

MILLYHENDO DRILLING SERVICES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER, 2021

MILLYHENDO DRILLING SERVICES
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2021

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SERVICES
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2021

CORPORATE INFORMATION

DIRECTORS

| | |
|--------------------|--|
| Henderson Miller | Chairman |
| Alexander Urquhart | Financial Director (Resigned with effect from January, 2022) |
| Emri Zeineldin | Vice President O.F.S |
| Iain Cracknell | Communications |
| Mr. Yaser Saeed | Lead Operator, Audit & Assurance |

REGISTERED OFFICE

9970 NW 89th Ct. Medley,
FL 33178, Florida, USA

REPORT OF THE AUDIT COMMITTEE

Report of the Audit Committee to the Members of MILLYHENDO DRILLING SERVICES

Pursuant to Section 359(6) of the Companies and Allied Matters follows: Act CAP. C20 Laws of the United States of America 2010, the members of the Audit Committee of Oil Millyhendo Drilling Services report as follows:

- 1 We have carried out our statutory functions under Section 359(6) of the Companies and Allied Matters Act CAP. C20 Laws of the United States of America 2010 and acknowledge the co-operation of Management and Staff in the conduct of these responsibilities;
- 2 We are of the opinion that the Accounting and Reporting policies of the Company are in accordance with legal requirements and agreed ethical practices, and that the scope and planning of both the external and internal Audits for the year ended 31st December 2021 was satisfactory and reinforce the Company's internal control procedures;
- 3 We have deliberated with the External Auditors who have confirmed that necessary co-operation was received from Management in the course of their Statutory Audit and we are satisfied with Management's responses to the External Auditor's recommendations on accounting and internal mechanisms.



MR YASER SAEED

FRC/2021/ICAN/00000004405
Chairman, Audit Committee

5th April 2021

Members of the Audit Committee are:

- | | | |
|---|---------------------|---------------|
| 1 | Mr Yaser Saeed | Lead Operator |
| 2 | Mrs Alaina Schubert | Member |
| 3 | Mr Peter Keyfield | Member |
| 4 | Mr Ayman Erdighwet | Member |

The Company Secretary acted as the Secretary to the Committee

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STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1 Reporting Entity

MILLYHENDO DRILLING SERVICES was incorporated in the United State of America on 29th August, 2005 under the then Companies Act 2006 as a private limited liability company, and is domiciled in USA.

2 Basis of Accounting

2.1 Statement of Compliance

The financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and the Interpretations issued by the International Financial Reporting Interpretations Committee, and the requirements of the Companies and Allied Matters Act CAP C20, LFN, 2004.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost basis.

2.3 Basis of presentation

The financial statements are prepared on the going concern basis of accounting. The statement of financial position is presented on the accrual basis. The income statement is presented on the function of expense method, with sub classification by nature provided in the notes. In the statement of cash flows, the cash flows from operating activities are reported on the indirect method. The financial statements are presented in US Dollar which is the functional currency of the Company.

2.4 Functional and presentation currency

Items are included in these financial statements using the currency that best reflects the primary economic environment in which the entity operates ("functional currency"). These financial statements are presented in US Dollar ("presentation currency"), which is the Company's functional currency.

3 Statement of Significant accounting policies

3.1 Property, plant and equipment

3.1.1 Recognition and measurement

1

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company; and the cost of

On initial recognition, items of property, plant and equipment are measured at cost.

Costs include the purchase price or cost of construction of an item of property, plant and equipment as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and

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costs incurred subsequently to add to, or replace part of the asset.

If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The cost of construction recognised includes the cost of materials and direct labour, and any other costs directly attributed to bringing the assets to a working condition for their intended use.

The initial estimate of the cost of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets are also included in the cost of property, plant and equipment.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

Property, plant and equipment under construction are disclosed as capital work-in-progress.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, except for Revalued Assets.

Revalued items of property, plant and equipment are carried at revalued amounts, being the fair value of the asset at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised to other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation surplus in equity.

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The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

Assets which the company holds for rentals to others and subsequently routinely sell in the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

3.1.2 Subsequent measurement

After initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the company. Ongoing repairs and maintenance of items of property, plant and equipment are expensed as incurred.

3.1.3 Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of, capital-work-in-progress, from the date that the asset is completed and ready for use. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using a straight-line basis over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case the assets are depreciated over their useful life.

The estimated useful lives of significant items of property, plant and equipment are as follows:

| <i>Item</i> | <i>Estimated useful life</i> | <i>Depreciation rate</i> |
|--|-------------------------------------|---------------------------------|
| Head office and leasehold land | N/A | Nil |
| Leasehold stations | 50 | 2% |
| Plant, machinery and equipment | 5 | 20% |
| Office equipment, furniture and fittings | 5 | 20% |
| Motor vehicles | 5 | 20% |
| Work-in-progress | N/A | N/A |
| Computers equipment | 5 | 20% |
| Gas plant | 50 | 2% |

Capital work in progress is not depreciated. Upon completion it is transferred to the relevant asset category.

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The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use. No property, plant and equipment was impaired as at 31 December 2016.

3.2 Intangible assets

3.2.1 Separately acquired intangible assets

On initial recognition, intangible assets acquired separately (e.g software) are measured at cost. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any other directly attributable costs of preparing the asset for the intended use.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Intangible assets are amortized on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful life of computer software is 5 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss (determined by comparing net disposal proceeds with carrying amount) arising on derecognition of the asset is included in the income statement in the year the item is derecognised.

3.3 Impairment of non-financial assets

3.3.2 Impairment of property, plant and equipment and intangible assets

The carrying amounts of such assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets that have indefinite useful lives are tested annually for impairment. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognized in profit or loss.

Value in use is the present value of the estimated future cash flows of that asset. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset whose impairment is being measured.

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For the purpose of assessing impairment, assets are grouped at the lowest level for which there have separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

5.4 Investment property

Investment property comprises investment in land or buildings held primarily to earn rentals or capital appreciation or both. Investment property is initially recognized at cost including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes cost of day to day servicing of an investment property. An investment property is subsequently measured in accordance with IAS 16 (Property, Plants and Equipment). Subsequent expenditure on investment property is capitalized only if future economic benefit will flow to the Company; otherwise they are expensed as incurred. Investment properties are disclosed separate from the property, plant and equipment used for the purposes of the business.

The Company does not have any investment property as at the reporting date.

3.5 Financial assets

3.5.1 Classification

The Company recognises a financial asset in the statement of financial position when, and only when, it becomes a party to the contractual provision of the instrument. The Company classifies financial assets into; trade and other receivables, and prepayment.

