

ARBICO PLC

Lagos, Nigeria

ANNUAL REPORT

AND

CONSOLIDATED AND SEPARATE AUDITED FINANCIAL STATEMENTS

AND

OTHER NATIONAL DISCLOSURES

FOR THE YEAR ENDED 31 DECEMBER 2021

ARBICO PLC

ANNUAL REPORT, CONSOLIDATED AND SEPARATE AUDITED FINANCIAL STATEMENTS AND OTHER NATIONAL DISCLOSURES

FOR THE YEAR ENDED 31 DECEMBER 2021

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ARBICO PLC

CORPORATE INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2021

DIRECTORS:	Chief Kesington Adebutu Mr. Alkimos Makaronidis Elder N.C.U Okoro Mr. Adebisi Adebutu Mr. Afolabi Aiyeola Mr. Eyo Asuquo	Nigerian Greek Nigerian Nigerian Nigerian Nigerian	Chairman Managing Director Non-Executive Director Executive Director Executive Director Non-Executive Director
COMPANY SECRETARY:	Olaniwun Ajayi LP The Adunola Plot L2, 401 Close Banana Island Ikoyi, Lagos.		
REGISTERED OFFICE:	Plot D, Block 7 Industrial Crescent Ilupeju, Lagos.		
AUDITORS:	Ernst & Young 10 th & 13 th Floor UBA House, 57 Marina Lagos.		
REGISTRARS:	Apel Asset Limited 8 Alhaji Bashorun Street, Off Norman Williams St Ikoyi 100186, Lagos		
PRINCIPAL BANKERS:	Access Bank Plc First Bank of Nigeria Limited First City Monument Bank Plc Guaranty Trust Bank Limited Heritage Bank Limited New Prudential Mortgage Bank Limited Polaris Bank Limited Sterling Bank Plc Union Bank Plc United Bank for Africa Plc Wema Bank Plc Zenith International Bank Plc Wema Bank Plc		

ARBICO PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors have pleasure in submitting to the members of Arbico Plc (the Company) their annual report on the affairs of the Company and its subsidiary company (together referred to as "the Group") with the consolidated and separate audited financial statements for the year ended 31 December 2021.

LEGAL FORM

The company was incorporated on 18 June 1958 as a private limited company under the Companies Ordinance CAP 38 (now the Companies and Allied Matters Act). In 1978, the Company converted to a public limited liability company and its shares became listed on the Nigerian Stock Exchange.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is building and civil engineering works. The company has developed capabilities in the planning and construction of a broad spectrum of infrastructure projects for Federal and State Governments, Multinational Companies, Industrial Groups and high net-worth individuals.

SUBSIDIARY

Arbico FZE

Arbico FZE is into building constructions of non-plant and balance buildings for Dangote Oil Refinery projects site. The company was incorporated in April 2018 and commenced operations in May 2020. Arbico Plc owns 99% of the Arbico FZE while the remaining 1% is owned by Mr. Adebisi Adebutu.

RESULTS FOR THE YEAR

Comparative highlights of the operational results of the Group for the years ended 31 December 2021 and 2020 are as stated in the table below.

RESULTS FOR THE YEAR

	The Group		The Company	
	2021	2020	2021	2020
	N'000	N'000	N'000	N'000
Revenue	4,866,795	5,561,881	4,500,010	5,298,014
	=====	=====	=====	=====
(Loss)/profit before tax	(1,356,667)	644,883	(1,268,266)	1,360,722
Income tax expense	675,078	(231,076)	675,078	(231,076)
	-----	-----	-----	-----
(Loss)/profit for the year	(681,589)	413,807	(593,188)	1,129,646
	=====	=====	=====	=====
Total comprehensive (loss)/income for the year, net of tax	(681,589)	745,407	(593,188)	1,461,246
	=====	=====	=====	=====

DIVIDEND

The directors do not recommend payment of dividend for the year ended 31 December 2021. (2020: Nil).

ARBICO PLC

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2021

DIRECTORS

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

Chief Kesington Adebutu	Chairman
Mr. Alkimos Makaronidis - Greece	Managing Director
Elder N.C.U Okoro	Non-Executive Director
Mr. Afolabi Aiyeola	Executive Director
Mr. Adebisi Adebutu	Executive Director
Mr. Eyo Asuquo	Non-Executive Director

DIRECTORS' INTEREST

The shareholdings of the Directors in the Group are as follow:

Name of Directors	Status of appointment	Company Represented	Number of shares
Elder N.C.U Okoro	Direct	N/A	107,360
Chief Kesington Adebutu	Indirect	R28 LIMITED	N/A
Mr. Alkimos Makaronidis	Indirect	R28 LIMITED	N/A
Mr. Afolabi Aiyeola	Indirect	R28 LIMITED	N/A
Mr. Adebisi Adebutu	Indirect	R28 LIMITED	N/A
Mr. Eyo Asuquo	Indirect	R28 LIMITED	N/A

SIGNIFICANT CHANGES IN PROPERTY, PLANT AND EQUIPMENT

No significant change apart from normal additions and disposals in the ordinary course of business as shown in Note 16.

SUBSTANTIAL SHARE HOLDING

As at 31 December 2021, the following held 5% or more of the issued capital of the Company:

	2021		2020	
	Unit	%	Unit	%
R28 Limited	103,900,000	69.97	103,900,000	69.97
A.O.G Limited	14,850,000	10.00	14,850,000	10.00
Nigerians	29,750,000	20.03	29,750,000	20.03
	-----	-----	-----	-----
	148,500,000	100.00	148,500,000	100.00
	=====	=====	=====	=====
FREE FLOAT REPORT				
Strategic shareholder	118,750,000	79.97	118,750,000	79.97
Director direct shareholding	107,360	0.07	107,360	0.07
Free Float	29,642,640	19.96	29,642,640	19.96
	-----	-----	-----	-----
	148,500,000	100.00	148,500,000	100.00
	=====	=====	=====	=====

ARBICO PLC

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2021

EMPLOYMENT AND EMPLOYEES

Employment of physically challenged Persons

It is the Group's policy that there is no discrimination in considering applications for employment including those from disabled persons. All employees whether or not disabled are given equal opportunities to develop their expertise and knowledge and to qualify for promotion in furtherance of their careers. No disabled person was in the employment of the Group as at 31 December 2021.

Health, safety and welfare

In addition to medical insurance scheme given to members of staff in mostly private clinics and hospitals, the Group maintains well equipped first aid boxes. All essential safety regulations are being observed to guarantee maximum protection of personnel and also to protect the Group's assets.

Training

The group is committed to ensuring that staff receives both in-house and external training to help improve their skills.

EVENTS AFTER THE REPORTING DATE

As stated in Note 35, the Directors are not aware of any matters or circumstances arising since the end of the reporting date, not otherwise dealt with in the annual financial statements which significantly affect the financial statements of the Group.

CHARITABLE CONTRIBUTIONS

The group did not make any donation during the year under review (2020: Nil).

In compliance with Section 43(2) of the Companies and Allied Matters Act 2020, the Group did not make any donations or gifts to any political association or for any political purpose during the year under review.

FORMAT OF FINANCIAL STATEMENTS

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), the provisions of the Companies and Allied Matters Act 2020, and in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011. The directors consider that the format adopted is the most suitable for the Group and Company.

ARBICO PLC

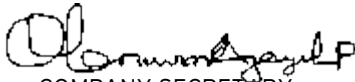
REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2021

AUDITOR

The auditor, Ernst & Young, having indicated their willingness, will continue in office as the Group's auditor in accordance with Section 401(2) of the Companies and Allied Matters Act 2020.

BY ORDER OF THE BOARD



COMPANY SECRETARY

Olaniwun Ajayi LP

FRC/NBA/2013/00000000001615

30 March 2022

ARBICO PLC

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Arbico Plc is committed to the highest standards of corporate governance to ensure proper oversight of the Group's operations and to create long term sustainable value for all shareholders and stakeholders. In line with best practices, there is a separation of power between the Chairman and the Managing Director, as well as a unique blend of Executive and Non- Executive Directors.

Overseen by the Board of Directors, corporate governance practices are constantly under review in line with the dynamics of the business environment. The Corporate Governance policies adopted by the Board of Directors are designed to ensure that the Group's business is conducted in a fair, honest and transparent manner which conforms to high ethical standards.

The Board of Directors in driving the strategic direction of the group ensures continual building of strong and stable relationships with shareholders, stakeholders and the community at large.

The group has continued to remain a publicly quoted company on the Nigerian Stock Exchange and affirms its commitment to increasing shareholders value through open and transparent Corporate Governance Practices.

THE BOARD

The Board is committed to best practices of Corporate Governance in carrying out its responsibility of determining the strategic objectives and policies of the Group. The Board is accountable to the shareholders and is responsible for creating and delivering sustainable value through proper management of the Group's affairs. The Board also provides oversight of senior management of the Group.

COMPOSITION OF THE BOARD

The Board comprises of the chairman, three (3) Executive Directors and two (2) Non- Executive Directors. The Board carries out its oversight functions using its various Board Committees. This ensures efficiency and allows deeper attention to targeted matters for the Board. The Committees are set up in line with best practices and have well defined terms of reference defining their scope and responsibilities. The committees met quarterly, and additional meetings are convened as required.

BOARD ATTENDANCE REPORT

NAME	DESIGNATION	NO OF MEETINGS	DATES OF MEETINGS			
			30 th Mar	16 th Jul	21 st Oct	9 th Dec
Chief Kesington Adebute	Chairman	4	P	P*	P	P*
Mr. Alkimos Makaronidis	Managing Director	4	P	P	P	P
Elder N. C. U Okoro	Non-Executive Director	4	P	P	P	P
Mr. Adebisi Adebute	Executive Director	4	P	P*	*P	*P
Mr. Afolabi Aiyeola	Executive Director	4	P	P	*P	P
Mr. Eyo Asuquo	Non-Executive Director	4	P	P	P	P

*P Attendance was by proxy.

ARBICO PLC

CORPORATE GOVERNANCE REPORT- continued

FOR THE YEAR ENDED 31 DECEMBER 2021

The Board carries out its oversight functions through the under-listed committees:

AUDIT COMMITTEE

The audit committee, in line with section 404 (4) of the companies and Allied Matters Act 2020, is mandated to examine the auditor's report and make recommendations thereon to the general meeting. The committee consists of 6 members.

MEMBERSHIP OF THE AUDIT COMMITTEE:

Mr. Azubuike Okpalaoka	Chairman
Mr. Eyo Asuquo	Member
Mr. Ademola Olugboyega	Member
Elder Nathaniel C.U. Okoro	Member
Mr. Vitalis Ayiam	Member

The committee met in accordance with the provisions of section 404 of the Companies and Allied Matters Act 2020.

REPORT OF THE AUDIT COMMITTEE MEMBERS ATTENDANCE

NAME	DESIGNATION	NO OF MEETINGS	DATES OF MEETINGS			
			18 th Mar	13 th Jul	14 th Oct	2 nd Dec
Mr. Azubuike Okpalaoka	Chairman	4	P	P	P	P
Mr. Eyo Asuquo	Member	4	P	P	P	P
Mr. Ademola Olugboyega	Member	4	P	P	P	P
Mr. Vitalis Ayiam	Member	4	P	P	P	P
Elder Nathaniel C.U. Okoro	Member	4	P	P	P	P

GOVERNANCE & REMUNERATION COMMITTEE

The committee which comprises of 3 members is charged with all necessary powers appropriate for carrying out all duties and responsibilities in formulation of the governance/remuneration functions of the Group.

MEMBERS OF GOVERNANCE & REMUNERATION COMMITTEE:

Elder Nathaniel C.U. Okoro	Chairman
Mr. Adebisi Adebute	Member
Mr. Alkimos Makaronidis	Member
Mr. Adeolu Isiaka	Secretary to the Committee

REPORT OF THE BOARD GOVERNANCE AND REMUNERATION COMMITTEE MEMBERS ATTENDANCE:

NAME	DESIGNATION	NO OF MEETINGS	DATES OF MEETINGS			
			17 th Mar	7 th July	7 th Oct	25 th Nov
Elder Nathaniel C.U. Okoro	Chairman	4	P	P	P	P
Mr. Adebisi Adebute	Member	4	*P	*P	*P	*P
Mr. Alkimos Makaronidis	Member	4	P	P	P	P

ARBICO PLC

CORPORATE GOVERNANCE REPORT - Continued

FOR THE YEAR ENDED 31 DECEMBER 2021

RISK MANAGEMENT COMMITTEE

The committee is made up of 4 members. The mandate of the committee is to oversee matters relating to risk management and internal control, as well as the safeguarding of assets, information technology systems, accounting policy and internal audit.

MEMBERS OF THE COMMITTEE:

Mr. Adebisi Adebutu	Chairman
Elder Nathaniel C.U. Okoro	Member
Mr. Afolabi Aiyeola	Member
Adeolu Isiaka	Secretary to the Committee

REPORT OF THE BOARD RISK MANAGEMENT COMMITTEE MEMBERS ATTENDANCE

NAME	DESIGNATION	NO OF MEETINGS	DATES OF MEETINGS			
			18 th March	30 th June	12 th Oct	30 th Nov
Mr. Adebisi Adebutu	Chairman	4	P	*P	*P	*P
Mr. Elder Nathaniel C.U. Okoro	Member	4	P	P	P	P
Mr. Afolabi Aiyeola	Member	4	P	P	P	P
Mr. Adeolu Isiaka	Secretary	4	P	P	P	P

REPORT ON RISK MANAGEMENT

The common sources of risks in construction industry are well known to the management and it is our culture to take precautionary measures before the occurrence of the risk so as to drastically mitigate such risk.

The group put value in ensuring that employees, both new and old continually go on risk management training. A lot of effort has been placed to ensure risk awareness programme is organised from time to time for all members of staff at all levels emphasising the major sources of risk such as:

- Changes in project scope
- Design errors and omissions
- Inadequately defined roles and responsibilities
- Insufficient skilled staff
- Subcontractors
- Inadequate contractor experience
- New technology
- Unfamiliarity with local conditions

Each project is distinctively executed after careful identification of the most likely risk affecting the project and documentation of characteristics of each risk may be different from those of other projects.

