	126,477	4%	45,992	100%	1,149,795
Finance costs	85%	(6,715,855)	10%	(869,111)	4%	(316,040)	100%	(7,901,006)
Minimum taxation	-268%	856,292	349%	(1,118,292)	18%	(57,512)	100%	(319,512)
Income taxation	-268%	1,265,011	349%	(1,652,067)	18%	(84,963)	100%	(472,019)
Impairment loss on trade receivable	82%	(185,525)	13%	(29,413)	5%	(11,313)	100%	(226,251)
Depreciation	98%	(4,675,901)	2%	(95,128)	0%	-	100%	(4,771,328)
Amortisation	98%	(18,852)	2%	(384)	0%	-	100%	(19,237)

TOTAL NIGERIA PLC

NOTES TO THE FINANCIAL STATEMENTS

6.2 Segment assets and liabilities

31 December 2020

		NETWORK ₦'000		GENERAL TRADE ₦'000		AVIATION ₦'000		TOTAL ₦'000
Non-current assets	78%	36,826,943	17%	8,026,385	5%	2,360,702	100%	47,214,031
Inventories	62%	13,484,316	29%	6,198,545	9%	1,937,075	100%	21,619,936
Receivables and prepayments	80%	34,362,913	7%	2,956,088	13%	5,796,177	100%	43,115,178
Cash and cash equivalents[1]	70%	21,511,371	24%	7,375,675	6%	1,918,367	100%	30,805,413
ASSETS		106,185,543		24,556,693		12,012,321		142,754,558
Addition to non-current assets	78%	869,550	17%	189,517	5%	55,740	100%	1,114,807
Payables, deferred income, employee benefits and current tax liabilities	70%	52,752,961	21%	15,491,005	10%	7,208,037	100%	75,452,003
Borrowings[1]	70%	23,473,905	24%	8,048,575	6%	2,093,383	100%	33,615,863
Non-current liabilities (less non-current portion of lease liabilities)	69%	3,561,924	21%	1,112,816	10%	517,800	100%	5,192,540
Lease liabilities	100%	1,013,086	0%	-	0%	-	100%	1,013,086
LIABILITIES		80,801,876		24,652,396		9,819,220		115,273,492

31 December 2019

		NETWORK ₦'000		GENERAL TRADE ₦'000		AVIATION ₦'000		TOTAL ₦'000
Non-current assets	78%	35,957,395	17%	7,836,868	5%	2,304,961	100%	46,099,224
Inventories	62%	20,858,344	29%	9,756,322	9%	3,027,824	100%	33,642,490
Receivables and prepayments	80%	36,650,626	7%	3,206,930	13%	5,955,727	100%	45,813,283
Cash and cash equivalents1	70%	5,762,914	21%	1,728,874	9%	740,946	100%	8,232,734
ASSETS		99,229,279		22,528,994		12,029,458		133,787,731
Addition to non-current assets	78%	2,722,858	17%	593,443	5%	174,543	100%	3,490,844
Payables, deferred income, employee benefits and current tax liabilities	70%	41,759,417	20%	11,931,262	10%	5,965,631	100%	59,656,310
Borrowings1	70%	27,914,114	21%	8,374,234	9%	3,588,958	100%	39,877,306
Non-current liabilities (less non-current portion of lease liabilities)	69%	3,572,538	21%	1,087,295	10%	517,759	100%	5,177,592
Lease liabilities	100%	756,739	0%	-	0%	-	100%	756,739
LIABILITIES		74,002,808		21,392,791		10,072,348		105,467,947

[1]For the purpose of monitoring segment performance and allocating resources between segments, cash and borrowings are allocated to reportable segments on the basis of the revenues earned by individual segments.

7 Revenue

Revenue generated from the Company's revenue streams are as follows;

	31 December 2020	31 December 2019
	₦'000	**₦'000**
Petroleum products	156,491,894	241,002,197
Lubricants and others	47,667,036	51,175,005
	204,158,930	292,177,202

The above revenue streams are recognised at a point in time.

8 Auditor's remuneration

The analysis of auditors' remuneration is as follows:

	31 December 2020	31 December 2019
	₦'000	**₦'000**
Statutory audit fees	60,556	45,034
Total audit fees	60,556	45,034
Total fees	60,556	45,034

The auditors did not provide any non-audit services during the year.

8.1 Fees paid to professional consultants

	31 December 2020	31 December 2019
	₦'000	**₦'000**
Tax services	134,730	132,759
Information technology services	918,167	710,224
Litigation services	42,963	66,731
Recruitment and remuneration services	8,894	5,925
Air Total International subrogation fees	36,128	71,360
Product supply fees and certifications	302,453	100,207
Other services	42,639	26,022
	1,485,974	1,113,228

9 Net finance (costs)/ income

	31 December 2020	31 December 2019
Finance income:	**₦'000**	**₦'000**
Petroleum Subsidy Fund (PSF)	2,038,435	413,467
Petroleum Products Pricing Regulatory Agency	-	325,673
Interest on unclaimed dividend	59,745	98,438
Interest on loans and receivables	122,600	225,145
Interest on deposits	42,405	87,072
Total finance income	2,263,185	1,149,795
Finance costs:		
Interest on lease liabilities	(143,210)	(112,685)
Interest on import loans	(637,520)	(895,223)
Interest on bank overdrafts and loans	(2,111,638)	(6,893,098)
Total finance costs	(2,892,368)	(7,901,006)
Net finance costs	(629,183)	(6,751,211)

10 **Other income and other expenses**

		31 December 2020	31 December 2019
10.1	**Other income**	**₦'000**	**₦'000**
	Network income[1]	1,507,654	281,887
	Gain on disposal of property, plant and equipment	26,827	2,763,151
	Net foreign exchange gain	4,122	292,744
		1,538,603	3,337,782

[1]Network income represents income from Bonjour shop, rent, vendor management fees and other miscellaneous income.

[2]Other sundry income relates to royalties received from dealers for services rendered at the stations different from the Company's core line of business.

