

ARBICO PLC  
Lagos, Nigeria

ANNUAL REPORT

AND  
CONSOLIDATED AND SEPARATE AUDITED FINANCIAL STATEMENTS  
AND

OTHER NATIONAL DISCLOSURES

FOR THE YEAR ENDED 31 DECEMBER 2023

ARBICO PLC

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

FOR THE YEAR ENDED 31 DECEMBER 2023

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ARBICO PLC

CORPORATE INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2023

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

COMPANY SECRETARY: Olaniwun Ajayi LP  
The Adunola  
Plot L2, 401 Close  
Banana Island  
Ikoyi, Lagos.

REGISTERED OFFICE: Plot D, Block 7  
Industrial Crescent  
Ilupeju, Lagos.

AUDITOR Ernst & Young  
10th & 13th Floors, UBA House  
57 Marina  
Lagos

TAX IDENTIFICATION NUMBER: 00490728-0001

RC 1702

SOLICITOR: Olaniwun Ajayi LP  
The Adunola  
Plot L2, 401 Close  
Banana Island  
Ikoyi, Lagos.

REGISTRAR Apel Asset Limited  
8 Alhaji Bashorun Street, Off Norman Williams St  
Ikoyi 100186, Lagos

PRINCIPAL BANKERS: Access Bank Plc  
First Bank of Nigeria Limited  
First City Monument Bank Plc  
Guaranty Trust Bank Limited  
Heritage Bank Limited  
New Prudential Mortgage Bank Limited  
Polaris Bank Limited  
Sterling Bank Plc  
Union Bank Plc  
United Bank for Africa Plc  
Wema Bank Plc  
Zenith International Bank Plc

ARBICO PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors have the pleasure in submitting to the members of Arbico Plc (the Company) their annual report on the affairs of the Company and its subsidiary company (together referred to as "the Group") with the consolidated and separate audited financial statements for the year ended 31 December 2023.

#### LEGAL FORM

The company was incorporated on 18 June 1958 as a private limited company under the Companies Ordinance CAP 38 (now the Companies and Allied Matters Act, 2020). In 1978, the Company converted to a public limited liability company and its shares became listed on the Nigerian Exchange Group (NGX).

#### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

#### SUBSIDIARY

Arbico FZE

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

#### STATE OF AFFAIRS

In the opinion of the Directors, the state of the Group and Company's affairs is satisfactory and there has been no material change since the reporting date, which would affect the financial statements as presented.

#### RESULTS FOR THE YEAR

Comparative highlights of the operational results of the Group for the years ended 31 December 2023 and 2022 are as stated in the table below.

	Group		Company	
	2023 ₦'000	2022 ₦'000	2023 ₦'000	2022 ₦'000
Revenue	19,506,908	8,447,463	19,419,754	8,016,473
(Loss)/profit before taxation	(520,824)	514,792	(249,805)	441,027
Income tax expense	(561,020)	(156,635)	(561,020)	(156,635)
(Loss)/profit for the year	(1,081,844)	358,157	(810,826)	284,392

#### DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2023 (2022: Nil).

#### SIGNIFICANT CHANGES IN PROPERTY, PLANT, AND EQUIPMENT

Information relating to changes in property, plant and equipment during the year is given in Note 16 to the financial statements. In the opinion of the Directors, the market value of the Group and Company's property, plant and equipment is not less than the value shown in the financial statements. There was No significant change apart from normal additions and disposals in the ordinary course of business as shown in Note

ARBICO PLC  
REPORT OF THE DIRECTORS - Continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

DIRECTORS

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

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

DIRECTORS' INTERESTS IN SHARES

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

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

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors has notified the Group and Company for the purpose of Section 303 of the Companies and Allied Matters Act, 2020, of any disclosable interest in contracts with which the Group and Company is involved at 31 December 2023.

SUBSTANTIAL SHARE HOLDING

The issued and fully paid share capital of the Group and Company as at 31 December 2023 for the purpose of sections 301 of the Companies and Allied Matters Act, 2020, was beneficially owned as follows:

As at 31 December 2023, the following held 5% or more of the issued capital of the Company:

	2023		2022	
	Number of shares	%	Number of shares	%
R28 Limited	103,900,000	69.97%	103,900,000	69.97%
A.O.G Limited	14,850,000	10.00%	14,850,000	10.00%
Nigerians	29,750,000	20.03%	29,750,000	20.03%
	-----	-----	-----	-----
	148,500,000	100%	148,500,000	100%
	=====	=====	=====	=====
FREE FLOAT REPORT				
Strategic shareholder	118,750,000	79.97%	118,750,000	79.97%
Director direct shareholding	107,360	0.07%	107,360	0.07%
Free Float	29,642,640	19.96%	29,642,640	19.96%
	-----	-----	-----	-----
	148,500,000	100%	148,500,000	100%
	=====	=====	=====	=====

ARBICO PLC

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2023

EMPLOYMENT AND EMPLOYEES:

Employment of physically challenged persons

It is the Group's policy that there is no discrimination in considering applications for employment including those from disabled persons. All employees whether or not disabled are given equal opportunities to develop their expertise and knowledge and to qualify for promotion in furtherance of their careers. No disabled person was in the employment of the Group as at 31 December 2023.

Health, safety and welfare of employees at work

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

Employees' interest and training

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

EVENTS AFTER REPORTING THE DATE

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

CHARITABLE CONTRIBUTIONS

The group did not make any donations during the year under review (2022: Nil).

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

FORMAT OF FINANCIAL STATEMENTS

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), the provisions of the Companies and Allied Matters Act 2020, and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act, 2023. The directors consider that the format adopted is the most suitable for the Group and Company.

AUDITOR

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

BY ORDER OF THE BOARD



SECRETARY

Olaniwun Ajayi LP

FRC/NBA/2013/0000000001615

**30th March**

----- 2024

ARBICO PLC

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

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

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

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

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

THE BOARD

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

COMPOSITION OF THE BOARD

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

BOARD ATTENDANCE REPORT

NAME	DESIGNATION	NO OF MEETINGS	S OF MEETINGS			
			17 <sup>th</sup> Mar	21 <sup>st</sup> Jul	20 <sup>th</sup> Oct	8 <sup>th</sup> Dec
Chief Chairman	Chairman	4	P*	P	P*	P
Mr. Alkimos Makaronidis	Managing Director	4	P	P	P	P
Elder N. C. U Okoro	Non-Executive Director	4	P	P	P	P
Mr. Adebisi Adebutu	Executive Director	4	P	P*	*P	*P
Mr. Afolabi Aiyeola	Executive Director	4	P	P	P	P
Mr. Eyo Asuquo	Non-Executive Director	4	P	P	P	P

\*P Attendance was by proxy.

ARBICO PLC

CORPORATE GOVERNANCE REPORT- continued

FOR THE YEAR ENDED 31 DECEMBER 2023

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

AUDIT COMMITTEE

The audit committee, in line with section 404 (4) of the companies and Allied Matters Act 2020, is mandated to examine the auditor's report and make recommendations thereon to the general meeting. The committee consists of 5 members.

MEMBERSHIP OF THE AUDIT COMMITTEE:

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

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

REPORT OF THE AUDIT COMMITTEE MEMBERS ATTENDANCE

NAME	DESIGNATION	NO OF MEETINGS	DATES OF MEETINGS			
			15 <sup>th</sup> Mar	14 <sup>th</sup> Jul	13 <sup>th</sup> Oct	6 <sup>th</sup> Dec
Mr. Azubuike Okpalaoka	Chairman	4	P	P	P	P
Mr. Eyo Asuquo	Member	4	P	P	P	P
Mr. Ademola Olugboyega	Member	4	P	P	P	P
Mr. Vitalis Ayiam	Member	4	P	P	P	P
Elder Nathaniel C.U. Okoro	Member	4	P	P	P	P

GOVERNANCE & REMUNERATION COMMITTEE

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

MEMBERS OF GOVERNANCE & REMUNERATION COMMITTEE:

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

REPORT OF THE BOARD GOVERNANCE AND REMUNERATION COMMITTEE MEMBERS' ATTENDANCE:

NAME	DESIGNATION	NO OF MEETINGS	DATES OF			
			1 <sup>st</sup> Mar	7 <sup>th</sup> July	14 <sup>th</sup> Oct	25 <sup>th</sup> Nov
Elder Nathaniel C.U. Okoro	Chairman	4	P	P	P	P
Mr. Adebisi Adebutu	Member	4	*P	*P	*P	*P
Mr. Alkimos Makaronidis	Member	4	P	P	P	P
Mr. Adeolu Isiaka	Secretary to the Committee	4	P	P	P	P

ARBICO PLC

CORPORATE GOVERNANCE REPORT- continued

FOR THE YEAR ENDED 31 DECEMBER 2023

RISK MANAGEMENT COMMITTEE

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

MEMBERS OF THE COMMITTEE:

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

REPORT OF THE BOARD RISK MANAGEMENT COMMITTEE MEMBERS ATTENDANCE

NAME	DESIGNATION	NO OF MEETINGS	DATES OF MEETINGS			
			7th Feb.	19th July	18th Oct	30th Nov
Mr. Adebisi Adebutu	Chairman	4	P	P	P	P
Elder Nathaniel C.U. Okoro	Member	4	*P	*P	*P	*P
Mr. Afolabi Aiyeola	Member	4	P	P	P	P
Mr. Adeolu Isiaka	Secretary	4	P	P	P	P

REPORT ON RISK MANAGEMENT

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

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

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

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

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

TECHNICAL RISKS:

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

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

ARBICO PLC

CORPORATE GOVERNANCE REPORT- continued

FOR THE YEAR ENDED 31 DECEMBER 2023

LOGISTIC RISKS:

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

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

MANAGEMENT RELATED RISKS:

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

- Uncertain productivity of resources
- Industrial relations problems

ENVIRONMENTAL RISKS:

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

- Weather and seasonal implications
- Natural disasters

FINANCIAL RISKS:

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

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

ARBICO PLC

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

FOR THE YEAR ENDED 31 DECEMBER 2023

The Companies and Allied Matters Act, 2020 Section 377(1) , 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 Group and Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Group and Company:

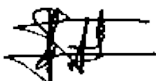
- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and Company and comply with the requirements of the International Financial Reporting Standards and, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act 2023.
- b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates and, are consistently applied.

The Directors 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 the International Financial Reporting Standards, and the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act 2023.

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 Company as at 31 December 2023 and of its performance for the year then ended. 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.

