

MRS Oil Nigeria Plc

Financial Statement - - 31 March 2016

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Corporate information

RC 6442

Board of directors

Alhaji Sayyu I. Dantata
Mr. Andrew O. Gbodume
Mr. Patrice Alberti
Mr. Paul Bissohong
Dr. Samaila M. Kewa
Alhaji Dahiru Lawal Mangal
Mr. Lawal Mangal
Ms Amina Maina

Chairman
Managing Director (Ag.)
Non Executive Director
Non Executive Director
Non Executive Director
Non Executive Director
Alternate Director
Non Executive Director

Registered office

8, Macarthy Street
Onikan
Lagos

Company secretary

Mrs. O.M. Jafojo
8, Macarthy Street
Onikan
Lagos

Registrar

Cardinal Stone Securities (Registrars) Limited -(formerly City Securities)
358, Albert Macaulay Street
Yaba
Lagos

Auditor

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
Lagos

Principal bankers

Access Bank Plc
Citibank Nigeria Limited
First City Monument Bank Plc
First Bank of Nigeria Limited
Standard Chartered Bank Nigeria Limited
Zenith Bank Plc
Skye Bank Plc
Sterling Bank Plc

Leadership team

Andrew O. Gbodume
Managing Director (Ag.)

Oghenekaro Ologe
Information Technology Manager

Oluwakemi M. Jafojo
Company Secretary

Timipiri Odu
Human Resources Manager

Martin Orogun
Chief Financial Officer

Andrew Onum
Chief Legal Counsel

Peter Z. Dia
Aviation Manager

Abdullahi Masanawa
Operations Manager

Tara Ajibulu
Sales & Marketing Manager

Moruf Sobowale
Consumer & Industrial Manager

Michael Ayewa
Health, Safety and Environment Manager

Kola Akinyemi
Engineering/Marketing Support Manager

Jubril Hassan
Treasury Manager

Gloria Atong
Procurement Manager

Daniel Chukwuazawom
Chief Internal Auditor

Charles Onum
Lubes Operation Manager


Statement of directors' responsibilities in relation to the financial statements for the year ended 31 December 2016

The directors accept responsibility for the preparation of the half year financial statements set out on pages 4 to 38 that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council Act, 2011.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements 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

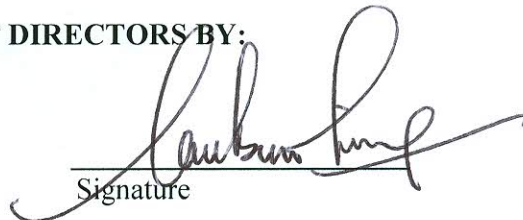
Mr. Andrew Gbodume (Managing Director, Ag.)

Name

FRC/2012/ICAN/00000000534

FRC

Date



Signature

Mr. Paul Bissohong (Director)

Name

FRC/2013/IOD/00000003841

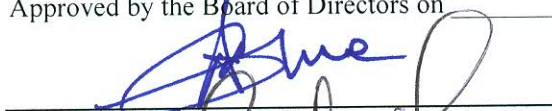
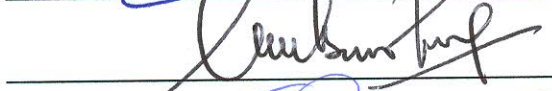

FRC

Date

**Statement of financial position
as at 31 December**

	Notes	2016	2015
		N'000	N'000
Assets			
Property, plant and equipment	12	18,332,016	19,053,705
Intangible assets	13	36,400	1,144
Prepayments	30	506,556	354,303
Trade and other receivables	15	-	1,211
Total non-current assets		18,874,972	19,410,363
Inventories	17	7,038,407	6,260,483
Loans and receivables	14	445,193	606,985
Trade and other receivables	15	40,770,638	20,519,974
Withholding tax receivables	16	54,282	32,348
Prepayments	30	408,517	289,191
Cash and cash equivalents	18	13,547,921	19,774,397
Total current assets		62,264,958	47,483,378
Total assets		81,139,930	66,893,741
Equity			
Share capital	19	126,994	126,994
Retained earnings		21,929,961	20,850,330
Total equity		22,056,955	20,977,324
Liabilities			
Employee benefit obligations	20	16,433	12,618
Deferred tax liabilities		5,312,099	5,312,099
Total non-current liabilities		5,328,532	5,324,717
Security deposits	21	1,755,462	1,573,485
Dividend payable	22(a)	389,541	399,889
Trade and other payables	23	31,905,371	21,226,030
Bank overdraft and short term borrowings	24	18,526,556	16,400,466
Tax payable	11(c)	1,177,513	991,830
Total current liabilities		53,754,443	40,591,700
Total liabilities		59,082,975	45,916,417
Total equity and liabilities		81,139,930	66,893,741

Approved by the Board of Directors on _____ 2016 and signed on its behalf by:


 _____) Mr. Andrew Gbodume (Managing Director, Ag.)
 FRC/2012/ICAN/00000000534

 _____) Mr. Paul Bissohong (Director)
 FRC/2013/IOD/00000003841

 _____) Mr. Martin Orogun (Chief Financial Officer)
 FRC/2013/ICAN/00000004639

The notes on pages 9 to 38 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income
for the year ended 31 December

	Notes	2016	2015
		N'000	N'000
Revenue	5	110,260,414	87,099,216
Cost of sales	7	(101,328,319)	(80,676,760)
Gross profit		8,932,095	6,422,456
Other income	6	1,250,831	1,445,209
Selling and distribution expenses	7	(1,808,743)	(1,150,744)
Administrative expenses	7	(5,285,145)	(5,106,400)
Operating profit		3,089,038	1,610,521
Finance income	8	627,027	1,730,525
Finance costs	8	(1,450,796)	(1,880,203)
Net finance costs	8	(823,769)	(149,678)
Profit before income tax	9	2,265,269	1,460,843
Income tax expense	11(a)	(906,039)	(525,218)
Profit for the period		1,359,230	935,625
Total comprehensive income for the year		1,359,230	935,625
Earnings per share (EPS)			
Basic and diluted earnings per share (Naira)	10(a)	5.35	3.68

