

MRS OIL NIGERIA PLC

RC: 6442

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MRS Oil Nigeria Plc 3rd Quarter 2019 Financial Statements

DIRECTORS:

Mr. Patrice Alberti (French), (Chairman), Mrs. Priscilla Thorpe-Monclus (Managing Director), Mr. Andrew O. Gbodume, Ms. Amina Maina, Mr. Mathew Akinlade (FCA), Sir Sunday N. Nwosu, Chief Dr. Amobi D. Nwokafor (FCA), Mrs. Priscilla Ogwemoh, Mr. Christopher O. Okorie.



T E A M W O R K • E X C E L L E N C E • S E R V I C E • T R U S T

Contents	Page
Corporate information	3
Statement of directors' responsibilities	4
Statement of financial position	5
Statement of profit or loss and other comprehensive income	6
Statement of changes in equity	7
Statement of cash flows	8
Index to notes to the financial statements	9
Notes to the financial statements	10

Corporate information

RC 6442

Board of directors	<p>Mr. Patrice Alberti Mrs. Priscilla Thorpe-Monclus Dr. Paul Bissolhong¹ Mr. Andrew O. Gbodume Ms. Amina Maina Mr. Matthew Akinlade Sir. Sunday Nnamdi Nwosu Chief Dr. Amobi Daniel Nwokafor Mrs. Priscilla Osewemoh² Mr. Christopher O. Okorie³</p>	<p>Chairman Managing Director (Ag.) Non Executive Director Non Executive Director Non Executive Director Independent Director Non Executive Director Non Executive Director Non Executive Director Non Executive Director</p>
Registered office	<p>2, Tincan Island Apapa Lagos</p>	
Company secretary	<p>Mrs. O.M. Jafajo 2, Tincan Island Apapa Lagos</p>	
Registrar	<p>First Registrars and Investor Services Limited Plot 2, Abebe Village Road, Iganmu Lagos PMB 12692 Marina Lagos</p>	
Auditor	<p>KPMG Professional Services KPMG Tower Bishop Aboyade Cole Street Victoria Island Lagos</p>	
Principal bankers	<p>Access Bank Plc Fidelity Bank Plc First Bank of Nigeria Limited First City Monument Bank Plc Skye Bank Plc (now Polaris Bank Limited) Standard Chartered Bank Nigeria Limited Sterling Bank Plc Union Bank of Nigeria Plc Unity Bank Plc Zenith Bank Plc</p>	
Leadership team	<p>Priscilla Thorpe Monclus Managing Director (Ag.)</p> <p>Oluwakemi M. Jafajo Company Secretary</p> <p>Kamil Bello Chief Finance Officer</p> <p>Adewole Abegunde⁴ Aviation Manager (Ag.)</p> <p>Michael Ayewa Health, Safety and Environment Manager</p> <p>Jibril Hassan⁵ Treasury Manager</p> <p>Daniel Chukwuazawom Chief Internal Auditor</p> <p>Franklin C. Ugwueke⁶ Adebayo Olusodo⁷ Engineering/Marketing Support Manager</p>	<p>Timipiri Odu Human Resources Manager</p> <p>Uche Amanambu⁸ Chief Legal Counsel (Ag.)</p> <p>Abdullahi Masanawa⁹ Operations Manager</p> <p>Moruf Sobowale Head, Sales and Marketing</p> <p>Jah'swill Omolu¹⁰ Procurement Manager</p> <p>Ismalla Alabi Lubes Operation Manager</p> <p>Oluwole Oderinde¹¹ Information Technology Manager</p>

¹ Resigned - 30 Apr. 2019

² Appointed - 28 Feb. 2019

³ Appointed - 28 Mar. 2019

⁴ Seconded - 1 Mar. 2019

⁵ Recalled - 16 Jan. 2019

⁶ Recalled - 1 May 2019

⁷ Transferred - 1 Feb. 2019

⁸ Assigned role - 1 Mar. 2019

⁹ Resigned - 8 Feb. 2019

¹⁰ Resigned - 1 Aug. 2019

¹¹ Transferred - 1 Oct. 2019

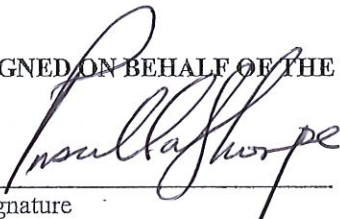
Statement of Directors' responsibilities in relation to the financial statements for the period ended 30 September 2019

The directors accept responsibility for the preparation of the interim financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and Financial Reporting Council of Nigeria Act, 2011.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 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.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

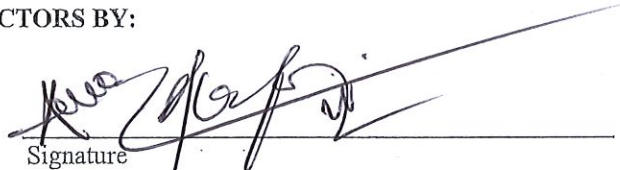


Signature

Priscilla Thorpe Monclus (Managing Director Ag.)
Name

FRC/2018/IODN/00000019287
FRC

30-10-2019
Date



Signature

Chief Amobi D. Nwokafor (Director)
Name

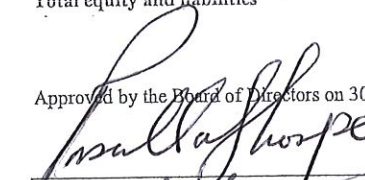


FRC/2013/ICAN/00000002770
FRC

30-10-2019
Date

Statement of financial position
as at

	Notes	30 September 2019 ₦'000	31 December 2018 ₦'000
Assets			
Property, plant and equipment	12	16,017,052	16,788,788
Intangible assets	13	1,351	3,662
Prepayments	26	743,408	775,010
Trade and other receivables	15	-	-
Total non-current assets		16,761,811	17,567,460
Inventories	18	5,364,911	4,473,289
Truck loan receivables	14	-	-
Withholding tax receivables	17	83,877	79,846
Prepayments	26	318,292	294,664
Trade and other receivables	15	18,181,353	25,238,284
Promissory note	16	146,272	4,535,573
Cash and cash equivalents	19	1,716,230	2,094,086
Total current assets		25,810,935	36,715,742
Total assets		42,572,747	54,283,202
Equity			
Share capital	20	152,393	152,393
Retained earnings		19,439,422	20,568,305
Total equity		19,591,815	20,720,698
Liabilities			
Employee benefit obligations	21	17,467	13,361
Provisions	27	-	-
Deferred tax liabilities	11(d)	1,012,149	1,316,009
Total non-current liabilities		1,029,615	1,329,370
Security deposits	22	1,914,061	2,174,393
Dividend payable	23(a)	416,638	375,577
Trade and other payables	24	18,109,433	18,089,739
Short term borrowings	25	1,306,150	11,326,921
Provisions	27	46,139	46,139
Tax payable	11(e)	158,897	220,365
Total current liabilities		21,951,317	32,233,134
Total liabilities		22,980,932	33,562,504
Total equity and liabilities		42,572,747	54,283,202

Approved by the Board of Directors on 30 October 2019 and signed on its behalf by:

) Mrs Priscilla Thorpe-Monclus (Managing Director Ag.)
 FRC/2018/IODN/00000019287
) Chief Amobi D. Nwokafor (Director)
 FRC/2013/ICAN/00000002770
) Mr. Kamil Bello (Chief Finance Officer)
 FRC/2013/ICAN/00000000951

The accompanying notes form an integral part of these financial statements.

Statement of profit or loss and other comprehensive income
for the Period ended

	Notes	July - Sept. 2019	Cumm. YTD Sept 2019	July - Sept. 2018	Cumm. YTD Sept 2018
		₦'000	₦'000	₦'000	₦'000
Revenue	5	17,479,162	47,278,693	13,758,538	76,074,812
Cost of sales	7(b)	-16,564,367	(44,674,417)	(12,961,211)	(71,981,863)
Gross profit		914,795	2,604,276	797,327	4,092,949
Other income	6	73,918	205,945	55,857	237,447
Selling and distribution expenses	7(b)	-281,305	(857,753)	(243,061)	(732,418)
Administrative expenses	7(b)	-1,175,488	(3,312,701)	(1,342,685)	(3,732,528)
Reversal of (Impairment loss) on financial assets		94,436	196,139	-	318,335
Operating profit		(373,644)	(1,164,094)	(732,562)	183,785
Finance income	8	11,518	34,954	3,211	30,986
Finance costs	8	-79,907	(303,603)	(246,765)	(417,192)
Net finance costs	8	(68,389)	(268,649)	(243,554)	(386,206)
(Loss)/profit before income tax		(442,033)	(1,432,743)	(976,116)	(202,421)
Income tax credit/(expense)	11(a)	303,860	303,860	44,807	(223,340)
Profit for the period		(138,173)	(1,128,883)	(931,309)	(425,761)
Other Comprehensive Income, net of income tax		-	-	-	-
Total comprehensive income for the period		(138,173)	(1,128,883)	(931,309)	(425,761)
(Loss)/Earnings per share					
Basic and diluted (loss)/earnings per share (Naira)	10	-0.45	-3.70	-3.06	-1.40

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity
for the period ended 30 September 2019

<i>Notes</i>	Share capital	Retained earnings*	Total equity
	₦'000	₦'000	₦'000
Adjusted Balance as at 1 January 2018	126,994	21,784,608	21,911,602
Total comprehensive income:			
(Loss)/Profit for the year	-	(1,264,941)	(1,264,941)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(1,264,941)	(1,264,941)
Transactions with owners of the Company			
<i>Contributions and Distributions</i>			
Write-back of statute barred dividend	23(b) -	74,037	74,037
Bonus shares issued	23(a) 25,399	(25,399)	-
Total transactions with owners of the Company	25,399	48,638	74,037
Balance as at 31 December 2018	152,393	20,568,305	20,720,698
<i>Notes</i>	Share capital	Retained earnings*	Total equity
	₦'000	₦'000	₦'000
Balance as at 1 January 2019	152,393	20,568,305	20,720,698
Total comprehensive income:			
Profit/(Loss) for the period	-	(1,128,883)	(1,128,883)
Other comprehensive income	-	-	-
Total comprehensive income	-	(1,128,883)	(1,128,883)
Transactions with owners of the Company			
<i>Contributions and Distributions</i>			
Write-back of statute barred dividend	23(a) -	-	-
Bonus shares issued	-	-	-
Dividends declared	23(a) -	-	-
Total transactions with owners of the Company	-	-	-
Balance as at 30 September 2019	152,393	19,439,422	19,591,815

*Included in retained earnings is ₦14.40 billion (2018: ₦14.40 billion) which represents revaluation surplus on Property, plant and equipment transferred at IFRS transition date. The Company has opted not to distribute this amount.

The accompanying notes form an integral part of these financial statements.

