

MRS OIL NIGERIA PLC

RC: 6442

8, Macarthy Street, P. O. Box 166, Lagos, Nigeria. T : +234 1 461 4500 , F: +234 1 461 4602
www.mrsholdings.com



MRS Oil Nigeria Plc 3RD Quarter 2018 Financial Statements

DIRECTORS:

Mr. Patrice Alberti (French), (Chairman), Mr. Andrew O. Gbodume (Managing Director/CEO), Dr. Paul Bissohong (Cameroonian),
Dr. Samaila M. Kewa, Ms. Amina Maina, Mr. Mathew Akinlade (FCA), Sir Sunday N. Nwosu, Chief Sir Amobi D. Nwokafor (FCA)



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Corporate information

RC 6442

Board of directors

Mr. Patrice Alberti
Mr. Andrew O. Gbodume
Dr. Paul Bissobong
Dr. Samaila M. Kewa
Ms. Amina Maina
Mr. Matthew Akinlade
Sir. Sunday Nnamdi Nwosu
Chief Sir Amobi Daniel Nwokafor

Chairman
Managing Director/CEO
Non Executive Director
Non Executive Director
Non Executive Director
Independent Director
Non Executive Director
Non Executive Director

Registered office

8, Macarthy Street
Onikan
Lagos

Company secretary

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

Registrar

First Registrars and Investor Services Limited
Plot 2, Abebe Village Road,
Iganmu Lagos
PMB 12692 Marina
Lagos

Auditor

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

Principal bankers

Access Bank Plc
Fidelity Bank Plc
First Bank of Nigeria Limited
First City Monument Bank Plc
Skye Bank Plc (now Polaris Bank Limited)
Standard Chartered Bank Nigeria Limited
Sterling Bank Plc
Union Bank of Nigeria Plc
Unity Bank Plc
Zenith Bank Plc

Leadership team

Andrew O. Gbodume
Managing Director/CEO

Oluwakemi M. Jafajo
Company Secretary

Kamil Bello
Chief Finance Officer

Adewole Abegunde
Aviation Manager

Priscilla Thorpe-Monclus*
Tara Ajibulu**
Sales & Marketing Manager

Michael Ayewa
Health, Safety and Environment Manager

Jibril Hassan
Treasury Manager

Daniel Chukwuazawom
Chief Internal Auditor

Timipiri Odu
Human Resources Manager

Uche Amanambu
Chief Legal Counsel (Ag.)

Abdullahi Masanawa
Operations Manager

Moruf Sobowale
Commercial & Industrial Manager

Adebayo Olusodo
Engineering/Marketing Support Manager

Jah'swill Omolu
Procurement Manager

Ismaila Alabi
Lubes Operation Manager

* Assigned role - September 1, 2018
** Transferred - September 1, 2018

Statement of Directors' responsibilities in relation to the financial statements for the period ended 30 September 2018

The directors accept responsibility for the preparation of the 3rd quarter 2018 financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and Financial Reporting Council of Nigeria Act, 2011.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Signature

Mr. Andrew Gbodume (Managing Director/CEO)
Name

FRC/2012/ICAN/00000000534
FRC

24-10-2018
Date



Signature

Mr. Paul Bissohong (Director)
Name


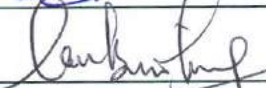

FRC/2013/IOD/00000003841
FRC

24-10-2018
Date

Statement of financial position
as at

	Notes	30 September 2018 ₦'000	31 December 2017 ₦'000
Assets			
Property, plant and equipment	12	16,943,880	17,338,162
Intangible assets	13	7,523	20,108
Prepayments	30	812,485	699,649
Trade and other receivables	15	-	-
Total non-current assets		17,763,888	18,057,919
Inventories	17	4,372,888	5,289,372
Truck loan receivables	14	240,918	246,760
Trade and other receivables	15	34,048,781	34,234,991
Withholding tax receivables	16	66,030	70,542
Prepayments	30	379,995	309,862
Cash and cash equivalents	18	664,868	3,980,872
Total current assets		39,773,480	44,132,399
Total assets		57,537,368	62,190,318
Equity			
Share capital	19	152,393	126,994
Retained earnings		22,605,380	22,982,503
Total equity		22,757,773	23,109,497
Liabilities			
Employee benefit obligations	20	16,604	11,899
Provisions	31	44,147	44,147
Deferred tax liabilities	11(d)	2,110,631	2,110,631
Total non-current liabilities		2,171,382	2,166,677
Security deposits	21	2,129,030	1,924,369
Dividend payable	22(a)	375,576	461,669
Trade and other payables	23	19,450,418	24,232,833
Short term borrowings	24	10,122,517	9,639,852
Provisions	31	1,992	1,992
Tax payable	11(c)	528,680	653,429
Total current liabilities		32,608,213	36,914,144
Total liabilities		34,779,595	39,080,821
Total equity and liabilities		57,537,368	62,190,318

