NIGERIAN NATIONAL PETROLEUM COMPANY LIMITED

REPORT OF THE DIRECTORS

AND

CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS FOR THE SIXTEEN-MONTH
PERIOD ENDED 31 DECEMBER 2022

Contents

CORPORATE INFORMATION

Members of the Board and Professional Advisers

		Date Appointed	Status	Date
Chairman				
Chief Dr. Pius O. Akinyelure		December 1, 2023	Active	To date
Senator Margery Chuba Okadigbo		September 21, 2021	Removed	June 19, 2023
Group Chief Executive Officer				
Mallam Mele Kolo Kyari		September 21, 2021	Active	To date
Board of Directors				
Mr. Okokon Ekanem Udo		December 1, 2023	Active	To date
Amb. Gabriel Tanimu Aduda		October 4, 2022	Active	To date
Mallam Mele Kolo Kyari		December 1, 2023	Active	To date
Alh. Umar Isa Ajiya (FCNA, FCCSA)		December 1, 2023	Active	To date
Mr. Ledum Mitee		December 1, 2023	Active	To date
Mr. Musa Tumsa		December 1, 2023	Active	To date
Mr. Ghali Muhammad		December 1, 2023	Active	To date
Prof. Mustapha Aliyu		December 1, 2023	Active	To date
Mr. David Ogbodo		December 1, 2023	Active	To date
Ms. Eunice Thomas		December 1, 2023	Active	To date
Mr. Ahmed Aliyu		September 21, 2021	Removed	June 19, 2023
Engr. Kamoru Busari		June 27, 2022	Removed	October 4, 2022
Dr.Tajudeen Umar		September 21, 2021	Removed	June 19, 2023
Mallam Mohammed Lawal		September 21, 2021	Removed	June 19, 2023
Chief Dr. Pius O. Akinyelure		September 21, 2021	Removed	June 19, 2023
Mrs Lami Onayi Ahmed		September 21, 2021	Removed	June 19, 2023
Barr. Constance Onukwugha		September 21, 2021	Removed	June 19, 2023
Engr. Henry Ikem-Obih		January 6, 2022	Removed	June 19, 2023
Group Executive Directors				
Mallam Mele Kolo Kyari	Group Chief Executive Officer	September 21, 2021	Active	To date
Alh. Umar Isa Ajiya (FCNA, FCCSA)	Chief Financial Officer	September 21, 2021	Active	To date
Engr. Adeyemi Adetunji	Executive Vice President, Downstream	September 21, 2021	Retired	September 16, 2023
Mr. Adedapo A. Segun	Executive Vice President, Downstream	September 21, 2021	Active	To date
Mr. Mohammed Ahmed	Executive Vice President, Gas, Power and New Energy	September 21, 2021	Retired	September 16, 2023
Mr. Olalekan Ogunleye	Executive Vice President, Gas, Power and New Energy	September 16, 2023	Active	To date
Mr. Adokiye Tombomieye	Executive Vice President, Upstream	September 21, 2021	Retired	September 16, 2023
Mrs. Oritsemeyiwa Eyesan	Executive Vice President, Upstream	September 16, 2023	Active	To date
Mr. Danladi A. Inuwa	Executive Vice President, Business Services	October 21, 2022	Active	To date
Engr. Mustapha Yinusa Yakubu	Group Executive Director Refineries	September 21, 2021	Retired	July 14, 2022
Mrs. Aisha Ahmadu-Katagum	Group Executive Director Corporate Services	September 21, 2021	Retired	July 13, 2022
Company Secretary				
Emmanuella N. Arukwe	Acting General Counsel and Company Secretary	April 11, 2022	Redeployed	December 31, 2022
Mr Chukwudi Ogonna Momah	General Counsel and Company Secretary	January 1, 2023	Active	To date

External Auditor
Muhtari Dangana & Co
Chartered Accountants
Maanah Plaza,
19, Araromi street,
Onikan,
Lagos.

External Auditor
PricewaterhouseCoopers
Chartered Accountants
Landmark Towers,
5b, Water Corporation Road,
Victoria Island,
Lagos.

External Auditor
SIAO Partners
Chartered Accountants
18b Olu Holloway Road,
Off Kingsway Road,
Ikoyi,
Lagos.

Nigerian Bankers
Access Bank Plc.
Central Bank of Nigeria
Ecobank Nigeria Limited
Fidelity Bank Plc.
First Bank of Nigeria Limited
Guaranty Trust Bank Limited
Heritage Bank Plc.
Polaris Bank Limited
Sterling Bank Plc.
Union Bank of Nigeria Plc.
United Bank for Africa Plc.
Unity Bank Plc.
Zenith Bank Plc.
Stanbic IBTC

Foreign Bankers
Access Bank (UK) Limited.
CitiBank UK.
Guaranty Trust Bank (UK) Limited
Standard Chartered Bank, United Kingdom
Zenith Bank (UK) Limited
Industrial and Commercial Bank of China (ICBC) UK
UBA America
African Export–Import Bank

REPORT OF THE DIRECTORS

The Directors have the pleasure of presenting the consolidated and separate financial statements of the Group for the sixteen month period ended 31 December 2022.

CORPORATE STRUCTURE AND BUSINESS

Principal activity and business review

Nigerian National Petroleum Company Limited (NNPCL) was incorporated in Nigeria on 21st September 2021 as a limited liability company under the Companies and Allied Matters Act (CAMA) as required by the Petroleum Industry Act (PIA) of 2021. The Company is situated at NNPC Towers, Herbert Macaulay Way, Central Business District, Federal Capital Territory, Abuja and is domiciled in Nigeria. It is established to engage in all commercial activities relating to the petroleum industry.

General duties of the Company

The Company is charged under Section 64 of the PIA to:

(a) Carry out petroleum operations on a commercial basis, comparable to private companies in Nigeria carrying out similar activities.

(b) Concessionaire of all Production Sharing Contracts (PSC), Profit Sharing and Risks Service Contracts as the National Oil Company on behalf of the Federation.

(c) Lift and sell royalty oil and tax oil on behalf of the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and Federal Inland Revenue Service (FIRS) respectively for an agreed commercial fee.

(d) Carry out the Management of PSCs for a fee based on the profit oil and profit gas lifted and sold.

(e) Carry out test marketing to ascertain the value of crude oil and report to the Commission.

(f) Assume the working interest of NNPC (corporation) in respect of any Joint Operating Agreement it was party to.

(g) Engage in the business of renewables and other energy investments.

(h) Promote the domestic use of natural gas through development and operation of large-scale gas utilisation industries.

(i) Engage in activities that ensure national energy security in an efficient manner in the overall interest of the federation.

(j) Serve as a supplier of last resort for security reasons and all cost shall be for the account of the Federation.

Commencement of operation

The Company commenced full operation effective 1st July 2022.

State of affairs

In the opinion of the Directors, the state of the Company's affairs is satisfactory.

Results for the period

	The Group 31 December 2022 N'M	The Company 31 December 2022 N'M
Revenue	8,816,384	2,890,334
Profit before income tax	**1,806,440**	**1,533,168**
Income tax credit	717,074	459,771
Profit for the period	**2,523,514**	**1,992,939**
Total comprehensive income for the period	**4,683,895**	**3,769,152**

Property, plant and equipment

Information relating to changes in property, plant and equipment during the period is given in Note 19 to the consolidated and separate financial statements. In the opinion of the Directors, the market value of the Company's property, plant and equipment is not less than the carrying value shown in the consolidated and separate financial statements.

Board Members

The names of the board members at the date of this report and of those who held office during the financial year are as stated in Page 3 of these consolidated and separate financial statements.

Contracts

None of the Directors has notified the Group of any interest in contracts made with the Group during the sixteen month period under review.

Going concern

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of these financial statements. At this time, no significant events after the reporting date that may have an impact on going concern have been noted.

Donations

The Group and Company during the period donated a total sum of ₦1.3 billion and ₦314 million respectively to various charitable organizations, higher education institutions and other organisation during the sixteen-month period ended 31 December 2022 (See below and Note 11). No donation was made to any political party during the period.

The Group

S/N	Organisation	Donation N'M
1	NNPC National Quiz Winners	1
2	NUPENG and PENGASSAN	59
3	Peace Builders Association	5
4	KASU Academic Research Center	1
5	Delta South Deaf Sports Association	1
6	Nigeria Association of the Blind Day	1
7	Nigeria Bar Association	1
8	Nigerian Annual International Conference and Exhibition (NAICE)	1
9	Nigerian Society of Engineers	2
10	Nigerian Institute of Chartered Arbitrators	2
11	Others	1,261
		1,335

The Company

S/N	Organisation	Donation N'M
1	NNPC National Quiz Winners	1
2	NUPENG and PENGASSAN	31
3	Others	282
		314

Employment and employees

Employment of physically challenged persons:

The Company has a non-discriminatory policy on recruitment. Applications would always be welcomed from suitably qualified physically challenged persons and are reviewed strictly on qualification. The Company's policy is that the highest qualified and most experienced persons are recruited for appropriate job levels irrespective of an applicant's state of origin, ethnicity, religion or physical condition.

Health, safety and welfare of employees:

Health and safety regulations are enforced within the Company's premises and sites, and employees are aware of existing regulations.

Employee involvement and training:

The Directors maintain regular communication and consultation with the employees on matters affecting employees and the Company. There is great emphasis on staff development and training through carefully planned training courses and seminars to update the special skills and job requirements of the staff throughout the Company.

Auditors

The auditors, PricewaterhouseCoopers, SIAO Partners, and Muhtari Dangana & Co. have indicated their willingness to continue in office in accordance with Section 401(2) of the Companies and Allied Matters Act. A resolution will be proposed at the AGM for the re-appointment of the three firms as the Company's auditors and for authorization to the Board of Directors to fix the auditors's remuneration.

BY ORDER OF THE BOARD:

....

Mr Chukwudi Ogonna Momah
FRC/2023/PRO/NBA/004/358810
General Counsel/Company Secretary

20 December 2023

Section 377 of the Companies and Allied Matter Acts (CAMA) as amended requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the company at the end of the year and of its profit or loss. The responsibilities include ensuring that the company:

a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of Section 374 of the Act;

b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c) prepares its financial statements in compliance with the requirement of the Act as to the form and content and using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB) and the requirements of Companies and Allied Matters Act (CAMA) No. 3, and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act, No. 6.

The Directors are of the opinion that the consolidated and separate financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit for the sixteen-months ended 31 December 2022. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the consolidated and separate financial statements, as well as adequate systems of internal financial control.

Mallam. Mele Kolo Kyari	**Alh. Umar Isa Ajiya (FCNA, FCCSA)**	**Mr. Yahaya Dio Hussaini**
Group Chief Executive Officer	Chief Financial Officer	Financial Controller
FRC/2019/003/00000020093	FRC/2018/CITN/00000018631	FRC/2014/ICAN/00000010173
20 December 2023	20 December 2023	20 December 2023

Statements of corporate responsibility

For the sixteen-month period ended 31 December 2022

Pursuant to the provision of Section. 405 of the Companies and Allied Matters Act, we have reviewed the audited financial statements of the Group for the sixteen month period ended 31 December, 2022 and based on our knowledge confirm as follows:

i The Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and comply with the requirements of the Companies and Allied Matters Act;

ii The 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 sixteen-month period ended 31 December, 2022.

iii The Company's internal controls has been designed to ensure that all material information relating to the Company and its subsidiaries is received and provided to the Auditors in the course of the audit.

iv The Company's internal controls are effective and has remained so within the period of 90 days prior to the date of the audited financial statements.

v That we have disclosed to the company's Auditors and the Audit Committee the following information:
a) there are no significant deficiencies in the design or operation of the Company's internal controls which could adversely affect the company's ability to record, process, summarise and report financial data, and have discussed with the Company's auditors any weaknesses in internal controls observed in the cause of the Audit,

b) there is no fraud involving management or other employees which could have any significant role in the Company's internal control.

vi There are no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of this audit, including any corrective actions with regard to any observed deficiencies and material weaknesses.

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

Mallam. Mele Kolo Kyari	**Alh. Umar Isa Ajiya (FCNA, FCCSA)**	**Mr. Yahaya Dio Hussaini**
Group Chief Executive Officer	Chief Financial Officer	Financial Controller
FRC/2019/003/00000020093	FRC/2018/CITN/00000018631	FRC/2014/ICAN/00000010173
20 December 2023	20 December 2023	20 December 2023

Independent auditor's report

To the Members of Nigerian National Petroleum Company Limited

Report on the audit of the sixteen-month period consolidated and separate financial statements

Our opinion

In our opinion, the sixteen-month period consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Nigerian National Petroleum Company Limited ("the company") and its subsidiaries (together "the group") as at 31 December 2022, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the sixteen-month period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria (Amendment) Act.

What we have audited

Nigerian National Petroleum Company Limited's sixteen-month period consolidated and separate financial statements comprise:

- the consolidated and separate statements of profit or loss for the sixteen-month period ended 31 December 2022;
- the consolidated and separate statements of other comprehensive income for the sixteen-month period then ended;
- the consolidated and separate statements of financial position as at 31 December 2022;
- the consolidated and separate statements of changes in equity for the sixteen-month period then ended;
- the consolidated and separate statements of cash flows for the sixteen-month period then ended; and
- the notes to the sixteen-month period consolidated and separate financial statements, which include a summary of material accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the sixteen-month consolidated and separate financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The directors are responsible for the other information. The other information comprises the Corporate information, Report of the directors, Statement of directors' responsibilities, Statement of corporate responsibility, Statement of value added – Group and Company, but does not include the sixteen-month period consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the sixteen-month period consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the sixteen-month period consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the sixteen-month period consolidated and separate financial statements

The directors are responsible for the preparation of the sixteen-month period consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Council of Nigeria and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria (Amendment) Act, and for such internal control as the directors determine is necessary to enable the preparation of sixteen-month period consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the sixteen-month period consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the sixteen-month period consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 sixteen-month period consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the sixteen-month period consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of 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 Group'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 sixteen-month period consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the sixteen-month period consolidated and separate financial statements, including the disclosures, and whether the sixteen-month period consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the sixteen-month period consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements

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

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from locations not visited by us;

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

pwc SIAO Muhtari Dangana & Co. Chartered Accountants

Pedro Omontuemhen

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

PricewaterhouseCoopers Chartered Accountants, Landmark Towers,
5B Water Corporation Road, Victoria Island,
Lagos

Engagement Partner: Pedro Omontuemhen
FRC/2013/ICAN/00000000739

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA ICAN 0791058

29 December 2023

For: **SIAO Partners**
Chartered Accountants
Lagos, Nigeria

SIAO Partners Chartered Accountants,
18B Olu Holloway Road, Ikoyi,
Lagos

Engagement Partner: Robert Odiachi
FRC/2013/ICAN/00000004526

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA ICAN 0621531

29 December 2023

For: **Muhtari Dangana & Co**
Chartered Accountants
Lagos, Nigeria

Muhtari Dangana & Co. Chartered Accountants,
Maanah Plaza,
19 Araromi Street, Onikan,
Lagos

Engagement Partner: Abel Atalor
FRC/2013/ICAN/00000001141

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA ICAN 0872495

29 December 2023

Nigerian National Petroleum Company Limited
Consolidated and Separate Statements of Profit or Loss
For the sixteen-month period ended 31 December 2022

	Notes	Group 31 December 2022 N'M	Company 31 December 2022 N'M
Revenue from contracts with customers	8	8,816,384	2,890,334
Cost of sales	9	(6,705,935)	(1,201,050)
Gross profit		**2,110,449**	**1,689,284**
Selling and distribution expenses	10	(22,881)	-
General and administrative expenses	11	(1,704,364)	(1,206,011)
Net impairment reversal on financial assets	12	311,092	119,530
Operating profit		**694,296**	**602,803**
Other income	13	1,172,558	979,408
Finance costs	14	(73,057)	(58,854)
Finance income	15	10,752	9,231
		1,804,549	1,532,588
Share of net profit of associates and joint ventures	6.5	1,891	580
Profit before income tax		**1,806,440**	**1,533,168**
Income tax credit	18.1	717,074	459,771
Profit for the period		2,523,514	1,992,939
Profit attributable to:			
– Owners of the Company		2,521,728	1,992,939
– Non controlling interest		1,786	-
		2,523,514	**1,992,939**

The notes on pages 19 - 110 form an integral part of these financial statements.

Consolidated and Separate Statements of Other Comprehensive Income
For the sixteen-month period ended 31 December 2022

	Notes	Group 31 December 2022 N'M	Company 31 December 2022 N'M
Profit for the year		2,523,514.00	1,992,939.00
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	17	2,177,638	1,742,331
NCI Exchange differences on translation of foreign operations	17	(177)	
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method	6.6	(19,524)	-
Income tax relating to these items	17	16,084	-
Items that will not be reclassified to profit or loss:			
Changes in equity instruments at fair value through other comprehensive income (FVTOCI)	17	487	165
Re-measurement (loss)/gains on post-employment benefits obligations - Net of tax	17	(14,127)	33,717
Other comprehensive income for the period, net of tax		2,160,381	1,776,213
Total comprehensive income for the period		**4,683,895**	**3,769,152**
Total comprehensive income for the period is attributable to:			
– Owners of the Company		4,682,458	3,769,152
– Non controlling interest		1,437	-
		4,683,895	**3,769,152**

The notes on pages 19 - 110 form an integral part of these financial statements.

Consolidated and Separate Statements of Financial Position
As at 31 December 2022

	Notes	Group 31 December 2022 N'M	Company 31 December 2022 N'M
ASSETS			
Non- current assets			
Property, plant and equipment	19	31,661,784	23,684,024
Intangible assets	21	635,591	6,455
Right of use assets	42.1	10,133	4,198
Investment in subsidiaries	4	-	1,373,604
Employee benefit assets	36.1.1	853,968	853,968
Interest in associates and joint ventures	6.3	137,273	60,272
Financial assets at fair value through OCI	22.2	471,396	471,395
Prepayments and other assets	25	10,846	-
Restricted funds	27	174,946	159,952
Deferred tax assets	18.2	3,098,648	-
Total non-current assets		37,054,585	26,613,868
Current assets			
Inventories	23	953,310	356,251
Trade and other receivables	24	17,701,889	11,237,540
Other financial assets at amortised cost	22.3	30,859	7,033
Prepayments and other assets	25	592,251	343,560
Cash and cash equivalents	26	2,319,444	945,573
Total current assets		21,597,753	12,889,957
Total assets		**58,652,338**	**39,503,825**
Equity and Liabilities			
Equity			
Share capital	28	200,000	200,000
Retained earnings	30	2,518,288	1,992,939
Capital contribution	33	4,409,509	4,409,509
Actuarial reserve	32	(14,127)	33,717
Financial assets at FVOCI reserves	29	487	165
Foreign currency translation reserve	31	2,177,638	1,742,331
Non-controlling interests	5	1,609	-
Total shareholders' equity		**9,293,404**	**8,378,661**
Non-current liabilities			
Lease liabilities	42.2	6,472	1,325
Provision for decommissioning	35	4,101,378	2,696,750
Other accruals	35.1	18,138	18,138
Employee benefit liabilities	36.1.2	1,178,284	802,877
Alternative funding arrangements	34	69,681	69,681
Contract liabilities	37	1,380,104	980,771
Deferred tax liabilities	18.2	13,233,649	13,177,200
Total non-current liabilities		19,987,706	17,746,742
Current liabilities			
Trade and other payables	38	25,032,633	10,056,762
Other liabilities	39	640,877	626,122
Employee benefit liabilities	36.1.2	41,171	13,826
Contract liabilities	37	1,510,195	1,265,857
Current tax liabilities	18.1.1	1,219,592	895,040
Royalties payable	20	926,760	520,815
Total current liabilities		29,371,228	13,378,422
Total liabilities		49,358,934	31,125,164
Total equity and liabilities		**58,652,338**	**39,503,825**

The notes on pages 19 - 110 form an integral part of these financial statements.

The financial statements and notes accompanying were approved and authorised for issue by the Board of Directors on 20 December 2023 and signed on its behalf by

Mallam. Mele Kolo Kyari	**Alh. Umar Isa Ajiya (FCNA, FCCSA)**	**Mr. Yahaya Dio Hussaini**
Group Chief Executive Officer	**Chief Financial Officer**	**Financial Controller**
FRC/2019/003/00000020093	FRC/2018/CITN/00000018631	FRC/2014/ICAN/00000010173

Nigerian National Petroleum Company Limited

Consolidated and Separate Statements of Changes in Equity
For the sixteen-month period ended 31 December 2022

Group	Note	Share Capital N'M	Retained earnings N'M	Capital contribution N'M	Actuarial Reserve N'M	Equity instruments at FVOCI reserves N'M	Foreign currency translation reserve N'M	Total N'M	Non-controlling interest N'M	Total equity N'M
At 21 September 2021		**200,000**	-	-	-	-	-	**200,000**	-	**200,000**
Profit for the period		-	2,521,728	-	-	-	-	2,521,728	1,786	2,523,514
Other comprehensive income										
Exchange difference on translation of foreign operations		-	-	-	-	-	2,177,638	2,177,638	(177)	2,177,461
Share of exchange differences on translation of joint ventures - net of tax		-	(3,440)	-	-	-	-	(3,440)	-	(3,440)
Re-measurement losses on employee benefit obligation		-	-	-	(14,127)	-	-	(14,127)		(14,127)
Changes in equity instruments at fair value through other comprehensive income (FVTOCI)	17	-	-	-	-	487	-	487	-	487
Total comprehensive income for the period	17	-	**2,518,288**	-	**(14,127)**	**487**	**2,177,638**	**4,682,286**	**1,609**	**4,683,895**
Transactions with owners in their capacity as owners:										
Capital contribution	33	-	-	4,409,509		-	-	4,409,509	-	4,409,509
At 31 December 2022		**200,000**	**2,518,288**	**4,409,509**	**(14,127)**	**487**	**2,177,638**	**9,291,795**	**1,609**	**9,293,404**
Company										
At 21 September 2021		**200,000**	-	-	-	-	-	**200,000**	-	**200,000**
Profit for the period		-	1,992,939	-	-	-	-	1,992,939	-	1,992,939
Other comprehensive income										
Exchange difference on translation of foreign operations		-	-	-	-	-	1,742,331	1,742,331	-	1,742,331
Re-measurement gains on employee benefit obligation		-	-	-	33,717	-	-	33,717	-	33,717
Changes in equity instruments at fair value through other comprehensive income (FVTOCI)	17	-	-	-	-	165	-	165	-	165
Total comprehensive income for the period	17	-	**1,992,939**	-	**33,717**	**165**	**1,742,331**	**3,769,152**	-	**3,769,152**
Transactions with owners in their capacity as owners:										
Capital contribution	33	-	-	4,409,509		-	-	4,409,509	-	4,409,509
At 31 December 2022		**200,000**	**1,992,939**	**4,409,509**	**33,717**	**165**	**1,742,331**	**8,378,661**	-	**8,378,661**

The notes on pages 19 - 110 form an integral part of these financial statements.

Nigerian National Petroleum Company Limited
Consolidated and Separate Statements of Cashflows
For the sixteen-month period ended 31 December 2022

	Notes	Group	Company
		31 December 2022 N'M	31 December 2022 N'M
Cash flows from operating activities			
Cash generated from operations	40	4,818,744	2,597,980
Movement in restricted cash		(151,096)	(149,890)
Income tax paid	18.1.1	(102,557)	-
Movement in alternative funding		69,681	69,681
Royalties paid	20	(76,515)	-
Employee benefits paid	36.6	(156,548)	(61,549)
Net cash generated from operating activities		4,401,709	2,456,222
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	19.5	90,743	-
Purchase of exploration and evaluation assets	19	(165,640)	-
Purchase of oil and gas properties	19	(984,242)	(622,702)
Purchase of other property, plant and equipment	19	(613,115)	(226,377)
Acquisition of investments in Nueoil Energy Limited	7.1.6	-	(133,335)
Addition to/(receipts from) financial assets at amortised costs		(486,684)	(473,330)
Interest received	15	10,752	9,231
Net cash used in investing activities		(2,148,186)	(1,446,513)
Cash flows from financing activities			
Principal element of lease payment	42.2	(5,054)	(4,997)
Interest paid	14	(1,348)	-
Net cash used in financing activities		(6,402)	(4,997)
Net increase in cash and cash equivalents		2,247,121	1,004,712
Net foreign exchange difference on cash and cash equivalents		72,390	(59,108)
Cash and cash equivalents at 31 December	26.2	**2,319,511**	**945,604**

The notes on pages 19 - 110 form an integral part of these financial statements.

1 Corporate information

The Nigerian National Petroleum Company Limited (NNPCL) is Nigeria's national oil company incorporated on September 21, 2021 as a limited liability company under the Company's and Allied Matters Act (2020) with the passage of the Petroleum Industry Act (the "Act", the "PIA"). On 1 July 2022, the Company took over the assets and liabilities of Nigerian National Petroleum Corporation (NNPC) and all the interest of the Nigerian Government in the Joint Venture Assets, as provided by section 54 of the Act and started operations as a full-fledge limited liability company on the same date.

The PIA established NNPCL to carry out petroleum operations on a commercial basis which includes oil and gas exploration, production, refining, transportation and product marketing activities. The Act empowered NNPCL to assume the working interest of the Federation in all Joint Operating Agreements (JOAs). NNPCL also assumed the role of concessionaire of all production sharing contracts (PSCs), profit sharing contract and risk sharing contracts on behalf of the Federation.

The NNPC Towers in Abuja is the headquarters of NNPC Limited. Consisting of four identical towers, the complex is located on Herbert Macaulay Way, Central Business District Abuja. NNPCL has an international office located in London, United Kingdom. The Group consists of NNPC Limited (the Parent Company) and thirty four (30) Subsidiaries/Business Units (BUs) - See note 4.

1.1 Statement of compliance with IFRS

The consolidated financial statements of Nigerian National Petroleum Company Limited (NNPCL) and its subsidiaries (The Group) have been prepared in compliance with the Companies and Allied Matters Act (CAMA), the Financial Reporting Council of Nigeria Act, and the International Financial Reporting Standards (IFRSs), including International Accounting Standards (IAS) and interpretations issued by the IFRS Interpretations Committee (IFRSIC). Further standards may be issued by the International Accounting Standards Board (IASB) and may be subject to interpretations issued by the IFRSIC.

