

# Ten Questions for NNPC on its 2018 Subsidiary Accounts



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**Dataphyte**

# Background

In the years that followed the Federal government's removal of the fuel subsidy, the nation's oil firm, Nigerian National Petroleum Corporation (NNPC) has been the subject of discourse. The dialogue featured centred around corruption allegations and funds mismanagement around the NNPC. The ensuing events prompted a lot of issues and controversies, including urgent calls for the passage of the Petroleum Industry Bill (PIB). This Bill promised to tackle corruption challenges in the oil sector, assuring fiscal transparency and proper governance framework. In furtherance to this, NNPC recently became a supporting company for the Extractive Industries Transparency Initiative (EITI), the global standard for accountability in extractive industries. So while it was surprising for some when the state-owned oil firm opened her account books, the first in forty-three years, others expected it. To be a supporting company for EITI, the institution required NNPC to "publicly disclose taxes and payments; Ensure comprehensive disclosure of taxes and payments made to all EITI implementing countries." Taking this into consideration, the importance of the oil sector being transparent becomes clear but not yet certain. It is against this backdrop that Dataphyte analysed the available 2018 Subsidiary Accounts, identifying discrepancies and raised questions to make the National Oil Firm more explicit in its financial releases.

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## Why did NNPC allow a few of its subsidiaries to owe the Federal Government enormous sums of money?

In one instance, the Nigerian Petroleum Development Company (NPDC), a subsidiary of NNPC owes the government (roughly **\$5 billion**) in overdue taxes, royalties and asset sale fees? Interestingly, the government needs about **\$6 billion** to finance the budget shortfall created in part by these subsidiaries, and by implication, NNPC. It begs the question, what is the status of these debts and does NPDC have a plan for paying them?

A further breakdown of NPDC's debts (in the note on "Related Party Transactions") shows that at the end of 2018, NPDC owed the government:

**N342bn**  
in taxes

**N629bn**  
in royalties

**N308bn**  
in overdue fees for asset sales,  
where it gained NNPC's equity  
in oil licenses

**\$2.18bn**  
in joint venture cash calls that  
NAPIMS paid on its behalf

**Why did NNPC, FIRS, Auditors allow such to happen without raising queries?**

It is also interesting to note that PPMC also accrued a **N31.4 billion** (Note 21c.ii) debt to NNPC. **What is going on?**

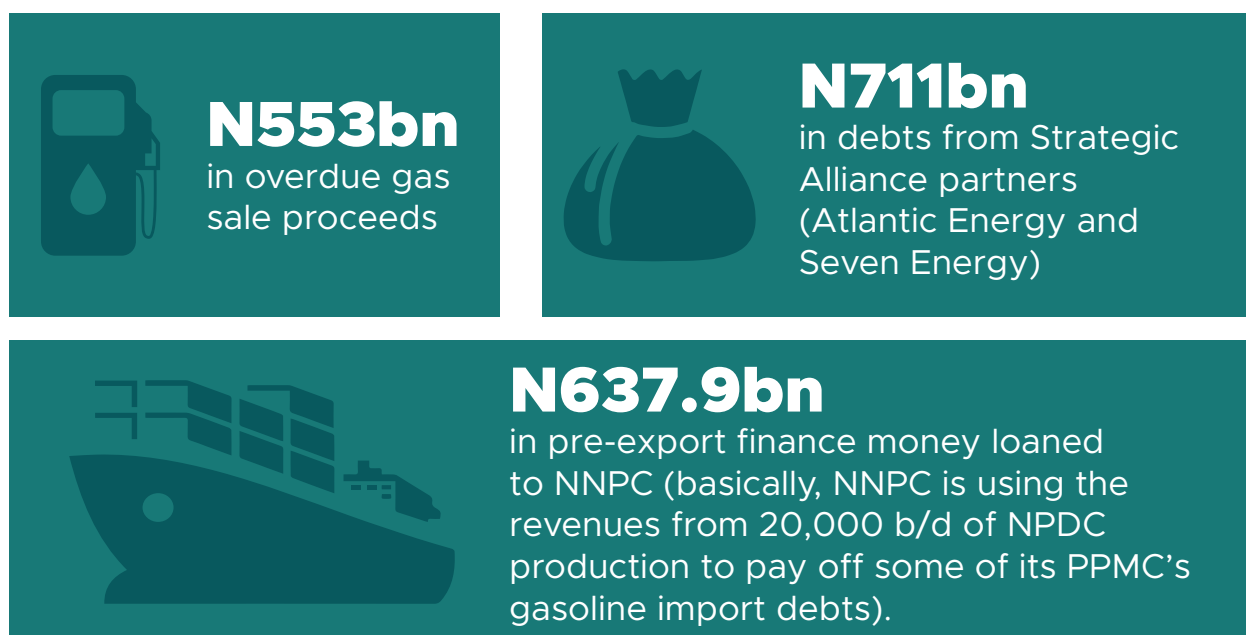
*See Appendix A*

2

## Why was NPDC, the same subsidiary, allowed to rack up huge uncollected debts from partners and customers? — over N2.9 trillion at the end of 2018?

### What is the status of the debt now?

According to its financial statement, NPDC had a very poor track record collecting debts from other companies. The breakdown of receivables summed to a tune of **N2.9 trillion!** They include:



### **N925 billion as a bad debt!? One wonders why NNPC and the Federal Government would allow such huge receivables to pass on?**

The oil exploration company listed nearly a trillion naira (**N925 billion**) as “impaired,” or bad.

See Appendix B

## 3

## Why did PPMC books have so many irregularities?

Despite irregularities NNPC continues to pour hundreds of billions of naira into some of its downstream subsidiaries without ever getting paid back. Why is this so?

Petroleum Product Marketing Company (PPMC) reported that in 2018, NNPC forgave **N423 billion** of debt from years spent covering PPMC's costs.



**Also PPMC sells fuel on NNPC's behalf but doesn't record the proceeds as revenue on its books. Which NNPC entity reports earning from fuel sales, and how much were they in 2018?**

And while NNPC remains the company's sole financier (Note 1), note 6 shows it sold over a trillion naira worth of fuel. PPMC, however, only booked revenues for **N29 billion**, mostly from "commissions" on sales of petroleum products. It (Note 5a) further showed how PPMC earns **N1.10 per litre** on sales of NNPC products, 50 percent of gross profits on Duke sales. Note 1 further showed that PPMC acts only as an "agent" for NNPC and Duke on product sales; it doesn't hold any stock of products.



**Likewise, refineries in Kaduna (N424 billion), Port Harcourt (N372 billion and Warri (N157 billion) all owe the NNPC vast sums.**

It is perhaps time to consider the fiscal implications of running these businesses.

Downsizing may be the way forward to foster efficiency; the ensuing revenue put to the Federation Account would see better use. Since NNPC may never recoup these amounts, looking ahead, what is its plan for reducing what these downstream businesses cost the nation?

The focal point here is how little fuel the refineries produce compared to how much they cost to run. Kaduna is the worst example; it refined no crude oil at all in 2018 and had zero revenues. Yet, it reported a **N64 billion** operating loss. In 2017, it also recorded **N112 billion** loss.

*See Appendix C*

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## Why did 12 subsidiaries post profits but paid no dividends? and how was the money used instead?

Only [5] of the [17] subsidiaries of NNPC published accounts for reportedly making profits for the year paid dividend. The five includes: Duke Oil Panama, Duke Nigeria, Duke Global, Integrated Data Services Limited and Duke Oil Service UK — paid NNPC a dividend.

Why did the other profitable companies—[NAPIMS, NETCO, Nigerian Gas Company Limited, NIDAS Marine Limited, NIDAS Shipping, NIDAS Shipping Services Limited, NIDAS Shipping Service Agency UK, NPDC, NNPC Retail, Port Harcourt Refinery, Petroleum Product Marketing Company (PPMC), Wheel Insurance Limited]—not declare dividends.