The notes on pages 9 to 38 are an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December

	Share capital	Retained earnings	Total equity
Notes	N'000	N'000	N'000
Balance as at 1 January 2015	126,994	20,091,127	20,218,121
Total comprehensive income:			
Profit for the year	-	935,625	935,625
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	935,625	935,625
Transactions with owners of the Company			
<i>Contributions and Distributions</i>			
Dividends declared	22 (b)	(223,510)	(223,510)
Unclaimed dividend written back	22 (b)	47,088	47,088
Total transactions with owners of the Company	-	(176,422)	(176,422)
Balance as at 31 December 2015	126,994	20,850,330	20,977,324
	Share capital	Retained earnings	Total equity
Notes	N'000	N'000	N'000
Balance as at 1 January 2016	126,994	20,850,330	20,977,324
Total comprehensive income:			
Profit for the year	-	1,359,230	1,359,230
Other comprehensive income	-	-	-
Total comprehensive income	-	1,359,230	1,359,230
Transactions with owners of the Company			
<i>Contributions and Distributions</i>			
Dividends declared	23 (b)	(279,388)	(279,388)
Unclaimed dividend written back	23 (b)	(211)	(211)
Total transactions with owners of the Company	-	(279,599)	(279,599)
Balance as at 31 December 2016	126,994	21,929,961	22,056,955

* Included in retained earnings is ₦14.40 billion (2015: ₦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

The notes on pages 9 to 38 are an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December

	Notes	2016	2015
		N'000	N'000
Cash flows from operating activities:			
Profit after tax		1,359,230	935,625
Adjustments for:			
Depreciation	12(a)	1,568,873	1,555,932
Amortisation of intangible assets	13	7,341	56,222
Finance income	8	(627,027)	(1,730,525)
Finance costs		430,837	386,917
Gain on sale of property, plant and equipment	9(a)	(132,662)	-
Write off/Loss on disposal of property, plant and equipment	12	126,249	-
(Write-back)/Provision for long-term service award	20	5,500	(249)
Impairment loss on trade receivables and Truck lease	7	42,129	88,816
Impairment loss on non-current assets	7	-	-
Impairment loss on employee and other receivables	7	(500)	3,365
Net increase in impairment loss on inventory	17	(12,401)	(29,473)
Tax expense	11(a)	906,039	525,218
		<u>3,673,608</u>	<u>1,791,848</u>
Changes in:			
- Inventories		(765,523)	(2,408,261)
- Trade, other receivables and prepayments		(20,523,015)	72,198
- Security deposits		181,977	71,359
- Trade and other payables		10,679,341	3,901,811
Cash generated from operating activities		<u>(6,753,612)</u>	<u>3,428,955</u>
Income taxes paid	11(c)	(701,883)	(939,113)
Withholding tax credit notes utilised	11(c)	(18,473)	(21,869)
Long-term service award paid	20	(1,685)	(3,440)
Net cash generated from operating activities		<u>(7,475,653)</u>	<u>2,464,533</u>
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment		132,662	-
Purchase of property, plant and equipment	12(a)	(973,433)	(397,253)
Purchase of intangible assets	13	(42,597)	-
Amounts paid on behalf of transporters	14	(54,448)	(72,585)
Principal repayment received on amounts advanced to	14	180,755	374,715
Interest received	8	600,932	1,730,525
Net cash generated from investing activities		<u>(156,129)</u>	<u>1,635,402</u>
Cash flows from financing activities:			
Net repayment on short term borrowings		2,126,090	6,582,105
Dividends paid	22(b)	(289,947)	(204,528)
Interest paid		(430,837)	(417,758)
Net cash used in financing activities		<u>1,405,306</u>	<u>5,959,819</u>
Net change in cash and cash equivalents		(6,226,476)	10,059,754
Cash and cash equivalents at 1 January		19,774,397	9,683,802
Effect of movements in exchange rates on cash held			30,841
Cash and cash equivalents at 31 December	18	<u>13,547,921</u>	<u>19,774,397</u>

The notes on pages 9 to 38 are an integral part of these financial statements.

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for the year ended 31 December 2016

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Notes to the financial statements

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:

8, Macarthy Street
Onikan
Lagos
Nigeria

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

The financial statements were authorised for issue by the Company's Board of Directors on 31 December 2016. 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.

(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

Information about judgements, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2016 is included in the following notes:

Note 12 - Impairment test- recoverable amounts are higher than carrying amounts.

Note 20 - Measurement of employee benefits obligations; key actuarial assumptions.

Note 29 - Recognition of contingencies: key assumptions about the likelihood and magnitude of an outflow of economic resources

Notes to the financial statements

ii Measurement of fair values

Some 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 Executive director (Finance & Administration) has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors.

The Executive director (Finance & Administration) 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 Executive director (Finance & Administration) 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 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 period during which the change has occurred.

3 Significant accounting policies

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

(a) Foreign currency transactions

Transactions denominated in foreign currencies are translated and recorded in Nigerian Naira at the actual exchange 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 assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on translation are recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not re-translated.

(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.

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

Notes to the financial statements

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 legal right to offset the amounts and intends either to settle 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, 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.

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.

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

(c) Property, plant and equipment

i Recognition and measurement

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

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.

Notes to the financial statements

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 periods are as follows:

Land and Buildings	
- Leasehold Land	Lease period
- 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

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.

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.

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. There is no new addition to intangible assets in the current period.