Statement of cash flows
for the period ended

Notes	30 Sept. 2019	30 Sept. 2018
	₦'000	₦'000
Cash flows from operating activities:		
(Loss)/Profit after tax	(1,128,883)	(425,761)
Adjustments for:		
Depreciation	12(a) 1,085,103	1,087,663
Amortisation of intangible assets	13 2,453	12,585
Finance income	8 (34,954)	(30,986)
Finance costs	8 303,603	417,192
Loss/(Gain) on sale of property, plant and equipment	6 19,347	(11,975)
Write off of property, plant and equipment	12(a) -	-
Provision for long-term service award	21(c) 4,270	4,705
(Reversal of)/impairment loss on trade receivables	7(a) 2,297	(325,479)
(Reversal of)/impairment loss on truck loan receivable	7(a) (198,436)	-
(Recovery)/Write off of employee and other receivables	7(a) (172,085)	(22,883)
Impairment of Petroleum Equalization Fund receivables	-	-
Impairment of Petroleum Product Pricing Regulatory Agency receivables	-	-
Impairment of related party receivables	-	-
(Write back)/impairment loss on inventory	18(b) (134)	-
Income tax (credit)/charge	11(a) (303,860)	223,340
	(421,279)	928,401
Changes in:		
- Inventories	(891,488)	916,484
- Trade, other receivables and prepayments	11,818,399	356,115
- Security deposits	(260,332)	204,661
- Provisions	-	-
- Trade and other payables	60,769	(4,782,415)
Cash generated from operating activities	10,306,069	(2,376,754)
Income taxes paid	11(c) (46,832)	(297,206)
Withholding tax credit notes utilised	11(c) (14,636)	(50,883)
Long-term service award paid	21 (164)	-
Net cash generated from operating activities	10,244,437	(2,724,842)
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	3,568	34,638
Purchase of property, plant and equipment	12(a) (624,873)	(716,044)
Purchase of intangible assets	13 -	-
Amounts paid on behalf of transporters	14 -	-
Principal received on amounts advanced to transporters	14 94,436	5,842
Interest received	8 34,954	30,986
Net cash used for investing activities	(491,915)	(644,578)
Cash flows from financing activities:		
Additional (overdraft)/short term borrowings	25(c) -	4,193,379
Short term borrowing repayment	(9,337,095)	-
Dividends paid	23 (14)	(12,056)
Interest paid	8 (109,591)	(417,192)
Net cash used in financing activities	(9,446,701)	3,764,131
Net change in cash and cash equivalents	305,822	394,710
Cash and cash equivalents at 1 January	19 1,424,272	20,344
Effect of movements in exchange rates on cash held	(13,864)	1,943
Cash and cash equivalents at 30 Sept 2019	19 1,716,230	416,997

The accompanying notes form an integral part of these financial statements.

Index to Notes to the financial statements
for the period ended 30 September 2019

	Page
1 Reporting entity	10
2 Basis of preparation	10
3 Significant accounting policies	11
4 New Standards and Interpretations	19
5 Revenue	20
7 Expenses by nature	20
8 Finance income and costs	21
9 Loss/Profit before income tax	21
10 Loss/Earnings per share and dividend declared per share.	23
11 Income Taxes	23
12 Property, plant and equipment	26
13 Intangible assets	27
14 Truck loans receivables	27
15 Trade and other receivables	28
16 Promissory note	29
17 Withholding tax receivables	30
18 Inventories	30
19 Cash and cash equivalents	31
20 Share capital	31
21 Employee benefit obligations	31
22 Security deposits	33
23 Dividends payable and bonus shares	33
24 Trade and other payables	33
25 Short term borrowings	34
26 Prepayments	35
27 Provisions	35
28 Financial risk management & financial instruments	35
29 Related party transactions	44
30 Segment reporting	46
31 Subsequent events	47
32 Contingencies	47

1. Reporting entity

The Company was incorporated as Texaco Nigeria Limited (a privately owned Company) on 12 August 1969 and was converted to a Public Limited Liability company quoted on the Nigerian Stock Exchange in 1978, as a result of the 1977 Nigerian Enterprises Promotions Decree. The Company is domiciled in Nigeria and its shares are listed on the Nigerian Stock Exchange (NSE). The Company's name was changed to Texaco Nigeria Plc. in 1990 and again on 1 September 2006 to Chevron Oil Nigeria Plc.

On 20 March 2009 there was an acquisition of Chevron Africa Holdings Limited, (a Bermudian Company) by Corlay Global SA of Moffson Building, East 54th Street, Panama, Republic of Panama. By virtue of this foreign transaction, Chevron Nigeria Holdings Limited, Bermuda changed its name to MRS Africa Holdings Limited, Bermuda.

The new management of the Company announced a change of name of the Company from Chevron Oil Nigeria Plc to MRS Oil Nigeria Plc ("MRS") effective 2 December 2009 following the ratification of the name change of the Company at the 40th Annual General Meeting of the Company on 29 September 2009.

The Company is domiciled in Nigeria and has its registered office address at:

2, Tincan Road
Lagos
Nigeria

The Company is principally engaged in the business of marketing and distribution of refined petroleum products, blending and selling of lubricants and manufacturing and selling of greases.

2 Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

The financial statements were authorised for issue by the Company's Board of Directors on 30 September 2019. Details of the Company's significant accounting policies are included in Note 3.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise stated.

(c) Functional and presentation currency

These financial statements are presented in Nigerian Naira, which is the Company's functional currency. All financial information presented in Naira have been rounded to the nearest thousand unless stated otherwise.

(d) Use of judgements and estimates

The preparation of annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

i Judgements, assumptions and estimation uncertainties

Significant judgments have been made in applying accounting policies that would have significant effects on the amounts recognised in these financial statements.

ii Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. The Chief Finance Officer has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports to the Board of Directors through the Managing Director.

The Chief Finance Officer regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Chief Finance Officer assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Audit Committee and Board of Directors.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

(e) **Changes in accounting policies**

The Company has adopted Amendments to IAS 7 including any consequential amendments to other standards with initial date of application of 1 January 2017.

Disclosure Initiative (Amendments to IAS 7)

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances arising from the financing activities. Disclosures in line with this standard are presented in Note 22 and Note 24(c).

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) **Foreign currency transactions**

Transactions denominated in foreign currencies are translated and recorded in Nigerian Naira at the spot rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the rates of exchange prevailing at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate on the date of the transaction.

Foreign currency differences arising on translation are recognized in profit or loss.

(b) **Financial instruments**

The Company classifies non-derivative financial assets into loans and receivables.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

i. **Non-derivative financial assets and financial liabilities - recognition and derecognition**

The Company initially recognises loans and receivables on the date when they are originated. Financial liabilities are initially recognised on the trade date when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

ii **Non-derivative financial assets - measurement**

The Company initially recognizes loans and receivables at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

The Company has only loans and receivables, trade and other receivables(both classified as loans and receivables category), cash and cash equivalents as non-derivative financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Short term receivables that do not attract interest are measured at original invoice amount where the effect of discounting is not material.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash balances with banks and call deposits with original maturities of three months or less. Short-term borrowings and bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of statement of cash flows. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

iii **Non-derivative financial liabilities - measurement**

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. The Company has the following non-derivative financial liabilities: loans and borrowings, trade and other payables, security deposit and dividend payable.

Short term payables that do not attract interest are measured at original invoice amount where the effect of discounting is not material.

iv **Derivative financial assets - measurement**

The Company holds derivative financial instruments to hedge its foreign currency exposures.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

(c) **Property, plant and equipment**

i **Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment at 1 January 2011, the Company's date of transition to IFRS, was determined with reference to their fair value at that date being the deemed cost on transition to IFRS.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Property, plant and equipment under construction are disclosed as capital work-in-progress. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use including, where applicable, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

If significant 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.

Gains and 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 recognized net within other income in profit or loss.

ii Subsequent expenditure

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

iii Depreciation

Depreciation is calculated to write off the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the 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 the useful life.

The estimated useful lives for the current and comparative years are as follows:

Land and Buildings:	
- Leasehold Land	Not depreciated
- Buildings	10 to 25 years
Plant and Machinery	10 to 20 years
Furniture and Fittings	5 years
Automotive equipment	4 to 10 years
Computer equipment	3 years
Office equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Capital work-in-progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

(d) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

The Company's intangible assets with finite useful lives comprise acquired software. These are capitalised on the basis of acquisition costs as well as costs incurred to bring the assets to use.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific intangible asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iii) Amortisation of intangible assets

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The useful life for computer software is 3 years.

(e) Leases

i Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. At inception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

ii **Leased assets**

Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their 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.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

iii **Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each year during the lease term so as to produce a constant yearic rate of interest on the remaining balance of the liability.

(f) **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition but excludes reimbursable costs or other costs subsequently recoverable by the Company. In the case of manufactured/ blended inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

The basis of costing inventories are as follows:

Product Type	Cost Basis
a) Refined petroleum products AGO, ATK, PMS, DPK b) Packaging materials, lubricants and greases	Weighted average cost
Inventories-in-transit	Purchase cost incurred to date

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventory values are adjusted for obsolete, slow-moving or defective items.

(g) **Impairment**

i **Non-derivative financial assets**

Financial assets not classified at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets maybe impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets

The Company considers evidence of impairment for these assets at both an individual asset and collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on timing of recoveries and the amount of loss incurred, and makes adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

ii **Non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash flows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. 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.

(h) **Employee benefits**

i **Defined contribution plan**

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

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for its permanent staff. Employees contribute 8% each of their basic salary, transport and housing allowances to the Fund on a monthly basis. The Company's contribution is 10% of each employee's basic salary, transport and housing allowances. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recognised in profit or loss as employee benefit expense in the years during which services are rendered by employees.

ii **Defined benefit plan**

The Company operated one gratuity scheme which was a defined benefit scheme for certain employees. This scheme was however terminated in February 2013 and all qualifying employees under the scheme were paid off. See note 21.

The Company's net obligation in respect of defined benefit scheme was calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years and that benefit was discounted to determine its present value. In determining the liability for employee benefits under the defined benefit scheme, consideration was given to future increases in salary rates and the Company's experience with staff turnover.

The recognised liability was determined by an independent actuarial valuation every year using the projected unit credit method. HR Nigeria Limited was engaged as the independent actuary in the prior years. Actuarial gains and losses arising from differences between the actual and expected outcome in the valuation of the obligation were recognised fully in Other Comprehensive Income. The effect of any curtailment is recognised in full in profit or loss immediately the curtailment occurs. The discount rate is the yield on Federal Government of Nigeria issued bonds that have maturity dates approximating the terms of the Company's obligation. Although the scheme was not funded, the Company ensured that adequate arrangements were in place to meet its obligations under the scheme.

ii Other long-term employee benefits

The Company's other long-term employee benefits represents a Long Service Award scheme instituted for all permanent employees. The Company's obligations in respect of this scheme is the amount of future benefits that employees have earned in return for their service in the current and prior years. The benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Federal Government of Nigeria issued bonds that have maturity dates approximating the term of the Company's obligation. The calculation is performed using the Projected Unit Credit method. Remeasurements are recognised in profit or loss in the year in which they arise. Although the scheme was not funded, the Company ensured that adequate arrangements were in place to meet its obligations under the scheme.

iii Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting year, then they are discounted.

iv Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonuses if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(i) Provisions and contingent liabilities

Provisions

Provisions comprise liabilities for which the amount and timing are uncertain. They arise from legal and tax risks, litigation and other risks. A provision is recognized 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 cash flows at a pre-tax 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.