Same year, Duke paid NNPC a dividend of only **\$40,419**, despite making a pre-tax profit of **\$61,029,527**. Duke Nigeria, in contrast, paid NNPC a **N100 million** dividend even though it only booked **N135.6 million** in revenues and an **N41.6 million** operating profit.

Similar to Duke Panama, NPDC reported large revenues (**N1.37 trillion**) and after-tax profits (**N179 billion**), but paid NNPC no dividends for the year. The company had **N195 billion** in its bank accounts (Cash on hand) at the end of the year. Why was this so?

NNPC requires subsidiaries to pay dividends in the form of tax and royalties on NPDC's production. But its 2018 accounts show NNPC received no dividends from the NPDC.

NNPC Retail also paid no dividend to NNPC during the accounting year and received a **N1.18 billion** "tax credit".

Source: Comprehensive Income Statements of the subsidiaries / See Table below

*See Appendix D*

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## How did Duke Oil Panama ultimately spend its 2018 profits?

Despite making a pre-tax profit of **\$61,029,527**, Duke Oil Panama paid NNPC a dividend of only **\$40,419**. No details on how it spent the remainder in its financial account.

Speaking with the Financial Times, the GMD said Duke's 2018 profits were "invested back into the business."

*See Appendix E*



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## Why did most subsidiaries have large spending on wages and benefits for officials - even those that made loss?

### NNPC Retail Ltd

NNPC Retail made **N236.6 billion** in revenue and a pre-tax profit of only **N1 billion**. Almost all the profits were consumed by **N212.4 billion** cost of sales and **N16.325 billion** in administrative expenses.

Worthy notes are the high salaries in PPMC (See note 22b). For instance, the highest-paid director received **N86.35 million** (excluding his pension contribution) in wages “above **N5 million**.”

#### Note also:

Then there’s high spending on staff costs. Over half of the operating loss came from employee wages and benefits, which totalled **N23 billion** for the year (Note 11).

Generous employee compensation: The refineries had **897** employees, **210** of which made **N15 million** or higher. Perhaps the company exists largely to give these people jobs, and to serve as a cost center for other questionable spending. The highest-paid director made **N33 million**, and four directors received emoluments worth between **N10 million** and **N20 million** (Note 11). These salaries and bonuses going to staff in a non-functioning company is inefficient and wasteful.

Terrible balance sheet position The company’s Statement of Financial Position (p.11) shows **N10 billion** in assets and **N434 billion** in liabilities. In fact, **N424 billion** of Kaduna’s debts have no other than NNPC as the creditor (Note 20). Note 26 (“Going concern”) says that the refinery depends on NNPC for all of its revenues, but those revenues aren’t enough to pay its debts; so NNPC pays the refinery’s debts on its behalf. In essence, the refinery’s business model is unsustainable unless NNPC continues sinking money into it.

*See Appendix F*

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## Why did some subsidiaries have large profits but pay minimum tax?

NNPC has long argued that subsidiaries like Duke should not have to remit the money they earn from selling oil and fuel to the Federation Account. Rather, the National Oil Company argues, the subsidiaries should just have to pay taxes on what they earn to NNPC, their parent.

On taxes for the year, Duke Panama paid no taxes anywhere.

Duke UK made no significant profits to pay taxes. So most of the company's earnings went untaxed. Duke Nigeria paid [**N68.96 million**].

In its Note (10c), the account statement shows low tax payments to the tune of **N255 million** taxes paid (Statement of Cash Flows) from PPMC. The gross amount due in 2018 was in the billions. Further, the company carried forward **N94 billion** in "tax losses" from prior years (Note 10e).

PPMC also reportedly paid taxes late. The company owed **N483 million** at the start of 2018 and still owed **N433 million** at year's end.

*See Appendix G*

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**Duke Oil Panama’s accounts say it owed NNPC the exact same sum - \$170,027,248 - for sales of both unpaid oil and oil bi-product sales. Is this a duplication, and are any corrections needed?**

The accounts say Duke owed NNPC the same amount from sales of “oil bi-products.” One of these figures would seem to be a duplicate, suggesting an error in the company’s payables and balance sheet position. Are any corrections needed?

Items	Amount Payable
Crude Sale Proceeds	\$170,027,248
“Oil bi-product” sale proceeds	\$170,027,248

Note 15 to the Duke Panama accounts contain the duplicated figure in the breakdown of amounts owed to NNPC:

While it is not clear whether this duplication is intentional or the result of an error, it could mean that the company’s total payables for 2018 (**\$525,724,317**) and its group payables (**\$240,842,823**) are misstated.

Also, why were there discrepancies on the headline numbers of the subsidiary accounts present on its website and the financial statements?

### Duke Oil

**Middleman status:** Duke Panama’s accounts confirm the company acts as a middleman on NNPC oil and product sales, collecting commissions on sales for allowing private companies to lift, sell and transport the oil and fuel. Duke Panama’s accounts note that the company “acts as an agent in all of its revenue

arrangements,” either for NNPC or PPMC; further stating that its revenues represent “net commissions earned on trades.” The accounts also state that Duke is “dependent upon continuing support from its parent entity, the Nigerian National Petroleum Company (NNPC), to supply it with access to crude oil cargoes and the technical/operational support necessary to continue to trade” (Note 2).

Over **\$200 million** in unbooked revenue: The Duke Panama accounts (Note 15) state that Duke Nigeria collected funds on behalf of Duke Panama regarding certain (unspecified) “refined oil product import sales.” It further showed the **\$212,927,812** was because Duke Panama regarded these sales at year’s end.

Duke Nigeria’s accounts do not list this exact amount as payable to Duke Panama. Rather, the notes list out **\$10,632,021** in net payables to Duke Panama, and then include a separate, larger payable called “DOCI marketers funds” in the amount of **N77.046 billion** (Note 12.1 and 12.1.1). This amount corresponds roughly to the **\$212 million** described as a receivable in Duke Panama’s accounts, depending on the exchange rate(s) used.

The preceding means Duke’s audited financial statements did not list over **\$200 million** in product sales as revenue.

*See Appendix H*

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## Which NNPC entities receive the money from domestic refined product sales, and will NNPC be publishing accounts showing what happened to those revenues in 2018?

NNPC and various of its subsidiaries sell trillions of naira worth of refined products into the Nigerian market each year - **N2.778 trillion** of petrol, kerosene and gas oil alone in 2018, according to its own published monthly reports. Most of this money does not appear as revenue in any of the subsidiary accounts NNPC published.

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## Why has NNPC not published accounts for its other subsidiaries? Will those be forthcoming?

These include Calson (Bermuda) Ltd., Hyson (Nigeria) Ltd., Nikorma Transport Ltd., Napoil Ltd, West Africa Gas Ltd., and the West African Gas Pipeline Company Ltd

[See Dataphyte Reporting so far](#)

Table showing Payment of Dividend and Tax and the Income of Subsidiaries

S/N	NNPC Subsidiaries	Dividend	Tax	Income	Type	Page
1	Duke Global Energy Investment Ltd	N100 million	N68.96 million (Deferred Tax)	N41.67 million	Profit	9 - 10
2	Duke Oil Company Inc	\$40,419	Nil	\$61,03 million	Profit	3 - 6
3	Duke Oil Services UK	Nil	£47,853 (N19.14 million)	£174,118	Profit	8 - 11
4	Integrated Data Services Limited	N449 million	Nil	N3.21 billion	Profit	14 - 17
5	National Petroleum Investment Management Services (NAPIMS)	Nil	Nil	N1.06 billion	Profit	12 - 14
6	National Engineering and Technical Company Limited (NETCO)	Nil	N1.5 billion	N4.6 billion	Profit	8 - 11
7	N-Gas Limited	\$6,000	Nil	\$6.38 million	Profit	3, 8 - 11
8	Kaduna Refinery	Nil	Nil	N64.34 billion	Loss	12 - 14
9	Nigerian Gas Company Limited	Nil	N4.15 billion (Deferred Tax)	N16.62 billion	Profit	8 - 11
10	Nigerian Gas Marketing Limited	Nil	N10 billion (Deferred tax)	N19.99 billion	Profit	8 - 12
11	NIDAS Marine Limited	Nil	N16 million (Deferred tax)	N761 million	Profit	10 - 13
12	NIDAS Shipping Services Limited	Nil	\$169,972	\$1.43 million	Profit	7 - 10
13	NIDAS Shipping Service Agency UK	Nil	£19,373	£74,794	Profit	7-9
14	NNPC Retail	Nil	N1.18 billion (Tax credit)	N2.28 billion	Profit	14 - 17
15	NPDC	Nil	N80.7 billion (Deferred tax)	N179.14 billion	Profit	12 - 15