The financial statements comprise the consolidated and separate statements of profit or loss, the consolidated and separate statements of other comprehensive income, the consolidated and separate statements of financial position, the consolidated and separate statements of changes in equity, the consolidated and separate statement of cash flows and the notes to the financial statements.

The consolidated and separate financial statements are presented in Nigerian Naira and all values are rounded to the nearest million (₦'000,000) except when otherwise indicated.

1.2 Basis of preparation

The financial statements have been prepared under the going concern assumption and historical cost convention except for the following items:

• Non-derivative financial instruments – initially at fair value and subsequently at amortised cost using effective interest rate.
• Inventory – lower of cost and net realisable value.
• Lease liabilities- measured at present value of future lease payments.
• Defined benefits plan assets - measured at fair value.
• Decommissioning liabilities - measured at the present value of the expected future cash flows that will be required to perform the site reclamation.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

1.3 Going concern

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention. Nothing has come to the attention of the directors to indicate that NNPCL will not remain a going concern for at least twelve months from the date of these financial statements. At this time, no significant events after the reporting date that may have an impact on going concern have been noted.

1.4 Basis of consolidation

i Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control.

The consolidated financial information comprises the financial statements of the Company and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

•The contractual arrangement with the other vote holders of the investee
•Rights arising from other contractual agreements
•The Group's voting rights and potential voting rights

ii Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

a) fair values of the assets transferred;
b) liabilities incurred to the former owners of the acquired business;
c) equity interests issued by the group;
d) fair value of any asset or liability resulting from a contingent consideration arrangement, and
e) fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the: consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

iii Change in the ownership interest of subsidiary

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The acquisition method of accounting is used to account for business combinations by the Group.

Non- controlling interests in the results and equity of subsidiaries are shown separately in the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

Intergroup transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

iv Disposal of Subsidiary

If the Group loses control over a subsidiary, it:
- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

v Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Interest in the joint venture is accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. All other joint arrangements of the Group are joint operations. Joint operations are accounted for by recognising the operator's relevant share of assets, liabilities, revenues and expenses.

vi Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investment in associates are accounted for using the equity method of accounting (see (vii) below) after initially being recognised at cost.

vii Equity method

Under the equity method of accounting, the Group's investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of loss in an equity accounting investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other party.

Unrealised gains on transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees are changed where necessary to ensure consistency with the policies adopted by the Group.

viii Non-controlling interest

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis.

1.5 Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of preparation of the financial statements and reported income and expenses for the period. Management reviews these estimates and assumptions on an ongoing basis, by reference to past experience and various other factors considered as reasonable which form the basis for assessing the carrying amount of assets and liabilities. Actual results may differ significantly from these estimates, if different assumptions or circumstances apply. These judgments and estimates are included in Note 3.

2 Summary of material accounting policies

2.1 New and amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 21 September 2022:

2018-2020 Annual improvements to IFRS Standards - IFRS 9 (effective for reporting periods on or after 1 January 2022)

As part of its 2018-2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. NNPCL will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual period in which it will first apply the amendment and does not expect this will result in a material impact on its financial statements.

Amendments to IAS 16, Property, plant and equipment - proceeds before intended use (effective for reporting periods beginning on or after 1 January 2022)

The amendments issued on May 14, 2020 by the IASB addresses the accounting treatment for proceeds generated from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The standard was revised to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Amendments to IAS 37, Provisions, contingent liabilities and contingent assets - "Onerous contracts - cost of fulfilling a contract" (effective for reporting periods beginning on or after 1 January 2022)

The changes in Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or 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 amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments apply to contracts for which NNPCL has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives do not need to be restated.

Amendments to IAS 1 and IFRS Practice Statement 2 -Disclosure of Accounting Policies (effective for reporting periods beginning on or after 1 January 2023)

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 1 will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

This amendment has been adopted for the period under review.

2.2 New standards, amendments and interpretations not yet adopted

As at 31 December 2022, certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Amendments to IFRS 17 - Insurance Contracts (effective for reporting periods beginning on or after 1 January 2023)
IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts.
Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023.

Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The classification can be applied on an instrument-by-instrument basis.

Amendments to IAS 8 - Definition to Accounting Estimates (effective for reporting periods beginning on or after 1 January 2023)
The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.
The amendments to IAS 8 will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IAS 1, Presentation of financial statements on classification of liabilities (effective for reporting periods beginning on or after 1 January 2024)
The amendments issued by the IASB on January 23, 2020 impact only the presentation of liabilities in the statement of financial position-not the amount or timing of recognition of any asset, liability income or expenses. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability. The classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendment also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendment was effective for annual reporting periods beginning on or after 1 January 2024 with no adoption permitted. NNPCL will apply the classification amendments to financial liabilities with the "right" to defer settlement by at least twelve months as at the end of the annual reporting period in which it will first apply the amendment. NNPCL does not expect this will result in a material impact on its financial statements.

NNPCL has assessed the impact of these new standards and determined that the standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions up to the expected date of cessation. NNPCL does not intend to adopt the amendments before their effective date.

There are no other IFRSs or IFRIC Interpretations that are yet to be effective that would be expected to have a material impact on NNPCL.

2.3 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.
An asset is current when it is:
•Expected to be realised or intended to be sold or consumed in normal operating cycle
•Held primarily for the purpose of trading
•Expected to be realised within twelve months after the reporting period, or
•Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period
All other assets are classified as non-current.

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

The Group classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.4 Fair value measurement

The Group measures its quoted equities, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group's valuation committee determines the policies and procedures for recurring fair value measurement, such as FVTOCI. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.5 Revenue recognition

The Group derives revenue from the sale of crude oil, gas and petroleum products such as Premium Motor Spirit (PMS), Dual Purpose Kerosene (DPK), Automotive Gasoline Oil (AGO) and naphtha, and provision of services such as seismic contracts, time based contracts, gas transmission tariffs, shipping, marine and engineering to its customers. The Group accounts for contracts within the scope of IFRS 15 'Revenue from contracts with customers' when a contract has been approved by both parties, each party's rights have been clearly identified, payment terms have been clearly identified, the contract has commercial substance and it is probable that the Group will collect the consideration it is entitled to for the transfer of crude oil or gas or petroleum products or services to the customer.

The Group recognises revenue when a customer obtains control of the goods which usually occurs when the title is passed, provided that risks and rewards of ownership are assumed by the customer and the customer obtains obligation to pay for the goods or services. This generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism. If the consideration includes a variable component, the expected consideration is adjusted for the estimated impact of the variable component at the point of recognition and re-estimated at every reporting period.

Definition of a customer

A customer is a party that has contracted with the Group to obtain crude oil, gas, petroleum products, or services that are an output of the Group's ordinary activities in exchange for consideration. A counter party would not be a customer if it has entered into a contract to share in the risk and benefits that result from the activity or process.

The Group has entered into collaborative arrangements with its joint venture (JV) partners to share in the cost of production of oil and gas as well as other related costs. Oil and gas produced are shared between the partners in the proportion of their participating interest in the joint venture. Joint venture partners do not meet the definition of a customer according to IFRS 15. Revenue or income from these arrangements is therefore recognized separately in other income.

Contract enforceability and termination clauses

The Group recognises revenue for contracts that create enforceable rights and obligations to parties in the contract. IFRS 15 requires that for contracts to be enforceable, it must have been approved by the parties to the contract, rights must be explicitly stated, payment terms must have been defined, the contract must have commercial substance, and collectability must be highly probable.The Group does not recognise revenue for contracts that do not meet the revenue recognition criteria. In such cases, where consideration is received it recognises a contract liability and only recognises revenue when the contract is executed. For sale of crude oil, gas and petroleum products, and services rendered, a contract is enforceable at the inception of the contract.

Identification of performance obligation

The Group assesses the goods or services promised in a contract with a customer and identifies each promise to deliver distinct goods or services.The Group typically has single performance obligations in its oil, gas and petroleum peoducts sales contracts, which is to transfer crude oil or gas or petroleum products to customers.The performance obligationis satisfied upon the transfer of crude oil or gas or petroleum products and payment is generally due within 30 to 90 days for export and domestic sales respectively.

The Group recognises revenue from sale of crude and petroleum products, and services at the point when the performance obligation is satisfied. Natural gas revenue is recognised either at a point in or over time based on the contract.

Transaction price

Transaction price is the amount allocated to the performance obligations identified in the contract. It represents the amount of revenue recognised as those performance obligations are satisfied. Complexities may arise where a contract includes variable consideration, significant financing components or consideration payable to a customer.

Variable consideration not within the Group's control is estimated at the point of revenue recognition and reassessed periodically. The estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the amount of cumulative revenue recognised will not occur, when the uncertainty associated with the variable consideration is subsequently resolved. Where variable considerations are subject to constraints, revenue not subject to a significant reversal in the future periods is recognised as the performance obligation is satisfied.
The Group does not adjust the promised amount of consideration for the effects of a significant financing component when it expects, at contract inception, that the period between when it transfers a promised good or service to a customer and when the customers pays for that goods or services will be less than one year.
Consideration payable to a customer is accounted for as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group. These do not represent a distinct service transferred and are therefore recognised as a direct deduction from revenue.

Breakage

The Group currently operates its gas sales contract on a take or pay basis, with its customers. Under this arrangement, a customer undertakes to make payment for the take or pay quantity, whether it takes delivery or not. Where the customer does not exercise all its contractual rights to receive gas, the Group recognises the estimated breakage amount as revenue in proportion to the pattern of exercised rights. However, where the occurrence of breakage cannot be reliably determined, the Group recognises the breakage as revenue to the extent that the probability of the customer exercising its remaining rights becomes remote.

Contract modification and contract combination

Contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. The Group determines whether to account for the modification as a new contract or as part of the existing contract.

The Group recognises a modification as a separate contract if the scope is separately identifiable and the transaction price reflects the stand-alone selling price of the performance obligation. Otherwise, the Group recognises modification prospectively (when price does not reflect stand alone selling price) or using the cumulative catch up adjustment method (when scope is not distinct).

The Group combines two or more contracts entered into at or near the same time with the same customer and account for the contracts as a single contract if any of the following criteria are met:
• The contracts are negotiated as a package with a single commercial objective;
• The amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
• The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

Production imbalances

Oil, gas and liquid from EGTL plant lifted and sold by the Group, above or below the Group's participating interests in a joint arrangement, results in over-lifts and under-lifts respectively.

The Group recognizes revenue based on the actual amount of crude oil or gas lifted and sold during the period. Where there is an under-lift, if the over-lifter does not meet the definition of a customer and the settlement of the transaction is non-monetary, the under-lift is recognized as other income and a corresponding receivable is recognized. Where there is an over-lift, the Group recognizes the excess volume lifted in it cost of production and a corresponding liability is recognised. The Group measures under-lifts and over-lifts initially at the market price of oil or gas or liquid from EGTL plant at the date of lifting. Over-lifts and under-lifts are measured subsequently at the current market value, with the changes arising from remeasurements recognized in other income or other expense.

Contract assets and liabilities

The Group recognises contract assets where right to consideration from crude oil and gas sales is conditioned on factors other than the passage of time. The Group recognises contract liabilities for consideration received for which a performance obligation has not been met.

2.6 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is deducted in reporting the related expense in cost of sales. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life based on the pattern of consumption of the benefit of the underlying asset or by equal annual instalments.

When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received.

2.6.1 Under recovery

In line with Section 64(M) of the Petroleum Industry Act (PIA) 2021, the cost incurred by NNPC Limited (Group) as the energy supplier of last resort for energy security reasons, and all associated cost shall be on the account of the Federation. The government instructed that NNPCL cannot sell its Premium Motor Spirit (PMS) above a certain regulated price. However, the cost of importing this PMS is usually much higher than this regulated price. The under recovery is essentially the difference between the actual landing cost of the product and the regulated price. This balance is used to reduce the cost of sales of the Group. The corresponding entry is either used to reduce the liability due to the Federation or used as a receivable from the Federation.

Premium Motor Spirit (PMS) cost under recovery is recognised where there is reasonable assurance that it will be received and all attached conditions has been complied with. When it relates to an expense item, they are deducted in reporting the related expense in cost of sales.

2.7 Taxation

The Company and subsidiaries are subjected to the payment of taxes.

Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Taxation on crude oil activities is provided in accordance with the Petroleum Profits Tax Act (PPTA) CAP. P13 Vol. 13 LFN 2004 while gas and other operations are taxed in accordance with the Companies Income Tax Act (CITA) CAP. C21 Vol. 3 1-FN 2004. Education tax is assessed at 2.5 per cent of the assessable profits.

Deferred taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Uncertainty over income tax treatments

The Group examines where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. It considers each uncertain tax treatment separately or together as a group, depending on which approach better predicts the resolution of the uncertainty. The factors it considers include:

- how it prepares and supports the tax treatment; and
- the approach that it expects the tax authority to take during an examination.

If the Group concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it determines the accounting for income taxes consistently with that tax treatment. If it concludes that it is not probable that the treatment will be accepted, it reflects the effect of the uncertainty in its income tax accounting in the period in which that determination is made (for example, by recognising an additional tax liability or applying a higher tax rate).

The Group measures the impact of the uncertainty using methods that best predicts the resolution of the uncertainty. The Group uses the most likely method where there are two possible outcomes, and the expected value method when there are a range of possible outcomes.

The Group assumes that the tax authority with the right to examine and challenge tax treatments will examine those treatments and have full knowledge of all related information. As a result, it does not consider detection risk in the recognition and measurement of uncertain tax treatments. The Group applies consistent judgements and estimates on current and deferred taxes. Changes in tax laws or the presence of new tax information by the tax authority is treated as a change in estimate in line with IAS 8 - Accounting policies, changes in accounting estimates and errors.

Judgements and estimates made to recognise and measure the effect of uncertain tax treatments are reassessed whenever circumstances change or when there is new information that affects those judgements. New information might include actions by the tax authority, evidence that the tax authority has taken a particular position in connection with a similar item, or the expiry of the tax authority's right to examine a particular tax treatment. The absence of any comment from the tax authority is unlikely to be, in isolation, a change in circumstances or new information that would lead to a change in estimate.

Royalties, resource rent tax and revenue based taxes

In addition to corporate income taxes some of the Group's subsidiaries also recognise taxes on income, other types of taxes on net income which are calculated based on oil and gas production.

Royalties, resource rent taxes and revenue based taxes are accounted for under IAS 12 when they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income rather than based on quantity produced or as a percentage of revenue after adjustment for temporary differences. For such arrangements, current and deferred income tax is provided on the same basis as described above for other forms of income tax.

Obligations arising from royalty arrangements and other types of taxes, that do not satisfy these criteria, are recognised as current provisions and included in cost of sales.

2.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Internally generated intangible assets, excluding capitalised development costs, are not capitalised. Instead, the related expenditure is recognised in the profit or loss in the period in which the expenditure is incurred.

Following initial recognition, intangible assets with definite lives are carried at cost less any accumulated amortisation (calculated on a straight-line basis over their useful lives) and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life on a straight line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category that is consistent with the function of the intangible assets.

2.8.1 Goodwill

Goodwill is measured as described in note 1.4 (ii). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

2.8.2 Mineral acquisition rights

Intangible assets relating to mineral acquisition rights with finite lives are carried at cost, less accumulated amortisation and accumulated impairment losses. Such rights, except for oil and gas mining rights are amortised on a straight line basis over the exploration period and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Intangible asset regarding the crude oil and gas mining rights is amortised upon discovery of commercial quantity of crude oil and gas on a unit-of-production basis over the total proved reserves of the relevant assets.

The average remaining amortisation period for the mineral rights is between 1 year - 19 years.

2.8.3 Research, Development, Software

Research costs are charged as expense to profit or loss as incurred.
Software consists of capitalised development costs being an internally generated intangible asset.
Development expenses are capitalised when the following can be demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its ability to use or sell the intangible asset.

The technical feasibility of the project and the availability of the adequate resources for the completion of the intangible asset:

- The ability of the asset to generate probable future economic benefits;
- The ability to measure reliably the expenditures attributable to the asset; and
- The feasibility and intention of the Group to complete the intangible asset and use or sell it,

Advertising, training and start-up costs are charged as expense to profit or loss as when incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use, It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

2.9 Oil and natural gas exploration and evaluation, appraisal and development expenditure

The Group applies IFRS 6 'Exploration for and Evaluation of Mineral Resources" for exploration and evaluation costs. Oil and natural gas properties and expenditures; and Exploration and Evaluation assets are accounted for in accordance with the successful effort method of accounting (SEM).

Pre-license costs

Pre-license costs are expensed in the period in which they are incurred.

Exploration license cost

Exploration license costs are capitalised within property, plant and equipment. License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised on a straight-line basis over the life. The mineral rights has a useful life of 10- 60 years, after which it is subject to renewal on its expiration.

License costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made to establish development plans and timing. If no future activity is planned or the license has been relinquished or has expired, the carrying value of the license is written off through profit or loss. The exploration license costs are initially recognised as cost and subsequently amortised on a straight line based on the economic life. They are subsequently carried at cost less accumulated amortisation and impairment losses.

Exploration and evaluation costs

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalized as exploration and evaluation assets within property, plants and equipment until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors. Geological and geophysical costs are recognized in profit or loss as incurred. If no potentially commercial hydrocarbons are discovered, the exploration asset is written off as a dry hole. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), are likely to be capable of being commercially developed, the costs will continue to be carried as property, plants and equipment while sufficient or continued progress is made in assessing the commerciality of the hydrocarbons.

Exploration and evaluation costs (cont'd)

Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as exploration and evaluation assets within property, plants and equipment. All such capitalized costs are subject to technical, commercial and management review as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off to profit or loss. When proved reserves of oil and natural gas are identified and development is sanctioned by management, the relevant capitalized expenditure is first assessed for impairment and (if required) any impairment loss is recognized, then the remaining balance is transferred to oil and natural gas properties. No amortization is charged during the exploration and evaluation phase. For exchanges or parts of exchanges that involve only exploration and evaluation assets, the exchange is accounted for at the fair value of the asset received or if not available at the carrying value of the assets given up.

Development expenditures

Expenditure on construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells are capitalised within "assets in progress" in oil and natural gas properties. When development is completed on a specific field, the capitalised amount is transferred to its appropriate class. No depletion or amortisation is charged during the development stage.

Farmouts in the exploration and evaluation phase

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements, but re-designates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the proportion of assets farmed out with any excess accounted for by the farmor as a gain on disposal.

The consideration receivable on disposal of an item of property, plant and equipment or an intangible asset is recognized initially at its fair value by the Group. However, if payment for the item is deferred, the consideration received is recognized initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognized as interest income. Any part of the consideration that is receivable in the form of cash is treated as a definition of a financial asset and is accounted for at amortized cost.

Farmouts —outside the exploration and evaluation phase

In accounting for a farmout arrangement, the Group:
-Derecognises the proportion of the asset that it has sold to the farmee;
-Recognises the consideration received or receivable from the farmee, which represents the farmee's obligation to fund the capital expenditure in relation to the interest retained by the farmor
-Recognises a gain or loss on the transaction for the difference between the net disposal proceeds and the carrying amount of the asset disposed of. A gain is only recognised when the value of the consideration can be determined reliably. If not, then the Group accounts for the consideration received as a reduction in the carrying amount of the underlying assets;
-Tests the retained interests for impairment if the terms of the arrangement indicate that the retained interest may be impaired.

2.10 Property, plant and equipment (including oil and natural gas properties)

Initial recognition

Oil and natural gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, excluding land. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Depreciation is calculated using the straight-line method of calculation i.e. the cost of the assets less its residual value, if applicable, over the number of useful lives (in years), as follows:

Oil and Natural gas assets	**Useful lives**
Pipeline/storage depot system	10 - 50 years
Decommissioning cost	Over the total proved reserves.
Oil wells	Unit of production
Escravos Gas To Liquid (EGTL) Assets	10 - 70 years
Modified Carry Arrangement (MCA) Assets	10 - 70 years
Refineries	10 - 70 years
Petrochemical plants	10 - 70 years

Other property, plant and equipment	**Useful lives**
NNPC Telecom Network Stations	20 - 30 years
Freehold land	Not depreciated
Buildings	20 - 50 years
Automotive equipment	4 - 6 years
Movable equipment	5- 10 years
Furniture and Office Equipment	4 - 6 years

Personnel facilities	6- 10 years
Laboratory apparatus and equipment	5 - 7 years
Electrical plant and transmission	10 - 20 years
Loose tools	value of usage
Right-of-use assets	**Useful lives**
Buildings	4 years

The cost of assets built by the Group includes the cost of material and direct labour as well as any other costs directly attributable to bringing the asset to a working condition as intended by management. All disbursements related to the construction or purchase of property, plant and equipment in the stage prior to implementation are considered construction assets in progress which is presented within property, plant and equipment. Once the assets are available for use, they start to be depreciated or amortized.

Construction assets in progress and freehold land are stated at cost. However, these class of assets are not depreciated.

Development and production asset swaps

Exchanges of development and production assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. The cost of the acquired asset is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. Where fair value is not used, the cost of the acquired asset is measured at the carrying amount of the amount given up. A gain or loss is recognised on the difference between the carrying amount of the asset given up and the fair value of the asset received in the profit or loss.

Major maintenance and repairs (Turn-around Cost)

Expenditure on major maintenance refits or repairs comprises the cost of replacement of assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalized and the carrying amount of the replaced asset is derecognized. Inspection costs associated with major maintenance programs are capitalized and amortized over the period to the next inspection. Routine maintenance and repairs are charged to expense as incurred. The costs of major turn-around of refineries and large petrochemical units are capitalized as incurred and depreciated over the period of time between two consecutive major turnarounds. Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. All other maintenance costs are expensed as incurred.

Annual review of depreciation method, residual values and useful lives

Depreciation method, residual values and useful lives of each item of property, plant and equipment are reviewed and, adjusted if appropriate, at least, on an annual basis. The changes, if necessary, in the depreciation method, residual values and useful lives are accounted for prospectively. The carrying amount of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Derecognition of property, plant and equipment

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Upon disposal or retirement of property, plant and equipment, the cost and related accumulated depreciation are removed from the financial statements and any resulting gain or loss is recognised arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognized.

2.11 Inventories

The Group's inventory is defined as assets held for sale in the ordinary course of business or in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services. The Group's inventories primarily consist of crude oil, petroleum products and chemicals, oil and natural gas supplies as well as spare parts (items for repairs and maintenance of oil and natural gas properties consumable within one accounting period). Inventories are stated at the lower of cost and net realisable value. Costs of materials and supplies represent purchase or production cost of goods and are determined on a Weighted Average Cost basis (WAC) for material stocks. Crude oil, natural gas and petroleum products are carried at the lower of net realisable value and cost determined under the First-In, First-Out method (FIFO).

Inventory relating to intermediate products are valued at actual cost plus conversion costs or net realisable value whichever is lower. Costs include directly attributable costs incurred in bringing inventories to the present location and condition for intended use by management. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Where the time value of money is material, these future prices and costs to complete are discounted. Net realizable value is determined by reference to prices existing at the reporting date.

2.11.1 Pipeline fill

Crude oil which is necessary to bring a pipeline into working order is treated as a part of the related pipeline on the basis that it is not held for sale or consumed in a production process, but is necessary for the operation of a facility during more than one operating cycle. Also, its cost cannot be recouped through sale (or is significantly impaired). This applies even if the part of inventory that is deemed to be an item of Property, Plant and Equipment (PP&E) cannot be separated physically from the rest of inventory. It is valued at cost and is depreciated over the useful life of related asset.

2.12 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

Group as a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

At commencement or modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities as a separate line in the statement of financial position. The Group also splits the lease liability into current and non-current portion while the right-of-use is presented as a non-current asset in the statement of financial position.

Right-of-use assets are generally depreciated over the shorter of asset's useful life and lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. Short-term leases are leases with duration of 12 months or less while low value leases are leases that have an asset value of N2.2 million or less. The Group recognises the lease payments associated with these leases as an income (Group as a Lessor) or expense (Group as a Lessee) on a straight-line basis over the lease term.

2.13 Foreign currency translation

The Group's consolidated financial statements are presented in Naira while the Company's functional currency is the US Dollars (US$).

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item in which case the translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively.

Translation of financial statements denominated in foreign currencies

Assets and liabilities of foreign entities are translated into Naira (the presentation currency) on the basis of the exchange rates at the reporting date. The profit or loss items are translated using the average exchange rates for the period. Assets and liabilities are translated using the closing rates while equity items are translated using historical rates.

Foreign exchange differences resulting from such translations are recorded in other comprehensive income as component of either shareholder's equity under "Foreign currency translation reserve" (for the Group share) or under "Non-controlling interests" (for the share of non-controlling interests) as appropriate.

2.14 (i) Non-current assets held for distribution to equity holders of the parent and discontinued operations

The Group classifies non-current assets and disposal groups as held for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for distribution are measured at the lower of their carrying amount and fair value less costs to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the decision to distribute will be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for distribution.

Assets and liabilities classified as held for distribution are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- Is a subsidiary acquired exclusively with a view to resell.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

All the notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

2.14(ii) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets (or disposal groups) held for sale and discontinued operations (cont'd)
Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

2.15 Impairment of non-financial assets (excluding goodwill and indefinite life intangible assets)

The Group assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication of impairment exists, the Group makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level Cash Generating Unit (CGU) at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. An asset group's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Group bases its impairment calculation on the most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations are approved by management and generally covers a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets or CGUs excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset or CGU does not exceed either its recoverable amount, or the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset or CGU in prior years. Such a reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase and is recognized through other comprehensive income.

Goodwill and Intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit (CGU) level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Goodwill is allocated to the CGU for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2.16 Employee Benefits

2.16.1 Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

2.16.2 Post-employment benefits

In accordance with the laws and practices of Nigeria, the Group participates in employee benefit plans offering retirement, death and disability, healthcare and special termination benefits. These plans provide benefits based on various factors such as length of service, salaries, and contributions made to the Closed Pension Administrator (NNPC Pensions Limited) responsible for the management of the funds on behalf of the employees.