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 a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position.

(j) Revenue

Revenue from the sale of non-regulated products in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of value added tax, sales returns, trade discounts, volume rebate. Revenue is recognized when persuasive evidence exists that significant control of ownership have been transferred to the buyer, recovery of the agreed transaction price is probable, performance obligation(s) have been fulfilled. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Revenue for regulated products is measured at the regulated price of the products net of standard transport cost directly recoverable from the prices of regulated products.

The timing of the transfer of control of ownership of the product varies depending on whether the customer collects the products himself or the Company delivers to the customer using the third party transporters. For the former, revenue is recognized when the customer picks up the products from the Company's depots and the latter, when delivery is made; hence, revenue is recognised at a point in time.

(k) Finance income and finance costs

Finance income comprising of interest income on funds invested, foreign currency gain on financial assets and financial liabilities, and reimbursement of any foreign exchange loss or interest from Petroleum Product Pricing Regulatory Agency (PPPRA). Finance income is recognized as it accrues in profit or loss.

Finance costs comprises interest expense on borrowings, bank charges, foreign currency loss on financial assets and financial liabilities, unwinding of the discount on provisions. Interest expenses are recognized in profit or loss using the effective interest method. Finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the related assets. Finance costs that are directly attributable to the importation of Premium Motor Spirit (PMS) are classified as trade and other receivables.

Foreign currency gains and losses are reported on a net basis.

- (l) **Income tax**
Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.
- i **Current 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 Companies Income Tax Act (CITA), Tertiary Education Trust Fund (Establishment Act 2011) and Capital Gains Tax Act. Tertiary education tax is assessed at 2% of assessable profit, Capital gains tax at 10% of chargeable capital gains while Company income tax is assessed at 30% of adjusted profit.
- ii **Deferred tax**
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. Deferred tax is not recognised for:
- 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;
 - temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
 - taxable temporary differences arising on the initial recognition of goodwill.
- Deferred tax assets are recognised for unused tax losses, unused 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 used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans approved by the board of the Company.
- 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 realised; such reductions are reversed when the probability of future taxable profits improves.
- Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.
- Deferred tax assets and liabilities are offset only if certain criteria are met.
- (m) **Withholding tax receivables**
Withholding taxes (WHT) are advance payments of income taxes deducted by the Company's customers at source upon invoicing. WHT receivables are measured at cost.
- The Company offsets the tax assets arising from WHT credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realized.
- Tax asset written down are recognized in profit or loss as income tax expense.
- (n) **Earnings per share (EPS)**
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. 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, for the effects of all dilutive potential ordinary shares.
- (o) **Segment reporting**
An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed regularly by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.
- Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

- (p) **Statement of cash flows**
The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows have been eliminated for the purpose of preparing the statement. Dividends paid to ordinary shareholders are included in financing activities. Finance costs paid is also included in financing activities while finance income is included in investing activities.
- (q) **Government grants**
Petroleum Products Pricing Regulatory Agency (PPPRA) subsidies which compensate the Company for losses made on importation of certain refined petroleum products are recognised when there is reasonable assurance that they will be recovered and the Company has complied with the conditions attached to receiving the subsidy. The subsidies are recognised as a reduction to the landing cost of the subsidised petroleum product.
- (r) **Joint arrangement**
The Company's joint arrangement is in respect of its interests in joint aviation facilities held with other parties. These Financial Statements include the Company's share of assets, liabilities, revenue and expenses of the joint arrangement.
- (s) **Share capital**
The Company has only one class of shares, ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price is recorded in the share premium reserve. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects are recognised as a deduction from equity.
- (t) **Operating profit**
Operating profit is the result generated from the continuing principal revenue producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity accounted investees and income taxes.
- (u) **Dividend**
Dividend is accrued when declared, being when it is appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting year but not distributed at the end of the reporting year.
- (v) **Operating expense**
Expenses are decreases in economic benefits during the accounting year in the form of outflows, depletion of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Expenses are recognized on an accrual bases regardless of the time of spending cash. Expenses are recognized in the statement of profit or loss when a decrease in future economic benefit related to a decrease in an assets or an increase of a liability has arisen that can be measured reliably.

Expenses are measured at historical cost. Only the portion of cost of a previous year that is related to the income earned during the reporting year is recognized as an expense. Expenses that are not related to the income earned during the reporting year, but expected to generate future economic benefits, are recorded in the financial statement as assets. The portion of assets which is intended for earning income in the future years shall be recognized as an expense when the associated income is earned.

Expenses are recognized in the same reporting year when they are incurred in cases when it is not probable to directly relate them to particular income earned during the current reporting year and when they are not expected to generate any income during the coming years.
- (w) **Cost of sales**
Cost of sales represents decreases in economic benefits during the accounting year that are directly related to revenue-generating activities of the Company.
Cost of sales is recognized on an accrual bases regardless of the time of spending cash and measured at historical cost.

Only the portion of cost of a previous year that is related to revenue earned during the reporting year is recognized as Cost of sales.
- (x) **Other income**
The Company recognises income from rental of some of its space, filling stations, certain equipment to partners. Other income includes all other earnings that are not directly related to sale of its products. Gain or loss on disposal of property, plant and equipment is included in other income.

4(a) **New Standards and Interpretations**

The following standards which became effective for the financial year commencing 1 January 2018 and 1 January 2019; have been adopted in preparing these financial statements.

- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 9 *Financial Instruments*

Effective for the financial year commencing 1 January 2019

- IFRS 16 *Leases*

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 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 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

The Company has begun assessing the potential impact of IFRS 16 on the financial statements and has noted that some of its lease contracts would be in scope of IFRS 16. As a result, it would be required to recognise the Right of Use Asset and corresponding lease liability on transition to IFRS 16. The Company has not yet determined the necessary transitional adjustments to equity on date of transition. However, the Company will adopt the modified retrospective transition approach.

The Company will adopt the standard for the year ending 31 December 2019.

	30 Sept. 2019	30 Sept. 2018
	₦'000	₦'000
5 Revenue		
Premium Motor Spirit (PMS)	34,221,912	53,488,172
Aviation Turbine Kerosene (ATK)	5,640,696	4,938,036
Automotive Gas Oil (AGO)	4,331,378	8,099,004
Lubricants and greases	2,885,405	2,770,090
Dual Purpose Kerosene (DPK)	79,509	6,760,048
Liquidified Petroleum Gas (LPG)	119,793	19,462
	<u>47,278,693</u>	<u>76,074,812</u>

Revenue is recognised at a point in time and sales are mostly made to customers in Nigeria. Information on analysis of revenue by category is shown in Note 30.

	30 Sept. 2019	30 Sept. 2018
	₦'000	₦'000
6 Other income		
Rental and lease income (Note 6(a))	25,433	13,807
Sundry income (Note 6(b))	30,900	42,178
(Loss)/Gain on sale of property, plant & equipment	(19,347)	11,975
Income on storage services	168,959	169,487
	<u>205,945</u>	<u>237,447</u>

(a) Rental and lease income relates to income earned on assets that are on operating lease arrangements to third parties. Assets on lease include filling stations and related equipment (generators and dispenser pumps).

(b) Sundry income represents service fees for handling and other fees earned in the delivery of products.

	30 Sept. 2019	30 Sept. 2018
	₦'000	₦'000
7(a) Expenses by nature		
Depreciation (Note 12(a))	1,085,103	1,087,663
Amortization of intangible assets (Note 13)	2,453	12,585
Changes in inventories of lubes, greases and refined products	44,691,443	72,027,962
Rental of service stations, buildings and equipment	138,584	178,699
Advertising expense	12,991	42,629
Consultancy expense	135,748	334,694
Maintenance expense	616,228	419,034
Throughput expense	32,388	11,868
Freight expense	259,503	231,546
Management fees (Note 26 (c))	286,430	264,884
Director's remuneration (Note 9(b)(iv))	23,666	3,750
Employee benefit expense (Note 9 (b)(i))	427,009	519,393
Auditor's remuneration	26,250	26,250
(Reversal of)/Impairment loss on truck loan receivables (Note 25(a))	(198,436)	-
Impairment loss on trade receivables (Note 25(a))	2,297	(325,479)
Write off of other receivables	(172,085)	(22,883)
Write off of property, plant & equipment (Note 12(a))	-	-
Local and international travel	91,166	72,361
Office expenses and supplies	234,269	256,644
Communication and postage	204,512	189,104
Fines and penalties	31	10
Insurance premium	139,243	143,932
Contract labour	400,227	409,743
Sponsorships and donations	571	17,091
Licenses and Levies	32,363	15,522
Utilities	3,701	32,612
Subscriptions	7,539	33,057
Board meetings and AGM expenses	74,277	37,437
Security	33,345	39,505
Other office running expenses	57,916	68,861
Total cost of sales, selling and distribution and administrative expenses	<u>48,648,732</u>	<u>76,128,474</u>

7(b) Expenses by function

	30 Sept. 2019	30 Sept. 2018
	₦'000	₦'000
Cost of sales	44,674,417	71,981,863
Selling and distribution expenses	857,753	732,418
Administrative expenses	3,116,562	3,414,193
	<u>48,648,732</u>	<u>76,128,474</u>

7(c) Non-audit services paid to the statutory auditors
Non-audit services paid to the statutory auditors comprise:

	30 Sept. 2019	30 Sept. 2018
	₦'000	₦'000
Filing of transfer pricing	788	2,646
Tax regulatory compliance services	20,901	15,638
Recruitment services	-	-
Accounting advice	-	929
	<u>21,689</u>	<u>19,213</u>

8 Finance income and finance costs

	30 Sept. 2019	30 Sept. 2018
	₦'000	₦'000
Finance income		
Interest income on short-term bank deposits	34,954	30,986
Interest income on loans to transporters (Note 14)	-	-
Total finance income	<u>34,954</u>	<u>30,986</u>
Finance cost		
Interest expense	71,239	117,849
Bank charges	38,352	43,269
Net foreign exchange loss	194,012	256,074
Total finance costs	<u>303,603</u>	<u>417,192</u>
Net finance costs	<u>268,649</u>	<u>386,206</u>

9 (Loss)/Profit before income tax

(a) (Loss)/Profit before income tax is stated after charging/(crediting):