S/N	NNPC Subsidiaries	Dividend	Tax	Income	Type	Page
16	Nigerian Pipelines And Storage Company (NPSC)	Nil	Nil	N11.22 billion*	Loss	10 - 13
17	Port Harcourt Refinery	Nil	N5.5 million (Income tax expense)	(N45.59 billion)	Loss	7 - 10
18	Petroleum Product Marketing Company (PPMC)	Nil	N47.09 million (Income tax expense) N158.5 million (Minimum Tax)	N11.12 billion	Profit	10 - 12
19	Wheel Insurance Limited	Nil	Nil	\$18.1 million	Profit	8 - 11
20	Warri Refining	Nil	N2.5 million (Deferred tax)	(N52.18 billion)	Loss	11 - 14

# Appendix A

## Appendix A1

### NIGERIAN PETROLEUM DEVELOPMENT COMPANY LIMITED (NPDC)

#### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE ENDED 31 DECEMBER 2018

Per statement of financial position:		31-Dec-18	31-Dec-17
	US \$'000	N'000	N'000
At 1 January	1,315,993	402,693,673	436,051,976
Charge for the year	226,700	69,386,114	65,262,695
Total payables	<b>1,542,693</b>	<b>472,079,787</b>	<b>501,314,671</b>
<b>Payments during the year:</b>			
- Petroleum profits tax:			
> Cash payment	(196,650)	(59,043,106)	(70,570,947)
➤ Crude oil lifted in lieu of PPT payment	(215,702)	(66,022,106)	-
- Company income tax		-	(9,593,549)
- Education tax	(15,901)	(4,881,607)	(18,456,502)
Total payment	<b>(428,253)</b>	<b>(129,946,819)</b>	<b>(98,620,998)</b>
<b>At 31 December</b>	<b>1,114,440</b>	<b>342,132,968</b>	<b>402,693,673</b>



## Appendix A2

## NIGERIAN PETROLEUM DEVELOPMENT COMPANY LIMITED (NPDC)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE ENDED 31 DECEMBER 2018

## 15.1 Refundable cash calls to NAPIMS

	31-Dec-18	31-Dec-17
	N'000	N'000
At 1 January	429,727,113	415,844,042
Cash calls paid to NAOC by NAPIMS	-	16,047,418
	429,727,113	431,891,460
Cash calls refunded during the year by NPDC	-	(4,259,533)
	429,727,113	427,631,927
Translation difference	(121,469,885)	2,095,186
At 31 December	<b>308,257,228</b>	<b>429,727,113</b>

The Federation assigned its interests in OMLs 26, 30, 34, 40 and 42 in 2011 to NPDC. However, the cash calls relating to the assets subsequent to the assignment were funded jointly by NPDC and NAPIMS (Federation). In 2013 also, the Federation transferred its interests in OMLs 60-63 to the Company. Cash calls relating to the assets subsequent to the assignment were paid to NAOC by NAPIMS in the first instance and later refunded by NPDC. The sum of USD420.6 million and N179.1 million as transaction currencies (N308.28 billion as functional naira) was outstanding for refund to NAPIMS as at 31 December 2018.

A further breakdown of other payables are as follows:

## 15.2 Other payables:

	31-Dec-18	31-Dec-17
	N'000	N'000
Sundry payables	9,038,329	39,364,571
Other joint venture cash calls payable (Note 15.2.1)	145,183,374	265,814,008
Payable to NAOC - MCA	1,254,449	1,326,936
MCA carried tax relief	93,461,545	56,635,172
Crude oil overlift (Note 15.2.2)	77,598,933	11,371,712
Statutory deductions (Note 15.2.3)	126,658,909	117,595,046
	<b>453,195,539</b>	<b>492,107,445</b>

## Appendix A3

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE ENDED 31 DECEMBER 2018**

**16 Royalties and rental payables**

	US\$'000	31-Dec-18	31-Dec-17
		N'000	N'000
At 1 January	1,773,462	541,998,061	520,024,477
Provision for the year	928,996	284,337,770	115,240,261
	2,702,458	826,335,831	635,264,738
<b>Payments during the year:</b>			
<b>Royalty: Crude Oil</b>			
➤ Cash payments	(190,659)	(59,007,843)	(114,758,169)
➤ Crude oil lifted in lieu of royalty payment	(452,401)	(138,486,119)	-
<b>Concession rental:</b>			
➤ Cash payment	(101)	(30,975)	-
➤ Crude oil lifted in lieu of rental payment	(8,888)	(2,717,421)	-
<b>Total payments</b>	(652,049)	(200,242,358)	(114,758,169)
Exchange difference	-	3,382,128	21,491,492
At 31 December	<b>2,050,409</b>	<b>629,475,601</b>	<b>541,998,061</b>

**17 Share capital**

Authorised:		
1,000,000,000 ordinary shares of N1.00 each	1,000,000	1,000,000
Issued and fully paid:		
250,000,000 ordinary shares of N1.00 each	250,000	250,000

All other reserves are as stated in the statement of changes in equity.

**18 Retained earnings**

Retained earnings	636,154,409	478,742,367
Impact of IFRS 9 implementation (Note 30)	(77,594,856)	-
<b>At 1 January, 2018 as restated</b>	<b>558,559,553</b>	<b>478,742,367</b>
Profit for the year	179,136,160	157,412,042
At 31 December	<b>737,695,713</b>	<b>636,154,409</b>

## Appendix A4

### 9.3.5 Federation accounts

#### Recoverable from the Federation (Note 9.3.5.1)

	31-Dec-18		31-Dec-17
	US\$'000	N'000	N'000
At 1 January	2,189,606	607,023,509	661,587,416
Gas sales proceeds from NLNG domiciled with the Federation	171,066	52,363,356	35,425,356
Domestic crude oil lifted by the Federation (NNPC)	-	-	16,635,279
Indorama gas receipt domiciled with Federation	-	-	1,413,326
IPP energy sale proceeds domicile with the Federation	-	-	18,579,381
Crude inventory - OMLs 26, 30, 34, 40 & 42	-	-	1,256,445
Exchange differences	-	2,337,466	(64,873,694)
At 31 December	<b>2,360,672</b>	<b>724,724,331</b>	<b>670,023,509</b>

#### Payables to the Federation (Note 9.3.5.2)

2010- OMLs 4, 38 and 41	254,663	77,926,878	77,672,215
2011- OMLs 26, 30, 34, 40 and 42	1,493,122	456,895,332	455,402,027
Payments during the year	(54,222)	(16,637,441)	-
	1,693,563	518,184,769	533,074,242
2013 -OMLs 60 - 63 (Note 9.3.5.2.1)	494,477	151,317,339	229,653,940
Exchange differences	-	2,226,164	(61,296,132)
	<b>2,188,040</b>	<b>671,728,272</b>	<b>701,432,050</b>
At 31 December: Amount receivable/(payable)	<b>172,632</b>	<b>52,996,059</b>	<b>(31,408,541)</b>

9.3.5.1: This relates to certain proceeds of crude oil and gas sales from the assets transferred to the Company that have been continued to be domiciled with the Federation. The Federation's equity interests in certain OMLs were assigned to the Company for "good and valuable considerations" since 2011.