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

Signed on behalf of the Board of Directors



Alkimos Makaronidis  
Managing Director  
FRC/2021/IODN/00000019977



Eyo Asuquo  
Non-executive director  
FRC/2021/CIBN/000000001619

30th March, 2024

ARBICO PLC

STATEMENT OF CORPORATE RESPONSIBILITY FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

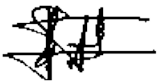
FOR THE YEAR ENDED 31 DECEMBER 2023

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

We the undersigned hereby certify the following with regards to our Audited Financial Statements for the year ended December 31, 2023 that:

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

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



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Alkimos Makaronidis  
Managing Director  
FRC/2021/IODN/00000019977



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Adedayo Olomoyoyo  
Financial Controller  
FRC/2023/PRO/ICAN/001/360117

**30th March**  
.....2024



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

*Opinion*

We have audited the consolidated and separate financial statements of Arbico Plc ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2023, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and the Company as at 31 December 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

*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 Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

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

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

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

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

Key Audit Matter	How the matter was addressed in the audit
<p>Determination of provision for expected credit losses for contract asset and trade receivables</p> <p>At the reporting date, the Group had contract assets of N16.382billion (2022: N13.014 billion) and trade receivables of N6.180billion (2022: N5.667 billion) which were the most significant assets of the group as at year-end. Provisions for impairment were N1.163billion (2022: N2.297 billion) on contract assets and N428.447 million (2022: N828.338million) on trade receivables.</p> <p>The construction industry continues to be impacted by certain macroeconomic challenges hence the Group experienced uncertainty over the collectability of contract asset and contract receivables from customers.</p> <p>An impairment assessment was performed on contract asset and contract receivables using the expected credit loss approach to determine the recoverable amount. The determination of the expected credit loss involves management judgement on historical payment pattern, age analysis of the balance and any other information.</p> <p>Due to the materiality of the amounts involved and the level of management judgement, we considered this a key audit matter.</p>	<p>Our audit procedure includes amongst others;</p> <ul style="list-style-type: none"> <li>➤ We selected a sample of significant balance where provision for impairment was made to understand the rationale behind management's judgement.</li> <li>➤ We obtained the ageing analysis of contract debtors and reviewed the transactions for each debtor in line with the contract agreements.</li> <li>➤ We verified the customer payment pattern and also performed subsequent event on payment received to date.</li> <li>➤ We inspected material contracts to assess their creditworthiness.</li> </ul> <p>In assessing the appropriateness of the overall provision for impairment using the expected loss approach, we considered the management application of the following:</p> <ul style="list-style-type: none"> <li>• customers' historical default rates</li> <li>• customers' ability to pay all amounts due in accordance with contractual terms</li> <li>• forward-looking estimates</li> </ul> <p>We also assessed the adequacy of the disclosures regarding the impairment of contract receivables to determine whether they are in line with IFRS 9 requirements. Refer to Notes 19-Contract assets and 20-Trade and other receivables of the financial statements.</p>

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

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

Key Audit Matter	How the matter was addressed in the audit
<p>Revenue from contracts with customers</p> <p>For the year ended 31 December 2023, the group recognized revenue from construction works of N19.507 billion (2022: N8.447 billion). The recognition of revenue involves management estimate at the commencement of the contract and regular assessment of the progress of the construction works based on the percentage of completion. Also, due to the fact that most construction works take years to complete and there could be scope changes, disputes and claims, revenue recognized may be difficult to estimate.</p> <p>Due to the significant judgement involved in recognizing revenue, we have identified revenue recognition from construction works as a key audit matter.</p>	<p>We tested revenue recognized under long term contract accounting as follows:</p> <ul style="list-style-type: none"> <li>➤ We discussed with the Management the progress of the projects</li> <li>➤ We performed substantive analytical procedures of revenue</li> <li>➤ We reviewed revenue in line with the provision of IFRS 15</li> <li>➤ We performed cut off procedures on contract revenue account by examining how the entity has recorded contract revenue received immediately before the period end and immediately after the period end</li> <li>➤ We reviewed on sample basis, the material original contracts</li> <li>➤ We tested on a sample basis actual cost incurred during the year.</li> <li>➤ We reviewed the contracts for changes in scope</li> <li>➤ We circularized the debtors and performed other alternative tests including subsequent receipt tests on accounts receivables</li> <li>➤ We obtained the ageing analysis of the contract debtors and reviewed the transactions for each debtor in line with the contract agreements</li> <li>➤ We carried out certificates' validation tests on each receivable and agreed all payments to the bank statements</li> <li>➤ We recalculated the revenue recognized based on the certificate of completion.</li> <li>➤ We tested receivables for impairment in line with IFRS 9. Appropriate adjustments were made in respect of the expected credit losses.</li> </ul>

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors, Audit Committee's Report, Corporate Governance Report, Statement of Corporate Responsibility for the consolidated and separate Financial Statements, Statement of Directors' Responsibilities in Relation to the preparation of the Financial Statements, and Other National Disclosures. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Other Information – continued

#### Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act, 2023, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast
- significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

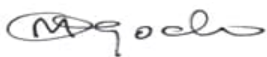
#### Report on Other Legal and Regulatory Requirements

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

- We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the group and company, in so far as it appears from our examination of those books;
- The consolidated and separate statements of financial position and the consolidated and separate statements of profit or loss and other comprehensive income are in agreement with the books of account; and
- in our opinion, the consolidated and separate financial statements have been prepared in accordance with the provisions of the Companies and Allied Matters Act, 2020 so as to give a true and fair view of the state of affairs and financial performance of the Company and its subsidiaries.

#### Report on Internal Control over Financial Reporting:

In accordance with the requirements of the Financial Reporting Council of Nigeria (FRC) Guidance on Assurance Engagement, We performed a limited assurance engagement and reported on management's assessment of the Company's internal control over financial reporting as of December 31, 2023. The work performed was done in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000 (Revised)') and FRC Guidance on Assurance Engagement Report on Internal Control over Financial Reporting, and we have issued an unmodified attestation in our report dated 30 March 2024.



Maureen Ogodo, FCA  
FRC/2012/PRO/ICAN/00000000142  
For: Ernst & Young  
Lagos, Nigeria

30 March, 2024



ARBICO PLC

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2023

We have examined the Auditor's Report for the year ended 31 December 2023 in accordance with the provision of section 404(4) of the Companies and Allied Matters Act 2020.

In addition, we have reviewed the Audited Financial Statements of the Group, for the year ended 31 December 2023, and the reports thereon, and hereby state as follows:

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

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

 2024

Members of Audit Committee

- |   |                                                   |          |
|---|---------------------------------------------------|----------|
| 1 | Mr. Azubuike Okpalaoka - shareholder              | Chairman |
| 2 | Mr. Eyo Asuquo -Non-Executive Director            | Member   |
| 3 | Mr. Ademola Olugboyega - shareholder              | Member   |
| 4 | Elder Nathaniel C.U. Okoro - Non-Executive Member | Member   |
| 5 | Mr. Vitalis Anyiam - Shareholder                  | Member   |

## ARBICO PLC

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

FOR THE YEAR ENDED 31 DECEMBER 2023

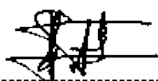
	Notes	Group		Company	
		2023 N'000	2022 N'000	2023 N'000	2022 N'000
Revenue	8	19,506,908	8,447,463	19,419,754	8,016,473
Cost of sales	9	(20,566,234)	(6,492,687)	(20,254,442)	(6,040,792)
Gross (loss)/profit		(1,059,325)	1,954,776	(834,688)	1,975,681
Other operating income	10	34,063	63,050	33,800	23,145
Administrative expenses	11	(1,072,289)	(1,146,018)	(1,022,055)	(1,115,120)
Reversal/Charge of impairment loss on financial assets.	12	1,534,163	(357,016)	1,538,136	(442,679)
Operating (loss)/profit		(563,388)	514,792	(284,807)	441,027
Finance income	13	42,564	-	35,002	-
(Loss)/profit before tax		(520,824)	514,792	(249,805)	441,027
Income tax expense	14	(561,020)	(156,635)	(561,020)	(156,635)
(Loss)/profit for the year		(1,081,844)	358,157	(810,826)	284,392
Other comprehensive income- revaluation surplus		-	-	-	-
Total comprehensive (loss)/income for the year, net of tax		(1,081,844)	358,157	(810,826)	284,392
(Loss)/profit attributable to:					
Equity holders of the parent		(1,075,807)	358,593	(810,826)	284,392
Non-controlling interest		(6,037)	(436)	-	-
Total comprehensive (loss)/income attributable to:		(1,081,844)	358,157	(810,826)	284,392
Equity holders of the parent		(1,075,807)	358,593	(810,826)	284,392
Non-controlling interest		(6,037)	(436)	-	-
Earnings per share					
Basic (loss)/earnings for the year attributable to ordinary equity holders of the Company (Naira)	15	(7.24)	2.41	(5.46)	1.92

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

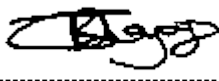
ARBICO PLC  
CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2023

	Notes	Group		Company	
		2023 N'000	2022 N'000	2023 N'000	2022 N'000
<b>Assets</b>					
Non-current assets					
Property, plant and equipment, and right-of-use asset	16	1,271,758	1,505,370	1,216,933	1,382,713
Intangible assets	17	1,608	3,280	1,608	3,280
Deferred tax assets	14.3	798,381	1,261,958	798,381	1,261,958
Investment in susidairy	6	-	-	27,104	27,104
Total non-current assets		2,071,747	2,770,608	2,044,026	2,675,055
Current assets					
Inventories	18	3,736,412	2,904,179	2,485,210	2,276,697
Contract asset	19	15,218,621	10,716,279	14,389,035	10,256,399
Trade and other receivables	20	6,430,737	5,746,024	8,826,328	7,617,168
Prepayments	21	9,721,847	5,183,663	8,812,822	4,810,420
Other asset	22.1	300,129	1,093,151	174,202	925,398
Cash and cash equivalents	22	2,871,288	40,869	2,869,536	12,347
Total current assets		38,279,034	25,684,165	37,557,133	25,898,429
Total assets		40,350,781	28,454,772	39,601,159	28,573,484
Equity and liabilities					
Equity					
Issued share capital	23	74,250	74,250	74,250	74,250
Share premium	23	141,184	141,184	141,184	141,184
Assets revaluation surplus	23	1,193,534	1,193,534	1,193,534	1,193,534
Accumulated losses		(2,954,627)	(1,878,821)	(1,812,950)	(1,002,125)
Equity attributable to equity holders of the parent		(1,545,659)	(469,853)	(403,982)	406,843
Non controlling interests		(15,805)	(9,767)	-	-
Total equity		(1,561,463)	(479,619)	(403,982)	406,843
Non-current liabilities					
Share deposit	24	1,950,000	1,950,000	1,950,000	1,950,000
Total non-current liabilities		1,950,000	1,950,000	1,950,000	1,950,000
Current liabilities					
Bank overdraft	22.2	-	151,321	-	151,321
Trade and other payables	25	15,642,126	10,929,816	15,535,688	11,146,022
Contract liability	26	24,259,464	15,685,856	22,458,798	14,701,899
Income tax payable	14.1b	60,654	217,400	60,654	217,400
Total current liabilities		39,962,244	26,984,393	38,055,141	26,216,641
Total liabilities		41,912,244	28,934,393	40,005,141	28,166,641
Total equity and liabilities		40,350,781	28,454,773	39,601,159	28,573,485

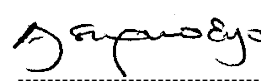
The consolidated and separate financial statements were approved by the Board of Directors and authorised for issue on **30th March** 2024. They were signed on its behalf by:



Alkimos Makaronidis  
Managing Director  
FRC/2021/IODN/00000019977



Adedayo Olomoyoyo  
Financial Controller  
FRC/2023/PRO/ICAN/001/360117



Eyo Asuquo  
Non-executive director  
FRC/2021/CIBN/0000000001619

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

ARBICO PLC  
CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2023

The Group

	Issued Capital N'000	Share Premium N'000	Asset revaluation surplus N'000	Accumulated Losses N'000	Total N'000	Non controlling interest N'000	Total Equity N'000
As at 1 January 2023	74,250	141,184	1,193,534	(1,878,821)	(469,853)	(9,767)	(479,619)
Loss for the year	-	-	-	(1,075,807)	(1,075,807)	(6,037)	(1,081,844)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	(1,075,807)	(1,075,807)	(6,037)	(1,081,844)
At 31 December 2023	74,250	141,184	1,193,534	(2,954,627)	(1,545,659)	(15,805)	(1,561,464)
As at 1 January 2022	74,250	141,184	1,193,534	(2,237,414)	(828,446)	(9,331)	(837,777)
Profit for the year	-	-	-	358,593	358,593	(436)	358,157
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	358,593	358,593	(436)	358,157
At 31 December 2022	74,250	141,184	1,193,534	(1,878,821)	(469,853)	(9,767)	(479,619)

The Company

	Issued Capital N'000	Share Premium N'000	Asset revaluation surplus N'000	Accumulated Losses N'000	Total Equity N'000
As at 1 January 2023	74,250	141,184	1,193,534	(1,002,125)	406,843
Profit for the year	-	-	-	(810,826)	(810,826)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(810,826)	(810,826)
At 31 December 2023	74,250	141,184	1,193,534	(1,812,950)	(403,982)
As at 1 January 2022	74,250	141,184	1,193,534	(1,286,517)	122,451
Profit for the year	-	-	-	284,392	284,392
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	284,392	284,392
At 31 December 2022	74,250	141,184	1,193,534	(1,002,125)	406,843

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

ARBICO PLC  
CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Group		Company	
		2023 N'000	2022 N'000	2023 N'000	2022 N'000
Operating activities					
(Loss)/profit before tax		(520,824)	514,792	(249,805)	441,027
<i>Non-cash adjustments to reconcile profit before tax to net cash flows:</i>					
Depreciation of property, plant and equipment & Right of use	16	235,593	275,018	167,761	275,038
Amortisation of intangible assets	17	1,672	2,369	1,672	2,369
Net Unrealized foreign exchange (gain)	10	(163)	(54,437)	-	(14,647)
Finance income	13	(42,564)	-	(35,002)	-
Impairment/(recovery) of Trade receivables	20.2	-	139,103	-	139,103
Impairment of Contract asset	20.1	(1,134,272)	217,913	(1,134,272)	217,913
Impairment/(recovery) of intercompany receivables	20.3a	(3,973)	-	(3,973)	85,663
Net cash flow (used in)/from operations before working capital changes		(1,464,531)	1,094,758	(1,253,619)	1,146,466
<i>Working capital adjustments</i>					
(Increase) in trade and other receivables	20	(903,505)	(3,203,669)	(1,427,953)	(5,000,163)
Increase in prepayments	21	(4,538,184)	(2,888,664)	(4,002,401)	(2,685,998)
Increase in inventories	18	(832,233)	(935,795)	(208,513)	(643,952)
Increase in contract asset	19	(3,368,070)	(8,507,657)	(2,998,364)	(8,060,327)
Increase in trade and other payables	25	4,712,309	4,186,166	4,389,666	4,981,411
Increase in contract liabilities	26	8,573,608	9,976,221	7,756,899	9,985,535
		2,179,394	(278,640)	2,255,715	(277,028)
Other asset(restricted)	22.1	793,021	(525,784)	751,196	(504,715)
Income tax paid	14	(31,422)	(39,588)	(31,422)	(39,588)
Net cash flows from/(used in) operating activities		2,940,993	(844,012)	2,975,489	(821,331)
Investing activities					
Purchase of property, plant and equipment	16	(1,981)	(247,536)	(1,981)	(247,536)
Interest received	13	42,564	-	35,002	-
Net cash flows from/(used in) investing activities		40,583	(247,536)	33,021	(247,536)
Net increase/(decrease) in cash and cash equivalents		2,981,576	(1,091,548)	3,008,510	(1,068,867)
Net foreign exchange difference	10	163	54,437	-	14,647
Cash and cash equivalents at the beginning of the year		(110,452)	926,659	(138,974)	915,246
Cash and cash equivalents at the end of the year	22.2	2,871,287	(110,452)	2,869,536	(138,974)
		=====	=====	=====	=====

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1. Corporate information

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

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

2.1 Basis of preparation

The consolidated and separate financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the provisions of the Financial Reporting Council of Nigeria (Amendment) Act 2023 the provision of the Companies and Allied Matters Act, as applicable. The consolidated and separate financial statements have been prepared on a historical cost basis, except for land and buildings that have been measured at valuation basis.

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Arbico Plc and its subsidiary as at 31 December 2023. 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  
Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
  - The contractual arrangement with the other vote holders of the investee
  - Rights arising from other contractual arrangements
- The group's voting rights and potential voting rights Arbico Plc re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

3 Material accounting policy information

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

a) Current versus non-current classification

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

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

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

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

The group classifies all other liabilities as non-current.

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

b) Fair value measurement

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

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

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

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

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

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

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

3. Material accounting policy information-continued

b) Fair value measurement - continued

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

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

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

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

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

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

c) Foreign Currency transactions

The group's financial

i) Transactions and balances

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

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

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

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

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

3. Material accounting policy information-continued

3.2 Revenue recognition from contract with customers

3.2.1 A Construction contracts

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

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

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

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

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

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

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

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

Assets covered by a single contract are treated separately when:

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

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

The three criteria must be met before combination can occur.

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

3. Material accounting policy information-continued

3.2.1 Construction contracts - continued

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

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

i) Variable consideration

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

l) Significant financing component

Where consideration is paid in advance or in arrears, the Group consider whether the contract includes a significant financing arrangement and, if so, adjust for the time value of money. However, using the practical expedient in IFRS 15 the Group does not adjust the promised amount of consideration for the effects of a significant financing component where the interval between transfer of the promised goods or services and payment by the customer is expected to be less than 12 months. As a consequence, the Group does not adjust any of the transaction prices for the time value of money as transfer of goods or service were between one year or less. The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 5.

Contract balances

Contract assets

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

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

Trade receivables

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

Contract liabilities

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

3. Material accounting policy information-continued

3.2.1 Interest income

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

3.2.2 Income from rentals of equipment

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

3.2.3 Investment income

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

3.3 Advance payments received

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

3.4 Property, plant and equipment (PPE)

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

3.4.1 Category of PPE

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

The group has divided its PPE to the following category:

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

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

ARBICO PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

3.4 Property, plant and equipment (PPE) - Continued

3.4.2 Depreciation

For all depreciable assets:

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

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

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

Depreciation table

Motor Vehicle

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

I.T Infrastructures

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

Depreciation rate for Building

Components	Useful Life	Deprecation rate
Roof	25 years	2.5%
Celling	20 years	5%
Civil Works (Wall)	50 years	2%
Floor/Tiles	20 years	5%
Doors/Window	20 years	5%
Fence	100 years	10%

Depreciation rate for Land

Components	Useful Life	Deprecation rate
Land	100 years	1%

Office furniture and equipment

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

3.4.2 Depreciation - continued

Plant Tools and Equipment

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

3 Material accounting policy information - continued

3.4.3 Derecognition (retirements and disposals)

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

3.4.4 Intangible assets

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

3.4.5 Amortisation and derecognition of intangible assets

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

3.5 Revaluation of asset

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

3.6 Financial Instruments-initial recognition and subsequent measurement

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

i) Financial Assets

Initial recognition and measurement

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

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

Subsequent Measurement

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

Financial assets at amortised cost (debt instruments)

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

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

3 Material accounting policy information - continued

3.6 Financial Instruments-initial recognition and subsequent measurement - Continued

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The group's financial assets at amortised cost includes trade receivables, cash and cash equivalents and related parties receivables.

Derecognition

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

- The rights to receive cash flows from the asset have expired: Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or

(b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

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

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

Impairment of financial assets

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

- Disclosures for significant assumptions Note 5.
- Trade receivables Note 20.

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

3 Material accounting policy information - continued

3.6 Financial Instruments-initial recognition and subsequent measurement - Continued

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

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

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

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

ii). Financial Liabilities

Initial recognition and measurement

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

Subsequent measurement

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

Trade and other payables

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

iii) Offsetting of financial instruments

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

3.6.1.4 Cash and short-term deposit

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

3 Material accounting policy information - continued

3.7 Employees Benefits

3.7.1 Pension Fund Obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior period.

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

3.7.2 Short-term employee benefits

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

3.8 Taxation

3.8.1 Current income tax

Current income tax and education tax for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.8.2 Deferred tax

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

3 Material accounting policy information - continued

3.8.2 Deferred tax - Continued

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

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

3.8.3 Value added tax

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

\* When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable

\* When receivables and payables are stated with the amount of value added tax included

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

3.9 Leases

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

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

Group as a lessee

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

i. right-of-use assets

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

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

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

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

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

## 3 Material accounting policy information - continued

## 3.9 Leases - Continued

## ii. Lease Liabilities

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

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

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

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

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

## Group as a lessor

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

## 3.10 Inventories

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

## 3.11 Provision and contingency liability

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

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

3 Material accounting policy information - continued

3.12 Impairment of non-financial assets

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

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

3b. Changes in accounting policies and disclosures

a) New and amended standards and interpretations that became effective during the year

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. However, Amendments to the following standard(s) became effective in the annual period starting from 1 January 2023. The new reporting requirements as a result of the amendments and/or clarifications have been evaluated and their impact or otherwise are noted below:

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

A specific adaptation for contracts with direct participation features (the variable fee approach).

A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The new standard had no impact on the Group's consolidated and separate financial statements, as Arbico Plc has no insurance contracts applicable to IFRS 17.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The new standard had no impact on the Group's consolidated and separate financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

3b. Material accounting policy information - continued

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

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

The new standard impacted the disclosure of accounting policies in the notes to the financial statements, but did not impact the recognition, measurement and presentation of transactions and amounts in the financial statements.

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

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated and separate financial statements since the group has no equal amount of temporary differences arising from a single transaction..

International Tax Reform–Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

\* A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and

Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

\* The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group's consolidated financial statements.

4 Standards and interpretations issued/amended but not yet effective during the year

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

The following standards have been issued or amended by the IASB but are yet to become effective for annual periods beginning on 1 January 2023:

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

This is effective for annual periods beginning on or after 1 January 2024. The amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

When it becomes effective, the amendments will have no impact on the Group's consolidated and separate financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

4 Standards and interpretations issued/amended but not yet effective during the year- continued

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

This is effective for annual periods beginning on or after 1 January 2024. The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy in accordance with IAS 8 that results in information that is relevant and reliable.

The amendments will have no impact on the Group's consolidated and separate financial statements.

Amendments to IAS 21: Lack of exchangeability

This is effective for annual periods beginning on or after 1 January 2025. The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

The Group is currently assessing the impact of this amendment on its consolidated and separate financial statements.

Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements

This is effective for annual periods beginning on or after 1 January 2025. The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments clarify the characteristics of supplier finance arrangements. In these arrangements, one or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or at a later date than that on which the finance providers pay the entity's suppliers.

The amendments will have no impact on the Group's consolidated and separate financial statements.

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

Effective date is postponed indefinitely and the Group is assessing the impact of the amendment.