	30 Sept. 2019	30 Sept. 2018
	₦'000	₦'000
Depreciation (Note 12)	1,085,103	1,087,663
Amortisation of intangible assets (Note 13)	2,453	12,585
Management fees (Note 26(c))	286,430	264,884
Director's remuneration (Note 9(b)(iv))	23,666	3,750
Employee benefit expense (Note 9(b)(i))	427,009	519,393
Auditor's remuneration	26,250	26,250
Gain on sale of property, plant & equipment (Note 6)	19,347	(11,975)
Write off of property, plant and equipment (Note 12(a))	-	-
Impairment loss on truck loan receivables (Note 28)	(198,436)	-
Impairment loss on trade receivables (Note 28)	2,297	(325,479)
Write off of employee and other receivables	(172,085)	(22,883)
Net foreign exchange loss (Note 8)	194,012	256,074

(b) Directors and employees

i Employee costs during the period comprise:

	30 Sept. 2019	30 Sept. 2018
	₦'000	₦'000
Salaries and wages	304,024	354,457
Other employee benefits	89,267	126,573
Employer's pension contribution	28,910	33,563
Other long term employee benefit charge	4,808	4,800
	<u>427,009</u>	<u>519,393</u>

ii The average number of full-time persons employed during the year (other than executive directors) was as follows:

	Number	
	30 Sept. 2019	30 Sept. 2018
Administration	36	46
Technical and production	21	24
Operations and distribution	15	17
Sales and marketing	34	35
	<u>106</u>	<u>122</u>

iii Higher-paid employees of the Company and other than directors, whose duties were wholly or mainly discharged in

Nigeria, received remuneration in excess of ₦2,000,000 (excluding pension contributions) in the following ranges:

		Number	
₦	₦	30 Sept. 2019	30 Sept. 2018
1,000,001	2,000,000	-	-
2,000,001	3,000,000	1	1
3,000,001	4,000,000	6	7
4,000,001	5,000,000	42	48
5,000,001	6,000,000	32	36
6,000,001	7,000,000	5	8
7,000,001	8,000,000	5	5
8,000,001	9,000,000	6	7
9,000,001	10,000,000	3	3
Above	10,000,000	6	7
		<u>106</u>	<u>122</u>

iv Remuneration for directors of the Company charged to profit or loss account are as follows:

	30 Sept. 2019	30 Sept. 2018
	₦'000	₦'000
Fees	3,750	5,000
Other emoluments	19,916	10,770
	23,666	15,770

The directors' remuneration shown above includes:

Chairman	-	-
Highest paid director	5,854	5,820

Other directors received emoluments in the following ranges:

		Number	
₦	₦	30 Sept. 2019	30 Sept. 2018
Nil		3	3
1,000,001	2,000,000	-	-
2,000,001	3,000,000	-	-
3,000,001	4,000,000	4	4
4,000,001	5,000,000	-	-
5,000,001	6,000,000	1	1
6,000,001	7,000,000	-	-
7,000,001	8,000,000	-	-

10 (Loss)/Earnings per share (EPS) and Dividend declared per share

(a) Basic EPS

Basic loss per share of ₦-3.7 (Sept. 2018: earnings per share ₦-1.40) is based on loss attributable to ordinary shareholders of ₦-1,128,883,000 (Sept. 2018: loss of ₦425,761,000) and on the 304,786,406 ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the year (Sept. 2018: 304,786,406).

	30 Sept. 2019	30 Sept. 2018
Profit/(Loss) for the period attributable to shareholders (expressed in Naira)	(1,129)	(425,761)
Weighted average number of ordinary shares in issue	304,786	304,786
Basic earnings per share (expressed in Naira per share)	(3.70)	(1.40)

(b) Diluted Earnings per share

The Company had no dilutive ordinary shares to be accounted for in these financial statements.

11 Income taxes

Income tax expense

The tax charge for the year has been computed after adjusting for certain items of expenditure and income which are not deductible or chargeable for tax purposes, and comprises:

(a) Amounts recognized in profit or loss

	30 Sept. 2019	30 Sept. 2018
	₦'000	₦'000
Current tax expense:		
Income tax	-	204,235
Tertiary education tax	-	19,105
Capital gains tax	-	-
Changes in estimate related to prior periods	-	-
	-	223,340
Deferred tax (credit)/expense:		
Origination and reversal of temporary differences	(303,860)	-
Income tax (credit)/expense	(303,860)	223,340

(b) Reconciliation of effective tax rates

The tax on the Company's profit before tax differs from the theoretical amount as follows:

	%	30 Sept. 2019	%	30 Sept. 2018
(Loss)/Profit before income tax		(1,432,743)		(202,421)
Income tax using the statutory tax rate	30	(429,823)	30	(60,725)
Impact of tertiary education tax	2	(28,655)	2	(4,048)
Capital gains tax	-	-	-	-
Effect of tax incentives	-	-	41	(82,345)
Non deductible expenses	(36)	509,470	(226)	456,917
Tax exempt income	6	(82,826)	49	(99,281)
Difference in CIT rate and TET rate	-	-	-	-
Derecognition of previously recognised taxable difference	21	(303,860)	-	-
Changes in estimates related to prior periods	-	-	-	-
Other differences	(8)	107,830	(6)	12,822
Total income tax expense in income statement	16	(227,863)	(110)	223,340

*CIT- Company Income Tax, TET- Tertiary Education Tax

(c) Movement in current tax liability

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Balance at beginning of the period	220,365	653,429
Payments during the period	(46,832)	(450,580)
Net charge for the period (Note 11(a))	-	68,399
Withholding tax credit notes utilized (Note 17)	(14,636)	(50,883)
	158,897	220,365

The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience.

(d) Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	30-Sep-19	31-Dec-18	30-Sep-19	31-Dec-18	30-Sep-19	31-Dec-18
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Employee benefits	4,275	4,275	-	-	4,275	4,275
Trade receivables	663,805	546,056	-	-	663,805	546,056
Truck loan receivables	-	-	-	76,603	-	76,603
Other receivables	-	37,274	-	-	-	37,274
Inventories	7,201	2,080	-	-	7,201	2,080
PPRA receivables	-	22,041	-	-	-	22,041
PEF receivables	-	19,971	-	-	-	19,971
Related party receivable	-	61,382	-	-	-	61,382
Net unrealised exchange differences	91,507	94,017	-	-	91,507	94,017
	766,788	787,096	-1,778,937	-2,103,105	-1,012,149	-1,316,009

The Company does not have any unrecognized deferred tax assets or liabilities

(e) Movement in temporary differences during the period

	Recognised in Profit or loss		Recognised in Profit or loss		Balance	
	01-Jan-18	31-Dec-18	30-Sep-19	31-Dec-18	30-Sep-19	31-Dec-18
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	(2,507,312)	327,604	(2,179,708)	400,771	(1,778,937)	(1,778,937)
Employee benefits	3,807	468	4,275	-	4,275	4,275
Trade receivables	647,483	(101,427)	546,056	117,749	663,805	663,805
Truck loan receivables	89,390	(12,787)	76,603	(76,603)	-	-
Other receivables	37,274	-	37,274	(37,274)	-	-
Inventories	9,836	(7,756)	2,080	5,121	7,201	7,201
PPRA receivables	17,338	4,703.00	22,041	(22,041)	-	-
PEF receivables	10,182	9,789.00	19,971	(19,971)	-	-
Related party receivable	46,504	14,878.00	61,382	(61,382)	-	-
Net unrealised exchange differences	98,583	(4,566)	94,017	(2,510)	91,507	94,017
	(1,546,915)	230,906	(1,316,009)	303,860	(1,012,149)	(1,012,149)

12. Property, Plant and Equipment

(a) The movement on these accounts was as follows:

	Leasehold Land	Building	Plant & Machinery	Automotive Equipment	Computer & Office Equipment	Furniture & Fittings	Capital Work in Progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost								
Balance at 1 January 2018	8,472,302	6,093,879	10,674,724	1,295,340	936,157	218,213	58,215	27,748,830
Additions	46,095	86,221	140,691	60,249	18,849	1,280	570,457	923,842
Transfers	-	37,300	18,655	-	4,044	-	(59,999)	-
Disposals/Scrap	-	(1,120)	-	(37,680)	-	-	-	(38,800)
Balance as at 31 December 2018	8,518,397	6,216,280	10,834,070	1,317,909	959,050	219,493	568,673	28,633,872
Cost								
Balance at 1 January 2019	8,518,397	6,216,280	10,834,070	1,317,909	959,050	219,493	568,673	28,633,872
Additions	-	322,989	47,374	442	2,353	2,122	249,593	624,873
Transfers	-	-	-	-	-	-	(300,723)	(300,723)
Write-off	-	-	(58,068)	(5,798)	(29,401)	(12,387)	(3,238)	(108,892)
Disposals	-	-	-	-	-	-	-	-
Balance as at 30 September 2019	8,518,397	6,539,269	10,823,376	1,312,553	932,002	209,228	514,305	28,849,130
Accumulated depreciation and impairment								
Balance as at 1 January 2018	-	1,978,156	6,629,210	794,991	815,091	193,220	-	10,410,668
Charge for the year	-	235,181	1,036,891	133,986	38,261	5,637	-	1,449,956
Impairment loss	-	-	-	-	-	-	-	-
Write off	-	-	-	-	-	-	-	-
Disposal	-	(523)	-	(15,017)	-	-	-	(15,540)
Balance as at 31 December 2018	-	2,212,814	7,666,101	913,960	853,352	198,857	-	11,845,084
Accumulated depreciation and impairment								
Balance as at 1 January 2019	-	2,212,814	7,666,101	913,960	853,352	198,857	-	11,845,084
Charge for the period	-	179,660	791,595	91,089	19,680	3,078	-	1,085,103
Reclassification/ Adjustments	-	-	-	-	-	-	-	-
Write-off	-	-	(52,284)	(5,508)	(27,986)	(12,333)	-	(98,110)
Disposal	-	-	-	-	-	-	-	-
Balance as at 30 September 2019	-	2,392,474	8,405,412	999,541	845,046	189,603	-	12,852,077
Carrying amounts								
Balance as at 30 September 2019	8,518,397	4,146,794	2,417,963	313,011	86,956	19,624	514,305	16,017,052
Balance as at 31 December 2018	8,518,397	4,003,466	3,167,969	403,949	105,698	20,636	568,673	16,788,788

- (c) **Capital commitments**
 Capital expenditure commitments at the period end authorised by the Board of Directors comprise:

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Capital commitments	257,635	282,884

- (d) No property, plant and equipment has been pledged as collateral in respect of any facility (2018: Nil).