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

Notes to the financial statements

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 period during the lease term so as to produce a constant periodic 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. 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
Refined petroleum products (i) (AGO, ATK, PMS, DPK)	Weighted average costs incurred (for regulated products reduced by the value of subsidies due)
Refined petroleum product (ii) (LPG)	First in First Out (FIFO)
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 are impaired includes:

- . default or delinquency by a debtor;
- . 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.

Notes to the financial statements

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 periods.

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 6% each of their basic salary, transport and housing allowances to the Fund on a monthly basis. The Company's contribution is 12% 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 periods during which services are rendered by employees.

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 periods. 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 period 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.

Notes to the financial statements

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 period, 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

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.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

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 and volume rebates. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. 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. The timing of the transfer of risks and rewards 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 later, when delivery is made.

(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 gain or loss or interest from Petroleum Product Pricing Regulatory Agency (PPPRA). Finance income is recognized as it accrues in profit or loss, using the effective interest method.

Notes to the financial statements

Finance costs comprises interest expense on borrowings, bank charges, foreign currency loss on financial assets and financial liabilities, unwinding of the discount on provisions and 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 which are capitalised as part of the related assets.

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 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 realised.

ii Deferred tax

Deferred tax is recognised in profit or loss except to the extent that it relates to a transaction that is recognised directly in equity. A deferred tax asset is recognised for unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the amount will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized 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 recognized for 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.

(m) 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 period, 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.

(n) 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.

(o) 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.

Notes to the financial statements

(p) 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.

(q) 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.

(r) 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.

4 Standards and Interpretations not yet effective (but available for early adoption)

A number of standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

Effective for the financial year commencing 1 January 2016

- *Disclosure Initiative (Amendments to IAS 1)*

Effective for the financial year commencing 1 January 2018

- *IFRS 15 Revenue from Contracts with Customers*

Effective for the financial year commencing 1 January 2018

- *IFRS 9 Financial Instruments*

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

IFRS 14 *Regulatory Deferral Accounts*, *Clarification of acceptable methods of depreciation and amortisation* (Amendments to IAS 16 and IAS 38), *Accounting for acquisitions of interests in joint operations* (Amendments to IFRS 11), *Agriculture: Bearer plants* (Amendments to IAS 6 and IAS 41), *Equity Method in Separate Financial Statements* (Amendments to IAS 127), *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Associates and Joint Ventures: Asset Transactions - Amendments to IFRS 10 and IAS 28), *Investment Entities: Applying the Consolidation Exception* (Amendments to IFRS 10, IFRS 12 and IAS 28) are not applicable to the business of the entity and will therefore have no impact on future financial statements.

Notes to the financial statements

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. This new standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company will adopt the amendments for the year ending 31 December 2018.

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard will have a significant impact on the Company, which will include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the allowance for bad debts recognised in the Company.

The amendments apply retrospectively. The Company will adopt the amendments for the year ending 31 December 2018.

Notes to the financial statements

5	Revenue	2016	2015
		N'000	N'000
	Premium Motor Spirit (PMS)	75,375,434	67,998,973
	Aviation Turbine Kerosene (ATK)	9,631,463	11,071,777
	Automotive Gas Oil (AGO)	13,264,504	3,655,599
	Lubricants and greases	3,417,651	2,491,537
	Dual Purpose Kerosene (DPK)	8,571,362	1,862,233
	Liquidified Petroleum Gas (LPG)	-	19,097
		110,260,414	87,099,216
6	Other income	2016	2015
		N'000	N'000
	Rental and lease income (Note 6(a))	26,371	25,932
	Gains on disposal/Sale of property, plant & equipment	132,662	-
	Sundry income (Note 6(b))	450,961	819,702
	Income on storage services	640,837	599,575
	Total	1,250,831	1,445,209
(a)	Rental and lease income relates to income earned on assets that are on lease (finance and operating leases) 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.		
7	Expenses by nature	2016	2015
		N'000	N'000
	Depreciation	1,568,873	1,555,932
	Amortization of intangible assets	7,341	56,222
	Changes in inventories of lubes, greases and refined products	101,347,132	80,670,719
	Rental of service stations, buildings and equipment	223,835	176,616
	Advertising expense	115,939	73,455
	Consultancy expense	372,389	329,986
	Maintenance expense	607,950	305,436
	Throughput expense	55,492	77,063
	Freight expense	1,103,570	800,715
	Management fees (Note 26 (c))	275,500	708,936
	Director's remuneration	1,250	6,678
	Employee benefit expense (Note 9 (b))	666,611	548,710
	Auditor's remuneration	35,723	30,000
	Impairment loss on employee and other receivables	(500)	3,365
	Impairment loss on trade receivables	42,129	88,816
	Impairment loss on non-current assets	-	-
	Local and international travel	135,546	88,169
	Office expenses and supplies	232,568	177,659
	Communication and postage	351,680	169,070
	Fines and penalties	3,204	-
	Insurance premium	138,342	123,685
	Contract labour	723,390	511,410
	Sponsorships and donations	9,886	26,782
	Licenses and Levies	57,281	47,820
	Utilities	48,011	33,461
	Subscriptions	4,397	2,434
	Board meetings and AGM expenses	88,342	45,295
	Security	44,359	36,170
	Other expenses	161,967	239,300
	Total cost of sales, selling and distribution and administrative	108,422,207	86,933,904

Notes to the financial statements

8 Finance income and finance costs	2016	2015
	N'000	N'000
Finance income		
Interest income on short-term bank deposits	600,932	320,495
PPPRA reimbursement on interest and foreign exchange differential (a)	-	1,354,914
Interest income on loans to transporters (Note 14)	26,095	55,116
Total finance income	<u>627,027</u>	<u>1,730,525</u>
Finance cost		
Interest expense	358,430	342,323
Bank charges	72,407	75,435
Net foreign exchange loss	1,019,959	1,462,445
Total finance costs	<u>1,450,796</u>	<u>1,880,203</u>
Net finance costs/ (income)	<u><u>823,769</u></u>	<u><u>149,678</u></u>

- (a) This amount represents net interest / foreign exchange differential cost claims received from PPPRA arising from delayed subsidy payments relating to products imported.

