Industrial and Medical Gases Nigeria Plc
(Formerly BOC Gases Nigeria Plc)

Annual Report and Financial statements
For the year ended 31 December 2021

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Corporate information

Board of directors:

Name		
Mr. Abiodun Olabode Alabi	-	Chairman
Mr. Ayodeji Oseni	-	Managing Director
Mr. Hendrik Mentz De Waal (South African) Resigned 10 August 2021	-	Non-executive
Mr. Oyeniyi Olawale Oyedele	-	Non-executive
Mr. Adebayo Adeleke	-	Non-executive
Mr. Joseph Ramashala (South African) Resigned 10 August 2021	-	Non-executive
Mr. Adeshina Alayaki	-	Finance Director
Mr. Aminu Ado (Appointed 26/01/22)	-	Non-executive
Mr. Ishaya Danjuma (Appointed 26/01/22)	-	Non-executive
Mrs Adebola Oluwadeji (Appointed 26/01/22)	-	Non-executive
Engr Funmilola Ojelade (Appointed 26/01/22)	-	Non-executive

Company secretary: Mrs Aderonke Segun-Alabi

Registered office:
Plots 1-3, Block H
Oshodi Industrial Estate
Oshodi
Lagos State

Registrar:
First Registrar & Investors Services
2 Abebe Village Road
Iganmu
PMB 12692, Marina
Lagos

Auditor:
Deloitte & Touche
Civic Towers
Plot GA 1, Ozumba Mbadiwe Avenue,
Victoria Island
Lagos
www.deloitte.com.ng

Principal bankers:
Standard Chartered Bank Nigeria Limited
Zenith Bank Plc
United Bank of Africa
Rand Merchant Bank Nigeria Limited
First Bank of Nigeria Limited
First City Monument Bank Plc
Fidelity Bank Plc

Members of the audit committee:
Mr. Emmanuel Okafor (Chairman)
Mr. Bello Owonikoko
Mr. Kenneth Nwosu
Mrs. Adebola Oluwadeyi
Mr. Aminu Ado

The year at a glance

	2021 ₦'000	2020 ₦'000	% increase /(decrease)
Revenue	3,699,230	3,171,173	16.65
Results from operating activities	643,596	392,357	64.03
Profit before income tax	552,196	414,502	31.52
Income tax expense	(180,177)	(122,395)	47.21
Profit for the year	372,019	292,107	24.94
Total comprehensive income for the year	372,019	292,543	24.76
Declared dividend during the year*	208,122	124,873	66.67
Share capital	208,122	208,122	-
Total equity	3,046,028	2,879,676	5.78
Number of 50 kobo ordinary shares issued	**416,244,706**	**416,244,706**	
Per 50k share data			
Basic earnings per share (kobo)	89	70	25.26
Dividend per share:			
- Declared during the year	50k	30k	
Net assets per share (Naira)	7.33	6.92	5.99
Stock exchange quotation at end of year	N9.45	N8.70	8.62
Market capitalisation at end of year (₦: '000)	**3,933,512**	**3,621,329**	8.62

* Dividend declared during the year represents the dividend proposed during the preceding year and approved by the shareholders for payment in the current year.

Directors' report

The directors present their report on the affairs of Industrial and Medical Gases Nigeria Plc ("the Company") together with the financial statements and the auditor's report for the year ended 31 December 2021.

1 Legal status

Industrial & Medical Gases Nigeria Plc (formerly BOC Gases Nigeria Plc hereinafter "the Company"), a public company quoted on the Nigerian Stock Exchange in 1979, was incorporated as a public limited liability company on 12 November 1959 under the name Industrial Gases (Nigeria) Limited. The name was changed on 10 July 1961 to Industrial Gases Limited and thereafter to BOC Gases Nigeria Plc on 17 March 1997. The Company was a subsidiary of BOC Holdings Limited, U.K., which holds 60% interest in the equity of BOC Gases Nigeria Plc. BOC Holdings Limited, U.K. is a subsidiary of Linde Plc, United Kingdom, the ultimate holding company. The Company's registered office address is Plots 1-3, Block H, Oshodi Industrial Estate, Oshodi, Lagos. In August 2021, TY Holdings Limited acquired additional 60% of the entire shares of the Company owned by BOC Holdings UK. The purchase is in addition to the existing 12% shares of the Company owned by TY Holdings Limited prior to this transaction bringing the ownership of TY Holdings Limited in BOC Gases Nigeria Plc to 72%. As a result of this development, the name of BOC Gases Nigeria Plc was changed to Industrial and Medical Gases Nigeria Plc, with a new logo and trademark.

2 Principal activities

The Company engages in the manufacture of industrial and medical gases as well as the sale of special gases, welding and medical equipment.

3 Operating results

The following is a summary of the Company's operating results:

	2021 ₦'000	2020 ₦'000
Revenue	3,699,230	3,171,173
Results from operating activities	643,596	392,357
Profit before income tax	552,196	414,502
Profit for the year	372,019	292,107
Total comprehensive income for the year	372,019	292,543
Retained earnings	2,844,517	2,671,118

4 Dividend

The directors have awarded a stock dividend of one for every five shares held (2020: Cash dividend of 50k) on the issued share capital of 416,244,706 (2020: 416,244,706).

Directors' report (cont'd)

5 Directors and their interests

(a) The directors who served during the year and their interests in the shares of the Company are as follows:

Name	Date appointed/ (resigned)	Interest in the ordinary shares of the Company	
		2021	**2020**
		No. of shares	**No. of shares**
Mr Abiodun Olabode Alabi - Chairman		16,326	16,326
Mr Oyeniyi Olawale Oyedele		8,489,967	8,489,967
Mr Adeshina Alayaki		75,000	75,000
Mr Hendrik Mentz De Waal (South African)	(10/08/2021)	Nil	Nil
Mr. Joseph Ramashala (South African)	(10/08/2021)	Nil	Nil
Mr Adebayo Adeleke		529	529
Mr Ayodeji Oseni		19,548	19,548
Mr. Aminu Ado	1/26/2022	Nil	Nil
Mr. Ishaya Danjuma	1/26/2022	Nil	Nil
Mrs Adebola Oluwadeji	1/26/2022	Nil	Nil
Engr Funmilola Ojelade	1/26/2022	Nil	Nil

Other than as disclosed above, the directors do not have any other interests required to be disclosed under section 301 of the Companies and Allied Matters Act of Nigeria.

(b) Mr. Hendrik Mentz de Waal and Mr. Joseph Ramashala resigned as Directors of the Company and representatives of BOC Holdings UK (a member of the Linde Group) with effect from 10th August 2021. This is following the recent acquisition of 60% of the entire shares in the Company by TY Holdings Limited in addition to its existing 12% shares.

6 Responsibilities of the directors for internal control

The Board retains full responsibilities for the overall direction and control of the Company. The directors are responsible for the Company's system of internal control and for monitoring effectiveness. They are also responsible for taking such steps as are reasonably available to safeguard the assets of the Company and to prevent and detect fraud and irregularities.

The directors believe that intelligent risk taking is an important element of the Company's entrepreneurship approach. This means that the business risks need to be managed by applying effective controls. Management is responsible to the Board for the identification and measurement of risks and to confirm that effective systems of controls are in place and that appropriate corrective action is taken.

Systems of internal controls can provide only reasonable, not absolute assurance against material misstatement or loss. Systems of internal control exercised by the Board include:

i. Delegating authority to management within defined areas of responsibility;
ii. Receiving regular reports from management on financial performance and other issues;
iii. Ensuring that a continual assessment is made of all risks and that appropriate measures are taken to mitigate the impact of those risks; and
iv. Maintaining and directing an effective and independent internal audit function, receiving reports of findings as well as taking action thereon.

7 Records of directors' attendance

Further to the provisions of section 284(2) of the Companies and Allied Matters Act of Nigeria, the records of directors' attendance at Board meetings during the year is available at the Annual General Meeting for inspection.

Directors' report (cont'd)

8 Shareholding

The fully paid shares of the Company as at 31 December were beneficially held as follows:

	2021	2020	2021 %	2020 %
BOC Holdings Limited, U.K.	0	249,746,823	0	60
TY Holdings Limited	298,234,891	48,488,068	72	12
Nigerian Citizens and other associations	118,009,815	118,009,815	28	28
	416,244,706	**416,244,706**	**100**	**100**

No other shareholder, except as disclosed above, held more than 5% of the issued share capital of the Company at the reporting date.

9 Property, plant and equipment

Information relating to changes in property, plant and equipment is given in Note 13 to these financial statements.

10 Donations

During the year, the Company made donations/scholarship amounting to N530,000 (2020: N551,000) being scholarship to students of the following schools during the year.

Beneficiaries	**Naira**
Galaxy International School	100,000
Kelly International Academy	230,000
Martha International School	200,000
	530,000

In compliance with section 43(2) of the Companies and Allied Matters Act of Nigeria, the Company did not make any donation or gift to any political party, political association or for any political purpose in the course of the year under review (2020: Nil).

11 Business review and future development

The Company intends to continue fulfilling its objectives as stated in its Memorandum and Articles of Association.

12 Major distributors

The Company has a network of distributors and agents throughout Nigeria in order to ensure that its products are brought as close as possible to end-users. The major agents during the year include B. Sanyaolu -Abeokuta and Gregory Emakpor- Benin.

13 Suppliers

The Company procures materials (mainly engineering spare parts, liquid gases and welding equipment) from BOC Holdings Limited, U.K., and African Oxygen Limited, South Africa, which is a fellow subsidiary to BOC Holdings Limited, U.K.

The Company's major local suppliers are Orbit Maritime Limited, SCIB Nigeria and Company Limited, Central Horizon Gas Co Limited, Mantrac Nigeria Limited and Gaslink Nigeria Limited.

Directors' report (cont'd)

14 Employment and employees

(a) Employment of physically challenged persons

It is the policy of the Company that there is no discrimination in considering applications for employment including those of physically challenged persons.

The Company had no physically challenged person in its employment as at 31 December 2021 (2020: Nil).

All employees, whether or not physically challenged, are given equal opportunities to develop their experience and knowledge and to qualify for promotion in furtherance of their careers. In the event of members of staff becoming physically challenged, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of physically challenged persons should, as far as possible, be identical to that of other employees.

(b) Health and safety at work and welfare of employees

Health and safety regulations are in force within the Company's premises and employees are aware of existing regulations. To this end, the Company has various forms of insurance policies, including workmen's compensation and group life insurance, to adequately secure and protect its employees.

(c) Employees' involvement and training

The Company places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company.

Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Training is carried out at various levels through in-house and external courses.

Management, professional and technical expertise are the Company's major assets and the Company has continued the investment in developing such skills.

(d) Dissemination of information

In order to maintain shared perception of our goals, the Company is committed to communicating information to employees in as fast and effective a manner as possible. The Company considers this critical to the maintenance of team spirit and high employee morale.

15 Related party transactions

In terms of the Nigerian Stock Exchange (""NSE"") disclosures on Rules Governing Transactions with Related Party or Interested Persons, effective 1 November 2014, there were no non-recurrent related party transactions entered into during the course of the financial year which equals or exceeds 5% of the net tangible assets or 5% of net tangible assets when aggregated with other transactions entered into with the same related party or 5% of issued share capital.

No re-current related party transactions, the aggregate value of which equal to or exceeds 5% of the Revenue/Income, have been carried out during the financial year ended 31 December 2021.