- (e) No borrowing costs related to the acquisition of property, plant and equipment was capitalised during the period (2018: Nil)

13 Intangible assets

Intangible assets relate to the Company's accounting software application package and license. The movement on these accounts during the period was as follows:

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Cost		
Balance as at 1 January	280,678	280,678
Additions	-	-
Balance	280,678	280,678
Accumulated amortisation		
Balance as at 1 January	276,874	260,570
Charge for the period (Note 7(a))	2,453	16,304
Balance	279,327	276,874
Carrying amount	1,351	3,804

14 Truck loan receivables

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Balance as at 1 January	-	246,760
Adjustment on initial application of IFRS 9 (Note 28(a)(v)) <i>Restated opening balance at 1 January 2018</i>	-	(246,760)
Insurance	-	-
Interest accrued (Note 14(a))	-	-
Principal received during the period	(94,436)	(39,934)
Interests received during the period	-	(25)
	(94,436)	(39,959)
Impairment recognised (Note 25(a))	-	-
Impairment loss reversal Note 28(a), Note 14(b))	94,436	39,959
Net (reversal of)/Impairment loss recognised	94,436	39,959
Balance	-	-

- (a) During the period, no interests income was earned on truck lease during the period (Dec 2018: ₦0.025 million). The Company did not incur additional cost during the period.

The Company, entered into an arrangement with some of its transporters to provide tankers to them. The transporters are to repay the Company the cost of the tankers plus an interest of 17% per annum. The transporters were expected to repay their obligations to the Company from freight costs charged to the Company for services rendered. The repayment periods range from 12 to 24 months. The transporters made a 20% contribution at the commencement of the arrangement. The outstanding balance on the receivable from the transporters are secured by the Company's retention of title to the tankers. Legal title will only be passed to the transporters once they have settled the outstanding balance.

In addition, in 2015, the arrangement was revised and the interest on outstanding payments was increased to 20% per annum and the tenor was extended for another 12 months and the insurance payments on the trucks for the current period was included as part of the new principal amount.

15 Trade and other receivables

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Trade receivables (Note 15(a))	3,831,969	2,683,943
DMO holdback (Note 15(d))	1,600,000	8,111,679
Bridging claims (Note 15(c))	7,904,290	6,215,722
Petroleum Support Fund (PSF) (Note 15(b))	3,902,854	6,937,004
Receivables from related parties (Note 15(e))	166,915	675,038
Employee receivables	55,192	67,851
Due from joint operation partners	112,241	97,059
Unclaimed dividend with Registrar	-	53,350
Sundry receivables	227,949	145,789
<i>Total financial assets</i>	17,801,410	24,987,435
<i>Non financial assets</i>		
Advances paid to suppliers	379,943	250,849
Non-current portion	-	-
Current portion	18,181,353	25,238,284

(a) Trade receivables	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Gross trade receivables	6,045,094	4,894,771
Impairment allowance	(2,213,125)	(2,210,828)
Net trade receivables	3,831,969	2,683,943

(b) Petroleum Support Fund (PSF)	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Balance at 1 January	6,937,004	7,005,880
Payment/Reversal	(3,034,150)	-
Impairment allowance (Note 28(a)(v))	-	(68,876)
Balance	3,902,854	6,937,004

The Company received Promissory Notes of NGN4.54 billion and NGN3.66m from the Debt Management Office (DMO) of the Federal Ministry of Finance in respect of amounts reconciled to date totalling NGN12.82 billion. The DMO held back an amount of NGN4.45 billion (Note 15(d)) for the settlement of liabilities owed by the Company to certain government agencies and to a financial institution based on a court order.

The company has recovered PN amounting to NGN172.09 million being the 1.5% palliative measure previously deducted by DMO (Note 7(a)) and NGN 2.85b being amount set aside for liabilities owed to government agencies.

(c) Bridging Claims	30 Sept.	31 Dec.
	2019	2018
	₦'000	₦'000
Gross bridging claims	6,215,722	6,278,130
Additions	1,688,568	-
Impairment allowance (Note 28(a)(v))	-	(62,408)
Net bridging claims	<u>7,904,290</u>	<u>6,215,722</u>

Bridging claims relate to reimbursables from the Petroleum Equalisation Fund Management Board for costs incurred on transportation of petroleum products from supply points to the retail outlets.

(d) DMO Holdback

DMO holdback is comprised of:

	30 Sept.	31 Dec.
	2019	2018
	₦'000	₦'000
Amount set aside for liabilities owed to government agencies	2,846,738	2,846,738
Amount set aside for liabilities owed to financial institutions	1,600,000	5,264,941
Amount subsequently released by DMO to the Government Agencies	(2,846,738)	-
	<u>1,600,000</u>	<u>8,111,679</u>

The DMO held back the amounts owed to financial institutions by the Company for direct settlement of those liabilities. The amount held back in respect of a financial institution was based on court order issued by the Federal High Court in Abuja requiring that the amount be withheld by the DMO for settlement of certain liabilities owed. These liabilities relate to financing provided by the financial institution to the Company for product importation in prior periods. The relevant liability in respect of financial institution is included in short term borrowings (Note 25)

(e) Due from related parties

	30 Sept.	31 Dec.
	2019	2018
	₦'000	₦'000
Gross receivable from related parties (Note 29 (e))	358,733	866,856
Impairment	(191,818)	(191,818)
Balance	<u>166,915</u>	<u>675,038</u>

16 Promissory Note

Promissory note from DMO (Note 16(a))	30 Sept.	31 Dec.
	2019	2018
	₦'000	₦'000
Balance as at 1 January	4,535,573	-
Addition (Note 16(b))	3,837,026	4,535,573
Liquidation	(8,200,514)	-
Discount (Note 16(c))	(25,813)	-
Balance	<u>146,272</u>	<u>4,535,573</u>

(a) The promissory note (PN) was issued by the Debt Management Office (DMO) on 14 December 2018, in part settlement of the amount owed to the Company by the PPPRA. The unconditional and irrevocable promissory note has a maturity date of 14 December 2019 and is backed by the full faith and credit of the Federal Government of Nigeria and charged upon the general assets of Nigeria.

(b) The promissory note relates to 1.5% palliative measure previously deducted by the Federal Ministry of Finance (FMF) on the company's receivables from PPPRA and promissory note issued in favour of a financial institution in respect of financing provided to the Company for product importation in prior periods.

17 Withholding tax receivables

The movement on the withholding tax receivable account was as follows:

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Balance at 1 January	79,846	70,542
Additions	18,666	60,187
Withholding tax credit note utilised (Note 11(c))	(14,636)	(50,883)
Balance	83,877	79,846

Payments made by customers of the Company are subject to a withholding tax in accordance with the Nigerian tax laws. The amount withheld is available to offset the actual tax liabilities. Based on the current tax laws, these withholding taxes do not expire.

18 Inventories

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Premium Motor Spirit (PMS)	1,756,474	1,273,759
Lubricants and greases	1,614,545	1,765,615
Aviation Turbine Kerosene (ATK)	1,402,588	1,336,121
Automotive Gas Oil (AGO)	540,668	20,751
Dual Purpose Kerosene (DPK)	-	-
Packaging materials and other sundry items	39,630	77,043
Liquidified Petroleum Gas (LPG)	6,887	-
Low Pour Fuel Oil (LPFO)	4,119	-
	5,364,911	4,473,289

Inventory amounting to ₦1.05 billion (Dec 2018: ₦3.79 million) was held in a facility owned by MRS Oil and Gas Limited, a related party (Note 29).

The value of changes in products, packaging materials and work-in-progress included in cost of sales amounted to ₦44.69 billion (Sept. 2018: ₦72.08 billion).

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Gross inventory	5,388,913	4,497,425
Impairment allowance (Note 18(b))	(24,002)	(24,136)
Net inventory	5,364,911	4,473,289

(b) The movement in the allowance for impairment in respect of inventories during the period was as follows:

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Balance as at 1 January	24,136	48,374
Impairment allowance for the period	-	-
Reversal of impairment allowance	(134)	(24,238)
Net (reversal)/impairment allowance	(134)	(24,238)
Balance	24,002	24,136

19 Cash and cash equivalents

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Cash at bank and on hand	1,716,230	1,685,695
Short term deposits with banks	-	408,391
Cash and cash equivalents in the statement of financial position	1,716,230	2,094,086
Bank overdrafts used for cash management purposes (Note 25)	-	(669,814)
Cash and cash equivalents in the statement of cash flows	1,716,230	1,424,272

The Company's exposure to credit risk and currency risks are disclosed in Note 28 (a).

20 Share capital

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Authorised: 322,454,964 (Dec 2018: 322,454,964) Ordinary shares of 50k each	161,227	161,227
Issued and fully paid: 304,786,406 (Dec 2018: 304,786,406) Ordinary shares of 50k each	152,393	152,393
Issued and fully allotted: 304,786,406 (Dec 2018: 304,786,406) Ordinary shares of 50k each	152,393	152,393

All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

21 Employee benefit obligations

(a) The amounts outstanding at the end of the period with respect to employee benefit obligations is shown below:

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Other long term employee benefits	17,467	13,361
Total employee benefit liabilities	17,467	13,361

(b) Other long term employee benefits comprise long service awards and it is funded on a pay-as-you-go basis by the Company. The provision was based on an independent actuarial valuation performed by Brian Karidza FRC/2017/NAS/00000016625, of Alexander Forbes Financial Services. The method of valuation used is the projected unit credit method and the last valuation was as at 31 December 2018.

(c) The movement on the provision for other long term employee benefits is as follows:

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Balance as at 1 January	13,361	11,899
Included in profit or loss:		
Current service cost	2,359	4,512
Interest cost	1,911	2,284
Remeasurement gains (net)	-	(5,147)
Net charge to profit or loss	4,270	1,649
Benefits paid by the employer	(164)	(187)
Balance	17,467	13,361

(d) Actuarial Assumptions

Key actuarial assumptions relating to measurements of employee benefit obligations involves estimates and assumptions, but is not considered to have a risk of material adjustment for the period ending 30 September 2019 as the balance is not material to the financial statements

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	30 Sept. 2019	31 Dec. 2018
Long-term average discount rate (p.a.)	16.1%	16.1%
Future average pay increase (p.a.)	12.0%	12.0%
Average rate of inflation (p.a.)	12.0%	12.0%
Average Duration in years (Long Service Awards)	5	5

* Not applicable

These assumptions depict management's estimate of the likely future experience of the Company.

Due to unavailability of published reliable demographic data in Nigeria, the demographic assumptions regarding future mortality are based on the rates published jointly by the Institute and Faculty of Actuaries in the UK. The data were rated down by one year to more accurately reflect mortality in Nigeria as follows:

Mortality in Service

Sample age	2019	2018
	Number of deaths in year out of 10,000 lives	Number of deaths in year out of 10,000 lives
25	7	7
30	7	7
35	9	9
40	14	14
45	26	26

Withdrawal from Service

Age Band	2019	2018
	Rates	
≤ 30	3.0%	3.0%
31 - 39	5.0%	5.0%
40 - 44	5.0%	5.0%
45 - 54	3.0%	3.0%
55 - 59	2.0%	2.0%

It is assumed that all the employees covered by the long service award scheme would retire at age 60 (2019: age 60).