As a result of proper identification of risks pertaining to each project, Arbico Plc is able to quantify the risks in order to evaluate the possible outcomes of the project. In light of these, we have been able, in most of our projects, to manage every of the following project associated risks:

TECHNICAL RISKS:

Technical Risk is simply the risk associated directly with the knowledge base being employed and its technical aspects including such things as:

- Inadequate site investigation
- Incomplete design
- Appropriateness of specifications
- Uncertainty over the source and availability of materials

ARBICO PLC

CORPORATE GOVERNANCE REPORT - Continued

FOR THE YEAR ENDED 31 DECEMBER 2021

LOGISTIC RISKS:

This is the risk associated with the movement of construction materials and other equipment's needed at various site

- Availability of sufficient transportation facilities
- Availability of resources- particularly construction equipment spare parts, fuel and labour.

MANAGEMENT RELATED RISKS:

Management risk is the risk associated with ineffective, destructive or underperforming management.

- Uncertain productivity of resources
- Industrial relations problems

ENVIRONMENTAL RISKS:

Environmental Risk can be defined as the "actual or potential threat of adverse effects on living organisms and the environment by effluents, emissions, wastes, resource depletion, etc., arising out of an organization's activities can be defined as the "actual or potential threat of adverse effects on living organisms and the environment by effluents, emissions, wastes, resource depletion, etc., arising out of an organization's activities.

- Weather and seasonal implications
- Natural disasters

FINANCIAL RISKS:

Financial risk is the type of specific risk that encompasses the many types of risk related to a Group's capital structure, financing and the finance industry. These include risks involving financial transactions, such as Group loans and exposure to loan default.

- Availability and fluctuation in foreign exchange
- Delays in payment
- Inflation
- Local taxes

ARBICO PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and comply with the requirements of the Companies and Allied Matters Act 2020;
- b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- c) Prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates and are consistently applied.

The directors accepts responsibility for the annual consolidated and separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by Companies and Allied Matters Act 2020 and, the Financial Reporting Council of Nigeria Act, No 6, 2011.

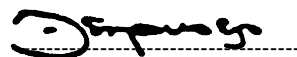
The directors are of the opinion that the consolidated and separate financial statements give a true and fair view of the state of the financial affairs of the Group as at, and of its performance for the year ended 31 December 2021. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the consolidated and separate financial statements, as well as adequate systems of internal financial control.

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

Signed on behalf of the Board of Directors



Afolabi Aiyeola
Executive Director
FRC/2015/IODN/00000012842



Eyo Asuquo
Executive Director
FRC/2020/CIBN/0000000016193

30 March 2022

ARBICO PLC

CERTIFICATE OF ACCOUNT

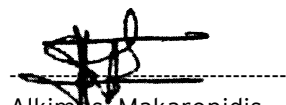
FOR THE YEAR ENDED DECEMBER 31, 2021

Certification Pursuant to Section 405(1) of Companies and Allied Matter Act, 2020

We the undersigned hereby certify the following with regards to our Audited Financial Statements for the year ended December 31, 2021 that:

- a. We have reviewed the report;
To the best of our knowledge, the report does not contain:
 - Any untrue statement of a material fact, or
 - Omit to state a material fact, which would make the statements misleading in the light of circumstances under which such statements were made;
- b. To the best of our knowledge, the financial statement and other financial information included in this report fairly present in all material respects the financial condition and results of operation of the company as of, and for the periods presented in this report.
- c. We:
 - are responsible for establishing and maintaining internal controls.
 - have designed such internal controls to ensure that material information relating to the Company and its consolidated subsidiaries is made known to such officers by others within those entities particularly during the period in which the periodic reports are being prepared;
 - have evaluated the effectiveness of the Company's internal controls as of date within 90 days prior to the report;
 - have presented in the report our conclusions about the effectiveness of our internal controls based on our evaluation as of that date;
- d. We have disclosed to the auditors of the Company and Audit Committee:
 - All significant deficiencies in the design or operation of internal controls which would adversely affect the company's ability to record, process, summarize and report financial data and have identified for the company's auditors any material weakness in internal controls, and
 - Any fraud, whether or not material, that involves management or other employees who have significant role in the company's internal controls;

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



Alkimos Makaronidis
Managing Director
FRC/2021/IODN/00000019977



Oluyemi Akintanwa
Financial Controller
FRC/2012/ICAN/00000000449

Independent Auditor's Report
To the Members of Arbico Plc
Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Arbico Plc ("the Company) and its subsidiaries (together "the Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and the Company as at 31 December 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Independent Auditor's Report
To the Members of ARBICO Plc

The Key Audit Matters applies equally to the audit of the consolidated and separate financial statements.

Key Audit Matter	How the matter was addressed in the audit
<p>Determination of provision for expected credit losses for contract asset and trade receivables</p> <p>At the reporting date, the Group had contract assets of N4.506billion (2020: N2.569 billion) and trade receivables of N1.177billion (2020: N2.337 billion) which was the most significant asset of the group as at year end. Provisions for impairment was N2.079billion (2020: N1.265 billion) on contract assets and N689.235 million (2020: N519.807million) on trade receivables.</p> <p>The construction industry continues to be impacted by certain macroeconomic challenges hence the Group experienced uncertainty over the collectability of contract asset and contract receivables from customers.</p> <p>An impairment assessment was performed on contract asset and contract receivables using the expected credit loss approach to determine the recoverable amount. The determination of the expected credit loss involves management judgement on historical payment pattern, age analysis of the balance and any other information.</p> <p>Due to the materiality of the amounts involved and the level of management judgement, we considered this a key audit matter.</p>	<p>Our audit procedure includes amongst others;</p> <ul style="list-style-type: none"> ➤ We selected a sample of significant balance where provision for impairment was made to understand the rationale behind management's judgement. ➤ We obtained the ageing analysis of contract debtors and reviewed the transactions for each debtor in line with the contract agreements. ➤ We verified the customer payment pattern and also performed subsequent event on payment received to date. ➤ We inspected material contracts to assess their creditworthiness. <p>In assessing the appropriateness of the overall provision for impairment using the expected loss approach, we considered the management application of the following:</p> <ul style="list-style-type: none"> • customers' historical default rates • customers' ability to pay all amounts due in accordance with the contractual terms • forward-looking estimates <p>We also assessed the adequacy of the disclosures regarding the impairment of contract receivables to determine whether they are in line with IFRS 9 requirements. Refer to Notes 19 and 20 of the financial statements.</p>

Independent Auditor's Report
To the Members of Arbico Plc - Continued

Report on the Audit of the Consolidated and Separate Financial Statements - Continued

Key Audit Matter	How the matter was addressed in the audit
<p>Revenue recognition from construction contracts from customers</p> <p>For the year ended 31 December 2021, the group recognized revenue from construction works of N4.867 billion (2020: N5.561 billion). The recognition of revenue involves management estimate at the commencement of the contract and regular assessment of the progress of the construction works based on the percentage of completion. Also, due to the fact that most construction works take years to complete and there could be scope changes, disputes and claims, revenue recognized may be difficult to estimate.</p> <p>Due to the significant judgement involved in recognizing revenue, we have identified revenue recognition from construction works as a key audit matter.</p>	<p>We tested revenue recognized under long term contract accounting as follows:</p> <ul style="list-style-type: none"> ➤ We discussed with the Management the progress of the projects ➤ We performed substantive analytical procedures of revenue ➤ We reviewed revenue in line with the provision of IFRS 15 ➤ We performed cut off procedures on contract revenue account by examining how the entity has recorded contract revenue received immediately before the period end and immediately after the period end ➤ We reviewed on sample basis, the material original contracts ➤ We tested on a sample basis actual cost incurred during the year. ➤ We reviewed the contracts for changes in scope ➤ We circularized the debtors and performed other alternative tests including subsequent receipt tests on accounts receivables ➤ We obtained the ageing analysis of the contract debtors and reviewed the transactions for each debtor in line with the contract agreements ➤ We carried out certificates' validation tests on each receivable and agreed all payments to the bank statements ➤ We recalculated the revenue recognized based on the certificate of completion. ➤ We tested receivables for impairment in line with IFRS 9. Appropriate adjustments were made in respect of the expected credit losses.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors, Audit Committee's Report, Corporate Governance Report and Other National Disclosures. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

Independent Auditor's Report

To the Members of Arbico Plc - continued

Other Information - continued

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria Act No.6, 2011, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast

Independent Auditor's Report
To the Members of Arbico Plc - continued

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

- significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirement of Fifth Schedule of the Companies and Allied Matters Act 2020, we confirm that:

- We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the group and company, in so far as it appears from our examination of those books;
- The consolidated and separate statements of financial position and the consolidated and separate statements of profit or loss and other comprehensive income are in agreement with the books of account; and

Independent Auditor's Report
To the Members of Arbico Plc - continued

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

- in our opinion, the consolidated and separate financial statements have been prepared in accordance with the provisions of the Companies and Allied Matters Act, 2020 so as to give a true and fair view of the state of affairs and financial performance of the Company and its subsidiaries.



Maureen Ogo
FRC/2012/ICAN/00000000142
For: Ernst & Young
Lagos, Nigeria

31 March 2022



ARBICO PLC

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2021

We have examined the Auditor's Report for the year ended 31 December 2021 in accordance with the provision of section 404(4) of the Companies and Allied Matters Act 2020.

In addition, we have reviewed the Audited Financial Statements of the Group, for the year ended 31 December 2021, and the reports thereon, and hereby state as follows:

1. The accounting and reporting policies of the Group are in accordance with legal requirement and agreed ethical practice.
2. The scope and planning of audit requirement were in our opinion adequate.
3. We have reviewed the findings on Management matters, in conjunction with the External Auditor and are satisfied with the response of Management thereon.
4. The group's system of accounting and internal controls was adequate.
5. We have made the recommendations required to be made in respect of the External Auditor.



Mr. Azubuike Okpalaoka
Chairman, Audit Committee
FRC/2015/CISN/000000114

30 March 2022

Members of Audit Committee

Mr. Azubuike Okpalaoka - shareholder	Chairman
Mr. Eyo Asuquo -Non-Executive Director	Member
Mr. Ademola Adegboyega - shareholder	Member
Elder Nathaniel C.U. Okoro - Non-Executive director	Member
Mr. Vitalis Ayiam - Shareholder	Member

ARBICO PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	The Group		The Company	
		2021	2020	2021	2020
		₦'000	₦'000	₦'000	₦'000
Revenue	8	4,866,795	5,561,881	4,500,010	5,298,014
Cost of sales	9	(4,302,997)	(4,440,473)	(3,990,104)	(3,615,277)
Gross profit		563,798	1,121,408	509,906	1,682,737
Other operating income	10	89,932	85,444	91,307	85,444
Administrative expenses	11	(1,042,378)	(947,032)	(901,460)	(792,522)
Expected credit loss	12	(1,004,333)	382,406	(1,004,333)	382,406
Operating (loss)/profit		(1,392,981)	642,226	(1,304,580)	1,358,065
Finance income	13	36,314	2,657	36,314	2,657
(Loss)/profit before income taxation	13.1	(1,356,667)	644,883	(1,268,266)	1,360,722
Income tax expense	14	675,078	(231,076)	675,078	(231,076)
(Loss)/Profit for the year		(681,589)	413,807	(593,188)	1,129,646
Other comprehensive income, net of tax (Note 23.3)**		-	331,600	-	331,600
Total comprehensive (loss)/income for the year, net of tax		(681,589)	745,407	(593,188)	1,461,246
(Loss)/profit for the year attributable to:					
Ordinary equity holders of the parent		(680,705)	420,965	(593,188)	1,129,646
Non-controlling interest		(884)	(7,158)	-	-
		(681,589)	413,807	(593,188)	1,129,646
Total comprehensive (loss)/income attributable to:					
Equity holders of the parent		(680,705)	752,565	(593,188)	1,461,246
Non-controlling interest		(884)	(7,158)	-	-
		(681,589)	745,407	(593,188)	1,461,246
Basic /diluted (loss)/earnings per share (Naira)					
Attributable to:					
Ordinary equity holders of the parent	15	(4.58)	5.07	(3.99)	9.84

** This relates to surplus from the revaluation of the company's Land and Building.

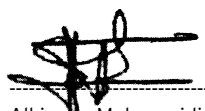
ARBICO PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

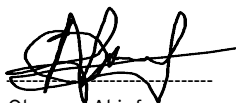
AS AT 31 DECEMBER 2021

	Notes	The Group		The Company	
		2021 ₦'000	2020 ₦'000	2021 ₦'000	2020 ₦'000
Assets					
Non-current assets					
Property, plant and equipment and right-of-use asset	16	1,532,853	1,724,609	1,410,215	1,579,758
Intangible assets	17	5,649	2,845	5,649	2,845
Deferred taxation	14.3	1,261,958	546,621	1,261,958	546,621
Investment in subsidiary	6	-	-	27,104	27,104
		-----	-----	-----	-----
		2,800,460	2,274,075	2,704,926	2,156,328
		-----	-----	-----	-----
Current assets					
Inventories	18	1,968,384	1,122,601	1,632,746	1,122,603
Contract assets	19	2,426,535	1,305,104	2,413,986	1,305,104
Trade and other receivables	20	2,681,458	2,676,301	2,841,770	3,214,184
Prepayments	21	2,294,999	209,984	2,124,422	204,665
Cash and short-term deposits	22	1,494,026	653,655	1,335,929	565,267
		-----	-----	-----	-----
		10,865,402	5,967,645	10,348,853	6,411,823
		-----	-----	-----	-----
Total assets		13,665,862	8,241,720	13,053,779	8,568,151
		=====	=====	=====	=====
Equity and liabilities					
Equity					
Issued capital	23	74,250	74,250	74,250	74,250
Share premium	23.1	141,184	141,184	141,184	141,184
Asset revaluation reserve	23.2	1,193,534	1,193,534	1,193,534	1,193,534
Accumulated losses		(2,237,414)	(1,556,709)	(1,286,517)	(693,329)
		-----	-----	-----	-----
Equity attributable to equity holders of the parent		(828,446)	(147,741)	122,451	715,639
Non-controlling interests		(9,331)	(8,447)	-	-
		-----	-----	-----	-----
Total equity		(837,777)	(156,188)	122,451	715,639
		-----	-----	-----	-----
Non-current liabilities					
Share deposit	24	1,950,000	1,950,000	1,950,000	1,950,000
		-----	-----	-----	-----
Current liabilities					
Bank overdraft	22	-	302,940	-	302,940
Trade and other payables	25	6,743,650	4,208,034	6,164,610	4,208,034
Contract liabilities	26	5,709,635	1,762,024	4,716,364	1,216,626
Income tax liabilities	14.1b	100,354	174,912	100,354	174,912
		-----	-----	-----	-----
		12,553,639	6,447,908	10,981,328	5,902,512
		-----	-----	-----	-----
Total liabilities		14,503,639	8,397,908	12,931,328	7,852,512
		-----	-----	-----	-----
Total equity and liabilities		13,665,862	8,241,720	13,053,779	8,568,151
		=====	=====	=====	=====