Details of all related party transactions during the year are disclosed in Note 27 to these Financial Statements.

Directors' report (cont'd)

16 Corporate governance

Industrial and Medical Gases Nigeria Plc remains committed to ensuring that fair, honest and understandable business practices are integrated into the organizational culture. Sound corporate governance is a way of life within the Company and best practices are followed.

Governance principles are incorporated into all Company's structures, systems and policies which are constantly reassessed and reviewed to ensure that continuous compliance and best practice is adhered to.

(a) The Board

The Board of Directors is responsible for setting the direction of the Company by establishing strategic objectives and key policies. The Board monitors compliance with the approved policies and achievements against objectives through quarterly performance reporting and budget updates.

Appointment to the Board is confirmed at its meetings for the new persons either introduced to the Board or short-listed respondents to its advertisement.

The Board ensures that Management, over time, but as soon as possible after, joining the Board, induction and training for new Directors is arranged.

Board meetings are held formally four times a year and ad-hoc meetings are arranged as necessary. Where directors are unable to attend any particular Board meeting, they communicate comments they may have regarding the agenda and general items to the Chairperson to be raised at the relevant meeting.

The agenda and relevant supporting documents are distributed to the directors well before each Board meeting. During the meeting, the appropriate executive director explains and motivates business items where decisions are required. The directors have unrestricted access to all Company information and records.

The attendance schedule for the year is on Note (e) below.

(b) Composition of the Board

The Board is made up of five (5) non-executive directors (including the Chairman), and two (2) executive directors:

Five non-executive directors	**Two executive directors**
Abiodun Olabode Alabi– Chairman	Ayodeji Oseni – Managing Director
Hendrik Mentz De Waal (Resigned 10 August 2021)	Adeshina Alayaki - Finance Director
Oyeniyi Olawale Oyedele	
Adebayo Adeleke	
Joseph Ramashala (Resigned 10 August 2021)	
Mr. Aminu Ado (Appointed 26/01/22)	
Mr. Ishaya Danjuma (Appointed 26/01/22)	
Mrs Adebola Oluwadeji (Appointed 26/01/22)	
Engr Funmilola Ojelade (Appointed 26/01/22)	

(c) The chairman and managing director

The roles of the Chairman and the Managing Director are separate to ensure a balance of power and authority, so that no individual has unfettered powers in decision making.

The Chairman has no executive functions, but provides overall leadership of the Board. He, in conjunction with other non-executive directors, monitors and evaluates the performance of the Managing Director to ensure that the strategic and operational objectives of the Company are achieved.

Directors' report (cont'd)

16 Corporate governance (cont'd)

(d) Rotation of directors and confirmation of new appointments

At the Annual General Meeting to be held in June 2022, shareholders will be asked to confirm the appointment of the new directors: Mr. Aminu Ado (Non-Executive Director), Mr. Ishaya Danjuma (Non-Executive Director), Mrs. Adebola Oluwadeyi (Non-Executive Director) and Engr. Funmilola Ojelade (Independent Non-Executive Director) in accordance with the Company's Articles of Association.

(e) Board committees

While the Board remains accountable and responsible for the performance and affairs of the Company, it delegates to management and Board committees, certain functions to assist in discharging its duties properly. Each Board committee acts within agreed, written terms of reference. The Chairman of each Board committee reports and provides minutes of committee meetings at scheduled Board meetings.

The Board committees' chairmen and members are non-executive directors. The executive directors attend Board committee meetings by invitation. The established committees are shown below:

Committee	Purpose	Composition	Meetings
Statutory Audit			
Adebayo Adeleke (Chairman) Joseph Ramashala* (resigned 10/8/21)	The Committee's functions are as stated in section 404 (6) of the Companies and Allied Matters Act.	Two non-executive directors	Met five times during the year.
Committee	**Purpose**	**Composition**	**Meetings**
Nomination, Governance, Retirement & Remuneration Committee			
Hendrik Mentz De Waal (Chairman) (resigned 10/8/21) Oyeniyi Olawale Oyedele Joseph Ramashala* (resigned 10/8/21)	Determines and makes recommendation to the Board on the framework, policy, cost of executive and senior management remuneration. Determines and recommends the executive directors and other senior employees are adequately remunerated. The remuneration of Directors, as well as the fees, reimbursable travel and hotel expenses as well as any other allowances and benefits are approved by the Board as advised/recommended by the Nomination, Governance, Retirement and Remuneration Committee. Reviews and advises on the general principles under with compensation, training, succession plans and performance management are applied to senior employees of the Company.	Three non-executive directors	Met once during the year
Risk			
Hendrik Mentz De Waal (Chairman) (resigned 10/8/21) Oyeniyi Olawale Oyedele Adebayo Adeleke	Monitors and reviews the Company's policies, practices, risks compliance with corporate governance principles and regulations.	Three non-executive directors	Met four times during the year.

Directors' report (cont'd)

16 Corporate governance (cont'd)

(e) Board committees (cont'd)

Details of directors' attendance at the Board and committee meetings are set out below:

		Number of meetings held during the Financial period			
		Board	**Audit Committee**	**Nomination, Governance, Retirement & Remuneration**	**Risk Committee**
Names	**Date of appointment**	**(9 meetings) Dates: Mar 18, Jun 1, Jun 11, Jun 23, Aug 18, Sep 16, Dec 9, Dec 14 & Dec 20, 2021**	**(5 meetings) Dates: Mar 16, Jun 22, Sept 15, Oct 7 & Dec 8, 2021**	**(1 meeting) Dates: Mar 17, 2021**	**(4 meetings) Dates: Mar 17, Jun 22, Sept 15 & Dec 8, 2021**
Abiodun Olabode Alabi**	19-Apr-2005	9 of 9	N/A	N/A	N/A
Ayodeji Oseni	4-Jul-2016	9 of 9	N/A	N/A	N/A
Adeshina Alayaki	9-Sep-2010	9 of 9	N/A	N/A	N/A
Oyeniyi Olawale Oyedele**	10-Mar-2016	8 of 9	N/A	1 of 1	3 of 4
Adebayo Adeleke**	15-Jun-2016	9 of 9	5 of 5	N/A	4 of 4

** Non-executive director
N/A: Not applicable as director is not a member of the related committee

(f) Performance assessment
Directors are required to dedicate sufficient time to be able to monitor, evaluate and comment effectively to the Board and management on the financial and operational information supplied to the Board.

(g) Employee relations
Encouragement of employee participation is a high priority. The Company has adopted several participating structures on issues that affect employees. License to work ensures every employee is competent in his/her job within specific time frames. Learning needs are identified through the development of competency profiles for specific jobs.

(h) Going concern
The directors, having considered all relevant factors, are of the opinion that the annual financial statements have been prepared on a going-concern basis. They believe that the Company has adequate resources in place to continue in operation for the foreseeable future.

(i) Code of ethics
Inextricably linked to good corporate governance is the Company's code of ethics. The Company has always espoused the highest ethical standards of business conduct and full compliance with applicable laws, regulations and industry standards.

Directors' report (cont'd)

16 Corporate governance (cont'd)

(i) Code of ethics (cont'd)

The Company aims to earn the trust of customers, shareholders, colleagues, suppliers and communities through honesty, performance excellence, good corporate governance and accountability. The Company expects people to respect confidential information, Company time and assets. The Company believes in open and honest communication, fair treatment and equal opportunities.

Guiding principles or core values within the code define our responsibilities towards, and what we expect from:
- Directors
- Employees
- Local communities and the public
- Customers, suppliers and markets; and
- Shareholders

Allegiance to the code of ethics is the starting point from which employees draw inspiration and guidance for behaviour within a group, society or the organization. An integrity line has been established to enable employees to report contraventions of the code of ethics.

(j) Social responsibility
The Company has a strong culture of social responsibility. The objective is to assist wisely and constructively thereby making a sustainable difference.

(k) Risk management
Risk management has been further embedded in daily activities of the Company throughout 2020, and includes, but is not limited to, quarterly review of top risks faced by the Company and progress on mitigation plans.

(l) Internal controls
Management maintains accounting records and has developed systems designed to provide assurance as to the integrity and reliability of the financial statements. Responsibility for the adequacy and operations of the systems is delegated to the executive directors. These records and systems are designed to safeguard the Company's assets and minimize fraud.

Our systems of internal control are based on organizational structures, such as written policies and procedures, which include budgeting and forecasting disciplines and the comparison of actual results against these budgets and forecasts.

(m) Internal audit
Mazars renders independent, objective audit and consultation services geared towards creating added value and improving business processes. It helps the Company to achieve objectives by assessing and helping to improve the effectiveness of risk management, control mechanisms and the management and monitoring of processes through a systematic and targeted approach.

Internal audit follows a risk-based approach and utilizes the Company's enterprise-wide risk assessment, as one of many contributors to their annual risks assessment, before arriving at their audit work plan for the year. The internal audit department focuses on six core audit functions, namely:

Directors' report (cont'd)

16 Corporate governance (cont'd)

(m) Internal audit (cont'd)

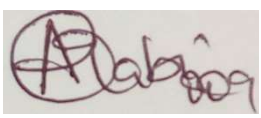
- Standard reviews, financial and operational processes;
- IT reviews; this role is conducted by the special auditors from the global function;
- Special reviews, as requested by the Audit Committee members or executive management;
- Projects, conducted as part of the controlling shareholder initiative and aligned to the Company's risk assessments;
- Self-assessments, conducted on a periodic basis; and
- Integrity line, conducting fraud investigations on cases reported to the independent ethics hotline.

The Head of Internal Audit attends all Audit Committee meetings where all findings are presented. The Internal Audit department is guided by a comprehensive audit manual as developed by the function.

17 Auditors

Deloitte & Touche, appointed in 2017 served as the auditors during the year. The independent auditor's report was signed by Abraham Udenani, a Partner in the Firm.

In accordance with the section 401(2) of the Companies and Allied Matters Acts, Messers Deloitte & Touche Nigeria have indicated their willingness to continue in office as an External Auditor of the company. A resolution will be proposed at the Annual General Meeting of the Directors to determine their renumeration.



Aderonke Segun-Alabi (Mrs)
Company Secretary
FRC/2021/002/00000024129
Lagos, Nigeria
24 March, 2022

Statement of Directors' responsibilities
For the preparation and approval of the financial statements

The Directors of Industrial and Medical Gases Nigeria Plc accept responsibility for the preparation of the financial statements that give a true and fair view of the financial position of the Company as at 31 December 2021, and the results of its operations, statement of cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act (CAMA) and the Financial Reporting Council of Nigeria Act, 2011.

In preparing the financial statements, the Directors, as required by CAMA, are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance.

Going Concern:
The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

Mr Ayodeji Oseni
Managing Director
FRC/2017/IODN/00000015942

Mr Adeshina Alayaki
Finance Director
FRC/2013/ICAN/00000000939

Certification of Financial Statements

In accordance with section 405 of the Companies and Allied Act of Nigeria, we, the Chief Executive Officer and the Chief Financial Officer hereby certify that the financial statements have been reviewed and based on our knowledge, the

(i) audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made, and
(ii) audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the company as of and for, the periods covered by the audited financial statements;

We state that management and directors:

(i) are responsible for establishing and maintaining internal controls and has designed such internal controls to ensure that material information relating to the Company is made known to the officer by other officers of the company, particularly during the period in which the audited financial statement report is being prepared,
(ii) has evaluated the effectiveness of the company's internal controls within 90 days prior to the date of its audited financial statements, and
(iii) certifies that company's internal controls are effective as of that date;

We have disclosed:

(i) all significant deficiencies in the design or operation of internal controls which could adversely affect the company's ability to record, process, summarise and report financial data, and has identified for the company's auditors any material weaknesses in internal controls, and
(ii) whether or not, there is any fraud that involves management or other employees who have a significant role in the company's internal control; and
(iii) as indicated in the report, whether or not, there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The financial statements of the Company for the year ended 31 December 2021 were approved by the directors on 24 March, 2022.

