N-GAS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2019

Contents | **Page**

Corporate information

Registered office	Clarendon House 2 Church Street Hamilton HM CX Bermuda
Shareholders	Nigerian National Petroleum Corporation (NNPC) Shell Overseas Holding Limited Chevron N-Gas Limited
Secretary	Conyers Corporate Services (Bermuda) Limited 2 Church Street Hamilton HM 11 Bermuda
Auditor	PricewaterhouseCoopers Chartered Accountants Landmark Towers 5B, Water Corporation Road, Victoria Island Lagos
Banker	Standard Chartered Bank Limited New London Bridge Street London, SE1 9TB United Kingdom
Legal adviser	Olaniwun Ajayi LP The Adunola Plot L2 Banana Island Ikoyi, Lagos Nigeria

Directors' report

Date of incorporation and principal activities

N-Gas Limited was incorporated in November 2004 in Bermuda and is jointly owned by NNPC (62.35%), Chevron (20%) and Shell (17.65%). The Company is the foundation shipper for the West African Gas Pipeline project (WAGP).

The actual number of ordinary shares allotted to each shareholder is shown in the table below. The shares are at a nominal value of $1 each.

Analysis of shareholding	**Number of shares**	**%**
Nigerian National Petroleum Corporation	7,482	62.35
Chevron N-Gas Limited	2,400	20.00
Shell Overseas Holdings Limited	2,118	17.65
Total	**12,000**	**100.00**

Financial statements

The Directors submit the financial statements of N-Gas Limited for the year ended 31 December 2019 in accordance with International Financial Reporting Standards (IFRS).

The financial statements were authorised by the board on 23 June 2020.

The members of the board and their present status are shown below:

Name of Director	**Status**	**Date of Appointment**	**Date of Resignation**
Oluwaseyi O. Omotowa	Chairman	19 March 2020	
Sanjay Narasimhalu		15 July 2016	
Mansur Sadiq Sambo		04 April 2016	
Olusegun Zacchaeaus Adebayo		12 December 2017	
Dr. Salihu Nuhu Jamari		28 August 2019	19 March 2020
Babatunde Bakare		15 September 2015	28 August 2019

All the directors including the chairman, are non-executive directors of N-Gas Limited.

Dividend

Dividends of $500.00 per share were paid during the course of the year.

Auditor

The Company's auditor, PricewaterhouseCoopers (PwC) has expressed a willingness to continue in office.

BY ORDER OF THE BOARD

Secretary:

Date: 23/06/2020

Results at a glance

	Notes	2019 US$'000	2018 US$'000
Revenue	11	5,809	5,204
Profit for the year		6,217	6,384
Retained earnings		10,896	10,679
Share capital	8	12	12
Equity attributable to equity holders of the Company		10,908	10,691
Earnings per share (USD)	16	518	532

Statement of directors' responsibilities

The directors are required 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. This responsibility includes ensuring that:

(a) appropriate internal controls are established both to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;

(b) the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company;

(c) the Company has prepared financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, that are in conformity with International Financial Reporting Standards (IFRS).

The financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit. 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 system of internal control.

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 this statement.

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Director	**Director**
Date:	**Date:**

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Statement of financial position

	Notes	2019 US$'000	2018 US$'000
Current assets			
Restricted fund	7	27,289	27,588
Trade and other receivables	5	79,544	103,343
Cash and bank balances	6	17,248	30,878
Total assets		**124,081**	**161,809**
Equity attributable to equity holders of the Company			
Share capital	8	12	12
Retained earnings		10,896	10,679
Total equity		10,908	10,691
Current liabilities			
Shipper's imbalance	4	953	1,364
Security account beneficiaries	9	27,200	27,200
Trade and other payables	10	85,020	122,554
Total liabilities		113,173	151,118
Total equity and liabilities		**124,081**	**161,809**

The financial statements on pages 8 to 11 were authorised for issue by the Board of Directors on 23 June 2020 and were signed on its behalf by:

Director.................................   **Director**.................................

The notes on pages 12 to 30 form an integral part of these financial statements.

Statement of comprehensive income

	Note	2019	2018
		US$'000	US$'000
Revenue	11	5,809	5,204
Cost of sales		-	-
Gross profit		**5,809**	**5,204**
Other income	14	2,832	2,007
Administrative expenses	12	(1,770)	(1,765)
Reversal of impairment loss on trade receivables	13	70	276
Operating profit		**6,941**	**5,722**
Finance income	15	4,407	5,380
Finance cost	15	(5,131)	(4,718)
Net profit for the year		**6,217**	**6,384**
Other comprehensive income		-	-
Total comprehensive income for the year		**6,217**	**6,384**
Earnings per share for profit attributable to the equity holders of the Company (US Dollars per share)	16	518	532

The notes on pages 12 to 30 form an integral part of these financial statements.