9 Profit before income tax	2016	2015
	N'000	N'000
(a) Profit before income tax is stated after charging/(crediting):		
Depreciation (Note 12)	1,568,873	1,555,932
Amortisation of intangible assets (Note 13)	7,341	56,222
Management fees (Note 26(c))	275,500	708,936
Service fee (Note 26(b))	-	-
Director's remuneration (Note 9(b)(iv))	1,250	6,678
Employee benefit expense (Note 9(b)(i))	666,611	548,710
Auditor's remuneration	35,723	30,000
Gain on disposal of property, plant and equipment	(132,662)	-
PPPRA reimbursement on interest and foreign exchange differential	-	(1,354,914)
Net foreign exchange loss (Note 8)	1,019,959	1,462,445

- (b) Directors and employees
i Employee costs during the year comprise:

	2016	2015
	N'000	N'000
Salaries and wages	441,056	371,609
Other employee benefits	170,942	126,770
Employer's pension contribution	49,113	43,449
Other long term employee benefit charge	5,500	6,882
	<u>666,611</u>	<u>548,710</u>

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

	Number	
	2016	2015
Administration	48	20
Technical and production	20	2
Operations and distribution	25	26
Sales and marketing	39	34
	<u>132</u>	<u>82</u>

Notes to the financial statements

- 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 N1,000,000 (excluding pension contributions) in the following ranges:

		Number	
		2016	2015
N	N		
1,000,001	2,000,000	-	-
2,000,001	3,000,000	3	7
3,000,001	4,000,000	45	39
4,000,001	5,000,000	54	8
5,000,001	6,000,000	9	9
6,000,001	7,000,000	5	10
7,000,001	8,000,000	6	5
8,000,001	9,000,000	3	-
9,000,001	10,000,000	4	-
Above	10,000,000	3	4
		132	82

- iv Directors' remuneration for directors of the Company charged to profit or loss account are as follows:

	2016	2015
	N'000	N'000
Fees	1,000	1,250
Other emoluments	250	5,428
	1,250	6,678

The directors' remuneration shown above includes:

Chairman	-	-
Highest paid director	1,250	6,678

Other directors received emoluments

		Number	
		2016	2015
Nil		2	2
1,000,001	2,000,000	1	1
2,000,001	3,000,000	1	1

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

(a) Basic EPS

Basic earnings per share of N5.35 (2015: N3.68) is based on profit attributable to ordinary shareholders of N1,359,230,000.00 (2015: N935,625,000.00), and on the 253,988,672 ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the year (2015: 253,988,672).

	2016	2015
Profit for the period attributable to shareholders (expressed in Naira)	1,359,230,000	935,625,000
Weighted average number of ordinary shares in issue	253,988,672	253,988,672
Basic earnings per share (expressed in Naira per share)	5.35	3.68

Notes to the 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**

	2016	2015
	N'000	N'000
Current tax expense:		
Income tax	860,736	671,564
Tertiary education tax	45,303	63,465
Prior year over-provision	-	-
	906,039	735,029
Deferred tax expense:		
Origination and reversal of temporary differences	-	(209,811)
Tax expense on operations	906,039	525,218

(b) **Reconciliation of effective tax rates**

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

	%	2016		2015
		2,265,269		1,460,843
Profit before income tax				
Income tax using the statutory tax rate	38	860,736	30	438,253
Effect of:				
Impact of tertiary education tax	2	45,303	4	63,465
Effect of tax incentives	-	-	(7)	(102,806)
Non deductible expenses	-	-	11	154,253
Prior year over-provision	-	-	-	-
Other differences	-	-	(2)	(27,947)
Total income tax expense in income statement	40	906,039	36	525,218

(c) **Movement in current tax liability**

	2016	2015
	N'000	N'000
Balance at beginning of the year	991,830	1,217,783
Payments during the year	(701,883)	(939,113)
Net provision for the year	906,039	735,029
Withholding tax credit notes utilized	(18,473)	(21,869)
	1,177,513	991,830

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.

Notes to the financial statements

(d) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
	N'000	N'000	N'000	N'000	N'000	N'000
Property, plant and equipment	-	-	(5,494,533)	(5,494,533)	(5,494,533)	(5,494,533)
Employee benefits	3,785	3,785	-	-	3,785	3,785
Impairment loss	137,106	137,106	-	-	137,106	137,106
Inventories	8,800	8,800	-	-	8,800	8,800
Net unrealised exchange difference	32,743	32,743	-	-	32,743	32,743
	182,434	182,434	(5,494,533)	(5,494,533)	(5,312,099)	(5,312,099)

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

(e) Movement in temporary differences during the year

	Balance	Recognized in	Balance	Recognized in	Balance
	01-Jan-15	profit or loss	31-Dec-15	profit or loss	31-Dec-16
	N'000	N'000	N'000	N'000	N'000
Property, plant and equipment	(5,783,712)	289,179	(5,494,533)	-	(5,494,533)
Employee benefits	4,892	(1,107)	3,785	-	3,785
Impairment loss	106,164	30,942	137,106	-	137,106
Inventories	17,628	(8,828)	8,800	-	8,800
Net unrealised exchange difference	133,118	(100,375)	32,743	-	32,743
	(5,521,910)	209,811	(5,312,099)	-	(5,312,099)

