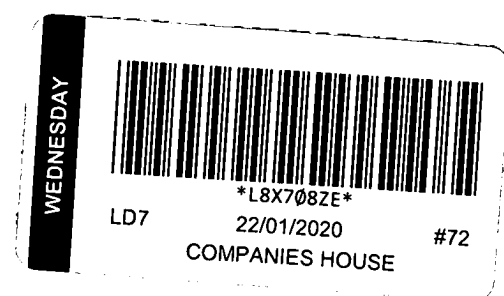


# Libya Oil Sudan Limited

## FINANCIAL STATEMENTS

31 DECEMBER 2018



# **Libya Oil Sudan Limited**

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**Registered in England & Wales: 0202231**

# Libya Oil Sudan Limited

## Company Information

### DIRECTORS

Name: Elmarimi Ali Ali KASHIM  
 Date of birth: 18/12/1953  
 Nationality: Libyan  
 Occupation: Engineer  
 Country/State of residence: Libya  
 Address: Abdelwahid Quarter  
 Near Albasatin Sanatorium  
 Zawia City, Libya

Name: Omer Elfarok Samin  
 Date of birth: July/1956  
 Nationality: Libyan  
 Occupation: Engineer  
 Country/State of residence: United Arab Emirates  
 Address: Jumeriah Lakes Towers Cluster W, JBC 5  
 Dubai – United Arab Emirates

### COMPANY SECRETARY

Name: VELOCITY COMPANY SECRETARIAL SERVICES LIMITED  
 Narrow Quay House, Narrow Quay, Bristol  
 United Kingdom, BS1 4QA

### REGISTERED OFFICE

Name: Libya Oil Sudan Limited  
 Company No. 0202231  
 Registered Office address: Narrow Quay House, Narrow Quay, Bristol BS1 4QA

### BANKS Address

Bank Name	Bank Address
<b>Bank of Khartoum</b>	Al Qasr Street / Gamhouria Street. Intersection P.O Box . 1008 Tel : +249183775280 E-mail : <a href="mailto:corporate.services@bok.sd">corporate.services@bok.sd</a>
<b>Sudanese Islamic Bank - Main Branch</b>	University Street, Khartoum P.O.Box 6224 Tel : +24983792678 E-mail <a href="mailto:info@sib-sd.com">info@sib-sd.com</a>
<b>Banque Sahélo-Saharienne pour l'Investissement et le Commerce</b>	Sahil And Sahara Tower - Gamaa Street, Khartoum P.O.Box 515 Tel: +249 83 796672 E-mail <a href="mailto:bsic_sudan@hotmail.com">bsic_sudan@hotmail.com</a>
<b>Sudanese French Bank</b>	Mak Nimer& Baladia Street intersection , Khartoum P.O.Box 2775 Tel: +249 83 771830 E-mail <a href="mailto:info@sfbank.net">info@sfbank.net</a>
<b>Fisal Islamic Bank</b>	Central Station, Khartoum P.O.Box 2717 Tel: +249 83 774012 E-mail <a href="mailto:fibsudan@fibsudan.com">fibsudan@fibsudan.com</a>
<b>Sudanese Islamic Bank P/Sudan Branch</b>	Red Sea State, Port Sudan Central Area , Tel +249 311- 830313/833360 FAX : +249 311-82335

AUDITOR

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

PRINCIPAL MEMBER

Name: Libya Oil Holdings Ltd  
Address: c/o Harel Mallac Global Services Ltd  
18 Edith Cavell Street, Harel Mallac Building, Port Louis 11302, Mauritius

# Libya Oil Sudan Limited

## Strategic Report

The Directors present their strategic report for the year ended 31 December 2018.

### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the Company are to buy, sell and otherwise deal in petroleum products (fuels and lubricants). These activities are being carried out through its branch in the Republic of Sudan.

The key financial and other performance indicators during the year were as follows:

	2018	2017	Variance
	\$'000	\$'000	%
Revenue	33,273	149,718	-78%
Operating profit	197	1,547	-87%
Net loss before tax	-533	-21	2438%
	2018	2017	Variance
	%	%	%
Current ratio	153%	193%	-40%
Market share	7%	5%	2%

The Company's performance showed decrease when compared with that of the previous year. The revenue decrease by 78%, and the operating profit decrease by 87% due to the functional currency deterioration against the USD and due to decrease in gross margin, even though there is an increase in the sales volume by 4%. The net result is loss in both years. The increase in the sales volume from 242,762 MC in 2017 to 252,687 MC is due to increase of fuel supply from the sole supplier which is the Sudanese Petroleum Corporation.

The current ratio is lower comparing with last year due to decrease in inventory stock and increase of current liabilities, the market share was not changed significantly from prior year.

### PRINCIPAL RISKS AND UNCERTAINTIES

In the ordinary course of business operations, the Company is exposed to a number of risks, including market, interest rate, credit, legal risks that could adversely affect the company's performance. Management however, reviews and agrees policies for managing each of these risks which are summarized below.

#### *Credit risk*

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Company is exposed to credit risk on advances, loans, other receivables, and bank balances. In terms of advances, the Company made advance payments to Sudan Petroleum Corporation (Governmental body). Other receivables are due from other debtors over which the Company does not have either financial or operating influence or control. Further, the Company has bank accounts with recognised banks.

#### *Market risk*

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

#### *Foreign currency risk*

The Company's functional currency is SDG and huge change in exchange rate affects the presentation currency statement

#### *Interest rate risk*

The parent Company has waived the long term loan and its interest due to Libya Oil Holdings Ltd (LOHL).

The sales decline due the shortage in foreign currencies availability and inability of the company to supply customers with the complete lubricant portfolio.

The Central Bank of Sudan has imposed new rules with regards to the provision of foreign currencies for importing of raw materials, which has also impacted supply.