11 **Expenses by nature**

	31 December 2020	31 December 2019
	₦'000	**₦'000**
Changes in inventory of lubes, greases and refined products	171,176,600	253,290,225
Custom duties	1,181,427	2,077,043
Transport of supplies	1,616,025	1,758,575
Distribution costs	2,962,259	3,838,780
Staff costs (Note 32(iii))	8,536,667	8,805,779
Depreciation (Note 17)	4,791,896	4,771,328
Depreciation - Right-of-use asset (Note 5.21)	1,730,183	1,663,979
Amortisation of software (Note 16)	14,692	19,237
Rent	147,624	168,088
Technical assistance and management fees (Note 31.2)	3,330,664	2,081,736
Maintenance expenses	1,219,854	1,435,341
Motor fuels and travelling expenses	741,741	1,312,712
Communication, computer and stationery expenses	316,567	346,394
Directors' remuneration (Note 31.3)	436,343	327,618
Bank charges	348,273	107,223
Business promotion and publicity	521,535	601,422
Other expenses	41,663	52,527
Security & guarding	278,815	290,711
Bad debts written off	35,000	58,168
Fees paid to professional consultants (Note 8.1)	1,485,974	1,113,228
Purchase of consumables	73,201	108,833
Insurance	275,792	284,483
Service charge	86,583	153,896
Levies	131,233	435,520
Entertainment expenses	149,961	76,309
Engineering studies	228,329	242,823
Auditor's Remuneration (Note 8)	60,556	45,034
Total cost of sales, selling & distribution costs and administrative expenses	201,919,457	285,467,012

12 Company Income Tax

Income tax expense

The tax charge for the year has been computed after adjusting for certain items of expenditure and income, which are not deductible or chargeable for tax purposes and comprises:

Minimum Tax

The Company has applied the provisions of the Companies Income Tax Act and the Finance Act 2019 that mandates a minimum tax assessment, where a tax payer's tax liability based on taxable profit is less than the minimum tax liability. The Company's assessment based on the minimum tax legislations for the year ended 31 December 2020 is nil (2019; ₦319.51 million).

The Directors believe that the tax liabilities recognised represents best estimate based on their interpretation of the tax law.

12.1.1 Amounts recognised in profit or loss

	31 December 2020 ₦'000	31 December 2019 ₦'000
Current tax expenses:		
Company Income Tax (CIT)	757,438	1,167,993
Tertiary Education Tax (TET)	149,621	112,158
Capital gains tax	65	994
Nigeria Police Trust Fund Levy (NPTF)[1]	37	130
Current year tax expense	907,161	1,281,275
Withholding tax credit notes recovered	(19,832)	(60,850)
Current year tax expense	887,329	1,220,425
Deferred tax		
Origination and reversal of temporary differences (Note 12.3)	(38,410)	(748,406)
	848,919	**472,019**

12.1.2 Reconciliation of effective tax rate

	31 December 2020 ₦'000	31 December 2019 ₦'000
Profit before tax	**3,092,497**	**3,070,510**
Income tax using the statutory tax rate (30%)	927,749	921,153
Effect of tertiary education tax rate (2%)	61,850	61,410
Capital gains tax	65	994
Nigeria Police Trust Fund Levy (NPTF)	37	130
Non-deductible expenses	(120,487)	133,062
Non-taxable income	(8,584)	(386,993)
Tax incentives	(101,505)	(61,728)
Withholding tax credit notes recovered	(19,832)	(60,850)
Changes in prior year estimate	(120,396)	(120,396)
Other differences	134,720	(52,947)
Difference in CIT and TET rates	95,301	38,184
	848,919	**472,019**

[1] The Nigerian Police Trust Fund (Establishment) Act, 2019 imposes a levy of 0.005% of the net profit of companies operating business in Nigeria.

12.1.3 Minimum tax payable by the company

	31 December 2020 ₦'000	31 December 2019 ₦'000
Gross turnover	205,688,709	297,501,090
Minimum tax @ 0.25% (2019: 0.5%)	**514,222**	**1,487,505**
Companies income tax expense	757,438	1,167,993
Minimum tax	-	319,512
	757,438	1,487,505

12.2 Movement in current tax liability

	31 December 2020 ₦'000	31 December 2019 ₦'000
Balance as at 1 January	226,952	141,094
Net provision for the year (Note 12.1.1)	907,161	1,281,275
Minimum tax (Note 12.1.3)	-	319,512
Payments during the year	(1,280,703)	(1,035,490)
Withholding tax credit notes	(703,516)	(479,439)
Balance as at 31 December	**(850,106)**	**226,952**

NOTES TO THE FINANCIAL STATEMENTS

12.3 Deferred taxation

Deferred tax assets and liabilities are attributable to the following;

	Assets		Liabilities		Net	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	-	-	(4,918,463)	(5,114,650)	(4,918,463)	(5,114,650)
Provision for doubtful debts	361,677	343,630	-	-	361,677	343,630
Provision for employee benefits	198,363	205,074	-	-	198,363	205,074
Provision for inventory	24,583	24,583	-	-	24,583	24,583
Lease provisions	22,926	11,865	-	-	22,926	11,865
Net unrealised foreign exchange differences	-	-	(272,701)	(92,528)	(272,701)	(92,528)
	607,549	**585,152**	**(5,191,164)**	**(5,207,178)**	**(4,583,615)**	**(4,622,026)**

Movement in deferred tax balances during the year;

	Balance 1 January 2019	Recognised in profit or loss	Balance 31 December 2019	Recognised in profit or loss	Balance 31 December 2020
	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	(5,674,706)	560,057	(5,114,649)	196,187	(4,918,462)
Provision for doubtful debts	150,834	192,796	343,630	18,046	361,676
Provision for employee benefits	139,330	65,743	205,073	(6,711)	198,362
Provision for inventory	24,583	-	24,583	-	24,583
Lease provisions	-	11,865	11,865	11,061	22,926
Net unrealised foreign exchange differences	(10,473)	(82,055)	(92,528)	(180,172)	(272,700)
	(5,370,432)	**748,406**	**(4,622,026)**	**38,410**	**(4,583,615)**

12.4 The charge for income tax in these financial statements is based on the provisions of the Companies Income Tax Act CAP C21 LFN 2004 (as amended), the tertiary education tax charge is based on the Tertiary Education Trust Fund Act, 2011 and the Nigeria Police Trust Fund (Establisment) Act 2019.

13 Employee benefits

Employee benefits represents the Company's liability for:

a) Long service awards - Staff who have attained the milestones for the specified number of years of service in the Company (i.e. 10 years, 15 years and 20 years) are rewarded with cash and gift items as long service awards. An additional provision of ₦88.63 million has been made during the year ended 31 December 2020 (2019: ₦97.37 million). See note 32 (iii). Payment of ₦53.40 million was made to qualifying employees during the year (2019: ₦29.55 million)

b) Home ownership scheme - Under the home ownership scheme, qualifying staff are entitled to a grant which is a one-off payment upon tenth anniversary. Provision as at 31 December 2020 relating to future obligations is ₦120.63 million (2019: ₦107.71 million)

c) Post employment medical benefits - A post-retirement medical coverage is extended to ex-staff for five (5) years on early retirement or seven (7) years on normal retirement (i.e. at the retirement age of 60 years). Provision as at 31 December 2020 relating to future obligations is ₦20.70 million (2019: ₦29.92 million)

Provision for employee benefits as at 31 December 2020 was ₦678.93 million (2019: ₦640.85 million) with a non-current portion of ₦608.93 million (2019: ₦555.57 million) and a current portion of ₦67.16 million. (2019: ₦85.29 million)

14 Dividends

Declared dividends

The following dividends were declared by the Company during the year.