3.5.2 Trade and other receivables

Trade receivables represent value of products supplied to credit customers' not yet paid for, and value of products delivered to retail sales outlet not yet sold as at the reporting date. Trade and other receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method, less any accumulated impairment losses.

3.5.3 Prepayments

Prepayments are carried at amortised cost less any accumulated impairment losses. Prepayments are amortised on a straight line basis to profit or loss.

3.5.4 Impairment of financial assets

At the end of each reporting period, the Company will assess whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected. Objective evidence of impairment could include significant financial difficulty of the counterparty, breach of contract, probability that the debtor will enter bankruptcy or financial re-organisation, and default or delinquency in payments of more than 30 days overdue, etc.

Individually significant financial assets are tested for impairment on an individual basis. Others are assessed collectively in groups that share similar credit risk characteristics. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement.

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For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cashflows for groups of such assets by being indicative of the obligor's ability to pay all amounts due under the contractual terms of the financial assets being evaluated.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial assets would have been had the impairment not been recognised at the date the impairment is reversed.

3.6 Leases

The determination of whether an arrangement contain a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the 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, even if that right is not explicitly specified in an arrangement.

5.6.1 Finance lease

Assets held by the Company under leases which transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased assets is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the outstanding balance of the liability. The corresponding lease obligations, net of finance charges, are included in liabilities. The finance cost is charged to the income statement over the lease period according to the effective interest method. The leased asset under the finance lease is depreciated over the shorter of the useful life of the asset and the lease term on a straight-line basis over the period of the lease, if ownership does not pass at the end of the lease term.

5.6.2 Operating lease

Leases where substantially all the risks and rewards incidental to ownership have not been transferred to the company are classified as operating leases. Payments made are charged to the income statement on a straight-line basis over the period of the lease.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of change in value. These are initially and subsequently recorded at fair value.

3.8 Equity

3.8.1 Share capital and share premium

Equity instruments are contracts that give a residual interest in the net assets of the Company. Ordinary shares are classified as equity when there is no obligation to transfer cash and other assets. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. To the extent that those proceeds exceed the par value of the shares issued, they are credited to a share premium account.

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3.8.2 Dividends on ordinary shares

Dividends on ordinary shares are recognised as liabilities in the period when they are declared (i.e. the dividends are appropriately authorised and no longer at the discretion of the entity) and approved at the Shareholders' Annual General Meeting.

Dividends for the year that are declared after the date of the statement of financial position are disclosed in the subsequent events note. Dividends proposed but not yet approved are disclosed in the financial statements in accordance with the requirements of the Companies and Allied Matters Act.

3.8.3 Treasury and warehoused shares

The cost of treasury and warehoused shares is shown as a deduction from equity in the statement of financial position. When treasury shares are sold or reissued they are credited to equity. As a result, no gain or loss on treasury shares is included in the statement of comprehensive income.

3.8.4 Convertible bonds

When convertible bonds are issued, the proceeds (net of issue costs) are split to separately identify a liability component (equal to the net present value of their scheduled future cash flows applying interest rates at the date of issue of similar bonds that do not have a conversion option).

The remainder of the issue proceeds is deemed to relate to the conversion option and is credited to an equity reserve. The liability component is carried at amortised cost until extinguished on conversion of the option or maturity of the bond. The equity component is subsequently remeasured.

3.8.5 Retained earnings

The retained earnings comprise of undistributed profit/(loss) from previous years and current year. Retained earnings is classified as part of equity in the statement of financial position.

3.9 Financial liabilities

3.9.1 Recognition and measurement

The Company recognised a financial liability in the statement of financial position when, and only when, it becomes a party to the contractual provision of the instrument. On initial recognition, the Company recognises all financial liabilities at fair value. The fair value of a financial liability on initial recognition is normally represented by the transaction price. The transaction price for financial liabilities other than those classified at fair value through profit or loss includes the transaction costs that are directly attributable to the issue of the financial instrument. Transaction costs incurred on issue of a financial liability classified at fair value through profit or loss are expensed immediately. Subsequent measurement of financial liabilities depends on how they have been categorised on initial recognition. The Company classifies financial liabilities into: financial liabilities at fair value through profit or loss and other financial liabilities.

3.9.2 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include 'financial liabilities held for trading' or liabilities designated as such on initial recognition'. Financial liabilities are classified in this category when they are held principally for the purpose of selling or repurchasing in the short term (trading liabilities) or are derivatives (except for a derivative that is designated as effective hedging instrument) or meet the condition for designation in this category. All changes in fair value relating to financial liabilities at fair value through profit or loss are charged to the income statement as they arise.

The Company did not have any financial liability that meet the classification criteria for 'financial liabilities held for trading' and did not designate any financial liabilities at fair value through profit or loss.

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3.9.3 Other financial liabilities

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at cost using the effective interest method.

The Company has the following non-derivative financial liabilities: trade and other payables, bank overdraft and borrowings. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(a) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. Trade and other payables are not usually remeasured, as the obligation is known with a high degree of certainty and settlement is short-term.

(c) Borrowings

Borrowings are recognised initially at fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the settlement or redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction cost of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. It is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(d) Bank overdraft

Bank overdrafts are recognised initially at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

3.10 Employee benefits

3.10.1 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts in respect of employee benefits relating to employee service in current and prior periods.

Pension Scheme:

In line with the provisions of the Pension Reform Act 2004, the Company has instituted a defined contribution pension scheme for their permanent staff. Staff contributions to the scheme are funded through payroll deductions. Obligations for contributions to the defined contribution plan are recognised as employee benefit expense in profit or loss in the periods which related services are rendered by employees. The employees and employer contribute 8% and 10% of Basic salary, Transport & Housing Allowances respectively to the Fund monthly.

3.10.2 Defined benefit plan

The Company operates a non-contributory defined benefits service gratuity scheme for its permanent employees. The employees' entitlement to retirement benefits under the service gratuity scheme depends on the individual's years of service, terminal salary and condition of service. The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

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3.10.3 Short-term benefits

Wages, salaries, paid annual leave, sick leave, bonuses and non-monetary benefits are recognised as employee benefit expense and accrued when the associated services are rendered by the employees to the Company.

3.11 Provisions, contingent liabilities and contingent assets

3.11.1 Provisions

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that the reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Provisions are not recognised for future operating losses.

A constructive obligation to restructure arises only when an entity has a detailed plan for the restructuring, identifying at least:

- a. the business or part of the business concerned;
- b. the principal locations affected;
- c. the location, function, and approximate number of employees who will be compensated for terminating their services;
- d. the expenditures that will be undertaken; and
- e. when the plan will be implemented; and

has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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3.11.2 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present obligation as a result of past event.