Statement of changes in equity

	Note	Share capital	Retained Earnings	Preference Shares	Total equity
		US$'000	US$'000	US$'000	US$'000
Balance as at 1 January 2018		12	10,624	-	10,636
Adjustment on initial application of IFRS 9		-	(329)	-	(329)
Comprehensive income					
Profit for the year			6,384	-	6,384
Payment of dividends on ordinary shares	17	-	(6,000)	-	(6,000)
Balance at 31 December 2018		12	10,679	-	10,691
Balance as at 1 January 2019		12	10,679	-	10,691
Comprehensive income					
Profit for the year			6,217	-	6,217
Transactions with owners					
Payment of dividends on ordinary shares			(6,000)	-	(6,000)
Balance at 31 December 2019		12	10,896	-	10,908

Statement of cash flows

	Notes	2019	2018
		US$'000	US$'000
Cash flows from operating activities			
Cash (used for)/generated from operations	18	(7,630)	8,162
Net cash (used for)/generated from operations		**(7,630)**	**8,162**
Cash flows from financing activities			
Dividends paid		(6,000)	(6,000)
Net cash used in financing activities		**(6,000)**	**(6,000)**
Net (decrease)/increase in cash and bank balances		(13,630)	2,162
Cash and bank balances at beginning of the year		30,878	28,716
Cash and bank balances at end of the year	6	**17,248**	**30,878**

The notes on pages 12 to 30 form an integral part of these financial statements.

Notes to the financial statements

1. General information

N-Gas Limited was incorporated as a private limited liability Company on 17th November 2004 in Bermuda and commenced operations in the same year. The Company is jointly owned by the Nigerian National Petroleum Corporation (62.35%), Chevron N-Gas Limited (20.00%) and Shell Overseas Holdings Limited (17.65%). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM CX, Bermuda.

The Company's main activity is to buy and sell natural gas shipped through the Escravos-Lagos Pipeline System (ELPS - NGC) and the West African Gas Pipeline (WAGP) to its customers in the countries of Ghana, Togo and Benin.

The Company has executed agreements with upstream producers in Nigeria (Chevron Nigeria Limited Joint Venture (CNL-JV) and Nigerian Petroleum Development Company/ND Western Joint Venture (NPDC/NDW-JV)) and with gas transportation companies (Nigerian Gas Company Limited (NGC) and West African Petroleum Company (WAPCo)) for the supply and transportation of gas to its customers.

The agreement with NPDC/NDW-JV was previously with SPDC-JV but subsequently novated to NPDC/NDW-JV following the divestment of Shell Petroleum Development Company Joint Venture (SPDC-JV) from the asset that is the major source of its upstream gas supplies. The Novation agreement which transfered the rights and obligations of the NNPC/SPDC JV parties to NPDC/NDW JV parties in the NNPC/SPDC GPAs, was finally concluded in December 2014 following the execution of the novated Trust Accounts and Security Deeds (TASDs).

2. Statement of significant accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current and preceding year, is set out below. These policies have been consistently applied to all the years presented, except for policies affected by the adoption of new standards. The impact of the new standards on the Company's policies are disclosed in note 2.2.

2.1 Basis of preparation

The financial statements of N-Gas Limited (the "Company") have been prepared in accordance with the International Financial Reporting Standards (IFRS) and International Financial Reporting Standards Interpretation Committee (IFRIC) interpretations.

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept.

All values are rounded to the nearest thousand except otherwise stated. The financial statements are presented in thousands of US dollars.

The preparation of financial statement in accordance with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.13.

2.2 New and revised IFRSs for 2019 annual financial statements

IFRS 16: Leases

IFRS 16, 'Leases' is effective for annual periods beginning 1 January 2019, it addresses lease as a contract that conveys the right to use an asset for a period of time in exchange for consideration. IFRS 16 will have a significant impact on the sectors that employ the use of land/building assets and organisations with high value. IFRS 16 does not require users to recognise assets and liabilities for short term leases and leases of low value. Short-term leases are those with a lease term of 12 months or less and containing no purchase options while leases of low value are those whose underlying assets have a low value when new (such as personal computers or small items of office furniture) – this election can be made on a lease-by-lease basis. This standard is not applicable to the Company as it has no lease contracts.