5 Significant accounting judgements, estimates and assumptions

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

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

- Capital management Note 29
- Financial risk management objectives and policies Note 28
- Sensitivity analyses disclosures Note 28

Judgements

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

5 Significant accounting judgements, estimates and assumptions- continued

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

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

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

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

Revenue from contracts with customers

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

Determining the timing of satisfaction

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

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

Provision for expected credit losses of trade receivables

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

Estimates and assumptions

Impairment of non-financial assets

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

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

6 Investment in subsidiaries	Group	Group	2023 N'000	Company 2022 N'000
	2023 N'000	2022 N'000		
Arbico FZE	-	-	27,104	27,104
	-----	-----	-----	-----
	=====	=====	=====	=====

The Investment in subsidiary was carried at cost, there was no impairment loss on the subsidiary

## 6b Group information

The consolidated financial statements of the Group include:

Name	Principal Activities	Year of Incorporation	Country of Incorporation	% EQUITY INTEREST	
				2023	2022
Arbico FZE	Building Construction of Non-Plant and Balance Building For Dangote Oil Refinery Project Site	1st of April 2018	Nigeria	99%	99%

## 7 Material Partly- owned subsidiary

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

The proportion of equity interest held by non-controlling interests:

Name	2023	2022
Arbico FZE	1%	1%
	2023 N'000	2022 N'000
Accumulated balance of non-controlling interest:		
Arbico FZE	271	271
Loss allocated to non-controlling interest:		
Non-controlling interest:	(6,037)	(436)
	=====	=====

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

	2023 N'000	2022 N'000
Revenue	87,154	430,991
Cost of sales	(591,909)	(451,895)
	-----	-----
Gross Profit	(504,755)	(20,904)
Other income	263	39,906
Administrative expenses	(99,234)	(62,609)
	-----	-----
loss before income tax	(603,726)	(43,607)
loss for the year	(603,726)	(43,607)
	-----	-----
Total comprehensive loss for the year, net of tax	(603,726)	(43,607)
	=====	=====

## 7. Material partly owned subsidiary- continued

	2023	2022
	N'000	N'000
Loss for the year attributable to		
Ordinary equity holders of the parent	(597,689)	(43,171)
Non-controlling interest	(6,037)	(436)
Total comprehensive Loss for the year attributae to		
Equity holders of the parent	(597,689)	(43,171)
Non-controlling interest	(6,037)	(436)
	-----	-----
	(603,726)	(43,607)
	=====	=====
Basic loss/share attributable to:		
Ordinary equity holders of the parent	(22.28)	(1.61)
	=====	=====
Summarised statement of financial position as at 31st Dec.	2023	2022
	N'000	N'000
Property, plant and equipment	54,827	122,658
Trade and other receivables	2,299,152	1,547,042
Bank overdraft	-	-
Prepayments	909,043	373,243
Cash and cash equivalents	127,679	196,274
Trade and other payables	(4,766,888)	(3,243,046)
	-----	-----
Total Equity	(1,376,187)	(1,003,829)
	=====	=====
Attributable to		
Share Capital	27,104	27,104
Accumulated Losses	(1,403,290)	(1,030,932)
	-----	-----
Total Equity	(1,376,187)	(1,003,829)
	=====	=====
Non-controlling interest		
Share Capital	271	271
Accumulated Losses	(14,033)	(10,309)
	-----	-----
	(13,762)	(10,038)
	=====	=====
Summarised Cashflow information for the year ended 31st Dec.	2023	2022
	N'000	N'000
Operating	(285,318)	(102,833)
Investing	(523,975)	299,107
Financing	-	-
	-----	-----
	(809,293)	196,274
	=====	=====

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

8		Group		Company	
		2023 N'000	2022 N'000	2023 N'000	2022 N'000
	Revenue from contracts with customers				
	Type of goods or service:				
	Construction contracts	19,506,908	8,447,463	19,419,754	8,016,473
		-----	-----	-----	-----
	Total revenue From Contract with customers	19,506,908	8,447,463	19,419,754	8,016,473
		=====	=====	=====	=====
	Geographical locations within Nigeria				
	Lagos State	17,404,757	5,239,500	17,317,603	4,808,510
	Ogun State	158,597	460,743	158,597	460,743
	Osun Satet	52,687	-	52,687	-
	Kwara State	1,606,408	1,770,119	1,606,408	1,770,119
	Kaduna State	-	12,642	-	12,642
	Kano State	284,460	964,459	284,460	964,459
		-----	-----	-----	-----
	Total revenue from contract with customers	19,506,908	8,447,463	19,419,754	8,016,473
		=====	=====	=====	=====
	Timing of revenue recognition				
	Service transferred at a point in time	-	-	-	-
	Services transferred over time	19,506,908	8,447,463	19,419,754	8,016,473
		-----	-----	-----	-----
	Total revenue from contract with customers	19,506,908	8,447,463	19,419,754	8,016,473
		=====	=====	=====	=====

## Performance obligations

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

## Construction of building or civil works

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

## Contract balances

## Contract Assets, Trade Receivables and Contract Liabilities

Contract balances consisted of the following at December 31

Group	2023 N'000	2022 N'000	Change N'000	Change %
Contract receivables	5,286,671	4,364,682	921,989	21%
Retention receivable (Note 20)	464,698	474,096	(9,398)	-2%
Contract assets (Note 19)	15,218,621	10,716,279	4,502,343	42%
Contract liabilities (Note 26)	(24,259,464)	(15,685,856)	(8,573,609)	55%
	-----	-----	-----	
Net contract balance	(3,289,475)	(130,799)	(3,158,676)	2415%
	=====	=====	=====	

Contract assets consisted of the following at December 31:

Unbilled	16,381,781	13,013,711
Impairment	(1,163,160)	(2,297,432)
	-----	-----
	15,218,621	10,716,279
	=====	=====

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

## 8 Revenue from contracts with customers - Continued

Company	2023	2022	current	Change
	₺'000	₺'000	Change	%
Contract receivables	5,275,362	4,112,056	1,163,306	28%
Retention receivable (Note 20)	439,350	448,748	(9,398)	-2%
Contract assets (Note 19)	14,389,035	10,256,399	4,132,636	40%
Contract liabilities (Note 26)	(22,458,798)	(14,701,899)	(7,756,899)	53%
	-----	-----	-----	
Net contract balance	(2,355,051)	115,304	(2,470,355)	-2142%
	=====	=====	=====	

Contract assets consisted of the following at December 31:

Unbilled	15,552,195	12,553,831
Impairment	(1,163,160)	(2,297,432)
	-----	-----
	14,389,035	10,256,399
	=====	=====

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

Group	2023	2022	Change	Change
	₺'000	₺'000	₺'000	%
Contract assets	15,218,621	10,716,279	4,502,343	42%
Contract liabilities	(24,259,464)	(15,685,856)	(8,573,609)	55%

Revenue recognized in the period from:

Amount included in contract liabilities at the beginning of the period	15,685,856	5,709,635	9,976,221	175%
Performance obligation satisfied in previous years	474,096	50,116	423,980	846%

Company	2023	2022	Change	
	₺'000	₺'000		%
Contract assets	14,389,035	10,256,399	4,132,636	40%
Contract liabilities	(22,458,798)	(14,701,899)	(7,756,899)	53%

Revenue recognized in the period from:

Amount included in contract liabilities at the beginning of the period	(14,701,899)	(4,716,364)	(9,985,535)	212%
Performance obligation satisfied in previous years	448,748	31,777	416,971	1312%

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

## 8 Revenue from contracts with customers - Continued

## Contract liabilities

Contract liabilities consists of advance payments from customers.

Movements in contract liabilities for the year ended December 31, 2023 and 2022 are as follows:

## Group

	2023	2022
	N'000	N'000
1-Jan	15,685,856	5,709,635
Advance payment received from customers	4,946,704	10,400,428
Amount included in contract liabilities at the beginning of the period	-	198,910
Advance payment applied to current period	(3,305,740)	(623,117)
	-----	-----
31-Dec	17,326,820	15,685,856
	=====	=====

## Company

	2023	2022
	N'000	N'000
1-Jan	14,701,899	4,716,364
Advance payment received from customers	4,129,994	10,400,428
Amount included in contract liabilities at the beginning of the period	-	208,224
Advance payment applied to current period	(3,305,740)	(623,117)
	-----	-----
31-Dec	15,526,153	14,701,899
	=====	=====

Contract liabilities include advances received from customers in respect of projects

	Group		Company	
	2023	2022	2023	2022
	N'000	N'000	N'000	N'000
9 Cost of sales				
Contract expenses	19,662,567	5,846,882	19,453,820	5,487,973
Depreciation expenses - Plant tools and equipment (Note11b)	183,938	215,531	116,105	215,531
Project technical expenses	719,729	430,275	684,518	337,289
	-----	-----	-----	-----
	20,566,234	6,492,687	20,254,442	6,040,792
	=====	=====	=====	=====

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

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

	Group		Company	
	2023 N'000	2022 N'000	2023 N'000	2022 N'000
10 Other operating income				
Other income**	33,900	8,613	33,800	8,498
Exchange gain unrealised	163	54,437	-	14,647
	-----	-----	-----	-----
	34,063	63,050	33,800	23,145
	=====	=====	=====	=====

\*\* Other income refers to sale of diesel to its related companies and sales of scraps. This account increased due to the disposals of scraps during the year.

	Group		Company	
	2023 N'000	2022 N'000	2023 N'000	2022 N'000
11 Administrative expenses				
Advertisement & Communication				-
Amortization of Intangible Asset (Note 17 )	1,672	2,369	1,672	2,369
Audit fee**	20,000	15,000	20,000	15,000
Bank charges	77,772	87,235	77,015	82,669
Depreciation of Property Plant & Equipments ( Note 11 b )	51,656	59,487	51,656	59,507
Directors expenses	14,179	10,817	14,179	10,797
Employee benefits expense (Note 11a)	295,213	284,917	295,197	250,437
Legal and professional charges	50,235	95,981	50,067	95,999
Lighting & heating	38,984	35,220	38,134	35,220
Office expenses	309,575	379,364	261,285	388,166
Printing & Stationary	3,944	6,205	3,944	6,205
Rent and rates & Insurance	120,568	70,144	120,568	70,063
Repairs and maintenance	4,835	1,776	4,835	1,776
Traveling and accommodation	46,265	40,005	46,265	40,005
Vehicle running costs	37,392	57,499	37,241	56,907
	-----	-----	-----	-----
	1,072,289	1,146,018	1,022,055	1,115,120
	=====	=====	=====	=====

\*\* No non-audit fees was paid to EY during the year 2023 (2022: Nil)

	Group		Company	
	2023 N'000	2022 N'000	2023 N'000	2022 N'000
11a Employee benefit expense				
Salaries & wages	146,831	169,199	146,831	136,959
Pension	8,480	8,728	8,480	7,058
Medical	24,751	33,293	24,735	33,293
Staff training	4,949	515	4,949	515
Industrial training cost	8,630	-	8,630	-
Labour	98,922	59,398	98,922	58,888
Staff welfare	2,650	13,783	2,650	13,723
	-----	-----	-----	-----
	295,213	284,917	295,197	250,437
	=====	=====	=====	=====



## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

## 14.1b Consolidated and separate Statement of financial position

	Group		Company	
	2023	2022	2023	2022
Reconciliation of current income tax liabilities	N'000	N'000	N'000	N'000
As at 1 January	217,400	100,353	217,400	100,353
Charge for the year	97,443	156,635	97,443	156,635
Payment during the year	(31,422)	(39,588)	(31,422)	(39,588)
Withholding tax off-set	(222,766)	-	(222,766)	-
	-----	-----	-----	-----
As at 31 December	60,654	217,400	60,654	217,400
	=====	=====	=====	=====