Notes to the financial statements

12 Property, Plant and Equipment

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

	Leasehold Land & Buildings	Plant & Machinery	Automotive Equipment	Computer & Office Equipment	Furniture & Fittings	Capital Work in Progress	Total
Cost	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January 2016	14,568,251	10,770,226	1,913,021	864,556	210,101	79,828	28,405,983
Additions	616,929	217,615	68,195	12,303	13,991	44,400	973,433
Transfers	-	-	-	-	-	-	-
Write off	(21,827)	(203,017)	(951,094)	(3,756)	(4,900)	-	(1,184,594)
Disposal							
Balance as at 31 December 2016	15,163,353	10,784,824	1,030,122	873,103	219,192	124,228	28,194,822
Depreciation and impairment losses							
Balance as at 1 January 2016	2,090,311	4,831,360	1,506,204	743,354	181,049	-	9,352,278
Charge for the year	331,151	1,086,776	104,014	12,508	34,424	-	1,568,873
Impairment loss	-	-	-	-	-	-	-
Disposal	(7,678)	(101,952)	(940,793)	(3,568)	(4,354)	-	(1,058,345)
Balance as at 31 December 2016	2,413,784	5,816,184	669,425	752,294	211,119	-	9,862,806
Carrying amounts							
Balance as at 31 December 2016	12,749,569	4,968,640	360,697	120,809	8,073	124,228	18,332,016
Balance as at 31 December 2015	12,477,940	5,938,866	406,817	121,202	29,052	79,828	19,053,705

Notes to the financial statements

(b) Impairment assessment

The carrying amount of the Company's net assets exceeded its market capitalization as at the year end. As a result of this, management carried out an impairment test as at 31 December 2016. Based on results of the test, the recoverable amount of the Company's cash generating units (CGU) are higher than the carrying amount i.e fair value less costs of disposal exceeds the carrying amount. None of the Company's assets were impaired as at the end of the year. (Dec 2015: Nil)

(c) The Company holds various parcels of land under lease arrangements. The maximum tenor of the lease is 99 years in line with the Land Use Act. The lease amounts were fully paid at the inception of the lease arrangements and these are depreciated over the lease year. At 31 December 2016, the carrying amount of leased land was N8.44 billion (2015: N7.92 billion).

(d) Capital commitments

Capital expenditure commitments at the period end authorised by the Board of Directors comprise:

	2016	2015
	N'000	N'000
Capital commitments	393,422.82	541,805

13 Intangible assets

	2016	2015
	N'000	N'000
Cost		
Balance as at 1 January	234,088	234,088
Additions	42,597	-
Balance as at 31 December	276,685	234,088
Accumulated amortisation		
Balance as at 1 January	232,944	176,722
Charge for the year	7,341	56,222
Balance as at 31 December	240,285	232,944
Carrying amount	36,400	1,144

Amortisation of N7.34 million is included in 'administrative expenses' in the statement of profit or loss and other comprehensive income (2015: N56.22 million).

14 Loans and receivables

In 2013, the Company purchased tankers from a related party (Rosscourt International Limited) amounting to N2.65 billion. The Company, then entered into an arrangement with some of its transporters to provide these tankers to them, at cost of the tankers plus an interest of 17% per annum. The transporters were expected to repay from freight costs charged to the Company for services rendered and repayment periods range from 12 to 24 months. The transporters made a 20% contribution at the commencement of the arrangement. Outstanding balance on the tankers are secured by the Company's retention of title to the tankers. Also in 2015, the arrangement was revised and the interest on outstanding payments was increased to 20% per annum. Also, 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. On the basis of retention of title as well as historical payment behaviours of the respective transporters (including continuing business as of date, repayments during the year and adequate insurance cover on the tankers), the Company carried out impairment test on the outstanding amount and recorded impairment loss of N 61.58million

Notes to the financial statements

The analysis of the loans was as follows:

	2016	2015
	N'000	N'000
Balance as at 1 January	606,985	909,115
Insurance	54,448	72,585
Interest accrued	26,095	55,116
Principal and interests repayments received during the year	(180,755)	(429,831)
Balance as at 31 December	506,773	606,985
Less Impairment on Truck lease	(61,580)	-
Current portion	445,193	606,985

Interest income earned with respect to these loans was N26.10 million (2015: N55.12 million) and has been included as part of finance income in profit or loss (Note 8). During the period, there were no additional cost incurred. All cost incurred on renewal of insurance on these trucks and in line with the agreements is fully recoverable from the transporters.

15 Trade and other receivables

	2016	2015
	N'000	N'000
Trade receivables	5,803,936	3,697,155
Petroleum Equalisation Fund (PEF)	2,972,340	1,366,129
Petroleum Support Fund (PSF)	12,229,750	375,628
Loans to employees	35,456	27,470
Due from joint operation partners	30,670	38,077
Receivables from registrar	49,035	54,244
Receivables from related parties	19,533,690	14,835,297
Advances paid to suppliers	16,650	-
Other debtors	99,111	127,185
	40,770,638	20,521,185
Less: non-current portion	-	(1,211)
Current portion	40,770,638	20,519,974

For receivables that are classified as 'current', due to their short-term maturities, the fair value approximates their carrying values.

16 Withholding tax receivables

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

	2016	2015
	N'000	N'000
Balance at 1 January	32,348	36,147
Additions	40,407	18,070
Withholding tax credit note utilised	(18,473)	(21,869)
Balance at 31 December	54,282	32,348

Notes to the financial statements

17 Inventories

	2016	2015
	N'000	N'000
Premium Motor Spirit (PMS)	2,790,159	721,485
Lubricants and greases	1,917,306	1,869,542
Aviation Turbine Kerosene (ATK)	1,863,247	315,900
Automotive Gas Oil (AGO)	76,429	67,089
Dual Purpose Kerosene (DPK)	261,662	341,759
Packaging materials and other sundry items	129,604	28,167
Goods in Transit	-	2,916,541
	7,038,407	6,260,483

Inventory amounting to N315.99 million (2015 : N377.93 million) was held in a facility owned by MRS Oil and Gas Limited, a related party (Note 26).