Defined contributions: Pensions

The Group operates a defined contributory scheme with Close Pension Fund Administrators. This is in compliance with the provision of the Pension Reform Act, 2014 whereby employer and employees contribute 8% and 15% respectively based on each of the employees' eligible allowances. Staff contributions to the scheme are funded through payroll deductions, while the Group's contribution is charged to the profit or loss. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available

Defined benefit: Pension & Gratuity

The Group operates a defined benefit pension and gratuity plan which require contributions to be made to a separately administered fund (NNPC Pension Fund Limited). The benefit is funded. The cost of providing benefits under the defined benefit plan is determined for the plan using the projected unit credit method. Remeasurement gains and losses for the defined benefit plans are recognised in full in the period in which they occur in other comprehensive income. Such Remeasurement gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using the discount rate based on market yields on Government bonds. The Group has adopted FGN Bonds since Nigeria does not have a deep market in Corporate bonds although State Bonds exist with (broadly) higher yields), less past service costs and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of the plan assets are based on market price information and in the case of quoted securities it is the published bid price. The value of any defined benefit asset recognised is restricted to the sum of any past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Past service costs are recognised in profit or loss on the earlier of:
- The date of the plan amendment or curtailment; and
- The date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit obligation and the fair value of the plan assets.

The Group recognises the following changes in the net defined benefit obligation under employee benefit expenses in general and administrative expenses:

a. service costs comprises current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
b. net interest cost

2.16.3 Other post-employment benefits

The net obligation for other retirement benefits, other than the pension plan, contractually defined, is the amount of future benefits that employees have earned for their services during the current and prior periods. These benefits include retirement medical plan benefits for eligible employees at retirement. The obligation is calculated using the projected unit credit method, and is discounted to reflect its present value and is reduced by the fair value of related assets, if any. The discount rate reflects the yield which, at the date of the financial statements, is referenced to market yields on high quality corporate bonds (except where there is no deep market in such bonds, in which case the discount rate should be based on market yields on government bonds) and having maturities similar to those of the obligations. Cost of past services and re-measurement gains or losses are recorded using the same methodology as used for the defined benefit plan.

2.16.3 Other long term employee benefits

The net obligation for other long term employment benefits, Long service awards, is the present value of the amount of future benefits that employees have earned for their services during the current and prior periods at the end of the reporting period. The employee qualifies for the long service award after he/she might have spent 10 years of continuous service in the Group. The obligation is calculated using the projected unit credit method, and is discounted to reflect its present value and is reduced by the fair value of related assets, if any. The discount rate reflects the yield which, at the date of the financial statements, is referenced to market yields on high quality corporate bonds (except where there is no deep market in such bonds, in which case the discount rate should be based on market yields on government bonds) and having maturities similar to those of the obligations. Cost of past services, current services and remeasurement gains or losses are recognised immediately in the profit or loss.

2.17 Provisions, Contingent Liabilities and Contingent Assets

Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, for which it is probable that an outflow of resources will be required and when a reliable estimate can be made regarding the amount of the obligation. The amount of the liability corresponds to the best possible estimate.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in profit or loss. Provisions are split between amounts expected to be settled within 12 months of the reporting period (current) and amounts expected to be settled later (non-current).

Contingent liabilities and asset

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Group, or present obligations where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote.

Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Asset retirement obligations (Decommissioning liability)

Decommissioning liability is recognised when the Group has a present legal or constructive obligation as a result of the past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and natural gas assets or property, plant and equipment as appropriate. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related oil and natural gas assets to the extent that it was incurred by the development/construction of the field. Any decommissioning obligations that arise through the production of inventory are expensed when the inventory item is recognised in cost of goods sold. Changes in the estimated timing of decommissioning or changes in the estimated dismantlement, removal and restoration costs are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the related oil and natural gas assets or property, plant and equipment.

Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with IAS 36. If, for mature fields, the estimate for the revised value of oil and natural gas assets net of decommissioning provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

The amount recognised is the estimated cost of dismantlement, removal and restoration, discounted to its present value using a current pre-tax rate that reflects the risks specific to the liability.
Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss as a finance cost.

Environmental expenditures and liabilities

Environmental expenditures that relate to current or future revenues are expensed or capitalised as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future earnings are expensed. Liabilities for environmental costs are recognised when a clean-up is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognised is the best estimate of the expenditure required. If the time value of money is material, the amount recognised is the present value of the estimated future expenditure. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure. Subsequent adjustments to estimates, to the extent required, may be made as more refined information becomes available.

Site restoration costs

The activities of the Group gives rise to dismantling, decommissioning and site restoration activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category unless it arises from the normal course of production activities in which case it is recognised in profit or loss.

Provisions are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date. Subsequent to the initial measurement, the obligation is adjusted at the end of each year to reflect the passage of time and changes in the estimated future cash flows underlying the obligation.

The increase in provision due to passage of time is recognised as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the site restoration obligation are charged against the provision to the extent that the provision was established.

2.18 Financial instruments

Financial assets

a) Classification and measurement

Financial assets are classified, at initial recognition, as financial assets measured at amortised cost, Fair Value Through Profit or Loss (FVTPL) and Fair Value Through Other Comprehensive Income (FVOCI). The Group determines the classification of its financial assets at initial recognition.

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

Subsequent measurement

Subsequent measurement: debt financial instruments

The subsequent measurement of financial assets depends on their classification. Financial assets are not reclassified after their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial asset at amortised cost
- Financial asset at fair value through OCI.
- Financial assets at fair value through profit or loss.

Financial asset at amortised cost

The Group measures financial assets at amortised cost if the asset is held within a business model with the objective of collecting 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 (SPPI) on the principal amount outstanding.

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

The Group's financial assets at amortised costs includes trade and other receivables, intergroup receivables, staff loans and Cash and short term deposits.

Financial assets at fair value through OCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.

The Group has no debt instruments within this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are required for the purpose of selling or repurchasing in the near team. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

As at the reporting date, the Group had no debt financial assets measured at fair value through profit or loss.

Subsequent measurement: equity instrument

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

b) Impairment of financial assets

The Group recognizes an allowance for Expected Credit Losses ('ECL') for all its debts financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due from the assets and all cash flows that the Group expects to receive, discounted at the effective interest rate.

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

The Group applies the simplified approach or the three-stage general approach to determine impairment of receivables depending on their respective nature. The simplified approach is applied for trade receivables while the general approach is applied to inter-Group receivables, other receivables and cash and bank balances.

The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Group's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss; or as financial liabilities measured at amortised cost, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value.

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at either amortised cost or at fair value through profit or loss:

Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation interest is included as finance costs in profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.
Financial liabilities are classified as held for trading if they are incurred for repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liabilities at fair value through profit or loss.

a) Derecognition

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

b) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The offset is not contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

Write off policy

Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 365 days past due. Impairment losses on trade receivables are presented as net impairment losses on the face of the income statement. Subsequent recoveries of amounts previously written off are credited against same line item.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, cash at bank, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.19 Interests in joint arrangements

A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

2.19.1 Interests in joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.
In relation to its interests in joint operations, the Group recognises its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

2.19.2 Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The Group's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in the joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture. The aggregate of the Group's share of profit or loss of the joint venture is shown on the face of the statement of profit or loss and other comprehensive income as part of operating profit and represents profit or loss after tax and NCI in the subsidiaries of joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss and other comprehensive income.
On loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss and other comprehensive income.

2.20 Insurance contracts- classification

Wheel Insurance (a subsidiary of NNPC) issues contracts of (re)insurance under which one party (the (re)insurer) accepts significant (re)insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the (re)insured event) adversely affects the policyholder. As a general guideline, the Group defines significant (re)insurance risk as the possibility of having to pay claims to the policyholder in excess of the premiums received for assuming this risk if the (re)insured event occurs.

2.21 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its associate is accounted for using the equity method.
Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit . The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss/profit as 'Share of profit/loss of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate , the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.22 Royalty

Royalties payable are calculated as a percentage of the value of the Company's share of crude oil produced or won at realisable price for each year. Royalties are classified as statutory payments to the Federal Government.

2.23 Commercial arrangements

The Group is in the business of prospecting, exploration and production of crude oil and gas through various wholly owned assets, joint venture arrangements and production sharing contracts with other companies in the industry. All the concessions are within Nigeria. In the Production Sharing Contracts (PSC) and Joint Venture arrangements (JV), the parties fund the exploration, development and production costs. They are reimbursed in the event of successful exploration by the allocation of crude oil produced from the fields under certain terms and the Group is entitled to between 20% and 60% of the profits accruing from the operations. The Group realises its revenue from the sale of the crude oil allocated to it.

The Group has the following commercial arrangements as of 31 Dec 2022.

Terrain	Concession	NEPL Interest (%)	Status	Operating Party	Partners
Deep water	OPL 244	10	Exploration	Agip	NEPL & Agip
	OPL 242	100	Exploration	NEPL	Not Applicable
	OPL 214	15.79	Exploration	ExxonMobil	NEPL ExxonMobil, Chevron, Vescar, Oando
	OML 154	10	Exploration	ExxonMobil	SO, Chevron, Vescal, Nesten
	OML 139/154	10	Exploration	ExxonMobil	ESSO, TEPNG, Chevron, Nexen, NEPL
	OPL 223	10	Exploration	Mobil	NEPL and Mobil
	OPL 251	15	Exploration	Ashbert	NEPL and Ashbert
	OPL 325	20	Exploration	AshbertiNNPC	NEPL and Ashbert
Continental Shelf	OML 119	100	Producing	NEPL	Not Applicable
	OMLs 60 - 63	60	Producing	NAOC	NEPL, NAOC and Oando
Land	OML 111	100	Producing	NEPL	Not Applicable
	OMLs 111/148	11	Producing	ENAGEED	ENAGEED and NEPL
	OML 65	100	Producing	NEPL	Not Applicable
	OML 26	55	Producing	NEPL	NEPL and FHN
	OML 28/30	8	Producing	NEPL	NEPL/Shoreline JV and SPDC/NNPCL/Total/NAOC JV
	OML 30	55	Producing	SEPLAT	NEPL and Shoreline
	OML 34	100	Producing	NEPL	NEPL and ND Western
	OML 64	100	Development	NEPL	Not Applicable
	OML 66	55	Development	NEPL	Not Applicable
	OML 4	100	Producing	SEPLAT	NEPL and Seplat
	OML 11	100	Producing	NEPL	Not Applicable
	OML 13	55	Development	NEPL	Not Applicable
	OML 24	100	Producing	Newcross	NEPL and Newcross
	OMLs 98	55	Producing	NEPL	Not Applicable
Partially Swamp	OML 38	55	Producing	SEPLAT	NEPL and Seplat
	OML 38/49	13.98	Producing	NEPL	NEPL, Chevron, NNPCL, & Seplat
Swamp	OML 41	55	Producing	SEPLAT	NEPL and Seplat
	OML 40	55	Producing	NEPL	NEPL and Elcrest
	OMLs 86/88	40	Producing	NEPL	NNPCL
	OML 42	55	Producing	NEPL	NEPL and Neconde
Land	OMLs 20	Nil	Producing	NEPL	NNPCL, Shell, Total and NAOC
Partially Swamp	OML 49/51	Nil	Exploration	NEPL	NNPCL and Chevron

The Group operates OMLs 11(Aroh field) and 20 (NNPC/Shell JV) and OMLs 49 & 51 (NNPC/Chevron JV) as an agent of the JV Partners. These assets are operated for capacity building as the Group is not remunerated for its operatorship.

Details of oil and gas concessions held by the Group as at 31 December 2022 are shown in the table below:

Concession	Date of Licence Renewal	Licence life	Economic life of Asset	Date of Licence expiry
OPL 242	18-Mar-14	20 years	Not applicable	18-Mar-24
OPL 223	19-Jul-15	10 years	Not applicable	19-Jul-25
OPL 325	10-Nov-15	10 years	Not applicable	10-Nov-25
OML 154	1-Jun-14	20 years	30 years	30-May-34
OML 139	1-Aug-15	10 years	20 years	20-Jul-35
OML 64	4-Mar-19	20 years	25 years	4-Mar-39
OML 66	4-Mar-19	20 years	25 years	4-Mar-39
OML 119	31-Oct-20	20 years	20 years	31-Oct-40
OML 60 - 63	13-Jun-67	60 years	20 years	13-Jun-27
OML 111	4-Mar-19	20 years	24 years	4-Mar-39
OMLs 111/148	4-Mar-19	20 years	24 years	4-Mar-39
OML 65	4-Mar-19	20 years	25 years	4-Mar-39
OML 4	19-Apr-18	20 years	20 years	19-Apr-38
OML 11	7-Jan-19	20 years	20 years	30-Jun-39
OML 13	6-Mar-17	20 years	20 years	6-Feb-37
OML 24	17-Oct-19	20 years	20 years	16-Oct-39
OML 98	8-Jan-19	20 years	20 years	30-Jun-39
OML 38	19-Apr-18	20 years	20 years	19-Apr-38
OMLs 38/49	19-Apr-18	20 years	20 years	19-Apr-38
OML 41	19-Apr-18	20 years	20 years	19-Apr-38
OML 26	30-Jun-19	20 years	20 years	30-Jun-39
OML 28/30	30-Jun-19	20 years	21 years	30-Jun-39
OML 30	30-Jun-19	20 years	25 years	30-Jun-39
OML 34	28-Feb-19	20 years	25 years	27-Feb-39
OML 40	22-Oct-18	20 years	25 years	21-Oct-38
OML 42	30-Jun-19	20 years	25 years	30-Jun-39

Other Commercial Arrangements

Carry Agreement (Alternative Funding Agreements)

The Federal Government of Nigeria introduced the carry funding agreements since 2008 whereby the Operators finance NNPCL participating interest shares of agreed development costs of certain projects under certain terms and conditions. The carried party reimburses with oil.

Carry agreements between NNPCL and some of its partners in the JOAs are as follows:

Carry Party	NNPCL Interest	Projects
Total E&P Nigeria Limited (TEPNG)	60%	Development of Amenam/Kpono field
Chevron Nigeria Limited	60%	Meji Redevelopment Project
Chevron Nigeria Limited	60%	North Swamp
Chevron Nigeria Limited	60%	South Offshore Water Injection Project (SOWIP)

Carry agreements (Modified carry agreements)

Under the agreements, the carried party is NNPCL, its share of project development expenditures based on its participating interest are reimbursed to the carrying parties by means of Carry Tax Relief (CTR) and Carry oil, amongst other terms.

The existing MCAs are as follows:

Project	Carrying Party
• Gbaran-Ubie Phase 2A	Shell Petroleum Development Company of Nigeria Limited
• Ofon 2	Total E&P Nigeria Limited (TEPNG)

• OML 58	Total E&P Nigeria Limited (TEPNG)
• Oso Condensate	Mobil Producing Nigeria Unlimited
• Gbaran-Ubie Phase 1	Shell Petroleum Development Company of Nigeria Limited
• 2007-2009 Drilling Bundle	Mobil Producing Nigeria Unlimited
• 2010 drilling Bundle	Mobil Producing Nigeria Unlimited

Unitisation Agreement-Ekanga Zaffiro field

The Federal Republic of Nigeria, on behalf of the Federation, (represented by NNPC Ltd and Elf Petroleum Nigeria Limited together called Block 102 participants) entered into a unitisation and unit operating agreement with the Federal Republic of Equatorial Guinea (represented by its Ministry of Mines and Hydrocarbons), Mobil Equatorial Guinea Incorporated and Ocean Equatorial Guinea Company (together called Block B participants).

The Block 102 participants are holders of OML (Oil Mining Lease) 102 and the agreement is for the purpose of enabling the unit area to be developed as a unitised field by utilising Block B facilities and infrastructure. The Block 102 participating interest is divided between Nigerian National Petroleum Corporation and Total E&P Nigeria Limited in the ratio 60:40 and they are remunerated by way of rental entitlements related to production from the field. The production profile for the Block 102 is approximately 11.5 years. The rental entitlements are settled via cash payments from proceeds of sale of crude or direct lifting of crude oil from the field by the Block 102 participants.

3 Significant accounting judgement, estimates and assumptions

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

In particular, the Group has identified the following areas where significant judgements, estimates and assumptions are required, and where if actual results were to differ, may materially affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies are described.

3.1 Judgements

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

a) Joint arrangements

Judgement is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, including the approval of the annual capital and operating expenditure work program and budget for the joint arrangement, and the approval of chosen service providers for any major capital expenditure as required by the joint operating agreements applicable to the entity's joint arrangements. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Judgement is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

- The structure of the joint arrangement - whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
- The legal form of the separate vehicle
- The terms of the contractual arrangement
- Other facts and circumstances, considered on a case by case basis

The Joint arrangement in relation to (West Africa LPG, Brass LNG, Brass Fertilizer, Hyson, Carlson, Anoh Gas, Nikorma) requires unanimous consent for all parties for all relevant activities. The Company has direct right to the net assets of the partnership. These entities are therefore classified as joint ventures and have been accounted for using the equity method of accounting.

Determination of joint venture- Hyson Nigeria Limited

Management have determined that they do not control Hyson Nigeria Limited even though the Company owns 60% of the issued capital of this entity. Hyson Nigeria Limited is a joint venture company between NNPCL and VITOL. None of the parties to this joint venture company has a unilateral control of the entity. Decisions about relevant activities require the unanimous approval of the two parties.

Estimation of assets and liabilities transferred from Corporation

On 1 July 2022, the NNPC Limited took over the assets and liabilities of Nigerian National Petroleum Corporation (NNPC) and all the interest of the Nigerian Government in the Joint Venture Assets, as provided by section 54 of the Petroleum Industry Act. These assets and liabilities were transferred to NNPC Limited at their carrying values. The carrying values transferred have been used as the Cost of these assets and liabilities at initial recognition.

b) Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the lessee. During the financial year, there were no revised lease terms.

3.2 Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated and separate financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

a)Review of useful life and residual value of property, plant and equipment

The Group carries its property, plant and equipment at cost less accumulated depreciation/ impairment in the Statement of financial position. Estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group's financial position and performance. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The economic life of an asset is determined based on existing wear and tear, economic and technical aging, legal or other limits on the use of the asset, and obsolescence. If some of these factors were to deteriorate materially, impairing the ability of the asset to generate future cash flow, the Group may accelerate depreciation charges to reflect the remaining useful life of the asset or record an impairment loss. The carrying values of this amount is included in Note 19.

b) Impairment of non-current assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. Examples of non-current asset tested for impairment includes oil and gas properties.

The Group assesses each asset or cash generating unit (CGU) (excluding goodwill, which is assessed annually regardless of indicators) each reporting period to determine whether any indication of impairment exists, Where an indicator of impairment exists a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty, therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for oil and gas assets is generally determined as the present value of estimated future cash flows arising from the continued use of the assets, which includes estimates such as the cost of future expansion plans and eventual disposal. Using assumptions that an independent market participant may take into account, cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU. Management has assessed its CGUs as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets.

c) Estimation of oil and gas reserves

Oil and gas reserves are key elements in testing for impairment and computation of depreciation, depletion and amortisation. Changes in proved oil and gas reserves will affect the standardized measure of discounted cash flows for value in use computation and changes in proved oil and gas reserves, particularly proved developed reserves, will affect unit-of-production depletion charges to income.

Proved oil and gas reserves are the estimated quantities of crude oil that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Estimates of oil and gas reserves are inherently imprecise, require the application of judgment and are subject to future revision. Accordingly, financial and accounting measures (such as the standardised measure of discounted cash flows, depreciation, depletion and amortisation charges, and decommissioning and restoration provisions) that are based on proved reserves are also subject to change. Proved reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. Proved reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured.

Furthermore, estimates of proved reserves only include volumes for which access to market is assured with reasonable certainty. All proved reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. Changes in the technical maturity of hydrocarbon reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions.

d) Units of production depreciation of Oil and gas assets
Oil and gas properties are depreciated using the units of production (UOP) method over total proved developed and undeveloped hydrocarbon reserves. This results in a depreciation/depletion/amortization charge proportional to the anticipated remaining production from the field. Each items' life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure, The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates changes. Changes to proved reserves may arise due to changes in the factors or assumptions used in estimating reserves. The carrying values of these assets are included in Note 19.1.

e) Decommissioning costs
Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required. The carrying values of these obligations are included in Note 35.

f) Retirement benefit obligation
The cost of defined benefit plans (pension, gratuity, medical and long service award) and the present value of the obligation are required to be determined annually using actuarial valuations. An actuarial valuation involves making various estimates and assumptions. These include the determination of the future returns on each different type of scheme asset, discount rate, future salary increases, employee attraction rates, mortality rates, expected remaining periods of service of employees and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the government rate on bonds with similar maturities corresponding to the expected duration of the defined benefit obligation for use. The mortality rate is based on publicly available mortality tables in the country and future salary increases and pension increases are based on expected future inflation rates obtainable in the country. The carrying values of this obligation is included in Note 36.

g) Impairment of financial assets
The loss allowances for financial assets are based on assumptions about risk of default, expected loss rates and maximum contractual period. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. See Note 47.2 for more details.

4 Information about subsidiaries

4.1 The summarized balance held as investments in subsidiaries in the Company's book is presented as follows:

	Company 31 December 2022 N'M
Investment in subsidiaries (Note 4.2)	1,373,604

4.2 The Group's interest in the subsidiaries are listed and disaggregated below:

Name of subsidiaries	% Holdings	Country of incorporation	Principal Business activity	Functional currency	31 December 2022 N'M
NNPC Retail Limited	100%	Nigeria	Petroleum products retail	Naira	100
NNPC Trading Limited	100%	Nigeria	Exploration and production:	Naira	108
NNPC Trading Services (UK) Limited	100%	United Kingdom	Providing logistics services to Duke Oil Incorporated	Pounds	-
NNPC Trading SA	100%	Panama	Marketing of crude oil and petroleum products	US Dollars	3,368
NNPC E&P Limited	100%	Nigeria	Exploration and production	US Dollars	1,000
Kaduna Refining and Petrochemical Company Limited (KRPC)	100%	Nigeria	Refining of crude oil and manufacturing of petrochemicals	Naira	317,314
Warri Refining and Petrochemical Company Limited (WRPC)	100%	Nigeria	Refining of crude oil and manufacturing of petrochemicals	Naira	199,254
NNPC Gas Infrastructure Company Ltd	100%	Nigeria	Transmission and distribution of Nigeria's natural gas.	Naira	100
Port-Harcourt Refining Company Limited (PHRC)	100%	Nigeria	Refining of crude oil	Naira	333,438
Petroleum Products Marketing Company Limited (PPMC)	100%	Nigeria	Petroleum product marketing and distribution	Naira	68,849
NNPC Engineering and Technical Company Limited (NETCO)	100%	Nigeria	Engineering, procurement, construction and technical services	Naira	1,000
NNPC Energy Services Limited	100%	Nigeria	Geophysical and petroleum engineering services	Naira	5
The Wheel Insurance Company	100%	Guernsey, Channel Islands	Providing reinsurance cover in respect of excess capacity of NNPC oil assets transferred	US Dollars	53,528
NNPC Gas Marketing Company Limited (NGML)	100%	Nigeria	Sales and marketing of gas	Naira	100
Nigerian Pipelines and Storage Company Limited (NPSC)	100%	Nigeria	Transportation and storage of petroleum products.	Naira	248,349
NNPC Health Maintenance Organisation	99%	Nigeria	Provision of health insurance to individuals, families, and	Naira	400
N-GAS Limited	62.35%	Bermuda	Shipment and delivery of gas	US Dollars	3
NNPC Shipping and Logistics Limited	88%	Nigeria	Shipping and marine transportation	US Dollars	379
NIDAS Shipping Services Limited	99%	United Kingdom	Shipping and marine transportation	US Dollars	38
Nigerian Liquefied Petroleum Gas Limited (NNPC LPG)	100%	Nigeria	Liquified petroleum gas sales	Naira	100
NNPC LNG Limited	100%	Nigeria	Liquified natural gas sales	US Dollars	22
Nidas Shipping Service Agency (UK) Limited	100%	Nigeria	Provision of agency services	Pounds	-

NNPC Gas and Power Investment Company Limited (NGPIC)	100%	Nigeria	Energy, gas and power investment services	Naira	100
NNPC Trading DMCC	100%	United Arab Emirates	Trading of refined oil products, petrochemicals, crude oil and liquefied natural gas	Dirham	-
NNPC Properties Limited (NPL)	100%	Nigeria	Real estate and allied services	Naira	100
NNPC Medical Services Limited (NMSL)	100%	Nigeria	Provision of health services to staff, individuals, families and	Naira	10
Nueoil Energy Limited	100%	Nigeria	Oil, gas and energy related services including prospecting, producing, im(ex)porting,	Naira	145,819
National Petroleum Telecommunication Limited (NAPET)*	100%	Nigeria	Telecommunications investment	Naira	100
NNPC New Energy Limited	100%	Nigeria	Development of non-fossil renewable energy	Naira	10
Maiduguri Emergency Power Plant (Independent Power Plant) Limited	100%	Nigeria	Power generation, transmission and distribution services	Naira	10
					1,373,604

The NNPCL Group combines like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries in the consolidated financial statements.

5 Material Non-controlling interest

Financial information of the subsidiary that has material non-controlling interests is provided below before the intercompany transactions were eliminated:

Names	**Country of incorporation and operation**	**31 December 2022 Accumulated NCI (%)**
NGAS Limited	Nigeria	37.65

Summarized statement of profit or loss and other comprehensive income	**31 December 2022 N'M**
Revenue	870
Cost of sales	-
Administrative expenses	(538)
Finance income	85
Finance costs	148
Other income	4,177
Profit for the period	4,742
Other comprehensive loss, net of tax	(926)
Total comprehensive profit, net of tax	3,816
Equity holders of parent	2,379
Non-controlling interest (37.65%)	1,437
	3,816
Non-controlling interest (37.65%)	
Non-controlling interest portion of profit	1,786
Non-controlling interest portion of other comprehensive loss	(349)
	1,437

Summarized statement of financial position

	31 December 2022 N'M
Trade and other receivables	21,873
Other financial assets at amortised cost	6
Prepayments and other assets	5
Cash and bank balances	5,877
Restricted cash	12,360
Total assets	**40,121**
Trade and other payables	33,320
Total liabilities	**33,320**
Total equity	**6,801**
Group's proportion of interest in NGAS	5,192
Non-controlling interest	1,609
Total equity	6,801

There was no transaction with NCI during the period.