## 14.2 Reconciliation between tax expense and the product of accounting loss for the year ended 31 December 2022 is as follows:

	Group		Company	
	2023	2022	2023	2022
	N'000	N'000	N'000	N'000
<i>Accounting (loss)/profit before tax</i>	(520,824)	514,792	(249,805)	441,027
	-----	-----	-----	-----
At Nigeria's statutory income tax rate of 30% (2022: 30%)	-	154,438	-	132,308
Education tax	-	31,348	-	31,348
Non-deductible expenses	50,830	216,026	50,830	216,026
Effect of tax incentives - Utilised capital allowance	(93,444)	(554,074)	(93,444)	(531,944)
Non-taxable income	42,612	(4,395)	42,612	(4,395)
Nigeria Police Trust Fund Levy	-	22	-	22
Minimum Tax	(97,443)	-	(97,443)	-
Effect of taxable temporary taxable differences	(463,575)	-	(463,575)	-
	-----	-----	-----	-----
<i>Income tax expense reported in profit or loss</i>	(561,020)	(156,635)	(561,020)	(156,635)
	=====	=====	=====	=====
Effective tax rate	108%	-30%	225%	-36%

## 14.3 Deferred tax

The Group	Statement Of financial position		Profit or loss	
	2023	2022	2023	2022
	N'000	N'000	N'000	N'000
Accelerated depreciation of property, plant & equipment for tax purposes	(290,829)	(319,333)	28,504	4,721
Unrelief loss	390,293	(18,369)	408,662	13,975
Expected credit losses of financial assets	511,495	1,355,232	(843,737)	6,224,070
Unutilised tax credit	93,444	244,428	(150,984)	(177,113)
Expected losses	93,978	-	93,978	31,768
	-----	-----	-----	-----
Deferred tax (expense)/credit			(463,577)	6,097,421
	-----	-----	=====	=====
Deferred tax Asset	798,381	1,261,958		
	=====	=====		

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS -Continued

## 14.3 Deferred tax - Continued

Reconciliation of deferred tax liability asset, net	Group		Company	
	2023 N'000	2022 N'000	2023 N'000	2022 N'000
As at 1 January	1,261,958	546,622	1,261,958	546,622
Amount charged to profit or loss during the year	(463,577)	715,336	(463,577)	715,336
As at 31 December	798,381	1,261,958	798,381	1,261,958

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

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

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

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

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. The group has, accordingly, recognised a deferred tax Asset of N797.189 million value (2022: N1.26 billion) relating to net deductible temporary difference that are considered to be realisable against the Group's taxable profits, which is expected to arise in future periods.

## 15 Basic earnings/(loss) per share

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

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

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

	Group		Company	
	2023 N'000	2022 N'000	2023 N'000	2022 N'000
Net profit/(loss) attributable to ordinary equity holders for basic earnings per share	(1,075,807)	358,593	(810,826)	284,392
	=====	=====	=====	=====
	2023 in thousands	2022 in thousands	2023 in thousands	2022 in thousands
Average number of ordinary shares for basic earnings per	148,500	148,500	148,500	148,500
	=====	=====	=====	=====
Basic/diluted earnings/(loss) per share (Naira)- Pare	(7.24)	2.41	(5.46)	1.92
	=====	=====	=====	=====

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

16 Property, plant and equipment  
The Group

	Right of Use N'000	Land N'000	Plant, tool and equipment N'000	Motor Vehicles N'000	Office furniture and equipment N'000	IT Infrastructure N'000	Total N'000
Cost :							
At 1 January 2022	73,112	1,065,100	2,449,882	479,478	8,718	63,261	4,139,551
Additions during the year	8,980		139,458	96,910	-	2,188	247,536
	-----	-----	-----	-----	-----	-----	-----
At 31 December 2022	82,092	1,065,100	2,589,340	576,388	8,718	65,449	4,387,087
Additions during the year	-	-	-	-	-	1,981	1,981
	-----	-----	-----	-----	-----	-----	-----
At 31 December 2023	82,092	1,065,100	2,589,340	576,388	8,718	67,430	4,389,068
	=====	=====	=====	=====	=====	=====	=====
Depreciation							
At 1 January 2022	73,112	84,001	1,952,428	437,693	5,974	53,491	2,606,699
Charge for the year	1,871	10,651	215,531	40,358	516	6,091	275,018
	-----	-----	-----	-----	-----	-----	-----
At 31 December 2022	74,983	94,652	2,167,959	478,051	6,490	59,582	2,881,717
Charge for the year	4,490	10,651	183,830	32,388	482	3,752	235,593
	-----	-----	-----	-----	-----	-----	-----
At 31 December 2023	79,473	105,303	2,351,789	510,439	6,972	63,334	3,117,310
	=====	=====	=====	=====	=====	=====	=====
Carrying value:							
At 31 December 2023	2,619	959,797	237,551	65,949	1,746	4,096	1,271,758
	=====	=====	=====	=====	=====	=====	=====
At 31 December 2022	7,109	970,448	421,381	98,337	2,228	5,867	1,505,370
	=====	=====	=====	=====	=====	=====	=====

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

## The Company

	Right of Use N'000	Land N'000	Plant, tool and equipment N'000	Motor Vehicles N'000	Office furniture and equipment N'000	IT Infrastructure N'000	Total N'000
Cost :							
At 1 January 2022	73,112	1,065,100	2,261,050	479,117	5,196	63,261	3,946,836
Additions during the year	8,980		139,458	96,910		2,188	247,536
	-----	-----	-----	-----	-----	-----	-----
At 31 December 2022	82,092	1,065,100	2,400,508	576,027	5,196	65,449	4,194,372
Additions during the year	-		-	-	-	1,981	1,981
	-----	-----	-----	-----	-----	-----	-----
At 31 December 2023	82,092	1,065,100	2,400,508	576,027	5,196	67,430	4,196,353
	=====	=====	=====	=====	=====	=====	=====
Depreciation							
At 1 January 2022	73,112	84,001	1,884,703	437,693	3,878	53,234	2,536,621
Charge for the year	1,871	10,651	215,531	40,378	516	6,091	275,038
	-----	-----	-----	-----	-----	-----	-----
At 31 December 2022	74,983	94,652	2,100,234	478,071	4,394	59,325	2,811,659
Charge for the year	4,490	10,651	116,105	32,281	482	3,752	167,761
	-----	-----	-----	-----	-----	-----	-----
At 31 December 2023	79,473	105,303	2,216,339	510,352	4,876	63,077	2,979,420
	=====	=====	=====	=====	=====	=====	=====
Carrying value:							
At 31 December 2023	2,619	959,797	184,169	65,675	320	4,353	1,216,933
	=====	=====	=====	=====	=====	=====	=====
At 31 December 2022	7,109	970,448	300,274	97,956	802	6,124	1,382,713
	=====	=====	=====	=====	=====	=====	=====

There are no restrictions on title to the items of property, plant and equipment. The Company has not pledged any item of property, plant and equipment as security for liabilities.

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

The Group

	2023	2022
	N'000	N'000
Cost	733,500	733,500
Accumulated depreciation	(95,355)	(88,020)
	-----	-----
Net carrying amount	638,145	645,480
	=====	=====

The Company

	2023	2022
	N'000	N'000
Cost	733,500	733,500
Accumulated depreciation	(95,355)	(88,020)
	-----	-----
Net carrying amount	638,145	645,480
	=====	=====

17 Intangible assets

	Computer software N'000
Cost :	
At 1 January 2022	16,269
Additions during the year	4,696
	-----
At 31 December 2022	20,965
	=====
Cost :	
At 1 January 2023	20,965
Additions during the year	
	-----
At 31 December 2023	20,965
	=====

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

17 Intangible assets - Continued	Computer software N'000	
Amortisation		
At 1 January 2022	15,316	
Charge for the year	2,369	
	-----	
At 31 December 2022	17,685	
	=====	
At 31 December 2023	17,685	
Charge for the year	1,672	-
	-----	
At 31 December 2023	19,357	
	=====	
Carrying value:		
At 31 December 2023	1,608	
	=====	
At 31 December 2022	3,280	
	=====	

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

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

18	Inventories	Group		Company	
		2023 N'000	2022 N'000	2023 N'000	2022 N'000
	Construction materials	3,736,412	2,904,179	2,485,210	2,276,697
		-----	-----	-----	-----
		3,736,412	2,904,179	2,485,210	2,276,697
		=====	=====	=====	=====

Inventories are measured at the lower of cost and net realisable value. The group uses WAC (weighted average cost), for valuation of inventory. There was no inventory write-off nor a write-down during the year ended 31 December 2023 (2022: Nil).

Inventories recognized in cost of sales during the year amounted to ₦16.88 billion (2022: ₦3.38 billion).

19	Contract assets	Group		Company	
		2023 N'000	2022 N'000	2023 N'000	2022 N'000
	Receivable From third party Customer	16,381,781	13,013,711	15,552,195	12,553,831
	Allowance for expected credit loss (Note 20.1)	(1,163,160)	(2,297,432)	(1,163,160)	(2,297,432)
		-----	-----	-----	-----
		15,218,621	10,716,279	14,389,035	10,256,399
		=====	=====	=====	=====

20	Trade and other receivables	Group		Company	
		2023 N'000	2022 N'000	2023 N'000	2022 N'000
	Contract receivables	5,715,118	5,193,020	5,703,809	4,940,394
	Retention receivable**	464,698	474,096	439,350	448,748
		-----	-----	-----	-----
		6,179,815	5,667,116	6,143,159	5,389,142
	Allowance for expected credit losses (Note 20.2)	(428,447)	(828,338)	(428,447)	(828,338)
		-----	-----	-----	-----
		5,751,368	4,838,778	5,714,712	4,560,804
	Due from related parties (Note 20.3)	41,511	30,903	2,507,794	2,213,857
	Other receivables (Note 20.4)	637,858	876,343	603,821	842,507
		-----	-----	-----	-----
		6,430,737	5,746,024	8,826,328	7,617,168
		=====	=====	=====	=====

Trade receivables are non-interest bearing and are generally on 30 - 365 day terms.

For terms and conditions relating to receivables from related parties, see note 27.

As at 31 December 2023, the Group has trade and other receivables and contract assets of ₦22.70 billion (2022: ₦19.08 billion) which is gross of an allowance for expected credit losses of ₦1.59 billion (2022: ₦3.13 billion)

As at 31 December 2023, the Company has trade and other receivables and contract assets of ₦21.82 billion (2022: ₦18.34 billion) which is gross of an allowance for expected credit losses of ₦1.59 million (2022: ₦3.13 billion)

\*\*This is the value of the amount retained by the Company's customers for job done and certified pending when the condition embedded in the contract terms is met.

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

20.1 Set out below is the movement in the allowance for expected credit losses on contract asset

	Group		Company	
	2023 N'000	2022 N'000	2023 N'000	2022 N'000
At 1 January	2,297,432	2,079,519	2,297,432	2,079,519
Expected credit losses- charge ( Note 12)	-	217,913	-	217,913
Recovery of expected credit losses*	(1,134,272)	-	(1,134,272)	-
At 31 December	1,163,160	2,297,432	1,163,160	2,297,432

\* The group recovered part of it prior years' ECL due to the certification of the work done by the Group, which has now been transferred to Trade receivables and payments received from the old outstanding receivables from its customers.