9.3.5.2: This relates to "good and valuable consideration" of Federation's 55% and 60% equity interests in OMLs 4, 26, 30, 34, 38, 40, 41, 42 and 60, 61, 62, 63 respectively that were assigned to the Company as determined by the Department of Petroleum Resources (DPR). The details of the acquisitions and considerations are detailed above:

## Appendix A5

## NOTES TO THE FINANCIAL STATEMENTS CONT'D

31 December 2018

Movements on impairment allowance of trade receivables are as follows:

	N'000	N'000
	31-Dec-18	31-Dec-17
At beginning of the year	(164,671)	(649,524)
Impairment charge for the year	-	(164,671)
Unused amounts reversed	-	649,524
Disposal adjustment (Note 25)	131,184	-
	<u>131,184</u>	<u>-</u>
At end of the year	<u>(33,487)</u>	<u>(164,671)</u>

All trade and other receivables are current in nature. There were no receivables written off during the year as uncollectable.

**d) Reconciliation of changes in trade and other receivables to statement of cash flows is as follows:**

	N'000	N'000
	31-Dec-18	31-Dec-17
Changes in trade and other receivables	(35,820,598)	1,620,163
Net benefits transferred (Note 17(h))	(65,105,409)	(1,014,148)
Disposal of property, plant and equipment to related parties (Note 11)	1,188,257	-
Impairment loss on trade and other receivables	(131,184)	(484,853)
	<u>(99,868,935)</u>	<u>121,162</u>

#### 15. Cash and cash equivalents

	N'000	N'000
	31-Dec-18	31-Dec-17
Bank balance	9,856,726	14,551,846
Bank guarantee deposit*	-	850,000
	<u>9,856,726</u>	<u>15,401,846</u>

\*The Company has a bank guarantee deposit with a commercial bank in Nigeria as a requirement to purchase LPG from Nigeria LNG Limited. At year end, the deposit is included in trade and other receivables due to the tenor of the deposit in current year.

#### 16. Share capital

(a) Share capital comprise:

	N'000	N'000
	31-Dec-18	31-Dec-17
<b>Authorised, issued, called-up and fully paid</b>		
5 million ordinary shares of N1 each	5,000	5,000

All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the general meetings of the Company.

(b) Other reserves

Other reserves amounting to N423.14 billion (2017: Nil) represents non-reciprocal contribution via conversion of debt owed to the parent company, Nigerian National Petroleum Corporation (NNPC) to equity. As part of a recapitalisation of the Company, the parent company relinquished its right to recall the amount of debt owed by the Company to eliminate the Company's accumulated deficit of N423.14 billion as at 1 January

# Appendix B

## Appendix B1

### NIGERIAN PETROLEUM DEVELOPMENT COMPANY LIMITED (NPDC)

#### STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 2018

	Notes	31 December 2018 N'000	31 December 2017 N'000
<b>Cash flows from operating activities</b>			
Cash flows generated from operations	24	235,673,842	124,783,145
Tax paid	14	(63,924,713)	(98,620,998)
<b>Net cash flows from operating activities</b>		<u>171,749,129</u>	<u>26,162,147</u>
<b>Cash flows from investing activities:</b>			
Acquisition of intangible assets	5	(105,669,277)	(35,096,279)
Acquisition of oil and gas assets	6	(118,125,200)	(121,388,514)
Acquisition of other property, plant and equipment	7	(3,815,320)	(3,639,241)
Proceeds from sale of property, plant and equipment	7	1,164	21,169
Interest received	25	1,092,215	544,425
<b>Net cash flows used in investing activities</b>		<u>(226,516,418)</u>	<u>(159,558,440)</u>
<b>Cash flows from financing activities:</b>			
Share oil on MCA transactions	25	(432,165)	(3,885,786)
<b>Net cash flows used in financing activities</b>		<u>(432,165)</u>	<u>(3,885,786)</u>
<b>Net decrease in cash and cash equivalents</b>		(55,199,454)	(137,282,079)
Cash and cash equivalents at 1 January	11	250,328,373	387,400,926
Exchange gain on cash and cash equivalents		415,021	209,526
<b>Cash and cash equivalents at 31 December</b>	<b>11</b>	<u><b>195,543,940</b></u>	<u><b>250,328,373</b></u>

Cash and cash equivalents include cash at bank and on hand, foreign currency letter of credits and short-term deposits.

The statement of significant accounting policies and notes on pages 16 to 82 form an integral part of these financial statements.

## Appendix B2

## NIGERIAN PETROLEUM DEVELOPMENT COMPANY LIMITED (NPDC)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE ENDED 31 DECEMBER 2018

## 9.3.5.2.1: Net purchase considerations from OMLs 60 – 63

		31-Dec-18	31-Dec-17
	US\$'000	N'000	N'000
<b>Acquisitions</b>			
DPR valuation of oil/gas assets/reverses:	1,554,100	475,554,585	474,000,485
<b>Adjustments on business acquisition:</b>			
Net working capital (liability) assumed	(537,504)	(164,476,224)	(163,938,720)
MCA obligation assumed	(129,790)	(39,715,847)	(26,396,254)
Funding gap on defined benefit obligations assumed	(337,726)	(103,344,156)	(52,607,656)
Crude oil over lift by the Federation	(4,603)	(1,408,519)	(1,403,915)
	(1,009,623)	(308,944,746)	(244,346,545)
Payment during the year	(50,000)	(15,292,500)	-
<b>Net purchase consideration payable.</b>	<b>494,477</b>	<b>151,317,339</b>	<b>229,653,940</b>

## 9.3.6 Other joint venture receivables

Shoreline (Chartered Crown Energy)	23,748,880	17,186,447
First Hydrocarbon Nigeria	6,469,941	13,748,873
Neconde Energy Limited	20,071,036	34,303,870
Niger Delta Western Limited	44,720,692	46,407,101
Seplat Petroleum Development Company Plc	56,335,986	12,451,718
Elcrest Exploration & Production Nigeria Ltd	22,414,116	17,626,977
	<b>173,760,651</b>	<b>141,724,986</b>

## 9.4 Movement in impairment allowances

At 1 January	288,322,377	235,523,367
Impact of IFRS 9 adoption	517,299,041	-
Restated balance	805,621,418	235,523,367
Charges during the year	13,639,267	52,799,010
Reversal	(108,229,021)	-
Translation differences	214,487,296	-
At 31 December	<b>925,518,960</b>	<b>288,322,377</b>

Impairment on trade and other receivables (note 9)	925,354,275	288,157,692
Impairment on staff advances (note 10.2)	164,685	164,685
	<b>925,518,960</b>	<b>288,322,377</b>

## Appendix B3

## NIGERIAN PETROLEUM DEVELOPMENT COMPANY LIMITED (NPDC)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE ENDED 31 DECEMBER 2018

## 9 Trade and other receivables

	31-Dec-18	31-Dec-17
	N'000	N'000
Trade receivables (Note 9.1)	670,522,785	466,164,163
Receivables from related parties (Note 27)	272,793,711	267,916,836
Receivable from NNPC on Pre-Export Financing I & II (Note 9.2)(Note 27)	637,908,959	363,171,194
Other receivables (Note 9.3)	711,185,160	430,593,933
	<u>2,292,410,615</u>	<u>1,527,846,126</u>
Allowance for impairment of receivables (Note 9.4)	(925,354,275)	(288,157,692)
	<u><b>1,367,056,340</b></u>	<u><b>1,239,688,434</b></u>

## 9.1 Trade receivables

Crude oil sales receivables	51,743,093	57,768,956
Gas/energy sales receivables (Note 9.1.1)	553,691,546	391,433,909
Trans Forcado pipeline receivables	7,341,088	3,909,613
MCA receivables (Note 9.1.2)	5,020,285	8,230,848
Others	52,726,773	4,820,837
	<u><b>670,522,785</b></u>	<u><b>466,164,163</b></u>

## 9.1.1 Gas/energy sales receivables

Transcorp Ughelli Power Ltd	23,910,945	22,347,401
Nigeria Gas Company Ltd (NGC)	201,968,303	103,106,463
Okpai IPP Power Plant	258,951,114	228,375,623
Others	68,861,184	37,604,422
	<u><b>553,691,546</b></u>	<u><b>391,433,909</b></u>

These represent the outstanding value of gas sold to Nigerian Gas Company (NGC) from OMLs 4, 34, 41 and 65/111, Shell Gas Nigeria Limited, BETA Glass, Transcorp Ughelli and N-Gas from OMLs 34. The receivables also include gas sold to NLNG, Indorama, River State Government and IPP energy from OMLs 60 - 63.