Approved by the Board of Directors on 24 October 2018 and signed on its behalf by:

) Mr. Andrew Gbodume (Managing Director/CEO) FRC/2012/ICAN/00000000534
) Dr. Paul Bissohong (Director) FRC/2013/IOD/00000003841
) Mr. Kamil Bello (Chief Finance Officer) FRC/2013/ICAN/00000000951

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

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

	Notes	July - Sept. 2018	YTD Sept. 2018	July - Sept. 2017	YTD Sept. 2017
		N'000	N'000	N'000	N'000
Revenue	5	13,758,538	76,074,812	19,467,760	81,948,195
Cost of sales	7(b)	(12,961,211)	(71,981,863)	(17,946,453)	(75,856,500)
Gross profit		797,327	4,092,949	1,521,307	6,091,695
Other income	6	55,857	237,447	21,814	122,579
Selling and distribution expenses	7(b)	(243,061)	(732,418)	(259,950)	(966,655)
Administrative expenses	7(b)	(1,342,685)	(3,414,193)	(1,274,728)	(4,008,574)
Operating profit		(732,562)	183,785	8,443	1,239,045
Finance income	8	3,211	30,986	9,419	104,521
Finance costs	8	(246,765)	(417,192)	152,596	(38,477)
Net finance costs	8	(243,554)	(386,206)	162,015	66,044
(Loss)/profit before income tax		(976,116)	(202,421)	170,458	1,305,089
Income tax credit/(expense)	11(a)	44,807	(223,340)	(64,774)	(495,934)
Profit for the period		(931,309)	(425,761)	105,684	809,155
Other Comprehensive Income, net of income tax		-	-	-	-
Total comprehensive income for the period		(931,309)	(425,761)	105,684	809,155
Earnings per share (EPS)					
Basic and diluted earnings per share (Naira)	10	(3.06)	(1.40)	0.42	3.19

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

Statement of changes in equity
for the period ended 30 September 2018

	Notes	Share capital N'000	Retained earnings* N'000	Total equity N'000
Balance as at 1 January 2017		126,994	22,036,847	22,163,841
Total comprehensive income:				
Profit for the period		-	809,155	809,155
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	809,155	809,155
Transactions with owners of the Company				
<i>Contributions and Distributions</i>				
Dividends declared	22(a)	-	(439,400)	(439,400)
Unclaimed dividend written back	22(a)	-	-	-
Total transactions with owners of the Company		-	(439,400)	(439,400)
Balance as at 30 September 2017		126,994	22,406,602	22,533,596
	Notes	Share capital N'000	Retained earnings* N'000	Total equity N'000
Balance as at 1 January 2018		126,994	22,982,503	23,109,497
Total comprehensive income:				
Profit/(Loss) for the period		-	(425,761)	(425,761)
Other comprehensive income		-	-	-
Total comprehensive income		-	(425,761)	(425,761)
Transactions with owners of the Company				
<i>Contributions and Distributions</i>				
Bonus Issue declared		25,399	(25,399)	-
Dividends declared	22(a)	-	-	-
Unclaimed dividend written back	22(a)	-	74,037	74,037
Total transactions with owners of the Company		25,399	48,638	74,037
Balance as at 30 September 2018		152,393	22,605,380	22,757,773

*Included in retained earnings is ₦14.40 billion (2017: ₦14.40 billion) which represents revaluation surplus on Property, plant and equipment transferred at IFRS transition date. The Company has opted not to distribute this amount.