	31 December 2020 ₦'000	31 December 2019 ₦'000
Final dividend:		
₦0.00 per qualifying ordinary share (2019: ₦6.71)	-	2,278,192
	-	**2,278,192**

14.1 Dividend payable

	31 December 2020 ₦'000	31 December 2019 ₦'000
Balance as at 1 January	2,112,091	4,736,627
Final dividend (prior year)	2,278,192	4,753,306
	4,390,283	9,489,933
Forfeited dividend (Note 14.1(a))	(46,002)	(63,223)
Dividend paid	(1,981,399)	(7,314,619)
Balance as at 31 December	**2,362,882**	**2,112,091**

(a) By the provision of Section 385 of the Companies and Allied Matters Act (CAMA) 1990, dividend which remain unclaimed for 12 years stand forfeited.

15 Earnings per share (EPS)

Basic earnings per share

Basic earnings per share of ₦6.61 (2019: ₦6.71) is based on profit attributable to ordinary shareholders of ₦2.30 billion (2019: ₦2.28 billion), and on the 339,521,837 ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the year (2019: 339,521,837 ordinary shares).

The Company has no dilutive potential ordinary shares and as such, diluted and basic loss per share are the same.

	31 December 2020	31 December 2019
Earnings		
Profit for the year attributable to shareholders (expressed in Naira)	2,243,578,294	2,278,979,165
Number of shares		
Weighted average ordinary shares of 50 kobo each	339,521,837	339,521,837
Basic profit per 50 kobo share (expressed in Naira)	6.61	6.71

The denominators for the purposes of calculating basic earnings per share are based on issued and paid ordinary shares of 50 kobo each as at 31 December 2020.

16 Intangible assets

The movement on these accounts were as follows:	Computer software and software licensing
Cost	**₦'000**
Balance as at 1 January 2019	405,596
Additions	2,674
Reclassifications	22,566
Disposals	-
Balance as at 31 December 2019	430,836
Balance as at 1 January 2020	430,836
Additions	145,382
Balance as at 31 December 2020	576,218
Amortisation	
Balance as at 1 January 2019	(379,653)
Charge for the year	(19,237)
Reclassification	(20,216)
Balance as at 31 December 2019	(419,106)
Balance as at 1 January 2020	(419,106)
Charge for the year	(14,692)
Balance as at 31 December 2020	(433,798)
Carrying amount	
At 1 January 2019	**25,943**
At 31 December 2019	**11,730**
At 31 December 2020	**142,420**

[1]Amortisation of intangible assets are included in administrative expenses in Profit or Loss.

17 Property, plant and equipment

The movement on these accounts were as follows:

	Land	Buildings	Plant, machinery and fittings	Office equipment and furniture	Computer equipment and other tangibles	Motor vehicles	Capital work in progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost								
Balance as at 1 January 2019	4,882,663	15,348,792	18,164,894	582,463	14,630,952	2,690,742	5,954,031	62,254,537
Additions	176,842	37,600	87,745	-	236,563	369,677	6,250,847	7,159,274
Transfers (Note 17.1)	29,657	1,936,658	2,468,689	28,479	620,580	189,766	(5,393,572)	(119,743)
Disposals	(647)	(660,742)	(1,512,997)	(143,304)	(679,326)	(105,871)	-	(3,102,887)
Reclassification	(389,033)	460,531	1,545,174	-	(1,642,213)	2,975	-	(22,566)
Balance as at 31 December 2019	4,699,482	17,122,839	20,753,505	467,639	13,166,556	3,147,289	6,811,306	66,168,615
Balance as at 1 January 2020	4,699,482	17,122,839	20,753,505	467,639	13,166,556	3,147,289	6,811,306	66,168,615
Additions	-	5,852	53,181	-	48,103	249,028	5,486,686	5,842,850
Transfers (Note 17.1)	68,580	1,878,162	2,726,062	20,527	1,180,704	73,698	(6,261,685)	(313,952)
Disposals	-	(96)	(151,529)	(63)	(34,383)	(11,565)	-	(197,636)
Reclassification *	-	(757)	-	-	898	-	-	141
Balance as at 31 December 2020	4,768,062	19,006,000	23,381,219	488,103	14,361,878	3,458,450	6,036,307	71,500,018
Accumulated depreciation and impairment								
Balance as at 1 January 2019	(688,726)	(5,324,642)	(9,888,304)	(577,323)	(10,513,040)	(1,406,846)	-	(28,398,881)
Charge for the year	-	(832,313)	(1,671,076)	(18,694)	(1,716,893)	(532,352)	-	(4,771,328)
Eliminated on disposals	-	497,122	1,319,878	137,496	434,576	69,168	-	2,458,240
Reclassification*	2,320	(2,320)	102,693	-	(82,477)	-	-	20,216
Balance as at 31 December 2019	(686,406)	(5,662,153)	(10,136,809)	(458,521)	(11,877,834)	(1,870,030)	-	(30,691,753)
Balance as at 1 January 2020	(686,406)	(5,662,153)	(10,136,809)	(458,521)	(11,877,834)	(1,870,030)	-	(30,691,753)
Charge for the year	-	(880,296)	(1,714,713)	(20,261)	(1,687,742)	(488,881)	-	(4,791,893)
Eliminated on disposal	-	96	73,824	63	80,549	36,750	-	191,282
Balance as at 31 December 2020	(686,406)	(6,542,353)	(11,777,698)	(478,719)	(13,485,027)	(2,322,161)	-	(35,292,364)
Carrying amount								
At 1 January 2019	4,193,937	10,024,150	8,276,590	5,140	4,117,912	1,283,896	5,954,031	33,855,656
At 31 December 2019	4,013,076	11,460,686	10,616,696	9,118	1,288,722	1,277,259	6,811,306	35,476,862
At 31 December 2020	**4,081,656**	**12,463,647**	**11,603,521**	**9,384**	**876,851**	**1,136,289**	**6,036,307**	**36,207,654**

No item of property, plant and equipment has been pledged as security.

No impairment was recognised on items of property, plant and equipment during the year (2019: Nil).

** Items of PPE were reclassified to intangible assets (See Note 16)*

17.1 Transfers represent additions to other categories of PPE as well as from year's work-in-progress as they become completed.

Capital work in progress (CWIP) items include construction and other tangible asset awaiting completion. Major additions relate to solar stations campaign, upgrade of depot, acquisition of computer hardware, generators, motor vehicles, upgrade of information technology infrastructure, structural and civil upgrade of stations as well as integrity test of multi-product pipeline. Included in transfers from CWIP are right-of-use assets for which lease arrangements were finalised and became effective during the year.

18 Inventories

Inventories comprise:

	31 December 2020 ₦'000	31 December 2019 ₦'000
Raw materials	4,318,892	8,170,792
Goods in transit	4,779,056	3,225,515
Finished goods	11,576,152	20,457,044
Consumable equipment and spares	945,836	1,789,139
	21,619,936	33,642,490

No item of inventory was pledged as securities for liabilities during the year.