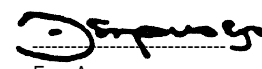
The consolidated and separate financial statements were approved by the Board of Directors and authorised for issue on 30 March 2022. They were signed on its behalf by:



Alkimos Makaronidis
Director
FRC/2021/IODN/00000019977



Oluyemi Akinfenwa
Financial Controller
FRC/2012/ICAN/00000000449



Eyo Asuquo
Director
FRC/2021/CIBN/000000001619

ARBICO PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	←-----→											
	Issued capital	Share premium	The Group Asset revaluation reserve	Accumulated losses	Total	Non-controlling interest	Total equity	Issued capital	Share premium	Asset revaluation reserve	Accumulated losses	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
As at 1 January 2021	74,250	141,184	1,193,534	(1,556,709)	(147,741)	(8,447)	(156,188)	74,250	141,184	1,193,534	(693,329)	715,639
Loss for the year	-	-	-	(680,705)	(680,705)	(884)	(681,589)	-	-	-	(593,188)	(593,188)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	(680,705)	(680,705)	(884)	(681,589)	-	-	-	(593,188)	(593,188)
At 31 December 2021	74,250	141,184	1,193,534	(2,237,414)	(828,446)	(9,331)	(837,777)	74,250	141,184	1,193,534	(1,286,517)	122,451
Balance as at 1 January 2020	74,250	141,184	861,934	(1,977,674)	(900,306)	(1,289)	(901,595)	74,250	141,184	861,934	(1,822,975)	(745,607)
Profit for the year	-	-	-	420,965	420,965	(7,158)	413,807	-	-	-	1,129,646	1,129,646
Other comprehensive income	-	-	331,600	-	331,600	-	331,600	-	-	33	-	331,600
Total comprehensive loss	-	-	331,600	420,965	752,565	(7,158)	745,407	-	-	1,600	1,129,646	1,461,246
At 31 December 2020	74,250	141,184	1,193,534	(1,556,709)	(147,741)	(8,447)	(156,188)	74,250	141,184	1,193,534	(693,329)	715,639

ARBICO PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 N'000	Group 2020 N'000	Company 2021 N'000	2020 N'000
Operating activities					
(Loss)/profit before tax		(1,356,667)	644,883	(1,268,266)	1,360,722
Non-cash adjustments to reconcile profit before tax to net cash flows:					
Depreciation of property, plant and equipment and ROU assets	16	312,951	397,319	290,738	358,787
Amortisation of intangible asset	17	1,892	1,235	1,892	1,235
Net unrealised foreign exchange gain	10	(2,022)	(29,046)	(2,022)	(29,046)
Profit on disposal of property, plant and equipment	10	-	(647)	-	(647)
Finance income	13	(36,314)	(2,657)	(36,314)	(2,657)
Impairment/(recovery) of Trade receivables	12	169,428	(555,478)	169,428	(555,478)
Expected credit loss - Contract asset	12	814,762	164,373	814,762	164,373
Expected credit loss - intercompany receivables	12	20,143	8,699	20,143	8,699
Contract asset recognized in revenue	8	(1,305,104)	(2,835,828)	(1,305,104)	(2,687,956)
Contract liability recognized in revenue	8	(1,762,024)	(3,262,209)	(1,216,626)	(2,628,466)
		(3,142,955)	(5,469,356)	(2,531,369)	(4,010,434)
Working capital adjustments:					
(Increase)/decrease in trade and other receivables		(270,150)	(181,671)	107,427	(772,826)
Increase in prepayments		(2,085,015)	(182,190)	(1,919,757)	(181,482)
Increase in inventories		(845,784)	(891,475)	(510,145)	(891,474)
(Increase)/decrease in contract asset		(631,089)	4,202,180	(618,544)	3,906,436
Increase in trade and other payables		2,535,620	1,096,507	1,956,577	1,002,412
Increase in contract liability		5,709,635	1,762,024	4,716,364	1,216,626
		1,270,262	336,019	1,200,553	269,258
Advance payment in fixed deposit (restricted)	22	(328,816)	77,035	(268,816)	77,035
Income tax paid	14.1	(39,396)	(28,274)	(39,396)	(28,274)
Net cash flows from operating activities		902,050	384,780	892,341	318,019
		=====	=====	=====	=====
Investing activities					
Purchase of property, plant and equipment	16	(121,195)	(178,698)	(121,195)	(106,867)
Interest received	13	36,314	2,657	36,314	2,657
Proceeds from sale of property, plant and equipment		-	647	-	647
Purchase of intangibles	17	(4,696)	-	(4,696)	-
Net cash flows used in investing activities		(89,577)	(175,394)	(89,577)	(103,563)
		=====	=====	=====	=====
Net increase in cash and cash equivalents		812,473	209,386	802,764	214,456
Net foreign exchange difference	10	2,022	29,046	2,022	29,046
Cash and cash equivalents at the beginning of the year		112,164	(126,268)	110,460	(133,042)
Cash and cash equivalents at end of the year	22	926,659	112,164	915,246	110,460
		=====	=====	=====	=====

ARBICO PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1. Corporate information

Arbico Plc (the Group or the parent) was incorporated on 18 June 1958 in Nigeria and commenced business thereafter. The company's shares were quoted on the Stock Exchange on November 30, 1978.

Its principal activities comprise construction and civil engineering as well as investment in and operation of infrastructure. The registered office is located at Plot D Block 7 Industrial Crescent Ilupeju, Lagos.

2.1 Basis of preparation

The consolidated and separate financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the provisions of the Financial Reporting Council of Nigeria Act, No. 6 2011, the provision of the Companies and Allied Matters Act, as applicable. The consolidated and separate financial statements have been prepared on a historical cost basis, except for land and buildings that have been measured at valuation basis.

The financial statements are presented in Naira and all values are rounded to the nearest thousand (N'000), except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Arbico Plc and its subsidiary as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The group's voting rights and potential voting rights Arbico Plc re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and the component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated and separate financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

ARBICO PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

3. Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its consolidated and separate financial statements:

a) Current versus non-current classification

The group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

b) 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

ARBICO PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

3. Summary of significant accounting policies-continued

b) Fair value measurement - continued

All assets and liabilities for which fair value is measured or disclosed in the consolidated and separate financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated and separate financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as properties and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the valuation committee after discussion with and approval by the Group's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The finance department, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the finance departments analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The finance team, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the finance team and the Group's external valuers present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

c) Foreign Currency transactions

The group's financial statements are presented in Naira, which is also the Group's functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

3. Summary of significant accounting policies - continued

c) Foreign Currency transactions- continued

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

3.2 Revenue recognition from contract with customers

3.2. A Construction contracts

The group principally operates fixed price contracts, if the outcome of such a contract can be reliably measured, revenue associated with the construction contract is recognised by reference to the stage of completion of the contract activity at year end (the percentage of completion method).

The outcome of a construction contract can be estimated reliably when:

- (i) the total contract revenue can be measured reliably;
- (ii) it is probable that the economic benefits associated with the contract will flow to the entity;
- (iii) the costs to complete the contract and the stage of completion can be measured reliably; and
- (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on survey of work done.

Contract revenue – Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they are capable of being reliably measured.

Contract costs – Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise; site Labour costs (including site supervision); costs of materials used in construction; costs of design, cost of depreciation on plant and machinery and technical assistance that is directly related to the contract.

The group contracts are typically negotiated for the construction of a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

Assets covered by a single contract are treated separately when:

- (a) The separate proposals have been submitted for each asset
- (b) Each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset
- (c) The costs and revenues of each asset can be identified

ARBICO PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

3. Summary of significant accounting policies - continued

3.2.1 Construction contracts - continued

A group of contracts are treated as a single construction contract when:

- (a) the group of contracts is negotiated as a single package;
- (b) the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin,
- (c) the contracts are performed concurrently or in a continuous sequence

The three criteria must be met before combination can occur.

Losses on contracts are recognised in the period in which they first become foreseeable. Contract losses are determined to be the amount by which estimated direct and indirect costs of the contract exceed the estimated total revenues that will be generated by the contract. During the period until the percentage of completion calculation is completed, all contract costs are accumulated in contract work in progress. The costs of the contract attributable to the stage of contract completion are transferred to cost of sales. Where the costs incurred plus recognised profits are greater than the sum of the recognised losses and progress billings, then this amount is shown in debtors as amounts due from customers for contract work. Where the sum of recognised losses and progress billings is greater, then this amount is shown in creditors as amounts due to customers for contract work.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The group has applied IFRS 15 practical expedient to a portfolio of contracts (or performance obligations) with similar characteristics since the Group reasonably expect that the accounting result will not be materially different from the result of applying the standard to the individual contracts.

i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

l) Significant financing component

Where consideration is paid in advance or in arrears, the Group consider whether the contract includes a significant financing arrangement and, if so, adjust for the time value of money. However, using the practical expedient in IFRS 15 the Group does not adjust the promised amount of consideration for the effects of a significant financing component where the interval between transfer of the promised goods or services and payment by the customer is expected to be less than 12 months. As a consequence, the Group does not adjust any of the transaction prices for the time value of money as transfer of goods or service were between one year or less. The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 4.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Gross amount due from customers represent work-in-progress (valued on the basis of quantity surveyor's estimate of the quantum of work done but not yet certified) plus recognised profits, less recognised losses and progress billings. Claims receivable arising on contracts are normally taken to income when agreed. In the case of unprofitable contracts, full provision is made for anticipated future losses after taking into account a prudent estimate of claims arising in respect of such contracts.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

3. Summary of significant accounting policies - continued

3.2.1 Construction contracts - continued

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3.2.1 Interest income

Interest income is recognised using the effective interest rate method (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

3.2.2 Income from rentals of equipment

In the course of business the Group sometimes concedes to the use of its equipment by a third party at an agreed fee. The agreed fee is usually recognised as revenue accruing to the Group and in an event of damage the third party would be held liable for all repairs to bring the equipment to its functional state.

3.2.3 Investment income

Investment income comprises realised and unrealised gains on investments, interest income and dividend income. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Dividend income is recognised when the right to receive payment is established.

3.3 Advance payments received

Advanced payments received are amounts received before the related work is performed and are assessed on initial recognition to determine whether it is probable that it will be repaid in cash or another financial asset. In this instance, the advance payment is classified as a non-trading financial liability that is carried at amortised cost. If it is probable that the advance payment will be repaid with goods or services, the liability is carried at historic cost.

3.4 Property, plant and equipment (PPE)

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, except for land and buildings that have been measured at revaluation basis. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

3.4.1 Category of PPE

Valuations of PPE are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

ARBICO PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

3. Summary of significant accounting policies - continued

3.4 Property, plant and equipment (PPE) - Continued

The group has divided its PPE to the following category:

- 1) Motor vehicles
- 2) Office furniture and equipment
- 3) Plant, tool and equipment
- 4) IT infrastructures
- 5) Land and building

Each category of assets is further divided into separate components that can be identified and replaced without necessarily replacing the whole assets. Each component is associated with a cost and depreciated separately. Item that would be replaced within one year are classified as consumables and expensed to profit or loss.

3.4.2 Depreciation

For all depreciable assets:

The depreciable amount (cost less residual value) should be allocated on a systematic basis over the asset's useful life. The residual value and the useful life of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, any change is accounted for prospectively as a change in estimate under IAS 8. The depreciation method used should reflect the pattern in which the asset's economic benefits are consumed by the entity.

The depreciation method should be reviewed at least annually and, if the pattern of consumption of benefits has changed, the depreciation method should be changed prospectively as a change in estimate under IAS 8. Depreciation should be charged to the profit or loss, unless it is included in the carrying amount of another asset.

Depreciation begins when the asset is available for use and continues until the asset is derecognised, even if it is idle.

Depreciation table

Motor Vehicle

Depreciation rate	Transmission							
	Engine	Body	Interior	Gear Box	PUMP/JACK	Chassis	Bucket	Aix
Motor Car	25	20	20	25	-	20	-	-
Ford	25	20	20	25	-	20	-	-
Truck	25	20	20	25	25	20	20	-
Jeep	25	20	20	-	-	20	25	-
Motor Cycle	50	50	-	-	-	-	-	-

I.T Infrastructures

Depreciation rate	Screen	Monitor	Mother Board	Hard Drive	Memory	Lamp Heater	Display Panel	Plating Colour	Main board	Heater
Desktop Computer	-	25	25	25	25	-	-	-	-	-
Laptop Computer	25	-	25	25	25	-	-	-	-	-
Photocopy Machine	-	25	-	-	-	25	25	25	25	25

ARBICO PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

3.4 Property, plant and equipment (PPE) - Continued

Depreciation rate for Building

Components	Useful Life	Deprecation rate
Roof	25 years	2.5%
Celling	20 years	5%
Civil Works (Wall)	50 years	2%
Floor/Tiles	20 years	5%
Doors/Window	20 years	5%
Fence	10 years	10%

Depreciation rate for Land

Components	Useful Life	Deprecation rate
Land	100 years	1%

Office furniture and equipment

Office furniture is not componentised and it is depreciated at 20% for a useful life of 5 years

ARBICO PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

3. Summary of significant accounting policies - continued

3.4.2 Depreciation - continued

Plant Tools and Equipment

	Engine	Body	Camaya Belt	sail	Interior	Electrical Motor	Mixer	Cable	Gear Box	PUMP/JACK	Chassis	Host	Bucket	Alternator	Stand	Roller	Operating Panel	control room	Water tank
Depreciation rate	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
JCB Machine	25	20	-	-	-	-	-	-	-	-	20	20	-	-	-	-	-	-	-
Mixer	25	-	-	-	-	-	-	-	-	-	-	-	-	15	-	-	10	-	-
Double Drum Roller	25	20	-	-	-	-	-	-	25	-	20	-	-	-	-	20	-	-	-
Generator	25	-	-	-	-	-	-	-	-	-	-	-	-	25	-	-	-	-	-
Levelling Instrument	50	25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Power Fluting Machine	50	25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Battery Charging machine	50	25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Scaffolding	20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jack Hammer	25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vibrator Machine	25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dumber	25	20	-	-	-	-	-	-	25	-	25	-	20	-	-	-	-	-	-
Tower Crane		20	-	-		25	-	25	-	-	-	-	-	-	-	-	25	-	-
Mobile Crane	25	20	-	-	20	-	-	-	50	-	-	25	-	-	-	-	-	-	-
Batching Plant	-	-	25	20	-	-	20	-	-	25	20	-	-	-	20	-	-	25	25

3. Summary of significant accounting policies - continued

3.4.3 Derecognition (retirements and disposals)

Assets are derecognised on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is the difference between the proceeds and the carrying amount and should be recognised in the profit or loss.