The value of changes in products, packaging materials and work-in-progress included in cost of sales amounted to N101.35 billion (2015: N80.67 billion). In 2016 there was reassessment of inventory which resulted in additional provision of N12.41 million (2015: N29.47 million). The provisional has been included in the cost of sales in the Statement of Profit or Loss and Other Comprehensive Income.

18 Cash and cash equivalents

	2016	2015
	N'000	N'000
Cash at bank and on hand	4,702,922	1,301,602
Short term deposits with bank (Note 18 (a))	8,844,999	18,472,795
Cash and cash equivalents in the statement of financial position	13,547,921	19,774,397
Bank overdrafts used for cash management purposes (Note 18 (a))	-	-
Cash and cash equivalents in the statement of cash flows	13,547,921	19,774,397

- (a) Short term deposits with banks represent placements with commercial banks for periods between 0 - 90 days. Included in short term deposits are unclaimed dividends amounting to N367.18 million (2015: N408.79 million) held in separate bank accounts in accordance with guidelines issued by Securities and Exchange Commission. This amount is restricted from use by the Company. Also included in short term deposits with banks is an amount of N8.47 billion (2015: N7.49 billion) being the balance on the sinking fund account. The sinking fund accounts serve as collateral deposit for import financing held with the Company's Bankers (Note 24).

19 Share capital

	2016	2015
	N'000	N'000
Authorised:		
271,657,230 Ordinary shares of 50k each	135,829	135,829
Issued and fully paid:		
253,988,672 Ordinary shares of 50k each	126,994	126,994
Issued and fully allotted:		
253,988,672 Ordinary shares of 50k each	126,994	126,994

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.

Notes to the financial statements

20 Employee benefit obligations

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

	2016	2015
	N'000	N'000
Year end obligations for:		
Other long term employee benefits	16,433	12,618
Total employee benefit liabilities	16,433	12,618

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

	2016	2015
	N'000	N'000
Balance as at 1 January	12,618	16,307
Provision for the year :	5,500	-
Current service cost	-	4,694
Interest cost	-	2,188
Discontinued benefits due to contract change	-	(6,297)
Remeasurement gains (net)	-	(834)
Benefits paid by the employer	(1,685)	(3,440)
Balance as at 31 December	16,433	12,618

(c) **Actuarial Assumptions**

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

	2016	2015
Long-term average discount rate (p.a.)	12%	12%
Future average pay increase (p.a.)	11%	11%
Average rate of inflation (p.a.)	9%	9%
Average Duration in years (Long Service Awards)	7.29	7.29

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	2016	2015
	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

Assumptions regarding future mortality rates are based on published statistics and mortality tables by institute of Faculty of Actuaries in the UK.

Notes to the financial statements
Withdrawal from Service

Age Band	2016	2015
	Rates	
≤ 30	0.5%	0.5%
31 - 39	0.5%	0.5%
40 - 44	0.5%	0.5%
45 - 60	0.0%	0.0%

It is assumed that all the employees covered by the long service award scheme would retire at age 60 (2015: 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	
(0.01)	13,600
+1%	11,760
Salary increase rate	
(0.01)	12,029
+1%	13,272
Inflation rate	
(0.01)	12,275
+1%	13,015
Mortality rate	
Age rated up by 1 year	12,653
Age rated down by 1 year	12,579

21 **Security deposits**

These are collateral deposits paid by dealers who maintain credit facilities with the Company. These amounts are set-off on a periodic basis to cater for operational losses. These deposits do not bear interest and these amounts are refundable to the dealers at the termination of the business arrangements.

The Company's exposure to liquidity risks related to security deposits is disclosed in Note 25 (b).

22 **Dividends**

(a) Declared dividends

The following dividends were declared and paid by the Company during the period.

	<u>2016</u>	<u>2015</u>
	<u>N'000</u>	<u>N'000</u>
N1.10 kobo per qualifying ordinary share (2015: 88 kobo)	279,388	223,510

After the respective dates, the following dividends were proposed by the Directors. The dividends have not been provided for and there are no income tax consequences.

	<u>2016</u>	<u>2015</u>
	<u>N'000</u>	<u>N'000</u>
xx per qualifying ordinary share (2015: N1.10 kobo)	-	279,388

Notes to the financial statements

Dividend payable

	2016	2015
	N'000	N'000
Balance as at 1 January	399,889	427,995
Declared dividend	279,388	223,510
Payments	(289,947)	(204,528)
Unclaimed dividend written back to retained earnings	211	(47,088)
Balance as at 31 December	389,541	399,889

- (i) Unclaimed dividends transferred to retained earnings represents dividends which have remained unclaimed for over twelve (12) years 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 31 December 2016, dividend payable held by the Company was N367.18 million (2015: N345 million). The balance of N49.04 million (2015: N54.24 million) was held with the Company's registrar, CardinalStone (Registrars) Limited.

23 Trade and other payables

	2016	2015
	N'000	N'000
Trade payables	8,339,937	5,446,521
Accrued expenses	711,244	534,827
Amounts due to joint arrangement partners	134,381	110,527
Advances received from customers	610,406	993,441
Bridging allowance	4,208,000	1,333,897
Amounts due to related parties	17,522,952	12,437,570
Pension payable (Note 23(a))	752	752
Other tax liabilities	377,699	368,495
	31,905,371	21,226,030

- (a) The balance on the pension payable account represents the amount due to Pension Fund Administrators which are yet to be remitted at the end of the year. The movement on this account during the year was as follows:

	2016	2015
	N'000	N'000
Balance as at 1 January	752	784
Contributions during the year	73,737	33,598
Payments during the year	(73,737)	(33,630)
Balance as at 31 December	752	752

24 Bank overdraft and other short term borrowings

	2016	2015
	N'000	N'000
Bank overdraft (Note 18 and Note 24(a))	-	-
Bank borrowings (Import Finance Facilities) (Note 24(b))	18,526,556	16,400,466
Total Borrowings	18,526,556	16,400,466

Notes to the financial statements

- (a) Interest rates on these facilities ranged between 18% to 20% per annum (2015: 18% - 22%). Where the fixed deposit held is in excess of the overdraft, interest income is earned. There is no right of set-off between the overdraft and the deposits held. The net interest expense incurred in the year relating to overdrafts and short term borrowings amounted to N315.70 million (2015: N190.78 million).
- (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 N8.47 billion as at year end (2015: N7.49 billion). The sinking fund account is included in the short term deposits (Note 18).