Notes to the financial statements

2. Statement of significant accounting policies (continued)

2.3 New standards, amendments and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards or amendments are:

- Amendments to references to conceptual framework in IFRS standards
- Definition of a business (Amendment to IFRS 3)
- Definition of material (Amendment to IAS 1 and IAS 8)

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.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in "United States Dollars" which is the Company's functional currency, and rounded to the nearest thousand.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.5 Financial instruments

2.5.1 IFRS 9 financial instruments (policy applicable from 1 January 2018)

In accordance with IFRS 9, financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognised in the statement of income or other comprehensive income.

(i) Financial assets

The Company's financial assets are measured at amortised cost as the cash flows from these assets are solely payments of principal and interest ("SPPI") and are held in a business model whose objective is to collect contractual cash flows. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's financial assets comprise 'restricted fund', 'trade and other receivables' and 'cash and bank balances' in the Statement of Financial Position (notes 5, 6 and 7). The interest income on these assets is included in finance income using the effective interest rate method. Any gain or loss arising from derecognition is recognized directly in profit or loss and presented in finance income/cost.

Trade receivables

Trade receivables are amounts due from customers for delivery of gas in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and bank balances

Cash and bank balances include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Notes to the financial statements

2. Statement of significant accounting policies (continued)

2.5 Financial instruments (continued)

2.5.1 IFRS 9 Financial instruments (policy applicable from 1 January 2018) (continued)

(ii) Financial assets (continued)

Impairment of financial assets

The Company assesses on a forward-looking basis, the expected credit losses ('ECL') associated with its trade and other receivables carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

Note 3(b) provides more detail of how the expected credit loss allowance is measured.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expires, or when it transfers substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the statement of comprehensive income.

(ii) Financial liabilities

Financial liabilities are initially recognised at fair value when the Company becomes a party to the contractual provisions of the liability. Subsequent measurement of financial liabilities is based on amortised cost. The Company's financial liabilities include 'trade and other payables'.

Financial liabilities are presented as current liabilities if they are due to be settled within 12 months after reporting date, or if they are held for the purpose of being traded. Other financial liabilities which contractually will be settled more than 12 months after the reporting date are classified as non-current.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Other payables comprise of amounts due to creditors for gas supplied and transported to customers and interest earned on the balance of the security trust accounts with the bank which is remittable to the beneficiaries of the security trust account on a quarterly basis.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.6 Share capital

Ordinary shares are classified as equity

Notes to the financial statements

2. Statement of significant accounting policies (continued)

2.7 Redeemable preference shares

Redeemable preference shares are recognised initially at fair value, net of transaction costs incurred. The preference shares are redeemable at the discretion of the Company and are classified as equity. Dividend on the preference shares are non-cumulative and recognised in equity.

2.8 Revenue recognition

Revenue comprises the fair value of the delivery fees received or receivable on delivery of natural gas to customers. This is charged at $0.1 per MMBTu of gas delivered to customers per terminal. Revenue is recognised when gas is delivered to the customer at the designated delivery pipeline point specified in the gas sale agreements. The payment on invoices is made 10 days after the invoice date, after which interest at Libor + 3% is accrued on outstanding invoices. This is recognized as finance income (note 15) in the statement of comprehensive income.

2.9 Shipper's imbalance

A shipper's imbalance is the difference between the Company's allocated receipts into the WAGP pipeline system and allocated deliveries off the pipeline, after taking into account fuel gas used in maintaining the pipeline operations and lost or unaccounted gas.

When the allocated delivery amount is less than the allocated receipt amount, the shipper's imbalance is in a 'due from' position and the pipeline owes the Company gas and when the allocated delivery is greater than the allocated receipt, the imbalance is in a 'due to' position and the Company owes the pipeline gas.

Shipper's imbalance are measured at the lower of carrying amount and current market value. Any remeasurements are included in other income/ expense.

2.10 Security account beneficiaries

Security account beneficiaries are funds received from the various parties to the gas agreements and held in trust to be applied in settling the foundation customers in the event of any liability arising from default along the WAGP gas supply.

The funds are held in designated bank accounts of N-Gas and the corresponding liability is the security trust beneficiaries' account. The liability is presented as a current liability and recognised at fair value.

2.11 Provisions for reimbursable assets

The Company makes provision for liabilities that may result from gas sales agreements and gas transportation agreements, based on contractual minimum quantities.