Mr Ayodeji Oseni
Managing Director
FRC/2017/IODN/00000015942

Mr Adeshina Alayaki
Finance Director
FRC/2013/ICAN/00000000939

Report of the audit committee
To the members of Industrial and Medical Gases Nigeria Plc

In accordance with the provisions of section 404(7) of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act, 2011, we, the Members of the Audit Committee of Industrial and Medical Gases Nigeria Plc, having carried out our statutory functions under the Act, hereby report that:

(a) the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;

(b) the scope and planning of the audit for the year ended 31 December 2021 are satisfactory;

(c) having reviewed the independent auditor's memorandum of recommendations on accounting procedures and internal controls, we are satisfied with management responses thereon.

Finally, we acknowledge the co-operation of management and staff in the conduct of our duties.

Members of the Audit Committee are:

1)	Mr. Emmanuel Okafor	(Shareholder representative) - Chairman
2)	Mr. Kenneth Nwosu	(Shareholders' representative)
3)	Mrs. Adebola Oluwadeyi	(Directors' representative)
4)	Mr. Kazeem Owonikoko Bello	(Shareholders' representative)
5)	Mr. Aminu Ado	(Directors' representative)

Mr. Emmanuel Okafor
FRC/2021/002/00000022583
23 March, 2022

Deloitte.

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Independent Auditor's report

To the shareholders of Industrial and Medical Gases Nigeria Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Industrial and Medical Gases Nigeria Plc set out on pages 5 to 56, which comprise the statement of financial position as at 31 December 2021, and the statements of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and Financial Reporting Council Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the requirements of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of Financial Statements in Nigeria.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current year. This matter were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Deloitte.

Key Audit Matter	How the matter was addressed in the audit
Impairment of Trade receivables (Expected Credit Losses)	
As disclosed in note 16 to the financial statements, the Company has trade receivable balance of N483m. IFRS 9 requires the Company to recognize impairment of Trade receivables using Expected Credit Loss (ECL) model. The Company adopted simplified approach in calculating loss allowance. Under the simplified approach, the Company is expected to analyze historical data to capture defaults and collections for reasonable number of years in order to ascertain pattern of payment by the customers and subsequently compute loss rate. Based on the assumptions and consideration of economic conditions experienced in Nigeria, which management has factored into the impairment computation, the audit of the trade receivable is considered a key audit matter.	In addressing this matter, we performed the following procedures: 1. Obtained and reviewed management policies and procedures for calculating loss allowance. Determined whether the policies and procedures are in compliance with IFRS 9. 2. Reviewed and challenged the judgments made by management in estimating the expected credit loss to ascertain whether indicators of bias exist. 3. Reviewed impairment loss computation performed by management for accuracy. Based on the procedures performed, impairment loss disclosed in the financial statements appears reasonable.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report, corporate governance report and other national disclosures, which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work we have performed on the other information obtained prior to the date of this auditor's report, if 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.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act 2020, the Financial Reporting Council Act, 2011 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Deloitte.

Report on Other Legal and Regulatory Requirements
In accordance with the Fifth schedule of Companies and Allied Matters Act 2020, we expressly state that:

i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii) The Company has kept proper books of account, so far as appears from our examination of those books.

iii) The Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

Abraham Udenani, FCA – FRC/2013/ICAN/00000000853
For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
31 March 2022

Statement of profit or loss and other comprehensive income

	Notes	2021 ₦'000	2020 ₦'000
Revenue	*5*	3,699,230	3,171,173
Cost of sales	*8(a)*	(1,677,381)	(1,656,802)
Gross profit		**2,021,849**	**1,514,371**
Other income	*6(a)*	28,528	61,399
Other expenses	*6(c)*	(10,774)	(24,981)
Selling and distribution expenses	*8(b)*	(680,267)	(509,537)
Administrative expenses	*8(c)*	(863,797)	(688,080)
Results from operating activities		**495,539**	**353,172**
Finance income	*7(a)*	62,794	85,643
Finance expenses	*7(b)*	(6,137)	(24,313)
Profit before income tax	*9*	**552,196**	**414,502**
Income tax expense	*11(a)*	(180,177)	(122,395)
Profit for the year		**372,019**	**292,107**
Other comprehensive income		-	-
Items that will never be reclassified to profit or loss		-	-
Defined benefit plan actuarial gain		-	641
Tax on actuarial gain		-	(205)
Items that are or may be reclassified to profit or loss		-	-
Total comprehensive income for the year		**372,019**	**292,543**
Earnings per share			
Basic and diluted earnings per share (kobo)	*12*	**89**	**70**

The accompany notes and significant accounting policies form an integral part of the financial statements.

Statement of financial position
As at 31 December 2021

	Notes	31 December 2021 ₦'000	31 December 2020 ₦'000
ASSETS			
Property, plant and equipment	*13a*	2,084,838	2,167,083
Intangibles	*13e*	-	-
Right of use of Assets	*13f*	-	80,293
Other tax assets	*17*	34,047	307,584
Total non-current assets		**2,118,885**	**2,554,960**
Inventories	*15*	493,039	432,902
Trade and other receivables	*16*	489,815	460,417
Prepayments	*14*	189,132	326,238
Other tax assets	*17*	287,856	
Cash and cash equivalents	*18*	2,017,284	1,643,352
Total current assets		**3,477,126**	**2,862,909**
Total assets		**5,596,011**	**5,417,869**
EQUITY			
Share capital	*19*	208,122	208,122
Retained earnings		2,844,517	2,671,118
Other reserves		436	436
Total equity		**3,053,075**	**2,879,676**
LIABILITIES			
Employee benefit obligation	*21*	19,925	18,663
Lease Liabilities	*23b*	-	-
Deferred tax liabilities	*22*	391,659	480,659
Total non-current liabilities		**411,584**	**499,322**
Current tax liabilities	*11(c)*	325,394	140,499
Trade and other payables	*23*	1,608,156	1,640,610
Lease Liabilities	*23c*	-	103,818
Provision	*23a*	56,764	56,764
Contract liability	*24*	141,038	97,180
Total current liabilities		**2,131,352**	**2,038,871**
Total liabilities		**2,542,936**	**2,538,193**
Total equity and liabilities		**5,596,011**	**5,417,869**

These financial statements were approved by the Board of Directors on 24 March 2022 and signed on its behalf by:

Mr Abiodun Olabode Alabi (Chairman) FRC/2014/ICAN/00000006700	Mr Ayodeji Oseni (Managing Director) FRC/2017/IODN/00000015942	Mr Adeshina Alayaki (Finance Director) FRC/2013/ICAN/00000000939

The accompany notes and significant accounting policies form an integral part of the financial statements.

Statement of changes in equity

		Attributable to equity holders of the Company			
	Notes	**Share capital ₦'000**	**Other reserves ₦'000**	**Retained earnings ₦'000**	**Total equity ₦'000**
Balance at 1 January 2021		**208,122**	**436**	**2,671,118**	**2,879,676**
Comprehensive income for the year					
Profit for the year		-	-	372,019	372,019
Statue Barred Dividend				9,502	9,502
Other comprehensive income - Actuarial gain		-	-	-	-
Total comprehensive income for the year		**-**	**-**	**381,521**	**381,521**
Transactions with owners of the Company					
Contributions and distributions					
Declared dividend	*20(b)*	-	-	(208,122)	(208,122)
Total transactions with owners of the Company		**-**	**-**	**(208,122)**	**(208,122)**
Balance at 31 December 2021		**208,122**	**436**	**2,844,517**	**3,053,075**

For the year ended 31 December 2020

		Share capital ₦'000	**Other reserves ₦'000**	**Retained earnings ₦'000**	**Total equity ₦'000**
Balance at 1 January 2020		**208,122**	**-**	**2,503,884**	**2,712,006**
Comprehensive income for the year					
Profit for the year		-	-	292,107	292,107
Other comprehensive income- Actuarial		-	436	-	436
Total comprehensive income for the year			**436**	**292,107**	**292,543**
Transactions with owners of the Company					
Contributions and distributions					
Declared dividend	*20(b)*	-	-	(124,873)	(124,873)
Total transactions with owners of the Company		-	-	**(124,873)**	**(124,873)**
Balance at 31 December 2020		**208,122**	**436**	**2,671,118**	**2,879,676**

The accompany notes and significant accounting policies form an integral part of the financial statements.

Statement of cash flows

		2021 ₦'000	2020 ₦'000
Cash flows from operating activities			
Profit for the year		372,019	292,107
Adjustments for:			
- Depreciation	*13*	270,012	266,022
(Reversal)/ Write down of inventories	*8(a)*	(2,820)	(3,675)
- Write off of inventories	*8(a)*	-	13,669
- Impairment loss on/(reversal of) trade receivables	*8(c)*	(1,307)	(42,164)
- Write off of receivables	*8(c)*	-	12,895
- Finance income	*7(a)*	(62,794)	(85,643)
- Interest expense - lease	*7(b)*	4,782	21,563
- Long service award charge	*21(a)*	2,451	3,787
- Unrealised exchange loss/(gain) on foreign exchange transactions	*7(b)*	156,459	39,185
- Gain on sale of property, plant and equipment	*6*	(1,103)	(9,457)
- Income tax expense	*11(a)*	180,177	122,395
-Adjustment in property plant and equipment			
		917,876	**630,684**
Changes in			
- inventories		(57,317)	(206,890)
- trade and other receivables		(28,090)	(141,277)
- other tax assets		(14,319)	(47,742)
- prepayments		137,106	(24,153)
- trade and other payables		178,307	359,530
- Right of use of assets		80,293	120,759
- Withholding tax credit note utilised to offset income tax liabilities	*11(c)*	-	(6,728)
- deferred income		43,858	(55,246)
Cash generated from operating activities		**1,257,714**	**628,937**
Value added tax (VAT) paid*		(153,288)	(111,553)
Long service awards paid	*21(a)*	(1,189)	(1,053)
Income tax paid	*11(c)*	(84,278)	(109,772)
Net cash from operating activities		**1,018,959**	**406,559**
Cash flows from investing activities			
Interest received	*7*	62,794	85,643
Proceeds from sale of property, plant and equipment		1,118	10,224
Acquisition of property, plant and equipment	*13*	(187,782)	(192,391)
Net cash used in investing activities		**(123,870)**	**(96,524)**
Cash flows from financing activities			
Dividends paid	*20(b)*	(412,557)	(26,480)
Repayment of lease liabilities	*23(b)*	(108,600)	(144,480)
Net cash used in financing activities		**(521,157)**	**(170,960)**
Net increase in cash and cash equivalents		373,932	139,075
Cash and cash equivalents at 1 January		1,643,352	1,504,277
Cash and cash equivalents at 31 December	*18*	**2,017,284**	**1,643,352**

*Value Added Tax (VAT) paid and shown separately above, has been adjusted for in deriving the change in trade and other payables.