3.4.4 Intangible assets

An intangible asset is an identifiable non-monetary asset that has no physical substance. An intangible asset is recognised when it is identifiable and the Group has control over the asset and also probable that economic benefits will flow to the Group. The cost of the asset must be measured reliably.

3.4.5 Amortisation and derecognition of intangible assets

Intangible assets consist of computer software with a finite useful life and are amortised over 4 years using straight line methods. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

3.5 Revaluation of asset

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

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

3.6 Financial Instruments-initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Revenue from contracts with customers above"

3. Summary of significant accounting policies - continued

3.6 Financial Instruments-initial recognition and subsequent measurement

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified into:

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The group measures financial assets at amortised cost if both of the following conditions are met:

- ▶ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The group's financial assets at amortised cost includes trade receivables, cash and cash equivalents and related parties receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- ▶ The rights to receive cash flows from the asset have expired: Or
- ▶ The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3. Summary of significant accounting policies - continued

3.6 Financial Instruments-initial recognition and subsequent measurement

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

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- ▶ Disclosures for significant assumptions Note 4
- ▶ Trade receivables Note 20

The group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment using the loss rate model.

For receivables from related parties (non-trade) and short-term deposits, the Group applies general approach in calculating ECLs. It is the Group's policy to measure ECLs on such asset on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The group considers a financial asset in default when contractual payments are 1 year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. "

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii). **Financial Liabilities**

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The group's financial liabilities include trade and other payables.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3. Summary of significant accounting policies - continued

3.6 Financial Instruments-initial recognition and subsequent measurement

Subsequent measurement

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

Trade and other payables

Trade payables classified as financial liabilities are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Other payables that are within the scope of IAS 39 are subsequently measured at amortized cost.

Derecognition

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.

iii) Offsetting of financial instruments

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

3.6.1.4 Cash and short-term deposit

Cash and Short-term deposit include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. For the purpose of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts (if any). Cash and Cash equivalents are measured at amortised cost.

3.7 Employees Benefits

3.7.1 Pension Fund Obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The group 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 period.

The group in line with the provisions of the Pension Reform Act, 2014 has instituted a defined contribution pension scheme for its employees.

3.7.2 Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after service is rendered) such as paid vacation, leave pay, sick leave and bonuses are recognised in the period in which the service is rendered and is not discounted. The expected cost of short-term accumulating compensated absences is recognised as an expense as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur. The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance. Provisions for leave pay and bonuses are recognised as a liability in the consolidated and separate financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3. Summary of significant accounting policies - continued

3.8 Taxation

3.8.1 Current income tax

Current income tax and education tax for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.8.2 Deferred tax

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

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

➤ When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that

taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

3.8.3 Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3.9 Leases

The group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group applies a single recognition and measurement approach for its lease. The group recognises lease liabilities to make lease payments and right-of-use asset representing the right to use the underlying asset.

Group as a lessee

The group applies a single recognition and measurement approach for its lease. The group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. right-of-use assets

The group recognises right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use asset includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the asset.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as shown below:

Residential buildings	4 Years
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If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies on Impairment of non-financial assets.

ii. Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date where the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3.9 Leases - Continued

iii. Short-term leases and leases of low-value assets

The group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.10 Inventories

Inventories which comprise construction materials are recognised at lower of cost and net realizable value after making adequate provision for obsolescence and damaged items. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.11 Provision and contingency liability

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.12 Impairment of non-financial assets

The group assesses assets or group of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication of impairment exists, the Group makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level (Cash generating unit) at which there are identifiable cash flows that are largely independent of the cash flows of other group of assets. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods can be reversed up to the original carrying amount, had the impairment loss not been recognised. Such reversal is recognised in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3b. Changes in accounting policies and disclosures**a) New and amended standards and interpretations**

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

i) Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- ▶ A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- ▶ Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- ▶ Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

ii). Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

These new standards do not have any impact on the Group operation during the year under review.

4. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- | | |
|--|---------|
| ▶ Capital management | Note 29 |
| ▶ Financial instruments risk management and policies | Note 28 |
| ▶ Sensitivity analyses disclosures | Note 28 |

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

4. Significant accounting judgements, estimates and assumptions - Continued

Determining the lease term of contracts with renewal and termination options – Group as lessee

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements).

The group included the renewal period as part of the lease term for leases of office building with shorter non-cancellable period (i.e., less than two years). The group typically exercises its option to renew for these leases because there will be a significant negative effect on operation if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Revenue from contracts with customers

The group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of satisfaction

The group, with respect to engineering and construction services, the Group concluded the goods and services transferred in each contract constitute a single performance obligation. In particular, the promised goods and services in the contracts mainly include planning, design work, procurement of materials and construction. Generally, the Group is responsible for all these services and the overall management of the project. Although these services are capable of being distinct, the Group accounts for them as a single performance obligation because they are not distinct in the context of the contract. The group uses those services as inputs and provides a significant service of integrating them into a combined output i.e., the completed construction project for which the customer has contracted.

The group concluded that revenue from engineering and construction services rendered will be recognised overtime because, as the Group performs, the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The group has determined that the input method is the best method in measuring progress for the engineering and construction contracts because there is a direct relationship between the costs incurred by the Group and the transfer of goods and services to the customer.

Provision for expected credit losses of trade receivables

For some contracts, the Group is entitled to receive an initial deposit. The group concluded that this is not considered a significant financing component because it is for reasons other than the provision of financing to the Group. The initial deposits are used to protect the Group from the other party failing to adequately complete some or all of its obligations under the contract.

Estimates and assumptions

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 28.

5. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- ▶ A specific adaptation for contracts with direct participation features (the variable fee approach)
- ▶ A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- ▶ What is meant by a right to defer settlement
- ▶ That a right to defer must exist at the end of the reporting period
- ▶ That classification is unaffected by the likelihood that an entity will exercise its deferral right
- ▶ That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework - Amendments to IFRS 3

In May 2021, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. This does not have any impact on the Group in the year under review.

5. Standards issued but not yet effective - Continued

Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

IFRS 9 Financial Instruments - Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to

IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

5. Standards issued but not yet effective - Continued

IAS 41 Agriculture - Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

This is Effective for annual periods beginning on or after 1 January 2023 and, does not have impact on the Group.

ARBICO PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

6. Investment in subsidiaries

	The Group		The Company
	2021	2020	2021
	₦'000	₦'000	₦'000
Arbico FZE	-	-	27,104
	-----	-----	-----
		-	27,104
	=====	=====	=====

The investment in subsidiary was carried at cost.
There was no impairment loss on the subsidiary.

6b. Group information

The consolidated financial statements of the Group include:

Name	Principal activities	Year of Incorporation	Country of incorporation	% equity interest	
				2021	2020
Arbico FZE	Building Contructions of Non-Plant and Balance Buildings for Dangote Oil Refinery Projects Site	April 2020	Nigeria	99%	99%

7. Material partly owned subsidiary

Financial information of subsidiary that have non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interests:

Name	2021	2020
Arbico FZE	1%	1%
	2021	2020
	₦'000	₦'000
Accumulated balances of material non-controlling interest:		
Arbico FZE	271	271
	2021	2020
	₦'000	₦'000
Loss allocated to non-controlling interest:		
Non-controlling interest	(884)	(7,158)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

7. Material partly owned subsidiary- continued

Summarised statement of profit or loss and other comprehensive income for the year ended:

	31 December 2021 ₦'000	31 December 2020 ₦'000
Revenue	366,785	263,867
Cost of sales	(312,893)	(825,196)
	-----	-----
Gross profit/(loss)	53,893	(561,329)
Other income	75	-
Administrative expenses	(142,352)	(154,511)
	-----	-----
Loss before income tax	(88,384)	(715,840)
Income tax expense	-	-
	-----	-----
Loss for the year	(88,384)	(715,840)
	-----	-----
Total comprehensive loss for the year, net of tax	(88,384)	(715,840)
	=====	=====
Loss for the year attributable to:		
Ordinary equity holders of the parent	(87,500)	(708,682)
Non-controlling interest	(884)	(7,158)
	-----	-----
	(88,384)	(715,840)
	=====	=====
Total comprehensive loss attributable to:		
Equity holders of the parent	(87,500)	(708,682)
Non-controlling interest	(884)	(7,158)
	-----	-----
	(88,384)	(715,840)
	=====	=====
Basic loss per share (Naira)		
Attributable to:		
Ordinary equity holders of the parent	(3.26)	(26.41)
	=====	=====

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

7. Material partly-owned subsidiary- continued

Summarised statement of financial position as at:

	31 December 2021	31 December 2020
	₹'000	₹'000
Property, plant and equipment (non-current)	122,658	144,852
Trade and other receivables	767,991	154,372
Prepayments	170,577	5,319
Cash and cash equivalents (current)	158,097	88,389
Trade and other payables	(2,004,559)	(1,237,653)
	-----	-----
Total equity	(785,235)	(844,723)
	=====	=====
Attributable to shareholders:		
Share capital	27,104	27,104
Accumulated losses	(812,338)	(871,826)
	-----	-----
Total equity	(785,235)	(844,723)
	=====	=====
Non-Controlling Interest:		
Share capital	271	271
Accumulated losses	(8,123)	(8,718)
	-----	-----
	(7,852)	(8,447)
	=====	=====

Summarised cash flow information for year ended
31 December 2021

	31 December 2021	31 December 2020
	₹'000	₹'000
Operating	(71,973)	166,994
Investing	230,070	(78,605)
Financing	-	-
	-----	-----
Net increase in cash and cash equivalents	158,097	88,389
	=====	=====

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	The Group		The Company	
	2021 ₦'000	2020 ₦'000	2021 ₦'000	2020 ₦'000
8 Revenue from contracts with customer				
Type of goods or service				
Construction contracts	4,866,795	5,561,881	4,500,010	5,298,014
	-----	-----	-----	-----
Total revenue from contract with customers	4,866,795	5,561,881	4,500,010	5,298,014
	=====	=====	=====	=====
Geographical markets				
Within Nigeria	4,866,795	5,561,881	4,500,010	5,298,014
Outside Nigeria	-	-	-	-
	-----	-----	-----	-----
Total revenue from contract with customers	4,866,795	5,561,881	4,500,010	5,298,014
	=====	=====	=====	=====
Timing of revenue recognition				
Service transferred at a point in time	-	-	-	-
Services transferred over time	4,866,795	5,561,881	4,500,010	5,298,014
	-----	-----	-----	-----
Total revenue from contract with customers	4,866,795	5,561,881	4,500,010	5,298,014
	=====	=====	=====	=====

Performance obligations

Information about the Group's performance obligations are summarised below:

Construction of building or civil works

The performance obligation is satisfied over time by transferring control of the building or the civil work based on the surveys of completions to date. Payment is generally due within 30 to 90 days from dates of the survey of completion issued.

Contract balances

Contract Assets, Trade Receivables and Contract Liabilities

Contract balances consisted of the following at December 31

Group	2021 ₦'000	2020 ₦'000	Change ₦'000	Change %
Contract receivables	438,091	1,816,722	(1,378,630)	(76)
Retention	50,116	-	50,116	100
Contract assets (Note 19)	2,426,535	1,305,104	1,121,430	86
Contract liabilities (Note 26)	(5,709,635)	(1,762,024)	(3,947,613)	224
	-----	-----	-----	-----
Net contract balance	(2,794,893)	1,359,802	(4,205,475)	(309)
	=====	=====	=====	=====

Contract assets consisted of the following at December 31:

Unbilled	4,506,053	2,569,860
Impairment	(2,079,518)	(1,264,756)
	-----	-----
	2,426,535	1,305,104
	=====	=====

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

8. Revenue from contracts with customer-continued
Contract balances continued

Company	2021 ₹'000	2020 ₹'000	Change ₹'000	Change %
Contract receivables	184,498	1,625,788	(1,441,290)	(89)
Retention	31,777	-	31,777	100
Contract assets (Note 19)	2,413,986	1,305,104	1,108,882	85
Contract liabilities (Note 26)	(4,716,364)	(1,216,626)	(3,499,740)	288
Net contract balance	(2,086,103)	1,714,268	(3,851,149)	(222)
	=====	=====	=====	
Contract assets consisted of the following at December 31:				
Unbilled	4,493,504	2,569,860		
Impairment	(2,079,518)	(1,264,756)		
	2,413,986	1,305,104		
	=====	=====		

The Group has title to the assets related to unbilled amounts on contracts that provide progress payments.

Group

	2021 ₹'000	2020 ₹'000	Change ₹'000	Change %
Contract assets	2,426,535	1,305,104	1,121,430	86
Contract liabilities	(5,709,635)	(1,762,024)	(3,947,613)	224
Revenue recognized in the period from:				
Amount included in contract liabilities at the beginning of the period	1,762,024	3,262,209	(1,500,188)	(46)
Performance obligation satisfied in previous years	-	148,372	(148,372)	(100)

Company

	2021 ₹'000	2020 ₹'000	Change ₹'000	Change %
Contract assets	2,413,986	1,305,104	1,108,882	85
Contract liabilities	(5,709,635)	(1,216,626)	(4,493,009)	369
Revenue recognized in the period from:				
Amount included in contract liabilities at the beginning of the period	(1,216,626)	2,628,466	1,411,842	(54)
Performance obligation satisfied in previous years	-	148,372	(148,372)	(100)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Contract liabilities

Contract liabilities consists of advance payments from customers.