## Appendix B4

<b>9.3 Other receivables</b>			
Staff loans		881,992	812,001
Septa Energy Nigeria Limited (Note 9.3.1)		17,923,598	17,806,832
Atlantic Energy Drilling Concepts Limited (Note 9.3.2)		114,639,326	62,738,442
Atlantic Energy Brass Development Limited (Note 9.3.3)		315,266,545	172,519,494
Agip Energy and Natural Resources Limited (Note 9.3.4)		35,716,989	34,992,178
Receivable from Federation. (Note 9.3.5)		52,996,059	-
Other joint venture receivables (Note 9.3.6)		173,760,651	141,724,986
		<b>711,185,160</b>	<b>430,593,933</b>
<b>9.3.1 SEPTA Energy Nigeria Limited</b>			
		<b>31-Dec-18</b>	<b>31-Dec-17</b>
	<b>US\$'000</b>	<b>N'000</b>	<b>N'000</b>
At 1 January	58,383	17,806,832	17,806,832
Exchange difference	-	116,766	-
At 31 December	<b>58,383</b>	<b>17,923,598</b>	<b>17,806,832</b>

## Appendix B5

### NIGERIAN PETROLEUM DEVELOPMENT COMPANY LIMITED (NPDC)

#### NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE ENDED 31 DECEMBER 2018

#### 9.2 Pre-Export Financing I & II

		<b>31-Dec-18</b>	<b>31-Dec-17</b>
	<b>US\$'000</b>	<b>N'000</b>	<b>N'000</b>
At 1 January	1,696,214	363,171,193	253,741,240
Advances during the year:			
Crude oil sales domiciliation (Note 21)	197,916	60,609,896	76,124,899
Cash funding	183,750	56,288,623	33,305,055
	381,666	116,898,519	109,429,954
Exchange differences	-	157,839,248	-
At December	<b>2,077,880</b>	<b>637,908,960</b>	<b>363,171,194</b>

NNPC through PPMC has been supplying petroleum product to the nation as a Supplier of last resort. In providing this service, there has been an imbalance between the sale of petroleum products at regulated prices and the cost of the inputs (domestic crude oil refined locally and imported petroleum products) determined through international market prices.

To starve off a credit crisis or disruption in the nation's supply and distribution of petroleum products, NNPC's Group Board approved the adoption of Pre-Export Financing (PXF) as an alternative funding option for the repayment of PPMC's outstanding indebtedness. The PXF mechanism required a security instrument for it to work and that was achieved on a forward sale arrangement which allows a future sale of agreed quantity of 20,000 bpd of crude oil accruing from NPDC's OML 119 production to a Special Purpose Vehicle (SPV) for a period of up to five years for PXF 1 and seven years for PXF 2 in consideration of an advanced amount in the total sum of US\$3.0bn paid by the SPV to NNPC. The PXF arrangement became effective in 2013 and by 2018 achieved a close out of PXF 1.

As at 31 December 2018, NPDC has paid a total sum of USD2,077,879,347.55 (N637,908,959,585.28). These sums are to be recovered from Nigerian National Petroleum Corporation (NNPC).



# Appendix C

## Appendix C1

### 16. Share capital

(a) Share capital comprise:

	N'000	N'000
	31-Dec-18	31-Dec-17
<b>Authorised, issued, called-up and fully paid</b>		
5 million ordinary shares of N1 each	5,000	5,000

All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at the general meetings of the Company.

(b) Other reserves

Other reserves amounting to N423.14 billion (2017: Nil) represents non-reciprocal contribution via conversion of debt owed to the parent company, Nigerian National Petroleum Corporation (NNPC) to equity. As part of a recapitalisation of the Company, the parent company relinquished its right to recall the amount of debt owed by the Company to eliminate the Company's accumulated deficit of N423.14 billion as at 1 January

## Appendix C2

*Petroleum Products Marketing Company Limited*  
*Annual Report*  
*31 December 2018*

### NOTES TO THE FINANCIAL STATEMENTS CONT'D

#### 6. Revenue from contracts with customers

The effect of initially applying IFRS 15 on the Company's revenue from contracts with customers is described in Note 28. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

##### a) Disaggregation of revenue from contracts with customers

The Company generates revenue primarily from the sale of LPG and commission earned from agency duties on behalf of its parent and another related party.

In the following table, revenue from contracts with customers is disaggregated by major products and service lines as follows:

	N'000	N'000
	2018	2017
Commission on sale of petroleum products	27,525,583	95,598,640
Sale of LPG	2,019,349	3,927,804
Tariff on movement of crude oil	-	11,734,378
Throughput income	-	1,939,137
<b>Total revenue</b>	<u>29,544,932</u>	<u>113,199,959</u>

##### b) Contract balances

The following table provides information about contract liabilities from contracts with customers.

	N'000	N'000
	31-Dec-18	1-Jan-18
<b>Contract liabilities</b>	<u>820,511</u>	<u>416,792</u>

The contract liabilities primarily relate to the advance consideration received from customers for the sale of Liquefied Petroleum Gas which revenue is recognised when customers lift the product. The amount of N416.8 million recognised in contract liabilities at the beginning of the period has been recognised as revenue for the year ended 31 December 2018.

## Appendix C3

KADUNA REFINING AND PETROCHEMICAL COMPANY LIMITED  
ANNUAL REPORT  
FOR THE YEAR ENDED 31ST DECEMBER, 2018

## RESULTS AT A GLANCE

	2018 N'000	2017 N'000	% Increase /(Decrease)
Revenue	-	2,241,489	(100)
Operating Loss	(64,549,860)	(112,007,211)	(42)
Loss before minimum tax and income tax	(64,340,962)	(111,892,862)	(42)
Minimum Tax	(13)	(2,814)	(100)
Loss for the year	(64,340,975)	(111,895,676)	(42)
Other comprehensive income, net of tax	-	-	-
Total comprehensive loss	(64,340,975)	(111,895,676)	(42)
Share Capital	5,000	5,000	0
<b>Total equity</b>	<b>(423,429,848)</b>	<b>(359,093,873)</b>	<b>17.91619953</b>
Number of N1 ordinary share issued	5,000	5,000	-

# Appendix D

## NIGERIAN PETROLEUM DEVELOPMENT COMPANY LIMITED (NPDC)

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	31 December 2018 N'000	31 December 2017 N'000
Revenue	21	1,374,780,355	882,386,788
Cost of sales	22	(1,044,676,446)	(483,727,822)
<b>Gross profit</b>		<b>330,103,909</b>	<b>398,658,966</b>
Other income	23	14,219,684	59,157,009
Reversal/(impairment losses) on financial assets		94,589,754	(52,799,010)
General and administrative costs	24	(160,238,704)	(152,802,773)
<b>Operating profit</b>		<b>278,674,643</b>	<b>252,214,192</b>
Finance income	25	1,092,215	5,173,966
Finance costs	25	(19,930,281)	(34,713,420)
<b>Profit before income taxes</b>		<b>259,836,577</b>	<b>222,674,738</b>
Income tax expenses	14	(80,700,417)	(65,262,695)
<b>Profit for the year</b>		<b>179,136,160</b>	<b>157,412,043</b>

# Appendix E

## Appendix E1

Duke Oil Company Inc. STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2018			
	Notes	2018 \$	Restated 2017 \$
Revenue	3	43,736,635	37,537,130
Cost of sales		(2,459,011)	-
<b>Gross profit</b>		41,277,624	37,537,130
Administrative expenses		(5,935,553)	(4,028,336)
Exceptional income - recovery of bad debt provision		25,228,625	-
<b>Operating profit</b>	5	60,570,697	33,508,794
Interest receivable		458,830	-
<b>Profit before taxation</b>		61,029,527	33,508,794
Taxation		-	-
<b>Total comprehensive income for the year</b>		<b>61,029,527</b>	<b>33,508,794</b>