A provision is a liability of uncertain timing or amount. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

Provisions are recognised as liabilities when there is a reliable estimate, based on present obligations and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations.

A reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset and the amount recognised for the reimbursement does not exceed the amount of the provision.

2.12 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Notes to the financial statements

2. Statement of significant accounting policies (continued)

2.13 Critical accounting estimates and judgements

The preparation of financial statements requires management to make certain judgments, accounting estimates and assumptions that affect the amounts reported to the assets and liabilities as at the reporting date and the amounts reported for accounts receivables, revenues and expenses during the year. The nature of the estimation means that actual outcomes could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

Determining criteria for significant increase in credit risk and default;

- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

3. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (mainly interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by management based on the policies approved by the directors. The policies cover areas such as investment of excess liquidity and the security trust fund in designated bank accounts.

(a) Interest risk

The Company's interest rate risk arises from bank deposits with Standard Chartered Bank, London. Standard Chartered Bank has invested a significant portion of these deposits in JP Morgan Global Liquidity Fund on the Company's behalf. Interest on the principal is set at variable rates dictated by the London Interbank Bid Rate (LIBID) less one-quarter percent per annum. In 2019, the weighted average official bank rate was 2.34% (2018: 1.89%).

(b) Credit risk

Credit risk is managed by the Company. Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to gas customers. These include outstanding receivables and committed transactions. The Company manages the credit risk by dealing only with banks and financial institutions that have good ratings. While cash and bank balances are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial in 2019 at $82 (2018:$83).

N-Gas has applied the IFRS 9 simplified approach in measuring expected credit losses for trade receivables which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The expected loss rates for 2019 of 3.4% (1 January 2019: 6.3%) is based on the difference between the discounted amount received and the actual receivables as at the end of the relevant receivables period. Amounts received after a year from the invoice date were discounted using the Libor + 3% interest rate.

Notes to the financial statements

3. Financial risk factors (continued)

(b) Credit risk (continued)

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the global crude oil prices to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor. The forward looking rate for 2019 is 100% (1 January 2019: 84%).

The closing loss allowance for trade receivables as at 31 December 2019 reconciles to the opening loss allowance as follows:

	2019	2018
	US$'000	US$'000
31 December – calculated under IAS 39	-	43
Amounts restated through opening retained earnings	-	329
Opening loss allowance as at 1 January 2019 – calculated under IFRS 9	96	372
Unused amount reversed	(70)	(276)
As at 31 December	26	96

The carrying values of the liabilities and receivables are the same as their fair value due to their short term nature. During the year, the carrying value of financial instruments approximate their fair value.

The aging of trade receivables at the end of the reporting period are as follows:

2019

	0 - 30 days US$'000	30 - 60 days US$'000	60 - 90 days US$'000	Over 90 days US$'000	Total US$'000
VRA	430	-	-	-	430
CEB Cotonou	223	-	-	-	223
CEB Lome	87	-	-	17	104
Gross total	740	-	-	17	757
Expected credit loss rate					3.4%
Loss allowance					26

Notes to the financial statements

3. Financial risk factors (continued)

(b) Credit risk (continued)

2018

	0 - 30 days US$'000	30 - 60 days US$'000	60 - 90 days US$'000	Over 90 days US$'000	Total US$'000
VRA	378	447	-	613	1,438
CEB Cotonou	-	2	-	-	2
CEB Lome	80	-	-	-	80
Gross total	**458**	**449**	**-**	**613**	**1,520**
Expected credit loss rate					**6.3%**
Loss allowance					**96**

(c) Liquidity risk

Cash flow forecasting is performed by the Company. Management monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Surplus cash held by the Company over and above balance required for working capital management are transferred to the bank. The Company invests surplus cash in interest bearing current accounts and time deposit, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. The security trust beneficiary accounts and trade payables have their maturity profiles within 12 months of the reporting date, as they are payable on demand.