The accompanying notes and significant accounting policies form an integral part of these financial statements

Notes to the Financial Statements

1. Reporting entity

Industrial & Medical Gases Nigeria Plc (formerly BOC Gases Nigeria Plc hereinafter "the Company"), a public company quoted on the Nigerian Stock Exchange in 1979, was incorporated as a public limited liability company on 12 November 1959 under the name Industrial Gases (Nigeria) Limited. The name was changed on 10 July 1961 to Industrial Gases Limited and thereafter to BOC Gases Nigeria Plc on 17 March 1997. The Company was a subsidiary of BOC Holdings Limited, U.K., which holds 60% interest in the equity of BOC Gases Nigeria Plc. BOC Holdings Limited, U.K. is a subsidiary of Linde Plc, United Kingdom, the ultimate holding company. The Company's registered office address is Plots 1-3, Block H, Oshodi Industrial Estate, Oshodi, Lagos. In August 2021, TY Holdings Limited acquired additional 60% of the entire shares of the Company owned by BOC Holdings UK. The purchase is in addition to the existing 12% shares of the Company owned by TY Holdings Limited prior to this transaction bringing the ownership of TY Holdings Limited in BOC Gases Nigeria Plc to 72%. As a result of this development, the name of BOC Gases Nigeria Plc was changed to Industrial and Medical Gases Nigeria Plc, with a new logo and trademark.

1.2 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as issued by the International Accounting Standard Board (IASB) and in compliance with the Financial Reporting Council of Nigeria Act. The financial statements for the year ended 31 December,2021 have been prepared in accordance with International Financial Reporting Standard (IFRS).

1.3 Composition of Financial Statements

These financial statements are presented in Naira, which is the Company’s functional currency. Except as indicated in these financial statements, financial information presented in Naira has been rounded to the nearest thousand.

These financial statements comprise:

- Statements of profit or loss and other comprehensive income
- Statements of financial position
- Statements of changes in equity
- Statement of cash flows
- Notes to the financial statements

The Directors also provided the following additional statements in compliance with Companies and Allied Matters Act:

- Statements of Value added
- Five-year financial summary

1.4 Financial Period

These financial statements cover the period from 1 January 2021 to 31 December 2021 with comparative figures for the financial year from 1 January 2020 to 31 December 2020.

1.5 Basis of preparation

(a) Basis of measurement

The financial statements have been prepared on historical cost basis except for the under mentioned areas which are measured as indicated
- employee benefit obligation, which are measured as the present value of the defined obligation
- Inventory measured at the lower of cost and net realizable value
- Financial instruments measured at fair value

Notes to the Financial Statements

1.5 Basis of preparation (cont'd)

(b) Functional currency and presentation currency
These financial statements are presented in Naira, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(c) Use of judgments and estimates
In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may defer from these estimates

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

In particular, the company has identified the following areas where significant judgements, estimates and assumptions are required. Changes in these assumptions may materially affect the financial position or financial results reported in future years. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements

(i) Leasehold land
The Company reviewed the estimated useful life of its leasehold land as unlimited on the basis that it is reasonably certain that the Lagos State Governor will usually renew the lease upon expiration and that the substance of the lease is that the Company has ownership of the land, not a right to use the land for a predefined period.

Consequently, the Company has discontinued depreciation of leasehold land. See Note 13.

(ii) Estimated useful lives and residual values of intangible assets and property, plant and equipment
The Company's management determines the estimated useful lives and related depreciation charge for its items of property, plant and equipment on an annual basis. The Company has carried out a review of the residual values and useful lives of property, plant and equipment during the year and that has not highlighted any requirement for an adjustment to the residual lives and remaining useful lives of the assets for the current or future periods.

(iii) Recoverability of financial assets
The Company reviews all financial assets at least annually and when there is any indication that the asset might be impaired. Loss allowance for trade receivables is measured at an amount equal to twelve months ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of the conditions at the reporting date. The Company has recognised a loss allowance of 100% against all receivables over 365 days past due, because historical experience has indicated that these receivables are generally not recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting year. The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, except where there is adequate security. None of the trade receivables that have been written off are subject to enforcement activities. Trade receivables are considered past due when they exceed the credit period granted.

Notes to the Financial Statements

1.5 Basis of preparation (cont'd)

(a) Use of judgments and estimates (cont'd)

(iv) Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

2. Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to Naira at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of transaction. Foreign currency differences are generally recognised in profit or loss.

(b) Financial instruments

(i) Non-derivative financial assets- recognition and measurement

The Company initially recognises loans and receivables on the date when they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company has the following non-derivative financial assets: loans and receivables and cash and cash equivalents.

Notes to the Financial Statements

2. Significant accounting policies (cont'd)

(b) Financial instruments (cont'd)

(i) Non-derivative financial assets- recognition and measurement (cont'd)

Financial assets

Classification of financial assets
Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- 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.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- 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.

The Company does not have debt instruments that are measured subsequently at fair value through profit or loss (FVTPL) or FVTOCI.

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(ii) Financial liabilities and equity instruments

Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Financial Statements

2. Significant accounting policies (cont'd)

(b) Financial instruments (cont'd)

(iii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Impairment

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company always recognises twelve-month ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date where appropriate.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, consideration is given to both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

Notes to the Financial Statements

2. Significant accounting policies (cont'd)

(b) Financial instruments (cont'd)

(i) Non-derivative financial assets- recognition and measurement

Cash and cash equivalents comprise cash on hand, cash balances with banks and call deposits with original maturities of three months or less.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

(ii) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised as the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. The Company does not hold financial liabilities measured at FVTPL.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Notes to the Financial Statements

2. Significant accounting policies (cont'd)

(b) Financial instruments (cont'd)

(iii) Offsetting

(i) Significant increase in credit risk

- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations. Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) the financial instrument has a low risk of default;
(2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
(3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there are no past due amounts. The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Notes to the Financial Statements

2. Significant accounting policies (cont'd)

(b) Financial instruments (cont'd)

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Group).

(ii) Definition of default

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) Significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due unless there is adequate security. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date. The Company measures the loss allowance at an amount equal to twelve-month ECL at the current reporting date. An impairment gain or loss is recognised in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Notes to the Financial Statements

2. Significant accounting policies (cont'd)

(b) Financial instruments (cont'd)

(ii) Financial liabilities and equity instruments (cont'd)

Non-financial assets
The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised immediately in the profit or loss.

(c) Property, plant and equipment

(i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment comprise tangible items that are held for use in the production or supply of goods and services or for administrative purposes and are expected to be used during more than one accounting period. Buildings comprise of factories and offices.

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

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

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

Notes to the Financial Statements

2. Significant accounting policies (cont'd)

(c) Property, plant and equipment (cont'd)

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case the assets are depreciated over the useful life.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	40 years
Plant and machinery Cylinder and Valves	5-20years
Motor vehicles and Trucks	5-10years
Commercial tankers	15 years
Furniture and fittings	3-10 years

Leasehold land is not depreciated (see note 12)

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

No depreciation is charged on capital work in progress. The attributable cost of each asset is transferred to the relevant category at the point when the asset becomes ready for use and is depreciated accordingly.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their present location and condition. These include:

Raw materials, spares that do not qualify as property, plant and equipment and purchased finished goods
Purchase cost on transportation costs

Work-in-progress and manufactured finished goods

Weighted average cost of direct materials and labour plus an appropriate proportion of manufacturing overhead

Notes to the Financial Statements

2. Significant accounting policies (cont'd)

(d) Inventories (cont'd)

Inventory in transit

Purchase cost incurred
Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventory values are adjusted for obsolete, slow-moving or defective items. Inventory write-downs are recognised in profit or loss in the relevant period.

(e) Employee benefits

(i) Defined contribution plan
A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(a) In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for its staff. Staff contributions to the scheme are funded through payroll deductions whilst the Company's contribution is recognised in profit or loss as employee benefit expense in the periods during which services are rendered by employees. Employees contribute 8% each of their basic salary, transport and housing allowances to the Fund on a monthly basis. The Company's contribution is 15% of each employee's basic salary, transport and housing allowances.

(b) The Company has a defined contribution scheme for junior level employees, which is funded through fixed contributions made by the Company over the service life of the employees and charged accordingly as personnel expense in profit or loss. The funds are managed and administered by Stanbic IBTC Pension Managers Limited. Stanbic IBTC Pension Managers Limited is a duly registered Fund Administrator that administers the gratuity (defined contribution) scheme for employees.

BOC Gases Nigeria Plc has no recourse to the funds, which is managed in accordance with the Pension Reform Act of 2014 and regulated by the Pension Commission.

(f) Employee benefits

(ii) Other long-term employee benefits
The Company's other long-term employee benefits represent long service awards scheme instituted for all permanent employees. The Company's obligation in respect of this scheme is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Federal Government of Nigeria issued bonds that have maturity dates approximating the term of the Company's obligation. The calculation is performed using the projected unit credit method. Re-measurements are recognised immediately in profit or loss in the period in which they arise. Although the scheme is not funded, the Company ensures that adequate arrangements are in place to meet its obligations under the scheme.

Notes to the Financial Statements

2. Significant accounting policies (cont'd)

(f) Employee benefits (cont'd)

(iii) Termination benefits

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

(iv) Short-term benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(g) Provisions and contingent liabilities Provisions

A provision is recognised if, as a result of past event, the Company has a present legal obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position.

If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

(h) Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of Value Added Tax, discounts allowed and rebates in the ordinary course of business.

The Company recognises revenue from the following major sources:

- Sale of gas, related equipment and delivery charges and
- Engineering services

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer

Notes to the Financial Statements

2. Significant accounting policies (cont'd)

(h) Revenue (cont'd)

Sale of of gas, related equipment and delivery charges
The Company sells gas and gas products to end user customers through its plants and depots. For sales of products to the customers, revenue is recognised when control of the goods has transferred, being at the point the customer lifts the goods from our factory/depots if it is self- collection or at the point at which the goods are delivered if the agreement is for the Company to deliver. Payment for the transaction price is done by the time goods are collected; otherwise, a receivable is recognised at that point.

Engineering services
The Company renders engineering services to customers such as pressure cylinders testing and pipeline purging. Such services are recognised as performance obligations performed over time. Hence, revenue is recognised once the performance obligation has been met. Payment for the services is not due from the customer until the services are complete and therefore a contract asset is recognised over the period in which the services are performed representing the entity's right to consideration for the services performed to date.

(i) Leases

The Company as lessee
The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;

Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

The amount expected to be payable by the lessee under residual value guarantees; The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and

Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

2. Significant accounting policies (cont'd)

(i) Leases

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payment made.

The company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The company did not make any such adjustments during the periods presented.

The right-of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the cost relate to a right-of-use asset, the costs included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-to-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in profit or loss.

Notes to the Financial Statements

2 Significant accounting policies (cont'd)

(i) Leases (cont'd)

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease component, the Company allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company as lessor
Leases for which the company is a lessor are classified as finance or operating leases. Whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from leases under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

Policies applicable prior to 1 January 2019
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as a lessee
Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Notes to the Financial Statements

2. Significant accounting policies (cont'd)

(i) Leases (cont'd)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. ""

(j) Operating profit

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

(k) Finance income and finance costs

(iii) Deferred tax

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(iv) Withholding tax receivables

Withholding taxes (WHT) are advance payments of income taxes deducted by the Company's customers at source upon payments. WHT receivables are measured at cost.

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

Tax asset written down are recognised in profit or loss income tax expense.