## Appendix E2

<b>Duke Oil Company Inc.</b>				
<b>STATEMENT OF CHANGES IN EQUITY</b>				
<b>for the year ended 31 December 2018</b>				
	<b>Share capital</b>	<b>Share premium</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 January 2017</b>	10,000	7,500,000	68,380,135	75,890,135
Total comprehensive income for the year	-	-	33,508,794	33,508,794
Dividends	-	-	(28,635,268)	(28,635,268)
<b>Balance at 31 December 2017</b>	<b>10,000</b>	<b>7,500,000</b>	<b>73,253,661</b>	<b>80,763,661</b>
<b>Balance at 31 December 2017 and 1 January 2018</b>	10,000	7,500,000	73,253,661	80,763,661
Total comprehensive income for the year	-	-	61,029,527	61,029,527
Dividends	-	-	(40,419)	(40,419)
<b>Balance at 31 December 2018</b>	<b>10,000</b>	<b>7,500,000</b>	<b>134,242,769</b>	<b>141,752,769</b>

# Appendix F

## Appendix F1

<b>NNPC Retail Limited</b>		
<b>Financial Statements</b>		
<b>Year ended 31 December 2018</b>		
<b>Financial Highlights</b>		
	<b>2018</b>	<b>2017</b>
	<b>N'000</b>	<b>N'000</b>
Revenue	236,635,933	216,142,579
Results from operating activities	936,853	1,792,150
Profit before income tax	1,095,282	3,119,309
Tax credit/(charge)	1,180,959	(1,290,591)
Profit after tax	2,276,241	1,828,718
Total comprehensive income	2,276,241	1,828,718
Total assets	132,043,770	131,352,715
Share capital	100,000	100,000
Total equity	53,643,549	54,968,079
Basic earnings per share (Naira)	22.76	18.29

## Appendix F2

## NNPC Retail Limited

Notes to the Financial Statements  
For the year ended 31 December 2018

	2018 N'000	2017 N'000
<b>19 Revenue</b>		
Premium motor spirit (PMS)	163,092,265	163,252,923
Automotive gas oil (AGO)	71,120,733	40,372,705
Dual purpose kerosine (DPK)	856,525	10,124,456
Liquified petroleum Gas (LPG)	1,566,410	2,392,495
	<u>236,635,933</u>	<u>216,142,578</u>
<b>20 Cost of sales</b>		
Premium motor spirit (PMS)	150,924,801	154,999,413
Automotive gas oil (AGO)	59,403,033	34,449,866
Dual purpose kerosine (DPK)	801,781	9,473,552
Liquified petroleum Gas (LPG)	1,350,619	1,939,425
	<u>212,480,235</u>	<u>203,580,453</u>
<b>21 Other income</b>		
Penalty for product diversion	6,198	352,360
Others	85,327	46,678
	<u>91,525</u>	<u>399,038</u>
	<b>2018 N'000</b>	<b>2017* N'000</b>
<b>22 Administration expenses</b>		
Depreciation	1,255,781	1,514,290
Audit fee	70,000	35,000
Bank charges	4,882	20,396
Communication and postage	202,858	22,966
Rent and rates	33,683	38,275
Local and international travels	494,243	423,721
Training expenses	93,064	204,404
Consultancy services	744,056	711,159
Legal and professional services	45,579	41,525
Stationery and consumables	55,602	48,917
Repair and maintenance	1,720,263	1,034,197
Internet expenses	890,746	617,568
Donations and charity	7,090	5,950
Entertainment	28,077	34,210
Wages & salaries	8,262,483	6,435,637
Foreign exchange loss	52,616	-
Medical expenses	319,492	349,616
Security	1,818,613	1,284,578
Allowance for goods in transit	(52,152)	238,027
Other expenses	278,725	193,213
	<u>16,325,704</u>	<u>13,253,650</u>

\* An impairment loss on financial assets of NGN633.562 million in the year ended 2017 was reclassified from other expenses to a separate line item (See Note 2(e)B)

## Appendix F3

Petroleum Products Marketing Company Limited  
Annual Report  
31 December 2018

**NOTES TO THE FINANCIAL STATEMENTS CONT'D**

**22. Directors and employees**

**a) Directors' emoluments**

The remuneration paid to the Directors of the Company was as follows:

	N'000 2018	N'000 2017
Salaries	64,566	74,106
Other short-term benefits	171,947	197,352
Defined benefit obligations	85,919	78,495
	322,432	349,953

The Directors received emoluments (excluding pension contributions) in the following ranges:

	Number	Number
N60,000,000 to N90,000,000	3	3

The emolument of the highest paid director amounted to N86.35 million (2017: N47.4 million).

**b) Employee benefit expenses**

i) Employee costs during the year amounted to:

	N'000 2018	N'000 2017
Wages and salaries	3,615,410	30,628,057
Pension costs - employer contributions	987,357	9,057,571
Defined benefit expense	7,554,093	4,853,067
	12,156,860	44,538,695

ii) Number of employees of the Company, other than directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension contributions) in the following ranges:

	Number	Number
Below N1,000,000	-	-
N1,000,001 - N2,000,000	-	121
N2,000,001 - N3,000,000	-	158
N3,000,001 - N4,000,000	200	117
N4,000,001 - N5,000,000	57	77
Above N5,000,000	13	905
	270	1,378

iii) The average number of full-time persons employed by the Company during the year was as follows:

	Number	Number
Management staff	17	85
Senior staff	240	1,035
Junior staff	13	258
	270	1,378



## Appendix F4

KADUNA REFINING AND PETROCHEMICAL COMPANY LIMITED  
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

## Notes to the Financial Statements, Cont'd

	2018	2017
	N'000	N'000
<b>10 Net Finance Income</b>		
Interest on Employee Loans	209,514	154,233
<b>Finance Income</b>	<u>209,514</u>	<u>154,233</u>
Net foreign exchange loss	(616)	(39,884)
<b>Finance Cost</b>	<u>(616)</u>	<u>(39,884)</u>
<b>Net Finance Income</b>	<u>208,898</u>	<u>114,349</u>
<b>11 Employee benefits and Directors' remuneration</b>		
<b>(a) Employee Benefits</b>		
(i) Employee costs during the year comprise:		
Salaries and Wages	9,331,856	9,937,084
Death Benefits*	37,003	15,789
Other Employee benefits	13,915,847	17,336,391
	<u>23,284,706</u>	<u>27,289,264</u>
Direct cost	9,615,674	13,819,594
Administrative expenses	13,669,032	13,469,670
<b>Total Employee Costs</b>	<u>23,284,706</u>	<u>27,289,264</u>

\* Death benefits represents amount paid to the next of kin of employee that died during active service and other burial expenses incurred by the Company.