Below is the maturity analysis of the liabilities outstanding:

2019

	0 - 30 days US$'000	30 - 60 days US$'000	60 - 90 days US$'000	Over 90 days US$'000	Total US$'000
Other creditors	75,293	-	-	5,000	80,293
Accruals to gas suppliers	82	106	138	4,167	4,493
Other accrued expenses	41	-	-	-	41
Trust interest payable	42	47	-	-	89
Payable due to other vendors	104	-	-	-	104
Security trust beneficiary	-	-	-	27,200	27,200
Total	**75,562**	**153**	**138**	**36,367**	**112,220**

Notes to the financial statements

3. Financial risk factors (continued)

(c) Liquidity risk (continued)

2018

	0 - 30 days US$'000	30 - 60 days US$'000	60 - 90 days US$'000	Over 90 days US$'000	Total US$'000
Other creditors	20,004	21,202	-	77,988	119,194
Accruals to gas suppliers	88	90	-	2,641	2,819
Other accrued expenses	48	7	7	-	62
Trust interest payable	57	52	43	236	388
Payable due to other vendors	58	33	-	-	91
Security trust beneficiary	-	-	-	27,200	27,200
Total	**20,255**	**21,384**	**50**	**108,065**	**149,754**

(d) Capital risk management

Capital comprises of ordinary shares which are classified as equity. The carrying values of liabilities and receivables approximate their fair values due to their short-term nature.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders; benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

(e) Fair value measurement

Financial instruments measured at fair value are measured using the following levels of fair value measurement hierarchy:

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Company did not have quoted financial instruments as at reporting date.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Notes to the financial statements

3. Financial risk factors (continued)

(f) Market risk

Price risk

The company's exposure to price risk arises from the gain on positive shippers imbalance recognized in other income which is computed using the gas contract price (GCP) and ELPS transport price (ETP). To manage its price risk arising, these prices are adjusted every six months due to inflation rate and global crude oil prices.

Sensitivity

IFRS 7 (40) (a), (b)

The table below summarises the impact of increases/decreases of the average gas contract price on the profit for year. The analysis is based on the assumption that gas contract price has increased by 1% or decreased by 1% due to changes in inflation and crude prices during the period, with all other variables held constant.

	2019 US$'000
1% increase in gas contract price	14
1% decrease in gas contract price	(14)

The profit for the year would increase/decrease by US$13,666.33 as a result of increase/decrease in the average gas contract price for the year due to changes in inflation and crude oil prices.

4 Shipper's imbalance

	2019 US$'000	2018 US$'000
Shipper's Imbalance	953	1,364
	953	1,364

5 Trade and other receivables

	2019 US$'000	2018 US$'000
Trade receivables (gross)	757	1,520
Impairment loss on trade receivables (note 3b)	(26)	(96)
Net trade receivables	731	1,424
Other receivables	78,813	101,917
Prepayments	-	2
	79,544	103,343

Other receivables represent gas sales and transportation costs due from customers during the period. These amounts are to be passed on to gas suppliers and transporters and are recognised as liability in other payables.

Notes to the financial statements

6 Cash and bank balances

	2019 US$'000	2018 US$'000
Own funds in bank	6,978	3,632
Cash in hand	14	11
GSA trust accounts	10,256	27,235
	17,248	30,878

GSA trust account

This account is used for operating the gas contract with the customers. The receipts from the customer and payments to transporters and suppliers are made from this account.

7 Restricted fund

	2019 US$'000	2018 US$'000
Funds held in trust for security account beneficiaries	27,289	27,588
	27,289	27,588

Restricted fund

Restricted fund relates to security deposits contributed by the WAGP suppliers and transporters and is held solely to settle liabilities to foundation customers arising within the WAGP supply chain. The cash is held in an interest-bearing deposit account and the interest element is paid to the contributors. The carrying amount includes unremitted interest of $89,180 ($388,248 in 2018) as at reporting date. A corresponding liability has been recognised in the financial statements as "Trust Interest Payable". See note 10.

8 Share capital

	Number of shares	Ordinary shares US$'000	Total US$'000
At 1 January 2019	12,000	12	12
At 31 December 2019	12,000	12	12

The total authorised number of ordinary shares is 12,000 shares (2018: 12,000) with a par value of $1 per share. All issued shares are fully paid.

Notes to the financial statements

9 Security account beneficiaries

	2019 US$'000	2018 US$'000
Nigerian National Petroleum Corporation	3,672	3,672
Chevron Nigeria Limited	2,448	2,448
Nigerian Gas Company Limited	4,080	4,080
West African Gas Pipeline Company Limited	10,880	10,880
Nigerian Petroleum Development Company	3,366	3,366
ND Western Limited	2,754	2,754
	27,200	27,200

N-Gas has received funds from the above contributors which are held in trust for the Trust and Security Account beneficiaries. The funds are to be applied in settling the foundation customers for liabilities arising from default along the WAGP gas supply. The amount excludes unremitted interest of $89,180 (2018:$ 388,248).