18.1 Movement in write down of inventories

	31 December 2020 ₦'000	31 December 2019 ₦'000
Balance as at 1 January	505,559	400,967
Write down of inventory[1]	6,465	141,457
Reversal of write downs from previous periods[2]	(106,059)	(36,865)
Balance as at 31 December	405,965	505,559

1During the year, amounts of ₦6.5 million were written down and recognised in cost of sales. (2019: ₦141.5 million)

[2]Reversal of prior period write down arose because alternatives uses were found for the products.

19 Trade and other receivables (Current)

	31 December 2020 ₦'000	31 December 2019 ₦'000
Customers account	18,989,875	23,170,237
Due from related parties (Note 31.2)	1,636,219	618,380
Total trade receivables	**20,626,094**	**23,788,617**
Net investment in finance lease (Note 19.1.1)	353,088	549,691
Advance on letters of credit	161,354	2,161,136
Bridging claims	8,285,047	9,602,701
Due from regulators (government entities)	297,253	325,673
Unclaimed dividends	2,373,676	1,977,678
Employee receivables	633,788	432,966
Advance to supplier	9,057,700	5,407,340
Other receivables	545,559	1,188,785
Total other receivables	**21,707,465**	**21,645,970**
	42,333,559	**45,434,587**

19.1 Trade and other receivables (Non-current)

Non-current portion of trade and other receivables comprise:	31 December 2020 ₦'000	31 December 2019 ₦'000
Employee receivables	1,539,169	1,706,446
Net investment in finance lease (Note 19.1.1)	593,823	924,470
Advance for PPE	541,126	454,671
	2,674,118	**3,085,587**

19.1.1 Finance lease receivable

The Company leases transport equipment to some of its transporters under a finance lease arrangement. The lease term is between three to five years, with options to extend. The finance lease receivables at the end of the reporting year are neither past due nor impaired. At 31 December 2020, the carrying amount of leased equipment was ₦0.95 billion (2019: ₦1.47 billion). The carrying amount of the finance lease receivables approximates their fair value and may be analysed as follows:

	31 December 2020 ₦'000	31 December 2019 ₦'000
Gross investment in finance lease receivable	1,035,223	1,611,645
Unearned finance income	(88,312)	(137,485)
Net investment in finance lease	**946,911**	**1,474,160**

Net investment in finance lease	31 December 2020 ₦'000	31 December 2019 ₦'000
Less than one year (Note 19)	353,088	549,691
Between one and three years (Note 19.1)	593,823	924,470
	946,911	**1,474,160**

19.2 As at 31 December 2020, the ageing of trade receivables that were not impaired was as follows:

	31 December 2020	31 December 2019
	₦'000	₦'000
Neither past due nor impaired	17,111,625	19,458,417
0 - 90 days past due	1,534,210	3,907,304
91 - 180 days past due	231,868	422,896
Above 180 days past due	1,748,391	-
	20,626,094	**23,788,617**

Management believes that the unimpaired amounts that are past due by more than 90 days are still collectible in full based on the historical payment pattern and extensive analysis of customer credit risk.

19.3 Ageing of impairments

The Company considers its receivables to be impaired when normal collection methods, including the use of collection agents fail.

20 Prepayments

Non-current and current prepayments mainly represent long term prepaid network assets, advance payment for rent and insurance expenses. Lease contracts on rents for current year are now recognised as right-of-use assets.

	31 December 2020	31 December 2019
	₦'000	₦'000
Current		
Prepaid rent	119,744	35,436
Employee advances	661,875	343,260
Total prepayments	**781,619**	**378,696**

		31 December 2020	31 December 2019
21	**Loans and borrowings**	₦'000	₦'000
	(i) Current liabilities		
	Bank overdrafts (Note 24)	5,831,655	26,242,869
	Unsecured bank loan	-	5,000,000
	Commercial paper instrument	14,814,846	-
	Short term intercompany loan	10,408,250	-
	Trade finance loan	2,561,112	8,634,437
	Total borrowings	**33,615,863**	**39,877,306**
	(ii) Lease liabilities		
	Non-current portion of lease liabilities	**514,276**	**394,147**
	Current portion of lease liabilities	**498,810**	**362,592**

NOTES TO THE FINANCIAL STATEMENTS

21 Loans and borrowings (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities			
	Bank overdrafts	Other loans and borrowings	Lease liabilities	Total
	₦'000	₦'000	₦'000	₦'000
Balance at 1 January 2020	**26,242,869**	**13,634,437**	**756,739**	**40,634,045**
Changes from financing cash flows				
Additional borrowings	-	25,223,096	-	**25,223,096**
Repayment of borrowings	-	(11,073,325)	-	**(11,073,325)**
Payment of lease liabilities	-	-	(524,380)	**(524,380)**
Interest paid	(2,111,638)	(637,520)	-	**(2,749,158)**
Total changes from financing cash flows	**(2,111,638)**	**13,512,251**	**(524,380)**	**10,876,233**
Other changes				
Change in bank overdraft	(20,411,214)	-	-	**(20,411,214)**
New leases	-	-	637,517	**637,517**
Interest expense	2,111,638	637,520	143,210	**2,892,368**
Total liability-related other changes	**(18,299,576)**	**637,520**	**780,727**	**(16,881,329)**
Balance at 31 December 2020	**5,831,655**	**27,784,208**	**1,013,086**	**34,628,949**

	Bank overdrafts	Other loans and borrowings	Lease liabilities	Total
	₦'000	₦'000	₦'000	₦'000
Balance at 1 January 2019	**22,148,472**	**12,072,072**	**958,047**	**35,178,591**
Changes from financing cash flows				
Additional borrowings	-	5,000,000	-	**5,000,000**
Repayment of borrowings	-	(3,437,635)	-	**(3,437,635)**
Payment of lease liabilities	-	-	(385,840)	**(385,840)**
Interest paid	(6,893,098)	(895,223)	-	**(7,788,321)**
Total changes from financing cash flows	**(6,893,098)**	**667,142**	**(385,840)**	**(6,611,796)**
Other changes				
Change in bank overdraft	4,094,397	-	-	**4,094,397**
New leases	-	-	71,848	**71,848**
Interest expense	6,893,098	895,223	112,684	**7,901,005**
Total liability-related other changes	**10,987,495**	**895,223**	**184,532**	**12,067,250**
Balance at 31 December 2019	**26,242,869**	**13,634,437**	**756,739**	**40,634,045**

The principal features of the Company's borrowings are as follows:

- Bank overdrafts are repayable on demand. The average interest rate on bank overdrafts for the year was approximatey 8.46% per annum (2019: 14.75% per annum). This was determined based on banks' cost of funding plus lenders' mark-up. These overdrafts are neither guaranteed nor is any collateral given on the balances.
- Unsecured bank loan represents short term loan from bank. Loan has a tenor of 90 days at 11% per annum.
- Trade finance loan represents short term borrowings obtained to fund letters of credits for product importation.
- The Commercial paper instrument is a ₦30 billion programme established by Total Nigeria Plc under which the company may from time to time issue Commercial Paper Notes, as may be agreed between the Arranger and the Issuer, in separate series or tranches. The current issuance is in two tranches with maturity in 2021 amounts are ₦2.25 billion and ₦12.75 billion with discounts ranging from 1.75% to 2%.
- Short term intercompany Loan represents an unsecured revolving loan facility from Total Upstream Nigeria Limited with a tenor of 1 year at 6.15% per annum.
- The carrying amount of current borrowings is a reasonable approximation of fair value as at 31 December, 2020.

i. Terms and repayment schedule
The terms and conditions of loans and borrowings are as follows;

				December 2020		December 2019	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
				₦'000	₦'000	₦'000	₦'000
Lease liabilities	NGN	11.35%	2020 - 2022	1,142,793	1,013,086	857,166	756,739
Commercial paper instrument	NGN	1.75% - 2.0%	2021	15,000,000	14,814,846	-	-
Short term intercompany loan	NGN	6.15%	2021	11,089,979	10,408,250	-	-
Unsecured bank loans	NGN	11.00%	2019	-	-	5,000,000	5,000,000
Bank overdraft	NGN	8.46%	2020	5,831,655	5,831,655	26,242,869	26,242,869
				33,064,427	32,067,837	32,100,035	31,999,608

The Company has discounted lease liabilities using incremental borrowing rate of 11.35% which represents the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

22	**Trade and other payables**	**31 December 2020**	**31 December 2019**
		₦'000	**₦'000**
	Trade payables :		
	Amount due to related companies (Note 31.2)	31,606,066	6,146,284
	Trade creditors	3,099,969	7,426,340
	Bridging contribution	7,487,961	11,326,804
	Payable to Petroleum Support Fund	472,912	1,356,615
		42,666,908	**26,256,043**
	Other payables:		
	Sundry creditors	8,486,541	1,177,936
	Security deposits	4,361,271	3,303,685
	Accrued liabilities	15,225,449	24,241,019
	Dividend payable (Note 14.1)	2,362,882	2,112,091
	Pay As You Earn (PAYE)	92,086	72,208
	Staff pension	28,992	15,473
		30,557,221	**30,922,412**
	Total trade and other payables	**73,224,129**	**57,178,455**

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

Accrued liabilities principally comprise accrual for product bills and other charges for which invoices were not yet received at the end of the year.

The Directors consider that the carrying amount of trade payables as at 31 December 2020 approximates their fair value.
Information about the Company's exposure to currency and liquidity risks is included in Note 27(iii).

22.2	**Deferred income (current)**	**31 December 2020**	**31 December 2019**
		₦'000	**₦'000**
	Contract liabilities	2,149,133	2,149,133
	Rental services	1,030	6,420
	Advance received for solar distribution	10,552	10,061
		2,160,715	**2,165,614**

The deferred income represents amounts billed and collected in accordance with contractual terms in advance of when the goods are delivered or services rendered. These advance payments primarily relate to the rental income and contract liabilities. Contract liabilities primarily relate to the advance consideration received from customers for the sale of goods, for which revenue is recognised once the goods are delivered and have been accepted in the customers premises or picked up by the customer. The Company estimates this will be earned as revenue during the subsequent financial years.
No information is provided about remaining performance obligations at 31 December 2020 or at 31 December 2019 that have an original expected duration of one year or less, as allowed by IFRS 15.

		31 December 2020	**31 December 2019**
23	**Share capital**	**₦'000**	**₦'000**
	Authorised, Issued and fully paid:		
	339,521,837 ordinary shares of 50 kobo each	169,761	169,761

All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

		31 December 2020	**31 December 2019**
		₦'000	**₦'000**
24	**Cash and cash equivalents**		
	Bank and cash balances	4,036,276	3,248,953
	Cash balances with Total Treasury (Note 31.2)	26,769,136	2,478,487
	Promissory notes received*	-	2,505,294
	Cash & cash equivalents in statement of financial position	30,805,413	8,232,734
	Bank overdrafts (Note 21)	(5,831,655)	(26,242,869)
	Cash & cash equivalents in statement of cash flows	24,973,758	(18,010,135)

*The Company had received the promissory notes from the Government as settlement of interest and foreign exchange differentials on direct importation of petroleum products made by the Company. Amount recognized represents promissory notes which were liquidated post year end at face value. Based on the nature of the instrument and the characteristic that makes it readily convertible to cash on demand and at full face value, the Company has treated it as cash equivalents at year end in line with IAS 7.6.
The Company classifies amounts held with Total Treasury as cash and cash equivalents because they can be withdrawn at any time without considerations.

25 Commitments and contigent liabilities

Financial commitments

The Company did not charge any of its assets to secure liabilities of third parties.

The Directors are of the opinion that all known liabilities and commitments have been taken into account in the preparation of these financial statements. These liabilities are relevant in assessing the Company's state of affairs.

Bonds	31 December 2020 ₦'000	31 December 2019 ₦'000
Total commitments given	3,000,350	2,000,350
Total commitments received	350,000	200,000

Commitments given primarily include guarantee to Pipelines and Products Marketing Company Limited (PPMC) for bulk purchase of petroleum products. No losses are anticipated in respect of these.

Commitments received include customers' guarantees.

Commitments received and given are held with local banks.

At 31 December 2020, the Company had contractual commitments for the acquisition of property, plant and equipment amounting to ₦1.8 billion (2019: ₦4.4 billion).

Contingent liabilities

There are contingent liabilities in respect of legal actions against the Company amounting to approximately ₦1.27 trillion (2019: ₦1.27 trillion). The Directors have not made provisions for these contingent liabilities as consultation with the in-house legal team led by Olubunmi Popoola-Mordi - (FRC/2013/ICSAN/00000002042), which holds regular discussions and get expert opinion from the Company’s external solicitors and have indicated that no material losses will crystalise against the Company.

26 Capital management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of its debt and equity balance. The Company's overall strategy remains unchanged from prior year.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 21, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and retained earnings.

The Company is not subject to any externally imposed capital requirements.

Gearing ratio
The gearing ratio is as follows:

	31 December 2020 ₦'000	31 December 2019 ₦'000
Borrowings (Note 21)	33,615,863	39,877,306
Cash and cash equivalents (Note 24)	(30,805,413)	(8,232,734)
Lease liabilities (Note 21)	1,084,316	756,739
Net debt	3,894,766	32,401,311
Equity	28,331,172	28,181,647
Net debt to equity ratio	0.14:1	1.14:1

Borrowing is defined mainly as long and short-term borrowings.
Equity includes all capital and reserves of the Company that are managed as capital.