The primary economic environment of the Republic of Sudan, in which the Libya Oil Sudan Limited operates, is experiencing hyperinflation. As the functional currency of the Company is the new Sudanese pounds, all 2018 amounts in these financial statements are stated in terms of the measuring unit current at 31 December 2018 to reflect the changes in the general purchasing power.

The effect of the changes in the general purchasing power on the net monetary and non-monetary position is shown as a separate line item within Profit and Loss Account (Effect of hyperinflation accounting) and within the ADA reserve.

### **DIVIDENDS**

The Company paid no dividends during the year (2017: US\$ nil).

### **FUTURE OUTLOOK**

No significant change in the business of the Company has taken place during the year, or is expected in the immediately foreseeable future, other than the change in the Central Bank of Sudan (CBOS) policy in year 2018 imposed in Jan 2018 related to foreign currencies dealing and also increase in the inflation rate.

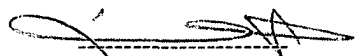
### **FINANCIAL RISK MANAGEMENT**

The Company's Directors are required to follow the requirements of Libya Oil Holdings Ltd (the parent Company of Libya Oil Sudan Limited) risk management policies. These are detailed in Note 15 to the financial statements.

### **CHARITABLE CONTRIBUTION**

The Company made no charitable contribution during the year (2017: US\$ nil).

*By order of the Board*



*Elmarimi Ali Kashim*

*Director*

*Date: 21 January 2020.*

# **Libya Oil Sudan Limited**

## **Directors' Report**

The Directors submit the audited financial statements for the year ended 31 December 2018.

### **DIRECTORS**

The Directors who held office during the year were as follows:

Elmarimi Ali Kashim  
Omer Elfarok Samin

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by European Union. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The directors confirm that they have complied with these requirements.

The directors believe that preparing the financial statements on a going concern basis is appropriate due to the continued financial support of the parent company. The directors have received confirmation from the parent company that it intends to support the Company for at least one year after the financial statements have been signed. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

# **Libya Oil Sudan Limited**

## **Directors' Report (Continued)**

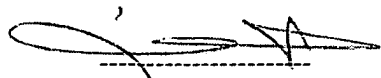
### **DISCLOSURE OF INFORMATION TO AUDITORS**

The Directors in office at the date of approval of the accounts confirm that as far as they are aware, there is no relevant audit information (meaning information needed by the Company's auditors in connection with preparing their report) that has not been disclosed to the Company's auditors. The Directors believe that they have taken all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **INDEPENDENT AUDITORS**

Ernst & Young LLP are auditors of the Company to hold office pursuant to Section 487 of the Companies Act 2006. Ernst & Young LLP is appointed as proposed the Company's auditor for the next year.

*By order of the Board*



*Elmarimi Ali Kashim*  
*Director*  
*Date: 21 January 2020.*



## **Independent Auditor's report to the members of Libya Oil Sudan Limited**

### **Opinion**

We have audited the financial statements of Libya Oil Sudan Limited for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statements of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

## **Independent Auditor's report to the members of Libya Oil Sudan Limited (Continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

# **Independent Auditor's report to the members of Libya Oil Sudan Limited (Continued)**

## **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young LLP*

Oxana Dorrington (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
22 January 2020

# Libya Oil Sudan Limited

## Statement of comprehensive income For the year ended 31 December 2018

	Notes	2018 US\$'000	2017 US\$'000
Revenue	1	33,273	149,718
Cost of sales		(32,584)	(144,629)
<b>GROSS PROFIT</b>		<b>689</b>	<b>5,089</b>
Other income		31	1,476
Monetary gain		199	(225)
General and administrative expenses		(722)	(4,793)
<b>OPERATING PROFIT</b>	2	<b>197</b>	<b>1,547</b>
Finance costs	3	(4,706)	(1,762)
Finance income		3,976	194
<b>LOSS BEFORE TAX</b>		<b>(533)</b>	<b>(21)</b>
Income tax expense	4	(108)	-
<b>LOSS AFTER TAX</b>		<b>(641)</b>	<b>(21)</b>
<b>Other comprehensive loss for the year:</b>			
Currency translation on foreign currency net investments		(71)	(332)
Effects of hyperinflation accounting shown through the ADA reserve		(4,831)	(1,234)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(5,543)</b>	<b>(1,587)</b>

The attached notes 1 to 17 form part of the financial statements

**Libya Oil Sudan Limited (Registered number: 0202231)**

**Statement of Financial Position**

As at 31 December 2018

	Notes	2018 US\$'000	2017 US\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	765	4,281
		<b>765</b>	<b>4,281</b>
<b>Current assets</b>			
Inventories	6	241	1,504
Trade and other receivables	7	664	4,828
Cash and cash equivalents	8	1,558	4,346
		<b>2,463</b>	<b>10,678</b>
<b>TOTAL ASSETS</b>		<b>3,228</b>	<b>14,959</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	10	5,233	5,233
Foreign currency translation reserve		(9,474)	(6,702)
ADA reserve		482	2,614
Retained earnings		5,378	4,881
<b>Total equity</b>		<b>1,619</b>	<b>6,026</b>
<b>Non-current liabilities</b>			
Loans from the Parent Company	9	-	3,404
		<b>-</b>	<b>3,404</b>
<b>Current liabilities</b>			
Trade and other payables	13	1,607	5,512
Other liabilities	12	2	17
		<b>1,609</b>	<b>5,529</b>
<b>Total liabilities</b>		<b>1,609</b>	<b>8,933</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,228</b>	<b>14,959</b>

The financial statements from pages 10 – 36 were approved by the Board of Directors on 21 January 2020 and were signed on its behalf by:

  
Elmarimi Ali Ali Kashim, Director

The attached notes 1 to 17 form part of the financial statements

# Libya Oil Sudan Limited

## Statement of Cash Flows

For the year ended 31 December 2018

	<i>Notes</i>	<i>2018</i> US\$'000	<i>2017</i> US\$'000
<b>OPERATING ACTIVITIES</b>			
Profit before tax		(533)	(21)
Adjustment to reconcile profit to net cash flows:			
Depreciation of property, plant and equipment	5	116	504
Provision utilized during the year		(17)	(141)
Unrealized forex loss		-	920
Interest expense	3	-	98
Interest income		-	6
Profit on disposal of property, plant and equipment		(12)	-
		<b>(446)</b>	<b>1,366</b>
Working capital adjustments:			
Inventories		41	1,547
Trade and other receivables		243	(1,544)
Trade and other payables		3,093	1,392
		<b>2,931</b>	<b>2,761</b>
<b>Cash generated by operations</b>		<b>2,931</b>	<b>2,761</b>
Interest paid		-	-
<b>Net cash generated from operating activities</b>		<b>2,931</b>	<b>2,761</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	5	(2,201)	(141)
Proceeds from disposal of property, plant and equipment		13	-
		<b>(2,188)</b>	<b>(141)</b>
<b>Net cash used in investing activities</b>		<b>(2,188)</b>	<b>(141)</b>
<b>FINANCING ACTIVITIES</b>			
Reverse of shareholder IC		-	-
		<b>-</b>	<b>-</b>
<b>Net cash from financing activities</b>		<b>-</b>	<b>-</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>743</b>	<b>2,620</b>
Exchange difference on cash and cash equivalents		(3,531)	(446)
Cash and cash equivalents at 1 January		4,346	2,172
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	8	<b>1,558</b>	<b>4,346</b>

The attached notes 1 to 17 form part of the financial statements

# Libya Oil Sudan Limited

## Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital	Currency translation reserve	ADA reserve	Retained earnings	Equity shareholder' s funds
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>As at 1 January 2017</b>	<b>5,233</b>	<b>(5,815)</b>	<b>3,293</b>	<b>4,902</b>	<b>7,613</b>
Loss for the period	-	-	-	(21)	(21)
Other comprehensive income/(loss)					
Effects of hyperinflation accounting	-	(356)	24	-	(332)
Currency translation reserve	-	(531)	(703)	-	(1,234)
Total comprehensive loss	-	(887)	(679)	-	(1,566)
<b>At 31 December 2017</b>	<b>5,233</b>	<b>(6,702)</b>	<b>2,614</b>	<b>4,881</b>	<b>6,026</b>
Loss for the period	-	-	-	(641)	(641)
Other comprehensive income/(loss)					
Effects of hyperinflation accounting	-	(67)	(4)	-	(71)
Currency translation reserve	-	(2,705)	(2,128)	2	(4,831)
Total comprehensive loss	-	(2,772)	(2,132)	2	(4,902)
Forgiveness of shareholder loans	-	-	-	1,136	1,136
<b>At 31 December 2018</b>	<b>5,233</b>	<b>(9,474)</b>	<b>482</b>	<b>5,378</b>	<b>1,619</b>

Share capital of US\$ 5,232,600 is stated at historic cost.

## 1 SIGNIFICANT ACCOUNTING POLICIES

### Corporate information

Libya Oil Sudan Limited is a private company limited by shares and is incorporated and domiciled in England.

### Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements, which have been applied consistently, are set out below:

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the Notes.

The financial statements are prepared under the historical cost basis.

### Estimates and assumptions

The preparation of the Company's 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. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date such as allowance for impairment of receivables that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### *Allowance for impairment of receivables*

The Company estimate impairment losses on trade receivables using a forward-looking expected credit loss (ECL) approach. See details on assumptions used for impairment of accounts receivable on page 16.

The significant accounting policies applied in the preparation of these financial statements are set out below.

### Going concern

The directors believe that preparing the financial statements on a going concern basis is appropriate due to the continued financial support of the ultimate parent company. The directors have received confirmation from the parent company that it intends to support the Company for at least one year after the financial statements have been signed. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Changes in the accounting policies and disclosures:

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC Interpretations effective as of 1 January 2018:



## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- IAS 40 Transfers of Investment Property (Amendments to IAS 40)
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters
- IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice
- Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts – Amendments to IFRS 4

The adoption of the above new and amended standards did not have any material impact on the accounting policies, financial position or performance of the Company, except that the Company applied, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments under the modified retrospective method and the nature and effect of these changes are disclosed below.

### IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretation. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, and principal versus agent considerations, as well as licensing application guidance.

The Company has applied the modified retrospective method of adoption effective 1 January 2018. The Company has opted not to restate prior year disclosure for comparative purposes. The adoption of IFRS 15 did not have an impact on the timing of revenue recognition and the amount of revenue to be recognised. The contracts are mostly standard in nature, and the delivery terms have been investigated, with no major impact compared to the revenue recognition prior to the implementation of IFRS 15.

There was no impact on the operating profit presented in the statement of profit or loss for the year ended 31 December 2018. However, certain items more impacted as follows due to the manner in which

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

revenues are earned i.e. through structured prices, varying stream of income from dealers and other leased assets:

**31/12/2018**

**US\$ 000**

<b>Statement of profit or loss line items</b>	<b>Before IFRS 15</b>	<b>IFRS 15 impact</b>	<b>As reported</b>
Revenues	32,734	539	33,273
Cost of sales	(31,650)	(934)	(32,584)
Gross profit	<b>1,084</b>	<b>(395)</b>	<b>689</b>
Other operating income	570	(539)	31
Administrative and operating expenses	(1,656)	934	(722)

- Gross profit decreased by USD 0.4 million.
- Revenues increase by USD 0.5 million after reclassifications mainly from other income.
- Reclassifications from administrative and operating expenses to cost of sales of USD 0.9 million.

Without the reclassification impacts of IFRS 15, the Gross profit for the year ended 31 December 2018 currently of USD 0.7 million would have been USD 1.1 million (2017: USD 5.1 million).

**IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments, effective 01 January 2018 replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. In accordance with the IFRS 9 transitional provisions, comparative information provided continues to be presented in accordance with the Company's previous accounting policy. Any adjustment to the carrying amount of financial assets and liabilities at the date of transition is recognised in opening retained earnings of the current period. The Company has assessed that the most significant impact of IFRS 9 is on the impairment of financial assets.