A contingent liability is not recognised because it is not likely that an outflow of resources will be required to settle the obligation, or the amount cannot be reliably estimated. Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to occur. Contingent liabilities are disclosed in the financial statement when they arise.

3.11.3 Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognised but are disclosed in the financial statement when they arise.

3.12 Turnover

Turnover comprises of sales to customers and service rendered to customers.

Turnover is stated at the invoice amount and is exclusive of value added tax.

3.13 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occur. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The related cost of providing services recognised as revenue in the current period is included in cost of sales.

3.14 Finance and Investment Income

Finance and investment income comprises interest income earned on short -term deposits with banks, rental income, and income earned on trading securities including all realised and unrealised fair value changes, interest, dividend and foreign exchange gains.

Interest income on short-term deposit is recognised by reference to the principal outstanding at 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 net carrying amount on initial recognition.

Investment income is accounted for on an accrual basis.

2.5 Borrowing costs

Borrowing costs are interest and other costs incurred by an entity in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred, except for those that are directly attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the cost of that asset.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

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(a). The Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.

(b). The Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset.

The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

(a). The expenditures for the asset have occurred;

(b). The borrowing costs have been incurred, and

©. The activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

5.20 Administration and management expenses

Management expenses are expenses other than costs of sales expenses. They are accounted for on an accrual basis. This include salaries and wages, auditors' remuneration, consulting fees, direct property expenses, information technology expenses, marketing costs, indirect taxes and other expenses not separately disclosed.

2.5 Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Naira, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the rates of exchange prevailing at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for qualifying cash flow hedges, which are recognized in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

5.22 Taxation

5.22.1 Tax expense

Income tax expense represents the sum of current tax expense and deferred tax expense. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognised in the same or a different period, directly in equity or in other comprehensive income.

MILLYHENDO DRILLING SERVICES
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2021
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

5.22.1 Current income tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates statutorily enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Company is subject to the following types of income tax:

Company Income Tax - This relates to tax on revenue and profit generated by the Company during the year, to be taxed under the Companies Income Tax Act Cap C20, LFN 2004 as amended to date.

Tertiary Education Tax - Tertiary education tax is based on the assessable income of the Company and is governed by the Tertiary Education Trust Fund (Establishment) Act LFN 2011.

5.22.3 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

5.22.2 Deferred tax assets and liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax liability is recognised for all taxable temporary differences, except for:

- (i). Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- (ii). Temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and that it is probable that they will not reverse in the foreseeable future; and
- (iii). Taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

MILLYHENDO DRILLING SERVICES
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2021
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

5.23 Tax exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

5.24 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held (if any). Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held (if any), for the effects of all dilutive potential ordinary shares.

5.25 Segment reporting

An operating segment is a distinguishable component of the Company that earns revenue and incurs expenditure for providing related products or services (business segment), or providing products or services within a particular economic environment (geographical segment), and which is subject to risks and returns that are different from those of other segments.

6 Use of judgements and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Estimates and underlying assumptions are reviewed on an ongoing basis.

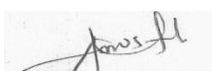
Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 25 to the financial statements.

**MILLYHENDO DRILLING
SERVICES**

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2021

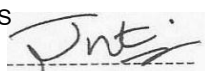
| ASSETS | NOTES | 31/12/21 \$ | 31/12/20 \$ |
|--|-------|---------------------------------|---------------------------------|
| NON- CURRENT ASSETS | | | |
| Property Plant & Equipment | 1 | 1,098,817,829 | 1,121,541,384 |
| Software | 2 | 413,542 | 612,042 |
| Total Non-Current Assets | | <u>1,099,231,371</u> | <u>1,122,153,426</u> |
| CURRENT ASSETS | | | |
| Inventories | 3 | 5,274,253 | 852,030 |
| Trade & Other receivables | 4 | 18,374,579 | 94,328,215 |
| Prepayments | 5 | 1,844,794 | 3,761,574 |
| Cash and Cash Equivalents | 6 | 6,247,779 | 56,089,972 |
| | | <u>31,741,405</u> | <u>155,031,792</u> |
| TOTAL ASSETS | | <u>1,130,972,776</u> | <u>1,277,185,218</u> |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Issued Share Capital | 7.2 | 692,484,029 | 692,484,029 |
| Share Premium | 7.3 | 1,240,109,766 | 1,240,109,766 |
| Accumulated Loss | 8 | (1,701,665,685) | (1,540,886,860) |
| Equity attributable to Owners of the company | | <u>230,928,110</u> | <u>391,706,935</u> |
| NON CURRENT LIABILITIES | | | |
| Borrowing | 9 | 648,679,314 | 624,165,879 |
| Deffered Tax Liabilities | 10 | 110,164,600 | 110,164,600 |
| Total Non Current Liabilities | | <u>758,843,914</u> | <u>734,330,479</u> |
| CURRENT LIABILITIES | | | |
| Bank Overdraft | | 30,656 | 30,656 |
| Trade Payables | 11 | 26,055,918 | 26,055,918 |
| Other Payables and accruals | 12 | 56,236,574 | 59,933,278 |
| Income tax payable | 13 | 58,877,604 | 65,127,952 |
| Total Current Liabilities | | <u>141,200,751</u> | <u>151,147,803</u> |
| Total Equity And Liabilities | | <u>1,130,972,776</u> | <u>1,277,185,218</u> |

The attached notes are an integral part of these financial statements



Alexander Urquhart
FRC/2020/ICAN/00000010022
Executive Director Finance & Admin

DIRECTORS



Dr. J.N. Wayne
FRC/2020/CIBN/00000010020
Chairman

CAPITAL OIL PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2021

| | Notes | 31/12/21 | 31/12/0 |
|---------------------------------|--------------|-----------------------------|-----------------------------|
| | | \$ | \$ |
| Revenue | | 471,433,034 | 840,383,577 |
| Cost of Sales | | (437,934,493) | (731,744,306) |
| Gross Profit | | <u>33,498,541</u> | <u>108,639,271</u> |
| Administrative Expenses | 14 | (151,413,842) | (434,800,037) |
| Selling & Distribution Expenses | 15 | (16,341,386) | (24,994,150) |
| Other Income | 16 | <u>2,933,268</u> | <u>33,531,695</u> |
| Profit From Operating Expenses | | (131,323,419) | (317,623,221) |
| Finance income | 17 | 0 | 800,000 |
| Finance cost | 18 | <u>(25,205,754)</u> | <u>(20,113,619)</u> |
| Profit Before Tax | | (156,529,173) | (336,936,840) |
| Taxation | | <u>(4,249,652)</u> | <u>(3,315,888)</u> |
| Income (Net of tax) | | (160,778,825) | (340,252,728) |
| | | | |
| Profit After/ (loss) Tax | | <u><u>(160,778,825)</u></u> | <u><u>(340,252,728)</u></u> |