27 Financial risk management

(i) Financial risk management objectives

The Company's Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk), credit risk and liquidity risk.

The Company's Treasury function reports monthly to the Group's Treasury, a section of the Group that monitor's risk and policies implemented to mitigate risk exposures.

(ii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company manages market risks by keeping costs low through various cost optimisation programs. Moreover, market developments are monitored and discussed regularly, and mitigating actions are taken where necessary.

Interest rate risk management

The Company is exposed to interest rate risk as it borrows funds at multiple interest rates. The risk is managed by the Company by constantly negotiating with the banks to ensure that interest rates are consistent with the monetary policy rates as defined by the Central Bank of Nigeria.

Interest rate risk
Sensitivity analysis

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

	31 December 2020	31 December 2019
	₦'000	₦'000
Variable rate instruments		
Borrowings (Note 21)	33,615,863	39,877,306
	33,615,863	39,877,306

Sensitivity analysis for variable rate instruments

A change of 500 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below:

Change of 1000 basis points or 10%

	Interest charged	Effect of increase/decrease in Interest rate	
	₦'000		₦'000
31 December 2020	2,111,638	'+/-10 %	2,496,026
31 December 2019	6,893,098	'+/-10 %	4,673,287

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27 Financial Risk Management (cont'd)

Foreign exchange risk management

The Company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of the Company. The functional currencies of the Company are primarily the United States Dollars, Great British Pounds and Euro. The currencies in which these transactions are primarily denominated are euro, US dollars and sterling.

A movement in the exchange rate either positively or negatively by 30 percent is illustrated below. Such movements would have increased (decreased) the profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting year. The analysis assumes that all other variables, in particular interest rates, remain constant.

As at 31 December 2020

	Foreign currency	Naira balance	Exchange rate*	Effect of increase/decrease in exchange rate	
	'000	'000			₦'000
Trade receivables					
USD	4,087	1,556,411	380.82	'30%	466,923
Euro	(12)	(5,553)	462.72	'30%	(1,666)
Cash deposits					
USD	78,732	29,982,720	380.82	'30%	8,994,816
EURO	129	59,691	462.72	'30%	17,907
Trade payables					
USD	(47,954)	(18,261,842)	380.82	'30%	(5,478,553)
EURO	(1,204)	(557,115)	462.72	'30%	(167,134)
CHF	(151)	(58,932)	390.28	'30%	(8,840)
Net impact on profit or loss					
USD	**34,865**	**13,277,289**	**380.82**	**30%**	**3,983,186**
EURO	**(1,087)**	**(502,976)**	**462.72**	**30%**	**(150,894)**

As at 31 December 2019

	Foreign currency	Naira balance	Exchange rate	Effect of increase/decrease in exchange rate	
	'000	'000			₦'000
Trade receivables					
USD	2,617	891,272	340.57	'30%	267,382
Cash deposits					
USD	9,843	3,352,231	340.57	'30%	1,005,669
EURO	86	30,494	371.88	'30%	9,148
Trade payables					
USD	(5,198)	(1,770,283)	340.57	'30%	(531,085)
EURO	(1,312)	(487,907)	371.88	'30%	(146,372)
GBP	(18)	(7,877)	437.61	'30%	(2,363)
Net impact on profit or loss					
USD	**7,262**	**2,473,219**	**340.57**	**30%**	**741,965**
EURO	**(1,226)**	**(457,412)**	**371.88**	**30%**	**(137,225)**
GBP	**(18)**	**(7,877)**	**437.61**	**30%**	**(2,364)**

A decrease in exchange rate by 30 percent (2019: 30 percent) against the above currencies at the reporting year would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

*These exchange rates have been derived by computing the weighted average of the CBN intervention rate, Interbank rate, and NAFEX which represents the Company's expected pattern of realisation and settlement.

Financial Risk Management (cont'd)

(iii) Liquidity risk management

Liquidity and interest risk tables

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

The following tables detail the Company's remaining contractual maturity for its derivative and non-derivative financial liabilities with agreed repayment periods. The amounts are gross and undiscounted and incnlude contractual interest payments.

			Contractual cashflows				
		Carrying amount	**Total**	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**More than 1 year**
As at 31 December 2020		**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Borrowings	(Note 21)	33,615,863	33,615,863	16,239,905	2,561,112	14,814,846	-
Trade payables	(Note 22)	42,666,908	42,666,908	3,099,969	32,078,978	7,487,961	-
Other payables[1]	(Note 22)	30,372,332	30,372,332	10,859,379	10,203,019	9,309,933	-
Lease liabilities	(Note 21)	1,013,086	1,013,086	-	-	498,810	514,276
		107,668,189	**107,668,189**	**30,199,253**	**44,843,109**	**32,111,550**	**514,276**
31 December 2019							
Borrowings	(Note 21)	39,877,306	39,877,306	26,242,869	13,634,437	-	-
Trade payables	(Note 22)	26,256,043	26,256,043	7,426,340	7,502,899	11,326,804	-
Other payables[1]	(Note 22)	30,632,774	30,632,774	10,952,498	10,290,510	9,389,766	-
Lease liabilities	(Note 21)	756,739	756,739	-	-	362,592	394,147
		97,522,862	**97,522,862**	**44,621,707**	**31,427,846**	**21,079,162**	**394,147**

[1]The amount of other payables does not include statute-based deductions.

The Company manages liquidity risk by maintaining reserves, monitoring forecasts of banking facilities and actual cash flows and matching the maturity profiles of financial assets and liabilities. Below is a listing of financing facilities that the Company has at its disposal to further reduce liquidity risk.

Financing facilities

Unsecured bank loans which are revolving trade loans with a tenure of one year and overdrafts payable at call are reviewed annually.

	2020	**2019**
	₦'000	**₦'000**
Amount used	23,207,612	39,877,306
Amount unused	92,792,388	46,122,694
Total Facilities	116,000,000	86,000,000

Financial Risk Management (cont'd)

(iv) Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers, employees and the government. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate e.g. security deposits, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information and its own trading records to rate its major customers. Credit exposure is controlled by setting credit limits that are routinely reviewed and approved by management.

The Company obtains bank guarantees in its favour for transactions with certain customers. These guarantees are held with Nigerian banks as a form of security in the event of a default.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

The credit policy of Total Nigeria Plc. is set in accordance with the sales channel that the Customer belongs to:

Network Channel: Credit is extended to dealers who operate the Company Owned, Dealer Operated Service Station (CODO) and some of the Dealer Owned, Dealer Operated service stations (DODO) who specifically apply to operate under the DODO credit scheme. Under both CODO and DODO credit schemes, credit is extended to each dealer to cover the working capital needs of the station. Each day's sales proceeds are lodged into the Company's bank accounts at least twice daily. The Company's financial risk exposure is covered by retentions from dealers income to increase the security deposit, as well as retention of title over physical stock in the station in the event of non-payment.