**Impairment**

The adoption of IFRS 9 impacts the Company's accounting for impairment losses on trade receivables by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. When determining whether the credit risk has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative or qualitative information and analysis, based on Company's historical experience and informed credit assessment including forward-looking factors specific to the trade receivables and the economic environment.

The key differences between the IAS 39 impairment model and the new model for impairment of trade receivables under IFRS 9 are the following:

- Entities will not wait until the receivable is past due before recognising a provision.
- The amount of credit loss recognised is based on forward looking estimates that reflect current and forecast credit conditions e.g. looking at forward ageing which are available.

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

Since the Company operates in diverse segments, geographical region, economic situations (varying customer rating, collateral and maturity levels), the trade receivables may show significantly different loss patterns for different customer segments.

In its assessment of a financial asset being default, the Company considers the following factors, whether:

- Under litigation
- Collection efforts abandoned
- Customers ceased trading
- Customers are with factoring agents
- Past due
- No repayment plan or agreement entered
- The receivables are outstanding more than 12 months
- No collateral (Limited to cash, bank and property guarantees)
- No possibility to net off with amounts payables to these customers

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.

For the trade receivables, the adoption of the ECL requirements of IFRS 9 resulted no impairment charge for the year ended 31 December 2018 in the statement of profit or loss.

*Standards, amendments and Interpretations issued but not yet effective:*

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, but the Company and the Company has not early adopted them:

New or revised standards	Effective for accounting period beginning on or after
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
<b>Amendments</b>	
Amendments to IFRS 10 and IAS 28: Sale or Contribution of assets between and investor and its associate or joint venture	Effective date deferred indefinitely
IFRIC interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
IFRS 9 Prepayment features with negative compensation	1 January 2019
IAS 12 Income Taxes- Income tax consequences	1 January 2019
IAS 19 Plan Amendment, Curtailment or Settlement	1 January 2019
IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation	1 January 2019
IAS 28 Long-term interests in Associates and Joint Ventures	1 January 2019
IFRS 3 Business Combinations – Previously held interests in a joint operation	1 January 2019
IFRS 11 Joint Arrangements – Previously held interests in a joint operation	1 January 2019
The Conceptual Framework for Financial Reporting	1 January 2020

Where the standards and interpretations may have an impact at a future date, they have been discussed below:

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

#### *Transition to IFRS 16*

IFRS 16 will be adopted in the Company's financial statements for the annual year beginning 1 January 2019 using the modified retrospective approach whereby comparative information would not be restated and by using the transitional reliefs allowed under IFRS 16. The application of IFRS 16 will have an impact on amounts reported and disclosures made in the Company's financial statements in respect of Company's financial assets and financial liabilities. With the adoption of IFRS 16, off-balance sheet operating lease commitments will be recognised as a balance sheet item as follows:

- a) Recognised as a right of use asset and related lease liability (financial debt); and
- b) Rent expense will be replaced by the recognition of depreciation charge on right of use of asset and a finance charge on lease liability in the statement of profit or loss.

Key balance sheet metrics and income statement metrics, such as earnings before interest, taxes, depreciation and amortisation (EBITDA), will be impacted. Also, the cash flow statement for lessees will be affected as payments for the principal portion of the lease liability will be presented within financing activities.

Under IAS 17 applicable for the year ended 31 December 2018, the Company policies are as follows: The determination of whether an arrangement is (or contains) a lease (i.e. as prescribed by IFRIC 4) is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease contract (i.e. where the Company is a lessee) that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

The second exemption is for lease contracts where the underlying assets are of low values. The value pertains to the value of the asset when it is brand new, irrespective of the size of the entity. The standard does not provide a specific threshold for low values but the Company has set Euro 5,000. To be a low-value asset, following conditions must be met:

- a lessee must be able to benefit from the low value asset either on its own or together with other resources that are readily available to the lessee;
- a low value asset must not be highly dependent on, or highly interrelated with, other assets.

Leased service stations are the main component qualifying for IFRS 16 recognition.

The impact on the statement of financial position (increase/(decrease)) at 31 December 2019 are estimated as follows:

<b>Transition to IFRS 16 effective 01 January 2019</b>	<b>US\$'000</b>
<b>Assets</b>	
Property, plant and equipment (right-of-use assets)	443
Prepayments	(123)
<b>Liabilities</b>	
Lease liabilities	354
Deferred tax liabilities	-
Trade and other payables	(34)
<b>Net impact on equity</b>	<b>-</b>

**Revenue Recognition**

The Company is in the business of marketing and distribution of petroleum products and ancillary products. The goods are generally sold on their own in separately identified contracts with customers or dealers. The Company has concluded that revenues from the sale of goods should be recognised at the point in time when the control of the assets is transferred to the customers or dealers, generally on delivery of goods. Revenue excludes amounts collected on behalf of third parties (i.e. sales taxes, excise duties and similar levies). For Aviation, revenue is recognized when fuel passes through inlet coupling of receiving plane.

Where the shipping risks are in substance borne by the customers, revenue is recognized for this obligation with the products shipped i.e. bill of lading date. Where shipping risks are borne by the Company, a separate performance obligation for this service is recognized on delivery. In all cases, revenues are recognized on the products upon shipment, before delivery.

For sales of services, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The standalone selling prices will be determined based on the list prices at which the Company sells the services in separate transactions.

Revenue from petroleum transport are recognised when services are rendered i.e. on delivery of the goods. These revenues are based on the quantities transported and related regulated prices where there are government regulations.

On some contracts, the Company provides retrospective volume rebates to its customers or dealers on products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer on subsequent purchases under IFRS 15, retrospective volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Company applied the 'most likely amount method' for contracts with a single volume threshold and the 'expected value method' for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The adoption of IFRS 15 did not have an impact on the timing of revenue recognition and the amount of revenue to be recognised.