The attached notes are an integral part of these financial statements

MILLYHENDO DRILLING SERVICES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2021

| | Share Capital | Share premium | Treasury Shares | Revaluation Reserve | Fair Value Reserve | Retained Earning | Total Equity |
|---|------------------|------------------|--------------------|------------------------|-----------------------|---------------------|-----------------|
| | \$ | \$ | | | | \$ | \$ |
| Balance at 1st January 2021 | 1,464,394,325 | 3,036,209,766 | (2,642,200,000) | 0 | 0 | (1,438,297,056) | 420,107,035 |
| Prior year adjustment | (771,910,296) | (1,796,100,000) | 2,642,200,000 | 0 | 0 | (102,589,804) | (28,400,100) |
| | 692,484,029 | 1,240,109,766 | 0 | 0 | 0 | (1,540,886,860) | 391,706,935 |
| Profit for the year | 0 | 0 | 0 | 0 | 0 | (160,778,825) | (160,778,825) |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income for the year | 0 | 0 | 0 | 0 | 0 | (160,778,825) | (160,778,825) |
| Payment of dividend | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31st December, 2021 | 692,484,029 | 1,240,109,766 | 0 | 0 | 0 | (1,701,665,685) | 230,928,110 |

MILLYHENDO DRILLING SERVICES
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2021

| | NOTE | 2021 \$ | 2020 \$ |
|---|------|----------------------|----------------------|
| <u>CASH FLOW FROM OPERATING ACTIVITIES</u> | | | |
| <u>cash flow from ordinary activities</u> | | | |
| Receipts from customers | | 506,207,184 | 823,201,545 |
| Other Income | | 2,933,268 | 5,576,495 |
| Payment to Employees/Services | | (546,699,393) | (862,552,722) |
| Tax Paid | | <u>(10,500,000)</u> | <u>(12,608,539)</u> |
| Net Cashflow from operating activities | | (48,058,942) | (46,383,221) |
| <u>Cashflow on Investing Activities</u> | | | |
| Adjustment to paid up capital | | 0 | 0 |
| Purchase of fixed assets | | (3,437,600) | (931,200) |
| Proceeds from sale of Fixed Asset | | 2,346,668 | 72,000,000 |
| Investments | | | |
| <u>Cashflow From Financing Activities</u> | | | |
| Bank Interest & Similar Charges | | <u>(25,205,754)</u> | <u>(20,113,620)</u> |
| Net (Increase)/Decrease in Liquid funds | | (74,355,628) | 4,571,959 |
| Opening Cash & Bank Balances | | <u>(568,106,563)</u> | <u>(572,678,522)</u> |
| Closing Cash & Bank Balances | | <u>(642,462,191)</u> | <u>(568,106,563)</u> |
| <u>REPRESENTED BY:</u> | | | |
| Closing Cash & Bank Balances | | 6,247,779 | 56,089,972 |
| Closing Borrowing | | (648,679,314) | (624,165,879) |
| Closing Bank Overdraft Balances | | <u>(30,656)</u> | <u>(30,656)</u> |
| | | <u>(642,462,191)</u> | <u>(568,106,563)</u> |

CAPITAL OIL PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2021**Note 1 **NON-CURRENT ASSETS**

1.1 The movement of these accounts during the year were as follows:

| | Head Office Land | Leasehold Land | Plant Machinery And Equipment | Equip. Furniture & Fittings | Leasehold Stations | Motor Vehicle | Work In Progress | Computer Machines | Gas Plant | Total |
|---------------------------------------|---------------------|-------------------|--|-----------------------------------|-----------------------|------------------|------------------------|----------------------|-------------------|----------------------|
| PROPERTY PLANT & EQUIPMENT | | | | | | | | | | |
| COST | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance 1st January, 2021 | 264,300,000 | 48,239,470 | 73,223,596 | 11,551,947 | 635,845,019 | 8,800,000 | 198,992,800 | 4,602,796 | 19,023,550 | 1,264,579,178 |
| Additions | 0 | 0 | 3,421,100 | 16,500 | 0 | 0 | 0 | 0 | 0 | 3,437,600 |
| Reclassification | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposal | 0 | 0 | 0 | 0 | 0 | (8,800,000) | 0 | 0 | 0 | (8,800,000) |
| Balance at 31st Dec, 2021 | <u>264,300,000</u> | <u>48,239,470</u> | <u>76,644,696</u> | <u>11,568,447</u> | <u>635,845,019</u> | <u>0</u> | <u>198,992,800</u> | <u>4,602,796</u> | <u>19,023,550</u> | <u>1,259,216,778</u> |

DEPRECIATION

| | | | | | | | | | | |
|---------------------------|----------|----------|-------------------|------------------|-------------------|-------------|----------|------------------|------------------|--------------------|
| Balance At 1st Jan, 2021 | 0 | 0 | 48,138,062 | 7,283,631 | 77,391,256 | 4,840,000 | 0 | 3,971,158 | 1,413,688 | 143,037,795 |
| Charge For The Year | 0 | 0 | 6,864,647 | 2,310,664 | 12,198,602 | 1,613,333 | 0 | 446,770 | 380,471 | 23,814,487 |
| Disposal | 0 | 0 | - | 0 | 0 | (6,453,333) | 0 | 0 | 0 | (6,453,333) |
| reclassification | 0 | 0 | - | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance At 31st Dec, 2021 | <u>0</u> | <u>0</u> | <u>55,002,709</u> | <u>9,594,295</u> | <u>89,589,858</u> | <u>0</u> | <u>0</u> | <u>4,417,928</u> | <u>1,794,159</u> | <u>160,398,949</u> |

NET BOOK VALUE

| | | | | | | | | | | |
|------------------------|--------------------|-------------------|-------------------|------------------|--------------------|------------------|--------------------|----------------|-------------------|----------------------|
| At 31st December, 2021 | <u>264,300,000</u> | <u>48,239,470</u> | <u>21,641,987</u> | <u>1,974,152</u> | <u>546,255,161</u> | <u>0</u> | <u>198,992,800</u> | <u>184,868</u> | <u>17,229,391</u> | <u>1,098,817,829</u> |
| At 31st December, 2020 | <u>264,300,000</u> | <u>48,239,470</u> | <u>25,085,534</u> | <u>4,268,316</u> | <u>558,453,763</u> | <u>3,960,000</u> | <u>228,663,706</u> | <u>631,638</u> | <u>17,609,862</u> | <u>1,151,212,289</u> |