Movements in contract liabilities for the year ended December 31, 2021 and 2020 are as follows:

Group

	2021 ₱'000	2020 ₱'000
1 January	1,762,024	3,262,209
Advance payment received from customers	4,624,916	156,997
Performance obligations recognized in the period	-	148,372
Revenue recognized in the period:		
Amount included in contract liabilities at the beginning of the period	447,873	(314,859)
Advance payment applied to current period	(1,125,178)	(1,490,695)
	-----	-----
31 December	5,709,635	1,762,024
	=====	=====

Company

	2021 ₱'000	2020 ₱'000
1 January	1,216,626	2,628,466
Advance payment received from customers	4,624,916	156,997
Performance obligations recognized in the period	-	148,372
Revenue recognized in the period:		
Amount included in contract liabilities at the beginning of the period	-	(226,514)
Advance payment applied to current period	(1,125,178)	(1,490,695)
	-----	-----
31 December	4,716,364	1,216,626
	=====	=====

Contract liabilities include advances received from customers in respect of projects

9	Cost of sales	The Group		The Company	
		2021 ₱'000	2020 ₱'000	2021 ₱'000	2020 ₱'000
	Contract expenses	3,936,135	3,836,639	3,673,231	3,274,606
	Depreciation of plant, tools and equipment (Note 11b)	251,489	303,667	229,679	265,938
	Project technical expenses	115,373	230,223	87,195	74,733
	Expatriate salaries (Note 11a)	-	69,944	-	-
		-----	-----	-----	-----
		4,302,997	4,440,473	3,990,104	3,615,277
		=====	=====	=====	=====

Contract expenses are direct cost incurred on construction materials for all contracts. Project technical expenses refer to expenses relating to expatriate technical expenses.

ARBICO PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

10 Other operating income	The Group		The Company	
	2021 ₦'000	2020 ₦'000	2021 ₦'000	2020 ₦'000
Profit on sale of property, plant and equipment	-	647	-	647
Insurance claim	-	1,560	-	1,560
Other income	87,910	47,323	89,285	47,323
Rent income	-	6,868	-	6,868
Exchange gain unrealised	2,022	29,046	2,022	29,046
	-----	-----	-----	-----
	89,932	85,444	91,307	85,444
	=====	=====	=====	=====

Other income refers to sale of diesel to its related companies.

11. Administrative expenses

Amortization of intangible asset (Note 17)	1,892	1,235	1,892	1,235
Audit fee	15,000	10,000	15,000	10,000
Bank charges	36,340	46,067	32,827	46,047
Depreciation of property, plant & equipment (Note 11b)	61,462	93,652	61,059	92,849
Directors' expenses	14,037	7,523	14,037	7,523
Employee benefits expense (Note 11a)	328,032	417,552	230,625	282,255
Entertainment expenses	52	20	35	20
Legal and professional charges	49,213	34,026	49,213	34,026
Lighting & heating	35,256	30,876	35,041	30,657
Office expenses	241,071	129,404	205,160	128,565
Printing & Stationary	3,503	10,630	3,503	10,540
Rent, rates and insurance	163,546	66,730	161,471	52,610
Repairs and maintenance	665	3,525	665	3,382
Tender expenses	5,250	1,118	5,121	788
Traveling and accommodation	16,407	4,548	16,407	4,534
Vehicle running costs	70,652	90,126	69,404	87,491
	-----	-----	-----	-----
	1,042,378	947,032	901,460	792,522
	-----	-----	-----	-----

11a Employee benefit expense

Salaries and wages	255,407	324,306	167,229	196,016
Pension	10,843	19,051	8,224	12,471
Medical	23,265	17,461	23,265	17,034
Staff training	278	555	278	555
Labour	29,184	50,993	22,583	50,993
Staff welfare	9,056	5,186	9,047	5,186
	-----	-----	-----	-----
Employee benefit expenses in administrative expenses	328,032	417,552	230,625	282,255
Cost of sales (Note 9)	-	69,944	-	-
	-----	-----	-----	-----
Total employee benefit expense	328,032	487,496	230,625	282,255
	-----	-----	-----	-----

ARBICO PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

11. Administrative expenses - Continued

11b. Depreciation expenses summary is shown below:

	The Group		The Company	
	2021 ₦'000	2020 ₦'000	2021 ₦'000	2020 ₦'000
Administrative expense (note 16)	61,462	93,652	61,059	92,849
Cost of sales (Note 16)	251,489	303,667	229,679	265,938
	<u>312,951</u>	<u>397,319</u>	<u>290,738</u>	<u>358,787</u>
	=====	=====	=====	=====

12. Expected credit loss	The Group		The Company	
	2021 ₦'000	2020 ₦'000	2021 ₦'000	2020 ₦'000
Contract assets (Note 20.1)	814,762	164,373	814,762	164,373
Trade and other receivable (Note 20.2)	169,428	(555,478)	169,428	(555,478)
Intercompany receivables (Note 20.3a)	20,143	8,699	20,143	8,699
	<u>1,004,333</u>	<u>(382,406)</u>	<u>1,004,333</u>	<u>(382,406)</u>
	-----	-----	-----	-----

13 Finance Income				
Interest on short term deposits	36,314	2,657	36,314	2,657
	<u>36,314</u>	<u>2,657</u>	<u>36,314</u>	<u>2,657</u>
	-----	-----	-----	-----

13.1 (Loss)/profit before tax

This is stated after charging/ (crediting):

Auditor's remuneration	15,000	10,000	15,000	10,000
Depreciations of property, plant and equipment (Note 11b)	312,951	397,319	290,737	358,787
Amortisation of intangibles	1,892	1,235	1,892	1,235
Exchange gain	2,022	(29,046)	2,022	(29,046)
Staff cost	328,032	487,496	230,625	282,255
Expected credit loss	1,004,332	(382,406)	1,004,332	(382,406)
	=====	=====	=====	=====

14. Income tax

The major components of income tax expense for the years ended 31 December 2021 and 2020 are:

14.1a Consolidated and Separate Statements of profit or loss

	The Group		The Company	
	2021 ₦'000	2020 ₦'000	2021 ₦'000	2020 ₦'000
Current income tax:				
Company income tax	37,136	130,929	37,136	130,929
Education tax	3,095	24,071	3,095	24,071
Nigeria Police Trust Fund Levy	27	-	27	-
	<u>40,258</u>	<u>155,000</u>	<u>40,258</u>	<u>155,000</u>
Deferred tax				
Relating to origination and reversal of temporary differences (Note 14.3)	(715,336)	76,076	(715,336)	76,076
	<u>(675,078)</u>	<u>231,076</u>	<u>(675,078)</u>	<u>231,076</u>
	=====	=====	=====	=====
Income tax expense reported in the profit or loss account	(675,078)	231,076	(675,078)	231,076
	=====	=====	=====	=====

ARBICO PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

14 Income tax - continued

14.1b Consolidated and Separate Statements of financial position

	The Group		The Company	
	2021	2020	2021	2020
	₦'000	₦'000	₦'000	₦'000
As at 1 January	174,912	190,566	174,912	190,566
Charge for the year	40,258	155,000	40,258	155,000
Payment during the year	(39,396)	(28,274)	(39,396)	(28,274)
Withholding tax off-set	(75,420)	(142,380)	(75,420)	(142,380)
	-----	-----	-----	-----
Income tax liabilities at 31 December	100,354	174,912	100,354	174,912
	=====	=====	=====	=====

14.2 Reconciliation between tax expense and the product of accounting profit for the year ended 31 December 2021 is as follows:

	The Group		The Company	
	2021	2020	2021	2020
	₦'000	₦'000	₦'000	₦'000
Accounting (loss)/profit before taxation	(1,356,667)	644,883	(1,268,266)	1,360,722
	-----	-----	-----	-----
At Nigeria's statutory income tax rate of 30% (2021: 30%)	(407,000)	193,465	(380,480)	408,217
Education tax	3,095	(24,072)	3,095	(24,072)
Non-deductible expenses for tax purpose	444,743	1,005,827	418,223	791,075
Effect of tax incentives - utilised capital allowance	(715,336)	(954,460)	(715,336)	(954,460)
Balancing charge	-	(645)	-	(645)
Effect of tax loss	-	19,869	-	19,869
Non-taxable income	(607)	(8,908)	(607)	(8,908)
Nigeria Police Trust Fund Levy	27	-	27	-
	-----	-----	-----	-----
Company Income tax expense reported in profit or loss	(675,078)	231,076	(675,078)	231,076
	=====	=====	=====	=====
The effective tax rate	(50%)	36%	(53%)	17%

14.3 Deferred tax

The Group	Statement of financial position		Profit or loss	
	2021	2020	2021	2020
	₦'000	₦'000	₦'000	₦'000
Accelerated depreciation for tax purpose	(319,333)	(339,281)	19,948	(34,274)
Unrealised FX	(18,369)	(8,714)	(9,655)	8,583
Expected credit losses of financial assets	1,355,232	729,180	626,052	(75,781)
Unutilised tax credit	244,428	165,436	78,991	177,548
	-----	-----	-----	-----
Deferred tax (expense)/credit	-	-	715,336	76,076
	-----	-----	=====	=====
Deferred tax Asset	1,261,958	546,621		
	=====	=====		

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

14 Income tax - continued

14.3 Deferred tax - Continued

Company	Statement of financial position		Profit or loss	
	2021	2020	2021	2020
	₺'000	₺'000	₺'000	₺'000
Accelerated depreciation for tax purpose	(319,333)	(339,281)	19,948	(34,274)
Unrealised FX	(18,369)	(8,714)	(9,655)	8,583
Expected credit losses of financial assets	1,355,232	729,180	626,052	(75,781)
Unutilised tax credit	244,428	165,436	78,991	177,548
	-----	-----	-----	-----
Deferred tax expense/credit		-	715,336	76,076
	=====	=====	=====	=====
Deferred tax Asset	1,261,958	546,621		
	=====	=====		

Reconciliation of deferred tax liabilities, net	Group		Company	
	2021	2020	2021	2020
	₺'000	₺'000	₺'000	₺'000
As at 1 January	546,622	622,698	546,622	622,698
"Tax expense during the period recognised in profit or loss"	715,336	(76,076)	715,336	(76,076)
	-----	-----	-----	-----
As at 31 December	1,261,958	546,622	1,261,958	546,622
	=====	=====	=====	=====

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

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

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

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

15. Basic (loss)/earnings per share

Basic (loss)/earnings per share amounts are calculated by dividing net (loss)/profit for the year attributable to ordinary equity holders of the parent by the average number of ordinary shares outstanding during the year.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

The following reflects the income and share data used in the basic earnings per share computations:

Group	2021	2020
	₦'000	₦'000
Net (loss)/profit attributable to ordinary equity holders for basic earnings per share	(680,705)	420,965
	=====	=====
	2021	2020
	Thousand	Thousand
Average number of ordinary shares for basic earnings per share	148,500	148,500
	=====	=====
Basic/diluted (loss)/earnings per share (Naira)		
Parent	(4.58)	5.07
	=====	=====
Company	2021	2020
	₦'000	₦'000
Net (loss)/profit attributable to ordinary equity holders for basic earnings per share	(593,188)	1,129,646
	=====	=====
	2021	2020
	Thousand	Thousand
Average number of ordinary shares for basic earnings per share	148,500	148,500
	=====	=====
Basic/diluted earnings per share (Naira)	(3.99)	9.84
	=====	=====

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

16. Property, plant and equipment and right-of-use asset

The Group

	Right-of-Use assets N'000	Land and building N'000	Plant, tool and equipment N'000	Motor Vehicles N'000	Office furniture and equipment N'000	IT Infrastructure N'000	Total N'000
Cost or Valuation:							
At 1 January 2020	73,112	733,500	2,163,684	480,943	7,457	52,560	3,511,256
Additions during the year	-	-	168,232	-	1,106	9,360	178,698
Disposals during the year	-	-	-	(3,198)	-	-	(3,198)
Revaluation surplus**	-	331,600	-	-	-	-	331,600
At 31 December 2020	73,112	1,065,100	2,331,916	477,745	8,563	61,920	4,018,356
At 1 January 2021	73,112	1,065,100	2,331,916	477,745	8,563	61,920	4,018,356
Additions during the year	-	-	117,966	1,733	155	1,341	121,195
Disposals during the year	-	-	-	-	-	-	-
At 31 December 2021	73,112	1,065,100	2,449,882	479,478	8,718	63,261	4,139,551
Depreciation							
At 1 January 2020	34,747	66,015	1,397,272	360,346	3,544	37,702	1,899,626
Charge for the year	32,717	7,335	303,667	44,433	1,402	7,765	397,319
Disposals for the year	-	-	-	(3,198)	-	-	(3,198)
At 31 December 2020	67,464	73,350	1,700,939	401,581	4,946	45,467	2,293,747
Charge for the year	5,648	10,651	251,489	36,112	1,028	8,024	312,951
Disposals for the year	-	-	-	-	-	-	-
At 31 December 2021	73,112	84,001	1,952,428	437,693	5,974	53,490	2,606,698
Carrying value:							
At 31 December 2021	-	981,099	497,454	41,786	2,744	9,771	1,532,853
At 31 December 2020	5,648	991,750	630,977	76,164	3,617	16,453	1,724,609

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

16. Property, plant and equipment and right-of-use asset
The Company

	Right-of-Use assets N'000	Land and building N'000	Plant, tool and equipment N'000	Motor Vehicles N'000	Office furniture and equipment N'000	IT Infrastructure N'000	Total N'000
Cost or Valuation:							
At 1 January 2020	73,112	733,500	2,046,472	480,582	4,146	52,560	3,390,372
Additions during the year	-	-	96,612	-	895	9,360	106,867
Disposals during the year	-	-	-	(3,198)	-	-	(3,198)
Revaluation surplus**	-	331,600	-	-	-	-	331,600
At 31 December 2020	73,112	1,065,100	2,143,084	477,384	5,041	61,920	3,825,641
At 1 January 2021	73,112	1,065,100	2,143,084	477,384	5,041	61,920	3,390,372
Additions during the year	-	-	117,966	1,733	155	1,341	121,195
Disposals during the year	-	-	-	-	-	-	-
At 31 December 2021	73,112	1,065,100	2,261,050	479,117	5,196	63,261	3,946,836
Depreciation							
At 31 December 2020	34,747	66,015	1,389,086	360,346	2,521	37,579	1,890,294
Charge for the year	32,717	7,335	265,938	44,433	683	7,680	358,787
Disposals for the year	-	-	-	(3,198)	-	-	(3,198)
At 31 December 2020	67,464	73,350	1,655,024	401,581	3,204	45,259	2,245,883
Charge for the year	5,648	10,651	229,679	36,112	674	7,975	290,738
Disposals for the year	-	-	-	-	-	-	-
At 31 December 2021	73,112	84,001	1,884,703	437,693	3,878	53,234	2,536,621
Carrying value:							
At 31 December 2021	-	981,099	376,347	41,425	1,318	10,027	1,410,215
At 31 December 2020	5,648	660,150	278,900	75,803	1,837	16,661	1,579,758

There are no restrictions on title to the items of property, plant and equipment.