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not

25 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

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other related parties.

Trade and other receivables

Notes to the financial statements

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. Under the credit policies all customers requiring credit above a certain amount are reviewed and new customers analysed individually for creditworthiness 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 23). 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.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a key distributor or retail distributor, geographic location, and existence of previous financial difficulties. Customers with no trading activities for a period of up to one year are placed on a dormant customer list, and future sales are made on a prepayment basis only with approval of management.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, customers with outstanding amounts that have not placed orders/traded for a prolonged period of time and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics.

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

	2016	2015
	N'000	N'000
Trade receivables		
- Major customers	5,662,906	3,154,947
- Others	539,914	965,362
- Impairment	(398,884)	(423,154)
	<u>5,803,936</u>	<u>3,697,155</u>
- Due from related parties	19,533,690	14,835,297
- Due from regulators (Government entities)	15,202,090	1,741,757
- Others*	214,272	246,976
	<u>40,753,988</u>	<u>20,521,185</u>

* Excludes advances paid to suppliers and withholding tax receivables

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

As at year, the aging of trade receivables that were not impaired was as follows:

	2016	2015
	N'000	N'000
Neither past due nor impaired	3,521,982	2,121,928
Past due 0-30 days	406,540	843,393
Past due 31-90 days	297,616	427,543
Past due 91 days and above	1,577,798	304,291
	<u>5,803,936</u>	<u>3,697,155</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2016	2015
	N'000	N'000
Balance as at 1 January	423,154	337,485
Impairment loss recognised	66,803	108,975
Bad debt written-off	-	(3,147)
Reversal of impairment losses	(91,073)	(20,159)
Balance as at 31 December	<u>398,884</u>	<u>423,154</u>

Notes to the financial statements

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/ guidelines that prohibit or limit recovery of previously recognized amounts. For bridging claims amounting to N2.97 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 N4.21 billion recorded as a liability (Note 23). However, as the right of set off do 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 who are related to the Company 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 not impaired except the member is facing bankruptcy. In the directors view, all amounts are collectible. No impairment was recorded with respect to amounts due from related parties in the current period (Dec 2015: Nil).

Other receivables

Other receivables includes staff debtors and other sundry receivables. The Company reviews the balances due from this category on a periodic 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 during

Loans and receivables

Loans receivable comprise amounts loaned to some of the Company's transporters. See Note 14. All the transporters still carry out business with the Company as at the period end and the balances due as at year end are secured with title to the trucks that were financed. As such, management does not believe that the amounts are impaired.

Cash and cash equivalents

The Company held cash and cash equivalents of N13.55 billion as at 31 December 2016 (2015: N19.77 billion), which represents its maximum credit exposure on these assets. The cash and cash equivalents (with the exception of N0.77 million held as cash by the Company) are held by banks and financial institutions in

(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 to the financial statements

	Notes	Carrying amount N'000	Contractual cash flows N'000	6 months or less N'000
Non-derivative financial liabilities				
31 December 2015				
Overdraft and other short-term borrowings	24	16,400,466	16,400,466	16,400,466
Dividend payable	22	399,889	399,889	399,889
Trade and other payables*	23	19,864,094	19,864,094	19,864,094
Security deposits	21	1,573,485	1,573,485	1,573,485
		38,237,934	38,237,934	38,237,934
31 December 2016				
Overdraft and other short-term borrowings	24	18,526,556	18,526,556	18,526,556
Dividend payable	22	389,541	389,541	389,541
Trade and other payables*	23	30,917,266	30,917,266	30,917,266
Security deposits	21	1,755,462	1,755,462	1,755,462
		51,588,825	51,588,825	51,588,825

* Excludes advances received from customers and tax liabilities

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 and 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 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	
	2016	2015	2016	2015
	N	N	N	N
US Dollar	252.69	192.64	304.50	196.5

Notes to the financial statements

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	
	2016	2015
	N'000	N'000
Fixed rate instruments		
Bank overdraft and borrowings	18,526,556	16,400,466

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 period would not affect profit or loss.

(c) **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

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

	2016	2015
	N'000	N'000
Total borrowings (Note 24)	18,526,556	16,400,466
Less: Cash and cash equivalents (Note 18)	(13,547,921)	(19,774,397)
Adjusted net debt	4,978,635	(3,373,931)
Total equity	22,056,955	20,977,324
Total capital employed	27,035,590	17,603,393
Adjusted net debt to equity ratio	0.23	(0.16)

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

The Company is not subject to externally imposed capital requirements.

(d) **Fair values**

Fair values versus carrying amounts

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 because the carrying amounts are a reasonable approximation of fair values.

Notes to the financial statements

	Carrying amount		
	Loans and receivables	Other financial liabilities	Total
	N'000	N'000	N'000
31 December 2015			
Financial assets not measured at fair value			
Trade and other receivables	20,521,185	-	20,521,185
Loans and receivables	606,985	-	606,985
Cash and cash equivalents	19,774,397	-	13,114,626
	40,902,567	-	34,242,796
Financial liabilities not measured at fair value			
Short term borrowings	-	16,400,466	16,400,466
Trade and other payables	-	19,864,094	19,864,094
Security deposits	-	1,573,485	1,573,485
Dividend payable	-	399,889	399,889
	-	38,237,934	38,237,934

The Company's financial instruments are categorised as follows:

	Carrying amount		
	Loans and receivables	Other financial liabilities	Total
	N'000	N'000	N'000
31 December 2016			
Financial assets not measured at fair value			
Trade and other receivables	40,753,988	-	40,753,988
Loans and receivables	445,193	-	445,193
Cash and cash equivalents	13,547,921	-	13,547,921
	54,747,102	-	54,747,102
Financial liabilities not measured at fair value			
Short term borrowings	-	18,526,556	18,526,556
Trade and other payables	-	30,917,266	30,917,266
Security deposits	-	1,755,462	1,755,462
Dividend payable	-	389,541	389,541
	-	51,588,825	51,588,825

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.