(l) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effect of all dilutive potential ordinary shares.

Notes to the Financial Statements

2. Significant accounting policies (cont'd)

(m) Dividends

Dividends are recognised as liability in the period they are declared.

Dividends, which remain unclaimed for a period exceeding twelve (12) years from the date of declaration, are no longer actionable by the shareholders in accordance with section 385 of the Companies and Allied Matters Act of Nigeria and are therefore written back to retained earnings.

(k) Finance income and finance costs

Finance income comprises interest income on funds invested and net gains on foreign exchange differences. Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Finance costs comprise unwinding of the discount on provisions and interest expenses on borrowings (except interest expenses that are directly attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the related assets) and are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(l) Income tax

Income tax expense comprises current tax - company income tax and tertiary education tax, and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(ii) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year in accordance with Companies Income Tax Act (CITA) using tax rates as at the reporting date and any adjustment to tax payable in respect of previous years. Corporate Income tax is assessed at 30% of taxable profit. The Tertiary Education Trust Fund Act repeals the Education Tax Act Cap. E4, Laws of the Federation of Nigeria, 2004 and Education Tax Fund Act No. 17, 2003 and establishes the Tertiary Education Trust Fund charged with the responsibility for imposing, managing and disbursing the tax to public tertiary institutions in Nigeria. Tertiary education tax is assessed at 2% of assessable profit. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(iii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, using the liability method. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Future taxable profits are determined based on business plans for the Company and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Notes to the Financial Statements

2. Significant accounting policies (cont'd)

(n) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Operating results are reviewed by the Company's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company's primary format of segment reporting is based on business segments. The business segments are determined by management based on Company's internal reporting structure.

(o) Share capital

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

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

3. Adoption of new and revised standards

3.1 New and amended IFRS standards that are effective for the current year

3.1.1 Impact of the initial application of Interest Rate Benchmark Reform

In the prior year, the Phase 1 amendments Interest Rate Benchmark Reform was adopted - Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the current year, the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 was adopted. When adopted, these amendments would enable the Company to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Company has not restated the prior period. Instead, the amendments will apply retrospectively with any adjustments recognised in the appropriate components of equity as at 1 January 2021.

"The amendments are relevant for the following types of hedging relationships and financial instruments all of which extend beyond 2021:

- Fair value hedges where LIBOR-linked derivatives are designated as a fair value hedge of fixed rate debt in respect of the GBP LIBOR risk component
- Cash flow hedges where IBOR-linked derivatives are designated as a cash flow hedge of IBOR-linked bank borrowing
- Bills or exchange and lease liabilities which reference LIBORs and are subject to the interest rate benchmark reform"

Notes to the Financial Statements

3.1.2 Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021

In the prior year, the early adoption of Covid-19-Related Rent Concessions (Amendment to IFRS 16) provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

In March 2021, the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

In the current financial year, the amendment to IFRS 16 (as issued by the Board in May 2021) is in advance of its effective date.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022)
- There is no substantive change to other terms and conditions of the lease.

3.2 New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

3.2.1 IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

Notes to the Financial Statements

3.2.1 IFRS 17 Insurance Contracts (cont'd)

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The adoption of this standard has no material impact on the results of the Company

3.2.2 Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

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

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

3.2.4 Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Notes to the Financial Statements

3.2.5 Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

3.2.6 Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

3.2.7 Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

3.2.8 Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

3.2.9 Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty.

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Notes to the Financial Statements

4 Measurement of Fair Values

Industrial & Medical Gases Nigeria Plc Annual Report and Financial statements For the year ended 31 December 2021

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

The Company has an established framework in respect of the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and report directly to the Finance Director.

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

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

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

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

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 25 - Financial instruments

5 Revenue

	2021 ₦'000	2020 ₦'000
Gas sales	3,482,130	2,931,841
Engineering services	70,762	109,209
Sales of gas equipment and delivery charges	146,338	130,123
	3,699,230	**3,171,173**

The transaction price allocated to unsatisfied performance obligations as at 31 December are set out in Note 24.

The Company has a single operating segment which is in respect of manufacture and sale of gases, and the sale and service of equipment related to gases. (Note 30).

Revenue by geographical area is as follows:

	2021 ₦'000	2020 ₦'000
Nigeria	3,699,230	3,171,173
Export	-	-
	3,699,230	**3,171,173**

No further operating segment information is reported.

Notes to the Financial Statements

6 Other income

(a) Other income comprises:

	2021 ₦'000	2020 ₦'000
Income from genset hire (see (b) below)	25,398	42,673
Gain on sale of property, plant and equipment	1,103	9,457
Gain on sale of scrap	2,027	9,269
	28,528	**61,399**

(b) Income from generator set hire represents income from hire of one of the generating sets of the Company during the year.

(c) Other expenses
The Company rented two generators which resulted in the recognition of right of use assets in line with IFRS 16 (note 13e). Part of the electricity generated by the gensets are sold to third parties and income recognised in other income, whereas the attributable cost is recorded in other expenses.

7 Finance income and finance costs

(a) Finance income comprises:

	2021 ₦'000	2020 ₦'000
Interest income on bank deposits	62,794	85,643
	62,794	**85,643**

(b) Finance expenses comprises:

	2021	2020
Interest expense on lease liabilities	4,782	21,563
Interest cost on employee benefit obligation	1,355	2,750
	6,137	**24,313**

8 Expenses

(a) Cost of sales

	2021 ₦'000	2020 ₦'000
Changes in finished goods	748,087	621,490
Raw materials and consumables	349,702	357,906
Facility, onsite and engineering service costs	7,271	75,902
Depreciation	194,977	188,404
Depreciation - Right of use Lease Assets	80,293	120,759
Equipment rental charges	-	263
Personnel expenses	146,927	131,913
Travel and entertainment	4,741	3,330
Reversal of inventories	(2,820)	(3,675)
Write off of inventories	-	13,669
Repairs and maintenance	148,203	146,841
Total cost of sales	**1,677,381**	**1,656,802**

Notes to the Financial Statements

8 Expenses (cont'd)

(b) Selling and distribution

	2021 ₦'000	2020 ₦'000
Personnel expenses	208,411	183,916
Vehicle running expenses	160,667	102,310
General expenses and supplies	146,395	39,828
Repairs and maintenance	51,681	41,012
Equipment rental charges	40,797	69,937
Depreciation	61,218	63,004
Travel and entertainment	11,098	9,530
Total selling and distribution expenses	**680,267**	**509,537**

(c) Administrative expenses

	2021 ₦'000	2020 ₦'000
Professional fees	31,360	66,612
Audit fees	17,500	16,500
Depreciation	13,818	13,587
General office expenses	84,512	109,633
Personnel expenses	147,232	144,752
Service cost on employee benefit obligation	1,096	1,037
Directors' remuneration	83,371	72,221
Travel and entertainment	12,599	7,154
Vehicle running expenses	474	564
Reversal of trade receivables	(1,307)	(42,165)
Write off of receivables	-	12,895
Repairs and maintenance	14,728	8,212
Insurance premium	25,584	24,472
Levies and rates	3,850	3,523
Bank charges	5,760	5,852
Donations	530	566
Electricity	130,197	103,648
Telephone and Local internet service charge	69,421	40,959
Net loss on foreign exchange transactions	156,459	39,185
Security and safety	66,613	58,873
Total administrative expenses	**863,797**	**688,080**

9 Profit before income tax

(a) Profit before income tax is stated after charging/(crediting):

	Note	2021 ₦'000	2020 ₦'000
Depreciation	*13*	270,012	264,994
Auditors' remuneration		17,500	16,500
Personnel expenses	*10*	512,068	460,581
Directors' remuneration	*9(b)*	83,371	72,221
Net loss on foreign exchange transactions		156,459	39,185
(Gain) on sale of property, plant and equipment	*6*	(1,103)	(9,457)

Notes to the Financial Statements

9 Profit before income tax (cont'd)

(b) Directors' remuneration

Directors' remuneration for the year includes:

	2021 ₦'000	2020 ₦'000
Fees as directors	2,433	2,172
Other emoluments (including pensions)	80,938	70,049
	83,371	**72,221**

The directors' remuneration shown above includes:

	2021 ₦'000	2020 ₦'000
Chairman	936	836
Highest paid director	43,653	37,969
	44,589	**38,805**

Other directors received emoluments in the following ranges:

₦		₦	2021 Number	2020 Number
500,001	-	5,000,000	3	3
5,000,001		25,000,000	-	-
25,000,001		35,000,000	-	1
35,000,001	-	40,000,000	1	1
40,000,001	-	45,000,000	1	-
			5	**5**

(c) Non audit services

Non audit services provided by statutory auditors comprise:

	2021 ₦'000	2020 ₦'000
Tax advisory services	**2,603**	1,020

10 Personnel expenses

(a) Personnel expenses including the provision for long service award benefits:

	2021 ₦'000	2020 ₦'000
Salaries, wages and allowances	497,383	366,771
Employer's contributions to defined contribution plans	48,762	46,437
Expenses/(Surplus) related to other long-term benefits	1,759	4,658
Training, recruitment and canteen expenses	10,636	9,335
Medical expenses	10,945	15,324
Other personnel expenses (see (b) below)	18,907	18,056
	588,392	**460,581**

(b) Other personnel expenses comprise labour contractors' costs, relocation expenses, and recruitment medical examination expenses.

(c) Number of employees of the Company as at 31 December, whose duties were wholly or mainly discharged in Nigeria, received annual remuneration (excluding pension contributions and certain benefits) in the following ranges:

Notes to the Financial Statements

10 Personnel expenses (cont'd)

(b) Directors' remuneration (cont'd)

₦		₦	2021 Number	2020 Number
1,800,001	-	1,900,000	1	-
2,000,001	-	2,100,000	-	3
2,100,001	-	2,200,000	3	-
2,200,001	-	2,300,000	-	2
2,300,001	-	2,600,000	3	4
2,600,001	-	2,700,000	3	1
2,700,001	-	2,900,000	4	9
2,900,001	-	3,000,000	7	3
3,000,001	-	3,100,000	5	4
3,100,001	-	3,200,000	6	3
3,200,001	-	3,600,000	6	5
3,600,001	-	3,900,000	8	9
3,900,001	-	4,000,000	5	4
4,000,001	-	4,500,000	5	4
4,500,001	-	5,500,000	11	11
5,500,001	-	6,000,000	2	3
6,100,001	-	7,000,000	5	2
7,000,001	-	8,000,000	2	3
Above 8,000,001			9	12
			85	**82**

(d) The number of persons employed as at 31 December are:

	2021 Number	2020 Number
Operations	53	47
Sales and Marketing	21	24
Finance and Information Technology	7	7
Administration	4	4
	85	**82**

Notes to the Financial Statements

11. Taxation

(a) Income tax expense

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

		2021 ₦'000	2020 ₦'000
Current tax expense in respect of current year			
Income tax		237,404	140,974
Capital gains tax		-	-
Tertiary education tax		23,819	13,069
Police Trust Fund Levy		28	21
Adjustments recognised in the current year in relation to the current tax of prior years		7,922	-
		269,173	**154,064**
Deferred tax expense			
Origination and reversal of temporary differences	*22*	(88,996)	(31,669)
		180,177	**122,395**

(b) Reconciliation of effective tax rate

	%	2021 ₦'000	%	2020 ₦'000
Profit before income tax		**552,196**		**414,502**
Income tax expense calculated at 30% (2020:30%)	30	165,659	30	124,351
Tertiary education tax	4	23,819	7	29,713
Police Trust fund	-	28	-	-
Deferred tax	(16)	(88,996)	(9)	(31,669)
Adjustments recognised in the current year in relation to the current tax of prior years	1	7,922	-	-
Effect of allowable items	13	71,745	-	-
	32	**180,177**	**30**	**122,395**

(c) Movement in current tax liability

	Note	2021 ₦'000	2020 ₦'000
Balance at 1 January		140,499	102,935
Payments during the year		(84,278)	(109,772)
Withholding tax credit notes utilised		-	(6,728)
Charge for the year		269,173	154,064
Balance at 31 December		**325,394**	**140,499**

Notes to the Financial Statements

12 Earnings per share

Basic earnings per share

Basic earnings per share at 31 December 2021 was based on the profit attributable to ordinary shareholders of N372,019,000 (2020: N292,107,000), and on the 416,244,706 ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the year (2020: 416,244,706 for the purpose of earnings per share), and is calculated as follows:

Weighted average number of ordinary shares (basic)

	Note	**2021**	**2020**
Issued ordinary shares at 1 January		416,244,706	416,244,706
Weighted average number of ordinary shares during the year		**416,244,706**	**416,244,706**
Basic earnings per share (Kobo)		**89**	**70**

Diluted earnings per share

At the reporting date, the Company had no dilutive ordinary shares (2020: Nil). Consequently, diluted and basic earnings per share are the same.