MILLYHENDO DRILLING SERVICES
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2021

| | 31/12/21 \$ | 31/12/20 \$ |
|--|----------------------|----------------------|
| 2 Software | | |
| The movement is as follows | | |
| Balance 1/1/21 | 992,500 | 992,500 |
| Addition | - | - |
| Disposal | - | - |
| Balance 31/12/21 | <u>992,500</u> | <u>992,500</u> |
| Amortization | | |
| Balance 1/1/21 | 380,458 | 181,958 |
| Charged in the year | 198,500 | 198,500 |
| Disposal | - | - |
| Balance 31/12/21 | <u>578,958</u> | <u>380,458</u> |
| Net Book Value 31/12/21 | <u>413,542</u> | <u>612,042</u> |
| 3 Inventory | | |
| Finished Goods | 5,005,615 | 585,410 |
| GIT | 268,638 | 266,620 |
| | <u>5,274,253</u> | <u>852,030</u> |
| 4 Trade and Other receivables | | |
| Trade Receivables | 264,795,296 | 299,569,445 |
| Sundry Debtors | <u>69,937,837</u> | <u>74,917,839</u> |
| | 334,733,133 | 374,487,284 |
| Impairment Allowance | <u>(317,966,839)</u> | <u>(283,248,954)</u> |
| | 16,766,294 | 91,238,330 |
| Staff Debtors | <u>1,608,285</u> | <u>3,089,885</u> |
| | <u>18,374,579</u> | <u>94,328,215</u> |
| The company's allowance for impairment on bad debt represents its estimate of incurred losses in respect of trade and other receivables. The provision for impairment represent customers' balances which could be recovered in future. The write-offs were specific debts which the Company considered irrecoverable. | | |
| 5 Prepayments | | |
| Insurance | 768,861 | 182,766 |
| Rent | 785,950 | 752,750 |
| Professional fees | 289,983 | 391,600 |
| Lease Charges | <u>0</u> | <u>2,358,333</u> |
| | <u>1,844,794</u> | <u>3,761,574</u> |
| 6 Cash and Cash Equivalents | | |
| Cash on Hand | 6,431 | 19,741 |
| Bank Balances | <u>27,808,356</u> | <u>77,637,231</u> |
| | 27,814,788 | 77,656,973 |
| Impairment Allowance | <u>(21,567,008)</u> | <u>(21,567,008)</u> |
| | 6,247,779 | 56,089,964 |
| Bank Overdraft | <u>30,656</u> | <u>30,656</u> |
| | <u>6,278,435</u> | <u>56,120,620</u> |

MILLYHENDO DRILLING SERVICES
NOTES ON THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2021

| | | | | |
|-----|---|----------------------|------------------------|------------------------|
| 7 | Share Capital | | 31/12/21 | 31/12/20 |
| 7.1 | Authorized | | \$ | \$ |
| | 16,120,000,000 ordinary shares of 25Dollar each | | <u>4,030,000,000</u> | <u>4,030,000,000</u> |
| 7.2 | Issued and Fully Paid | | | |
| | 2,769,936,117 units @25Dollar each | | <u>692,484,029</u> | <u>692,484,029</u> |
| | a. A total of 3,384,400,000 Ordinary Shares earlier issued by the Company but not paid for, and subsequently warehoused as Treasury Shares have been cancelled following SEC's approval and directive to that effect. | | | |
| | b. A reconciliation of the Register of Members with CSCS records revealed that some shareholdings in CSCS records were not listed in the Register of Members. | | | |
| | c. After adjustment for the shares discovered in CSCS records and cancellation of the Treasury Shares, the total Issued and Fully Paid Ordinary Shares of the Company now stands at 2,769,936,117. | | | |
| | d. All adjustments relating to items a - c above have been effected in the accounts as prior year adjustment. | | | |
| 7.3 | Share Premium | | | |
| | | Units | Premium | |
| | Prior to 31/12/2012 | 414,336,117 | 5,343,179 | 5,343,179 |
| | | 2,100,000,000 | 75k 1,575,000,000 | 1,575,000,000 |
| | | <u>255,600,000</u> | 25k 63,900,000 | <u>63,900,000</u> |
| | | <u>2,769,936,117</u> | <u>1,644,243,179</u> | <u>1,644,243,179</u> |
| | Less: Share Issue Expenses | | <u>(404,133,413)</u> | <u>(404,133,413)</u> |
| | | | <u>1,240,109,766</u> | <u>1,240,109,766</u> |
| 8 | Accumulated Loss | | N | N |
| | Balance brought Forward | | (1,540,886,860) | (1,098,044,328) |
| | Profit/(Loss) in the year | | (160,778,825) | (340,252,728) |
| | Prior Year Adjustment | | <u>0</u> | <u>(102,589,804)</u> |
| | Balance carried Forward | | <u>(1,701,665,685)</u> | <u>(1,540,886,860)</u> |
| 9 | Borrowing | | | |
| | Secured | | 101,387,651 | 76,874,216 |
| | unsecured | | <u>547,291,663</u> | <u>547,291,663</u> |
| | | | <u>648,679,314</u> | <u>624,165,879</u> |

The secured loan was a revolving one year loan granted by PAC Asset Management at the interest rate of 28%p.a.

The unsecured was a soft facility granted by Living Faith World Outreach Centre in 2013 to be held as a preferred stock for one year only in favour of the Church at a annual interest rate of 12.5%.