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

Leases (where the Company is a lessor) where the risks and rewards of ownership of an asset does not transfer substantially are classified as operating leases. Rental income arising from such lease contracts 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.

The transitional reliefs which will be applied effective 01 January 2019 are as follows:

- IFRS 16 will be adopted in the Company's financial statements for the annual year beginning 1 January 2019 using the modified retrospective approach whereby comparative information would not be restated.
- The Company have chosen to measure the right-of-use asset on transition on a lease-by-lease basis by measuring the asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised immediately before the date of initial application.
- The lease liability will be recognised, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment.
- Apply an explicit recognition and measurement exemption for leases for which the term ends within 12 months or fewer of the date of initial application and account for those leases as short-term leases;
- Costs relating to the termination of the lease/signing of a replacement lease: it is more likely that a lessee will exercise an extension option, if doing so, negotiation costs, relocation costs, costs of identifying another suitable asset, costs of integrating a new asset and costs of returning the original asset in a contractually specified condition or to a contractually specified location can be avoided.
- Exclude initial direct costs in the measurement of the right of use asset.
- IFRS 16 provides a practical expedient that permits lessees to make an accounting policy election, by class of underlying asset, to account for each separate lease component of a contract, and any associated non-lease components as a single lease component. This is to support undue cost and effort. Where required the Company will adopt this approach.
- Portfolio of leases approach is not used as the lease contract characteristics for the Company are very unique.
- Where relevant, the Company will use the alternative to perform an impairment review whereby the Company will rely on its assessment of whether leases are onerous applying IAS37, immediately before the date of initial application and adjust the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised immediately before the date of initial application.

The Company will apply the following exemptions:

First exemption is for short-term leases or lease contracts with a lease term of one year or less. The Company will consider not only the actual term of the lease but also the certainty of exercising any option to extend the lease term or to terminate the lease term. This may mean that lease contracts that have lease terms of one year or less may not actually be short-term leases as defined by IFRS 16 if there are options to extend the lease terms and there is an economic incentive to avail of this renewal option (e.g., a significant amount of costs will be incurred by the lessee to dismantle, move or re-build its facilities or properties if the lessee does not extend or renew the contract).

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

The products sold by the Company do not have an expectation for rights of return or warranty obligations.

The Company has no key source of estimation uncertainty relating to revenue from contracts with customers.

For the year end 31 December 2017, under IAS 18, Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating inter-company sales.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from sales of oil, gas, lubricants and all other products is recognised when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. In the retail business, revenues from the Company's own filling stations are recognised when products are supplied to the customers. In the case of non-Company filling stations, revenues are recognised when products are delivered to the stations.

Set out below is the disaggregation of the Group's revenue from contracts with customers:

12 months period ended 31 December 2018	Retail	Commercial	Supply & Trading	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Revenue from sale of goods and services	<b>32,269</b>	<b>505</b>	<b>499</b>	<b>33,273</b>

**Trade receivables**

A receivable represents the Company'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). Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. The measurement requirements of IFRS 9 did not have an impact on the Company trade receivables and other receivables recognition. The classification of trade and other receivables are termed as Debt instruments at amortised cost under IFRS 9.

The factors included in the assessment of the impairment, as detailed on page 13 i.e. default, forecast economic conditions and ECLs are significant estimate and judgements. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Where the standards and interpretations may have an impact at a future date, they have been discussed below:

Revenue comprises of sale of fuels and lubricants. All the revenue is coming from the sales of goods in Africa.

**1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation on assets is calculated using straight-line method to allocate their cost less residual values over their estimated useful lives of the assets, as follows:

Freehold buildings	2.5% per annum
Plant, machinery, fixtures and fittings	5-33% per annum

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

The assets' residual values, estimated useful lives, and methods of depreciation are reviewed at each reporting date and adjusted prospectively, if appropriate.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

**Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The cost of rate is derived from the weighted average cost of capital ("WACC") which takes into account the cost of debt and equity. The cost of equity is derived from the expected return on investment in the company. The cost of debt is based on the interest bearing borrowings the Company is obliged to service. Segment specific risk is incorporated by applying individual beta factors which are evaluated annually based on publicly available market data. A long term growth rate is calculated annually based entity specific country and industry economic indicators.



**1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

The maintainable cash flows is highly dependent on the earnings before interest, tax and depreciation and amortisation ("EBITDA"). The maintainable EBITDA is based on historic data, averaged as appropriate considering approved budgets. The amount of impairment is sensitive to the above factors.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations require the use of estimates and assumptions and are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method or the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is estimated for obsolete, slow-moving or defective items where appropriate when net realisable value of inventory item decrease below its cost.

**Financial instruments**

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.

**Financial assets**

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The Company's financial assets include cash and cash equivalents and trade and other receivables.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as described below:

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with gains or losses recognised in the statement of comprehensive income.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments

#### *Cash and cash equivalents*

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash in hand and balances held in current accounts and call accounts and term deposits with maturity of three months or less.

#### *Derecognition of financial assets*

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 Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company 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 Company 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 Company could be required to repay.

### **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 or payables, as appropriate. Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

#### *Subsequent measurement*

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

#### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income. The Company has not designated any financial liabilities as at fair value through profit or loss.

#### *Loans and borrowings*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

## 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Trade payable and other payables*

Trade payables are recognised at fair value and subsequently measured at amortised cost using the effective interest method, as described above.

### *Derecognition of financial liability*

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 comprehensive income.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount 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, or to realise the assets and settle the liabilities simultaneously.

### **Current versus non-current classification**

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

- Expected to be realised or intended to sold or consumed in the 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 the 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 Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### **Income tax expense**

The tax expense for the year comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## **1 SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Deferred taxes**

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **Borrowing costs**

Borrowing costs comprise interest expense on bank loans and overdrafts and loan from related parties. Borrowing costs are recognised in profit or loss using the effective interest method. However, borrowing costs that are directly attributable to the acquisition or construction of property, plant and equipment are capitalised as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are completely.