Sensitivity Analysis

Below is the sensitivity analysis of the principal actuarial assumptions adopted in determining the employee benefit liabilities:

		Long Service Award
		N'000
Discount rate	-1%	14,015
	+1%	12,655
Salary increase rate	-1%	12,812
	+1%	13,832
Inflation rate	-1%	13,055
	+1%	13,575
Mortality rate	Age rated up by 1 year	13,271
	Age rated down by 1 year	13,329

22 Security deposits

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Security deposits	1,914,061	2,174,393

These are collateral deposits paid by dealers who maintain credit facilities with the Company. These amounts are set-off against trade receivables from these dealers on a periodly basis to cater for probable losses from sales to customers. See Notes 28(a)(iv). These deposits do not bear interest and are refundable to the dealers at anytime they or the Company terminates the business arrangements.

The Company's exposure to liquidity risks related to security deposits is disclosed in Note 28 (b).

23 Dividends and bonus shares

(a) Declared dividends

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
No dividend per qualifying ordinary share (Dec. 2018: Nil)	-	-

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
No dividend has been proposed per qualifying ordinary share (2018: Nil)	-	-

(b) Dividend payable

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Balance as at 1 January	375,577	461,669
Declared dividend	-	-
Payments	(14)	(12,055)
Unclaimed dividend written back to retained earnings (see 22(i))	-	(74,037)
Unclaimed dividend returned by Registrar	41,075	-
Balance	416,638	375,577

(i) Unclaimed dividends transferred to retained earnings represents dividends which have remained unclaimed for over twelve (12) periods and are therefore no longer recoverable or actionable by the shareholders in accordance with Section 385 of the Companies and Allied Matters Act, Cap. C20, Laws of the Federal Republic of Nigeria, 2004.

(ii) As at 30 September 2019, dividend payable held by the Company amounted to ₦416.64 million (Dec 2018: ₦375.58 million). No cash balance (Dec 2018: ₦53.35 million) was held with the Company's registrar, First Registrars and Investor Services Limited.

24 Trade and other payables

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Trade payables (Note 24(a))	9,466,951	7,990,887
Accrued expenses	677,387	591,405
Amounts due to joint arrangement partners (Note 24(c))	254,854	241,049
Bridging allowance (Note 24(d))	4,934,427	6,258,734
Amounts due to related parties (Note 29(e))	1,551,787	1,538,145
Total financial liabilities	16,885,406	16,620,220
<i>Non financial liabilities</i>		
Statutory deductions (Note 24(b))	272,254	255,195
Advances received from customers (Note 26(e))	951,773	1,214,324
	1,224,027	1,469,519
	18,109,433	18,089,739

- (a) (a)Included in trade payables is an amount of NGN1.99 billion, due to one of the Company's vendors which bears interest on expiration of credit policy granted to the Company (2018: NGN6.49 billion). The interest charged is included in interest expense (Note 8(a)).
- (b) This represents statutory deductions which are mandated by law or statute. They include Value Added Tax (VAT), Withholding Tax (WHT) liabilities and Pay As You Earn (PAYE) liabilities, which are to be remitted to the relevant tax authorities.
- (c) Amount relates to cash received from other parties of the Joint Aviation Facility for the running of the facility by the Company.
- (d) Bridging allowance represents amount due to the Petroleum Equalisation Fund Management Board as its contribution to the Fund. It is charged on every litre of product lifted from Pipelines and Product Marketing Company.
- (e) Amount relates to cash received from customers in advance for sale of products. These amounts are utilised for the purpose of supplies of products at any point in time when the customer decides to take delivery of the relevant products.

The Company's exposure to liquidity risk and currency risks are disclosed in Note 28(b).

25 Short term borrowings

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Bank overdraft (Note 19, Note 25(a))	-	669,814
Bank borrowing (Import Finance and other short term facilities) (Note 25(b))	1,306,150	10,657,107
Total Borrowings	1,306,150	11,326,921

- (a) The interest rate on this overdraft is 20% per annum (2018: interest rates was 20%). There is no right of set-off between the overdraft and the deposits held. The net interest expense incurred during the period relating to overdraft and short term borrowings amounted to NGN0.15 million (2018: NGN0.79 million). The bank overdraft used for cash management purposes has been included as part of cash and cash equivalents in the statement of cash flows (Note 19).
- (b) Import Finance Facilities represents short term borrowings obtained to fund letters of credits for product importation. These facilities are either secured with products financed, domiciliation of Petroleum Products Pricing Regulatory Agency (PPPRA) payments or the Company's sinking fund account with a balance of Nil as at period end (Dec 2018: Nil).

The fair value of current borrowings closely approximates their carrying amount, as the impact of discounting is not significant.

- (c) Movement of short term borrowings received to statement of cash flows is as follows:

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Opening balance	10,657,107	5,679,324
Additions	-	-
- Principal	-	3,700,000
-Interest (reversal)/capitalised	(2,357,498)	1,197,331
Repayments	(6,979,597)	-
Transfer to Overdraft	-	-
Exchange (gain)/loss on borrowings	(13,864)	80,452
	1,306,148	10,657,107

The Company's exposure to liquidity risk and currency risks are disclosed in Note 28(b).

26 Prepayments

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Operating leases	840,096	851,289
Other prepayments	221,604	218,385
	<u>1,061,700</u>	<u>1,069,674</u>

The Company leases a number of offices and service stations under both cancellable and non-cancellable leases. During the period, an amount of ₦138.58 million (Sept. 2018: ₦178.6 million) was recognized as an expense in profit or loss in respect of operating leases. Lease rentals are paid upfront and included in prepayments (current and non-current), which are amortised to profit or loss over the life of the lease except for leases for buses that are paid in arrears on a monthly basis.

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Non-current portion	743,408	775,010
Current portion	318,292	294,664
	<u>1,061,700</u>	<u>1,069,674</u>

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Movement in prepayment		
Opening balance	1,069,674	1,009,511
Addition	390,291	741,717
Release to profit or loss	(398,265)	(681,554)
Closing balance	<u>1,061,700</u>	<u>1,069,674</u>

27 Provisions

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Balance at 1 January	46,139	-
Provisions made during the year (Note 29(a))	-	46,139
Balance	<u>46,139</u>	<u>46,139</u>
Non-current	-	44,147
Current	<u>46,139</u>	<u>1,992</u>

Provisions relate to legal claims which the Company has a present legal obligation for and it is probable that an outflow of economic benefits will be required to settle the obligations.

28 Financial Risk Management & Financial Instruments

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the strategic and finance planning committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly by the strategic and finance planning committee to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Internal Audit undertakes both regular and ad hoc reviews of compliance with established controls and procedures, the results of which are reported to Senior Management of the Company and the audit committee.

(a) **Credit risk**

The carrying amounts of financial assets represent the maximum credit exposure.

Impairment losses on financial assets recognised in profit or loss were as follows:

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
(Reversal of)/impairment loss on trade receivables arising from contracts with customers	2,297	(161,776)
(Reversal of)/impairment loss on truck loan receivable	16 (198,436)	(39,959)
Impairment of Petroleum Equalization Fund receivables	-	30,591
Impairment of Petroleum Product Pricing Regulatory Agency receivables	-	14,697
Impairment of related party receivables	-	46,494
	<u>(196,139)</u>	<u>(109,953)</u>

i) **Maximum credit expose**

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was:

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Trade receivables		
- Major customers	5,352,929	4,361,904
- Other customers	692,164	532,867
- Impairment allowance	<u>(2,213,125)</u>	<u>(2,210,828)</u>
	3,831,968	2,683,943
- Due from related parties	166,915	675,038
- Due from regulators (Government entities)		
Petroleum Equalisation Fund (PEF)	7,904,290	6,215,722
Petroleum Support Fund (PSF)	3,902,854	6,937,004
- Other receivables*	<u>227,949</u>	<u>364,049</u>
	<u>16,033,977</u>	<u>16,875,756</u>

* Excludes advances paid to suppliers and withholding tax receivables.

All the Company's trade receivables are due from customers within Nigeria.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis by an established credit committee headed by the Managing Director. Management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which customers operate.

The risk management committee has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's credit assessment process includes collecting cash deposits from customers. These deposits are non interest bearing and refundable, net of any outstanding amounts (if any) upon termination of the business relationship and are classified as current liability (Note 22). Credit limits are established for qualifying customers and these limits are reviewed regularly by the Credit Committee. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Credit Committee reviews each customer's credit limit in line with the customers' performance, feedback from sales team and perceived risk factor assigned to the customer. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the risk management committee.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 30 to 45 days for retail and commercial customers respectively.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, which are: retail, aviation and commercial/industrial.

The Company is taking actions to limit its exposure to customers in general. In the current period, the Company made certain changes to its credit policy; reducing the credit exposure to aviation customers by dealing with them on a cash and carry basis as the Company's experience is that these customers have a higher risk of payment default than others.

The Company does not require collateral in respect of trade and other receivables. The Company does not have trade receivable for which no loss allowance is recognised because of collateral.

At 30 September 2019, the exposure to credit risk for trade receivables and contract assets by type of counterparty was as follows.

	30 Sept. 2019	31 Dec. 2018
	N'000	N'000
Retail customers	2,536,110	2,491,927
Commercial and industrial	1,554,452	898,969
Aviation	1,954,532	1,503,875
	<u>6,054,094</u>	<u>4,894,771</u>

Expected credit loss assessment as at 31 December 2018 and 30 September 2019

Expected credit loss assessment for government and related party receivables at 30 September 2019

The Company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements and management accounts of customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies (Moody's and Standard and Poors)

Exposures within each credit risk grade are segmented by counterparty type (PEF, PPPRA and related parties) and an ECL rate is calculated for each segment based on the probability of default and a consideration of forward looking information.

Expected credit loss assessment for trade receivables at 1 January and 30 September 2019

The Company uses an allowance matrix to measure the ECLs of trade receivables from customers, which comprise a large number of small to medium balances.

Loss rates are calculated using a 'single default' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Single default rates are calculated separately for exposures in different segments based on common credit risk characteristics - mainly customer type.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 September 2018.

Aviation customers

Aviation 30-Sep-19				
	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
<i>In thousand of Naira</i>				
Current (not past due)	12.21%	577,982	70,572	Yes
1–30 days past due	15.68%	237,467	37,235	No
31–60 days past due	20.87%	42,220	8,811	Yes
61–180 days past due	41.06%	9,674	3,972	Yes
181–365 days past due	57.60%	721	415	No
More than 365 days past due	100.00%	1,086,468	1,086,468	Yes
		<u>1,954,532</u>	<u>1,207,474</u>	

In thousand of Naira

Aviation 31-Dec-18				
	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
Current (not past due)	8.93%	299,043	26,705	No
1–30 days past due	53.34%	74,035	39,490	No
31–60 days past due	63.56%	13,803	8,773	No
61–180 days past due	67.57%	48	32	No
181–365 days past due	69.31%	36,443	25,259	No
More than 365 days past due	100.00%	1,080,503	1,080,503	Yes
		<u>1,503,875</u>	<u>1,180,762</u>	

Retail customers*

Retail 30-Sep-19				
	Weighted average loss rate	Gross carrying amount ²	Loss allowance	Credit impaired
<i>In thousand of Naira</i>				
Current (not past due)	66.63%	205,771	137,111	Yes
1–30 days past due	82.67%	31,601	26,124	Yes
31–60 days past due	81.78%	42,724	34,940	Yes
61–180 days past due	92.01%	20,682	19,030	No
181–365 days past due	93.46%	36,990	34,571	No
More than 365 days past due	100.00%	365,528	365,528	Yes
		<u>703,296</u>	<u>617,304</u>	

In thousand of Naira

Retail 31-Dec-18				
	Weighted average loss rate ²	Gross carrying amount ²	Loss allowance	Credit impaired
Current (not past due)	11.11%	74,723	8,302	No
1–30 days past due	22.05%	51,566	11,370	No
31–60 days past due	30.50%	24,307	7,414	No
61–180 days past due	37.97%	59,860	22,729	No
181–365 days past due	65.22%	530,983	346,311	No
More than 365 days past due	100.00%	236,077	236,077	Yes
		<u>977,516</u>	<u>632,203</u>	

*This has been adjusted with security deposits. (see Note 22).