20.2 Set out below is the movement in the allowance for expected credit losses on Trade receivables

	Group		Company	
	2023 N'000	2022 N'000	2023 N'000	2022 N'000
At 1 January	828,338	689,235	828,338	689,235
Expected credit losses (reversal)/charge of impairment loss on financial assets. ( Note 12)	(399,891)	139,103	(399,891)	139,103
At 31 December	428,447	828,338	428,447	828,338

\*\* The group recovered part of it prior years' ECL due to the payments received from the old outstanding receivables from its customers

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

20.3 Due from related parties

	Group		Company	
	2023 N'000	2022 N'000	2023 N'000	2022 N'000
ArbicoEPZ	-	-	2,579,665	2,300,309
Bucelab	30,903	30,903	30,903	30,903
MULTIHAUL LIMITED	10,609	-	10,609	-
Allowance for expected credit losses (Note 20.3a)**	41,511	30,903	2,621,177	2,331,212
	-	-	(113,382)	(117,355)
	41,511	30,903	2,507,794	2,213,857

\*\* The ECL for the Group in the current year was assessed but the outcome was not material.

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

20.3a Set out below is the movement in the allowance for expected credit losses on inter-company receivables

	Group		Company	
	2023 N'000	2022 N'000	2023 N'000	2022 N'000
At 1 January	-	31,692	117,355	31,692
Subsidiary elimination	-	(31,692)	-	-
Expected credit losses- charge (Note 12)	-	-	-	85,663
Expected credit losses- recovery (Note 10)	-	-	(3,973)	-
At 31 December	-	-	113,382	117,355

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

## 20.4 Other receivables

	Group		Company	
	2023	2022	2023	2022
	N'000	N'000	N'000	N'000
Staff receivable*	200	9,602	-	9,602
Withholding tax receivable**	596,542	816,192	596,542	816,192
Other Receivables***	41,115	50,549	7,279	16,713
	<u>637,858</u>	<u>876,343</u>	<u>603,821</u>	<u>842,507</u>

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

\*\* Withholding tax receivable (WHT) represent amount deducted at source by customers from payment to the Group in line with the withholding tax law. The customer is expected to remit the amount withheld to the relevant tax authority and obtain withholding tax credit note in the name of Arbico Plc. The WHT credit note can be used to offset future tax liability. In the current year, the sum of N222.766 million was used to offset the company's income tax liability.

\*\*\*Other receivables relates to Deposit for materials to various vendors for which the supply is yet to be received.

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

21	Prepayments	Group		Company	
		2023 N'000	2022 N'000	2023 N'000	2022 N'000
	Insurance	4,538	1,665	4,538	1,665
	Rent	18,026	27,151	12,916	27,836
	Service Charge *	28,546	4,062	28,035	4,265
	Advances for construction expenses**	9,670,737	5,150,785	8,767,332	4,776,654
		<u>9,721,847</u>	<u>5,183,663</u>	<u>8,812,822</u>	<u>4,810,420</u>

\*Service charges are non-lease components house rent.

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

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

22	Cash and cash equivalents	Group		Company	
		2023 N'000	2022 N'000	2023 N'000	2022 N'000
	Cash at hand	3,177	3,628	2,651	3,255
	Cash at bank	2,868,111	37,242	2,866,885	9,092
		<u>2,871,288</u>	<u>40,869</u>	<u>2,869,536</u>	<u>12,347</u>
22.1	Other asset				
	Restricted cash	300,129	1,093,151	174,202	925,398
		<u>300,129</u>	<u>1,093,151</u>	<u>174,202</u>	<u>925,398</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates which ranges from 2% to 3%.

Restricted cash relates to amount withheld by banks as security for advance payment guarantee provided by the banks for contractual advance received from customers. The restriction on this amount is lifted when the advance payment guarantee is released on achievement of certain milestones on the contracts.

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

22.2	Cash and cash equivalents	Group		Company	
		2023 N'000	2022 N'000	2023 N'000	2022 N'000
	Cash in hand	3,177	3,628	2,651	3,255
	Cash at bank	2,868,111	37,242	2,866,885	9,092
		<u>2,871,288</u>	<u>40,869</u>	<u>2,869,536</u>	<u>12,347</u>
	Bank overdraft	-	(151,321)	-	(151,321)
		<u>2,871,287</u>	<u>(110,452)</u>	<u>2,869,536</u>	<u>(138,974)</u>

The ECL for the Group's Bank balance was assessed but it was not material.

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

23 Issued capital and reserves	2023	Group	2023	Company
	N'000	2022	N'000	2022
Issued and fully paid				
148,500,000 Ordinary shares of 50k each	74,250	74,250	74,250	74,250
	=====	=====	=====	=====
Share Premium				
As at 31 December	141,184	141,184	141,184	141,184
	=====	=====	=====	=====
Asset revaluation reserve				
As at 31 December	1,193,534	1,193,534	1,193,534	1,193,534
	=====	=====	=====	=====

Asset revaluation reserve surplus is used to recognise surplus or deficit on revaluation of property, plants and equipment. This reserve comes from fair valuation of land carried out by expert valuer which is usually credited to other reserve in shareholders equity

## 24 Share deposit

As at 31 December 2014, a total of N1,991,947,686 was owed by Arbico Plc to Biswal Limited, a related Company. As at that date a decision was taken by the directors of Biswal Limited to convert N1,950,000,000 of the amount due from Arbico Plc into equity through acquisition of more share capital in the later. However, due to the inability of Arbico Plc to meet necessary regulatory requirement such as increase in authorised share capital, registration of increase in share capital and allotment of shares, the amount was recognised as deposit for shares in the book of Arbico Plc.

Share deposit	Group	Company
	2023	2022
	N'000	N'000
Share deposit	1,950,000	1,950,000
	=====	=====

## 25 Trade and other payables

	Group	Company
	2023	2022
	N'000	N'000
Trade payables	13,717,776	8,342,544
Other payables (Note 25.1)	703,151	406,778
Due to related parties (Note 25.2)	1,221,199	2,180,495
	-----	-----
As at 31 December	15,642,126	10,929,816
	=====	=====

Terms and conditions of the above financial liabilities:

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

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

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

25.1 Other payables	2023	2022	2023	2022
	N'000	N'000	N'000	N'000
Pension payable	15,761	22,079	19,803	22,561
Statutory payable	547,836	242,582	546,780	242,579
Service providers payable	40,101	28,101	40,101	28,101
Accruals	99,453	114,016	99,453	114,016
	-----	-----	-----	-----
	703,151	406,778	706,137	407,257
	=====	=====	=====	=====

Statutory payable include Pay-As-You-Earn (PAYE), value added tax payable, withholding tax payable, Accruals relate to payable to the Directors for working capital provided to finance the business

## ARBICO PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

## 25 Trade and other payables - Continued

25.2 Due to related parties	Group		Company	
	2023 N'000	2022 N'000	2023 N'000	2022 N'000
R28 Limited	801,541	1,813,961	1,018,942	2,031,360
Biswal Limited	346,567	289,547	351,561	294,493
Aiyeola Afolabi	22,905	24,853	22,905	24,853
Alkimos Makaronidis	27,282	27,282	27,282	27,282
Eyo Asuquo	22,905	24,853	22,905	24,853
	-----	-----	-----	-----
Due from other related parties	1,221,199	2,180,495	1,443,593	2,402,841
	=====	=====	=====	=====

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

26 Contract Liabilities	2023 N'000	2022 N'000	2023 N'000	2022 N'000
Advance from customers	24,259,464	15,685,856	22,458,798	14,701,899
	-----	-----	-----	-----
	24,259,464	15,685,856	22,458,798	14,701,899
	=====	=====	=====	=====

Contract liabilities increase due to the advances made by the Group's customers for jobs yet to be completed. Upon completion of the contracts, the settlement would be made between this account and trade receivables.

## 27 Related party transactions

The following table provides the company's total amount of transactions that have been entered into with related parties for the relevant financial year (for information regarding outstanding balances at 31 December 2023 and 2022, refer to Notes 20.3 and 25.2.

		Group		Company			
		Due from related parties N'000	Rent/s ervice charge	Due to related parties N'000	Due from related parties N'000	Rent/s ervice charge	Due to related parties N'000
ArbicoEPZ	2023	-	-	-	2,579,665	3,954,885	-
	2022	-	-	-	2,300,309	2,300,309	-
R28 Limited	2023	-	801,541	801,541	-	1,103,386	1,018,942
	2022	-	1,813,961	1,813,961	-	2,031,360	2,031,360
Biswal Limited	2023	-	346,567	346,567	-	351,561	351,561
	2022	-	289,547	289,547	-	294,493	294,493
MULTIHAUL LIMITED	2023	10,609	10,609	-	10,609	10,609	-
	2022	-	-	-	-	-	-

## 27 Related party transactions - Continued

		Due from related parties	Group Rent/s ervice charge	Due to related parties	Due from related parties	Company Rent/s ervice charge	Due to related parties
		N'000		N'000	N'000		N'000
Bucelab	2023	30,903	30,903	-	30,903	30,903	
	2022	30,903	30,903	-	30,903	30,903	
Aiyeola Afolabi	2023	-	22,905	22,905	-	22,905	22,905
	2022	-	24,853	24,853	-	24,853	24,853
Alkimos Makaronidi:	2023	-	27,282	27,282	-	27,282	27,282
	2022	-	27,282	27,282	-	27,282	27,282
Eyo Asuquo	2023	-	22,905	22,905	-	22,905	22,905
	2022	-	24,853	24,853	-	24,853	24,853

## Nature of related party transactions

## Biswal Limited

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

## Tranos Contracting Limited

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

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

## Bucelab

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

## Arbico FZE

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

## Entity with significant influence over the Company

## R28 Limited

R28 Limited owns 69.97% of the ordinary shares in Arbico Plc (2022: 69.97%).

## Terms and conditions of transactions with related party

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

## Compensation of Key Management Personnel of the Company

	Group		Company	
	2023 N'000	2022 N'000	2023 N'000	2022 N'000
Short-term employee benefits	-	-	-	-
Post-employment pension	-	-	-	-
	-----	-----	-----	-----
	-	-	-	-
	=====	=====	=====	=====

The directors were not remunerated during the year ended 31 December 2023 (2022: Nil).

28 Financial Risk Management objectives and policies

Overview

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

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

Further quantitative disclosures are included throughout these financial statements.