26 Related party transactions

(i) Parent and ultimate controlling entity

As at the year ended 31 December 2016, 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:

Notes to the financial statements

(a) MRS Oil and Gas Limited (MOG)

MOG is a wholly owned company 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	2016 N'000	2015 N'000
Sales of goods	19,752,062	26,900,941
Staff Secondment	(219,723)	(192,660)
Other services	-	164,756
Reimbursements for expenses	-	724,225
Purchase of goods	-	-

Net balance due from MRS Oil and Gas Limited was N5.47 billion (2015: N8.91 billion).

(b) Petrowest SA (Petrowest)

Patrice Albert is Non-executive director on the Board of MRS Oil Nigeria Plc. He is also a director in Petrowest SA. The following transactions occurred during the period:

Nature of transactions	2016 N'000	2015 N'000
Purchase of goods	(17,140,228)	(25,197,535)
Goods in transit	-	(2,916,541)
Service fee	-	-

Net balance due to Petrowest was N3.69 billion (2015: N6.53 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 Holding Limited has a majority shareholding in MRS Oil Nigeria Plc.

Nature of transactions	2016 N'000	2015 N'000
Management fees	(275,500)	(708,936)
Sale of goods	111,607	76,154
Storage fees	-	-
Shared services	-	48,269

Net balance due from MRS Holdings Limited was N124.95 million (2015: N285.71 million)

Notes to the financial statements

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

	<u>2016</u>	<u>2015</u>
	N'000	N'000
MRS Benin	41,859	24,312
Corlay Togo	(3,921)	(6,015)
Corlay Benin	391	(44,736)
Corlay Cote D'Ivoire	(86,093)	(55,216)
Corlay Cameroun	150,801	(35,463)
Others	-	(140,000)
Total	<u>103,037</u>	<u>(257,117)</u>

The Corlay entities are subsidiaries of Corlay Global SA incorporated in Panama, the parent company of MRS Africa Holdings Limited, and 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 amounting to N315.99 million (2015: N377.4 million).

(ii) **Key management personnel compensation**

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

	<u>2016</u>	<u>2015</u>
	N'000	N'000
Short term employee benefits	<u>1,250</u>	<u>6,678</u>

The managing director is seconded from a related party (MRS Oil and Gas Limited) as part of the management fees agreement existing between the Company and MRS Holdings Limited.

(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 N18.33 billion and the 5% disclosure limit is N916.6 million. During the year, the Company has entered into transactions above the 5% disclosure limit with the following related parties:

	<u>2016</u>	<u>2015</u>
	N'000	N'000
MRS Oil and Gas Limited (See Note 25(a) above)	19,532,339	27,597,262
Petrowest SA (See Note 25(b) above)	<u>(17,140,228)</u>	<u>(28,114,076)</u>

27 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

Notes to the financial statements

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 the sale 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

2016	Revenue		Cost of sales		Gross profit	
	N'000	% of Total	N'000	% of Total	N'000	% of Total
Retail/C&	97,211,300	88	90,385,779	89	6,825,521	76
Aviation	9,631,463	9	8,571,747	8	1,059,716	12
Lubes	3,417,651	3	2,370,793	2	1,046,858	12
Total	110,260,414	100	101,328,319	100	8,932,095	100

2015	Revenue		Cost of sales		Gross profit	
	N'000	% of Total	N'000	% of Total	N'000	% of Total
Retail/C&	73,535,902	84	68,581,438	85	4,954,464	77
Aviation	11,071,777	13	10,400,121	13	671,656	10
Lubes	2,491,537	3	1,695,201	2	796,336	12
Total	87,099,216	100	80,676,760	100	6,422,456	100

28 Subsequent events

There are no significant subsequent events that could have had a material effect on the financial position of the Company as at 31 December 2016 and on the profit for the year ended on that date that have not been taken into account in these financial statements.

29 Contingencies

(a) Pending litigations and claims

There are certain lawsuits and claims pending against the Company in various courts of law which are being handled by external legal counsels. The total claims in respect of pending litigations amounted to N102 billion as at 31 December 2016 (2015: N17 billion). In the opinion of the directors and based on independent legal advice, the Company's liabilities are not likely to be material, thus no provision has been made in these 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.

30 Operating leases

Leases as lessee

The Company leases a number of offices, buses, warehouses and service stations under both cancellable and non-cancellable leases. During the year, an amount of N223.84 million was recognized as an expense in profit or loss in respect of operating leases (2015: N176.62 million). 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.

	2016	2015
	N'000	N'000
Non-current portion	506,556	354,303
Current portion	408,517	289,191

**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 Statements for the period ended December 31, 2016 that:

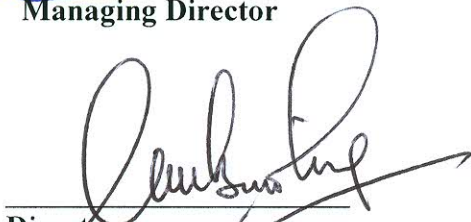
- (a) We have reviewed the report;
- (b) To the best of our knowledge, the report does not contain:
 - (i) Any untrue statement of a material fact, or
 - (ii) Omit to state a material fact, which would make the statements, misleading in the light of the circumstances under which such statements were 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 the 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



Chief Financial Officer



Director

December 31, 2016