MILLYHENDO DRILLING SERVICES
NOTES ON THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2021

| | | 31/12/21 | 31/12/20 |
|------|---|---------------------|---------------------|
| | | \$ | \$ |
| 10 | <u>Deferred Tax</u> | | |
| | Balance Brought forward | 110,164,600 | 110,164,600 |
| | Charge in the year | 0 | 0 |
| | Balance carried forward | <u>110,164,600</u> | <u>110,164,600</u> |
| 11 | <u>Trade Payables</u> | | |
| | Index Petrolube Africa Ltd | 21,106,993 | 21,106,993 |
| | Zespron Global Nig. Ltd | 2,018,925 | 2,018,925 |
| | Mettle Energy Ltd | 2,930,000 | 2,930,000 |
| 11 | | <u>26,055,918</u> | <u>26,055,918</u> |
| 12 | <u>Other Payables and Accruals</u> | | |
| | Sundry creditors | 16,042,475 | 15,348,345 |
| | Accruals | <u>40,194,099</u> | <u>44,584,934</u> |
| | | <u>56,236,574</u> | <u>59,933,279</u> |
| 13 | <u>Income Tax Payable</u> | | |
| | Balance Brought Forward | 65,127,952 | 74,420,603 |
| | Provision for the year | 4,249,652 | 3,315,888 |
| | Payment in the year | <u>(10,500,000)</u> | <u>(12,608,539)</u> |
| | Balance Carried Forward | <u>58,877,604</u> | <u>65,127,952</u> |
| 13.1 | <u>Taxation Comprehensive Income</u> | | |
| | Current Income Tax | 4,249,652 | 3,315,888 |
| | Deferred Tax | <u>0</u> | <u>0</u> |
| | | <u>4,249,652</u> | <u>3,315,888</u> |
| 14 | <u>Administrative Expenses</u> | | |
| | Salaries & Wages | 35,767,170 | 35,053,700 |
| | Directors Emoluments | 17,415,095 | 19,081,852 |
| | Gratuity | 0 | 19,131,681 |
| | Transport and Travelling | 3,677,098 | 5,086,635 |
| | Entertainment | 592,100 | 945,027 |
| | Utilities | 2,631,415 | 1,750,824 |
| | Printing & Stationeries | 459,920 | 728,145 |
| | Medical Expenses | 23,350 | 576,235 |
| | Business Development | 772,000 | 437,500 |
| | Office Cleaning | 653,530 | 1,642,469 |
| | Insurance | 1,264,716 | 2,403,242 |
| | Security Expenses | 726,000 | 816,000 |
| | Rent & Rates | 4,840,000 | 4,839,802 |
| | Motor Running | 1,856,408 | 1,602,219 |
| | Repairs & Maintenance | 9,013,178 | 8,919,241 |
| | Licences & Registration | 2,426,829 | 1,414,000 |
| | Fines & Penalty | 1,100,000 | 3,147,813 |
| | Allowance for Asset Impairment | 34,717,885 | 284,503,660 |
| | Professional Services | 6,145,827 | 7,711,520 |
| | Auditors Fees | 850,000 | 850,000 |
| | Depreciation | 23,814,487 | 23,390,883 |
| | Amortization | 198,500 | 198,500 |
| | Lease Charges | 2,358,333 | 3,700,000 |
| | Staff Training | 110,000 | 122,950 |
| | AGM Expenses | <u>0</u> | <u>6,746,142</u> |
| | | <u>151,413,842</u> | <u>434,800,037</u> |
| 15 | <u>Selling And Distribution Expenses</u> | | |
| | Advertising and Haulage Expenses | <u>16,341,386</u> | <u>24,994,150</u> |

MILLYHENDO DRILLING SERVICES

NOTES ON THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2021

| | | 31/12/21 | 31/12/20 |
|----|---|-------------------|-------------------|
| | | \$ | \$ |
| 16 | Other Income | | |
| | Profit on disposal of fixed asset | 0 | 28755200 |
| | Rent | 2,933,268 | 2,893,501 |
| | Non refundable Deposit | 0 | 1,882,993 |
| | | <u>2,933,268</u> | <u>33,531,695</u> |
| 17 | Finance Income | | |
| | Lease income | 0 | 800,000 |
| | | <u>0</u> | <u>800,000</u> |
| 18 | Finance Cost | | |
| | Interest On loan | 24,513,435 | 19,018,840 |
| | Bank Charges | 692,319 | 1,094,779 |
| | | <u>25,205,754</u> | <u>20,113,619</u> |
| 19 | Profit Before Tax | | |
| | Profit before tax is arrived at : | | |
| | After Charging: | | |
| | Depreciation on Fixed Asset | 23,814,487 | 23,390,883 |
| | Auditors Remuneration | 850,000 | 850,000 |
| | Directors Emoluments | <u>17,415,095</u> | <u>19,081,852</u> |
| | And After Crediting | | |
| | Other Income | <u>2,933,268</u> | <u>33,531,695</u> |
| 20 | Directors/Employees Emoluments | | |
| | The aggregate emoluments of the Directors were | | |
| | Sitting Allowance | 780,000 | 1,050,000 |
| | Other Emoluments excluding Pension Contribution | <u>16,635,095</u> | <u>18,031,852</u> |
| | | <u>17,415,095</u> | <u>19,081,852</u> |
| | The Chairman's emoluments (excluding pension contribution) totalled | <u>240,000</u> | <u>320,000</u> |
| | The emoluments of the highest paid Director (excluding pension contribution) amounted to | <u>10,468,294</u> | <u>7,363,262</u> |
| | The table below shows the number of Directors of the company (excluding the Chairman) whose remuneration (excluding pension contributions) in respect of services to the company fell within the range shown below: | | |
| | \$ | \$ | |
| | 5,000,000 to | 10,000,000 | 1 |
| | 10,000,000 to | 20,000,000 | 1 |
| | 30,000,000 to | 40,000,000 | 0 |
| | | | 0 |
| 21 | Employees | | |
| | The table shows the numbers of employees of the company who earned over \$60,000 in the year and which fell within ranges stated below: | | |
| | \$ | 31/12/21 | 31/12/20 |
| | | | |
| | 200,001 - | 400,000 | 3 |
| | 400,001 - | 600,000 | 1 |
| | 600,001 - | 800,000 | 11 |
| | 800,001 - | 1,000,000 | 1 |
| | 1,500,000 & Above | 7 | 5 |
| | | <u>23</u> | <u>27</u> |

MILLYHENDO DRILLING SERVICES
NOTES ON THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2021