Credit risk

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

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

I Trade receivables

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

Deposits with banks and other financial institutions

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

## 28 Financial Risk Management objectives and policies - Continued

## Trade receivables &amp; Contract assets

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

Set out below is the information about the credit risk exposure on the Groups' contract assets and trade receivables as at 31 December 2023 using a provision matrix:

## Group:

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

Contract receivables	Days Past due		Total
	0 – 1 year	Above – 1 years	
31-Dec-23	₹'000	₹'000	₹'000
Expected credit loss rate	3%	9%	7%
Estimated total gross carrying amount at default	2,346,244	3,833,571	6,179,815
Expected credit loss	82,108	346,339	428,447

Contract receivables	Days Past due		Total
	0 – 1 year	Above –1 year	
31-Dec-22	-	100%	16%
Expected credit loss rate	-	100%	16%
Estimated total gross carrying amount at default	4,364,682	828,338	5,193,020
Expected credit loss	-	828,338	828,338

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

Contract asset	Days Past due		Total
	0 – 1 year	Above –1 year	
31-Dec-23	₹'000	₹'000	₹'000
Expected credit loss rate	4%	14%	18%
Estimated total gross carrying amount at default	11,115,364	5,266,417	16,381,781
Expected credit loss	400,727	762,433	1,163,160

Contract asset	Days Past due		Total
	0 – 1 year	Above –1 year	
Dec-22	-	100%	18%
Expected credit loss rate	-	100%	18%
Estimated total gross carrying amount at default	10,716,278	2,297,433	13,013,711
Expected credit loss	-	2,297,432	2,297,432

## 28 Financial Risk Management objectives and policies - Continued

## Company

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

Contract receivables 31-Dec-23	Days Past due		Total ₹'000
	0 - 1 year ₹'000	Above -1years ₹'000	
Expected credit loss rate	4%	9%	7%
Estimated total gross carrying amount at default	2,309,588	3,833,571	6,143,159
Expected credit loss	82,108	346,339	428,447

Contract receivables 12/31/202	Days Past due		Total
	0 - 1 year	Above -1years	
Expected credit loss rate	-	100%	17%
Estimated total gross carrying amount at default	4,112,056	828,338	4,940,394
Expected credit loss	-	828,338	828,338

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

Contract asset 31-Dec-23	Days Past due		Total ₹'000
	0 - 1 year ₹'000	Above- 1years ₹'000	
Expected credit loss rate	9%	7%	7%
Estimated total gross carrying amount at default	4,436,831	11,115,364	15,552,195
Expected credit loss	400,727	762,433	1,163,160

31-Dec-22	Days Past due		Total
	0 - 1 year	Above- 1years	
Expected credit loss rate	-	100%	18%
Estimated total gross carrying amount at default	10,256,399	2,297,432	12,553,831
Expected credit loss	-	2,297,432	2,297,432

## i Trade receivables

Loss rate are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stage delinquency to write-off. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

## ii Expected credit loss measurement - other financial assets

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

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

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

## 28 Financial Risk Management objectives and policies - Continued

The 12-month and Lifetime PDs are derived by mapping the internal rating grade of the obligors to the PD term structure of an external rating agency for all asset classes. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by customer type. The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs, etc. – are monitored and reviewed on a regular basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period. The significant changes in the balances of the other financial assets including information about their impairment allowance are disclosed below respectively.

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

## Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 3(ii) Summary of significant accounting policies and in Note 4 Significant accounting judgments, estimates and assumptions. To ensure completeness and accuracy, the Company obtains the data used from third-party sources (Central Bank of Nigeria, Standards and Poor's, etc.) and a team of the experts within its credit risk department verifies the accuracy of inputs to the Company's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Company's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 1 January 2023 and 31 December 2023.

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

## Group and Company

31-Dec-23

Key drivers	Assigned probabilities	ECL scenarios	2024	2025	2026
Prime Lending	17%	Upturn	12.97%	12.63%	12.63%
	68%	Base	13.26%	12.67%	12.67%
	15%	Downturn	13.56%	13.22%	13.22%
Inflation rate	17%	Upturn	30.13%	23.13%	23.13%
	68%	Base	32.00%	25.00%	25.00%
	15%	Downturn	37.13%	30.13%	30.13%
Crude Oil(USD)**	17%	Upturn	82	88	88
	68%	Base	81	87	87
	15%	Downturn	76	82	82

31-Dec-22

Key drivers	Assigned probabilities	ECL scenarios	2023	2024	2025
Prime Lending	17%	Upturn	12	12	12
	68%	Base	13	13	13
	15%	Downturn	13	13	13
GDP Growth rate	17%	Upturn	3	4	4
	68%	Base	3	4	3
	15%	Downturn	3	3	3
Inflation rate	17%	Upturn	14	14	14
	68%	Base	15	15	15
	15%	Downturn	19	19	19

\*\* The Company reassessed its ECL assumption and arrived on the decisions that Crude oil is the best basis due to the current economic reality. The impact was reassessed to be immaterial.

\*\*\*These variables were useful for the determination of the ECL for the year. Recovery/charges is a function of the result of the current year result and the closing of the prior year closing balance. The impact of the current year is a recovery to the Company.

## 28 Financial Risk Management objectives and policies - Continued

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

31-Dec-23	Contract receivables	2023 ₹'000	Total ₹'000	2022 ₹'000	Total ₹'000
	Upturn (17%)	72,836	72,836	140,817	140,817
	Base (68%)	291,344	291,344	563,270	563,270
	Downturn (15%)	64,267	64,267	124,251	124,251
	Total	----- 428,447 =====	----- 428,447 =====	----- 828,338 =====	----- 828,338 =====

31-Dec-23	Contract Asset	2023 ₹'000	Total ₹'000	2022 ₹'000	Total ₹'000
	Upturn (17%)	197,737	197,737	390,564	390,564
	Base (68%)	790,949	790,949	1,562,254	1,562,254
	Downturn (15%)	174,474	174,474	344,615	344,615
	Total	----- 1,163,160 =====	----- 1,163,160 =====	----- 2,297,432 =====	----- 2,297,432 =====

31-Dec-23	Intercompany receivables	2023 ₹'000	Total ₹'000	2022 ₹'000	Total ₹'000
	Upturn (17%)	19,275	19,275	19,950	19,950
	Base (68%)	77,100	77,100	79,802	79,802
	Downturn (15%)	17,007	17,007	17,603	17,603
	Total	----- 113,382 =====	----- 113,382 =====	----- 117,355 =====	----- 117,355 =====

## 28 Financial Risk Management objectives and policies - Continued

## Company

## Intercompany receivables

31 December 2023	Stage 1 ₹'000	Stage 2 ₹'000	Stage 3 ₹'000	Total ₹'000
Gross carrying amount as at 1 January	2,331,212	-	-	2,331,212
Additions	1,665,185	-	-	1,665,185
Asset derecognised or repaid (excluding write offs)	(1,375,220)	-	-	(1,375,220)
At 31 December (Note 20.3)	2,621,177	-	-	2,621,177
ECL allowance as at 1 January	117,355			117,355
Recovery for the year	(3,973)			(3,973)
At 31 December	113,382	-	-	113,382

## Company

## Intercompany receivables

31 December 2022	Stage 1 ₹'000	Stage 2 ₹'000	Stage 3 ₹'000	Total ₹'000
Gross carrying amount as at 1 January	1,780,382	-	-	1,780,382
Additions	550,830	-	-	550,830
Asset derecognised or repaid (excluding write offs)	-	-	-	-
At 31 December (Note 20.3)	2,331,212	-	-	2,331,212
ECL allowance as at 1 January	31,692			31,692
Charged for the year	85,663			85,663
At 31 December	117,355			117,355

\*\*There were no transfers in between stages during the year.

## Liquidity risk

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

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

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

## 28 Financial Risk Management objectives and policies - Continued

## Excessive risk concentration

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

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

## The Group

	On demand	Less than 3 months	3 to 12 months	Total
Year ended 31 December 2023				
Trade and other payables	-		15,094,290	15,094,290
	-----	-----	-----	-----
			15,094,290	15,094,290
	====	====	=====	=====
	On demand	Less than 3 months	3 to 12 months	Total
Year ended 31 December 2022	-	-	-	-
Trade and other payables			10,687,234	10,687,234
	-----	-----	-----	-----
			10,687,234	10,687,234
	====	====	=====	=====

## The Company

	On demand	Less than 3 months	3 to 12 months	Total
Year ended 31 December 2023				
Trade and other payables	-	-	14,988,907	14,988,907
	-----	-----	-----	-----
	-	-	14,988,907	14,988,907
	====	====	=====	=====
	On demand	Less than 3 months	3 to 12 months	Total
Year ended 31 December 2022				
Trade and other payables	-	-	10,903,443	10,903,443
	-----	-----	-----	-----
	-	-	10,903,443	10,903,443
	====	====	=====	=====

The amount stated in trade and other payables is exclusive of all statutory deductions

## Market risk

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

## 28 Financial Risk Management objectives and policies - Continued

## Foreign currency risk

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

## Foreign currency sensitivity

The Group is exposed to foreign exchange risks from some of its commercial transactions and recognized assets. The Group buys and imports some of the equipment used for production, the payments for which are made in Euro, Pounds and US Dollars. The Group makes payments and collects receipts primarily in Nigerian Naira. Periodically however, receipts and payments are made in other currencies, mostly in Euro and US dollar. See below for balances at year end that are in Euro, Pounds, and dollars

	31-Dec-23	USD'000	EURO'000	POUND'000
Cash and cash equivalents		57,944	574	62
		=====	===	==
	31-Dec-22	USD'000	EURO'000	POUND'000
Cash and cash equivalents		60,869	831	628
		=====	===	==

The following tables demonstrate the sensitivity to a reasonably possible change in USD, Euro and GBP exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

Effect on profit before tax	Change in USD rate	2023		2022	
		N000		N000	
	5%	2,628,094		1,404,542	
	-5%	(2,628,094)		(1,404,542)	
2023	Change in EURO rate	2023		2022	
		N000		N000	
	5%	28,374		19,834	
	-5%	(28,374)		(19,834)	
2023	Change in POUNDS rate	2023		2022	
		N000		N000	
	5%	3,521		16,937	
	-5%	(3,521)		(16,937)	

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

## 28 Financial Risk Management objectives and policies - Continued

The table below show financial instruments by their measurement bases:

The Group

As at 31 December 2023	Amortised cost	Fair value	Carrying value
	₦000	₦000	₦000
Trade and other receivables	5,834,195	-	5,834,195
Cash and short-term deposits	3,171,417	-	3,171,417
Contract assets	15,218,621	-	15,218,621
	-----	-----	-----
Total financial assets	24,224,233	-	24,224,233
	=====	=====	=====
Trade and other payables	14,938,975		14,938,975
	-----	-----	-----
Total financial liabilities	14,938,975	-	14,938,975
	=====	=====	=====
As at 31 December 2022			
Trade and other receivables	4,929,832	-	4,929,832
Cash and short-term deposits	1,134,020	-	1,134,020
Contract assets	10,716,279	-	10,716,279
	-----	-----	-----
Total financial assets	16,780,131	-	16,780,131
	=====	=====	=====
Trade and other payables	10,523,039	-	10,523,039
	-----	-----	-----
Total financial liabilities	10,523,039	-	10,523,039
	=====	=====	=====
The Company			
As at 31 December 2023	Amortised cost	Fair value	Carrying value
	₦000	₦000	₦000
Trade and other receivables	5,834,195		5,834,195
Cash and short-term deposits	937,745		937,745
Contract assets	10,256,399		10,256,399
	-----	-----	-----
Total financial assets	17,995,119		17,995,119
	=====	=====	=====
Trade and other payables	14,829,551		14,829,551
	-----	-----	-----
Total financial liabilities	14,829,551		14,829,551
	=====	=====	=====
As at 31 December 2022			
Trade and other receivables	6,800,976		6,800,976
Cash and short-term deposits	937,745		937,745
Contract assets	10,256,399		10,256,399
	-----	-----	-----
Total financial assets	17,995,119		17,995,119
	=====	=====	=====
Trade and other payables	10,738,765		10,738,765
	-----	-----	-----
Total financial liabilities	10,738,765		10,738,765
	=====	=====	=====

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

## 29 Capital management

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

The group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The group's policy is to keep the gearing ratio between 40% and 50%. The group includes within net debt, trade and other payables less cash and short-term deposits. Where the ratio is above the policy, the Group adopts a strategy of timely completion of existing projects to enable it earn the revenue deferred in form of contract liabilities, thereby significantly reducing this balance.