**The group's land and buildings are recognised at revaluation based on periodic, but at least triennial valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to other reserves in shareholders' equity. The last valuation was carried out on 20 June 2020 by Messrs. Jide Taiwo & Co. This revaluation gave rise to a surplus of N331.60million and was recognized in 2020-year end revaluation reserve.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

16 Property plant and equipment and right-of-use asset - Continued

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

The Group	2021	2020
	¥'000	¥'000
Cost	733,500	733,500
Accumulated depreciation	(80,685)	(73,350)
Net carrying amount	652,815	660,150
	=====	=====
The Company	2021	2020
	¥'000	¥'000
Cost	733,500	733,500
Accumulated depreciation	(80,685)	(73,350)
Net carrying amount	652,815	660,150
	=====	=====

17. Intangible assets

	Computer software
	¥'000
Cost:	
At 1 January 2020	16,269
Additions during the year	-

At 31 December 2020	16,269
Additions during the year	4,696

At 31 December 2021	20,965
	=====
Amortisation	
At 1 January 2020	12,189
Charge for the year	1,235

At 31 December 2020	13,424
Charge for the year	1,892

At 31 December 2021	15,316
	=====
Carrying value:	
At 31 December 2021	5,649
	=====
At 31 December 2020	2,845
	=====

The information in respect of note 17 is the same for both the Group and the Company.

ARBICO PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

18. Inventories	The Group		The Company	
	2021 ¥'000	2020 ¥'000	2021 ¥'000	2020 ¥'000
Construction materials	1,968,384	1,122,601	1,632,746	1,122,603
	-----	-----	-----	-----
	1,968,384	1,122,601	1,632,746	1,122,603
	=====	=====	=====	=====

Inventories are measured at the lower of cost and net realisable value. The group uses WACC (weighted average cost), for valuation of inventory. There was no inventory write-off nor a write-down during the year ended 31 December 2021 (2020: Nil).

19. Contract assets	The Group		The Company	
	2021 ¥'000	2020 ¥'000	2021 ¥'000	2020 ¥'000
Receivable from third party customer	4,506,053	2,569,861	4,493,504	2,569,861
Allowance for expected credit losses (Note 20.1)	(2,079,518)	(1,264,757)	(2,079,518)	(1,264,757)
	-----	-----	-----	-----
	2,426,535	1,305,104	2,413,986	1,305,104
	=====	=====	=====	=====

20. Trade and other receivables	The Group		The Company	
	2021 ¥'000	2020 ¥'000	2021 ¥'000	2020 ¥'000
Contract receivables	1,127,326	2,336,529	873,733	2,145,595
Retention receivable	50,116	-	31,777	-
	-----	-----	-----	-----
	1,177,442	2,336,529	905,510	2,145,595
Allowance for expected credit losses (Note 20.2)	(689,235)	(519,807)	(689,235)	(519,807)
	-----	-----	-----	-----
	488,207	1,816,722	216,275	1,625,788
Due from related parties (Note 20.3)	1,168,574	5,629	1,748,690	646,038
Other receivables (Note 20.4)	1,024,677	853,950	876,805	942,358
	-----	-----	-----	-----
	2,681,458	2,676,301	2,841,770	3,214,184
	=====	=====	=====	=====

Trade receivables are non-interest bearing and are generally on 30 - 365-day terms. For terms and conditions relating to receivables from related parties, see Note 27.

As at 31 December 2021, the Group has trade and other receivables and contract assets of ¥8.41 billion (2020: ¥5.77 billion) which is gross of an allowance for expected credit losses of ¥2.77 billion (2020: ¥1.78 billion)

As at 31 December 2021, the Company has trade and other receivables and contract assets of ¥7.97 billion (2020: ¥6.30 billion) which is gross of an allowance for expected credit losses of ¥2.77 million (2020: ¥1.78 billion)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

20 Trade receivables and other receivables- continued

20.1 Set out below is the movement in the allowance for expected credit losses of contract assets:

	The Group		The Company	
	31 December 2021 ₹'000	31 December 2020 ₹'000	31 December 2021 ₹'000	31 December 2020 ₹'000
At 1 January	1,264,756	1,100,384	1,264,756	1,100,384
Expected credit losses - charge (Note 12)	814,762	164,373	814,762	164,373
	-----	-----	-----	-----
	2,079,518	1,264,757	2,079,518	1,264,757
	=====	=====	=====	=====

20.2 Set out below is the movement in the allowance for expected credit losses of contract receivables:

	The Group		The Company	
	31 December 2021 ₹'000	31 December 2020 ₹'000	31 December 2021 ₹'000	31 December 2020 ₹'000
At 1 January	519,807	1,075,285	519,807	1,075,285
Expected credit loss expense/(reversal) (Note 12)	169,428	(555,478)	169,428	(555,478)
	-----	-----	-----	-----
	689,235	519,807	689,235	519,807
	=====	=====	=====	=====

The significant changes in the balances of trade and other receivables and contract assets are disclosed in Note 4 while the information about the credit exposures are disclosed in Note 28.

20.3 Due from related parties

	The Group		The Company	
	2021 ₹'000	2020 ₹'000	2021 ₹'000	2020 ₹'000
Arbico FZE	-	-	1,561,865	640,409
Biswal	981,749	271	-	271
Bucelab	30,903	16,907	30,903	16,907
R28 Limited (Directors Current a/c)	187,614	-	187,614	-
	-----	-----	-----	-----
	1,200,266	17,178	1,780,382	657,587
Allowance for expected credit losses (Note 20.3a)	(31,692)	(11,549)	(31,692)	(11,549)
	-----	-----	-----	-----
	1,168,574	5,629	1,748,690	646,038
	=====	=====	=====	=====

For terms and conditions relating to due from related party, refer to Note 27.

20.3a Set out below is the movement in the allowance for expected credit losses of intercompany receivables and contract assets:

	The Group		The Company	
	31 December 2021 ₹'000	31 December 2020 ₹'000	31 December 2021 ₹'000	31 December 2020 ₹'000
At 1 January	11,549	2,850	11,549	2,850
Expected credit losses - charge (Note 12)	20,143	8,699	20,143	8,699
	-----	-----	-----	-----
At 31 December	31,692	11,549	31,692	11,549
	=====	=====	=====	=====

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

20 Trade receivables and other receivables- Continued

20.4 Other receivables	The Group		The Company	
	2021	2020	2021	2020
	₦'000	₦'000	₦'000	₦'000
Staff receivable	5,537	2,834	5,537	2,834
Withholding tax receivable	769,387	851,116	769,387	853,983
Deposit for materials	249,753	-	101,881	85,541
	-----	-----	-----	-----
	1,024,677	853,950	876,805	942,358
	=====	=====	=====	=====

Staff receivables relates to short-term advances granted to employees of the Group for travelling and business expenses. The advances are expected to be retired within one year.

Withholding tax receivable (WHT) represent amount deducted at source by customers from payment to the Group in line with the withholding tax law. The customer is expected to remit the amount withheld to the relevant tax authority and obtain withholding tax credit note in the name of Arbico Plc. The WHT credit note can be used to offset future tax liability.

Deposit for materials relate to letter of credit to deposit made by the Group to Wema bank to open an I&E foreign exchange window with the bank for the purpose of purchasing heavy duty equipment.

21 Prepayments	The Group		The Company	
	2021	2020	2021	2020
	₦'000	₦'000	₦'000	₦'000
Insurance	43,085	5,679	43,085	4,928
Rent	6,866	13,973	3,245	9,405
Service charges*	81,386	33,649	80,776	33,649
Advances for construction expenses**	2,163,662	156,683	1,997,316	156,683
	-----	-----	-----	-----
Current	2,294,999	209,984	2,124,422	204,665
	=====	=====	=====	=====

*Service charges are non-lease components.

Rent for the current year relates to lease payments on short-term leases and leases of low value assets.

**Advances for construction expenses include payments for various construction items yet to be delivered by the suppliers.

22 Cash and Bank balances	The Group		The Company	
	2021	2020	2021	2020
	₦'000	₦'000	₦'000	₦'000
Cash in hand	10,617	8,768	8,339	8,204
Cash at bank	916,042	406,336	906,907	405,196
Restricted cash	567,367	238,551	420,683	151,867
	-----	-----	-----	-----
	1,494,026	653,655	1,335,929	565,267
	=====	=====	=====	=====

Impairment allowance on short-term deposit and restricted cash are not material.

Cash at banks earns interest at floating rates based on daily bank deposit rates which ranges from 2% to 3%. Restricted cash relates to amount withheld by banks as security for advance payment guarantee provided by the banks for contractual advance received from customers. The restriction on this amount is lifted when the advance payment guarantee is released on achievement of certain milestones on the contracts.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

22 Cash and Bank balances - Continued

For the purpose of statement of cash flows, cash and cash equivalents comprise of following:

Cash and cash equivalent	The Group		The Company	
	2021	2020	2021	2020
	₦'000	₦'000	₦'000	₦'000
Cash in hand	10,617	8,768	8,339	8,204
Cash at bank	916,042	406,336	906,907	405,196
Bank overdraft	-	(302,940)	-	(302,940)
	-----	-----	-----	-----
	926,659	112,164	915,246	110,460
	=====	=====	=====	=====

23 Issued capital and reserves

	The Group		The Company	
	2021	2020	2021	2020
	Thousands	Thousands	Thousands	Thousands
Authorised				
150,000,000 Ordinary shares of 50K each	75,000	75,000	75,000	75,000
	=====	=====	=====	=====
	₦'000	₦'000	₦'000	₦'000
Issued and fully paid				
148,500,000 Ordinary shares of 50k each	74,250	74,250	74,250	74,250
	=====	=====	=====	=====
23.1 Share Premium				
As at 31 December	141,184	141,184	141,184	141,184
	=====	=====	=====	=====
23.2 Asset revaluation reserve				
As at 31 December	1,193,534	1,193,534	1,193,534	1,193,534
	=====	=====	=====	=====
23.3 Reconciliation of revaluation reserve:	2021	2020		
	N'000	₦'000		
At 1 January	1,193,534	861,934		
Revaluation surplus during the year (Note 16)	-	331,600		
	-----	-----		
At 31 December	1,193,534	1,193,534		
	=====	=====		

Asset revaluation reserve surplus is used to recognize surplus or deficit on revaluation of property, plant and equipment. Land and buildings are recognised at fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to other reserves in shareholders' equity. The company revalued its Land and building on the 20 June 2020 with a revaluation surplus of N331.6million which has been recognized in this account as part of equity.

24 Share deposit

In 2014, a decision was taken by the Directors of Biswal Limited to convert ₦1,950,000,000 of the amount due from Arbico Plc into equity through acquisition of more share capital in the later. However, due to the inability of Arbico Plc to meet necessary regulatory requirement such as increase in authorised share capital, registration of increase in share capital and allotment of shares, the amount was recognised as deposit for shares in the book of Arbico Plc.

Share deposit

Share deposit	The Group		The Company	
	2021	2020	2021	2020
	₦'000	₦'000	₦'000	₦'000
	1,950,000	1,950,000	1,950,000	1,950,000
	=====	=====	=====	=====

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

25 Trade and other payables

	2021 N'000	The Group		The Company	
		2020 N'000	2021 N'000	2020 N'000	2021 N'000
Trade payables	5,914,123	1,372,925	5,132,872	1,372,925	
Other payables (Note 25.1)	734,145	2,292,562	733,850	2,292,562	
Due to related parties (Note 25.2)	95,382	542,547	297,888	542,547	
	-----	-----	-----	-----	
As at 31 December	6,743,650	4,208,034	6,164,610	4,208,034	
	=====	=====	=====	=====	

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled on 60-day terms.

Other payables are non-interest bearing and have an average term of six months.

For terms and conditions relating to due to related parties, refer to Note 27.

25.1 Other payables

	The Group		The Company	
	2021 N'000	2020 N'000	2021 N'000	2020 N'000
Pension payable	19,101	25,669	18,805	25,669
Statutory payable	475,983	692,434	475,979	692,434
Industrial training fund	-	280	-	280
Service providers payable	28,101	23,376	28,101	23,376
Accruals	210,960	1,550,803	210,965	1,550,803
	-----	-----	-----	-----
	734,145	2,292,562	733,850	2,292,562
	=====	=====	=====	=====

Statutory payable includes Pay-As-You-Earn (PAYE), value added tax payable and withholding tax payable.

Accruals relates to payables to the Directors for working capital provided to finance the business.

25.2 Due to related parties

	The Group		The Company	
	2021 N'000	2020 N'000	2021 N'000	2020 N'000
R28 Limited	8,426	357,727	119,788	357,727
Biswal Limited	9,968	102,745	14,913	14,913
Arbico EPZ	-	-	86,199	84,965
Aiyeola Afolabi	24,853	29,768	24,853	26,901
Alkimos Makaronidis	27,282	25,407	27,282	31,141
Eyo Asuquo	24,853	26,900	24,853	26,900
	-----	-----	-----	-----
	95,382	542,547	297,888	542,547
	=====	=====	=====	=====

For terms and conditions relating to due to related parties, refer to Note 27.