Summarized cash flow information

	31 December 2022 N'M
Operating	3,458
Investing	-
Financing*	(949)
Exchange difference	(1,584)
Net increase in cash and cash equivalents	925
Cash and cash equivalents at 21 September 2021	-
Transfers-in at 1 July 2022	4,952
Closing Cash and cash equivalents	5,877

*Financing activities relate to dividend paid.

6 Interest in joint operations, associates and joint ventures

6.1 *Interest in joint operations - Group*

6.1.1 Production- sharing contract (PSC)

A subsidiary of the Group, NNPC E&P Limited entered into various production sharing contracts (PSCs) with other companies in the industry for the exploration and drilling of some oil blocks under the terms of the various agreements. NNPC E&P Limited's portion of the capital costs incurred for the purpose of petroleum operations is being funded by the operator (carrying party). The operator will recover NNPC E&P's share of cost through the proceeds of NNPC E&P's share of crude production entitlements. Production sharing contracts (PSCs) include the Joint Operating agreements and service contracts.

The contract entered into includes an agreement with AGIP on OPL 244 and Devon Energy on OPL 256 whereby its share of the cost of exploration and drilling are funded by the operators of the blocks. On commencement of commercial production on these blocks, the operators will recover their funding of the company's share of cost through the proceeds of the company's share of crude production entitlements.

6.2 *Interest in joint operations - Company*

6.2.1 Upstream petroleum operations/participations

The Nigerian National Petroleum Company Limited has participating interests in certain Oil Prospecting Licenses (OPLs) and Oil Mining Licenses (OMLs) covered under the various Joint Operating Agreements (JOAs) as detailed below:

Operator	**NNPCL Interest 2022 %**
The Shell Petroleum Development Company of Nigeria Limited	55
Chevron Nigeria Limited	60
Total E&P Nigeria Limited	60
Mobil Producing Nigeria Unlimited	60
Aiteo Exploration and Production Limited	55
NNPC Eighteen Operating Limited	55
First E & P Development Company Limited	60
Seplat Energy	60
West African Exploration and Production Company Limited	55
Amni International Petroleum Development Company	60
Belema Oil Producing Limited	60
Heirs Holdings Oil and Gas Limited	55
NNPC E&P Limited (OML 86/88)	60

The Nigerian National Petroleum Company Limited also has participating interests in the Escravos gas to liquids project (the "EGTL Project"). The participating interest is below:

	NNPCL Interest 2022 %
Chevron Nigeria Limited (CNL or "Operator")	60

6.2.2 Other Commercial Arrangements

i Carry Agreements (Alternative Funding Agreements)

Carry agreements between NNPCL and some of its partners in the JOAs are as follows:

Carry Party	NNPCL Interest	Carry Party
Total E&P Nigeria Limited	60%	Development of Amenam/Kpono field
Chevron Nigeria Limited	60%	Meji Redevelopment Project
Chevron Nigeria Limited	60%	North Swamp
Chevron Nigeria Limited	60%	South Offshore Water Injection Project (SOWIP)

ii Carry Agreements (Modified Carry Agreements)

Under the agreements, the carried party is NNPCL, its share of project development expenditures based on its participating interest are reimbursed to the carrying parties by means of Carry Tax Relief (CTR) and Carry oil, amongst other terms. The existing MCAs are as follows:

Project	Carry Party
• Gbaran- Ubie Phase 2A	Shell Petroleum Development Company of Nigeria Limited
• Ofon 2	Total E&P Nigeria Limited (TEPNG)
• OML 58	Total E&P Nigeria Limited (TEPNG)
• Oso Condensate	Mobil Producing Nigeria Unlimited
• Gbaran-Ubie Phase 1	SPDC
• 2007-2009 Drilling Bundle	Mobil Producing Nigeria Unlimited
• 2010 Drilling Bundle	Mobil Producing Nigeria Unlimited

Unitisation Agreement-Ekanga Zaffiro field

NNPC Limited and Elf Petroleum Nigeria Limited, together called Block 102 participants entered into a unitisation and unit operating agreement with The Federal Republic of Equatorial Guinea (represented by its Ministry of Mines and Hydrocarbons), Mobil Equatorial Guinea Incorporated and Ocean Equatorial Guinea Company (together called Block B participants).

The Block 102 participants are holders of OML (Oil Mining Lease) 102 and the agreement is for the purpose of enabling the unit area to be developed as a unitised field by utilising Block B facilities and infrastructure. The Block 102 participating interest is divided between Nigerian National Petroleum Corporation and Total E&P Nigeria Limited in the ratio 60:40 and they are remunerated by way of rental entitlements related to production from the field. The production profile for the Block 102 is approximately 11.5 years. The rental entitlements are settled via cash payments from proceeds of sale of crude or direct lifting of crude oil from the field by the Block 102 participants.

6.3 *Interest in joint ventures*

Set out below are the associates and joint ventures of the Group as at 31 December 2022 which, in the opinion of the directors, are material to the group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

The Group has joint ventures with the following equity interests:

Proportion of equity interest held in Joint ventures

Name	Principal activities	Place of business/ country of incorporati	31 December 2022
			% of ownership interest
WAGL Energy	Offtake, marketing and trading of NLNG NGLs under the equity lifting scheme	Nigeria	60%
Hyson (Nigeria) Limited*	Provision of logistic and operational services, marketing of excess crude oil	Nigeria	60%
Calson Bermuda Limited	Marketing of crude oil and petroleum products	Bermuda	51%
Anoh Gas Processing Company Limited	Gas processing	Nigeria	50%
Gwagwalada Power Limited	Power generation and distribution	Nigeria	50%
Nikorma Transport Limited	Shipping and marine transportation.	Nigeria	51%

*Decisions relating to control of Hyson Nigeria Limited, West Africa Gas Limited, Calson Bermuda Limited, and Nikorma Transport Limited requires agreement of both parties hence, this has been treated as a joint venture in accordance with the joint venture agreement between the

None of the entities stated above are listed.

Investment in joint ventures and associates

		Group 31 December 2022 N'M
Joint ventures	Note 6.3.1	72,869
Associates	Note 6.4.1	64,404
Investment in joint ventures and associates		137,273

		Company 31 December 2022 N'M
Joint ventures	Note 6.3.2	3,732
Associates	Note 6.4.2	56,540
		60,272

6.3.1 Investment in joint ventures

31 December 2022	Group At 21 September 2021 N'M	Transfers in at 01 July 2022 N'M	Share of profit N'M	Share of Other comprehensive loss N'M	Addition /(Dissolution) N'M	Translation differences N'M	At 31 December 2022 N'M
Investment in Calson	-	4,516	-	-	-	(2,206)	2,310
Investment in Hyson	-	953	580	-	(175)	63	1,421
Investment in Gwagwalada power	-	-	-	-	1	-	1
Investment in Anoh**	-	87,091	-	(17,639)	-	(315)	69,137
	-	92,560	580	(17,639)	(174)	(2,458)	72,869

6.3.2 Investment in joint ventures

	Company						
31 December 2022	**At 21 September 2021 N'M**	**Transfers-in at 01 July 2022 N'M**	**Share of profit N'M**	**Share of OCI N'M**	**Addition/(Dissolution) N'M**	**Translation differences N'M**	**At 31 December 2022 N'M**
Investment in Calson	-	1,003	-	-	-	1,307	2,310
Investment in Hyson	-	778	580	-	-	63	1,421
Investment in Gwagwalada	-	-	-	-	1	-	1
	-	1,781	580	-	1	1,370	3,732

Summarised financial information of the joint ventures, based on their IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

*As at 31 December 2022, the carrying amount of the Company's interest in Nikorma and WAGL was Nil. The total amount of the cumulative unrecognised losses as at 31 December 2022 was N 1.649 billion and N 193 million respectively.

6.3.3 Summarised statement of financial position of the Group's joint ventures as at 31 December 2022 are as follows:

The tables below provide summarised financial information for those joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and the Group's share of those amounts.

	Hyson Nigeria Limited N'M	***Nikorma Transport Limited N'M**	**West Africa LPG N'M**	**Total N'M**
Non-current assets and liabilities				
Property, plant and equipment	1	44	127	172
Trade and other receivables	599	-	-	599
Trade and other payables	(1,071)	-	-	(1,071)
	(471)	44	127	(300)
Current assets and liabilities				
Trade, inventory and other	11	32	33,526	33,569
Cash and cash equivalent	2,843	714	48,440	51,997
Trade and other payables	(15)	(4,572)	(79,264)	(83,851)
	2,839	(3,826)	2,702	1,715
Total equity	2,368	(3,782)	2,829	1,415
Group share in %	60%	51%	60%	
Group's carrying amount of the investment in Joint venture (Note 6.3.1)	1,421	-		1,421
Reconciliation of carrying amounts				
Opening net assets/(liabilities) at 21 September 2021	-	-	-	-
Transfers-in at 1 July 2022	1,622	(4,000)	222	(2,156)
Profit for the period (Note 6.3.4) *	967	166	1,345	2,478
Other comprehensive income (Note 6.3.4)*	-	-	-	-
Exchange differences*	(221)	52	1,261	1,092
31 December 2022	2,368	(3,782)	2,828	1,414

Calson obtained a waiver from the members and directors of the company to not prepare financial statements for the period ended 31 December 2021. This waiver is confirmed to be applicable in the sixteen-month reporting period.
* The figures reported in the profit or loss and other comprehensive income for the period represents 100% of the amount reported in the individual joint venture financial statements.

The share of profit of NNPCL in Nikorma Transport and West Africa LPG was not recognised since the accumulated share of loss is higher than the initial investments made by NNPC (Corporation) and transferred to NNPC Limited. During the period, the Group's share of profit from West Africa LPG amounted to N807 million, however, the cumulative unrecognised losses transferred from NNPC (Corporation) as at 30 June 2022 was N1 billion. The Group's share of profit has been used to reduce the cumulative unrecognised losses to N193 million as at 31 December 2022.

Summarised statement of profit or loss of the joint ventures are as follows

6.3.4 For the period ended 31 December 2022

	Hyson Nigeria Limited	*Nikorma Transport Limited	West Africa LPG	Total
	N'M	N'M	N'M	
Revenue	2,707	463	250,291	253,461
Cost of sales	(1,264)	(210)	(247,151)	(248,625)
Other administrative expenses	(509)	(123)	(1,346)	(1,978)
Interest income	27	36		63
Other income	6	-	-	6
Interest expense	-	-	(449)	(449)
Profit/(loss) before tax	967	166	1,345	2,478
Income tax	-	-	-	-
Profit/(loss) for the period	967	166	1,345	2,478
Other comprehensive income, net of tax	-	-	-	-
Exchange differences	-	-	-	-
Total comprehensive income	967	166	1,345	2,478
Group's share of profit for the period	580	-		580
Group's share of unrecognised profit	-	85	807	892
Group's share of OCI for the period	-	-	-	-

The share of profit of NNPCL in Nikorma Transport and West Africa LPG was not recognised since the accumulated share of loss is higher than the initial investments.

The joint ventures had no other contingent liabilities or capital commitments as at 31 December 2022. The Joint ventures cannot distribute their profits without the consent of the joint venture partners.

6.4 Investment in associate

Proportion of equity interest held in Associates

Name	Principal activities	Ownership within the Group	Place of business/ country of incorporation	30 June 2022
				% of ownership interest
Brass Fertilizer and Petroleum Company Limited	Fertilizer processing	NNPCL	Nigeria	20.00%
Brass Terminal	Storage of petroleum products	NNPCL	Nigeria	30.00%
Azikel Petroleum Limited	Processing of crude	NNPCL	Nigeria	30.00%
Gas Aggregate Company Nigeria Limited (GACNL)	Implementation of gas management model to monitor domestic utilization of gas	NNPCL	Nigeria	30.00%
Netcodietsmann Limited	Operation and maintenance of Oil and Gas assets.	NETCO	Nigeria	40.00%
N21 Telecommunications Limited	Telecommunication services	NAPET	Nigeria	49.00%
OKLNG Limited	Construction and operation of a Four-Train LNG plant.	NNPCL	Nigeria	46.75%
NLNG	Marketing, production and delivery of liquified natural gas to consumers	NNPCL	Nigeria	49.00%
West Africa Gas Pipeline Company Limited (WAGPC)	Provision of gas transportation.	NNPCL	Bermuda	24.91%

The movement on the investment account during the period was as follows:
As at December 2022, Brass Terminal, Brass Fertilizer and Azikel, GNCNL and N21 had not started operations.

6.4.1 31 December 2022

	Group						
	Brass Fertilizer	Brass Terminal	Azikel Petroleum Limited	Gas Aggregate Company Nigeria Limited (GACNL)	Netco-dietsmann	N21 Telecommunications Limited	Total
	N'M	N'M	N'M	N'M	N'M	N'M	N'M
At 21 September 2021	-	-	-	-	-	-	-
Transfers-in at 1 July 2022	11,794	3,154	36,915	-	2,636	3,683	58,182
Share of profit in associate	-	-	-	-	1,311	-	1,311
Contributions	-	-	-	7	-	-	7
Share of Other comprehensive loss in associate	-	-	-	-	(1,885)	-	(1,885)
Dividend declared during the period	-	-	-	-	(1,120)	-	(1,120)
Translation difference	958	256	3,455	1	1,539	1,700	7,909
At 31 December 2022	12,752	3,410	40,370	8	2,481	5,383	64,404

6.4.2

	Company				
				31 December 2022	
	Brass Fertilizer	Brass Terminal	Azikel Petroleum Limited	Gas Aggregate Company Nigeria Limited	Total
	N'M	N'M	N'M	N'M	N'M
At 21 September 2021	-	-	-	-	-
Transfers-in at 1 July 2022	11,794	3,154	36,915	-	51,863
Contributions			-	7	7
Exchange difference	958	256	3,455	1	4,670
At 31 December 2022	12,752	3,410	40,370	8	56,540

NNPCL has 30% interest in Azikel Petroleum, and 49% interest in N21. However, Azikel Petroleum, and N21 are not yet operational as at 31 December 2022. NLNG, OKLNG & WAGPC are not included as part of the Group's investment in associates because the investment is held in trust by NNPCL on behalf of the Federal Government of Nigeria. See Note 25.3.

6.4.3 Summarised statement of comprehensive income of the Group and Company's associates for the period ended 31 December 2022 are as follows:

Share of the associate's profit or loss	Netcodietsmann **31 December 2022 N'M**
Revenue	13,731
Impairment loss on financial assets	(37)
Profit before taxation	4,980
Profit after taxation	3,279
Other comprehensive loss, net of tax	(4,713)
Total comprehensive loss for the period, net of tax	(1,434)
Group's share of profit for the period	1,311
Group's share of unrecognised profit	-
Group's share of other comprehensive loss, net of tax	(1,885)
Group's share of unrecognised OCI	-

Summarised statement of financial position of the Group's associates as at 31 December 2022 are as follows:
As at 31 December 2022:

	Netcodietsmann N'M	**Total N'M**
Non-current assets and liabilities		
Property, plant and equipment	40	40
Right of use Assets	14	14
Intangible Assets	13	13
Financial Assets	16	16
Deferred Tax Assets	383	383
Provisions	(1,077)	(1,077)
	(611)	(611)
Current assets and liabilities		
Trade and other receivables	12,883	12,883
Cash and cash equivalent	7,293	7,293
Trade and other payables	(7,482)	(7,482)
Current income tax liabilities	(5,880)	(5,880)
	6,814	6,814
Total equity	6,203	6,203
Group share in %	40.00%	
Group's carrying amount of the investment in associates (Note 6.4.1)	2,481	-
Reconciliation of carrying amounts		
Opening net assets 21 September 2021	-	-
Transfers in at 1 July 2022	6,591	6,591
Profit for the period (Note 6.4.3)	3,279	3,279
Other comprehensive loss (Note 6.4.3)	(4,713)	(4,713)
Adjustments	1,046	1,046
Closing net assets	6,203	6,203

6.5 Share of profit for the period

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
Joint ventures (Note 6.3)	580	580
Associate (Note 6.4)	1,311	-
	1,891	580

6.6 Share of other comprehensive loss for the period

	31 December 2022 N'M	31 December 2022 N'M
Joint ventures (Note 6.3)	(17,639)	-
Associate (Note 6.4)	(1,885)	-
	(19,524)	-

7 Business Combination

7.1 Acquisitions during the reporting period

7.1.1 Summary of acquisition

On 1 October 2022, Nigerian National Petroleum Company Limited ("NNPCL") acquired 100% of the voting shares of Nueoil Energy Limited ("Nueoil") —a non-listed company based in Lagos, Nigeria whose principal activities are to carry on all or any of the business of oil, gas and energy— from Riverbrand Energy Limited. NNPCL acquired Nueoil Energy Limited because it presents an opportunity for NNPCL to capture a third of the retail market share and also presents the opportunity for NNPCL to acquire two blending plants which would enable the Company to participate in the lubricant market on a higher scale.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

7.1.2 Goodwill computation

	US$	N'M
Cash paid	325,090,000	140,559
Purchase consideration	**325,090,000**	**140,559**
Less: Nueoil's provisional fair value of identifiable net assets as at acquisition date		60,109
Goodwill as at acquisition date		**80,450**
Goodwill impairment		-
Goodwill as at reporting date		**80,450**

The goodwill is attributable to the workforce acquired, market share, customer relationships and location of the acquired business. It will not be deductible for tax purposes.

Acquisition-related cost of US$1,500,000 being issuance fees for the Letter of Credit facility provided by Africa Finance Corporation (AFC) are not directly attributable to the cost of investment. This cost has been included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

7.1.3 Net identifiable assets acquired

The assets and liabilities recognised as a result of the acquisition are as follows:

	1 October 2022 N'M
Property, plant and equipment	71,291
Intangible assets	122
Right-of-use assets	3,811
Prepayment and other assets	12,833
Inventories	36,304

Trade and other receivables	78,884
Cash and short-term deposits	7,224
Deferred tax liabilities	
Borrowings	(54,282)
Employee benefits liability	(56)
Decommissioning liability	(1,774)
Trade and other payables	(85,501)
Customers and security deposits	(4,224)
Current tax liabilities	(1,346)
Contract liabilities	(3,098)
Lease liabilities	(79)
Net identifiable assets acquired*	**60,109**
Add: Goodwill (Note 7.1.2)	80,450
Net assets acquired	140,559

* The net assets recognised in the 31 December 2022 financial statements were based on their provisional fair values while the Group sought an independent valuation of their fair values. The valuation has not been completed by the reporting date and will be completed by 12 months from the acquisition date; any resulting changes in fair value will be adjusted against goodwill.

7.1.4 Post-acquisition profit/(loss) from Nueoil

Post-acquisition profit/(loss) from Nueoil Limited is computed as follows:

	1 October 2022 N'M	31 December 2022 N'M	Post-acquisition reserve N'M
Share capital	1	1	-
Share Premium	36,095	36,095	-
Other reserves	133,693	136,713	3,020
Retained (loss)/earnings	(46,229)	(45,704)	525
Non controlling interest	(506)	(193)	313
Goodwill*	(62,944)	(62,944)	-
Post-acquisition profit/(loss)			3,858

* The existing goodwill in Nueoil's financial statements have not been considered as part of the identifiable net assets of Nueoil for the purpose of the Group's goodwill computation on the acquisition of Nueoil.

7.1.5 Impact on NNPCL's retained earnings

	31 December 2022 N'M
NNPCL's retained earnings balance	1,989,081
Post-acquisition profit from Nueoil (Note 7.1.4)	3,858
Goodwill impairment	-
Adjusted retained earnings	1,992,939

7.1.6 Purchase consideration - cash outflow

	1 October 2022 N'M
Purchase consideration (Note 7.1.2)	140,559
Less: Balances acquired	
Cash	(7,224)
Bank overdraft	-
Net outflow of cash - investing activities	133,335

7.1.7 Revenue and profit contribution

The acquired business contributed revenues of ₦90.9 billion and net profit of ₦560 million to the Group for the period from 1 October to 31 December 2022. If the acquisition had occurred on 09 March 2022 when Nueoil was incorporated, Nueoil's revenue and net loss contribution to the Group for the period ended 31 December 2022 would have been ₦234 billion and (₦1.9 billion) respectively.

8 Revenue from contracts with customers

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
Revenue from crude oil sales	3,529,495	2,422,169
Revenue from petroleum product sales	4,503,351	186,958
Revenue from sales of natural gas	683,010	281,207
Revenue from services	100,528	-
	8,816,384	2,890,334

Revenue from crude oil sales is from sales of utilized crude during the period and liftings of equity interest in various oil assets.

Petroleum products sales include the sale of Premium Motor Spirit (PMS), Dual Purpose Kerosene (DPK), Automotive Gasoline Oil (AGO), Naphtha, lubricants and other related products.

Sale of natural gas represents the invoice value (transaction price) of natural gas sold to third parties.

Revenue from services consist of revenue from seismic contracts, time based contracts, gas transmission tariffs, shipping, marine and engineering

8.1 Disaggregation of revenue from contracts with customers

The Group and Company derives revenue from the transfer of commodities and provision of services at a point in time or over time in the following geographical regions.

The Group
31 December 2022

	Revenue from crude oil sales N'M	Revenue from petroleum product sales N'M	Revenue from sales of natural gas N'M	Revenue from service N'M	Total N'M
Geographical markets					
Nigeria	545,431	4,373,761	638,727	-	5,557,919
United Kingdom	19	-	3,938	-	3,957
Panama	2,984,045	-	24,008	-	3,008,053
Bahamas	-	129,590	-	-	129,590
Dubai	-	-	-	100,528	100,528
Cayman Island	-	-	16,337	-	16,337
Revenue from contract with customers	3,529,495	4,503,351	683,010	100,528	8,816,384
Timing of revenue recognition					
Point in time	3,529,495	4,503,351	456,508	-	8,489,354
Overtime	-	-	226,502	100,528	327,030
Revenue from contract with customers	3,529,495	4,503,351	683,010	100,528	8,816,384

Company

	Revenue from crude oil sales N'M	Revenue from petroleum product sales N'M	Revenue from sales of natural gas N'M	Revenue from service N'M	Total N'M
Geographical markets					
Nigeria	-	-	253,261	-	253,261
United Kingdom	-	-	3,938	-	3,938
Panama	2,422,169	-	24,008	-	2,446,177
Bahamas	-	186,958	-	-	186,958
Revenue from contract with customers	2,422,169	186,958	281,207	-	2,890,334
Timing of revenue recognition					
Point in time	2,422,169	186,958	72,187	-	2,681,314
Overtime	-	-	209,020	-	209,020
Revenue from contract with customers	2,422,169	186,958	281,207	-	2,890,334

9 Cost of sales

		Group	Company
		31 December 2022 N'M	31 December 2022 N'M
Petroleum products	Note 9.1	4,757,424	58,442
Freight, insurance and other charges		62,485	817
Depreciation and depletion of oil and gas properties	Note 16	145,915	101,966
Amortisation of intangible assets	Note 21	4,298	-
Royalties to Federal Government of Nigeria		618,804	500,670
Gas flaring		103,048	-
Direct well expenses		78,783	19,989
Crude handling and port charges		251,972	191,237
Safety, environment and pollution control		11,240	7,764
Niger Delta Development Commission levy		44,497	44,497
Rig site and stimulation expenses		3,942	-
Allocated technical and production costs		91,872	91,872
Variation in crude stock		30,547	-
Pipeline maintenance costs		16,296	189
Insurance and security expense		153	153
Flow stations expenses		46,122	71
Labour costs		24,056	333
Production costs		34,961	-
Technical and consultancy charges		17,742	43
Write-off of oil and gas assets	Note 19	88,904	87,178
Write-down of inventories	Note 23	6,568	-
Other direct cost		266,306	95,829
		6,705,935	1,201,050

9.1 The Group Petroleum products is net of PMS under recovery of N2.4 trillion as at 31 December 2022. The Company's Petroleum products relates to EGTL product sales which is a JV between Chevron and NNPCL. See Note 24.1.4.

10 Selling and distribution expenses

	Group	Company
	31 December 2022 N'M	31 December 2022 N'M
Throughput charge*	5,658	-
Tariff charge	15,173	-
Marketing and distribution expenses**	2,050	-
	22,881	-

*Throughput charge represents commission paid to Private Depots Owners (PDOs) for handling of petroleum products on behalf the Group at the terminals.

**Marketing and distribution expenses relate to amounts paid to acquire services for transportation of petroleum products for discharge at water fed depots in and/or outside the country.