General Trade (GT) Channel: Credit for the GT customers is set at the monthly average sales to the customer for a year of one year or six months after proper financial and qualitative analysis. The approved credit limit is extended for 30 days or 45 days in rare occasions for blue chip companies.

Aviation Channel: Most of the customers are on a cash and carry basis with the exception of a few companies with 15 days credit limit. Credit is given only after a year of three months sales to the customer. Sales to international customers are based on a contract of one year and credit amount is based on expected turnover. Sales to international customers are guaranteed by Air Total International, a related party and the risk of loss in this circumstance is nil.

Cash and cash equivalents

The Company held cash and cash equivalents of ₦19.60 billion (net of overdrafts) at 31 December 2020 (2019: ₦18.01 billion) with banks and financial institutions with high credit ratings, rated B to AAA based on the Fitch rating agency and Total treasury.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short-term maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Company did not record any ECL impairment for the year. (2019: Nil).

Trade and other receivables

An analysis of the credit quality of trade receivables that are neither past due nor impaired is as follows;

As at 31 December 2020

	Not Credit Impaired	Credit Impaired	Total
	₦'000	₦'000	₦'000
Trade receivables	19,737,703	888,391	20,626,094

As at 31 December 2019

	Not Credit Impaired	Credit Impaired	Total
	₦'000	₦'000	₦'000
Trade receivables	23,207,453	581,164	23,788,617

Financial Risk Management (cont'd)

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was:

	31 December 2020	31 December 2019
	₦'000	₦'000
Customers	18,989,875	24,767,643
Due from related parties	1,636,219	618,380
Due from regulators (Government entities)	8,582,300	9,928,374
Other receivables	3,219,677	5,251,669
	32,428,071	**40,566,066**

Due from related parties

The Company has transactions with its parent and other related parties who are related to the Company by virtue of being members of the Total Group. In the directors' view, all amounts are collectible. Related party receivable balances were assessed for ECL impairment, in accordance with IFRS 9. This assessment is performed together with the trade receivables balances from other customers as at year end.

Due from regulators

This comprises amount due from PPPRA with respect to subsidies/PSF receivables on imported products as well as amounts receivable from PEF with respect to bridging claims. Bridging claims receivables are usually netted off against the payables following reconciliations with PEF. There is no loss experience with government receivables as the determination of amounts due are based on existing regulations/ guidelines and impairment is only recognised when changes occur in the regulations/ guidelines that prohibit or limit recovery of previously recognised amounts. Therefore, the Company has recorded no loss experience with government receivable as this is always deemed receivable and the settlement pattern of the government is not defined or definite.

Other receivables

Other receivables include finance lease receivables, staff debtors and other sundry receivables. The Company reviews the balances due from this category on a yearly basis taking into consideration factors such as continued business/employment relationship and ability to offset amounts against transactions due to these parties. Where such does not exist, the amounts are impaired. Other receivables were assessed for impairment in accordance with IFRS 9.

The finance lease receivables represent amounts due from transporters and these receivables are offset against payments due to them for transport services provided. They are not considered to be impaired as they are receivable based on timelines stipulated in the contracts.

Expected credit loss assessment for customers

The Company uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a single default rate approach. The single default or loss rate approach is the amount that is expected to be written-off in each bucket (balances that are 180 days past due in line with the Company's provisioning matrix) and divided by the relevant total unpaid balances included in each ageing bucket.

The following table provides information about the exposure to credit risk and ECLs for trade receivables, contract assets from customers and amounts due from related parties as at 31 December 2020.

31 December 2020	Weighted average loss ratio	Gross carrying amount	Loss allowance	Credit impaired
		₦'000	₦'000	
Current (not past due)	0.34%	16,810,439	56,691	No
1 - 30 days past due	1.93%	742,211	14,313	No
31 - 60 days past due	3.77%	560,395	21,149	No
61 - 90 days past due	7.02%	231,603	16,262	No
91 - 120 days past due	21.30%	197,923	42,163	No
121 - 150 days past due	34.02%	(16,526)	(5,622)	No
151 - 180 days past due	81.16%	50,471	40,961	No
More than 180 days past due	100.00%	888,391	888,391	Yes
		19,464,907 *	**1,074,309**	

*This has been adjusted for security deposits and receivables not impaired during the year.

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31 December 2019	Weighted average loss ratio	Gross carrying amount		Loss allowance	Credit impaired
		₦'000		**₦'000**	
Current (not past due)	0.34%	19,524,261		65,843	No
1 - 30 days past due	1.93%	2,310,190		44,550	No
31 - 60 days past due	3.77%	1,145,531		43,231	No
61 - 90 days past due	7.02%	580,097		40,732	No
91 - 120 days past due	21.30%	315,501		67,211	No
121 - 150 days past due	34.02%	246,138		83,734	No
151 - 180 days past due	81.16%	64,761		52,559	No
More than 180 days past due	100.00%	581,164		581,164	Yes
		24,767,643	*	**979,024**	

*This has been adjusted for security deposits and receivables not impaired during the year.

Credit risk (cont'd)

Expected credit loss assessment for employee receivables

31 December 2020	Weighted average loss ratio	Gross carrying amount	Loss allowance	Credit impaired
		₦'000	**₦'000**	
Current (not past due)	7.43%	2,172,957	161,451	No
		2,172,957	**161,451**	

31 December 2019	Weighted average loss ratio	Gross carrying amount	Loss allowance	Credit impaired
		₦'000	**₦'000**	
Current (not past due)	7.43%	2,311,054	171,642	No
		2,311,054	**171,642**	

Loss rates are based on actual credit loss experience over the past six years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the year over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

Financial Risk Management (cont'd)

28 Classification of financial instruments

(a) Accounting Classifications and fair values

The Directors consider that the fair value of financial assets and liabilities are not significantly different from their carrying values.

The classification of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are shown in the table below. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

As at 31 December 2020

	Carrying amount		
	Loans and receivables	**Other financial liabilities**	**Total**
	₦'000	**₦'000**	**₦'000**
Financial assets not measured at fair value			
Trade and other receivables (Note 19)[1]	35,408,851	-	35,408,851
Cash and cash equivalents (Note 24)	30,805,413	-	30,805,413
	66,214,264	-	66,214,264
Financial liabilities not measured at fair value			
Borrowings (Note 21)	-	33,615,863	33,615,863
Trade and other payables (Note 22)[2]	-	73,039,240	73,039,240
Lease liabilities (Note 5.21)	-	1,013,086	1,013,086
	-	107,668,189	107,668,189

As at 31 December 2019

	Carrying amount		
	Loans and receivables	**Other financial liabilities**	**Total**
	₦'000	**₦'000**	**₦'000**
Financial assets not measured at fair value			
Trade and other receivables (Note 19)[1]	42,658,163	-	42,658,163
Cash and cash equivalents (Note 24)	8,232,734	-	8,232,734
	50,890,897	-	50,890,897
Financial liabilities not measured at fair value			
Borrowings (Note 21)	-	39,877,306	39,877,306
Trade and other payables (Note 22)[2]	-	56,888,817	56,888,817
Lease liabilities (Note 5.21)	-	756,739	756,739
	-	97,522,862	97,522,862

[1] Trade and other receivables excludes advance to suppliers

[2] Trade and other payables excludes statute based deductions

29 Assets pledged as security

As at the year ended 31 December 2020 there were no assets pledged as security (2019: Nil).