| | 31/12/21 \$ | 31/12/20 \$ |
|--|----------------|----------------|
| 22 Staff Cost Per Payroll | | |
| Wages and Salaries | 35,767,170 | 35,053,700 |
| The average number of persons employed by the company during the year were: | 23 | 28 |
| 23 Earnings Per Share | | |
| Earning per share calculated on basis of the company's profit after taxation based on the number of ordinary shares issued and fully paid at the end of the year | (0.07) | (0.14) |
| 24 Reconciliation of Net Income to Net Cash Provided by Operating Activities | | |
| Net Income/(loss) After tax And Extraordinary Item | (160,778,825) | (340,252,728) |
| Adjustment to reconcile Net Income to Net Cash Provided | | |
| Loss/(Profit) on Disposal | 0 | (28,755,200) |
| Depreciation | 23,814,487 | 23,390,883 |
| Amortization | 198,500 | 198,500 |
| Interest And Similar Charges | 25,205,754 | 20,113,619 |
| Asset Disposal Costs | 0 | (4,350,000) |
| Prior Year Adjustment | 0 | 0 |
| Changes In Asset And Liabilities: | | |
| (Increase)/Decrease in stock | (4,422,223) | 12,250,949 |
| (Increase)/Decrease In Debtors | 77,870,417 | 272,875,430 |
| Increase/(Decrease) In Trade Creditors And Accruals | (3,696,704) | 7,437,978 |
| Increase In Deferred Tax Provision | 0 | 0 |
| Increase/(Decrease) In Tax Provision | (6,250,348) | (9,292,651) |
| Sub Total | 112,719,883 | 293,869,507 |
| Net Cash Provided By Operating Activities | (48,058,943) | (46,383,221) |
| 25 Critical judgement in applying the Company's accounting policies | | |
| <p>The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgement are continually evaluated and based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.</p> <p>The effect of a change in an accounting estimate is recognised progressively by including it in the comprehensive income in the period of the change if the change affects that period only or in the period of change and future period, if the change affects both.</p> <p>The estimates and assumptions that have significant risks of causing material adjustment to the carrying amount of assets and liabilities within the next financial period are discussed below:</p> | | |
| a. Determination of impairment of property, plant and equipment, and intangible assets: | | |
| <p>Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exist.</p> | | |
| b. Depreciable life of property, plant and equipment | | |
| <p>The estimate of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property, plant and equipment will have an impact on the carrying value of these items.</p> | | |
| 26 Regulatory Infraction | | |
| a. The Company was fined \$1,100,000.00 by the New York Stock Exchange (NYSE) for late filing of her 2021 Audited Accounts. The fine had been paid. | | |
| b. A total penalty of \$310,980,000.00 was imposed on the Company by SEC for late and non-submission of returns between 2011 and 2021. The Company along with other companies similarly penalised by SEC have appealed to SEC for a waiver or significant reduction of the penalty, the outcome of which is still pending at SEC. This effect of this penalty have not been reflected in the accounts. | | |

MILLYHENDO DRILLING SERVICES**NOTES ON THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2021****27 Enterprise Risk Management**

The Enterprise is exposed to the following risk

- a. Credit Risk
- b. Liquidity Risk
- c. Operational Risk
- d. Market Risk

Credit Risk

Credit risk is the possibility of the company suffering a financial loss as a result of a customer's inability to meet its credit obligations.

The maximum exposure to credit risk is stated below:

| | 2021 | % | 2020 | % |
|-----------------------------------|-------------------|------------|--------------------|------------|
| | \$ | | \$ | |
| Trade and Other Receivables (Net) | 18,374,579 | 75 | 94,328,215 | 62.7 |
| Cash and Cash Equivalent | 6,247,779 | 25 | 56,089,972 | 37.3 |
| | <u>24,622,358</u> | <u>100</u> | <u>150,418,187</u> | <u>100</u> |

The maximum risk for Trade and Other Receivables by type is as follows:

| | 2021 | | 2020 | |
|---------------|--------------------|------------|--------------------|------------|
| | \$ | | \$ | |
| Key Customers | 230,958,372 | 69 | 201,146,960 | 53.3 |
| Others | 105,383,046 | 31 | 176,430,209 | 46.7 |
| | <u>336,341,418</u> | <u>100</u> | <u>377,577,169</u> | <u>100</u> |
| Impairment | (317,966,839) | (95) | (283,248,954) | (75) |
| | <u>18,374,579</u> | <u>5</u> | <u>94,328,215</u> | <u>25</u> |

Only about seven (9) of the Company's customers account for about 69% of its receivables.

The company has a credit policy which is reviewed regularly. This policy requires that credit assessment are conducted on all credits, while credits of over a certain limit are reviewed and individually analysed for credit worthiness before approval.

The company establishes an allowance for impairment that represents an estimate of incurred losses with respect to trade receivables. These allowances are specific loss component that relates to individual exposures particularly customers with outstanding amounts but have not placed orders for at least one year.

The ageing of trade receivables at the reporting date was:

| | Gross 2021 | Impairment 2021 | Gross 2020 | Impairment 2020 |
|-------------|--------------------|----------------------|--------------------|----------------------|
| 0-30days | 13,259,651 | - | 32,297,469 | - |
| 31-60days | - | - | - | - |
| over 90days | 323,081,767 | (317,966,839) | 345,279,699 | (283,248,954) |
| | <u>336,341,418</u> | <u>(317,966,839)</u> | <u>377,577,169</u> | <u>(283,248,954)</u> |

**MILLYHENDO DRILLING
SERVICES**

NOTES ON THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2021

The impairment loss as at 31st December 2021 represented customers that are not expected to pay their outstanding balance due to economic and other extraneous circumstances. The Company believes that the unimpaired balance that are past due will be collected.

The cash balance of N6.2 million at 31st December 2021 and N56.1 million as at 31st December 2016 represents maximum exposure on these assets.

Liquidity Risk

This is the risk that the Company may not be able to meet short term financial demands due to inability to convert credits or hard assets to cash without loss of capital or income.

The company monitors the level of expected cash inflows from trade and other receivables against cash outflows from trade and other payables.

Financial liabilities:

| | Carrying Amount | Cash flow |
|--------------------------|--------------------|--------------------|
| 31st December 2021 | | |
| Secured loan | 101,387,651 | 101,387,651 |
| Unsecured Loan | 547,291,663 | 547,291,663 |
| Trade and other payables | 82,323,147 | 82,323,147 |
| | <u>731,002,462</u> | <u>731,002,462</u> |
| 31st December 2020 | | |
| Secured loan | 76,874,216 | 76,874,216 |
| Unsecured Loan | 547,291,663 | 547,291,663 |
| Trade and other payables | 86,019,851 | 86,019,851 |
| | <u>710,185,731</u> | <u>710,185,731</u> |

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

Operational Risk

This is the risk of direct or indirect loss that could arise from the Company's processes, personnel, technology, infrastructure and external factors other than credit, and liquidity factors. It could also arise from legal and regulatory requirements, and generally acceptable standard of corporate behaviour.

The company aims to manage the operational risk to reduce financial loss and damage to the Company's reputation and to avoid control procedures that restrict initiative and creativity.

The company established the following procedures to mitigate against these risks:

- Training and professional development of employees
- Segregation of duties and independent authorisation of transactions
- Requirements for reporting of operational losses and proposed remedial action.
- Reconciliation and monitoring of transactions
- Development, communication, and monitoring of ethical and acceptable business practices
- Risk mitigation including insurance

Market Risk

This is the possibility that the Company may suffer losses in their positions resulting from movements in market prices of their products due to factors that affect the overall performance of the market.