10. Trade and other payables and accruals

	2019 US$'000	2018 US$'000
Trade payables	-	-
Other payables*	80,293	119,194
Accruals to gas suppliers and transporters	4,493	2,819
Trust interest payable (Note 21 b (i))	89	388
Secondee staff accruals	-	20
Accrued expenses-others	41	42
Payable due to other vendors	104	91
	85,020	122,554

* Other payables represent amounts due to gas suppliers and transporters for gas supplied to customers during the period.

Accruals to gas suppliers and transporters of US$4,492,986 (2018: US$2,818,549) is the provision for interest due on late payment to suppliers. Other accrued expenses are accruals for NNPC secondee costs, audit and accounting services.

Notes to the financial statements

11 Revenue

Revenue arose from the delivery charges on sale of gas to Volta River Authority (VRA) and Communaute Electrique du Benin- Lome/ Cotonou (CEB) under their respective gas sales agreements. The analysis is as follows:

	2019 US$'000	2018 US$'000
VRA	4,686	4,861
CEB Cotonou	492	69
CEB Lome	631	274
	5,809	**5,204**

12 Administrative expenses

	Note	2019 US$'000	2018 US$'000
Secondee staff costs	21(d)	762	692
Auditors remuneration		29	30
Gas contract management expenses		607	559
Consultancy costs and Legal fees		117	134
Business travel and entertainment expenses		30	65
Directors' expenses		95	130
Board and other meeting expenses		116	143
Bermuda government fees		2	2
Corporate & secretarial fees		12	9
Bank charges		0	-
Corporate Gifts		-	1
		1,770	1,765

Notes to the financial statements

13 Impairment loss/ (reversal of impairment loss) on trade receivables

Impairment loss on trade receivables refers to increase or decrease in expected credit losses on trade receivables during the period in accordance with IFRS 9.

	2019 US$'000	2018 US$'000
(Reversal of impairment loss)/ Impairment loss on trade receivables	(70)	(276)
	(70)	(276)

The movement in impairment of trade receivables is shown in note 3(b).

The impairment loss reversal of $70,071.88 was due to the receipt of long outstanding receivables in 2019. The table below shows the reconciliation of trade receivables balance as at 31st December 2019.

	US$'000
Trade Receivables as at 1 January 2019	1,520
Additions during the year	5,809
Payments received during the year	(6,572)
Trade receivables as at 31 December 2019 (Note 5)	757

14 Other income

Other income refers to income from positive shippers imbalance of $2.40million (2018: $1.61million), income earned on the Company's own funds of $0.43million (2018: $0.37million) with the Standard Chartered Bank, London during the year and income on reclassification of accounts payable. The analysis is as follows:

	2019 US$'000	2018 US$'000
Income from positive shippers imbalance	2,400	1,612
Interest on deposit	432	365
Income on reclassification of investment interest payable	-	29
Income on reclassification of suspense account	-	1
	2,832	2,007

Notes to the financial statements

15 Finance income and costs

Finance income refers to interest rebate earned on late payment from customers of $4.41million (2018:$5.38million). Finance costs refer to interest due on late payments to suppliers of $5.13million (2018:$4.72million).

	2019 US$'000	2018 US$'000
Finance income	4,407	5,380
	4,407	**5,380**
Finance cost	5,131	4,718
	5,131	**4,718**

16 Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year excluding ordinary shares purchased by the Company and held as treasury shares.

	2019 US$'000	2018 US$'000
Profit attributable to equity holders of the Company	6,217	6,384
Weighted average number of ordinary shares in issue (thousands)	12	12
Earnings per share (US Dollar per share)	**518**	**532**

17 Dividend paid

Ordinary dividends paid during the year are as follows:

	2019 US$'000	2018 US$'000
Nigerian National Petroleum Corporation (NNPC)	3,741	3,741
Chevron N-Gas Limited	1,200	1,200
Shell Overseas Holdings Limited	1,059	1,059
	6,000	**6,000**

Movement in preference dividend payable during the year is as shown below:

	2019 US$'000	2018 US$'000
Dividend payable as start	-	28
Dividend accrued for the year	-	-
Dividend paid during the year	-	(28)
Dividend payable at year end	-	-

Notes to the financial statements

18 Cash generated from operations

	2019 US$'000	2018 US$'000
Profit for the year	6,217	6,384
Decrease in retained earnings (IFRS 9 Adjustment)	-	(329)
Impairment reversal (note 13)	(70)	-
Changes in working capital		
Decrease / (Increase) in restricted fund	299	(35)
Decrease in receivables and prepayments	23,870	76,950
(Decrease) in trade and other payables	(37,535)	(74,436)
(Decrease) in shipper's imbalance	(411)	(372)
Cash (used in)/generated from operations	**(7,630)**	**8,162**

19 Contingent liabilities

The Company had no contingent liabilities in respect of legal claims arising in the ordinary course of business. (2018: Nil)

20 Capital commitments

The Company had no capital commitment as at the reporting date. (2018: Nil)

21 Related party transactions

The Company is jointly controlled by its shareholders; Nigerian National Petroleum Corporation, Chevron N-Gas Limited and Shell Holdings Overseas Limited.