Commercial/Industries customers

	Commercial/Industries customers			
	30-Sep-19			
	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
<i>In thousand of Naira</i>				
Current (not past due)	6.88%	636,785	43,818	Yes
1–30 days past due	14.74%	227,816	33,582	No
31–60 days past due	27.00%	185,164	49,994	Yes
61–180 days past due	20.96%	167,768	35,164	No
181–365 days past due	30.09%	158,962	47,832	No
More than 365 days past due	100.00%	177,957	177,957	Yes
		1,554,452	388,347	

	Commercial/Industries customers			
	31-Dec-18			
	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
<i>In thousand of Naira</i>				
Current (not past due)	17.38%	219,974	38,232	No
1–30 days past due	22.93%	159,041	36,468	No
31–60 days past due	32.57%	109,973	35,823	No
61–180 days past due	41.66%	167,618	69,837	No
181–365 days past due	66.01%	73,150	48,289	No
More than 365 days past due	100.00%	169,212	169,212	Yes
		898,968	397,861	

Movements in the allowance for impairment of financial assets

The movement in the allowance for impairment in respect of financial assets during the year of transition to IFRS 9. Comparative amounts (prior to transition) represent the allowance account for impairment losses under IAS 39.

	Truck loan receivables	Trade receivables	PEF receivables	PPRA receivables	Related party receivables	Total
Balance at 1 Jan. under IAS	94,165	1,089,075	-	-	-	1,183,240
Adjustment on initial application of IFRS 9	246,760	1,283,529	31,818	54,180	145,324	1,761,611
Balance at 1 Jan. 2018 under IFRS	340,925	2,372,604	31,818	54,180	145,324	2,944,851
Net remeasurement of loss allowance	(39,959)	(161,776)	30,591	14,697	46,494	(109,953)
Balance at 31 Dec. 2018	300,966	2,210,828	62,409	68,877	191,818	2,834,898
Re-assessment as at 30 Sept. 2019	(198,436)	2,297	-	-	-	(196,139)
Balance at 30 Sept. 2019	102,530	2,213,125	62,409	68,877	191,818	2,638,759

The Directors have applied judgement in the Company's assessment of the recoverability of its trade and other receivables which are past due but not impaired. The significant judgement involved estimation of future cash flows and the timing of those cash flows. Based on the assessment of the Directors, sufficient impairment has been recognised in respect of the trade and other receivables.

Due from Government entities

This comprises amount due from PPPRA with respect to subsidies/PSF receivable on imported products as well as amounts receivable from PEF with respect to bridging claims.

Determination of amounts due are based on existing regulations/guidelines and impairment is only recognized when changes occur in the regulations that prohibit or limit recovery of previously recognized amounts. For bridging claims amounting to ₦7.91 billion (Dec 2018: ₦6.22 billion) recognized as receivable (Note 15), possibilities exist depending on negotiations that settlement will occur via a set off to the extent of bridging allowances amounting to ₦4.93 billion (Dec 2018: ₦6.26 billion) recorded as a liability (Note 24). However, as the right of set off does not exist, the amounts have been presented gross in these financial statements.

Due from related parties

The Company has transactions with its parent and other related parties by virtue of being members of the MRS Group. Payment terms are usually not established for transactions within the Group companies and amounts receivable from members of the Group are contractually settled on a net basis. Related party receivable balances were assessed for impairment in accordance with IFRS 9. See Note 28(a)(v).

Other receivables

Other receivables includes employee receivables and other sundry receivables. The Company reviews the balances due from this category on a yearly basis taking into consideration functions such as continued business/employment relationship and ability to offset amounts against transactions due to these parties. Where such does not exist, the amounts are impaired. There were no impairment loss recognised in this category of receivables during the year. (Dec 2018: Nil).

Truck loan receivables

Loans receivable comprise amounts loaned to some of the Company's transporters. See Note 14. The balances due from these transporters have been fully impaired.

Cash and cash equivalents

The Company held cash and cash equivalents of ₦1.72 billion as at 30 Sept. 2019 (Dec 2018: ₦2.09 billion), which represents its maximum credit exposure on these assets. The credit risk on this is not significant as cash and cash equivalent reside with banks that have good credit ratings issued by reputable international rating agencies.

Promissory note

The Company held promissory note issued by the Debt Management Office (DMO) of NGN146.27 million as at 30 Sept. 2019 (2018: NGN4.54 billion) which represents its maximum credit exposure on these assets. The credit risk on this is not significant as the promissory note is backed by the full faith and credit of the Federal Government of Nigeria.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has a clear focus on ensuring sufficient access to capital to finance growth and to refinance maturing debt obligations. As part of the liquidity management process, the Company has various credit arrangements with some banks which can be utilised to meet its liquidity requirements.

Typically, the credit terms with customers are more favourable compared to payment terms to its vendors in order to help provide sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Notes	Carrying amount	Contractual cash flows	6 months or less
		₦'000	₦'000	₦'000
Non-derivative financial liabilities				
30 September 2019				
Overdraft and other short-term borrowings	25	1,306,150	1,306,150	1,306,150
Dividend payable	23	416,638	416,638	416,638
Trade and other payables*	24	16,885,406	16,885,406	16,885,406
Security deposits	22	1,914,061	1,914,061	1,914,061
		<u>20,522,255</u>	<u>20,522,255</u>	<u>20,522,255</u>
31 December 2018				
Overdraft and other short-term borrowings	25	11,326,921	11,326,921	11,326,921
Dividend payable	23	375,577	375,577	375,577
Trade and other payables*	24	16,620,220	16,620,220	16,620,220
Security deposits	22	2,174,393	2,174,393	2,174,393
		<u>30,497,111</u>	<u>30,497,111</u>	<u>30,497,111</u>

* Excludes advances received from customers, statutory liabilities and security deposit.

(c) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will 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 optimizing the return.

The Company manages market risks by keeping costs low through various cost optimization programs. Moreover, market developments are monitored and discussed regularly, and mitigating actions are taken where necessary.

Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Company, primarily the Naira. The currency in which these foreign currency transactions primarily are denominated is US Dollars (USD). The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

In managing currency risk, the Company aims to reduce the impact of short-term fluctuations on earnings. The Company has no export sales, thus the exposure to currency risk in that regard is non-existent. The Company's significant exposure to currency risk relates to its importation of various products for resale or for use in production. Although the Company has various measures to mitigate exposure to foreign exchange rate movement, over the longer term, however, permanent changes in exchange rates would have an impact on profit. The Company monitors the movement in the currency rates on an ongoing basis.

The following significant exchange rates were applied during the year

	Average rate		Reporting date spot rate	
	30 Sept. 2019	31 Dec 2018	30 Sept. 2019	31 Dec 2018
	₦	₦	₦	₦
US Dollar	361.44	347.12	362.08	358.79
Euro	433.73	412.46	434.50	410.56

Interest rate risk profile

In managing interest rate risk, the Company aims to reduce the impact of short-term fluctuations in earnings. Dividend pay-out practices seek a balance between giving good returns to shareholders on one hand and maintaining a solid debt/equity ratio on the other hand.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Fixed rate instruments		
Bank overdraft and borrowings	1,306,150	11,326,921
Truck loan receivables	-	-
Trade payables*	1,988,071	6,818,909

*Included in trade payables is an amount of ₦2.13 billion (Dec 2018: NGN6.49 billion), due to one of the Company's vendors which bears interest on expiration of credit policy granted to the Company.

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the end of the reporting year would not affect profit or loss. The Company does not have variable rate instrument.

(d) Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors capital using a ratio of "adjusted net debt" to equity. For this purpose, adjusted net debt is defined as total borrowings less cash and cash equivalents.

The Company's adjusted net debt to equity ratio at the end of the reporting year was as follows:

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Total borrowings (Note 25)	1,306,150	11,326,921
Less: Cash and cash equivalents (Note 19)	(1,716,230)	(2,094,086)
Adjusted net debt	(410,080)	9,232,835
Total equity	19,591,815	20,720,698
Total capital employed	19,181,735	28,768,477

*See Note 2(e)(A) and 2(e)(B)

There were no significant changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

(e) Fair value disclosures

Accounting classification and fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value subsequent to initial recognition, because the carrying amounts are a reasonable approximation of their fair values.

The Company's financial instruments are categorised as follows:

	Carrying amount		
	Financial assets at amortised cost	Other financial liabilities	Total
	₦'000	₦'000	₦'000
30 September 2019			
Financial assets not measured at fair value			
Trade and other receivables (Note 15)	17,801,410	-	17,801,410
Truck loan receivables (Note 14)	-	-	-
Promissoty note (Note 16)	146,272	-	146,272
Cash and cash equivalents (Note 19)	1,716,230	-	1,716,230
	<u>19,663,912</u>	<u>-</u>	<u>19,663,912</u>
Financial liabilities not measured at fair value			
Short term borrowings (Note 25)	-	1,306,150	1,306,150
Trade and other payables (Note 24)	-	16,885,406	16,885,406
Dividend payable (Note 23)	-	416,638	416,638
Security deposit (Note 22)	-	1,914,061	1,914,061
	<u>-</u>	<u>20,522,255</u>	<u>20,522,255</u>

	Carrying amount		
	Financial assets at amortised cost	Other financial liabilities	Total
	₦'000	₦'000	₦'000
31 December 2018			
Financial assets not measured at fair value			
Trade and other receivables (Note 15)	24,987,435	-	24,987,435
Truck loan receivables (Note 14)	-	-	-
Promissoty note (Note 16)	4,535,573	-	4,535,573
Cash and cash equivalents (Note 19)	1,424,272	-	1,424,272
	<u>30,947,280</u>	<u>-</u>	<u>30,947,280</u>
Financial liabilities not measured at fair value			
Short term borrowings (Note 25)	-	11,326,921	11,326,921
Trade and other payables (Note 24)	-	16,620,220	16,620,220
Dividend payable (Note 23)	-	375,577	375,577
Security deposit (Note 22)	-	2,174,393	2,174,393
	<u>-</u>	<u>30,497,111</u>	<u>30,497,111</u>

Trade and other receivables, security deposits, bank overdrafts and other short term borrowings are the Company's short term financial instruments. Accordingly, management believes that their fair values are not expected to be materially different from their carrying values.