30 Events after the reporting date

There were no events after the reporting date that could have a material effect on the financial position of the Company at 31 December 2020 and on the result for the year ended on that date that have not been taken into account in these financial statements.
However, the following events have occurred or are ongoing following the closure of the December 2020 financial year;

a) COVID-19 pandemic
The Total Nigeria team has worked diligently to minimize the impact of the restrictions to the supply chain and to ensure operational continuity. As a result, we successfully put in place the necessary measures and resources to continue supply to our customers during the COVID-19 pandemic. Total Nigeria continues to adapt its operational activities to ensure the safety of its employees, service providers and customers.

31 Related party transactions

As at the year ended 31 December 2020, the Parent Company Total Raffinage Marketing (incorporated in France) owned 61.72% of the issued shares of Total Nigeria Plc. The Ultimate Parent Company and ultimate controlling party is Total S.A (incorporated in France).

31.1 Trading transactions

During the year, the Company entered into the following transactions with related parties, who are members of the Total Group, as shown below:

	Sale of goods		Purchase of goods		Others	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Total Outré Mer	-	-	31,967,785	28,761,939	3,425,359	1,934,421
Total Oil Trading	-	-	-	-	-	94,543
Total E&P Nigeria	4,310,102	1,195,911	-	-	-	-
Total Lubricants	326,044	488,842	-	-	-	-
Total Supply	-	-	149,389	237,925	-	-
Total Access to Solar	-	-	11,507	251,565	-	-
Total marketing middle east	-	-	503,904	823,509	-	-
Total Cameroon	-	-	-	-	-	33,031
Total Gestion International	-	-	-	-	610,424	107,610
Total Raffinage Marketing	-	-	-	122,902	901,793	774,164
	4,636,146	1,684,753	32,632,585	30,197,840	4,937,576	2,943,769

31.2 Outstanding balance

The following amounts were outstanding at the reporting date:

	Amounts owed by related parties		Amounts owed to related parties	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	₦'000	₦'000	₦'000	₦'000
Total Outre Mer	-	-	30,356,751	5,636,160
Total Supply	-	-	32,960	-
Total E&P Nigeria	1,396,551	357,284	-	-
Total Congo	44,714	44,714	-	-
Total Cameroon	38,830	39,129	-	-
Total Niger	2,256	19,003	-	-
Total Gabon	2,526	2,526	-	-
Total Gestion International	-	-	81,827	-
Total Access to Solar	11,955	-	-	-
Total Oil Trading	84,983	84,983	-	-
Total Raffinage Marketing	-	-	1,134,528	510,124
Total Lubrifiants	54,404	70,741	-	-
	1,636,219	618,380	31,606,066	6,146,284
Total Treasury [1]	26,769,136	2,478,487	-	-
	28,405,355	3,096,867	31,606,066	6,146,284

1 Included in the analysis above is the balance of funds held with Total Treasury as at the year ended 31 December 2020; amounting to ₦ 26.77 billion (2019: ₦2.48 billion). This has however been classified along with cash and cash equivalents in the statement of financial position. See Note 24.

Technical assistance and management fees

Total Raffinage Marketing charges Total Nigeria Plc for General Assistance recorded and Total Outre Mer charges Total Nigeria Plc for Technical Assistance. The expenses are generally charged to profit or loss During the year, an accrual of ₦3.3 billion (2019: ₦2.1 billion) was made in this regard.

31.3 Related party transactions (continued)

Emoluments of the Directors of the Company were:

	2020 ₦'000	2019 ₦'000
Transactions with key management	399,066	293,880
Directors remuneration (Note 11)	436,343	327,618
	436,343	**327,618**
Fees for service as directors	14,966	14,795
Other remunerations	421,377	312,823
Chairman's remuneration	-	-
	436,343	**327,618**

Emoluments of the highest paid director was ₦214,510,259.52 (2019 ₦163,419,165.00). The chairman of the board did not earn any emoluments during the year (2019:Nil).

Dividends totalling ₦27,712,120.34 were paid in the year in respect of ordinary shares held by the Company's directors. (2019: ₦13,856,066.00)

The table below shows the number of Directors whose emoluments during the year excluding pension contributions were within the ranges stated:

	2020 Number	2019 Number
₦6,000,001 and above	6	6
	6	6
Number of Directors who had no emoluments during the year	3	3

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32 Information regarding employees

(i) The table below shows the number of staff of the Company whose emoluments during the year excluding pension contributions were within the ranges stated:

	31 December 2020 Number	31 December 2019 Number
Below ₦1,500,000	2	1
₦1,500,001 - ₦2,500,000	1	2
₦2,500,001 - ₦3,500,000	-	-
₦3,500,001 - ₦4,500,000	-	-
₦4,500,001 - ₦5,500,000	-	5
₦5,500,001 - ₦6,500,000	17	4
₦6,500,001 - ₦7,500,000	15	13
₦7,500,001 - ₦8,500,000	3	25
₦8,500,001 - ₦9,500,000	8	57
₦9,500,001 and above	394	344
	440	**451**

(ii) The average number of persons employed in the financial year and the staff costs were as follows:

	31 December 2020 Number	31 December 2019 Number
Managerial staff	131	126
Senior staff	294	306
Junior staff	15	19
	440	**451**

(iii) The related staff cost amounted to ₦8.54 billion (2019: ₦8.81 billion).

Staff costs relating to the above were:	31 December 2020 ₦'000	31 December 2019 ₦'000
Salaries and wages	5,812,597	6,283,576
Termination benefits	33,377	115,232
Pension and social benefit	603,137	566,160
Medical expenses	774,813	131,882
Training expenses	89,813	239,187
Provision for employee benefits	88,625	235,001
Other Staff Expenses	118,941	200,497
Temporary Staff	1,015,364	1,034,244
Total staff cost	8,536,667	8,805,779

Securities Trading Policy

In compliance with Rule 17.15 Disclosure of Dealings in Issuers' Shares, Rulebook of the Exchange 2015 (Issuers Rule) Total Nigeria Plc maintains a Security Trading Policy which guides Directors, Audit Committee members, employees and all individuals categorized as insiders as to their dealing in the Company's securities. The Policy is periodically reviewed by the Board and updated. The Company has made specific inquiries of all its directors and other insiders and is not aware of any infringement of the policy during the year under review.