The following transactions were carried out with related parties during the year:

Related Party	Nature of transactions
Nigerian National Petroleum Corporation (NNPC)	Gas purchase/secondee
Chevron Texaco N-Gas Limited	Gas purchase/secondee
Nigerian Petroleum Development Company (NPDC)	Gas purchase
ND Western Limited	Gas purchase
West African Gas Pipeline Company Limited (WAPCo)	Gas transportation/gas contract management
Nigerian Gas Company Limited (NGC)	Gas transportation
Shell Nigeria Gas Limited (SNG)	Secondee

	2019 US$'000	2018 US$'000
Interest earned on Security and Trust accounts	636	513

This amount includes undistributed interest of $89,180 ($388,248 in 2018) as at reporting date. A corresponding liability has been recognised in the financial statements as "Trust Interest Payable". See note 9

Notes to the financial statements

21 Related party transactions (continued)

b Amounts outstanding as at reporting date were as follows:

	2019 US$'000	2018 US$'000
(i) Interest payable		
Nigerian National Petroleum Corporation (NNPC)	12	53
Chevron Texaco N-Gas Limited	8	35
Nigerian Petroleum Development Company (NPDC)	11	48
ND Western Limited	9	39
West African Gas Pipeline Company Limited (WAPCo)	36	155
Nigerian Gas Company Limited (NGC)	13	58
	89	**388**

(ii) Secondee staff payable	**US$'000**	**US$'000**
Nigerian National Petroleum Corporation (NNPC)	38	20
Chevron Nigeria Limited (CNL)	25	50
Shell Nigeria Gas Limited (SNG)	26	26
	89	**96**

(iii) Payables due to related party

Payables are in respect of gas supplies from Nigerian Petroleum Development Company Limited and Chevron Nigeria Limited, and gas transportation by Nigerian Gas Company and West African Gas Pipeline Company Limited who are related parties to the Company.

	2019 US$'000	2018 US$'000
Nigerian Petroleum Development Company/ND Western JV	10,378	13,707
Nigerian National Petroleum Corporation/Chevron Nigeria Limited JV	10,717	13,703
Nigerian Gas Company Limited (NGC)	11,530	15,905
West African Gas Pipeline Company Limited (WAPCo)	42,668	70,879
	75,293	**114,194**

Notes to the financial statements

21 Related party transactions (continued)

C Directors and employees

All the directors are non-executive and no form of remuneration was paid during the period.

d Secondee staff costs

Under an agreement with Shell Nigeria Gas, Nigerian National Petroleum Corporation (NNPC) and Chevron Nigeria Limited, three management staff were seconded to N-Gas Limited on a part-time basis. Each of the companies seconded a management personnel as follows; NNPC-General Manager, Chevron Nigeria Limited-Commercial Manager and Shell Nigeria Gas- Finance Manager.

e Gas contract management cost

The Company incurred US$ 0.61m during the year (2018: US$ 0.56m) under a Gas Contract Management Agreement with the West African Gas Pipeline Company Limited (WAPCo).

f Shareholders

The following are shareholders of the Company:

Nigerian National Petroleum Corporation (NNPC) (62.35%).

Chevron N-Gas Limited (20 %).

Shell Overseas Holdings Limited (17.65 %)

g Other affiliates

West African Gas Pipeline Company Limited: Owned by Chevron West African Gas Pipeline Company Limited (37.0%), Nigerian National Petroleum Corporation (24.9%), Shell Overseas Holdings Limited (17.9%), Takoradi Power Company Limited (as shareholder for the Government of Ghana) (16.2%), Societe BenGaz S.A. (2.0%) and Societe Togolaise de Gaz S.A. (2.0%). The Company owns, operate, and transports (under contract with N-Gas) natural gas pipeline.

Nigerian Gas Company Limited (NGC): This is a wholly owned subsidiary of NNPC (under contract from N-Gas), transports natural gas from its sources in Nigeria to a terminal near Lagos over the existing Escravos-Lagos Pipeline System (ELPS).