### **Foreign currencies: Functional and presentation currency under hyperinflation**

Items included in the financial statements of the Sudan Branch are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'), Sudanese new Pound ("SDG") which is experiencing hyperinflation and accordingly all SDG amounts are stated in terms of the measuring unit current at 31 December 2018 to reflect the changes in general purchasing power i.e. indexed. The Company's financial statements are presented in US dollars and all values are rounded to the nearest thousand dollars US\$'000, which is the Company's presentation currency. The effect of the changes in the general purchasing power on the net monetary and non-monetary position on property, plant and equipment is shown as a separate line item within the statement of profit or loss as "Monetary (loss) gain" and within the ADA reserve, respectively.

### **Transactions and balances in Sudan Branch**

Transactions denominated in foreign currencies are recorded in SDG at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

### **Presentation currency**

The results and financial position of the Company's financial statements are translated into the presentation currency as follows:

- assets and liabilities of the Sudan Branch denominated in SDG and indexed for statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- the share capital is maintained at its historic rate i.e there is no change in the amount (US\$) presented in prior years;
- income and expenses of the Sudan Branch denominated in SDG for statement of profit or loss and comprehensive income are indexed and translated at the closing rate at the date of that statement of financial position since the Company is a hyperinflationary economy; and
- all resulting exchange differences are recognised as a separate component of other comprehensive income under the foreign currency translation reserve.

# Libya Oil Sudan Limited

## Notes to the Financial Statements

At 31 December 2018

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required for settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### Related parties

Related parties are individual and companies where the individual or Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

### 2 OPERATING PROFIT

Operating profit is arrived after charging:

	2018 US\$'000	2017 US\$'000
Salaries, wages & other benefits	495	1,894
Depreciation on property, plant and equipment	116	504
Land and buildings – operating leases	398	181
Auditor's fees for audit services provided to a branch	103	89
Auditor's fees for UK statutory audit services	34	32

### 3 FINANCE COSTS

	2018 US\$'000	2017 US\$'000
Interest on loans from Parent Company (Note 9c)	-	98
Interest on borrowings and bank finance	-	-
Foreign exchange loss	4,706	1,664
	<u>4,706</u>	<u>1,762</u>

# Libya Oil Sudan Limited

## Notes to the Financial Statements

At 31 December 2018

### 4 INCOME TAX EXPENSE

The tax charge for the year of is made up as follows:

	2018 US\$'000	2017 US\$'000
UK corporation tax rate of 19% (2017: 19.25%)	-	-
Double taxation relief	-	-
Current local tax (charge)	(108)	-
Deferred tax:	-	-
<b>Total tax (charge)</b>	<b>(108)</b>	<b>-</b>

The current tax charge assessed for the year differs from the standard rate of UK corporation tax of 19% (2017: 19.25%). The differences are explained below:

	2018 US\$'000	2017 US\$'000
Loss before tax	(533)	(21)
Tax on profit at rate of 19% (2017: 19.25%)	101	(4)
Effects of:		
Expenses not deductible and non-taxable income	-	-
Effect of tax rates in Foreign Jurisdictions	(108)	-
Foreign branch losses exempt from UK tax	(101)	4
<b>Total tax charge for the year</b>	<b>(108)</b>	<b>-</b>

The Company has made an election under S18A CTA 2009, exemption for profits or losses of foreign permanent establishments. This election effected periods commencing from 1 January 2013 and all subsequent accounting periods. The election exempts any profits, gains or losses of foreign branches from UK corporation tax. To the extent that the Company's only profitable activities are in Sudan then no UK corporation tax should become payable.

No deferred tax has been provided as it has been confirmed that it is not appropriate for the Company to recognise deferred tax in relation to its operations in Sudan at present.

#### Deferred tax

No UK deferred tax has been provided as the Company has made the foreign branch exemption and therefore, the unwinding of any timing differences should not give rise to any future UK Corporate Tax consequences.

# Libya Oil Sudan Limited

## Notes to the Financial Statements

At 31 December 2018

### 5 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land & Buildings US\$'000	Plant, Machinery Fixtures & Fittings US\$'000	Assets under construction US\$'000	Total US\$'000
<b>Indexed Cost</b>				
Balance at 1 January 2017	3,913	15,413	332	19,658
Additions	-	-	471	471
Transfers	170	269	(439)	-
Disposals and retirements	-	-	-	-
Translation difference	(808)	(3,875)	(242)	(4,925)
<b>Balance at 31 December 2017</b>	<b>3,275</b>	<b>11,806</b>	<b>123</b>	<b>15,204</b>
Balance at 1 January 2018	3,275	11,806	123	15,204
Additions	-	-	78	78
Transfers	15	79	(94)	-
Disposals and retirements	-	(21)	-	(21)
Translation difference	(2,707)	(9,699)	(41)	(12,447)
<b>Balance at 31 December 2018</b>	<b>583</b>	<b>2,165</b>	<b>66</b>	<b>2,814</b>
<b>Depreciation and impairment</b>				
Balance at 1 January 2017	2,226	12,005	-	14,231
Charge for the year	61	443	-	504
Disposals and retirements	-	-	-	-
Translation difference	(577)	(3,235)	-	(3,812)
<b>Balance at 31 December 2017</b>	<b>1,710</b>	<b>9,213</b>	<b>-</b>	<b>10,923</b>
Balance at 1 January 2018	1,710	9,213	-	10,923
Charge for the year	15	101	-	116
Disposals and retirements	-	(21)	-	(21)
Translation difference	(1,404)	(7,565)	-	(8,969)
<b>Balance at 31 December 2018</b>	<b>321</b>	<b>1,728</b>	<b>-</b>	<b>2,049</b>
<b>Net book value</b>				
<b>At 31 December 2017</b>	<b>1,565</b>	<b>2,594</b>	<b>122</b>	<b>4,281</b>
<b>At 31 December 2018</b>	<b>262</b>	<b>437</b>	<b>66</b>	<b>765</b>

# Libya Oil Sudan Limited

## Notes to the Financial Statements

At 31 December 2018

### 6 INVENTORIES

	2018 US\$'000	2017 US\$'000
Fuels and lubricants	196	1,387
Effects of hyperinflation	51	151
Provision for slow moving inventories	(6)	(34)
	<u>241</u>	<u>1,504</u>

During 2018, US\$ 24,975 (2017: US\$ 128,108) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales. The movement in inventory provision is as follows: \$ 102 net addition and \$ 27,285 currency translation effect.