Notes to the Financial Statements

13 Property, plant and equipment

(a) The movement on these accounts was as follows:

	Leasehold land ₦'000	Buildings ₦'000	Plant, machinery, cylinders and valves ₦'000	Motor vehicles ₦'000	Commercial tankers ₦'000	Furniture and fittings ₦'000	Capital work-in-progress ₦'000	Total ₦'000
COST:								
Balance at 1 January 2020	2,542	188,709	3,509,908	542,473	55,514	141,236	229,327	4,669,709
Additions	-	-	20,340	46,621	-	-	125,430	192,391
Disposals	-	-	(5,135)	(11,960)	-	(5,384)	-	(22,479)
Transfers	-	-	83,569	18,879	-	6,885	(109,333)	-
Balance at 31 December 2020	**2,542**	**188,709**	**3,608,682**	**596,013**	**55,514**	**142,737**	**245,424**	**4,839,621**
Balance at 1 January 2021	2,542	188,709	3,608,682	596,013	55,514	142,737	245,424	4,839,621
Additions	-	-	2,915	4,300	-	1,335	179,232	187,782
Disposals	-	-	(635)	(4,802)	-	-	-	(5,437)
Transfers	-	-	46,946	-	47,230	-	(94,176)	-
Impairment losses	-	-	-	-	-	-	-	-
Balance at 31 December 2021	**2,542**	**188,709**	**3,657,908**	**595,511**	**102,744**	**144,072**	**330,480**	**5,021,966**
ACCUMULATED DEPRECIATION:								
Balance at 1 January 2020	-	78,373	1,920,491	281,126	32,286	116,981	-	2,429,257
Depreciation for the year	-	7,449	187,289	60,270	-	9,986	-	264,994
Disposals	-	-	(4,369)	(11,960)	-	(5,384)	-	(21,713)
Balance at 31 December 2020	**-**	**85,822**	**2,103,411**	**329,436**	**32,286**	**121,583**	**-**	**2,672,538**
ACCUMULATED DEPRECIATION:								
Balance at 1 January 2021	-	85,822	2,103,411	329,436	32,286	121,583	-	2,672,538
Depreciation for the year	-	3,457	188,895	66,598	-	11,062	-	270,012
Disposals	-	-	(620)	(4,802)	-	-	-	(5,422)
Balance at 31 December 2021	**-**	**89,279**	**2,291,686**	**391,233**	**32,286**	**132,645**	**-**	**2,937,128**
CARRYING AMOUNTS:								
At 31 December 2021	**2,542**	**99,431**	**1,366,221**	**204,278**	**70,458**	**11,427**	**330,480**	**2,084,838**
At 31 December 2020	**2,542**	**102,887**	**1,505,271**	**266,577**	**23,228**	**21,154**	**245,424**	**2,167,083**

Notes to the Financial Statements

13 Property, plant and equipment

(b) Plant, machinery, cylinders and valves comprise:

	Cost ₦'000	Accumulated depreciation ₦'000	Carrying amount ₦'000
Plant and machinery	3,064,606	1,989,399	1,075,206
Cylinders	547,049	276,630	270,419
Valves	46,253	25,657	20,596
At 31 December 2021	**3,657,908**	**2,291,686**	**1,366,221**
Plant and machinery	3,032,405	1,832,726	1,199,679
Cylinders	533,820	250,451	283,369
Valves	42,457	20,234	22,223
At 31 December 2020	**3,608,682**	**2,103,411**	**1,505,271**

(c) Capital work-in-progress

Capital work-in-progress comprises Argon filling facility transferred to the Company from Afrox Angola, valves, racks and quads, tank, multi-purpose online analyser and automatic acetoning machine in Dissolved Acetylene plant,1250kva diesel genset, weighbridge, lathe machine and IT equipment. The cost of the Argon filling facility, which is still under construction, is N16.8 million, valves, rack and quads is N22.8million, tank is N21.1million, multi-purpose online analyser is N25million while the cost on automatic acetoning machine in the Dissolved Acetylene plant is N68.9 million, diesel genset is N155.6million, weighbridge is N13.3m, lathe machine is N5.1m and IT equipment is N1.8m at the end of the year.

Capital expenditure commitments authorised by the directors but not provided for in these financial statements amounted to nil (2020: Nil).

(c) The Directors of the Company, in line with provisions of IAS 36 – Impairment of Assets, have assessed the fixed assets for impairment and it was concluded that there are no factors indicating that the assets are impaired.

(d) No asset of the Company was pledged as security.

Notes to the Financial Statements

13 Property, plant and equipment

(e) Intangible assets

	Software Licence
COST:	(N'000)
At 1 January 2020	6,169
Additions	-
At 31 December 2020	6,169
At 1 January 2021	6,169
Additions	-
At 31 December 2021	6,169
AMORTISATION	
At 1 January 2020	5,141
Charge	1,028
At 31 December 2020	6,169
AMORTISATION	
At 1 January 2021	6,169
Charge	-
At 31 December 2021	6,169
CARRYING AMOUNTS:	
At 31 December 2021	-
At 31 December 2020	-

(f) Right-of-use assets

	2021	2020
COST:	**N'000**	**N'000**
At 1 January	80,293	201,052
Depreciation	(80,293)	(120,759)
At 31 December	0	80,293
Depreciation analysed by:		
Cost of Sales	34,344	61,266
Other expenses	45,949	59,493
	80,293	120,759

The lease contract in respect of generator expired during the year.

14 Prepayments and other Assets

	2021	2020
Prepayment-Rent, Insurance (note 14.2)	21,398	38,677
Advance to Suppliers	167,734	287,561
	189,132	326,238

14.1 Advance to suppliers consist of prepayment for goods which were yet to be received as at year end.

Notes to the Financial Statements

		2021	2020
14.2	**Current portion**	21,398	38,677
	Non-Current portion	-	
		21,398	38,677

Non-current and current prepayments represent rental expenses prepaid by the Company and advance payments made to suppliers.

15 Inventories

	2021	2020
	₦'000	**₦'000**
Raw materials and consumables	194,278	186,107
Finished goods	298,688	174,252
Goods in transit	73	72,543
	493,039	**432,902**

In 2021, recognised in cost of sales amounted to N1,097.8 million (2020: N979.4 million). The net reversal of inventories amounted to N2.8 million (2020: write-down of inventories N3.7 million). The net write down was due to the need to provide for slow moving items. Write-off of inventories amounted to Nil (2020: N13.7m).

16 Trade and other receivables

	2021	2020
	₦'000	**₦'000**
Trade receivables	535,481	494,241
Impairment on trade receivables	(52,439)	(53,747)
	483,042	440,494
Other receivables	6,773	19,923
	489,815	**460,417**
Other receivables comprise of:		
Dividend receivable	-	19,923
Other receivable	6,773	-
	6,773	19,923

Trade receivables

The average credit period on sales of goods and services is 30 days. Of the trade receivables balance at the end of the year in financial statements, ₦216.5 million (2020: ₦67.17 million) are due from the Company's largest trade debtor. There are no other customers which represent more than 10% of the total balance of trade receivables of the Company after impairment. Loss allowance for trade receivables is measured at an amount equal to twelve months ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 365 days past due, because historical experience has indicated that these receivables are generally not recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting year. The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, except where there is adequate security. None of the trade receivables that have been written off are subject to enforcement activities. Trade receivables are considered to be past due when they exceed the credit period granted.

The following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer base.

Notes to the Financial Statements

16 Trade and other receivables (cont'd)

Expected credit loss

12/31/2021	**0-30days**	**31-60**	**61-90**	**91-180**	**181- 365**	**> 365**	**Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Expected credit loss rate	2.0%	2.0%	4.0%	7.0%	25.0%	100.0%	
Estimated total gross carrying amount at default	415,897	15,790	10,712	43,094	12,538	37,450	535,481
Twelve months ECL	**6,309**	**316**	**428**	**3,017**	**4,920**	**37,450**	**52,439**

12/31/2020	0-30days	31-60	61-90	91-180	181- 365	> 365	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Expected credit loss rate	3%	3%	6%	14%	36%	100%	
Estimated total gross carrying amount at default	170,642	147,332	73,493	53,915	24,010	24,849	494,241
Twelve months ECL	**4,221**	**4,567**	**4,116**	**7,326**	**8,668**	**24,849**	**53,747**

The Company's exposure to credit and market risks and impairment losses related to trade and other receivables are disclosed in Note 25. The receivables are not interest bearing and no pledge was received for the balances.

17 Other tax assets

Withholding tax receivables	**2021**	**2020**
	₦'000	**₦'000**
Withholding tax credit recovered	287,856	-
Withholding tax outstanding	34,047	307,584
	321,903	**307,584**

The movement on withholding tax receivables during the year was as follows:

	2021	**2020**
	₦'000	**₦'000**
Balance at 1 January	307,584	259,842
Additions during the year	14,319	54,470
Utilisations during the year	-	(6,728)
Balance at 31 December	**321,903**	**307,584**

Payments made by Nigerian customers of the Company are subject to a withholding tax in accordance with the Nigerian tax laws. The amount withheld is available to offset the actual tax liabilities. Based on the current tax laws, these withholding taxes do not expire.

18 Cash and cash equivalents

	2021	**2020**
	₦'000	**₦'000**
Bank balances	348,162	276,262
Fixed and Call deposits	1,667,753	1,365,721
Cash in hand	1,369	1,369
Cash and cash equivalents in the statement of cash flows	**2,017,284**	**1,643,352**

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and financial liabilities is disclosed in Note 25.