Nigerian Petroleum Development Company Ltd (NPDC Ltd): Wholly owned subsidiary of NNPC (under contract from N-Gas) supplies gas to N-Gas Ltd.

22 Events after the reporting period

The recent outbreak in Africa of the novel strain of the coronavirus which surfaced in China in mid-December 2019 has resulted in significant disruption to business operations and a significant increase in economic uncertainty, with more volatile asset prices and currency exchange rates as well as marked decline in long-term interest rates in developed economies which may worsen and negatively impact on the businesses of the Company in relation to its projected revenues and impairment assessment.

The government through its various agencies are putting in place palliative measures to minimize the impact on the economy. The impact of these cannot be prematurely quantified at the moment. The financial impact on the Company's business and duration of these disruptions cannot be reasonably estimated at this point in time and the Company consider this as a non-adjusting post balance sheet event.

Notes to the financial statements

23 Financial instruments by category

Assets	2019 US$'000	2018 US$'000
Restricted fund	27,289	27,588
Trade receivables	731	1,424
Other receivables	78,813	101,917
Cash and bank balances	17,248	30,878
	124,081	161,807

Liabilities	Liabilities at amortised cost US$'000	Liabilities at amortised cost US$'000
Other creditors	80,293	119,194
Accruals for interest due on late payment	4,493	2,819
Trust interest payable (Note 21 b (i)	89	388
Secondee staff accruals	-	20
Accrued expenses-others	41	42
Preference dividends payable	-	-
Payable due to other vendors	104	91
Investment interest payable	-	-
Security account beneficiaries	27,200	27,200
	112,220	149,754

24 ELPS force majeure

A Force Majeure (FM) was declared by Nigerian Gas Company (NGC) on the 25th of June, 2013 and upon review of the implication of the Force Majeure, all parties of the chain of agreements agreed to waive their rights to terminate the contract on the basis of the declared Force Majeure for an initial period of 9 contract months with subsequent extensions. The current extension running for 6 months will end on 31st July, 2020, after which the FM will be lifted unless the waiver is further extended by written agreement of the parties.

25 Going concern

In the year ended 31 December 2019, the Company had the following issues:

1) The outstanding receivable balances from Volta River Authority (VRA) relating to gas sales from August 2014 to December 2019 is $68 million. The bulk ($52 million) of these receivables are way past due in line with the GSA contract Clause 13 , which states that payments should be made to the seller within 10 business days of receipt of an invoice. The Company assessed the material impairment of the receivables by computing a fair value of the receivables as at 31st December, 2019 with the impact reflected in the financial statements. The debt owed to the Company by VRA is guaranteed through the Government Consent and Support Agreement signed by the Government of Ghana with N-Gas Ltd and WAPCo. The Company recognised the efforts by VRA and the Government of Ghana to liquidate the debt before the end of 2020, having paid $36 million in 2019 out of the original $79 million legacy debt outstanding as of 31st December 2019.

Notes to the financial statements

25 Going concern (continued)

2) The Company has executed agreements with upstream producers in Nigeria (Chevron Nigeria Limited Joint Venture (CNL-JV) and Nigerian Petroleum Development Company/ND Western Joint Venture (NPDC/NDW-JV)) and with gas transportation companies Nigerian Gas Company (NGC) and West African Gas Pipeline Company (WAPCo) for the supply and transportation of gas to its customers in the year. The relevant clauses of the chain of Agreements (GPAs, GTAs and GSAs) protect the Company from any liability resulting from delayed payment because the Company's obligation to make payment to Suppliers and Transporters is to the extent of payment received from Customers by the Company.

3) A Force Majeure was declared by NGC on the 25th of June, 2013 and to protect a collapse of the value chain, parties in accordance with the relevant sections of the chain of agreements agreed to waive their rights to terminate the contract on the basis of the declared Force Majeure for an initial period of 9 contract months with subsequent extensions with current one running for 6 months till 31st July, 2020, after which the FM will be lifted unless the waiver is further extended by written agreement of the parties.

The Company has assessed the impact of non-lifting of the Force Majeure on its going concern and believes that this risk is significantly mitigated by the fact that all the relevant WAGP Parties have from 2015 till date cooperated and signed the Waiver Agreements required to suspend their respective rights to opt out of the Foundation Contracts.

Therefore, the directors have concluded that they have a reasonable expectation that the Company can continue in operational existence for the forseeable future. For this reason, the Company continues to adopt the going concern basis in preparing the annual report and accounts.