ARBICO PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

26 Contract liabilities

	2021	The Group	The Company	
	2020	2021	2021	2020
	₦'000	₦'000	₦'000	₦'000
Advance from customers (Current)	5,709,635	1,762,024	4,716,364	1,216,626
	=====	=====	=====	=====

27 Related party transactions

The following table provides the company's total amount of transactions that have been entered into with related parties for the relevant financial year (for information regarding outstanding balances at 31 December 2021 and 2020, refer to Notes 20.3 and 25.2.

		Group			Company		
		Due from related parties	Rent/s ervice charge	Due to related parties	Due from related parties	Rent/se rvice charge	Due to related parties
		₦'000			₦'000		
Arbico FTZE	2021	-	-	-	1,561,865	-	(86,199)
	2020	-	-	-	640,409	-	(84,965)
R28 Limited	2021	187,614	-	8,426	187,614	-	(119,788)
	2020	-	-	357,727	-	-	(357,727)
Biswal Limited	2021	981,749	-	9,968	-	-	(14,913)
	2020	271	-	102,745	271	-	(14,913)
Tranos Contracting Limited	2021	-	-	-	-	-	-
	2020	-	-	-	-	-	-
ComEnergy Managed Services Limited	2021	-	-	-	-	-	-
	2020	-	-	-	-	-	-
FIDC	2021	-	-	-	-	-	-
	2020	-	-	-	-	-	-
Bucelab	2021	30,903	-	-	30,903	-	-
	2020	16,907	-	-	16,907	-	-
Aiyeola Afolabi	2021	-	-	24,853	-	-	(24,853)
	2020	-	-	29,768	-	-	(26,901)
Alkimos Makaronidis	2021	-	-	27,282	-	-	(27,282)
	2020	-	-	25,407	-	-	(31,141)
Eyo Asuquo	2021	-	-	24,853	-	-	(24,853)
	2020	-	-	26,900	-	-	(26,900)

Nature of related party transactions

At the start of the re-engineering process in August 2010, the board of Directors approved that intervention fund be received from Biswal Ltd and R28 both being related parties' companies. The Board decision was based on the fact that at that time, the Company lacked pedigree and goodwill to approach financial institutions and, the capital market was not an option because, the Company was then on technical suspension. However, there was urgent need to procure modern equipment to meet current trends in the construction industry. The majority shareholder gave the company over N2billion Naira to meet this demand. As at reporting date, 31 December 2021, no much fund was received for intervention fund for purchase of equipment and settlement of bank loans from both parties (2020: ~~N~~2.32 billion) because the company is not self-sustaining. Of this amount, N1.950billion received from Biswal Limited is meant to be deposit for shares and is yet to be converted as such (See Note 24).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

27 Related party transactions-continued

Biswal Limited

Biswal Limited is owned by one of the Directors of Arbico Plc, Adebisi Adebutu.

Tranos Contracting Limited

One of the Directors of Arbico Plc has a non-controlling interest in Tranos Contracting Limited.

ComEnergy

This is owned by one of the Directors of Arbico Plc, Adebisi Adebutu.

Bucelab

This company is owned by Adebisi Adebutu, a Director of Arbico Plc.

Arbico FZE

Arbico FZE is a subsidiary of Arbico Plc. It was incorporated in April 2019 and commenced operations in May 2019. Arbico owned 99% shares in Arbico Plc while the remaining 1% is owned by Adebisi Adebutu.

Entity with control over the Company**R28 Limited**

R28 Limited owns 69.97% of the ordinary shares in Arbico Plc (2020: 69.97%).

Terms and conditions of transactions with related party

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided for any related party payables.

Compensation of key management personnel of the entity

	The Group		The Company	
	2021 ₦'000	2020 ₦'000	2021 ₦'000	2020 ₦'000
Short-term employee benefits	-	-	-	-
Post-employment pension and Gratuity	-	-	-	-
	-----	-----	-----	-----
Total compensation paid to key management personnel	-	-	-	-
	=====	=====	=====	=====

28 Financial Risk Management objectives and policies

Overview

The group's principal financial liabilities comprise of loans and borrowings, amount due to customers for contract work and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Company's financial assets include trade and other receivables, amount due from customers on contract work, investments and cash and short-term deposits.

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

- Credit Risk
- Liquidity Risk
- Market Risk

The group's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

Further quantitative disclosures are included throughout these financial statements.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

The group is exposed to credit risk from its operating activities primarily trade receivables and deposits with banks and other financial institution. The company has a credit control function that weekly monitors trade receivables and resolves credit related matters.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

28 Financial Risk Management objectives and policies- continued

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. The group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. A sales representative is attached to each customer and outstanding customer receivables are regularly monitored by the representative. The requirement for impairment is analysed at each reporting date on an individual basis for all customers. The company evaluates the concentration of risk with respect to trade receivables as Medium as customers consists of large and reputable financial institutions that are subjected to financial scrutiny by various regulatory bodies. The group's maximum exposure to credit risk for the components of the statement of financial position is its carrying amount.

Deposits with banks and other financial institutions

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Group's policy. Surplus funds are spread amongst reputable commercial banks and funds must be within treasury limits assigned to each of the counterparty. Counterparty treasury limits are reviewed by the Group's Financial Controller periodically and may be updated throughout the year subject to approval of the Financial Controller. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure. The company's maximum exposure to credit risk for the components of the statement of financial position is its carrying amount.

I Trade receivables

For trade receivables, the Group applied the simplified approach in computing ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECL). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 20. Group does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Groups' contract assets and trade receivables as at 31 December 2021 using a provision matrix:

Group:

Set out below is the movement in the allowance for expected credit losses of contract receivables :

31 December 2021	0 - 1 year	Above - 1 years	Total
	₦'000	₦'000	₦'000
Expected credit loss rate	3.46%	100%	61%
Estimated total gross carrying amount at default	453,809	673,518	1,127,326
Expected credit loss	15,717	673,518	689,235
31 December 2020			
Expected credit loss rate	3.51%	100%	31.66%
Estimated total gross carrying amount at default	1,882,898	453,631	2,336,529
Expected credit loss	66,176	453,631	519,807

Set out below is the movement in the allowance for expected credit losses of contract assets:

31 December 2021	0 - 1 year	Above -1 year	Total
	₦'000	₦'000	₦'000
Expected credit loss rate	3.46%	100%	41%
Estimated total gross carrying amount at default	2,532,295	1,973,758	4,506,053
Expected credit loss	105,761	1,973,758	2,079,518
December 2020			
Expected credit loss rate	3.6%	70.3%	49.2%
Estimated total gross carrying amount at default	813,739	1,756,122	2,569,861
Expected credit loss	29,976	1,234,780	1,264,757

28 Financial Risk Management objectives and policies- continued

Company

Set out below is the movement in the allowance for expected credit losses of contract receivables:

31 December 2021	0 - 1 year	Above -1years	Total
	₹'000	₹'000	₹'000
Expected credit loss rate	3.46%	100%	61%
Estimated total gross carrying amount at default	231,992	673,518	905,510
Expected credit loss	15,717	673,518	689,235
31 December 2020			
Expected credit loss rate	3.63%	100%	33.00%
Estimated total gross carrying amount at default	1,691,964	453,631	2,145,595
Expected credit loss	66,176	453,631	519,807

Set out below is the movement in the allowance for expected credit losses of contract assets:

31 December 2021	0 - 1 year	Above- 1years	Total
	₹'000	₹'000	₹'000
Expected credit loss rate	3.46%	100%	41%
Estimated total gross carrying amount at default	2,519,746	1,973,758	4,493,504
Expected credit loss	105,761	1,973,758	2,079,519
December 2020			
Expected credit loss rate	3.6%	70.3%	49.2%
Estimated total gross carrying amount at default	813,739	1,756,122	2,569,861
Expected credit loss	29,976	1,234,780	1,264,757

i Trade receivables

Loss rate are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stage delinquency to write-off. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period 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

ii Expected credit loss measurement - other financial assets

The group applied the general approach in computing expected credit losses (ECL) for intercompany receivables and short-term deposits. The group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12-month and Lifetime PDs are derived by mapping the internal rating grade of the obligors to the PD term structure of an external rating agency for all asset classes. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs, etc. - are monitored and reviewed on a regular basis. There have been

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

no significant changes in estimation techniques or significant assumptions made during the reporting period. The significant changes in the balances of the other financial assets including information about their impairment allowance are disclosed below respectively.

28 Financial Risk Management objectives and policies- continued

The group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 3(ii) Summary of significant accounting policies and in Note 4 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Company obtains the data used from third party sources (Central Bank of Nigeria, Standards and Poor's etc.) and a team of expert within its credit risk department verifies the accuracy of inputs to the Company's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Company's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 1 January 2021 and 31 December 2021.

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

Group and Company

31 December 2021

Key drivers	Assigned probabilities	ECL scenarios	2022	2023	2024
Oil Price	10%	Upturn	84.77	57.07	57.07
	80%	Base	42.39	54.96	54.96
	10%	Downturn	63.66	52.64	52.64
Unemployment rate	10%	Upturn	0.14	0.26	0.26
	80%	Base	0.16	0.34	0.34
	10%	Downturn	0.17	0.36	0.36
Inflation rate	10%	Upturn	0.11	0.13	0.13
	80%	Base	0.12	0.12	0.12
	10%	Downturn	0.13	0.11	0.11

31 December 2020

Key drivers	Assigned probabilities	ECL scenarios	2021	2022	2023
Oil Price	10%	Upturn	49.90	57.07	57.07
	80%	Base	44.16	54.96	54.96
	10%	Downturn	40.91	52.64	52.64
Unemployment rate	10%	Upturn	0.27	0.26	0.26
	80%	Base	0.31	0.34	0.34
	10%	Downturn	0.33	0.36	0.36
Inflation rate	10%	Upturn	0.13	0.13	0.13
	80%	Base	0.12	0.12	0.12
	10%	Downturn	0.13	0.11	0.11

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

28 Financial Risk Management objectives and policies- continued

The following tables outline the impact of multiple scenarios on the ECL allowance:

31 December 2021	Intercompany receivables ₹'000	Total ₹'000
	₹'000	₹'000
Upturn (10%)	3,169	3,169
Base (80%)	25,354	25,354
Downturn (10%)	3,169	3,169
Total	31,692	31,692
	=====	=====
31 December 2020	Intercompany receivables ₹'000	Total ₹'000
	₹'000	₹'000
Upturn (10%)	500	500
Base (80%)	10,549	10,549
Downturn (10%)	500	500
Total	11,549	11,549
	=====	=====

Group

Intercompany receivables

31 December 2021	Stage 1 ₹'000	Stage 2 ₹'000	Stage 3 ₹'000	Total ₹'000
Gross carrying amount as at 1 January	17,178	-	-	17,178
Additions	1,183,088	-	-	1,183,088
At 31 December	1,200,266	-	-	1,200,266
	=====	===	===	=====
ECL allowance as at 1 January	11,549	-	-	11,549
Charged for the year	20,143	-	-	20,143
At 31 December (Note 20.3)	31,692	-	-	31,692
	=====	===	===	=====

Group

Intercompany receivables

31 December 2020	Stage 1 ₹'000	Stage 2 ₹'000	Stage 3 ₹'000	Total ₹'000
Gross carrying amount as at 1 January	190,425	-	-	190,425
Additions	17,178	-	-	17,178
Asset derecognised or repaid (excluding write offs)	(190,425)	-	-	(190,425)
At 31 December	17,178	-	-	17,178
	=====	===	===	=====
ECL allowance as at 1 January	2,850	-	-	2,850
Charged for the year	11,549	-	-	11,549
Asset derecognised or repaid (excluding write offs)	(2,850)	-	-	(2,850)
At 31 December (Note 20.3)	11,549	-	-	11,549
	=====	===	===	=====

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

28 Financial Risk Management objectives and policies- continued

Company

Intercompany receivables

31 December 2021	Stage 1 ¥'000	Stage 2 ¥'000	Stage 3 ¥'000	Total ¥'000
Gross carrying amount as at 1 January	657,587	-	-	657,587
Additions	1,122,795	-	-	1,122,795
Asset derecognised or repaid (excluding write offs)	-	-	-	-
	-----	-----	-----	-----
At 31 December (Note 20.3)	1,780,382	-	-	1,780,382
	=====	===	===	=====
ECL allowance as at 1 January	11,549	-	-	11,549
Charged for the year	20,143	-	-	20,143
	-----	-----	-----	-----
At 31 December	31,692	-	-	31,692
	=====	===	===	=====

Company

Intercompany receivables

31 December 2020	Stage 1 ¥'000	Stage 2 ¥'000	Stage 3 ¥'000	Total ¥'000
Gross carrying amount as at 1 January	284,521	-	-	284,521
Additions	373,066	-	-	373,066
Asset derecognised or repaid (excluding write offs)	-	-	-	-
	-----	-----	-----	-----
At 31 December (Note 20.3)	657,587	-	-	657,587
	=====	===	===	=====
ECL allowance as at 1 January	2,850	-	-	2,850
Charged for the year	8,699	-	-	8,699
Asset derecognised or repaid (excluding write offs)	-	-	-	-
	-----	-----	-----	-----
At 31 December	11,549	-	-	11,549
	=====	===	===	=====

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

28 Financial Risk Management objectives and policies- continued

Liquidity risk

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

The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of trade payables and related party funding. The group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low.