### 7 TRADE AND OTHER RECEIVABLES

	2018 US\$'000	2017 US\$'000
Trade receivables	242	1,628
Other debtors	314	2,734
Prepayments	108	466
	<u>664</u>	<u>4,828</u>

Trade receivables are non-interest bearing and are generally on terms of 30 days.

At the statement of financial position date, gross trade accounts receivable was US\$ 355,000 (2017: US\$ 2,237,000) and provision for expected credit losses was US\$ 113,000 (2017: US\$ 609,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income. Movements in the allowance for expected credit losses were, as follows:

	2018 US\$'000	2017 US\$'000
At 1 January	609	770
Reversal for the year	(1)	(3)
Translation difference	(495)	(158)
At 31 December	<u>113</u>	<u>609</u>

As at 31 December, the ageing of unimpaired trade accounts receivable were as follows:

<i>Past due but not impaired</i>						
	<i>Total</i>	<i>Neither past due nor impaired</i>	<i>30-90 days</i>	<i>91-180 days</i>	<i>181-360 days</i>	<i>&gt;360 days</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
2018	<u>242</u>	<u>242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2017	<u>1,628</u>	<u>1,613</u>	<u>15</u>	<u>-</u>	<u>-</u>	<u>-</u>



## Libya Oil Sudan Limited

### Notes to the Financial Statements

At 31 December 2018

#### 8 CASH AND CASH EQUIVALENTS

There are currently restriction to transfer cash out of Sudan in view of foreign transfer restrictions and availability. In October 2017 there partially removing the US sanction from Sudan which will improve the foreign transfer of cash. However, the cash can be used for local operations. In accordance with our accounting policy, cash and cash equivalents presented in the statement of cash flows is actual cash as there were no bank financing as at 31 December 2018.

#### 9 RELATED PARTY TRANSACTIONS AND BALANCES

The Company is 100% owned by Libya Oil Holdings Ltd (the "Parent Company"), registered in Mauritius, which is ultimately owned by Libya Africa Investment Portfolio (the "Ultimate Parent Company"). Related parties represent the shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

i) Transactions with related parties included in the statement of comprehensive income are as follows:

	2018 US\$'000	2017 US\$'000
Purchases from a related party under common control	-	-
Corporate service fee charge from a related party under common control	-	255
Interest charges on loan from Parent Company	-	98

ii) Balances with the related parties included in the statement of financial position are as follows:

*a) Due from related parties:*

	2018 US\$'000	2017 US\$'000
Other related parties under common control	-	-

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2017: US\$ 000). This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operates. Due from related parties are unsecured and non-interest bearing and are generally on terms of 30 days.

*b) Due to related parties:*

	2018 US\$'000	2017 US\$'000
Loan payable to the Parent Company	-	3,404
Parent Company	-	896
Other related parties under common control	709	2,472
	<b>709</b>	<b>6,772</b>

# Libya Oil Sudan Limited

## Notes to the Financial Statements

At 31 December 2018

### 9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### c) *Loans from the Parent Company:*

At 31 December 2018, the parent Company has waived the loan agreement and all the due amount to Parent Company accordingly the interest charge for the current year amounted to US\$ 000 (2017: US\$ 98,000).

#### d) *Remuneration to key management personnel:*

The remuneration of key management personnel amounted to nil in 2018 (2017: nil).

### 10 SHARE CAPITAL

	2018 US\$'000	2017 US\$'000
<i>Authorised, issued and fully paid up:</i>		
323,000 shares of £10 each	5,233	5,233

The share capital is stated at its historic cost and has not been indexed for hyperinflation accounting.

### 11 RESERVES

#### *Called up share capital*

The balance on the called up share capital account represents the aggregate nominal value of all ordinary shares in issue.

#### *Foreign currency translation reserve*

The foreign currency translation reserve is used to record the currency fluctuations in relation to the foreign currency branch.

#### *ADA reserve*

The balance held on this reserve is related to the indexation related to the non-monetary items, including property, plant and equipment.

### 12 OTHER LIABILITIES

	Legal provision US\$'000	Total US\$'000
<b>Balance at 1 January 2017</b>	<b>160</b>	<b>160</b>
Provided during the year	9	9
Utilised during the year	(117)	(117)
Currency translation difference	<u>(35)</u>	<u>(35)</u>
<b>Balance at 31 December 2017</b>	<b>17</b>	<b>17</b>
Provided during the year	-	-
Utilised during the year	-	-
Currency translation difference	<u>(17)</u>	<u>(17)</u>
<b>Balance at 31 December 2018</b>	<b><u>2</u></b>	<b><u>2</u></b>

## Libya Oil Sudan Limited

### Notes to the Financial Statements

At 31 December 2018

#### 12 OTHER LIABILITIES (continued)

The Company is currently defendant in a number of lawsuits. Each of the claims has a different likelihood of success.

The legal provision provided for represents ongoing legal cases, whereby the outcome of the case is not fully known at the date of the signing of the financial statements. The provision represents management's best estimate of the likely outcome.

#### 13 TRADE AND OTHER PAYABLES

	2018 US\$'000	2017 US\$'000
Amounts due to related parties	709	3,368
Accrued expenses	709	1,365
Other payables	189	779
	<u>1,607</u>	<u>5,512</u>

#### 14 CONTRACTUAL COMMITMENTS

At 31 December 2018, the Company has order commitments of US\$ 158,000 (2017: US\$ 921,000) on property, plant and equipment.