(ii) The average number of full-time persons seconded to the Company during the year from the parent, NNPC (other than executive Directors) was as follows:

	2018	2017
	Number	Number
Operations	723	762
Administration	174	260
	<u>897</u>	<u>1,022</u>

## Appendix F5

KADUNA REFINING AND PETROCHEMICAL COMPANY LIMITED  
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018  
Notes to the Financial Statements, Cont'd

(iii) Higher paid employees of the Company, other than Directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension contributions) in the following ranges

	2018	2017
	Number	Number
N100,000 - N1,000,000	10	-
N1,000,001 - N2,000,000	11	1
N2,000,001 - N3,000,000	11	45
N3,000,001 - N4,000,000	11	81
N4,000,001 - N5,000,000	10	55
N5,000,001 - N6,000,000	10	76
N6,000,001 - N7,000,000	11	50
N7,000,001 - N8,000,000	10	122
N8,000,001 - N9,000,000	10	125
N9,000,001 - N10,000,000	7	89
N10,000,001 - N11,000,000	-	44
N11,000,001 - N12,000,000	-	42
N12,000,001 - N13,000,000	1	50
N13,000,001 - N14,000,000	0	68
N14,000,001 - N15,000,000	0	47
N15,000,000 - Above	210	127
	<u>312</u>	<u>1,022</u>

(b) Director's remuneration (excluding pension contributions and certain other benefits) for Directors of the Company charged to the profit or loss account are as follows:

	2018	2017
	N'000	N'000
Other emoluments	109,755	242,942

The Directors received emoluments in the following ranges:

	2018	2017
	Number	Number
Naira 5,000,001 - Naira 10,000,000	-	-
Naira 10,000,001 - Naira 20,000,000	4	4
Naira 20,000,001 - Naira 25,000,000	-	1
Above Naira 25,000,000	-	1
	<u>4</u>	<u>2</u>

The Directors' remuneration shown above include:

	2018	2017
	N'000	N'000
Highest paid director	33,014	27,021

## 12 Taxation

(a) The Company has applied the provisions of the Companies Income Tax Act that mandates a minimum tax assessment, where a taxpayer does not have taxable profit which would generate an eventual tax liability when assessed to tax. The Company's assessment based on the minimum tax legislation for the year ended 31 December 2018 is N0.013 million (2017: N2.81 million).

## Appendix F6

KADUNA REFINING AND PETROCHEMICAL COMPANY LIMITED  
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018  
Notes to the Financial Statements, Cont'd

20 Trade and other payables	2018	2017
	N'000	N'000
Trade payables	5,078,457	3,108,658
Payables due to related parties (Note 20(a))	425,268,030	358,980,727
Accrued expenses	57,500	31,500
Other payables	2,871,094	2,875,332
Total Trade payables	<u>433,275,082</u>	<u>364,996,217</u>
Statutory liability (Note 20(b))	350,182	539,223
	<u>433,625,263</u>	<u>365,535,440</u>
 (a) Amount due to related parties comprise:		
Nigerian National Petroleum Corporation	424,694,989	358,842,748
Warri Refining and Petrochemical Company Limited	566,280	128,168
Port Harcourt Refining Company Limited (Note 23(b))	6,761	9,811
	<u>425,268,030</u>	<u>358,980,727</u>

(b) Statutory deductions consist of Industrial Training Fund (ITF), Withholding Tax, Value Added Tax and PAYE liabilities. Information about the Company's exposure to liquidity risk is included in Note 20(b)

21 Financial risk management and financial instrument

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

- \* Credit Risk
- \* Liquidity Risk
- \* Market Risk

**Risk Management Framework**

The Company's board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework

The Company's risk management policies are established to identify and analyse the risks faced by the Company's to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

# Appendix G

## Appendix G1

### DUKE GLOBAL ENERGY INVESTMENT LIMITED

#### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2018	2017
<b>Revenue</b>		<b>₦'000</b>	<b>₦'000</b>
Management Fee	13	135,575	168,626
Other Income		-	-
		<u>135,575</u>	<u>168,626</u>
<b>Non reimbursable administrative expenses</b>			
Audit fee		14,000	5,250
Exchange loss		-	7,525
Depreciation	4	10,945	29,462
Property, plant and equipment written off		-	-
		<u>24,945</u>	<u>42,237</u>
<b>Profit/(Loss) before taxation</b>		110,630	126,390
Tax expenses	10	<u>(68,959)</u>	<u>(40,562)</u>
<b>Profit after tax from continuing operation</b>		<u>41,671</u>	<u>85,828</u>
<b>Total comprehensive income</b>		<u>41,671</u>	<u>85,828</u>

## Appendix G2

## DUKE GLOBAL ENERGY INVESTMENT LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## STATEMENT OF CHANGES IN EQUITY

	Share capital	Revenue reserve	TOTAL
	₦'000	₦'000	₦'000
<b>2018</b>			
At 1 January	100,000	(980,925)	(880,925)
Prior period adjustments(Net of tax) (Note 9)	-	-	-
	100,000	(980,925)	(880,925)
Profit for the year	-	41,671	41,671
Dividend paid		(100,000)	(100,000)
At 31 December	<u>100,000</u>	<u>(1,039,254)</u>	<u>(939,254)</u>
<b>2017</b>			
At 1 January	-	273,205	273,205
Prior period adjustments(Net of tax) (Note 9)	-	(1,339,958)	(1,339,958)
	-	(1,066,753)	(1,066,753)
Profit for the year	-	85,828	85,828
At 31 December	<u>-</u>	<u>(980,925)</u>	<u>(980,925)</u>

## Appendix G3

Duke Oil Company Inc. STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2018			
	Notes	2018 \$	Restated 2017 \$
Revenue	3	43,736,635	37,537,130
Cost of sales		(2,459,011)	-
<b>Gross profit</b>		41,277,624	37,537,130
Administrative expenses		(5,935,553)	(4,028,336)
Exceptional income - recovery of bad debt provision		25,228,625	-
<b>Operating profit</b>	5	60,570,697	33,508,794
Interest receivable		458,830	-
<b>Profit before taxation</b>		61,029,527	33,508,794
Taxation		-	-
<b>Total comprehensive income for the year</b>		<b>61,029,527</b>	<b>33,508,794</b>

## Appendix G4

**Duke Oil Services (UK) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2018**

<b>6 Taxation</b>	<b>2018</b> <b>£</b>	<b>2017</b> <b>£</b>
<b>Current tax</b>		
In respect of current year	45,395	27,003
Adjustments in respect of prior years	2,899	278
	<u>48,294</u>	<u>27,281</u>
<b>Deferred tax</b>		
In respect of current year	(441)	(1,039)
	<u>47,853</u>	<u>26,242</u>

Tax has been calculated using the standard rate for small companies of UK corporation tax of 19% (2017: 19.25%) on profit before tax.

The difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	<b>2018</b> <b>£</b>	<b>2017</b> <b>£</b>
<b>Profit before taxation</b>	<u>221,970</u>	<u>117,222</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2017:19.25%)	42,174	22,566
Effects of:		
Expenses not allowable for taxation	3,398	3,481
Depreciation less capital allowances	(178)	956
Adjustments in respect of prior years	2,899	278
	<u>48,294</u>	<u>27,281</u>

<b>7 Trade and other receivables</b>	<b>2018</b> <b>£</b>	<b>2017</b> <b>£</b>
Amounts due from group undertakings	<u>2,478,212</u>	<u>2,071,409</u>

Amounts due from group companies were extended without terms and are expected to be received within one year.

The directors consider that the carrying amount of trade and other receivables is a reasonable approximation of their fair value.

<b>8 Cash and cash equivalents</b>	<b>2018</b> <b>£</b>	<b>2017</b> <b>£</b>
Cash at bank	<u>5,930</u>	<u>5,088</u>

## Appendix G5

Petroleum Products Marketing Company Limited  
Annual Report  
31 December 2018

**NOTES TO THE FINANCIAL STATEMENTS CONT'D**

**b) Income tax expense**

The Company is subject to tax under the Companies Income Tax (CIT) Act as amended to date. Income tax charge for the year represents Tertiary education tax (TET) at 2% of assessable profit (2017: Nil) as the Company did not have taxable profit for the year ended 31 December 2018.