Notes to the Financial Statements

19 Share capital

(a) Authorised ordinary shares of 50 kobo each

	2021 ₦'000	2020 ₦'000
500,000,000 ordinary shares	**250,000**	**250,000**

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

(b) Issued and fully paid ordinary shares of 50 kobo each

	2021 ₦'000	2020 ₦'000
In issue at 1 January		
416,244,706 ordinary shares	208,122	208,122
In issue at 31 December		
416,244,706 ordinary shares	**208,122**	**208,122**

20 Dividends

(a) Dividends

The following dividends were declared by the Company for the respective years indicated:

	2021 ₦'000	2020 ₦'000
50 kobo per qualifying ordinary share	**-**	**208,122**

No dividend was proposed in the current year (2020: 50 kobo)

On 24 March 2022, the directors recommended a bonus issue of one (1) ordinary share for every five (5) shares held. This translated to an additional 83,248,941 ordinary shares and subject to the shareholders' approval at the Annual General Meeting.

(b) Dividends payable

	2021 ₦'000	2020 ₦'000
Balance at 1 January	382,922	347,930
Dividend declared	208,122	124,873
Payments during the year	(412,557)	(26,480)
Withholding tax remitted	(34,964)	(24,975)
Reclassification	(688)	(1,198)
Statue Barred Dividend	(9,502)	-
Interest earned on unclaimed dividends reversed	-	(37,228)
Balance at 31 December (Note 23)	**133,333**	**382,922**

The balance at year end is included in trade and other payables.

Notes to the Financial Statements

21	**Employee benefit obligation**	**2021**	**2020**
		₦'000	**₦'000**
(a)	Long service awards benefit plan (see (i) below)	**19,925**	**18,663**

(i) Movement in long service awards benefits plan

The movement on the long service awards benefit plan liability during the year was as follows:

	2021	**2020**
	₦'000	**₦'000**
Balance at 1 January	18,663	16,570
Current service costs, past service costs and interest (see below)	2,451	3,787
Actuarial gains recognised in profit or loss (see note (e))	-	(641)
Payments during the year	(1,189)	(1,053)
Balance at 31 December	**19,925**	**18,663**

Other long-term benefits expense recognised in profit or loss for long service awards obligation comprise:

	2021	**2020**
	₦'000	**₦'000**
Current service costs	1,096	916
Interest on obligation	1,355	2,750
Past Service Cost	-	121
	2,451	**3,787**
Actuarial gains	**-**	(641)
	2,451	**3,146**

(b) Pension contribution payable (statutory)

The balance on the pension payable account represents the amount due to the Pension Fund Administrators, which is yet to be remitted at the year end. The movement on this account during the year was as follows:

	2021	**2020**
	₦'000	**₦'000**
Balance at 1 January	234	234
Charge for the year	48,762	39,692
Employee’s contribution	59,243	64,735
Payments during the year	(108,005)	(104,427)
Balance at 31 December	**234**	**234**

The balance as at year-end is included in trade and other payables.

Notes to the Financial Statements

21 Employee benefit obligation (cont'd)

(c) Pension contribution payable

The balance as at year-end is included in statutory deductions under trade and other payables. (note 23). Employee's contribution includes voluntary contribution made by some employees

	2021 ₦'000	2020 ₦'000
- Change in economic assumptions	-	6,421
- Change in long service benefits	-	(187)
- Salary increases	-	(1,421)
- Demographic experience	-	(5,454)
- Miscellaneous	-	-
	-	**(641)**

(f) Actuarial assumptions

The actuarial valuation of the Company's long service awards was carried out by Alexander Forbes Consulting Actuaries Nigeria Limited (FRC/2012/0000000504). The actuarial report was signed by Brian Karidza (FRC/2017/NAS/00000016625), of Alexander Forbes Consulting Actuaries Nigeria Limited

Principal financial actuarial assumptions at the reporting date (expressed as weighted averages):

	2021	2020
Long-term average discount rate (p.a.)	7%	7%
Average pay increase (p.a.)	3%	3%
Average rate of inflation (p.a.)	7%	7%
Average duration (years)	4	4

These assumptions depict management's estimate of the likely future experience of the Company.

Due to unavailability of published reliable demographic data in Nigeria, the demographic assumptions regarding future mortality are based on the rates published jointly by the Institute and Faculty of Actuaries in the UK.

Mortality

Pre-retirement A1967/70 Tables

The same assumption was applied at the previous valuation date.

Withdrawals/ Turnover

It was assumed that withdrawals would be in accordance with the following table:

Age Group	Annual rate of withdrawal
18 - 34	4%
35 - 44	3%
45 - 49	1%
50 - 54	2%
55 - 59	3%
60+	-

It is assumed that all the employees covered by the long service awards scheme would retire at age 60 (2020: age 60).

21 Employee benefit obligation (cont'd)

(f) Actuarial assumptions (cont'd)

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumption, holding other assumptions constant, would have affected the long service awards obligation by the amounts shown below:

	Increase ₦'000	Decrease ₦'000
Discount rate (1% movement)	14,315	15,676
Salary increase rate (1% movement)	15,619	14,358
Mortality rate (1 year movement)	14,913	15,015

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown above.

22 Deferred tax liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021 ₦'000	2020 ₦'000	2021 ₦'000	2020 ₦'000	2021 ₦'000	2020 ₦'000
Property, plant and equipment	33,743	-	(505,238)	(505,238)	(471,495)	(505,238)
Employee benefits obligation	-	35,373	(0)	-	(0)	(0)
Trade and other receivables	(587)		35,373	-	34,786	35,373
Tax Rate	648	7,528	(648)	(648)	-	(648)
Leases	(7,528)	-	7,528	-	-	7,528
Actuarial gain	205	-	(205)	(205)	-	(205)
Foreign exchange difference	62,519	-	(17,469)	(17,469)	45,050	(17,469)
	89,000	**42,901**	**(480,659)**	**(523,560)**	**(391,659)**	**(480,659)**

Movement in temporary differences is as follows:

	Balance 1 January 2020 ₦'000	Recognised in profit or loss ₦'000	Recognised in other comprehensive income ₦'000	Balance I January 2021 ₦'000	Recognised in profit or loss ₦'000	Balance 31 December 2021 ₦'000
Property, plant and equipment	(529,962)	24,724	-	(505,238)	33,743.00	(471,495)
Employee benefits obligation	-	-	-	-	-	-
Provision for doubtful debts	36,736	(1,363)	-	35,373	(587.00)	34,786
Tax Rate	(648)	-	-	(648)	648.00	-
IFRS 16	-	7,528	-	7,528	(7,528.00)	-
Actuarial gain	-	-	(205)	(205)	205	-
Foreign exchange difference	(18,249)	780	-	(17,469)	62,519.00	45,050
	(512,123)	**31,669**	**(205)**	**(480,659)**	**89,000**	**(391,659)**

23 Trade and other payables

	Note	2021 ₦'000	2020 ₦'000
Due to related parties		510,404	215,830
Trade payables		431,920	296,445
Dividend payable	*20(b)*	133,333	382,922
Statutory deductions		44,738	35,672
Agency and cylinder deposit		282,421	268,681
Leave allowance payable		9,758	10,871
Accrued expenses		195,582	430,189
		1,608,156	**1,640,610**

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 25.

	2021 ₦'000	2020 ₦'000
23a Provision	56,764	56,764

The amount represents judgement debt by Rivers State High Court. However, the company has filed an Appeal against the judgement.

Notes to the Financial Statements

23 Trade and other payables (cont'd)

(23b) Lease Liabilities

	2021	2020
	N'000	N'000
At 1 January 2021	103,818	226,735
Interest charged	4,782	21,563
Repayment of Lease	(108,600)	(144,480)
At 31 December 2021	-	103,818
(23c) Analysed as:		
Current	-	103,818
Non-Current	-	-
	-	103,818
Maturity Analysis		
Year 1	-	103,818
Year 2	-	-

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's treasury function.

All lease obligations are denominated in Naira.

24 Contract liability

	2021	2020
	₦'000	**₦'000**
Customer advances	141,038	97,180
	141,038	**97,180**

Receipts of advances for which a related sale has not occurred, are presented as contract liability.

Some of the Company's customers make deposits for gases with the Company and utilise these deposits based on subsequent purchases from the Company. Deposits are recognised as revenue once sale occurs.

25 Financial risk management and financial instruments

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework
The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Risk Committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee reports regularly to the Board of directors on its activities.

Notes to the Financial Statements

25 Financial risk management and financial instruments (cont'd)

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

The Company's Risk Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

		Carrying amount	
	Note	**2021**	**2020**
		₦'000	**₦'000**
Trade and other receivables	*16*	489,815	460,417
Cash and cash equivalents*	*18*	2,015,915	1,641,983
		2,505,730	**2,102,400**

*excluding cash in hand

There are no collaterals associated with these balances.

Trade and other receivables

Management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Under the credit policies all customers requiring credit over a certain amount are reviewed and new customers analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Credit limits are established for qualifying customers and these limits are reviewed regularly by the Risk Committee. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a cash basis.

Management reviews each customer's credit limit in line with the customer's performance in the preceding quarter and perceived risk factor assigned to the customer.

More than 60 percent of the Company's customers have been transacting with the Company for over three years and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a small and medium scale, listed or high profiled customer, industry, aging profile and existence of previous financial difficulties. Trade receivables relate mainly to the Company's high profiled customers. Customers with no trading activities for a period of up to one year are placed on a dormant customer list and future sales are made on cash basis only with approval of management.

Notes to the Financial Statements

25 Financial risk management and financial instruments (cont'd)

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

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

	2021 ₦'000	2020 ₦'000
Trade receivables		
- Major customers	535,481	494,241
- Impairment	(52,439)	(53,747)
	483,042	**440,494**
- Other receivables	6,773	19,923
- Impairment	-	-
	489,815	**460,417**

Impairment losses
The ageing of trade and other receivables at the reporting date was:

	Gross 2021 ₦'000	Impairment 2021 ₦'000	Gross 2020 ₦'000	Impairment 2020 ₦'000
Past due 0-30 days	415,897	6,309	170,642	4,221
Past due 31-60 days	15,790	316	147,332	4,567
Past due 61-90 days	10,712	428	73,493	4,116
Past due 91-180 days	43,094	3,017	53,915	7,326
Past due 181-365 days	12,538	4,920	24,010	8,668
More than 365 days	37,450	37,450	24,849	24,849
	535,481	**52,439**	**494,241**	**53,747**

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2021 ₦'000	2020 ₦'000
Balance at 1 January	(53,747)	(95,912)
Reversal for bad and doubtful debts	1,307	42,165
Balance at 31 December	**(52,439)**	**(53,747)**

The impairment loss relates to customers that are not expected to be able to pay their outstanding balances, mainly due to economic circumstances and disputed invoices. The Company believes that all unimpaired amounts that are past due are still collectible, based on historic payment behaviour and the underlying customers' credit ratings. The impairment loss is included in administrative expenses in profit or loss.

Notes to the Financial Statements

25 Financial risk management and financial instruments (cont'd)

Based on historic default rates, the Company believes that, apart from the above, no impairment allowance is necessary in respect of trade and other receivables beyond 180 days. As at the date of approval of these financial statements, over 55 percent of the trade receivable balance, which includes the amount owed by the Company's most significant customers, have been collected.

Cash and cash equivalents
The Company held cash and cash equivalents (excluding cash in hand) of N2.016 billion as at 31 December 2021 (2020: N1.642 billion), which represents its maximum credit exposure on these assets. The Company mitigates the credit risk exposure of its bank balances by selecting reputable banks with good credit ratings and a history of strong financial performance.

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

Typically, the Company's credit terms with customers are more favourable compared to payment terms to its vendors in order to help provide sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Exposure to liquidity risk
The following are the contractual maturities of financial liabilities, and excluding the impact of netting agreement and statutory deductions. Statutory deductions include; Value added tax payable, Withholding tax payable, Pension payable and Personal Income Tax deductions (PAYE).