Excessive risk concentration

The group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders. Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments

The Group						
	On demand	Less than 3 months	3 to 12 months	1-5 years	> 5 years	Total
Year ended 31 December 2021						
Trade and other payables	-	-	6,009,505	-	-	6,009,505
	-----	-----	-----	-----	-----	-----
	-	-	6,009,505	-	-	6,009,505
	=====	=====	=====	=====	=====	=====
The Group						
	On demand	Less than 3 months	3 to 12 months	1-5 years	> 5 years	Total
Year ended 31 December 2020						
Trade and other payables	-	-	1,915,472	-	-	1,915,472
	-----	-----	-----	-----	-----	-----
	-	-	1,915,472	-	-	1,915,472
	=====	=====	=====	=====	=====	=====
The Company						
	On demand	Less than 3 months	3 to 12 months	1-5 years	> 5 years	Total
Year ended 31 December 2021						
Trade and other payables	-	-	5,430,760	-	-	5,430,760
	-----	-----	-----	-----	-----	-----
	-	-	5,430,760	-	-	5,430,760
	=====	=====	=====	=====	=====	=====
The Company						
	On demand	Less than 3 months	3 to 12 months	1-5 years	> 5 years	Total
Year ended 31 December 2020						
Trade and other payables	-	-	1,915,472	-	-	1,915,472
	-----	-----	-----	-----	-----	-----
	-	-	1,915,472	-	-	1,915,472
	=====	=====	=====	=====	=====	=====

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

28 Financial Risk Management objectives and policies- continued

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. The group is exposed to currency risk and insignificant interest rate risk. Financial instruments affected by currency risk include cash and short term deposit, trade and other receivables and trade and other payables.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency). Management has set up a policy requiring the Company to manage its foreign currency risk against its functional currency. To manage its foreign currency risk arising from future commercial transaction and recognised asset and liabilities, the Company ensures that significant transaction is contracted in the functional currency.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD, Euro and GBP exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities.

	Change in USD rate	Effect on profit before tax
		N000
2021	+5%	235,561
	-5%	(235,561)
2020	+5%	4,871
	-5%	(4,871)
	Change in	Effect on profit
	EURO rate	before tax
		N000
2021	+5%	36,337
	-5%	(36,337)
2020	+5%	3,807
	-5%	(3,807)
	Change in	Effect on profit
	POUNDS rate	before tax
		N000
2021	+5%	38,042
	-5%	(38,042)
2020	+5%	9
	-5%	(9)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

28 Financial Risk Management objectives and policies - continued

The table below show financial instruments by their measurement bases:

The Group			
As at 31 December 2021	Amortised cost ₦000	Fair value ₦000	Carrying value ₦000
Trade and other receivables	2,375,757	-	2,375,757
Cash and short-term deposits	1,494,026	-	1,494,026
Contract assets	2,426,535	-	2,426,535
	-----	-----	-----
Total financial assets	6,296,318	-	6,296,318
	=====	=====	=====
Trade and other payables	6,009,505	-	6,009,505
	-----	-----	-----
Total financial liabilities	6,009,505	-	6,009,505
	=====	=====	=====
As at 31 December 2020			
Trade and other receivables	2,676,301	-	2,676,301
Cash and short-term deposits	653,655	-	653,655
Contract assets	1,305,104	-	1,305,104
	-----	-----	-----
Total financial assets	4,635,060	-	4,635,060
	=====	=====	=====
Trade and other payables	1,915,472	-	1,915,472
Bank overdrafts	302,940	-	302,940
	-----	-----	-----
Total financial liabilities	2,218,412	-	2,218,412
	=====	=====	=====
The Company			
As at 31 December 2021	Amortised cost ₦000	Fair value ₦000	Carrying value ₦000
Trade and other receivables	2,841,770	-	2,841,770
Cash and short-term deposits	1,335,929	-	1,335,929
Contract assets	2,413,986	-	2,413,986
	-----	-----	-----
Total financial assets	6,591,685	-	6,591,685
	=====	=====	=====
Trade and other payables	5,430,760	-	5,430,760
	-----	-----	-----
Total financial liabilities	5,430,760	-	5,430,760
	=====	=====	=====
As at 31 December 2020			
Trade and other receivables	3,214,184	-	3,214,184
Cash and short-term deposits	565,267	-	565,267
Contract assets	1,305,104	-	1,305,104
	-----	-----	-----
Total financial assets	5,084,555	-	5,084,555
	=====	=====	=====
Trade and other payables	1,915,472	-	1,915,472
Bank overdraft	302,940	-	302,940
	-----	-----	-----
Total financial liabilities	2,218,412	-	2,218,412
	=====	=====	=====

** Non-financial instruments include pension payable, ITF, WHT credit note and other statutory deductions. there were excluded from trade and other receivables & trade and other payables

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

29 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The group's policy is to keep the gearing ratio between 40% and 50%. The group includes within net debt, trade and other payables less cash and short-term deposits.

	The Group		The Company	
	2021	2020	2021	2020
	₺'000	₺'000	₺'000	₺'000
Trade and other payables (Note 25)	6,743,650	4,208,034	6,164,610	4,208,034
Bank overdrafts	-	302,940	-	302,940
Less cash and short-term deposits (Note 22)	(1,494,026)	(653,655)	(1,335,929)	(565,267)
Net debt	5,249,624	3,857,319	4,828,681	3,945,707
Equity	802,950	156,188	(157,278)	(715,639)
Capital and net debt	6,052,574	4,013,637	4,671,403	3,230,068
Gearing ratio (%)	87%	96%	103%	122%
	====	====	====	====

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets short term obligations to creditors and related parties providing funding support.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

30. Fair value measurement of financial assets and liabilities

The management assessed that cash and cash equivalents, trade and other receivables, trade and other payables approximate their carrying amounts largely due to the short- term maturities of these instruments.

Other than items that are measured at fair value upon initial recognition, no assets or liabilities are subsequently measured at fair value in the financial statements. In addition, the fair value of financial assets and liabilities subsequently measured at amortised cost approximate their carrying value at the end of the reporting period. Hence, no fair value disclosure is provided in the financial statements.

31 Segment Reporting

A segment is a distinguishable component of the company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The company's activities are concentrated in one geographic region. The company's primary format for segment reporting is based on business segments. The business segments are determined by management based on the Group's internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The company does not have any major customer that amount to 10% or more of the revenue

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

31 Segment Reporting-continue

The company operates as a single reporting segment and information on these financial statements have been reported for the Company as a whole.

	The Group		The Company	
	2021 ₦'000	2020 ₦'000	2021 ₦'000	2020 ₦'000
Revenue from external customers in Nigeria	4,866,795	5,561,881	4,500,010	5,298,014
Non - current operating assets in Nigeria	1,538,502	1,727,454	1,442,968	1,609,707

Non- current assets for this purpose consist of property, plant and equipment, investment in subsidiary (unquoted investment) and intangible assets

32 Information relating to employees

The average number of persons employed by the Group during the financial year was as follows

	The Group		The Company	
	2021 №	2020 №	2021 №	2020 №
Management	5	8	4	7
Construction	152	120	129	86
Administrative staff	57	104	57	94
	-----	-----	-----	-----
	214	232	190	187
	===	===	===	===

Employees of the Group, other than Directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration in the following ranges;

₦	The Group		The Company	
	2021 №	2020 №	2021 №	2020 №
400,001 - 420,000		-		-
420,001 - 500,000		-		-
500,001 - 600,000		-		-
600,001 - 650,000		-		-
650,001 - 750,000	5	24	5	19
750,001 - 1,200,000	31	42	30	38
1,200,001 - 2,000,000	62	64	53	51
2,000,001 - 2,600,000	32	31	29	24
2,600,001 - 3,500,000	36	34	31	26
3,500,001-4,500,000	19	16	15	13
4,500,000 and above	29	21	27	16
	-----	-----	-----	-----
	214	232	190	187
	===	===	===	===

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

32 Information relating to employees- continued

Directors' mix

	The Group		The Company	
	2021	2020	2021	2020
	No	No	No	No
Executive	3	3	3	3
Non-Executive	2	3	2	3
	----	----	----	----
	5	6	5	6
	==	==	==	==

33 Contingent liabilities

	The Group		The Company	
	2021	2020	2021	2020
	₹'000	₹'000	₹'000	₹'000
Performance bond - Guaranty Trust Bank (Note 22)	567,367	238,551	420,683	151,867
	-----	-----	-----	-----
	567,367	238,551	420,683	151,867
	=====	=====	=====	=====

The above guarantees and performance bond are for the benefit of various customers and are held with the financial institutions highlighted above.

34 Capital Commitment

In the opinion of the Directors, there were no capital commitments at 31 December 2021 (2020: Nil).

35 Events after the reporting Date

The directors are of the opinion that there were no events after the reporting date that could have a significant effect on the financial statements of the Group and Company that had not been adequately provided for or disclosed in these financial statements.

OTHER NATIONAL DISCLOSURES

ARBICO PLC

VALUE ADDED STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	The Group				The Company			
	2021		2020		2021		2020	
	N'000		N'000		N'000		N'000	
Revenue	4,866,795		5,561,881		4,500,010		5,298,014	
Bought in materials and services	(5,670,520)		(3,784,792)		(5,336,329)		(3,048,859)	
	-----		-----		-----		-----	
	(803,725)		1,777,089		(836,319)		2,249,155	
Other operating income	89,932		85,444		91,307		85,444	
	-----		-----		-----		-----	
Value (consumed)/added	(713,793)	100	1,862,533	100	(745,012)	100	2,334,599	100
	=====		=====		=====		=====	
Applied as follows:		%		%		%		%
To employees: as salaries, wages and other								
- related costs	328,032	(46)	487,496	26	230,625	(31)	282,255	12
To Government:								
- as company taxes	40,258	(6)	155,000	8	40,258	(6)	155,000	7
- Deferred taxation	(715,336)	100	76,076	5	(715,336)	96	76,076	3
Retained for the Group's/ Company's future:								
- Depreciation of property, plant and equipment	312,951	(44)	397,319	21	290,737	(39)	358,787	15
- Amortisation of intangible assets	1,892	-	1,235	-	1,892	-	1,235	-
- (Loss)/profit for the year	(681,589)	96	745,407	40	(593,188)	80	1,461,246	63
	-----	---	-----	---	-----	---	-----	---
	(713,793)	100	1,862,533	100	(745,012)	100	2,334,599	100
	=====	===	=====	===	=====	===	=====	===

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

ARBICO PLC

FOUR-YEAR FINANCIAL SUMMARY - THE GROUP

	2021 N'000	2020 N'000	2019 N'000	2018 N'000
ASSETS				
Non-current assets	2,800,460	2,274,075	2,238,407	1,501,732
Current assets	10,865,402	5,967,645	5,536,363	5,374,486
Total assets	13,665,862	8,241,720	7,774,770	6,876,469
EQUITY AND LIABILITIES				
Share capital	74,250	74,250	74,250	74,250
Share premium	141,184	141,184	141,184	141,184
Asset revaluation surplus	1,193,534	1,193,534	861,934	861,934
Accumulated losses	(2,237,414)	(1,556,709)	(1,977,403)	(2,506,583)
Equity attributable to equity holders	(828,446)	(147,741)	(900,035)	(1,429,487)
Non-controlling interests	(9,331)	(8,447)	(1,289)	271
Total equity	(837,777)	(156,188)	(901,324)	(1,429,216)
LIABILITIES				
Non-current liabilities	1,950,000	1,950,000	1,950,000	1,950,000
Current liabilities	12,553,639	6,447,908	6,726,094	6,335,685
Total liabilities	14,503,639	8,397,908	8,676,094	8,305,685
Total equity and liabilities	13,665,862	8,241,720	7,774,770	6,876,469
Revenue	4,866,795	5,561,881	6,080,294	4,171,470
Operating (loss)/profit	(1,392,981)	642,226	57,604	(807,215)
(Loss)/profit/profit before tax	(1,356,667)	644,883	74,190	(802,606)
Income tax expense	675,078	(231,076)	453,431	(275,173)
(Loss)/profit for the year	(681,589)	413,807	527,621	(1,077,779)
Total comprehensive (loss)/profit for the year, net of tax	(681,589)	745,407	527,621	(1,077,779)
Equity holders of the parent	(680,705)	420,965	528,140	(1,076,738)
Non-controlling interest	(884)	(7,158)	(519)	(1,041)
Basic/diluted earnings per share (Naira)	(4.58)	5.07	3.56	(7.25)

- Basic/diluted (loss)/earnings and net assets per share are based on the number of shares issued and fully paid at the end of each year-Basic/diluted (loss)/earnings per share are based on profit/(loss) after taxation attributable to ordinary equity holders of the parent.

ARBICO PLC

FIVE-YEAR FINANCIAL SUMMARY - THE COMPANY

	2021 N'000	2020 N'000	2019 N'000	2018 N'000	2017 N'000
ASSETS					
Non-current assets	2,704,926	2,156,328	2,153,959	1,526,870	1,355,839
Current assets	10,348,853	6,411,823	5,236,880	5,453,707	3,996,157
Total assets	13,053,779	8,568,151	7,390,839	6,980,577	5,351,996
EQUITY AND LIABILITIES					
Share capital	74,250	74,250	74,250	74,250	74,250
Share premium	141,184	141,184	141,184	141,184	141,184
Asset revaluation surplus	1,193,534	1,193,534	861,934	861,934	861,934
Accumulated losses	(1,286,517)	(693,329)	(1,822,975)	(2,402,475)	(950,214)
Total equity	122,451	715,639	(745,607)	(1,325,107)	127,154
LIABILITIES					
Non-current liabilities	1,950,000	1,950,000	1,950,000	1,950,000	1,950,000
Current liabilities	10,981,328	5,902,512	6,186,446	6,335,684	3,274,842
Total liabilities	12,931,328	7,852,512	8,136,446	8,305,684	5,224,842
Total equity and liabilities	13,053,779	8,568,151	7,390,839	6,980,577	5,351,996
Revenue	4,500,010	5,298,014	5,871,282	4,171,470	4,891,912
Operating (loss)/profit	(1,304,580)	1,358,065	109,483	(703,107)	106,839
(Loss)/ profit before tax	(1,268,266)	1,360,722	126,069	(698,498)	107,178
Income tax expense	675,078	(231,076)	453,431	(275,173)	(45,517)
(Loss)/profit for the year	(593,188)	1,129,646	579,500	(973,671)	61,661
Total comprehensive Profit for the year, net of tax	(593,188)	1,461,246	579,500	(973,671)	61,661
Basic/diluted earnings per share (Naira)	(3.99)	5.07	3.56	(6.56)	0.42

Note:

Basic (loss)/earnings per share, and net assets per share are based on the number of shares issued and fully paid at the end of each year.

Basic /diluted earnings/(loss) earnings per share are based on profit/(loss) after taxation