11 General and administrative expenses

		Group	Company
		31 December 2022 N'M	31 December 2022 N'M
Bank charges		627	48
Depreciation of other property, plant and equipment*	Note 16	59,262	8,692
Depreciation of right of use asset	Note 16	754	585
Write-off of property, plant and equipment		71,307	68,567
Advertisement and publicity		4,225	698
Employee benefit expenses	Note 11.1	266,933	105,596
Insurance expenses		1,589	-
Donations		1,335	314
Audit fees		1,394	612
Entertainment expenses		7,371	950
Legal and professional fees		34,409	23,139
Printing and stationery		190	112
Rent and rates		20,552	14,683
Fines and penalties		44,955	-
Repairs and maintenance		114,277	105,651
Security expenses		267,980	264,431
Directors fees and expenses		824	379
JV employee costs		65,196	65,196
Staff training/recruitment cost		25,034	2,702
Management and facilitation fee		295	-
Technical and consultancy charges		2,430	2,430
Transport and travelling		193,407	160,829
Software license and maintenance expenses		3,387	3,387
Postages and telephone		3,260	203
Industrial training fund		283	183
Office running costs		1,066	736
Minimum tax and levy		15,659	-
Other expenses		496,363	375,888
		1,704,364	1,206,011

11.1 Employee benefit expenses

		Group	Company
		31 December 2022 N'M	31 December 2022 N'M
i *Post employment benefits;*			
Pension costs- defined benefit plans		51,912	36,752
Gratuity charge- defined benefit plans		29,667	12,686
Post-employment medical benefits		3,030	2,457
		84,609	51,895
Pension costs- defined contribution plans		13,313	-
		97,922	51,895
ii *Other long-term employee benefits;*			
Long service awards		462	177
Re-measurement (gain)/loss - long service awards	Note 36.5	(236)	4
		226	181
iii *Short-term employee benefits;*			
Salaries and wages		73,681	17,725
Staff allowances		58,215	11,370
Staff welfare expenses		36,889	24,425
		168,785	53,520
Employee benefit expense		266,933	105,596

12 Net impairment reversals on financial assets recognised in profit or loss

		Group	Company
		31 December 2022 N'M	31 December 2022 N'M
Impairment reversals:			
Trade and other receivables	Note 24.3	311,070	119,551
Cash and short term deposits	Note 26.1	22	(21)
		311,092	119,530

13 Other income

		Group	Company
		31 December 2022 N'M	31 December 2022 N'M
Lease income	Note 13.1	170	70
Exchange gain		296,039	277,193
Management fees	Note 13.2	51,223	51,223
Insurance claims	Note 13.3	721	512
Sale of diesel and fuel coupons		3	-
Sale of special products	Note 13.4	3,890	-
Provision write-back		26	-
Income from use of vessels		4	4
Income from penalties and fines	Note 13.5	45,539	-
Refund from Federation	Note 13.6	11,667	11,667
Dividend income	Note 13.7	7	3,561
Sundry income	Note 13.8	166,534	132,636
Signature bonus		1,189	1,189
Variation in crude stock	Note 13.9	56,890	-
Gain on variation in crude stock	Note 13.10	501,353	501,353
Demurrage		11,113	-
Throughput income		12,347	-
Freight income		12,033	-
Gain on disposal of PPE	Note 19.5	627	-
Commission income		1,183	-
		1,172,558	979,408

13.1 Lease income represents amounts received for operating leases on pipelines by NNPC E&P Limited and PHRC. Lease income for the Company represents receipt for freehold properties.

13.2 Management fees for the Company represent 30% of profit oil & profit gas from Production Sharing Contracts (PSCs).

13.3 Insurance claim represents insurance claims on various assets.

13.4 Special products are by-products of petroleum processing in inventory that were sold during the period.

13.5 Income from penalties and fines relates to reversal of penalty charged NEPL for outstanding crude and gas royalties and concession rentals in the last quarter of 2022 by the Nigerian Upstream Petroleum Regulatory Commission (NUPRC).

13.6 Refund from federation relates to the amounts received from the Federation for expenses incurred on their behalf which had been previously written off.

13.7 Dividend income for the Company relates to dividend received from Schlumberger Plc (N6.9 million), N-GAS Limited (N1 billion) and Wheels Insurance (N2.5 billion).

13.8 The Group's sundry income represents income from other operations other than the principal activities of the Group which includes income from trans-forcados pipelines and crude processing fees.

13.9 Variation in crude stock represents movements in crude inventory, underlift and overlift positions.

13.10 Gain on variation in crude stock relates to pricing differences between the opening and closing balances of crude over- and under-lifting inventory.

14 Finance cost

		Group	Company
		31 December 2022 N'M	31 December 2022 N'M
Unwinding of discount on decommissioning provision	Note 35	44,499	43,797
Interest expense on lease liability	Note 42.2	416	413
Premium on contract liability		26,794	14,644
*Interest cost		1,348	-
		73,057	58,854

* Interest cost on loans relates to the loan taken by Nueoil Energy Limited, a subsidiary acquired during the reporting period.

15 Finance income

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
Investment income	10,752	9,231

Investment income are interest income from short term deposits by the Group with financial institutions.

16 Depreciation and amortisation included in the statement of profit or loss

		Group 31 December 2022 N'M	Company 31 December 2022 N'M
Included in cost of sales			
Depreciation and depletion of oil and gas properties	Note 19.1 and 19.2	145,915	101,966
Included in general administrative			
Depreciation of other property, plant and equipment	Note 19.4	59,262	8,692
Depreciation of right of use asset	Note 42.1	754	585
Total depreciation		205,931	111,243
Included in cost of sales			
Amortisation of intangible assets	Note 21	4,298	-
		210,229	111,243

17 Component of other comprehensive income/(loss)

		Group 31 December 2022 N'M	Company 31 December 2022 N'M
Re-measurement loss on post-employment medical benefit	Note 36.4	(1,790)	(1,063)
Re-measurement loss- pension	Note 36.2	(78,213)	(92,374)
Re-measurement gain -gratuity	Note 36.3	126,877	54,709
Income tax effect on post retirement medical benefit		(61,001)	72,445
Re-measurement (loss)/gains-post employment benefits		(14,127)	33,717
Fair value gain on financial asset at FVTOCI	Note 22.2	487	165
Exchange difference on translation of foreign operations		2,177,638	1,742,331
NCI Exchange differences on translation of foreign operations		(177)	-
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method	Note 6.6	(19,524)	-
Income taxes relating to these items		16,084	-
		2,160,381	1,776,213

18 Taxation

18.1 Income tax

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
Company income tax	343,970	275,110
Petroleum profit tax charge	613,161	549,884
Education tax	32,266	30,968
NASENI levy	4,330	4,329
Police trust fund	13,183	87
Current tax charge	1,006,910	860,378
Deferred tax		
Deferred tax credit	(1,723,984)	(1,320,149)
Income tax credit reported in the statement of profit or loss	(717,074)	(459,771)

A reconciliation between tax expense and the product of accounting profit multiplied by Nigeria's domestic tax rate for the period ended 31 December 2022 is as follows:

	Group	Company
	31 December 2022 N'M	31 December 2022 N'M
Profit before tax	1,806,440	1,533,168
At statutory income tax rate of 30%	541,932	459,950
Effect of tax losses carried forward	-	-
Non-deductible expenses for tax purpose	(1,629,078)	(1,253,299)
Education tax	32,266	30,968
Effect of tax on share of profit of joint ventures and associates	567	174
Effect of higher tax rate for petroleum profit tax	337,239	302,436
At end of the period	(717,074)	(459,771)
Effective tax rate	(39.7%)	(30.0%)

18.1.1 Reconciliation of the income tax liability includes:

	Group	Company
	31 December 2022 N'M	31 December 2022 N'M
Opening balance	-	-
Transfers-in at 1 July 2022	34,295	-
	34,295	-
Charge for the period	1,006,910	860,378
	1,041,205	860,378
Payment during the period - company income tax	(102,557)	-
Withholding tax credit used	(61)	-
Crude oil lifted in lieu of petroleum profit tax payment	(717)	-
Translation difference	281,722	34,662
	1,219,592	895,040

18.2 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% for company income tax and 85% for petroleum profit tax.

The analysis of deferred tax assets and deferred tax liabilities is as follows;

	Group	Company
	31 December 2022 N'M	31 December 2022 N'M
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	-	-
Deferred tax asset to be recovered after more than 12 months	3,098,648	-
	3,098,648	-

	Group	Company
	31 December 2022 N'M	31 December 2022 N'M
Deferred tax liabilities		
Deferred tax liabilities to be recovered within 12 months	-	-
Deferred tax liabilities to be recovered after more than 12 months	13,233,649	13,177,200
	13,233,649	13,177,200

Deferred Tax
Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Group

Deferred tax assets	At 21 September 2021 N'M	Transfers-in at 1 July 2022 N'M	Charged/credited to profit or loss N'M	Credited to OCI N'M	Translation difference N'M	At 31 December 2022 N'M
Unutilised capital allowance	-	1,848,391	116,756	-	144,294	2,109,441
Assets Retirement Obligations and Others		376,304	(14,007)	16,084	30,008	408,389
	-	2,224,695	102,749	16,084	174,302	2,517,830
Impairment of financial asset	-	743,766	(213,587)	-	50,639	580,818
	-	2,968,461	(110,838)	16,084	224,941	3,098,648

Deferred tax liabilities	At 21 September 2021 N'M	Transfers-in at 1 July 2022 N'M	Charged/credited to profit or loss N'M	Charged/credited to OCI N'M	Translation difference N'M	At 31 December 2022 N'M
Property, plant & equipment	-	16,222,576	(1,837,102)	-	(32,534)	14,352,940
Asset retirement obligation	-	(1,183,308)	2,280	-	91	(1,180,937)
Equity investments	-	-	-	-	(5)	(5)
Employee benefits provision	-	2,840	-	61,001	(2,190)	61,651
	-	15,042,108	(1,834,822)	61,001	(34,638)	13,233,649

Company

Deferred tax assets	At 21 September 2021 N'M	Transfers-in at 1 July 2022 N'M	Charged/credited to profit or loss N'M	Credited to OCI N'M	Translation difference N'M	At 31 December 2022 N'M
Unutilised capital allowance	-	-	-	-	-	-
Tax losses	-	-	-	-	-	-
Post-employment benefits	-	-	-	-	-	-
Others	-	-	-	-	-	-
	-	-	-	-	-	-
Impairment of financial asset	-	-	-	-	-	-
	-	-	-	-	-	-

Deferred tax liabilities	At 21 September 2021 N'M	Transfers-in at 1 July 2022 N'M	Charged/credited to profit or loss N'M	Charged/credited to OCI N'M	Translation difference N'M	At 31 December 2022 N'M
Property, plant & equipment	-	15,767,406	(1,322,429)	-	(32,534)	14,412,443
Asset retirement obligation	-	(1,183,308)	2,280	-	91	(1,180,937)
Equity investments	-	-	-	(142)	(5)	(147)
Employee benefits provision	-	2,842	-	(54,811)	(2,190)	(54,159)
	-	14,586,940	(1,320,149)	(54,953)	(34,638)	13,177,200

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.
The joint venture and associate of the Group cannot distribute its profits until it obtains the consent from all venture partners and the equity owners respectively. The Company does not foresee giving such a consent at the reporting date.

19 Property, plant and equipment

	Group			
Cost	**Evaluation and Exploration assets N'M**	**Oil and gas properties N'M**	**Other property, plant and equipment N'M**	**Total N'M**
At 21 September 2021	-	-	-	-
Transfers-in as at 1 July 2022	318,750	26,440,095	2,664,186	29,423,031
Additions	165,640	984,242	613,115	1,762,997
Write-off***	-	(88,904)	(71,307)	(160,211)
Disposals	(90,102)	-	(580)	(90,682)
Change in estimates for decommissioning	-	(716,871)	-	(716,871)
Exchange differences	47,611	1,476,282	124,238	1,648,131
At 31 December 2022	441,899	28,094,844	3,329,652	31,866,395
Accumulated depreciation				
At 21 September 2021	-	-	-	-
Charge for the period	-	145,915	59,262	205,177
Disposals	-	-	(566)	(566)
At 31 December 2022	-	145,915	58,696	204,611
Net book value				
At 31 December 2022	441,899	27,948,929	3,270,956	31,661,784

***Write-offs relates to divested assets and rejected/disputed exploration and evaluation assets cost agreed with JV partners to be written off and expenses incurred on unsuccessful wells which had earlier been capitalised.. Depletion of mineral rights acquisition is charged to cost of sales and there was no internally generated intangible assets.
None of the Group's assets have been pledged as security.

19 Property, plant and equipment - Continued

	Company			
	Evaluation and Exploration assets N'M	Oil and gas properties N'M	Other property, plant and equipment N'M	Total N'M
Cost				
At 21 September 2021	-	-	-	-
Transfers-in as at 1 July 2022	-	20,112,668	1,175,671	21,288,339
Additions	-	622,702	226,377	849,079
Change in estimate	-	63,654	-	63,654
Write off*	-	(87,178)	(68,567)	(155,745)
Exchange difference		1,660,663	93,805	1,754,468
At 31 December 2022	-	22,372,509	1,422,173	23,794,682
Accumulated depreciation				
At 21 September 2021	-	-	-	-
Charge for the period	-	101,966	8,692	110,658
At 31 December 2022	-	101,966	8,692	110,658
Net book value				
At 31 December 2022	-	22,270,543	1,413,481	23,684,024

*Write-off relates to expenses incurred on unsuccessful wells which had earlier been capitalised.

19.1 Oil and gas properties

Group

	Gas pipelines and other facilities ₦'M	Decommissioning Cost ₦'M	Oil pipelines/storage and depot system ₦'M	Oil wells ₦'M	Kaduna refinery ₦'M	Warri refinery ₦'M	Port Harcourt refinery ₦'M	Kaduna petro-chemical ₦'M	Warri petro-chemical ₦'M	MCA Assets ₦'M	EGTL Assets ₦'M	Construction in progress ₦'M	Assets in progress ₦'M	Total ₦'M
Cost														
At 21 September 2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers-in as at 1 July 2022	1,836,446	3,105,651	152,178	13,350,559	120,616	83,279	244,793	30,506	27,008	4,552,600	2,027,588	801,705	107,166	26,440,095
Additions	44,898	-	-	766,435	-	-	-	-	-	-	2,250	167,252	3,407	984,242
Write-off of asset	(76,917)	-	(11,987)	-	-	-	-	-	-	-	-		-	(88,904)
Change in estimates	-	(794,956)	-	78,085	-	-	-	-	-	-	-		-	(716,871)
Exchange difference	(230,370)	(9,773)	12,358	709,254	-	-	-	-	-	369,708	164,657	451,745	8,703	1,476,282
At 31 December 2022	1,574,057	2,514,223	152,549	14,904,333	120,616	83,279	244,793	30,506	27,008	4,922,308	2,194,495	1,420,702	119,276	28,094,844
Depreciation and depletion														
At 21 September 2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the period	11,178	3,924	2,967	42,436	5,112	3,572	8,740	1,135	720	31,056	35,075	-	-	145,915
At 31 December 2022	11,178	3,924	2,967	42,436	5,112	3,572	8,740	1,135	720	31,056	35,075	-	-	145,915
Net Book Value														
At 31 December 2022	1,562,879	2,510,299	149,582	14,861,897	115,504	79,707	236,053	29,371	26,288	4,891,252	2,159,420	1,420,702	119,276	27,948,929

19.2 Oil and gas properties

Company

	Gas pipelines and other facilities ₦'M	Decommissioning Cost ₦'M	Oil pipelines/storage and depot system ₦'M	Oil wells ₦'M	Kaduna refinery ₦'M	Warri refinery ₦'M	Port Harcourt refinery ₦'M	Kaduna petro-chemical ₦'M	Warri petro-chemical ₦'M	MCA Assets ₦'M	EGTL Assets ₦'M	Construction in progress ₦'M	Assets in progress ₦'M	Total ₦'M
Cost														
At 21 September 2021	-	-	-	-	-	-	-	-	-	-			-	-
Transfers-in at 1 July 2022	1,220,626	1,150,603	152,127	10,904,215	-	-	-	-	-	4,551,064	2,026,903		107,130	20,112,668
Additions	-	-	-	617,264	-	-	-	-	-	-	2,163	-	3,275	622,702
Change in estimate		63,654			-	-	-	-	-	-		-	-	63,654
Write offs	(75,654)	-	(11,524)	-	-	-	-	-	-	-		-	-	(87,178)
Exchange difference	96,450	96,293	11,831	913,100	-	-	-	-	-	369,888	164,227	-	8,874	1,660,663
At 31 December 2022	1,241,422	1,310,550	152,434	12,434,579	-	-	-	-	-	4,920,952	2,193,293	-	119,279	22,372,509
Depreciation and depletion														
At 21 September 2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the period	1,904	3,139	2,852	30,497	-	-	-	-	-	29,855	33,719	-	-	101,966
At 31 December 2022	1,904	3,139	2,852	30,497	-	-	-	-	-	29,855	33,719	-	-	101,966
Net Book Value														
At 31 December 2022	1,239,518	1,307,411	149,582	12,404,082	-	-	-	-	-	4,891,097	2,159,574	-	119,279	22,270,543

Oil and Gas properties - Continued

19.3 Production Sharing Contracts
Non Carried interest
A subsidiary of the Group, NNPC E&P Limited entered into various production sharing contracts (PSCs) with other companies in the industry for the exploration and drilling of some oil blocks under the terms of the various agreements. The subsidiary's portions of the capital costs of all equipment and land acquired for the purpose of petroleum operations are being funded by it through cash calls. In line with the accounting requirements for joint operations, NNPC E&P Limited's shares of the income, expenses, assets and liabilities of these operations have been included in the relevant account lines in NNPC E&P Limited's financial statements.

Carried Interests

NNPC E&P Limited entered into some Production Sharing Contracts (PSC) under carried interest arrangements. NNPC E&P Limited's share of the cost of exploration and drilling of these contracts are funded by the operators of the blocks listed below. On commencement of commercial production on the blocks, the carrying party will recover the cost of its funding from the proceeds of crude oil entitlements.

These have not been recognised in these financial statements in compliance with the requirements of the accounting standards.

NNPC E&P Limited's share of the cost incurred by the operators as per their performance report as at 31 December 2022 is as follows:

OML 154- Esso Exploration and Production Nigeria	31 December 2022 N'M
At 21 September 2021	-
Transfers-in at 1 July 2022	20,128
Addition	
	20,128

OML 139	31 December 2022 N'M
At 21 September 2021	-
Transfers-in at 1 July 2022	3,531
Addition	
	3,531

19.4 Other Property, Plant and Equipment

Group	NNPC Telecom N'M	Land N'M	Buildings N'M	Automotive Equipment N'M	Movable equipment N'M	Furniture and office equipment N'M	Personnel Facilities N'M	Laboratory Apparatus and equipment N'M	Electrical plant and transmission N'M	Loose tools N'M	Assets in progress N'M	Total N'M
At 21 September 2021	-	-	-	-	-	-	-	-	-	-	-	-
Transfers-in as at 1 July 2022	489,560	127,458	114,010	9,742	677,026	82,382	2,876	1,262	173,192	-	986,676	2,664,186
Additions	86,286	-	4,400	154,535	48,417	41,476	501	187	153,307	2	124,005	613,115
Write-off	-	(12,017)	(20,930)	(77)	(6)	(10)	-	(56)	(38,211)	-	-	(71,307)
Disposals	-	-	-	(116)	(64)	(66)	(17)	(316)	-	(1)	-	(580)
Exchange difference	-	10,009	604	(1,573)	54,830	4,590	99	62	48,480	-	7,137	124,238
At 31 December 2022	575,846	125,450	98,084	162,511	780,203	128,372	3,459	1,139	336,768	1	1,117,818	3,329,652
Depreciation and Impairment					-				-			
At 21 September 2021	-	-	-	-	-	-	-	-	-	-	-	-
Transfers-in as at 1 July 2022	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the period	14,120	-	1,483	2,695	2,629	34,134	128	542	3,528	2	-	59,262
Disposals	-	-	-	(116)	(64)	(67)	(7)	(311)	-	(1)	-	(566)
At 31 December 2022	14,120	-	1,483	2,579	2,565	34,068	121	231	3,528	1	-	58,696
Net Book value												
At 31 December 2022	561,726	125,450	96,601	159,932	777,638	94,304	3,338	908	333,240	-	1,117,818	3,270,956

Other Property, Plant and Equipment
The Company

	NNPC Telecom	Land	Buildings	Automotive Equipment	Movable equipment	Furniture and office equipment	Personnel Facilities	Laboratory Apparatus and equipment	Electrical plant and transmission	Loose tools	Assets in progress	Total
	N'M	N'M	N'M	N'M	N'M	N'M	N'M	N'M	N'M	N'M	N'M	N'M
Cost												
At 21 September 2021	-	-	-	-	-	-	-	-	-	-	-	-
Transfers-in as at 1 July 2022	-	123,244	32,836	3,833	674,963	69,957	1,223	700	178,025		90,890	1,175,671
Additions	-		22	151,067	47,510	8,770	-	-	-	-	19,008	226,377
Write offs	-	(12,017)	(18,190)	(77)	(6)	(10)	-	(56)	(38,211)	-	-	(68,567)
Transfer (to)/from SBUs	-	-	(110)	(3,421)	(16)	(910)	-	(302)	-	-	(354)	(5,113)
Exchange difference	-	10,009	-	33	54,825	6,643	99	326	14,457		7,413	93,805
At 31 December 2022	-	121,236	14,558	151,435	777,276	84,450	1,322	668	154,271	-	116,957	1,422,173
Depreciation and Impairment												
At 21 September 2021	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the period	-	-	742	923	2,331	3,764	38	289	605	-	-	8,692
At 31 December 2022	-	-	742	923	2,331	3,764	38	289	605	-	-	8,692
Net Book value												
At 31 December 2022	-	121,236	13,816	150,512	774,945	80,686	1,284	379	153,666	-	116,957	1,413,481

19.5 Gain on disposal of property, plant and equipment

		Group	Company
		31 December 2022 N'M	31 December 2022 N'M
Proceeds from disposal of assets		90,743	-
Cost	Note 19	90,682	-
Accumulated depreciation	Note 19	(566)	-
Less: net book value of disposed assets		90,116	-
Gains on disposal		627	-

Capitalised borrowing cost
There was no capitalised borrowing costs during the period.

20 Royalties, rentals and gas flare penalty payable

	Group	Company
	31 December 2022 N'M	31 December 2022 N'M
At 21 September 2021	-	-
Transfers-in at 1 July 2022	328,769	-
Gas flare penalty payable	7,126	-
Additions during the period	677,231	520,815
Excess provision from prior periods written back*	(8,619)	-
	1,004,507	520,815
Payment during the period	(76,515)	-
Exchange difference	(1,232)	-
At 31 December 2022	926,760	520,815

*Based on the reconciliation of crude and gas royalties performed by NNPC Exploration & Production Limited (NEPL), a subsidiary of the Group, with the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) as at 31 December 2022, a total over-provision of N8.6 billion for crude and gas royalties, concession rentals and gas flare penalties was written back.

	Group	Group
Royalties charge is as shown below for the statement of cash flow purpose:	31 December 2022 N'M	31 December 2022 N'M
Gas flare penalty payable	7,126	-
Additions during the period	677,231	520,815
	684,357	520,815

21 Intangible assets

	Group			
	Goodwill	Software	Mineral Rights	Total
	31 December 2022 N'M	31 December 2022 N'M	31 December 2022 N'M	31 December 2022 N'M
Cost				
At 21 September 2021	-	-	-	-
Transfers-in at 1 July 2022	-	-	500,836	500,836
Additions	80,450	769	34,384	115,603
Exchange difference	-	-	41,100	41,100
At 31 December 2022	80,450	769	576,320	657,539
Amortisation				
At 21 September 2021	-	-	-	-
Amortisation charge for the period	-	-	4,298	4,298
Exchange difference	-	-	17,650	17,650
At 31 December 2022	-	-	21,948	21,948
Net book value	N'M	N'M	N'M	N'M
At 31 December 2022	80,450	769	554,372	635,591

Intangible assets (Contd.)

	Company		
	Software	Mineral Rights	Total
	31 December 2022 N'M	31 December 2022 N'M	31 December 2022 N'M
Cost			
At 21 September 2021	-	-	-
Additions	759	5,696	6,455
At 31 December 2022	759	5,696	6,455
Amortisation			
At 21 September 2021	-	-	-
At 31 December 2022	-	-	-
Net book value	N'M	N'M	N'M
At 31 December 2022	759	5,696	6,455

Internally generated intangible assets

i. Software

Software consists of capitalised development costs being an internally generated intangible asset. Software is measured on initial recognition at cost. Subsequently, software is carried at cost less accumulated amortisation and impairment losses due to changes in technology.

Other intangible assets

i. Goodwill

Goodwill is measured as described in note 1.4(ii). Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

ii. Mineral rights license

Mineral rights are measured on initial recognition at cost. Following initial recognition, the mineral rights are carried at cost less accumulated amortisation and impairment losses. Mineral right license have been granted for a period of 10- 60 years by the relevant government agency and it is amortised over the period. The average remaining amortisation period for the mineral rights is between 1 year - 19 years.

22 Financial Assets and Financial Liabilities

22.1 Other financial assets

		Group	Company
		31 December 2022 N'M	31 December 2022 N'M
Financial assets at FVTOCI			
Quoted equity shares (at fair value)	Note 22.2	4,165	4,164
Unquoted equity shares (at fair value)	Note 22.2	467,231	467,231
		471,396	471,395
Financial assets at amortised cost			
Long term loans receivable	Note 22.3	14,893	-
Staff loans	Note 22.3	15,966	7,033
Other financial assets at amortised cost		30,859	7,033
Financial assets at amortised cost		30,859	7,033
Total other financial assets		502,255	478,428

The Group's quoted equity shares are the ordinary shares of FBN Holdings, Nestle Plc, Cadbury Plc, Unilever Plc, Nigerian-German Chemical Plc, and Schlumberger Plc. The fair value of the quoted shares are based on price quotation in an active market at the reporting date.

The Group's unquoted equity shares are its interests in Afreximbank and Dangote Refinery. The fair value of the unquoted shares are based on reporting date present value of expected future cash dividends.

Other financial assets at amortised cost are held to collect principal and interest and generate fixed interest income for the Group.

The staff loans are measured at amortised cost at the effective interest rate of 17%.

22.2 Reconciliation of fair value measurements for financial assets at FVTOCI

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
Quoted equity		
At 21 September 2021	-	-
Transfers-in at 1 July 2022	-	-
Fair value adjustments recognised in OCI	4,165	4,164
At 31 December 2022	4,165	4,164
Unquoted equity		
At 21 September 2021	-	-
Transfers-in at 1 July 2022	3,272	3,272
Fair value adjustments recognised in OCI	463,959	463,959
At 31 December 2022	467,231	467,231
	471,396	471,395

22.3 Fair values

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

Group

	Carrying Amount 31 December 2022 N'M	Fair value 31 December 2022 N'M
Other financial assets at amortised cost		
Long term loans receivable	14,893	14,893
Staff loans	15,966	15,966
	30,859	30,859

Company

	Carrying Amount 31 December 2022 N'M	Fair value 31 December 2022 N'M
Other financial assets at amortised cost		
Staff loans	7,033	
	7,033	-

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

22.4 Financial instruments by their categories

Group

		31 December 2022 Amortised cost	31 December 2022 FVTOCI
Financial assets			
Quoted equity shares	Note 22.2	-	4,165
Unquoted equity shares	Note 22.2	-	467,231
Other financial assets	Note 22.3	30,859	-
*Trade and other receivables	Note 24	17,682,446	-
Cash and short term deposits	Note 26	2,319,444	-
		20,032,749	471,396
Financial liabilities			
**Trade and other payables	Note 38	23,704,923	-
Lease liabilities	Note 42.2	6,472	-
Royalties payable	Note 20	926,760	-
		24,638,155	-

*Trade and other receivables exclude non-financial assets such as withholding tax receivables.
**Trade and other payables exclude non-financial liabilities such as withholding tax payable, value added tax payable, statutory obligations, stock overlift, stock underlift and provisions for taxes and levies.