	Carrying amount ₦'000	Contractual cash flows ₦'000	6 months or less ₦'000	6 months to 1 year ₦'000	1-3 years ₦'000	4-5 years ₦'000
Non-derivative financial liabilities						
31 December 2021						
Trade and other payables*	1,563,419	1,563,419	1,563,419	-	-	-
	1,563,419	**1,563,419**	**1,563,419**	**-**	**-**	**-**
31 December 2020						
Trade and other payables*	1,604,938	1,604,938	1,604,938		-	-
	1,604,938	**1,604,938**	**1,604,938**		-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

*Trade and other payables is exclusive of statutory deductions

Guarantees
The Company has not provided any guarantees as at year-end.

Notes to the Financial Statements

25 Financial risk management and financial instruments (cont'd)

(c) Market risk

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

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

Currency risk
The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than its functional currency, the Naira. The currencies in which these transactions primarily are denominated are Euro (€), British Pound Sterling (GBP), US Dollar (USD), South African Rand (ZAR) and Angolan Kwanza (AOA). The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

In managing currency risk, the Company aims to reduce the impact of short-term fluctuations on earnings. The Company's foreign sales are less than 4% of the total sales. Thus, the exposure to currency risk in that regard is minimal. The Company's significant exposure to currency risk relates to its importation of various raw materials, spares and other property, plant and equipment. Although the Company has various measures to mitigate exposure to foreign exchange rate movement, over the longer term, however, permanent changes in exchange rates would have an impact on profit. The Company monitors the movement in the currency rates on an ongoing basis.

Exposure to currency risk
The Company's transactional exposure to Euro (€), British Pound Sterling (GBP), US Dollar (USD), South African Rand (ZAR), and Angolan Kwanza (AOA). Foreign currency risk was based on notional amounts as follows:

Notes to the Financial Statements

25 Financial risk management and financial instruments (cont'd)

	31 December 2021						31 December 2020					
	EURO	**GBP**	**USD**	**ZAR**	**AOA**	**AED**	**EURO**	**GBP**	**USD**	**ZAR**	**AOA**	AED
In thousands												
Financial asset												
Due from related parties	-	-	-	-	-		-	-	(3,786)	-	-	-
Cash and cash equivalents	15	(14)	93,454	-	-		(71.00)	(55)	9,578	-	-	-
Financial liability												
Due to related parties	-	-	-	-	-		(14,681)	-	1,228	3,685	(1,842)	-
Trade payables	(16,776)	-	101,001	(17,569)	1,540	(1,842)	38,443	2	1,409	5,275	-	-
Net exposure	**(16,761)**	**(14)**	**194,455**	**(17,569)**	**1,540**	**(1,842)**	**23,691**	**(53)**	**8,429**	**8,960**	**(1,842)**	-

The following significant exchange rates applied during the year:

	Average rate		**Year-end spot rate**	
	2021	**2020**	**2021**	**2020**
	₦	**₦**	**₦**	**₦**
EURO	467.50	440.05	468.72	485.96
GBP	556.42	496.07	559.90	543.80
USD	412.99	383.85	414.43	397.81
ZAR	25.88	23.27	26.08	27.07
AOA	0.66	0.66	0.73	0.61

Sensitivity analysis

A reasonably possible loss of strength of the Naira, as indicated below, against the EURO, GBP, USD, ZAR and AOA at 31 December would have increased/(decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2020, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

	Profit or loss 20 percent strengthening ₦'000
31 December 2021	
EURO	(1,571,206)
GBP	(1,576)
USD	16,117,592
ZAR	(91,638)
AOA	226
31 December 2020	
EURO	2,302,598
GBP	(5,764)
USD	670,628
ZAR	48,512
AOA	(225)

A weakening of the Naira against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Notes to the Financial Statements

25 Financial risk management and financial instruments (cont'd)

(d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, which the Company defines as adjusted net debt divided by total shareholders' equity. Management also monitors the level of dividends to all shareholders.

The Company's debt to adjusted capital ratio at the end of the reporting period was as follows:

	2021 ₦'000	2020 ₦'000
Total liabilities	2,542,937	2,538,193
Less: Cash and cash equivalents	(2,017,284)	(1,643,352)
Net debt	**525,653**	**894,841**
Total equity	**3,046,028**	**2,879,676**
Debt to adjusted capital ratio	**0.17**	**0.31**

There were no changes in the Company's approach to capital management during the year.

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

(e) Fair values

Fair values vs carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	2021 Carrying amount ₦'000	2020 Carrying amount ₦'000
Financial assets measured at fair value			
Trade and other receivables	*16*	489,815	460,417
Cash and cash equivalents	*18*	2,017,284	1,643,352
		2,507,099	**2,103,769**
Financial liabilities measured at amortised cost			
Other financial liabilities			
Trade and other payables*		1,563,419	1,604,938
		1,563,419	**1,604,938**

The basis for determining fair values is disclosed in Note 4.

Trade and other receivables, cash and cash equivalents, trade and other payables are the Company's short term financial instruments. Accordingly, management believes that their fair values are not materially different from their carrying values.

*Trade and other payables is exclusive of statutory deductions

Notes to the Financial Statements

26 Contingencies and Commitments

(a) Guarantees
The Company had no guarantees or contingent liabilities in respect of guarantees as at year-end (2020: Nil).

(b) Pending litigation and claims
The Company is engaged in some legal actions which have arisen in the normal course of business and are being handled by the Company's external legal counsel. Contingent liabilities and claims against the Company is N113m (2020: N113m). Based on independent legal advice, the directors are of the opinion that the liability of the Company will be determined by the honourable court of law, thus adequate provision of the estimated liability as advised by the legal counsel has been made in these financial statements.

(c) Financial commitments
The directors are of the opinion that all known liabilities and commitments, which are relevant in assessing the financial position of the Company as at 31 December 2021 and its operating results as at that date, have been taken into consideration in preparing of these financial statements.

27 Related parties

(a) Parent and ultimate controlling party

TY Holdings Limited bought the 60% interest in the equity of the company held by BOC Holdings Limited, UK making the total equity interest of TY Holdings Limited in the company to rise to 72%.

Other related party transactions
Following the purchase of 60% shareholding of BOC holdings by TY Holdings on August 13, 2021, Cryostar SAS and African Oxygen Limited (Afrox) ceases to be a related party. The figure shown below for 2021 relate to transactions done from January 2021 till the acquisition date while that of 2020 reflect the transactions done throughout financial year 2020

	Transaction values for the year ended 31 December		Balance due (to)/ from	
	2021	2020	2021	2020
	N'000	₦'000	₦'000	₦'000
Sale of goods and services				
Cryostar SAS	(2)	(12,153)	-	2
Afrox	(28,754)	(70,330)	-	(185,519)
Administrative and others				
Afrox	(25,858)	-	-	-
Linde AG	(47,962)	(4,915)	-	(30,314)
TY Holdings	(510,403)	-	(510,403)	-
			(510,403)	**(215,832)**

All outstanding balances with these related parties are to be settled in cash within twelve months of the reporting date. None of the balances are secured nor bear interest. No debts from related parties have been impaired and there was no expense for bad debt on related parties.

Notes to the Financial Statements

25 Financial risk management and financial instruments (cont'd)

(b) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director of the Company.

Loans to key management personnel

The Company did not grant any loans to or receive any loans from any key management personnel during the year.

Key management personnel compensation

In addition to their salaries, the Company also contributes to a post-employment defined contribution plan on behalf of key management personnel in the form of pensions, and to the Company's long service award scheme.

Key management personnel compensation comprised the following:

	2021	2020
	₦'000	₦'000
Short-term employee benefits	142,295	136,354
Post-employment benefits (pension contribution)	13,534	13,479
Other long-term benefits (long service awards)	-	-
	155,829	**149,833**

Key management personnel and director transactions

No key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of the entity. Directors of the Company do not purchase goods from the Company.

29 Events after the reporting date

There were no significant events after the reporting date which could have had a material effect on the state of affairs of the Company as at 31 December 2021 and the profit for the year ended on that date which have not been adequately accounted for or disclosed in this financial statements.

30 Operating segments

The Company's operating segment is based on the way in which financial information is organized and reported to the Company's Chief Operating Decision Maker (CODM).

The Company's Board of directors (BOD) is its Chief Operating Decision Maker. Final decisions on allocation and utilization of the Company's resources are taken by the BOD. The various committees of the Company also report to the BOD. The BOD also meets on a quarterly basis to assess the Company's financial performance and determine necessary action plans towards achieving the Company's strategic goals and objectives.

For the purpose of assessing the Company's financial performance, the financial information presented is on the basis of the Company's activities as an entity. Therefore, the directors are of the opinion that the Company has a single operating segment. Accordingly, no additional segment information has been presented in these financial statements.

Although the Company has one operating segment, the Company reports revenues from external customers attributed to the Company's country of domicile and revenues generated from export sales and services.

Other national disclosures

Other national disclosures
Value added statement

	2021 ₦'000	%	2020 ₦'000	%
Revenue	3,699,230		3,171,173	
Bought in materials and services:				
- Local	(2,222,056)		(1,899,640)	
- Imported	(246,896)		(202,698)	
	1,230,278		**1,068,835**	
Other income	28,528		61,399	
Finance income	62,794		85,643	
Value added by operating activities	**1,321,600**	100	**1,215,877**	**100**
Distribution of value added				
To government as:				
Income tax	180,177	14	154,064	13
To employees:				
Salaries, wages and allowances	588,392	45	535,944	44
Retained in the business:				
Deferred tax charge	(89,000)	(8)	(31,669)	(3)
To maintain and replace:				
- Property, plant and equipment	270,012	21	264,995	22
To augment reserves	372,019	28	292,543	24
Value added	**1,321,600**	**100**	**1,215,877**	**100**

Other national disclosures
Five- Year Financial summary

	2021 ₦'000	2020 ₦'000	2019 ₦'000	2018 ₦'000	2017 ₦'000
Revenue	3,699,230	3,171,173	3,069,727	2,869,713	2,545,035
Results from operating activities	650,643	392,357	216,062	433,194	369,505
Profit before income tax	552,196	414,502	321,538	558,569	383,886
Profit for the year	372,019	292,107	215,967	357,604	233,946
Total comprehensive income for the year	372,019	292,543	215,967	357,604	233,946
Employment of funds					
Non-Current Assets	2,118,885	2,554,960	2,707,560	2,372,200	2,138,039
Net current assets	1,345,774	824,038	636,957	820,102	690,585
Non-Current Liabilities	(411,584)	(499,322)	(632,511)	(529,765.00)	(436,437.00)
Net assets	**3,053,075**	**2,879,676**	**2,712,006**	**2,662,537**	**2,392,187**
Funds employed					
Share capital	208,122	208,122	208,122	208,122	208,122
Retained earnings	2,844,517	2,671,118	2,503,884	2,454,415	2,184,065
Other reserves	436	436	-	-	-
	3,053,075	**2,879,676**	**2,712,006**	**2,662,537**	**2,392,187**
Per share data (kobo):					
Earnings per share (Basic and diluted)	89	70	52	86	56
Share price at year-end	945	870	550	352	458
Declared dividend per share	50	30	30	20	5
Bonus shares	1 for 5	-	-	-	-
Net assets per share	733	692	652	640	575