MILLYHENDO DRILLING SERVICES**NOTES ON THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2021****28 Fair Values**

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

Assets:

| | Carrying amount 2021 \$ | Fair Value 2021 \$ |
|------------------------------------|-------------------------------|--------------------------|
| Amounts Carried At Amortised cost: | | |
| Trade and Other Receivables | 18,374,579 | 18,374,579 |
| Cash and Cash Equivalent | <u>6,247,779</u> | <u>6,247,779</u> |
| | <u>24,622,358</u> | <u>24,622,358</u> |

Liabilities:

| | | |
|---------------------------------------|--------------------|--------------------|
| Liabilities Carried at Amortised Cost | | |
| Trade and other payables | 82,323,147 | 82,323,147 |
| Loans | <u>648,679,314</u> | <u>648,679,314</u> |
| | <u>731,002,462</u> | <u>731,002,462</u> |

Assets:

| | 2020 \$ | 2020 \$ |
|------------------------------------|--------------------|--------------------|
| Amounts Carried At Amortised cost: | | |
| Trade and Other Receivables | 94,328,215 | 94,328,215 |
| Cash and Cash Equivalent | <u>56,089,972</u> | <u>56,089,972</u> |
| | <u>150,418,187</u> | <u>150,418,187</u> |

Liabilities:

| | | |
|---------------------------------------|--------------------|--------------------|
| Liabilities Carried at Amortised Cost | | |
| Trade and other payables | 87,290,651 | 87,290,651 |
| Loans | <u>624,165,879</u> | <u>624,165,879</u> |
| | <u>711,456,531</u> | <u>711,456,531</u> |

The Management believes that these fair values are not expected to differ materially from the book values.

29 Approval of the Financial Statements

The financial statements were approved by the Board of Directors of the Company on 5th December, 2021

MILLYHENDO DRILLING SERVICES
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2021
FIVE YEAR FINANCIAL SUMMARY

| | 2021 \$ | 2020 \$ | 2019 \$ | 2018 \$ | 2017 \$ |
|--|---------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| <u>TURNOVER</u> | <u>471,433,034</u> | <u>840,383,577</u> | <u>1,132,722,975</u> | <u>2,106,210,044</u> | <u>2,967,933,461</u> |
| Profit/(loss) before Taxation | (156,529,173) | (291,345,934) | (56,153,388) | (113,235,303) | (459,321,150) |
| Taxation | (4,249,652) | (3,315,888) | (5,698,500) | (17,926,064) | (16,208,957) |
| Profit/(loss) After Taxation | (160,778,825) | (294,661,822) | (61,851,888) | (131,161,367) | (475,530,107) |
| Extra ordinary item | 0 | 0 | 0 | 0 | 0 |
| Profit After tax and Extra ordinary item | <u>(160,778,825)</u> | <u>(294,661,822)</u> | <u>(61,851,888)</u> | <u>(131,161,367)</u> | <u>(475,530,107)</u> |
| Earning/(loss) per share | <u>(0.07)</u> | <u>(0.14)</u> | <u>(0.03)</u> | <u>(0.05)</u> | <u>(0.05)</u> |
| Net Asset per share | <u>0.09</u> | <u>0.17</u> | <u>0.31</u> | <u>0.33</u> | <u>0.38</u> |

BALANCE SHEET AS AT 31ST DECEMBER

CAPITAL EMPLOYED

| | | | | | |
|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Share Capital | 692,484,029 | 692,484,029 | 692,484,029 | 692,484,029 | 692,484,029 |
| Share Premium | 1,240,109,766 | 1,240,109,766 | 1,240,109,766 | 1,240,109,766 | 1,240,109,766 |
| Profit & Loss Account | <u>(1,701,665,685)</u> | <u>(1,540,886,860)</u> | <u>(1,200,634,128)</u> | <u>(1,138,782,240)</u> | <u>(1,011,965,428)</u> |
| Total Capital Employed | <u>230,928,110</u> | <u>391,706,935</u> | <u>731,959,667</u> | <u>793,811,555</u> | <u>920,628,367</u> |

ASSETS EMPLOYED

| | | | | | |
|---------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| Fixed Assets | 1,098,817,829 | 1,121,541,384 | 1,182,895,867 | 1,206,792,151 | 1,273,426,527 |
| Software | 413,542 | 612,042 | 810,542 | | |
| Current Assets | 31,741,405 | 155,031,792 | 432,567,374 | 463,244,537 | 557,001,141 |
| Current Liabilities | (141,200,752) | (151,147,803) | (153,002,474) | (160,352,401) | (256,614,641) |
| Loans | (648,679,314) | (624,165,879) | (621,147,042) | (605,708,132) | (554,103,298) |
| Deffered Taxation | <u>(110,164,600)</u> | <u>(110,164,600)</u> | <u>(110,164,600)</u> | <u>(110,164,600)</u> | <u>(99,081,362)</u> |
| Net Assets | <u>230,928,110</u> | <u>391,706,935</u> | <u>731,959,667</u> | <u>793,811,555</u> | <u>920,628,367</u> |

MILLYHENDO DRILLING SERVICES
STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31ST DECEMBER, 2021

| | 2021 N | % | 2020 \$ | % |
|---------------------------------|-----------------------------|-------------------|-----------------------------|-------------------|
| Gross income | 474,366,302 | | 874,715,272 | |
| Bought in services - Local | (708,090,727) | | (1,308,508,727) | |
| VALUE ADDED / (CONSUMED) | <u>(233,724,426)</u> | <u>100</u> | <u>(433,793,455)</u> | <u>100</u> |

APPLIED AS FOLLOWS:

| | | | | |
|--|-----------------------------|-------------------|-----------------------------|-------------------|
| To pay employees' salaries, wages pensions and other benefits | (53,605,870) | 23 | (73,267,232) | 17 |
| To pay tax to Government | 4,249,652 | (2) | 3,315,888 | (1) |
| To provide for maintenance of assets, expansion of business: | | | | |
| - Deferred taxation | - | - | - | - |
| - Depreciation | (23,589,383) | 10 | (23,589,383) | 5 |
| - Profit retained | <u>(160,778,825)</u> | <u>69</u> | <u>(340,252,728)</u> | <u>78</u> |
| VALUE ADDED/(CONSUMED) | <u>(233,724,426)</u> | <u>100</u> | <u>(433,793,455)</u> | <u>100</u> |

"Value consumed" represent the wealth of the Company that was expended in the course of its operation during the year.

This Statement show the allocation of that expenditure between employees, government and maintenance of assets for future creation of more wealth.