Company

		31 December 2022 Amortised cost	31 December 2022 FVTOCI
Financial assets			
Quoted equity shares	Note 22.2	-	4,165
Unquoted equity shares	Note 22.2		467,231
Other financial assets	Note 22.3	7,033	-
*Trade and other receivables	Note 24	11,237,540	-
Cash and short term deposits	Note 26	945,573	-
		12,190,146	471,396

Financial liabilities			
**Trade and other payables	Note 38	10,050,978	-
Lease liabilities	Note 42.2	1,325	-
Royalties payable	Note 20	520,815	
		10,573,118	-

*Trade and other receivables exclude non-financial assets such as withholding tax receivables.
**Trade and other payables exclude non-financial liabilities such as withholding tax payable, value added tax payable, accrued expenses, statutory obligations and provisions for taxes and levies.

23 Inventories

	Group	Company
	31 December 2022 N'M	31 December 2022 N'M
Crude oil	294,896	250,853
Petroleum products	382,933	28,712
Oil, chemicals and materials	282,049	76,686
	959,878	356,251
Inventory write down	(6,568)	-
	953,310	356,251

All inventories are carried at the lower of cost and net realisable value. While Crude oil, Petroleum products including refined petroleum, refined petrochemical products, special products and consumables are carried at their respective cost values, other inventories such as Oil, chemicals and materials are carried at their net realisable value. During the period, Group N6.5 billion was recognised as expense for inventories carried at net realisable value. This is recognised in cost of sales.

24 Trade and other receivables

		Group	Company
		31 December 2022 N'M	31 December 2022 N'M
Trade receivables	Note 24.1.1	1,754,812	568,547
Receivables from Federation*	Note 24.1.2	2,182,210	2,167,389
Intercompany receivables**	Note 41	14,399,001	8,671,713
Other receivables	Note 24.2	740,809	423,419
		19,076,832	11,831,068
Impairment allowance	Note 24.3	(1,374,943)	(593,528)
		17,701,889	11,237,540

24.1.1 Trade receivables are non-interest bearing and are generally on terms of 30-90 days.
*Receivables from the Federation relates to expenses incurred on behalf of the Federation by the Company N851 billion.
**Intercompany receivables are non-interest bearing and are generally available on demand. Intercompany receivables are receivables from unconsolidated related entities.
Other receivables are non-interest bearing and are generally on terms of 30 to 365 days.
Trade receivables relate to receivables from customers in the ordinary course of business. N40.8 billion of this balance relates to receivables from DSDP (Direct Sales Direct Purchase) arrangement.

24.1.2 Receivables from Federation

		Group	Company
		31 December 2022 N'M	31 December 2022 N'M
Crude supplies for domestic use	Note 24.1.3	2,056,151	2,056,151
Other receivables from Federation		126,059	111,238
		2,182,210	2,167,389

24.1.3 Crude supplies for domestic use

		Group	Company
		31 December 2022 N'M	31 December 2022 N'M
At 21 September 2021		-	-
Transfers-in at 1 July 2022		997,316	997,316
Addition during the year		-	-
		997,316	997,316
Payments during the period	Note 24.1.5	(58,842)	(58,842)
Defrayed cost	Note 24.1.4	2,434,111	2,434,111
Undefrayed cost	Note 24.1.4	(1,316,434)	(1,316,434)
At 31 December 2022		2,056,151	2,056,151

24.1.4 During the period, NNPC Limited Group incurred N2.4 trillion as under recovery. Under recovery arises when the crude is converted to refined product either through the refineries or DSDP arrangement. The Premium Motor Spirit (PMS) is usually sold to the local market at a price below the prevailing market price leading to under recovery of cost. These amounts are receivable to the Group as they are defrayed and charged against amounts due to Federation on a monthly basis in line with the provision of the PIA. 2021.

The total under-recovery cost for the period amounted to N2.43 trillion while total recovered cost by the Company was N1.32 trillion as at December 31.

24.1.5 During the period, the Company made a total cash payment of N59 billion to the Federation leaving an outstanding under recovery receivable of N2.056 trillion.

The amount to be remitted based on crude oil purchased is due 90 days after the period of lifting. During the period, the Company made a total cash payment of N57.9 billion to the Federation leaving an outstanding payable of N1.15 trillion.

24.2 Other receivables

		Group 31 December 2022 N'M	Company 31 December 2022 N'M
Financial assets			
Sundry receivables	Note 24.2.1	719,934	423,419
Insurance claims		175	-
Dividend receivable**	Note 6.4	1,120	-
Contract assets	Note 24.2.2	137	-
		721,366	423,419
Non-financial assets			
Withholding tax		19,443	-
		740,809	423,419

**Dividend receivable is net of withholding tax

24.2.1 Sundry receivables

Sundry receivables includes mainly recovered but yet to be settled debt, receivables from defunct bank and deposits for letter of credits.

The balances receivable from defunct banks are as follows:

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
Other sundry receivables*	719,934	423,419
	719,934	423,419

*Other sundry receivables relate to joint ventures receivables, strategic alliance receivable and stock underlift.

24.2.2 Contract assets

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
At 21 September 2021	-	-
Transfers in as at 1 July 2022	2,293	-
Movement during the period	(2,156)	-
At 31 December 2022	137	-

24.3 Reconciliation of impairment allowances on trade and other receivables

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
Trade receivables		
At 21 September 2021	-	-
Transfers-in at 1 July 2022	995,141	520,108
Decrease in impairment allowances	(188,189)	(141,845)
At 31 December 2022	806,952	378,263
Other receivables		
At 21 September 2021	-	-
Transfers-in at 1 July 2022	690,872	5,302
(Decrease)/increase in impairment allowances	(122,881)	1,074
At 31 December 2022	567,991	6,376
Intercompany receivables		
At 21 September 2021	-	-
Transfers-in at 1 July 2022	-	187,669
Increase in impairment allowances	-	21,220
At 31 December 2022	-	208,889
Total impairment allowances on trade and other receivables	1,374,943	593,528

25 Prepayments and other assets

		Group	Company
		31 December 2022 N'M	31 December 2022 N'M
Non-current			
Staff benefits prepaid		10,846	-
Current			
Fund held in trust	Note 25.3	304,273	304,273
Rent	Note 25.1	4,312	132
Staff benefit prepaid	Note 25.2	11,677	10,076
Staff expense prepaid		273	273
Advance to suppliers		247,020	6,663
Staff advances		3,270	717
Other prepayment		21,426	21,426
Total current		592,251	343,560

25.1 Rent prepaid relates to space used for operations. These are leases for a period of 1 year or less to which the short term exemption under IFRS 16 has been applied.

25.2 Staff benefits prepaid relates to staff cost arising from employee loan remeasurement that is amortised annually over the employee's loan tenor.

25.3 Fund held in trust of N304 billion for the Group and Company respectively, was reclassified from Other liabilities. This relates to investments in Brass LNG, NLNG and other entities held in trust. See notes 39 for the liabilities held as corresponding balances for these entities.

26 Cash and cash equivalents

		Group	Company
		31 December 2022 N'M	31 December 2022 N'M
Cash in hand		211	-
Cash at bank		2,242,442	945,604
		2,242,653	945,604
Short term deposits		76,858	-
		2,319,511	945,604
Impairment on cash and bank balances	Note 26.1	(67)	(31)
		2,319,444	945,573

The Group has some cash at bank that earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

Also included in cash at bank is N304 billion held on behalf of Brass LNG, NLNG, and WAGP held in trust.

26.1 Reconciliation of impairment allowances on cash and short term deposits

	Group	Company
	31 December 2022 N'M	31 December 2022 N'M
At 21 September 2021	-	-
Transfers-in as at 1 July 2022	89	10
Additional provision	(22)	21
At 31 December 2022	67	31

26.2 For the purpose of the statements of cash flow, cash and cash equivalent is as shown below:

	Group	Company
	31 December 2022 N'M	31 December 2022 N'M
Cash in hand	211	-
Cash at bank	2,242,442	945,604
Short term deposits	76,858	-
	2,319,511	945,604

27 Restricted funds

The Group has letters of credit in an escrow account which are only available for trade related activities with specific vendors and not available for the group day-to-day operations or litigations.

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
Letters of credit established	54,898	54,098
Project fund*	105,683	105,683
Judgement fund	171	171
Litigation account	14,194	-
	174,946	159,952

*Cash from project fund represents the cash balances restricted for funding contractual obligations.

28 Share capital

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
Authorised:		
200,000,000,000 ordinary shares of ₦1 each	200,000	200,000
Issued and fully paid:		
200,000,000,000 ordinary shares of ₦1 each	200,000	200,000

Nature and purpose of reserves

29 Fair value through other comprehensive income

The fair value reserve comprises the net cumulative change in the fair value of equity investments measured at fair value through other comprehensive income until the investment is derecognised.

30 Retained earnings/(accumulated loss)

Retained earnings/(accumulated loss) are the carried-forward recognised income/(loss) net of expenses plus current period profit/(loss) attributable to Shareholders.

31 Foreign currency translation reserve

Cumulative exchange differences arising from translating the financial statements of foreign subsidiaries from its functional currency to the Group's presentation currency (Naira) are taken to foreign currency translation reserve.

32 Actuarial reserve

Gains and losses arising from the actuarial valuation are taken to the actuarial reserve.

33 Capital contribution

Capital contribution relates to the net assets transferred from NNPC (Corporation) to NNPC Limited as well as additional contributions from Shareholders for the purpose of turnaround maintenance, security operations and for maintenance of refineries, petrochemicals and other plants.

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
At 21 September 2021	-	-
Additional contributed capital	4,409,509	4,409,509
At 31 December 2022	4,409,509	4,409,509

34 Alternative funding arrangements

		Group 31 December 2022 N'M	Company 31 December 2022 N'M
Carry arrangement	Note 34.1	34,468	34,468
Modified carry arrangement	Note 34.2	35,213	35,213
		69,681	69,681

34.1 Carry arrangement

NNPCL executed some alternative funding agreements with some of its Joint Operating partners. Under the agreements, the carrying parties fund NNPCL's participating interest share of the capital expenditure of the projects and are reimbursed by means of crude oil.

	Group and Company 31 December 2022 N'M
Transfers in	31,879
Effect of exchange difference	2,589
At 31 December 2022	34,468

	Group and Company 31 December 2022 N'M
Shell/Elf-Amenam/Kpono project	14,802
Chevron - Meji Redeployment, Meren-X Project*	(474)
Chevron- North Swamp & SOWIP	20,140
At 31 December 2022	34,468

34.2 Modified carry agreements

NNPCL executed some carry agreements with some of its Joint Operating Partners (refer to Note 6.2.2). Under these agreements, the Joint Operating Partners finance NNPCL's participating interest share of agreed project costs and are reimbursed by means of Carry Tax Relief (CTR) which is non-financial and Carry oil amongst other terms.

	Group and Company 31 December 2022 N'M
Transfers in	53,104
Movement during the period	(22,203)
Effect of exchange difference	4,312
At 31 December 2022	35,213

For the purpose of the statement of cashflows, movements within the alternative funding arrangements are non-cash items and have been excluded.

35 Provision

		Group 31 December 2022 N'M	Company 31 December 2022 N'M
At 21 September 2021		-	-
Transfers-in as at 1 July 2022		4,108,236	2,393,422
Acquired at 1 October 2022		1,774	-
Addition*		476,595	-
Change in estimates	Note 19	(716,871)	63,654
Unwinding of discount	Note 14	44,499	43,797
Exchange difference		187,145	195,877
At 31 December 2022		4,101,378	2,696,750

Decommissioning provision

*During the period, the Group added new wells to OML 65, 40, 13, 11, 86/88, 4, 38 and 31 assets increasing number of existing wells to 1,583. An estimated N476.5 billion was recognised as decommissioning liability for the new wells.

The Group and Company makes full provision for the future cost of decommissioning of oil production facilities and pipelines on a discounted basis on the installation of those facilities.

The decommissioning provisions represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred from an estimated period ranging between 6 to 40 years which is when the producing oil and gas properties are expected to cease operations. These provisions have been created based on the Group's and Company's internal estimates.

Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market condition at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas process which are inherently uncertain.

The discount rates used in the calculation of the provision as at 31 December 2022 were based on various finance options for respective fields.

35.1 Other accruals

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
At 21 September 2021	-	-
Transfers-in as at 1 July 2022	31,412	31,412
Payment during the period	(13,274)	(13,274)
At 31 December 2022	18,138	18,138

Out of the N31.4 billion accruals transferred from NNPC to NNPCL as at 1 July 2022, N13.27 billion has been paid to the CRF as at 31 December 2022 relating to Year 2020 reconciled amount. The actual amount payable will be reconciled with the Office of the Accountant General of the Federation.

36 Employee benefit liability/(asset)

		Group 31 December 2022 N'M	Company 31 December 2022 N'M
36.1 Net defined benefit obligation			
Pension assets		(853,968)	(853,968)
Pension liabilities		759,468	600,061
Gratuity		416,765	181,621
*Post-employment medical benefits		38,000	33,045
Long service awards		5,222	1,976
		365,487	(37,265)
Employee benefit assets	Note 36.1.1	(853,968)	(853,968)
Employee benefit liabilities	Note 36.1.2	1,219,455	816,703
Net employee benefits		365,487	(37,265)

36.1.1 Employee benefit assets

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
Non-current	853,968	853,968

36.1.2 Employee benefit liabilities

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
Current	41,171	13,826
Non-current	1,178,284	802,877
	1,219,455	816,703

36.2 Defined benefit pension plan

	Group			Company		
	31 December 2022			31 December 2022		
	N'M	N'M	N'M	N'M	N'M	N'M
	Present value of obligations	Fair value of plan assets	Total	Present value of obligations	Fair value of plan assets	Total
21 September 2021	-	-	-	-	-	-
Transfers-in at 1 July 2022	768,606	(756,563)	12,043	589,318	(756,563)	(167,245)
Service cost	6,514	-	6,514	2,818	-	2,818
Net interest expense	45,398	-	45,398	33,934	-	33,934
Sub-total included in the profit or loss	51,912	-	51,912	36,752	-	36,752
Movement during the period						
Transfer in	10,211	-	10,211	4,746	-	4,746
Transfer out	(10,211)	-	(10,211)	(5,708)	-	(5,708)
Benefits paid	(121,449)	121,449	-	(71,285)	71,285	-
Remeasurement						
Return on plan assets (excluding amounts included in net interest expense)	-	(52,214)	(52,214)	-	(52,214)	(52,214)
Actuarial changes arising from changes in financial assumptions	(12,621)	(86,398)	(99,019)	(5,682)	(86,398)	(92,080)
Actuarial changes arising from changes in demographic assumptions	73,020	-	73,020	51,920	-	51,920
Sub-total included in OCI	60,399	(138,612)	(78,213)	46,238	(138,612)	(92,374)
Contributions:						
Contribution by employer	-	(80,242)	(80,242)	-	(30,078)	(30,078)
Closing balance	759,468	(853,968)	(94,500)	600,061	(853,968)	(253,907)

36.3 Gratuity

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
21 September 2021	-	-
Transfers-in at 1 July 2022	333,030	145,376
Service cost	8,619	3,905
Net interest expense	21,048	8,781
Sub-total included in the profit or loss	29,667	12,686
Movement during the period		
Transfer in	12,078	5,671
Transfer out	(12,078)	(6,650)
Benefits paid	(72,809)	(30,171)
	(72,809)	(31,150)
Remeasurement		
Actuarial changes arising from changes in financial assumptions	(10,221)	(4,590)
Actuarial changes arising from changes in demographic assumptions	137,098	59,299
Sub-total included in OCI	126,877	54,709
Closing balance	416,765	181,621

36.4 Post-employment medical

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
21 September 2021		
Transfers-in at 1 July 2022	39,233	32,569
Service cost	250	99
Net interest expense	2,780	2,358
Sub-total included in the profit or loss	3,030	2,457
Movement during the period		
Transfer in	273	130
Transfer out	(273)	(143)
Benefits paid	(2,473)	(905)
	(2,473)	(918)
Remeasurement		
Actuarial changes arising from changes in financial assumptions	(490)	(197)
Actuarial changes arising from changes in demographic assumptions	(1,300)	(866)
Sub-total included in OCI	(1,790)	(1,063)
Closing balance	38,000	33,045

36.5 Other long-term benefits - Long service award

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
21 September 2021		
Transfers-in at 1 July 2022	6,020	2,202
Service cost	148	61
Net interest expense	314	116
Actuarial gain on long service award	292	(206)
Actuarial changes arising from changes in demographic	(528)	210
Movement during the period	226	181
Benefits paid	(1,024)	(395)
Transfer in	145	68
Transfer out	(145)	(80)
	(1,024)	(407)
Closing balance	5,222	1,976

Transfer in and Transfer out net balance in employee benefit liability refer to benefits transferred from employees of NNPCL.

36.6 Total benefit/contribution paid

		Group 31 December 2022 N'M	Company 31 December 2022 N'M
Contribution paid			
Pension plan	Note 36.2	(80,242)	(30,078)
Benefit paid			
Gratuity	Note 36.3	(72,809)	(30,171)
Post-employment medical	Note 36.4	(2,473)	(905)
Long service award	Note 36.5	(1,024)	(395)
Statement of cash flows		(156,548)	(61,549)

36.7 Changes in the present value of the defined obligations

ii. The major categories of the fair value of the total plan assets are, as follows:

Company	31 December 2022 Quoted N'M	Unquoted N'M	Total N'M
Investments with PFA:			
Equity instruments	69,850	-	69,850
Short term investment	-	86,566	86,566
Debt instruments			-
Treasury bills	11,349	-	11,349
Bond issued by FGN	513,257	-	513,257
Bank balances	2,152	-	2,152
Commercial papers	1,713	-	1,713
Cash and cash equivalents	19,396	-	19,396
Receivables and interest	1,180	-	1,180
Other assets	-	154,407	154,407
Promissory note	-	1,358	1,358
Hybrid fund	543	-	543
Other payables	(7,803)	-	(7,803)
Total	611,637	242,331	853,968

None of the subsidiaries have plan assets to fund its defined benefit obligations.

iii. The principal assumptions used in determining defined benefit obligations and other long term benefits for the Group's plans are shown below:

Financial assumptions

	Group 31 December 2022 %	Company 31 December 2022 %
Discount rate	14%	14%
Inflation rate	13%	13%
Future salary increases (Gratuity and long service award)	13%	13%
Future salary increase pension	7%	7%
Rate of future pension increase	4%	4%
Benefit inflation rate	7%	7%

Demographic assumptions

The rates of mortality assumed for employees are the rates published in the A49/52 Tables, published jointly by the Institute and Faculty of Actuaries in the UK.

Mortality rate

Sample age	Number of deaths in year out of 10,000 lives
25	7
30	7
35	9
40	14
45	26

Withdrawal from Service

Age band	Rate
less than or equal to 30	5%
31-49	4%
40-44	3%
45-49	1%
50-54	1%
55-59	1%
60-60	100%

iv. Risk exposures

The two key risk elements of pension financing are the longevity and the level of interest rates as described below;

Longevity risk:

The accrued liability is calculated based on the best estimate of expected mortality experience by the Fund members, the mortality assumption should be on a best estimate basis with appropriate adjustments to the standard mortality table to incorporate future mortality improvements. An increase in the members' life expectancy will increase the liability and vice versa.

Interest rate risk:

This is the valuation interest rate (Discount rate) used in determining the present value of the Fund's expected payments. In setting the valuation interest, IAS 19 requires a reference be made to the yield on Government Bonds (since there is no deep market for Nigeria corporate bonds) at the balance sheet date. Hence, a decrease in yield on the Government Bonds will lead to a decrease in discount rate and in turn an increase in the Fund's liability, however this may be partly offset by the corresponding increase in the Bonds component of the portfolio backing the Fund.

Sensitivity analysis for pension

Impact on employee benefit liabilities;

		Group 31 December 2022 N'M	Company 31 December 2022 N'M
Discount rate	1% increase	759,469	600,062
	1% decrease	731,235	587,373
Life expectancy	Improved by 1 year	755,827	598,499
	Worsen by 1 year	763,018	601,583
Pension increase	1% increase	779,811	609,132
	1% decrease	741,347	591,991

Sensitivity analysis for gratuity

Impact on employee benefit liabilities;

		Group 31 December 2022 N'M	Company 31 December 2022 N'M
Discount rate	1% increase	416,765	181,622
	1% decrease	393,128	171,012
Future salary increase	1% increase	445,156	194,350
	1% decrease	391,007	170,084
Life expectancy	Improved by 1 year	416,870	181,671
	Worsen by 1 year	416,670	181,577

Sensitivity analysis for post- employment medical
Impact on employee benefit liabilities;

		Group 31 December 2022 N'M	Company 31 December 2022 N'M
Discount rate	1% increase	36,929	33,045
	1% decrease	36,162	32,699
Pension increase	1% increase	37,845	33,458
	1% decrease	37,414	33,263
Life expectancy	Improved by 1 year	36,485	32,845
	Worsen by 1 year	36,950	33,054

Sensitivity analysis for long service awards
Impact on employee benefit liabilities;

		Group 31 December 2022 N'M	Company 31 December 2022 N'M
Discount rate	1% increase	5,340	1,975
	1% decrease	5,106	1,885
Pension increase	1% increase	5,595	2,074
	1% decrease	5,512	2,041
Life expectancy	Improved by 1 year	5,179	1,914
	Worsen by 1 year	5,450	2,019

36.8 Expected payments
The expected maturity of post- employment benefits and long service awards is as follows;

	Group 31 December 2022		Company 31 December 2022	
	Gratuity N'M	Pension N'M	Gratuity N'M	Pension N'M
Within the next 12 months (next reporting period)	31,563	3,140	14,804	1,501
Between 2 and 5 years	375,649	90,622	151,743	38,628
Between 5 and 10 years	45,266	41,774	21,282	17,645
Total expected payments	452,478	135,536	187,829	57,774

The weighted average duration of the defined benefit plan obligation (pension and gratuity) at the end of the reporting period is 7.82 years.
The weighted average duration of post-employment medical benefits and other long term benefits at the end of the reporting period is 6.72 years.
The actuarial valuation was carried out by an independent valuer Wise Chigudu from Ernst & Young with FRC No: FRC/2022/PRO/NAS/00000024119

37 Contract liabilities

Contract liabilities arising from		Group 31 December 2022 N'M	Company 31 December 2022 N'M
Forward sale agreements	Note 37.1	2,615,331	2,246,628
Sale of natural gas	Note 37.3	4,262	-
Sale of liquefied petroleum gas and delivery of goods and services	Note 37.4	244,256	-
Other contract liabilities		26,450	-
		2,890,299	2,246,628

Contract liabilities

Non-current	1,380,104	980,771
Current	1,510,195	1,265,857
	2,890,299	2,246,628

Listed below are the various categories of contract liabilities that the Group currently has.

37.1 Contract liabilities on the forward sale agreement - Group

		Group 31 December 2022 N'M
NLNG project financing		49,242
Eagle project financing		158,285
Project Brogues financing		119,601
OML 42 FTSA		17,205
OML 13 FTSA		164
OML 11 FTSA		24,111
Liquified Petroleum Gas (LPG) contract liabilities		96
Other forward sales agreement	Note 37.2	2,246,627
		2,615,331
Current portion		1,265,857
Non-current portion		1,349,474
		2,615,331

	NLNG Project N'M	Project Eagle N'M	Project Brogues financing N'M	OML 42 FTSA N'M	OML 13 FTSA N'M	OML 11 FTSA N'M
At 21 September 2021	-	-	-	-	-	-
Transfers in at 1 July 2022	34,402	209,172	124,416	10,571	152	-
Amount received during the period	32,621	-	10,149	7,262	12	24,111
Significant financing component	1,484	9,095	5,047	206	-	-
Incremental gas sales during the period	(23,276)	-	-	-	-	-
Crude lifting during the period	-	(61,503)	(95,123)	(628)	-	-
Crude lifted from Federation	-		(12,280)	-	-	-
Price imbalance and DSRA	-	41,890	88,059	-	-	-
Repayment from DSRA	-	(70,005)	-	-	-	-
Payment of financing component	-	-	(667)	(206)	-	-
Payment of interest component	-	-	-	-	-	-
Translation difference	4,011	29,636	-	-	-	-
At 31 December 2022	**49,242**	**158,285**	**119,601**	**17,205**	**164**	**24,111**

	Liquified Petroleum Gas (LPG) contract liabilities N'M	Others* N'M	Total N'M
At 21 September 2021	-	-	-
Transfers in at 1 July 2022	-	1,586,521	1,965,234
Amount received during the period	96	662,368	736,619
Significant financing component	-	51,828	67,660
Incremental gas sales during the period	-	-	(23,276)
Crude lifting during the period	-	-	(157,254)
Crude lifted from Federation	-	-	(12,280)
Price imbalance and DSRA	-	-	129,949
Repayment from DSRA	-	-	(70,005)
Payment of financing component	-	(177,320)	(178,193)
Payment of interest component	-	(6,194)	(6,194)
Translation difference	-	129,424	163,071
At 31 December 2022	96	2,246,627	2,615,331

*Others refers to Contract Liabilities on forward sale agreements from the Company (Note 37.2).

NLNG project financing

In October 2019, Nigerian National Petroleum Company ("NNPC") entered into a new agreement with NLNG on behalf of NNPC E&P Limited, through its equity holdings in NAOC, SPDC & TEPNG JV's, to provide incremental gas supply to NLNG T1-6 Feedstock and in return, NLNG being the buyer would provide an advance cash call payment (CAPEX Portion) of some selected 'Projects' as identified in the agreement. NLNG is to recover its funding as provided by the agreement when gas supply is made to it by the Seller (NNPC).