29 **Related party transactions**

(i) **Parent and ultimate controlling entity**

As at the period ended 30 September 2019, MRS Africa Holdings Limited (incorporated in Bermuda) owned 60% of the issued share capital of MRS Oil Nigeria Plc. MRS Africa Holdings Limited is a subsidiary of Corlay Global SA. The ultimate holding company is Corlay Global SA incorporated in Panama.

The Company entered into the following transactions with the under-listed related parties during the year:

(a) **MRS Oil and Gas Limited (MOG)**

MOG is a wholly owned subsidiary of MRS Holdings Limited which is a shareholder in Corlay Global SA. Corlay Global SA is the ultimate holding company of MRS Oil Nigeria Plc. The following transactions occurred during the year:

Nature of transactions	30 Sept.	31 Dec.
	2019	2018
	₦'000	₦'000
Sales of goods	225,044	-
Staff Secondment	(39,948)	(189,501)
Product purchase	(4,451,030)	(2,961,634)
Reimbursements for expenses	394,563	28,578

The value of products stored by MRS Oil and Gas Limited for the Company amounted to ₦1.05 million (Dec. 2018: ₦3.79 million). The total transaction with MOG during period was ₦3.87 billion (Dec. 2018: ₦2.1 billion).

Net balance due from MRS Oil and Gas Limited was ₦121.20 million (Dec 2018: ₦153.09 million).

(b) **Petrowest SA (Petrowest)**

MRS Holdings Ltd which is a shareholder in Corlay Global S.A, the ultimate parent of MRS Oil Nigeria Plc; holds an indirect interest of 45% in Petrowest (through MOG). The following transactions occurred during the period:

Nature of transactions	30 Sept.	31 Dec.
	2019	2018
	₦'000	₦'000
Purchase of goods	-	-

Net balance due to Petrowest was ₦1.45 billion (Dec 2018: ₦1.44 billion)

(c) **MRS Holdings Limited**

MRS Holdings Limited owns 50% of the shares in Corlay Global SA, the parent company of MRS Africa Holdings Limited. MRS Africa Holdings Limited has a majority shareholding in MRS Oil Nigeria Plc.

Nature of transactions	30 Sept.	31 Dec.
	2019	2018
	₦'000	₦'000
Management fees	(286,430)	(360,065)
Sale of goods	41,250	79,163
Reimbursable	-	6,223
Shared services	-	-

Net balance due from MRS Holdings Limited was ₦158.79 million (Dec 2018: ₦646.57 million)

(d) Net balances due to and from other related entities (Corlay entities) were as follows:

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
MRS Benin S. A.	64,429	54,071
Corlay Togo S. A.	1,366	239
Corlay Benin S. A.	-	112
Corlay Cote D'Ivoire	(98,712)	(98,092)
Corlay Cameroun S. A.	12,943	12,772
	<u>(19,974)</u>	<u>(30,898)</u>

Nature of transactions

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
MRS Benin S. A.		
Reimbursements for expenses	<u>611</u>	<u>226</u>
Corlay Togo S. A.		
Reimbursements for expenses	<u>12,414</u>	<u>8,964</u>
Corlay Benin S. A.		
Reimbursements for expenses	<u>5,875</u>	<u>5,486</u>
Corlay Cote D'Ivoire		
Reimbursements for expenses	<u>237</u>	<u>1,490</u>
Corlay Cameroun S. A.		
Reimbursements for expenses	<u>46</u>	<u>44</u>

The Corlay entities are subsidiaries of Corlay Global SA incorporated in Panama, the parent company of MRS Africa Holdings Limited, and are thereby affiliates of MRS Oil Nigeria Plc.

All outstanding balances do not bear interest and exclude value of products stored by MRS Oil and Gas Limited for the Company.

(e) Summary of intercompany receivables and payables:

	30 September 2019		31 December 2018	
	Receivables	Payables	Receivables	Payables
	₦'000	₦'000	₦'000	₦'000
MRS Oil and Gas Limited (MOG)	121,203	-	153,093	-
MRS Holdings Limited	158,792	-	646,569	-
Petrowest		(1,453,102)		(1,440,053)
MRS Benin S. A.	64,429		54,071	
Corlay Togo S. A.	1,366		239	
Corlay Benin S. A.	-		112	
Corlay Cote D'Ivoire		(98,685)		(98,092)
Corlay Cameroun S. A.	12,943		12,772	
	<u>358,733</u>	<u>(1,551,787)</u>	<u>866,856</u>	<u>(1,538,145)</u>

The right of set off does not exist except when agreed by the entities.

f Netting arrangement

The Company has netting arrangements separately with MRS Oil and Gas (MOG) and MRS Holdings (MRSH), both related parties. Under these agreements, the amounts owed by, or payable to each entity is netted off periodically as a means of settlement of the balances.

	30 September 2019			31 December 2018		
	Gross Amounts of recognised financial instruments		Net amount presented in the Statement of Financial Position	Gross Amounts of recognised financial instruments		Net amount presented in the Statement of Financial Position
	Receivables	Payables		Receivables	Payables	
MOG	1,741,805	(1,620,602)	121,203	1,114,917	(961,824)	153,093
MRSH	420,110	(261,318)	158,792	874,973	(228,404)	646,569

(ii) Key management personnel compensation

The Company pays short term benefits to its directors as follows:

	30 Sept. 2019	31 Dec. 2018
	₦'000	₦'000
Short term benefits	23,666	28,950

(iii) Related Party Transactions above 5% of total tangible assets

In line with Nigerian Stock Exchange - Rules Governing Transactions with Related Parties or Interested Persons, the Company has disclosed transactions with related parties which are individually or in aggregate greater than 5% of the total tangible assets. The total tangible assets amounted to ₦16.02 billion and the 5% disclosure limit is ₦801.02 million. During the period, the Company had entered into transactions above the 5% disclosure limit with MRS Oil and Gas Limited. Refer to Note 29(i)(a) for details of these transaction

30 Segment reporting

In accordance with the provisions of IFRS 8 – Operating Segments; the operating segments used to present segment information were identified on the basis of internal reports used by the Company's Board of Directors to allocate resources to the segments and assess their performance. The Managing Director is MRS Oil Nigeria Plc's "Chief operating decision maker" within the meaning of IFRS 8.

Segment information is provided on the basis of product segments as the Company manages its business through three product lines - Retail/Commercial & Industrial, Aviation, and Lubricants. The business segments presented reflect the management structure of the Company and the way in which the Company's management reviews business performance. The accounting policies of the reportable segments are the same as described in Note 3.

The Company has identified three operating segments:

- (i) **Retail/ Commercial & Industrial** - this segment is responsible for the sale and distribution of petroleum products (refined products) to retail customers and industrial customers.
- (ii) **Aviation** - this segment involves in the sales of Aviation Turbine Kerosene (ATK).
- (iii) **Lubricants** - this segment manufactures and sells lubricants and greases.

Segment assets and liabilities are not disclosed as these are not regularly reported to the Chief Operating decision maker.



Segment revenue and cost of sales

Sept 2019	Revenue		Cost of sales		Gross profit	
	₦'000	% of Total	₦'000	% of Total	₦'000	% of Total
Retail/C&I	38,752,592	82%	37,421,235	84%	1,331,357	51%
Aviation	5,640,696	12%	5,302,435	12%	338,261	13%
Lubes	2,885,405	6%	1,950,746	4%	934,659	36%
Total	47,278,693	100%	44,674,416	100%	2,604,277	100%

Sept 2018	Revenue		Cost of sales		Gross profit	
	₦'000	% of Total	₦'000	% of Total	₦'000	% of Total
Retail/C&I	68,366,686	90%	65,828,199	91%	2,538,487	62%
Aviation	4,938,036	6%	4,305,121	6%	632,915	15%
Lubes	2,770,090	4%	1,848,543	3%	921,547	23%
Total	76,074,812	100%	71,981,863	100%	4,092,949	100%

31 Subsequent events

There are no significant subsequent events that could have had a material effect on the financial position of the Company as at 30 September 2019 and on the profit for the period ended on that date that have not been taken into account in these financial statements (Dec 2018: Subsequent to the year end, on 18 January 2019, the Central Bank of Nigeria issued an order mandating all banks to reverse all interest charged on importation facilities given to marketers between 1 July 2017 and 31 December 2018. This was due to the fact that liquidity status had been accorded to the promissory notes issued by the Federal Government of Nigeria in respect of subsidy payments to petroleum marketers on 30 June 2017.)

32 Contingencies

(a) Pending litigations

There are certain lawsuits pending against the Company in various courts of law. The total contingent liabilities in respect of pending litigations as at 30 September 2019 is ₦7.42 billion (Dec 2018: ₦7.42 billion). A total provision of ₦46.14 million (Dec 2018: ₦46.14) (Note 31) has been made in these financial statements. The actions are being contested and the directors are of the opinion that no significant liability will arise in excess of the provision that has been recorded in the financial statements.

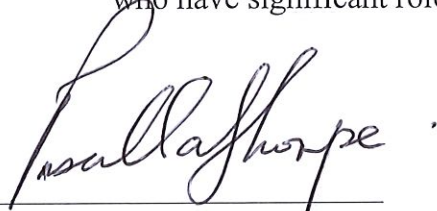
(b) Financial commitments

The Directors are of the opinion that all known liabilities and commitments, which are relevant in assessing the state of affairs of the Company, have been taken into consideration in the preparation of these financial statements.

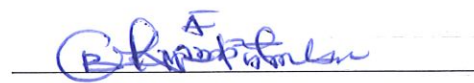
**CERTIFICATION PURSUANT TO SECTION 60(2) OF INVESTMENT AND
SECURITIES ACT NO. 29 OF 2007**

We the undersigned hereby certify the following with regards to our financial report for the period ended September 30, 2019 that:

- (a) We have reviewed the Report;
- (b) To the best of our knowledge, the Report does not contain:
 - (i) Any untrue statement of a material fact, or
 - (ii) Omit to state a material fact, which would make the statements, misleading in the light of the circumstances under which such statements were made;
- (c) To the best of our knowledge, the Financial Statement and other financial information included in the Report fairly present in all material respects the financial condition and results of operation of the Company as of and for periods presented in the Report.
- (d) We:
 - (i) Are responsible for establishing and maintaining internal controls.
 - (ii) Have designed such internal controls to ensure that material information relating to the Company, particularly during the period in which the periodic reports are being prepared;
- (e) We have disclosed to the Auditors of the Company and the Audit Committee:
 - (i) Any fraud, whether or not material, that involves management or other employees who have significant roles in the Company's internal controls.



Managing Director (Ag)



Chief Finance Officer



Director

30 October 2019