#### 15 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

##### *A difficult macro-economic environment*

The Company conducts most of its operations in an economy that is often volatile and unpredictable, and which is affected by local political conditions as well as by multiple external factors, including the level of direct foreign investment and financial aid, and conditions in the markets for raw materials and other important export products. Low or negative economic growth rates, inflation and significant fluctuations in interest rates and currency values have had, and may continue to have negative effects on the economy in which unfavourable macro-economic conditions could have a material adverse effect on the Company's business, results and financial position. The Company believes that the market offers generally favourable growth prospects due in particular to a high GDP growth rate in recent years, the emergence of a middle class and currently low levels of vehicle ownership which are expected to increase. In particular, Sudan is surrounded by 7 countries and there are natural resources spread across the country (oil, minerals, water resources and agriculture). The Government Peace Agreement signed between the governments of Sudan and South Sudan is expected to result in stability in foreign currency exchange rates and availability that will improve the lubricant imports and other income arising from utilization of the Company's facilities. A significant portion of the Company's net assets are located in Sudan, which involve certain considerations and risks not typically associated with assets in other more developed countries.

##### *Financial risk factors*

The Company's activities expose it to a variety of financial risks: market risk (including fluctuations in oil prices, foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out primarily by the Parent Company treasury department covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

# Libya Oil Sudan Limited

## Notes to the Financial Statements

At 31 December 2018

### 15 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

A description of the significant risk factors is given below together with the risk management policies applicable.

#### Market risk

##### *Oil prices*

Oil prices are regulated by the Government and therefore the impact of a change in oil prices will be limited to net realisable value adjustments on inventories.

##### *Foreign exchange risk*

The Company faces exchange controls that places limitations on the amount of local currency that can be exchanged for foreign currencies due to scarce availability in the Republic of Sudan. There is specific restriction to trade in US Dollar even though the US Sanctions were lifted in Oct 2017.

The functional currency is the SDG which is experiencing hyperinflation and requires indexation. The general price index published by the government of Sudan is used to index the SDG. The index was 915 at 31 December 2018 and 529 at 31 December 2017. The inflation rate for 2018 was 72.94% and for 2017 was 25.2%. The functional currency has highly declined against the presentation currency by 433% from 2017 (US\$ 1 = 47.7375 SDG at 31 December 2018 and US\$ 1 = 8.9566 SDG at 31 December 2017).

The Company has some assets and liabilities denominated in currencies i.e Euro, UAE Dirham, US-Dollar and GBP exposing to foreign currency risks. The table below indicates the Company's foreign currency exposure, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible change in the SDG currency rate (presented in US\$) against the foreign currencies with all other variables held constant, on the income statement (due to the fair value of currency sensitive monetary assets and liabilities).

	<i>Increase/ decrease against US\$ rate</i>	<i>Effect on profit US\$'000</i>
<b>2018:</b>		
Financial assets	+433%	6
	-433%	(6)
Financial liabilities	+433%	3,070
	-433%	(3,070)
<b>2017:</b>		
Financial assets	+26%	1
	-26%	(1)
Financial liabilities	+26%	1,761
	-26%	(1,761)

##### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. In year 2018 the parent company has waived all the due to Libya Oil Holdings Ltd (LOHL) and OS DMCC including the loan agreement accordingly the Company is not exposed to interest rate risk.

**15 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)****Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss. The Company is exposed to credit risk on advances, loans, other receivables, due from related parties and bank balances. The Company is exposed to credit risk from its operating activities primarily for trade receivables and bank balances as follows:

	2018 US\$'000	2017 US\$'000
Trade receivables	242	1,628
Bank balances	1,558	4,346
	<u>1,800</u>	<u>5,974</u>

The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these balances. The Company does not hold any collateral as security against these balances.

**Bank balances**

The Company seeks to limit its credit risk with regard to bank balances by only dealing with reputable banks.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The table below summarises the maturity profile of the Company's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

	<i>Less than 1 year</i> US\$'000	<i>1 to 2 years</i> US\$'000	<i>2 to 5 years</i> US\$'000	<i>More than 5 years</i> US\$'000	<i>Total</i> US\$'000
<b>At 31 December 2018</b>					
Trade and other payables	90	377	431	709	1,607
Loans from the Parent Company	-	-	-	-	-
Other liabilities	2	-	-	-	2
<b>Total</b>	<u>92</u>	<u>377</u>	<u>431</u>	<u>709</u>	<u>1,609</u>

**At 31 December 2017**

Trade and other payables	5,512	-	-	-	5,512
Loans from the Parent Company	-	-	3,404	-	3,404
Other liabilities	17	-	-	-	17
<b>Total</b>	<u>5,529</u>	<u>-</u>	<u>3,404</u>	<u>-</u>	<u>8,933</u>

**15 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)**

**Capital management**

The primary objective of the Company'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 shareholders value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017. Capital comprises share capital, foreign currency translation reserve, ADA reserve and retained earnings and is measured at US\$ 1,619,000 as at 31 December 2018 (2017: US\$ 6,026,000).

**16 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial instruments comprise financial assets and liabilities.

Financial assets consist of non-current receivables, cash and cash equivalents and trade and other receivables. Financial liabilities consist of loans from the Parent Company, borrowings, trade and other payables and other liabilities.

The fair values of financial instruments are not materially different from their carrying values. This is because major portion of the cash and cash equivalents, receivables and liabilities are denominated in local currency and are current.

**17 SUBSEQUENT EVENTS**

No other significant event in the business of the Company has taken place during the subsequent year, other than effective 23 May 2019, the Parent Company, Libya Oil Holdings Ltd, changed its name to OLA Energy Holdings Ltd. Moreover, in April 2019 the Board of Directors recommended to the Company's shareholders that no dividend be declared for the year ended 31 December 2018.