	N'000 2018	N'000 2017
Tertiary education tax	<u>47,088</u>	<u>-</u>

**c) Reconciliation of effective tax to statutory tax**

The tax on the Company's profit/loss before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	%	N'000 2018	%	N'000 2017
Profit/(Loss) before minimum tax and income tax		<u>9,552,685</u>		<u>(27,103,625)</u>
Income tax	30%	2,865,805	30%	(8,131,088)
TET	2%	191,054	0%	-
Changes in estimates relating to prior years	224%	21,427,530	0%	-
Tax incentives	-0.002%	(155)	0%	-
Recognition of previously unrecognised deductible temporary di	-255%	(24,370,187)	-30%	8,131,088
Difference in CIT and TET rates	-1%	(66,958)	0%	-
	0.5%	<u>47,088</u>	0%	<u>-</u>
		<b>N'000 31-Dec-18</b>		<b>N'000 31-Dec-17</b>

**d) Movement in current tax liability**

Balance at 1 January	483,725	261,208
Tax paid during the year	(255,554)	(33,487)
Charge for the year - minimum tax	158,501	256,004
- income tax charge	<u>47,088</u>	<u>-</u>
	<u>433,760</u>	<u>483,725</u>

**e) Unrecognised deferred tax assets**

Deferred taxes have not been recognised in respect of the following items, because of the uncertainty around the availability of future taxable profit against which the Company can use the benefits therefrom and the pending approval for the retention of tax losses associated with the operations transferred to related parties during the year (see Note 25):

	N'000 31-Dec-18	N'000 31-Dec-17
Deductible temporary differences	9,660,812	33,015,411
Tax losses (will never expire)	<u>84,854,188</u>	<u>85,869,776</u>
	<u>94,515,000</u>	<u>118,885,187</u>



# Appendix H

## Appendix H1

**Duke Oil Company Inc.**  
**NOTES TO THE NON-STATUTORY FINANCIAL STATEMENTS**  
**For the year ended 31 December 2018**

### 15 Related party transactions

At 31 December 2018 the immediate and ultimate parent company was Nigerian National Petroleum Corporation ("NNPC"), a company incorporated in Nigeria.

The Company entered into transactions with the parent undertaking and a number of fellow subsidiary undertakings during the year. All year end balances are interest free and payable on demand.

Administrative expenses include management services and recharges from Duke Oil Services (UK) Limited ("DOSUK"), a subsidiary of NNPC, totalling \$1,700,214 (2017: \$1,215,048). As at 31 December 2018 \$3,161,456 (2017: \$2,800,545) remained payable to DOSUK.

Administrative expenses include management services and recharges from Duke Global Energy Investment Limited ("DUGEIL"), a subsidiary of NNPC, totalling \$3,123,849 (2017: \$3,491,256). As at 31 December 2018 \$8,606,334 (2017: \$10,512,211) remained receivable from DUGEIL.

During the year, DUGEIL collected funds on behalf of DOCI in respect of refined oil product import sales. As at the year end, \$212,927,812 (2017: \$nil) is receivable from DUGEIL in respect of these balances.

During the year, DOCI, acting as agent, effected transactions of crude oil for NNPC Crude Oil Marketing division ("NNPC-COMD") with a gross purchase value of \$2,395,531,326 (2017: \$1,458,132,215) from which DOCI generated a net margin of \$12,811,302 (2017: \$9,733,059). As at 31 December 2018 \$170,027,248 (2017: \$135,115,044) remained payable to NNPC-COMD.

During the year, DOCI, acting as agent, effected transactions of crude oil for NNPC-COMD under the "Direct Sale, Direct Purchase" ("DSDP") contract at a gross purchase value of \$1,149,185,360 (2017: \$685,086,821), generating \$nil margin (2017: \$nil). Under the same contract, DOCI effected transactions of refined oil products for NNPC with a gross sale value of \$927,892,665 (2017: \$886,067,673) generating a net margin of \$3,877,349 (2017: \$3,380,580) from these sales. As at 31 December 2018, \$10,591,247 (2017: \$206,138,365 receivable) was payable to NNPC in respect of the DSDP contract.

Of the total transactional value of the DSDP contract, \$813,641,652 (2017: \$146,598,307) relates to refined oil products supplied by Calson (Bermuda) Ltd, a subsidiary of NNPC. These transactions generated \$3,347,657 (2017: \$3,464,617) of the total net margin under the DSDP contract. As at 31 December 2018, \$2,860,943 (2017: \$93,680,514) was receivable from Calson (Bermuda) Ltd.

DOCI, acting as agent, effected transactions of refined oil products for NNPC-COMD under the "National Foil Support Fund" ("NFSF") contract with a gross purchase value of \$414,009,376 (2017: \$nil) from which DOCI generated a net margin of \$1,123,267 (2017: \$nil). As at 31 December 2018, \$23,224,304 (2017: \$nil) was receivable from NNPC-COMD in respect of the NFSF contract.

DOCI, acting as agent, effected transactions of oil bi-products for NNPC-COMD at a gross purchase value of \$173,201,854 (2017: \$295,704,907) from which DOCI generated a net margin of \$2,807,107 (2017: \$10,248,633). As at 31 December 2018 \$170,027,248 (2017: \$135,115,044) remained payable to NNPC-COMD.

During the year, DOCI, acting as agent, effected transactions of refined oil products for Pipelines and Product Marketing Company ("PPMC"), a subsidiary of NNPC, at a gross sale value of \$604,639,765 (2017: \$136,201,599) from which DOCI generated a net margin of \$4,925,889 (2017: \$1,751,328). DOCI also receives a share of profits from PPMC related to the onward domestic sale of \$16,576,709 (2017: \$9,606,814), net late payment interest of \$70,180 (2017: \$819,507) and net demurrage income of \$nil (2017: \$1,466,053). As at 31 December 2018 \$46,363,300, (2017: \$38,522,704) remained payable to DOCI.

During the year, DOCI, acting as agent, effected transactions of oil bi-products for NNPC Retail at a gross sale value of \$48,731,337 (2017: \$32,436,344). DOCI received a net margin of \$1,544,835 (2017: \$531,156). As at 31 December 2018 \$nil (2017: \$21,303,501) was receivable from NNPC Retail.

Other receivables of \$357,016 (2017: \$357,016) are due from NNPC.

During the year the Company declared a dividend to NNPC of \$40,419 (2017: \$28,635,268). At year end \$nil (2017: \$179,406) was payable to NNPC in respect of dividends.

The Company paid no key management compensation during the year (2017: \$nil).

## Appendix H2

**Duke Oil Services (UK) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2018**

### **2 Accounting policies (continued)**

#### **Financial instruments**

##### ***Financial assets***

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

Trade receivables from related parties and cash and cash equivalents are held in a business model with the objective to hold them until maturity and collect the contractual cash flows. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the company has transferred its rights to receive cash flows from the asset.

Impairment provisions for trade receivables from related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses are recognised. For those that are determined to be credit impaired, lifetime expected credit losses are recognised. No loss provision was recognised at year end.

##### ***Financial Liabilities***

The company initially recognises financial liabilities at fair value and subsequently amortised cost using the effective interest method.

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

## Appendix H3

## DUKE GLOBAL ENERGY INVESTMENT LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

## NOTE TO THE FINANCIAL STATEMENTS (Continued)

		2018 N'000	2017 N'000
12.1	Payable to related Companies:		
	Duke Oil Co. Inc-Legacy (Note 12.1.1)	2,629,245	3,212,532
	NNPC (CHQ Group Treasury) (Note 12.1.2)	113,506	116,597
	PHRC	(4,169)	
	DOCI marketers funds	77,046,198	
	NAPIMS (Note 12.1.3)	23,961	23,961
		<u>79,808,741</u>	<u>3,353,090</u>
12.1.1	Duke Oil Co. Inc	\$	
	At 1 January as previously stated	12,540,682	2,353,321
	Prior period adjustments (Note 12.1.1.1)	-	<u>1,365,545</u>
	At 1 January as restated	<u>12,540,682</u>	<u>3,718,866</u>
	Adjustments (Note 12.1.1.2)	-	106,042
	Net fund transfer	1,217,972	372,212
	Dugeil marketers		
	Exchange difference	-	7,525
	Reimbursables expenses for the year (Note 13.1)	(2,718,811)	(927,763)
	Management fees for the year (Note 13.1)	<u>(407,822)</u>	<u>(139,164)</u>
	At 31 December	<u>10,632,021</u>	<u>3,212,532</u>

# About Dataphyte & Interactive

Dataphyte Nigeria Limited, publishers of Dataphyte, is a media research and data analytics organisation with the mission to deploy data tools and technology for socio-economic development of Nigeria. Dataphyte is the for-profit research and development program of The Interactive Initiative for Social Impact (The Interactive).

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