The agreed external financing amount is USD 2.469 billion with duration of 12 years as contained in the external financing agreement. Of the USD 2.469 billion, USD 501.6 million is available to NEPL for the NOAC JV projects while the remaining balance is available to the Company for SPDC JV and TEPNG JV (see note 37.2). As at 31 December 2022, NEPL through the NAOC JV has drawn USD 179.6 million and NLNG has so far recovered USD 85.1 million of it. The prepayment is available to each seller by the buyer (NLNG) from time to time as the seller requests for it.

Eagle project financing

Nigerian National Petroleum Company ("NNPC") (parent company of NNPC E&P Limited ("NNPC E&P Limited")) entered into a Forward Sale Agreement (FSA) with Eagle Export Funding Limited for the sales of NNPC E&P Limited's future crude oil productions to provide funds to be used by NNPC E&P Limited to settle part of it's obligations to the Federal Inland Revenue Service as well as other corporate purposes.

Arising from the above agreement, Eagle Export Funding Limited which is an orphan special purpose vehicle incorporated in the Bahamas ("SPV" or "Eagle") has obtained funds from third party lenders secured on NNPC E&P Limited's future oil production.

The payment received is required to be settled (together with payment of fees, transaction costs and interest expense) with delivery of crude oil volumes. Upfront payment for crude oil received by NNPC E&P Limited's during the year was USD 692 million (N264 billion)

The production under the FSA will support debt of up to USD 1.5bn, which has been structured as a crude oil prepayment facility over two tranches.

Significant changes in contract liabilities

There was an increase in contract liabilities by N77.2 billion due to the funds received in advance of delivery of products under the above-described arrangements.

37.2 Contract liabilities on the forward sale agreement - Company

	Company 31 December 2022 N'M
Project Falcon	2,007
Project Santolina	79,758
Project Panther	38,508
NLNG SPDC	116,656
NLNG TEPNG	161,002
Project Yield	145,196
Project Bison	437,638
DSDP Customers	1,265,862
Closing balance	2,246,627

	Project Falcon N'M	Project Santolina N'M	Project Panther N'M	NLNG SPDC N'M	NLNG TEPNG N'M	Project Yield N'M
At 21 September 2021	-	-	-	-	-	-
Transfers in at 1 July 2022	1,853	156,836	-	102,750	128,218	-
Additional drawdown	-	-	37,678	18,567	24,586	145,196
Interest in the period	92	2,540	830	3,597	4,839	3,365
Principal payment	-	(89,672)	-	(16,640)	(7,101)	-
Interest payment	(89)	(2,740)	-	-	-	(3,365)
Translation difference	151	12,794	-	8,382	10,460	-
At 31 December 2022	2,007	79,758	38,508	116,656	161,002	145,196

	Project Bison N'M	DSDP Customers N'M	Total N'M
At 21 September 2021	-	-	-
Transfers in at 1 July 2022	429,909	766,955	1,586,521
Additional drawdown	-	436,341	662,368
Interest in the period	36,565	-	51,828
Principal payment	(63,907)	-	(177,320)
Interest payment	-	-	(6,194)
Translation difference	35,071	62,566	129,424
At 31 December 2022	437,638	1,265,862	2,246,627

In September 2021, NNPC entered into a Forward Sale Agreement (FSA) with Lekki Refinery Funding Limited for the sales of 35,000 barrels per day of NNPC's future crude oil for the settlement of $1.036 billion (N426.2 billion) funding received to deposit for the acquisition of 7.25% equity investment in Dangote Refinery and Petrochemicals Free Zone Enterprise (DPRP FZE).

The delivery of crude oil to Lekki Refinery Funding Limited is scheduled to commence in August 2022. Project Bison has been transferred to NNPC Limited.

37.3 Contract liabilities on sale of natural gas - Group

	Group 31 December 2022 N'M
Advance payment on sale of natural gas	4,262
	4,262

Contract liabilities for NGML and NGIC relate to transactions entered into with the following entities:

	31 December 2022 N'M
Gaslink Nigeria Ltd (Ikeja gas distribution system - BOT)	9,924
Star Pipe Limited	3
Everest Metal	-
NIPCO	-
Time Ceramics	2
Falcon	(138)
BN Ceramics	3
Innoplas	8
Fenice metal Ltd	-
Specialty pulp and paper limited	-
Gascon Marine	15
Others	(5,555)
	4,262

Reconciliation of contract liability on sale of natural gas

	31 December 2022 N'M
At 21 September 2021	-
Transfers-in at 1 July 2022	2,330
Additions during the year	16,841
Transferred to revenue during the period	(14,909)
At 31 December 2022	4,262

37.4 Contract liabilities on the sale of liquefied petroleum gas and delivery of goods and services - Group

	31 December 2022 N'M
Sales of gas (Advance consideration)	244,256
	244,256

Reconciliation of contract liability on sale of liquefied petroleum gas and delivery of goods and services.

	31 December 2022 N'M
At 21 September 2021	-
Transfers-in at 1 July 2022	283,068
Revenue recognised from prior period	(153,661)
Additions	(117,868)
Transferred to revenue during the period	232,717
At 31 December 2022	244,256

37.5 Assets and liabilities of NNPC (Company), including its contract liabilities, have been transferred to the Company, NNPC Limited who is expected to settle the obligations.

38 Trade and other payables

		Group	Company
		31 December 2022 N'M	31 December 2022 N'M
Trade payables		3,301,146	239,449
Payables to Federation		1,232,852	1,179,529
Stock overlift	Note 38.2	1,280,746	1,086,876
Stock underlift	Note 38.2	(193,870)	-
Intercompany payables	Note 41	11,867,148	6,911,407
Other payables	Note 38.3	7,544,611	639,501
		25,032,633	10,056,762

38.1 Terms and conditions of the above financial liabilities:
Trade payables are non-interest bearing and are normally settled within 60-day terms.
Payables to Federal Government of Nigeria are non-interest bearing and are normally settled within 90 days.
Payables to related parties are non-interest bearing and are normally settled within 30 days.
Other payables are non-interest bearing and have an average term of six months.

38.2 Stock overlift, underlift and gain/loss on stock valuation

Stock overlifts are excess crude lifted above the share of production. It usually exist when the crude oil lifted by the Group during the period is above its ownership share of production.
Stock underlift arises when the Group does not take its entire share of production in a period.

Stock overlift during the year	Group 31 December 2022 N'M	Company 31 December 2022 N'M
Chevron	-	15,601
Amenam/Kpono	-	1,056,118
MPN - Yoho	-	8,655
Eroton	-	6,502
NEPL/NAOC (OML 60-63)	240,013	-
Seplat/NEPL JV (OML 4, 38 and 41)	666,086	-
NEPL/SHORELINE OML 30	205,548	-
Oredo/Oziengbe/NEPL JV (OML 111)	169,099	-
	1,280,746	1,086,876

Stock underlift during the year	Group 31 December 2022 N'M	Company 31 December 2022 N'M
NEPL/ND WESTERN JV (OML 34)	26,699	-
NEPL/ELCREST OML 40	13,098	-
Abura/ (OML 65)	62,295	-
Okono/Okpoho/NEPL JV (OML 119)	18,419	-
NEPL/NECONDE OML 42	53,623	-
NEPL/FHN JV (OML 26)	3,772	-
NEPL/Pan Ocean (OML 98)	15,964	-
	193,870	-

38.3 Other payables

		Group 31 December 2022 N'M	Company 31 December 2022 N'M
Financial liabilities			
Dealers' security deposit	Note 38.3.1	2,954	-
Loans and borrowings		836,030	-
Contractor's account payable		56,961	-
Other accounts payable and accruals		5,900,138	
Accrued expenses	Note 38.3.2	442,577	620,065
		7,238,660	620,065
Non-financial liabilities			
Value added tax payable		184,103	-
Withholding tax payable		56,731	5,784
Statutory obligations	Note 38.3.3	61,128	13,652
Provision for police levy		3,989	-
		305,951	19,436
Total other payables		7,544,611	639,501

38.3.1 Dealers' security deposit represents the net refundable deposits made by the approved dealers at the point of registration and subsequent withdrawals by dealers who terminate business relationship with the company to hedge risk of failure to meet financial obligation for product lifted.

38.3.2 Accrued expenses consist of retention fees, legal fees accruals and audit fees accruals.

38.3.3 Statutory obligations consist of Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN) deductions, National Union of Petroleum and Natural Gas workers (NUPENG) deductions.

39 Other liabilities

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
Other liabilities	640,877	626,122

This balance represents liabilities for cash and investments held in Brass LNG, NLNG and WAGP held in trust. NNPC carries investments in the entities and holds asset balances for which the corresponding liability resides within Other liabilities. See notes 25 and 26 for the other assets and cash held as corresponding balances for these entities.

40 Cash generated from operations

		Group 31 December 2022 N'M	Company 31 December 2022 N'M
Profit before taxation		1,806,440	1,533,168
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of oil and gas properties	Note 19.1	145,915	101,966
Depreciation of other property, plant and equipment (PPE)	Note 19	59,262	8,692
Depreciation of right-of-use assets	Note 42.1	754	585
Write-off of property, plant and equipment	Note 19	160,211	155,745
Amortisation of intangible assets	Note 21	4,298	-
Gain on disposal of PPE	Note 19.5	(627)	-
Finance income	Note 15	(10,752)	(9,231)
Finance costs	Note 14	1,348	-
Interest expense on lease liability	Note 14	416	413
Royalties charge	Note 20	684,357	520,815
Impairment reversals on trade and other receivables	Note 12	(311,070)	(119,551)
Impairment loss reversals on cash and cash equivalents	Note 12	(22)	21
Net foreign exchange difference	Note 40g	976,450	182,827
Inventories write off	Note 9	6,568	-
Share of profit - Joint ventures	Note 6.3.1	(580)	(580)
Share of profit - Associates	Note 6.4	(1,311)	-
Employee benefit cost-post employment benefits	Note 11.1	84,609	51,895
Employee benefit cost-other long term benefits	Note 11.1	462	177
Employee benefit cost-other expenses		121,449	71,285
Unwinding of interest cost	Note 14	44,499	43,797
Working capital adjustments			
Increase in trade and other receivables	Note 40.1a	(12,331,359)	(6,658,267)
Increase in inventories	Note 40.1b	(350,093)	(118,547)
Increase in prepayments and other assets	Note 40.1c	(127,647)	(56,828)
Increase in trade and other payables	Note 40.1d	12,127,274	5,051,195
Decrease in other accruals		(13,274)	(13,274)
Decrease in other liabilities	Note 40.1e	(52,283)	(55,773)
Increase in contract liabilities	Note 40.1f	1,793,450	1,820,272
Cash generated from operations		4,818,744	2,597,980

40.1 *Working capital adjustments - reconciliation for purpose of cashflow;*

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
a Trade and other receivables		
Closing balance movement	(12,642,394)	(6,777,818)
Provision write back	26	-

Withholding tax credit used	Note 18.1.1	(61)	-
Impairment (expense)/reversal on trade and other receivables		311,070	119,551
		(12,331,359)	(6,658,267)

		Group	Company
		31 December 2022 N'M	31 December 2022 N'M
b Inventories			
Closing balance movement		(342,808)	(118,547)
Write off		(6,568)	-
Crude oil lifted in lieu of PPT payment	Note 18.1.1	(717)	-
		(350,093)	(118,547)

	Group	Company
	31 December 2022 N'M	31 December 2022 N'M
c Prepayment and other current assets		
Closing balance movement (current)	(127,647)	(56,828)
	(127,647)	(56,828)

	Group	Company
	31 December 2022 N'M	31 December 2022 N'M
d Trade and other payables		
Closing balance movement	12,127,274	5,051,195
	12,127,274	5,051,195

	Group	Company
e Other liabilities	31 December 2022 N'M	31 December 2022 N'M
Closing balance movement	(52,283)	(55,773)
	(52,283)	(55,773)

	Group	Company
f Contract liabilities	31 December 2022 N'M	31 December 2022 N'M
Closing balance movement (current)	1,793,450	1,820,272
	1,793,450	1,820,272

g *Net foreign exchange difference*

	Group	Company
	31 December 2022 N'M	31 December 2022 N'M
Property, plant and equipment	(1,648,129)	(1,754,468)
Translation of intangible assets	(23,450)	-
Right of use assets	(1,087)	327
Translation of foreign operations	2,177,638	1,742,331
Translation of taxes	281,722	-
Lease liabilities	3,843	(1,240)
Provision for decommissioning	187,145	195,877
Royalties payable	(1,232)	-
	976,450	182,827

41 Related party disclosures

The following table provides the total balance of transactions that have been entered into with related parties for the relevant financial period:

i Controlling interest

The Nigerian National Petroleum Company Limited (NNPCL) is jointly controlled by the Ministry of Finance Incorporated (MoFI) and the Ministry of Petroleum Incorporated (MoPI) on behalf of the Federation.

ii Balances with related parties - Company

	Relationship	31 December 2022 Amounts owed by related parties N'M	31 December 2022 Amounts owed to related parties N'M
Port-Harcourt Refining Company Limited (PHRC)	Subsidiary	806,000	-
NNPC E&P Limited (NEPL)	Subsidiary	232,845	-
Kaduna Refining and Petrochemical Company Limited (KRPC)	Subsidiary	597,233	-
NNPC Gas Infrastructure Company Ltd (NGIC)	Subsidiary	984,725	16,947
Petroleum Products Marketing Company Limited (PPMC)	Subsidiary	80,504	-
NNPC Energy Services Limited (Enserv)	Subsidiary	70,423	-
Warri Refining and Petrochemical Company Limited (WRPC)	Subsidiary	487,322	-
NNPC Shipping and Logistics Limited	Subsidiary	-	-
Nidas Shipping Cyprus	Subsidiary	85,795	-
Nikorma Transport Limited	Joint venture	2,410	-
NNPC Engineering and Technical Company Limited (NETCO)	Subsidiary	20,565	444
Hyson (Nigeria) Limited	Joint venture	31	-
NNPC Retail Limited (NRL)	Subsidiary	49,543	-
NNPC Gas Marketing Company Limited (NGMC)	Subsidiary	27,221	-
Nigerian Pipelines and Storage Company Limited (NPSC)	Subsidiary	4,459	-
NNPC HMO	Subsidiary	-	-
NNPC Trading Limited (NTL)	Subsidiary	6,999	-
NNPC Trading SA	Subsidiary	-	-
NNPC Trading Services (UK) Limited	Subsidiary	37	-
NNPC Liquefied Petroleum Gas Limited (NNPC LPG)	Subsidiary	-	-
NNPC Properties Limited (NPL)	Subsidiary	-	-
NNPC LNG Limited	Subsidiary	604	-
NNPC Medical Services Limited (NMSL)	Subsidiary	18,814	-
National Petroleum Telecommunication Limited (NAPET)	Subsidiary	8,235	-
Other related party	Related party	5,187,948	6,894,016
		8,671,713	6,911,407

The following relates to transactions that occurred with related parties during the period. These includes transactions with both subsidiaries and joint venture companies;

	31 December 2022 N'M
Commission paid on crude purchases	-
Crude oil and gas purchase	1,949,266
Power sales	699
Sales of petroleum products to subsidiaries	2,226,063
Tariff charges paid to subsidiaries	30,950
Throughput charges paid to subsidiaries	1,473
Others	9,165
	4,217,616

Balances with related parties - Group

	Relationship	31 December 2022 Amounts owed by related parties N'M	Amounts owed to related parties N'M
Hyson (Nigeria) Limited	Joint venture	-	31
Nikorma Transport Limited	Joint venture	-	2,410
		-	2,441

Related party	Nature of transaction
Port Harcourt Refining Company Limited	Funding of operations, operating lease and processing fees charged for the period
NNPC E&P Limited	Funding of operations, operating lease and collection of revenue
Kaduna Refining & Petrochemical Company Limited	Funding of operations, operating lease and processing fees
NNPC Gas Infrastructure Company Limited (NGIC)	Back charge of expenses
Petroleum Products & Marketing Company Limited	Funding of operations and tariff charged for the period
NNPC Energy Services Limited	Funding of operations
Warri Refining & Petrochemical Company Limited	Funding of operations, operating lease and processing fees
Calson (Bermuda) Limited	Sales of crude
NNPC Shipping and Logistics Limited	Funding of operations
Nikorma Transport Limited	Back charge of expenses
National Engineering & Technical Company Limited	Back charge of expenses
Hyson (Nigeria) Limited	Back charge of expenses
NNPC Retail Limited	Funding of operations
NNPC Gas Marketing Company Limited	Funding of operations
NNPC Trading Limited	Back charge of expenses
NNPC Trading Services (UK) Limited	Back charge of expenses
Nigerian Pipeline and Storage Company	Back charge of expenses
NNPC Properties	Funding of operations
NNPC LNG	Funding of operations
NNPC Medical Services	Funding of operations
NNPC HMO	Funding of operations
NNPC LPG	Funding of operations
Other related parties	Funding of operations

Entity with significant influence over the Group

The Federal Government of Nigeria, as the primary financer of the Company has significant influence over the Group.

Loan to a subsidiary

A loan was granted to NNPC Shipping & Logistics Limited by NNPC (Company) for the purpose of her commencing operations. The loan was given on 10 June 2007. The loan has a grace period of 8 years to June 2015 from the date of its drawdown (by Nidas) with interest accruing at the rate of LIBOR minus 0.5%. The loan repayment commences after the 8 years grace period and continues for 10 years, to June 2025. This loan has been transferred from NNPC (Company) to NNPCL in line with the PIA. This has been presented as part of Sundry receivables (Note 24.3).

Terms and conditions of transactions with related parties

The transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and interest free.

Commitments with related parties

Nigerian National Petroleum Company Limited ("NNPCL") is the parent company. The Company supplies crude oil to NNPC Trading SA and also supplies petroleum products to PPMC and NNPC Retail Limited for sale to marketers and end users respectively.

Compensation of key management personnel of the Group

	31 December 2022 N'M
Short-term employee benefits	767
Post-employment pension and medical benefits	541
Total compensation paid to key management personnel	1,308

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel. The key management personnel include the Group Chief Executive Officer (GCEO), Chief Financial Officer (CFO), General counsel & Company secretary, and all the Executive Vice Presidents.

42 Leases

42.1 Right-of-use assets

All the Group's right-of-use assets are non-current assets. A reconciliation of the right-of-use assets as at 31 December 2022 is shown below for Group and Company:

		Group N'M	Company N'M
Opening balance at 21 September 2021		-	-
Transfers in at 1 July 2022		7,133	2,648
Additions during the period		2,674	2,462
Lease modifications		(7)	-
Less: depreciation for the period	Note 16	(754)	(585)
Exchange difference		1,087	(327)
Closing balance at 31 December 2022		10,133	4,198

42.2 Lease liabilities

A reconciliation of the lease liabilities as at 31 December 2022 is shown below for Group and Company:

		Group N'M	Company N'M
At 21 September 2021		-	-
Transfers in at 1 July 2022		4,550	4,446
Additions during the period		2,724	2,703
Lease modifications		(7)	
Add: interest on lease liabilities	Note 14	416	413
Payments made during the period		(5,054)	(4,997)
Exchange difference		3,843	(1,240)
Closing balance at 31 December 2022		6,472	1,325

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
Non-current	-	-
Current	6,472	1,325
	6,472	1,325

43 Events after the reporting period

(a) Reassignment of NEPL's 60% share on OML 24 to NNPCL

One of the subsidiaries within the Group, NEPL, transferred it's interest in OML 24 asset to NNPCL which was concluded and approved in February 2023. The licence for the asset had previously been owned by Newcross E&P Limited and NEPL with a 45% and 55% equity interest respectively. However, starting 2022, with the signing of the PIA into law in 2021, NNPCL assumed ownership of all the JV assets under NUIMS, thereby creating the opportunity to reconsider the assignment of OML 24. Based on the opportunity created, NNPCL leadership gave the steer that the asset be re-assigned to NUIMS.

(b) Change in Operation of OML 116

The change in the operator of OML 116 was concluded in July 2023. NEPL was previously the operator of the asset under a service contract with NNPCL. The asset is 100% owned by NNPCL. However, after several reconciliation meetings with the equity owners of the asset, approval was given for the operation of the asset to move to Sigmund Limited.

(c) Disputed assets in OML 11 settled with Rivers State Government

The ownership of a portion of OML 11 land called the Kidney Island Base which had been under dispute between the Rivers State Government ("RSG") and and the SPDC JV, before one of the subsidiaries within in Group, NEPL bought the asset has been settled out of court. Following the final judgement relating to the transfer of the asset to NEPL given in 2022, both parties, NEPL and Rivers State Government decided to reach an out-of-court settlement on the ownership of the asset on 27 March 2023 and a sum of US $300 million is to be paid to RSG as full and final settlement for ownership of the asset.

(d) Resignation of the Chairman and Members of the Board of Directors of NNPCL

On the 19th of June 2023, the Chairman and Members of the Board of Directors of NNPC Limited stood down. However, on 27th November 2023, a new board was constituted with an effective date of 1st December 2023.

(e) Unification of foreign exchange rates in Nigeria

On 14 June 2023, the Central Bank of Nigeria (CBN) issued a circular detailing immediate changes to operations in the Nigerian Foreign Exchange (FX) market. Significantly, these changes brought about the abolishment of the multiple exchange rate system and unification of all segments of the FX market. This implies that subsequently, market forces will be allowed to determine the exchange rate. The Group and Company have concluded that there are no significant impacts to the current financial statements, however there would be a significant impact to subsequent financial statements.

There were no other events after the reporting date of 31 December 2022 that could have had a material effect on the financial statements that have not been provided for or disclosed.

44 Exchange rate used in translating the accounts to Naira

	Basis	31 December 2022 N/$
Fixed assets – opening balances	Historical rate	Historical
Fixed assets - additions	Average rate	431.32
Fixed assets - closing balances	Closing rate	448.55
Current assets	Closing rate	448.55
Current liabilities	Closing rate	448.55
Equity	Historical rate	Historical rate
Income and Expenses:	Overall average rate	431.32

	Basis	31 December 2022 N/AED
Fixed assets – opening balances	Historical rate	Historical
Fixed assets - additions	Average rate	117.45
Fixed assets - closing balances	Closing rate	122.14
Current assets	Closing rate	122.14
Current liabilities	Closing rate	122.14
Equity	Historical rate	Historical rate
Income and Expenses:	Overall average rate	117.45

	Basis	31 December 2022 N/£
Fixed assets – opening balances	Historical rate	Historical
Fixed assets - additions	Average rate	507.43
Income and Expenses:	Overall average rate	507.43

45 Legal claim contingency

A provision has been made in the Financial Statements for contingent liabilities for law suits against the Group which are pending in various courts estimated at N90 million. The contingent liabilities are based on confirmation received from the Company's external legal counsels.

46 Commitments and contingencies

Capital commitments

i Pre-export financing

One of the subsidiaries within the Group, NNPC Exploration & Production Limited (NEPL) had capital commitments of $159million (N60.3billion as at the accounting year end 2020). This related to the settlement of pre-export finance loans (PXF1 and PXF2) obtained by NNPC for the settlement of debts owed by the NNPC Group to some import vendors of petroleum products.
As at 31 December 2022, there are no capital commitments regarding pre-export financing as outstanding PXF 2 liability balance was refinanced through a forward sale of crude valued at $694m (N278billion) to Eagle Export Limited tagged "Project Eagle Subsequent" on 15 March 2021.

ii Eagle Exporting

One of the subsidiaries within the Group, NNPC Exploration & Production Limited (NEPL) had capital commitments of $352.88 million (₦158.3 billion) as at 31 December 2022. This relates to the forward sale agreement with Eagle Export Financing Limited for the delivery of Crude Oil. Under the contract, Eagle Export Funding limited will make an upfront payment to NEPL for crude in a Forward Sale Agreement (FSA). The payment received is required to be settled with delivery of crude oil volumes i.e. NEPL sells crude to Eagle Export Funding Limited based on a delivery schedule.
Based on the agreement, at least 1,800,000 barrels of Crude Oil must be nominated and scheduled by NEPL (and delivered at the relevant delivery Terminal to Eagle Export Limited in every delivery period which commenced on 28 August 2020.

iii NLNG third party financing

One of the subsidiaries within the Group, NNPC Exploration & Production Limited (NEPL) had capital commitments of N49.24 billion (US$ 109.78 million) as at 31 December 2022. This relates to the Incremental gas supply agreement between NNPC/NNPC E&P Limited and NLNG in which NLNG is required to avail NNPC E&P Limited with a total of $501.6 million (N206 billion) for the purchase of gas for a period of 12years.
Under the agreement, Nigerian National Petroleum Company Limited ("NNPC Limited") in October 2019, entered into a new agreement with NLNG on behalf of NEPL, through its equity holdings in NAOC, SPDC & TEPNG JV's, to provide Incremental Gas Supply to NLNG T1-6 Feedstock and in return, NLNG being the buyer would provide an advance cash call payment (CAPEX Portion) of some selected 'Projects' as identified in the agreement. NLNG is to recover their funding as provided by the agreement when Gas Supply is made to them by the Seller (NNPC Limited).
As at 31 December 2022, NEPL through the NAOC JV has drawn US$ 252.3 million (₦113.2 billion) from the $501.6 billion (N224.99 billion) and NLNG has so far recovered US$ 142.52 million (N63.9 billion) worth of gas out of the $252.3 million (₦113.2 billion) leaving an outstanding balance of US$ 109.78 million (₦49.2 billion) worth of gas to be delivered to NLNG. Also a financing charge of US $4.9 million (₦2.2 billion) arose as a result of incremental gas supply to NLNG in the year.

iv Project Brogue: Acquisition of Chevron Nigeria 40% Interest in OML 86 and 88

NEPL through NNPCL exercised its pre-emption right to acquire Chevron Nigeria Limited ("CNL") 40% interests in OMLs 86 & 88 "the Asset" at a price of US$250 million (₦112.13 billion). NEPL paid the total price of the for the asset and concluded the acquisition of the equity share (40%) in OML 86/88 on 1 July 2022.
To finance this, the sum of $300m (₦124 billion) was raised through forward sale agreement with Middleton Export Funding Limited (MEFL) to fund the acquisition through Project Brogue and as at 31 December 2022, US $33.36 million has been paid back. Hence, NEPL has a capital commitment to Middleton Funding Limited as at 31 December 2022 amounting to N119.6 billion (US $266.64 million).

v OML 13 Funding and Technical Service Agreement - FTSA

One of the subsidiaries within the Group, NEPL executed an FTSA valued US $3.2 billion (₦1.4 trillion) with Sterling Oil Exploration and Energy Production Company Ltd (SEEPCO) for the development of OML 13 in 2020. The first and only drawdown of US $365,384 (₦163.89 billion) was achieved in May 2022. Hence, as at 31 December 2022, NEPL has a capital commitment of US $365,384 (₦163.89 million).

vi OML 42 Funding and Technical Service Agreement - FTSA

One of the subsidiaries within the Group, NEPL, on behalf of OML 42 JV executed an FTSA valued US $1.95 billion with Amaranta Group in 2021. This is for the settlement of outstanding legacy bills and further development of the JV asset. As at 31 December 2022, a sum of US $39.76 million (₦17.8 billion) has been drawn down so far and USD $1.4 million has been paid back. Hence as at the year, NEPL has Capital commitment of US $38.36 million (₦17.2 billion)

vii OML 11 Funding and Technical Service Agreement - FTSA

One of the subsidiaries within the Group, NEPL executed an FTSA valued US $3.4 billion (₦1.5 trillion) with Ohuru Funding Limited for the development of OML 11 in 2020. The drawdown of US $55.6 million (₦24.94 billion) was achieved as at 31 December 2022. Hence, as at 31 December 2022, NEPL has a capital commitment of US $55.6 million (₦24.94 billion).

viii Financing of investment in Dangote Refinery

In September 2021, NNPC acquired 20% interest in Dangote Petroleum Refinery and Petrochemicals Free Zone Enterprise (DPRP FZE) worth $2.76 billion. This investment is held by NNPC Greenfield (a special purpose vehicle is 100% owned by NNPC) in trust for NNPC. This acquisition was financed by a $1.036 billion funding from Lekki Refinery Funding Limited of which $1 billion was paid to Dangote Refinery and $36 million accounting for transaction costs.
The balance of the cost of equity investments made in DPRP FZE, which is USD1.76 billion will be paid upon completion of the refinery project starting April 1, 2023 or any other date agreed between the parties (NNPC and Dangote Oil Refining Company Limited) via a combination of a $2.5/bbl. discount (on the official selling price) per barrel on 300,000 barrels per day to DPRP FZE, and 100% of NNPC's portion of any dividend declared by DPRP FZE throughout the repayment period.

ix Project Bison

In September 2021, NNPC entered into a forward sale agreement with Lekki Refinery Funding Limited to supply 35,000 bbl. of crude oil per day for the settlement of the $1.036 billion (N426.2 billion) funding received for the financing of investment in Dangote Refinery. The interest rate for the facility is 3-month libor plus 6.125%. The arrangement has been scheduled to commence from August 30, 2023. Project Bison has been transferred to NNPC Limited.