	The Group		The Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Trade and other payables (Note 25)	15,642,126	10,929,816	15,535,688	11,146,022
Bank overdrafts	-	151,321	-	151,321
Less cash and short-term deposits (Note 22)	(3,171,417)	(1,134,020)	(3,043,738)	(937,745)
	-----	-----	-----	-----
Net debt	12,470,709	9,947,117	12,491,950	10,359,598
Equity	1,545,659	469,853	403,982	(406,843)
	-----	-----	-----	-----
Capital and net debt	14,016,368	10,416,970	12,895,932	9,952,755
	=====	=====	=====	=====
Gearing ratio (%)	89%	95%	97%	104%
	====	====	====	====

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

## 30 Fair value measurement of financial assets and liabilities

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

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

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS - Continued

## 31 Segment Reporting

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

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

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

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

	The Group		The Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Revenue from external customers in Nigeria	19,506,908	8,447,463	19,419,754	8,016,473
	=====	=====	=====	=====
Non - current operating assets in Nigeria	1,273,366	1,508,650	1,245,645	1,413,097
	=====	=====	=====	=====

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

## 32 Information relating to employees

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

	The Group		The Company	
	2023	2022	2023	2022
	Nº	Nº	Nº	Nº
Management	5	5	4	4
Construction	121	150	103	127
Administrative staff	28	54	28	54
	-----	-----	-----	-----
	154	209	135	185
	===	===	===	===

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

₦	The Group		The Company	
	2023	2022	2023	2022
	Nº	Nº	Nº	Nº
650,001 - 750,000	4	5	4	5
750,001 - 1,200,000	17	30	17	29
1,200,001 - 2,000,000	51	60	45	51
2,000,001 - 2,600,000	21	30	18	27
2,600,001 - 3,500,000	24	36	20	31
3,500,001-4,500,000	15	19	12	15
4,500,000 and above	22	29	19	27
	-----	-----	-----	-----
	154	209	135	185
	===	===	===	===

Directors' mix	The Group		The Company	
	2022	2022	2022	2022
	Nº	Nº	Nº	Nº
Executive	3	3	3	3
Non-Executive	2	2	2	2
	----	----	----	----
	5	5	5	5
	==	==	==	==

## 33 Contingent liabilities

	The Group		The Company	
	2023	2022	2023	2022
	₦'000	₦'000	₦'000	₦'000
Performance bond – Guaranty Trust Bank (Note 22)	300,129	1,093,151	174,202	925,398
	-----	-----	-----	-----
	300,129	1,093,151	174,202	925,398
	=====	=====	=====	=====

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

Also, the Group has an Advance Performance Guarantee line of N8 billion, out of which N6.67 billion had been utilized. The Advance Performance Guarantee is secured by a personal Guarantee of the Company's Managing Director Mr. Adebisi Adebutu for the full facility amount and accrued interest thereon, supported by a duly notarized statement of personal net worth in place.

## 34 Capital Commitment

In the opinion of the Directors, there were no capital commitments at 31 December 2023 (2022: Nil).

## 35 Events after the reporting Date

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

## 36 Going Concern

The financial statements have been prepared on a going concern basis which assumes the Group and company will be able to realise its assets and discharge its liabilities in the normal course of business for the foreseeable future.

However, the financial statements indicates that the company recorded a net loss after tax of ₦810.826 million (2022: ₦284.392million profit after tax) for the year ended 31 December 2023. And as at that date, the Company had a negative working capital of ₦498.008 million (2022: ₦318.213 million) and a negative shareholders' fund of ₦403.982 million (2022: ₦406,843 million).

Despite these indicators, we have assessed that:

- The company have been profitable in the last four years, with the exception of 2021. Based on our review of management preliminary assessment of going concern, we noted that it is highly probable that the company will continue to be profitable based on value and number of the contracts it has won and currently running.
- It is probable that the company will record positive working capital. This is based on management assessment. Furthermore, our review of the composition of the current liability position of the company shows that amount due to related parties is N1.44billion. These entities will not pressure the company to make immediate payment. Adjusting for the effect of this, the company will be in a positive working capital of N941.992million. The impact of this implies that the company is able to meet its maturing obligation to its external creditors when they fall due. In addition, the Company has an existing N1.950billion representing deposit for shares which the company is expected to convert to issued share capital.

We, therefore, conclude that, though the Company have indicators of going concern but, these does not amount to material uncertainty related to going concern.

## OTHER NATIONAL DISCLOSURES

ARBICO PLC

VALUE ADDED STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

	The Group				The Company			
	2023		2022		2023		2022	
	N'000		N'000		N'000		N'000	
Revenue	19,506,908		8,447,463		19,419,754		8,016,473	
Bought in materials and services	(19,529,317)		(7,433,438)		(19,238,730)		(7,070,746)	
	-----		-----		-----		-----	
	(22,409)		1,014,025		181,024		945,727	
Other operating income	34,063		63,050		33,800		23,145	
	-----		-----		-----		-----	
Value added	11,654	100%	1,077,076	100%	214,824	100%	968,871	100%
	=====		=====		=====		=====	
Applied as follows:		%		%		%		%
To employees: as salaries, wages and other								
- related costs	295,213	2533%	284,917	26%	295,197	137%	250,437	26%
To Government:								
- as company taxes	97,443	836%	156,635	15%	97,443	45%	156,635	16%
- Deferred taxation	463,577	3978%	-	0%	463,577	216%	-	0%
Retained for the Group's/ Company's future:								
-Depreciation of property, plant and equipment	235,593	2022%	274,998	26%	167,761	78%	275,038	28%
-Amortisation of intangible assets	1,672	14%	2,369	0%	1,672	1%	2,369	0%
- (Loss)/profit for the year	(1,081,844)	-9283%	358,157	33%	(810,826)	-377%	284,392	29%
	-----	----	-----	----	-----	----	-----	----
	11,654	100%	1,077,076	100%	214,824	100%	968,871	100%
	=====	===	=====	====	=====	===	=====	===

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

## ARBICO PLC

## FIVE-YEAR FINANCIAL SUMMARY – THE GROUP

	2023 N'000	2022 N'000	2021 N'000	2020 N'000	2019 N'000
<b>ASSETS</b>					
Non-current assets	2,071,747	2,770,608	2,800,460	2,274,075	2,238,407
Current assets	38,279,034	25,684,165	10,865,402	5,967,645	5,536,363
	-----	-----	-----	-----	-----
Total assets	40,350,781	28,454,773	13,665,862	8,241,720	7,774,770
	=====	=====	=====	=====	=====
<b>EQUITY AND LIABILITIES</b>					
Share capital	74,250	74,250	74,250	74,250	74,250
Share premium	141,184	141,184	141,184	141,184	141,184
Asset revaluation surplus	1,193,534	1,193,534	1,193,534	1,193,534	861,934
Accumulated losses	(2,954,627)	(1,878,821)	(2,237,414)	(1,556,709)	(1,977,403)
	-----	-----	-----	-----	-----
Equity attributable to equity holders	(1,545,659)	(469,853)	(828,446)	(147,741)	(900,035)
Non-controlling interests	(15,805)	(9,767)	(9,331)	(8,447)	(1,289)
	-----	-----	-----	-----	-----
Total equity	(1,561,464)	(479,619)	(837,777)	(156,188)	(901,324)
	-----	-----	-----	-----	-----
<b>LIABILITIES</b>					
Non-current liabilities	1,950,000	1,950,000	1,950,000	1,950,000	1,950,000
Current liabilities	39,962,244	26,984,393	12,553,639	6,447,908	6,726,094
	-----	-----	-----	-----	-----
Total liabilities	41,912,244	28,934,393	14,503,639	8,397,908	8,676,094
	-----	-----	-----	-----	-----
Total equity and liabilities	40,350,780	28,454,773	13,665,862	8,241,720	7,774,770
	=====	=====	=====	=====	=====
Revenue	19,506,908	8,447,463	4,866,795	5,561,881	6,080,294
Operating (loss)/profit	(563,388)	514,792	(1,392,981)	642,226	57,604
(Loss)/profit before tax	(520,824)	514,792	(1,356,667)	644,883	74,190
Income tax expense	(561,020)	(156,635)	675,078	(231,076)	453,431
(Loss)/profit for the year	(1,081,844)	358,157	(681,589)	413,807	527,621
Total comprehensive (loss)/ profit for the year, net of tax	(1,081,844)	358,157	(681,589)	745,407	527,621
Equity holders of the parent	(1,075,807)	358,593	(680,705)	420,965	528,140
Non-controlling interest	(6,037)	(436)	(884)	(7,158)	(519)
Basic loss/earnings per share (Naira)	(7.24)	2.41	(5)	5	4
Net asset per share	(10.51)	(3.23)	(5.64)	(1.05)	(6.07)

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

Basic /diluted (loss)/earnings per share are based on profit/ (loss) after taxation attributable to ordinary equity holders of the parent.

## ARBICO PLC

## FIVE-YEAR FINANCIAL SUMMARY – THE COMPANY

	2023 N'000	2022 N'000	2021 N'000	2019 N'000	2018 N'000
<b>ASSETS</b>					
Non-current assets	2,044,026	2,675,055	2,704,926	2,153,959	1,526,870
Current assets	37,557,133	25,898,429	10,348,853	5,236,880	5,453,707
	-----	-----	-----	-----	-----
Total assets	39,601,159	28,573,483	13,053,779	7,390,839	6,980,577
	=====	=====	=====	=====	=====
<b>EQUITY AND LIABILITIES</b>					
Share capital	74,250	74,250	74,250	74,250	74,250
Share premium	141,184	141,184	141,184	141,184	141,184
Asset revaluation surplus	1,193,534	1,193,534	1,193,534	861,934	861,934
Accumulated losses	(1,812,950)	(1,002,125)	(1,286,517)	(1,822,975)	(2,402,475)
	-----	-----	-----	-----	-----
Total equity	(403,982)	406,843	122,451	(745,607)	(1,325,107)
	-----	-----	-----	-----	-----
<b>LIABILITIES</b>					
Non-current liabilities	1,950,000	1,950,000	1,950,000	1,950,000	1,950,000
Current liabilities	38,055,141	26,216,641	10,981,328	6,186,446	6,335,684
	-----	-----	-----	-----	-----
Total liabilities	40,005,141	28,166,641	12,931,328	8,136,446	8,305,684
	-----	-----	-----	-----	-----
Total equity and liabilities	39,601,159	28,573,484	13,053,779	7,390,839	6,980,577
	=====	=====	=====	=====	=====
Revenue	19,419,754	8,016,473	4,500,010	5,298,014	5,871,282
Operating (loss)/profit	(284,807)	441,027	(1,304,580)	1,358,065	109,483
(Loss)/profit before tax	(249,805)	441,027	(1,268,266)	1,360,722	126,069
Income tax expense	(561,020)	(156,635)	675,078	(231,076)	453,431
(Loss)/profit for the year	(810,826)	284,392	(593,188)	1,129,646	579,500
Total comprehensive (loss)/ profit for the year, net of tax	(810,826)	284,392	(593,188)	1,461,246	579,500
Non-controlling interest	(5.46)	1.92	(3.99)	5.07	3.56
Net asset per share	(2.72)	2.74	0.82	(5.02)	(8.92)
Note:					

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

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