47 Financial risk management objectives and policies

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by the Group finance committee that advises on financial risks and the appropriate financial risk governance in line with the Group policies framework. The financial risks are identified, measured and managed in accordance with Group policies framework. This is to ensure that the financial risks affecting the Group operations are maintained at the level of the Group risk appetite. The Group finance committee is a team made up of specialists that have the appropriate skills, experience and supervision.
The Board of Directors review and agree the policies for managing financial risks of NNPC. The risks are summarized below.

47.1.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. The Group's financial instruments affected by market risk include: lease obligations, receivables and payables denominated in foreign currencies, short term deposits and financial assets at FVTOCI.

47.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group manages its interest rate risk by funding its operations mostly through its equity. The Group's policy is to keep borrowing cost to its barest minimum. To manage this, the Group rarely borrows.
As at 31 December 2022, the Group had an exposure to interest rate risk on it's short term deposits.

		Group	Company
		31 December 2022 N'M	31 December 2022 N'M
Short term deposits	Note 26	76,858	-

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that Short term deposits. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rates based on daily bank deposit rates, as follows:

	Group		Company	
	Increase / decrease	Effect on profit before tax N'M	Increase / decrease	Effect on profit before tax N'M
2022	5%	3,843	5%	-
	-5%	(3,843)	-5%	-

47.1.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency - Nigerian Naira and Pound Sterling- from the Company's US Dollar functional currency) and the Group's net investments in foreign subsidiaries. The Group has set up a policy requiring the management of foreign exchange risk against the functional currency. The Subsidiaries are required to manage their entire foreign exchange risk exposure with the Group finance committee. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, each entity within the Group seeks to ensure contracting in their own functional currency.

The following are the financial instruments of the group that are exposed to foreign currency risk.

	Group 31 December 2022	Company 31 December 2022
Foreign currency denominated balances (NGN)	N'M	N'M
Financial assets		
Cash and bank balances	1,284,695	142,193
Trade and other receivables	11,125,109	11,027,407
	12,409,804	11,169,600
Financial liabilities		
Trade and other payables	(40,914,467)	(38,431,363)
	(28,504,663)	(27,261,763)
Foreign currency denominated balances (Pounds Sterling)		
Financial assets		
Cash and bank balances	3,333	2,369
Trade and other receivables	100	-
	3,433	2,369
Financial liabilities		
Trade and other payables	(2,065)	(766)
	1,368	1,603
Net exposure to foreign exchange risk	(28,503,295)	(27,260,160)

47.1.4 Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the Nigerian Naira and the Pound sterling exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Group		Company	
Nigerian Naira	**Change in rate**	**Effect on profit before tax N'M**	**Change in rate**	**Effect on profit before tax N'M**
31-Dec-22	20%	(5,700,933)	20%	(5,452,353)
	-20%	5,700,933	-20%	5,452,353

	Group		Company	
Pounds Sterling	**Change in rate**	**Effect on profit before tax N'M**	**Change in rate**	**Effect on profit before tax N'M**
31-Dec-22	20%	274	20%	321
	-20%	(274)	-20%	(321)

The movement on the before-tax effect is a result of a change in monetary assets and liabilities denominated in Nigerian Naira and Pounds Sterling, where the functional currency of the entity is a currency other than US dollars.

47.1.5 Commodity price risk

Although the group does not have any financial instruments that is exposed to commodity price risk the group is affected by the volatility of certain commodities. Its operating activities involve the sale of crude oil and other allied products.

47.1.6 Commodity price sensitivity

The following table shows the effect of price changes for crude oil, gas and power prices.

	Change in crude oil price	The Group Effect on profit before tax N'M	The Company Effect on profit before tax N'M
31 December 2022			
Revenue from commodities	6%	522,951	173,420
	-6%	(522,951)	(173,420)

Equity price risk

The Group's quoted equity securities are susceptible to market-price risk arising from uncertainties about future values of the investment securities. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis which is managed and controlled by the Group finance committee. The Group's Board of Directors reviews and approves all equity investment decisions.

Equity price sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the value of the securities and its impact on the Group's other comprehensive income.

Quoted and unquoted equity	The Group		The Company	
	Change in price of equity	Effect on other comprehensive income N'M	Change in price of equity	Effect on other comprehensive income N'M
31 December 2022	4%	18,856	4%	18,856
	-4%	(18,856)	-4%	(18,856)

47.1.7 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from clients and related parties. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions and committed transactions.

47.2 Impairment of financial assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance. The Group assesses the credit quality of the customers, taking into account its financial position, past experience and other factors.

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data adjusted by forward looking information. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets, as shown below. The Group does not hold collateral as security.

Maximum exposure to credit risk

		Group 31 December 2022 N'M	Company 31 December 2022 N'M
Trade receivables	Note 24	1,754,812	568,547
Other receivables	Note 24.2	721,366	423,419
Intercompany receivables	Note 24	-	8,671,713
Receivable from Federal Government of Nigeria	Note 24	2,182,210	2,167,389
Staff loans	Note 22.1	15,966	7,033
Cash and short term deposits	Note 26	2,319,511	945,604
		6,993,865	12,783,705
Impairment of financial assets		(1,375,010)	(593,559)
		5,618,855	12,190,146

i. Measuring impairment loss

The Group has five types of financial assets (Company: six) that are subject to IFRS 9's new expected credit loss model. The details of the Group's impairment are detailed below:

a)Trade receivables
b)Other receivables
c)Intercompany receivables (Company only)
d)Receivable from Federal government of Nigeria
e)Staff loan
f)Cash and short term deposits

Simplified approach:

The Group performs an impairment analysis on Trade receivables and Other receivables using the provisional matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

General approach:

The Group measures impairment on intercompany receivables and Cash and short term deposits using the General approach. The parameters used to determine impairment for intercompany receivables, cash and short-term deposits are shown below. For all balances presented in the table, the respective 12-month Probability of Default (PD) equates the Lifetime PD for stage 2 as the maximum contractual period over which the Group is exposed to credit risk arising from the balance is less than 12 months.

	Probability weightings	Probability of Default (PD)	Loss Given Default (LGD)	Exposure at default (EAD)	Macroeconomic indicators
Cash and short term deposits	68.4%, 14.3% and 17.3% of historical Inflation rate, GDP growth rate and Prime lending rate observations fall within acceptable bounds, periods of boom and periods of downturn respectively.	The 12 month PD for stage 1 and stage 2 were determined by credit rating from the S & P Annual Global Corporate default and transition study publication for 2020 while for stage 3 the PD was 100%.	The 12-month LGD and lifetime LGD were determined using the estimated recovery rate of Moody 1st lien Bank loans (65.7%) for Corporate and estimated recovery rate of 95% for balances with sovereigns, i.e. the CBN.	The EAD is the maximum exposure of the receivable to credit risk.	The historical inflation rate, GDP growth rate and Prime lending rates were used
Intercompany balance	68.4%, 14.3% and 17.3% of historical Inflation rate, GDP growth rate and Prime lending rate observations fall within acceptable bounds, periods of boom and periods of downturn respectively.	The 12 month PD for stage 1 and stage 2 are determined by credit rating from the S & P Annual Global Corporate default and transition study publication for 2022 while for stage 3 the PD where applicable, is 100%.	Due to the nature of relationship amongst the SBU's and consultation with management, a recovery rate of 95% was adopted for intercompany loans. Hence, the LGD was 5%.	The EAD is the maximum exposure of the receivable to credit risk.	The historical inflation rate, GDP growth rate and Prime lending rates were used

Stage 1: This stage includes financial assets that are less than 30 days past due (Performing).

Stage 2: This stage includes financial assets that have been assessed to have experienced a significant increase in credit risk using the days past due criteria (i.e. the outstanding receivables amounts are more than 30 days past due but less than 90 days past due) and other qualitative indicators such as the increase in political risk concerns or other micro-economic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance.

Stage 3: This stage includes financial assets that have been assessed as being in default (i.e. receivables that are more than 90 days past due) or that have a clear indication that the imposition of financial or legal penalties and/or sanctions will make the full recovery of indebtedness highly improbable.

The reconciliation of impairment on financial assets is shown below;

Reconciliation of impairment of financial assets	**Group**	**Company**
	N'M	**N'M**
Impairment as at 21 September 2021	-	-
Transfers-in at 1 July 2022	1,686,102	713,089
Decrease in impairment of trade receivables	(188,189)	(141,845)
(Decrease)/increase in impairment of other receivables	(122,881)	1,074
Increase in impairment of intercompany receivables	-	21,220
(Decrease)/increase in impairment of cash and short term deposits	(22)	21
Impairment as at 31 December 2022	1,375,010	593,559

a Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. Trade receivables represent the amount of receivable from customers for the sale of the products and provision of services. The expected credit loss rate for this receivable is determined using a provision matrix approach.

The provision matrix approach is based on the historical credit loss experience observed according to the behaviour of customers over the expected life of the receivable and adjusted for forward-looking estimates of relevant macroeconomic variables.

The expected loss rate was calculated as the percentage of the receivable that is deemed uncollectible during a particular period. The expected loss rates as at 31 December 2022 are as follows:

Group

	31 December 2022				
	0-30	31-60	61-90 Days past due	More than 90	Total
	N'M	N'M	N'M	N'M	N'M
Gross carrying amount	50,253	393,975	350,507	960,077	1,754,812
Expected loss rate	15%	20%	48%	57%	-
Lifetime ECL	7,718	79,764	169,264	550,206	806,952

Company

	31 December 2022				
	0-30	31-60	61-90 Days past due	More than 90	Total
	N'M	N'M	N'M	N'M	N'M
Gross carrying	48,112	96,653	170,564	253,218	568,547
Expected loss rate	13.4%	47.9%	55.2%	91.4%	-
Lifetime ECL	6,434	46,252	94,091	231,486	378,263

Movements in the provision for trade receivables as at 31 December 2022 is as follows:

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
At 21 September 2021	-	-
Transfers-in at 1 July 2022	995,141	520,108
Impairment reversal	(188,189)	(141,845)
Closing balance	806,952	378,263

b Other receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for other receivables.

Other receivables include sundry receivables.

The expected credit loss rate for this receivable is determined using a provision matrix. The provision matrix used is based on the Group's historical default rates observed over the expected life of the receivable and is adjusted for forward-looking estimates.

An expected loss rate was calculated as the percentage of the receivable that is deemed uncollectible during a particular period. The expected loss rates as at 31 December 2022 are:

Group

		31 December 2022			
	Current	31-60	61-90	More than 90	Total
		Days past due			
	N'M	N'M	N'M	N'M	N'M
Gross carrying amount	115,049	137,215	251,183	237,362	740,809
Expected loss rate	34.9%	69.5%	85.4%	91.9%	-
Lifetime ECL	40,146	95,317	214,453	218,075	567,991

Company

		31 December 2022			
	Current	31-60	61-90	More than 90	Total
		Days past due			
	N'M	N'M	N'M	N'M	N'M
Gross carrying amount	78,535	112,193	145,850	86,841	423,419
Expected loss rate	0.4%	0.9%	1.1%	4.0%	-
Lifetime ECL	319	1,020	1,594	3,443	6,376

Movements in the provision for other receivables as at 31 December 2022 is as follows:

	Group	Company
	31 December 2022	31 December 2022
	N'M	N'M
Loss allowance at 21 September 2021		
Transfers in at 1 July 2022	690,872	5,302
(Impairment reversal)/additional provision	(122,881)	1,074
At 31 December 2022	567,991	6,376

c Intercompany receivables

The Group applies the IFRS 9 general model for measuring expected credit losses (ECL) which uses a three-stage approach in recognising the expected loss allowance for related parties and other receivables. Receivables from related parties represents amount due to the Company from related strategic business units (SBU's). All the subsidiaries have been assessed to have uniform credit qualities. The credit qualities takes into account its financial position, past experience and other factors.

The ECL recognised for the period is a probability-weighted estimate of credit losses discounted at the effective interest rate of the financial asset. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The following analysis provides further detail about the calculation of ECLs related to these assets. The Group considers the model and the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

Company

	31 December 2022			
	Stage 1 12-month ECL N'M	**Stage 2 Lifetime ECL N'M**	**Stage 3 Lifetime ECL N'M**	**Total N'M**
Credit grade	B-			
Gross exposure at default*	8,548,713	-	-	8,548,713
Loss allowance as at 31 December 2022	208,889	-	-	208,889
Net exposure at default	8,757,602	-	-	8,757,602

Movements in the provision for related parties and other receivables impairment as at 31 December 2022 are follows:

Company

	31 December 2022			
	Stage 1 12 months ECL N'M	**Stage 2 Lifetime ECL N'M**	**Stage 3 Lifetime ECL N'M**	**Total N'M**
Loss allowance as at 21 September 2021	-	-	-	-
Transfers-in at 1 July 2022	187,669	-	-	187,669
Additional provision	21,220	-	-	21,220
At 31 December 2022	208,889	-	-	208,889

d Receivable from Federal government of Nigeria

The Group applies the IFRS 9 general model for measuring expected credit losses (ECL) which uses a three-stage approach in recognising the expected loss allowance for FGN receivables. Receivables from FGN represent the outstanding payments due to the Group from the Federal Government of Nigeria. The receivable has been assessed for impairment and has remained in stage 1. From the computation, impairment on the receivable is deemed immaterial and has not been recognised.

e Staff loans

The Group applies the IFRS 9 general model for measuring expected credit losses (ECL) which uses a three-stage approach in recognising the expected loss allowance for Staff loans. Staff loans represent the outstanding balances due from loans given to staff. The loan has been assessed for impairment and has remained in stage 1. From the computation, impairment on the receivable is deemed immaterial and has not been recognised.

f Other cash and bank balances

The Group applies the IFRS 9 general model for measuring expected credit losses (ECL) which uses a three-stage approach in recognising the expected loss allowance for Bank balances and other short term deposits. Bank balances and short term deposits represents the amount of cash balances domiciled in the Group's various Banks including fixed deposits. All the other cash and bank balances have been assessed to have uniform credit qualities.

The ECL recognised for the period is a probability-weighted estimate of credit losses discounted at the effective interest rate of the financial asset. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The following analysis provides further detail about the calculation of ECLs related to these assets. The Group considers the model and the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

Group

	31 December 2022			
	Stage 1 12-month ECL N'M	**Stage 2 Lifetime ECL N'M**	**Stage 3 Lifetime ECL N'M**	**Total N'M**
Credit grade	B-			
Gross exposure at default*	2,319,511	-	-	2,319,511
Loss allowance as at 31 December 2022	67	-	-	67
Net exposure at default	2,319,444	-	-	2,319,444

Company

	31 December 2022			
	Stage 1 12-month ECL N'M	**Stage 2 Lifetime ECL N'M**	**Stage 3 Lifetime ECL N'M**	**Total N'M**
Credit grade	B-			
Gross exposure at default*	945,604	-	-	945,604
Loss allowance as at 31 December 2022	31	-	-	31
Net exposure at default	945,635	-	-	945,635

Movements in the impairment provision for other cash and bank balance as at 31 December 2022 are as follows:

Group

	31 December 2022			
	Stage 1 12 months ECL N'M	**Stage 2 Lifetime ECL N'M**	**Stage 3 Lifetime ECL N'M**	**Total N'M**
Loss allowance as at 21 September 2021	-	-	-	-
Transfers in at 1 July 2022	89	-	-	89
Impairment reversal	(22)	-	-	(22)
At 31 December 2022	67	-	-	67

Company

	31 December 2022			
	Stage 1 12 months ECL N'M	Stage 2 Lifetime ECL N'M	Stage 3 Lifetime ECL N'M	Total N'M
Loss allowance as at 21 September 2021	-	-	-	-
Transfers in at 1 July 2022	10	-	-	10
Additional provision	21	-	-	21
At 31 December 2022	31	-	-	31

ii Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's Treasury Department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's finance committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as shown above.

iii Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio to dilute potential concentration of risks. The Group also ensures that concentrations of credit risks are identified early enough, controlled and managed accordingly.

47.3 Estimation uncertainty in measuring impairment loss

The table below shows information on the sensitivity of the carrying amounts of the Group's financial assets to the methods, assumptions and estimates used in calculating impairment losses on those financial assets at the end of the reporting period. These methods, assumptions and estimates have a significant risk of causing material adjustments to the carrying amounts of the Group's financial assets.

a. Expected cashflow recoverable

The table below demonstrates the sensitivity of the Group's profit before tax to a 10% change in the expected cashflows from financial assets, with all other variables held constant:

	Group	Company
	Effect on profit before tax	
	31 December 2022 N'M	31 December 2022 N'M
Increase/decrease in estimated cash flows		
+10%	2,139,634	1,277,667
-10%	(2,139,634)	(1,277,667)

b. Significant unobservable inputs

The table below demonstrates the sensitivity of the Group's profit before tax to movements in the loss given default (LGD) for financial assets, with all other variables held constant:

	Group	Company
	Effect on profit before tax	
	31 December 2022 N'M	31 December 2022 N'M
Increase/decrease in loss given default		
+10%	(31,109)	(11,953)
-10%	31,109	11,953

The table below demonstrates the sensitivity of the Group's profit before tax to movements in the forward looking macroeconomic indicators, with all other variables held constant:

	Effect on profit before tax	
	31 December 2022 N'M	31 December 2022 N'M
Increase/decrease in forward looking macroeconomic indicators		
+10%	137,501	59,356
-10%	(137,501)	(59,356)

47.4 Liquidity risk

The Group monitors its risk to shortage of funds using a liquidity planning strategy. The Group's objective is to maintain a balance between continuity of equity funding and flexibility through the use of trade and other payables. The Group enjoys the financial support of the Federal Government in form of budget appropriation on major capital projects and this places the Group in a position of financing it operations independent of commercial borrowings. The Group's policy is to maintain below 1% borrowings and this explains why the Group has no debt in its equity structure. The Group assesses the concentration risk as fairly good as funding is sufficiently available from its shareholders. The Group is only significantly exposed to liquidity risk through its trade and other payables, lease liabilities and royalties payable.

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

Group Year ended 31 December 2022	Below 1 year N'M	1-2 years N'M	Above 2 years N'M	Total N'M
Trade and other payables**	24,638,155	-	-	24,638,155
Lease liabilities	-	-	6,472	6,472

The table below summarizes the maturity profile of the company's financial liabilities based on contractual undiscounted payments.

Company Year ended 31 December 2022	Below 1 year N'M	1-2 years N'M	Above 2 years N'M	Total N'M
Trade and other payables**	10,050,978	-	-	10,050,978
Lease liabilities	-	-	1,325	1,325

**Withholding tax payables and Value added tax payables are excluded from trade and other payables because they are not financial liabilities.

The disclosed financial instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net.

47.5 Fair value measurements

Set out below is a comparison by category of carrying amounts and fair value of all financial instruments:

	Group	
	Carrying value	Fair value
	31 December 2022	31 December 2022
	N'M	N'M
Financial assets at amortised cost		
Trade and other receivables*	1,754,812	1,754,812
Staff loans	15,966	15,966
Cash and bank balances	2,319,511	2,319,511
Financial assets at fair value		
Quoted equity shares	4,165	4,165
Unquoted equity	467,231	467,231
	4,561,685	**4,561,685**
Financial liabilities at amortised cost		
Trade and other payables	23,704,923	23,704,923
	23,704,923	**23,704,923**

	Company	
	Carrying value	Fair value
	31 December 2022	31 December 2022
	N'M	N'M
Financial assets at amortised cost		
Trade and other receivables*	568,547	568,547
Staff loans	7,033	7,033
Cash and bank balances	945,604	945,604
	1,521,184	1,521,184
Financial assets at fair value		
Quoted equity shares	4,164	4,164
Unquoted equity	467,231	467,231
	1,992,579	**1,992,579**
Financial liabilities at amortised cost		
Trade and other payables **	10,050,978	10,050,978
	10,050,978	**10,050,978**

*Trade and other receivables exclude VAT receivables and advance payments.

**Trade and other payables (excludes non-financial liabilities such as provisions, accruals, taxes, pension and other non-contractual payables), trade and other receivables (excluding prepayments) and cash and short-term deposits are financial instruments whose carrying amounts as per the financial statements approximate their fair values. This is mainly due to their short term nature.

47.6 Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2022, the Group held the following financial instruments measured at fair value:

Group and the Company	Fair value hierarchy	Group 31 December 2022 FVTOCI N'M	Company 31 December 2022 FVTOCI N'M
Quoted equity	Level 1	4,165	4,164

The fair value of the quoted equity instrument has been determined using the price quote on the Nigeria Stock Exchange (NSE) market as at the year end.

	Fair value hierarchy	Group 31 December 2022 N'M	Company 31 December 2022 N'M
Staff loans	Level 2	15,966	7,033

The fair value of staff loans are based on the price of other observable staff loans.

	Fair value hierarchy	Group 31 December 2022 N'M	Company 31 December 2022 N'M
Unquoted equity	Level 3	467,231	467,231

The fair value of the unquoted instruments are based on the reporting date present value of expected future cash dividends.

During the reporting period ending 31 December 2022, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

48 Details of professionals that provided services to Company during the period

(a) Details of professionals that provided services during the period:

Name of professional firm	Summary of services provided	Name of professional	FRCN Number
Ernst and Young (EY)	Actuarial valuation service	Wise Chigudu	FRC/2022/PRO/NAS/00000024119
Ernst and Young (EY)	IFRS 9, 15 and 16 assessment	Samuel Agbevem	FRC/2020/002/00000020538

(b) Details of non-audit services provided by joint external auditors to the Company during the year are below:

There were no non-audit services provided by joint external auditors to the Company during the period.

49 Capital management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize stakeholder value.

The Group manages its capital structure in light of changes in economic conditions.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt trade and other payables, lease liabilities less cash and cash equivalents.

	Group 31 December 2022 N'M	Company 31 December 2022 N'M
Cash and short-term deposits	(2,319,511)	(945,604)
Trade and other payables	25,032,633	10,056,762
Lease liabilities	6,472	1,325
Net debt	22,719,594	9,112,483
Total equity	9,293,404	8,378,661
Total capital plus net debt	32,012,998	17,491,144
Gearing ratio	71%	52%

Nigerian National Petroleum Company Limited
Statements of value added - Group and Company
For the sixteen-month period ended 31 December 2022

	Group		Company	
	31 December 2022 N'M	%	31 December 2022 N'M	%
Revenue	8,816,384		2,890,334	
Other income	1,172,558		979,408	
Finance Income	10,752		9,231	
	9,999,694		**3,878,973**	
Bought in materials and services				
- Direct cost	5,547,834		334,136	
- Other indirect cost	2,095,201		1,735,976	
	7,643,035		**2,070,112**	
Value added	**2,356,659**	**100%**	**1,808,861**	**100%**
Applied as follows:				
To pay employees:				
Salaries, wages and other benefits	266,933	11%	105,596	6%
To receive from Government				
Income tax	(717,074)	-30%	(459,771)	-25%
To pay Providers of Funds				
Interest on loans	73,057	3%	58,854	3%
Retained for future replacement of assets and expansion of business:				
- Depreciation	205,931	9%	111,243	6%
-Amortisation	4,298	0%	-	0%
- Retained profit	2,523,514	107%	1,992,939	110%
	2,356,659	**100%**	**1,808,861**	**100%**

Value added represents wealth created through the efforts of the Group and Company and its employees. This statement shows the allocation of that wealth to employees, shareholders, government and that retained for the creation of more wealth.