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

Statement of cash flows
for the period ended

	Notes	30 September 2018	30 September 2017
		N'000	N'000
Cash flows from operating activities:			
Profit after tax		(425,761)	809,155
Adjustments for:			
Depreciation	12(a)	1,087,663	1,089,750
Amortisation of intangible assets	13	12,585	4,447
Finance income	8	(30,986)	(104,521)
Finance costs	8(b)	417,192	305,272
Gain on sale of property, plant and equipment	6	(11,975)	(3,715)
Write off of property, plant and equipment	12(a)	-	-
Provision for long-term service award	20(c)	4,705	4,500
Impairment loss on trade receivables	7(a)	(325,479)	61,580
Impairment loss on truck loan receivable	7(a)	-	-
Write off of other receivables	7(a)	(22,883)	(1,141)
(Write back)/impairment loss on inventory	17(b)	-	-
Income tax (credit)/charge	11(a)	223,340	495,934
		928,401	2,661,261
Changes in:			
- Inventories		916,484	2,795,521
- Trade, other receivables and prepayments		356,115	6,356,901
- Security deposits		204,661	109,583
- Provisions		-	-
- Trade and other payables		(4,782,415)	(11,157,317)
Cash generated from operating activities		(2,376,754)	765,948
Income taxes paid	11(c)	(297,206)	(829,458)
Withholding tax credit notes utilised	11(c)	(50,883)	(24,626)
Long-term service award paid	20	-	-
Net cash generated from operating activities		(2,724,842)	(88,136)
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment		34,638	4,656
Purchase of property, plant and equipment	12(a)	(716,044)	(426,740)
Purchase of intangible assets	13	-	-
Amounts paid on behalf of transporters	14	-	(44,049)
Principal received on amounts advanced to transporters	14	5,842	132,837
Interest received	8	30,986	104,521
Net cash used for investing activities		(644,578)	(228,775)
Cash flows from financing activities:			
Additional short term borrowings	24(c)	4,193,379	-
Short term borrowing repayment		-	(15,480,323)
Dividends paid	22	(12,056)	(442,050)
Interest paid	8	(417,192)	(305,272)
Net cash used in financing activities		3,764,131	(16,227,645)
Net change in cash and cash equivalents		394,710	(16,544,555)
Cash and cash equivalents at 1 January	18	20,344	10,910,784
Effect of movements in exchange rates on cash held		1,943	-
Cash and cash equivalents at 30 September	18	416,997	(5,633,771)

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

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for the period ended 30 September 2018

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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 and selling of lubricants and manufacturing and selling of greases.

2 Basis of preparation

(a) Statement of compliance

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

The financial statements were authorised for issue by the Company's Board of Directors on 25 July 2018. Details of the Company's significant accounting policies are included in Note 3.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of judgements and estimates

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

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

i Judgements, assumptions and estimation uncertainties

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

ii Measurement of fair values

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

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

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

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

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

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

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

(e) Changes in accounting policies

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

Disclosure Initiative (Amendments to IAS 7)

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

3 Significant accounting policies

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

(a) Foreign currency transactions

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

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

(b) Financial instruments

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

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

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

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

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

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

ii Non-derivative financial assets - measurement

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

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

Loans and receivables

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

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

Cash and cash equivalents

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

iii Non-derivative financial liabilities - measurement

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

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

iv Derivative financial assets - measurement

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

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

(c) Property, plant and equipment

i Recognition and measurement

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

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

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

ii Subsequent expenditure

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

iii Depreciation

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

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case the assets are depreciated over the useful life.

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

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

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

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

(d) Intangible assets

(i) Recognition and measurement

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

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

(ii) Subsequent expenditure

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

(iii) Amortisation of intangible assets

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

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

(e) Leases

i Determining whether an arrangement contains a lease

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

ii Leased assets

Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

iii Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each year during the lease term so as to produce a constant 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 but excludes reimburseable costs or other costs subsequently recoverable by the Company. In the case of manufactured/ blended inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

The basis of costing inventories are as follows:

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

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

(g) Impairment

i Non-derivative financial assets

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

Objective evidence that financial assets maybe impaired includes:

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

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

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

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

ii Non-financial assets

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Employee benefits

i Defined contribution plan

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

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for its permanent staff. Employees contribute 8% each of their basic salary, transport and housing allowances to the Fund on a monthly basis. The Company's contribution is 10% of each employee's basic salary, transport and housing allowances. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recognised in profit or loss as employee benefit expense in the 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 years. The benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Federal Government of Nigeria issued bonds that have maturity dates approximating the term of the Company's obligation. The calculation is performed using the Projected Unit Credit method. Remeasurements are recognised in profit or loss in the year in which they arise. Although the scheme was not funded, the Company ensured that adequate arrangements were in place to meet its obligations under the scheme.

iii Termination benefits

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

iv Short-term employee benefits

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

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

(i) Provisions and contingent liabilities

Provisions

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

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

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

(j) Revenue

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

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

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

(k) Finance income and finance costs

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

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

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

(l) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

i Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates statutorily enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The Company is subject to the Companies Income Tax Act (CITA), Tertiary Education Trust Fund (Establishment Act 2011) and Capital Gains Tax Act. Tertiary education tax is assessed at 2% of assessable profit, Capital gains tax at 10% of chargeable capital gains while Company income tax is assessed at 30% of adjusted profit.

ii Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans approved by the board of the Company.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(m) Withholding tax receivables

Withholding taxes (WHT) are advance payments of income taxes deducted by the Company's customers at source upon invoicing. WHT receivables are measured at cost.

The Company offsets the tax assets arising from WHT credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realized.

Tax asset written down are recognized in profit or loss as income tax expense.

(n) Earnings per share (EPS)

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

(o) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed regularly by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(p) Statement of cash flows

The statement of cash flows is prepared using the indirect method. Changes in statement of financial position items that have not resulted in cash flows have been eliminated for the purpose of preparing the statement. Dividends paid to ordinary shareholders are included in financing activities. Finance costs paid is also included in financing activities while finance income is included in investing activities.

(q) Government grants

Petroleum Products Pricing Regulatory Agency (PPPRA) subsidies which compensate the Company for losses made on importation of certain refined petroleum products are recognised when there is reasonable assurance that they will be recovered and the Company has complied with the conditions attached to receiving the subsidy. The subsidies are recognised as a reduction to the landing cost of the subsidised petroleum product.

(r) Joint arrangement

The Company's joint arrangement is in respect of its interests in joint aviation facilities held with other parties. These Financial Statements include the Company's share of assets, liabilities, revenue and expenses of the joint arrangement.

(s) Share capital

The Company has only one class of shares, ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price is recorded in the share premium reserve.

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects are recognised as a deduction from equity.

(t) Operating profit

Operating profit is the result generated from the continuing principal revenue producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity accounted investees and income taxes.

(u) Dividend

Dividend is accrued when declared, being when it is appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

(v) Operating expense

Expenses are decreases in economic benefits during the accounting period in the form of outflows, depletion of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

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

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

Expenses are recognized in the same reporting period when they are incurred in cases when it is not probable to directly relate them to particular income earned during the current reporting period and when they are not expected to generate any income during the coming years.

(w) Cost of sales

Cost of sales represents decreases in economic benefits during the accounting period that are directly related to revenue-generating activities of the Company.

Cost of sales is recognized on an accrual bases regardless of the time of spending cash and measured at historical cost.

Only the portion of cost of a previous period that is related to revenue earned during the reporting period is recognized as Cost of sales.

(x) Other income

The Company recognises income from rental of some of its space, filling stations, certain equipment to partners. Other income includes all other earnings that are not directly related to sale of its products. Gain or loss on disposal of property, plant and equipment is included in other income.

4(a) New Standards and Interpretations

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

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

Effective for the financial year commencing 1 January 2019

- IFRS 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

Except for those Standards, Amendments to Standards and Interpretations that are not applicable to the entity, all Standards, Amendments to Standards and Interpretations have been adopted at their effective date unless otherwise indicated.

Classification and measurement of Share-based Payment Transactions (Amendments to IFRS 2), Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* (Amendments to IFRS 4), IFRIC 22 *Foreign Currency Transactions and Advance Consideration*, *Transfers of Investment Property* (Amendments to IAS 40), *Long-Term Interests in Associates and Joint Venture* (Amendments to IAS 28), *Prepayment Features with Negative Compensation* (Amendments to IFRS 9), IFRS 17 *Insurance Contracts* are not applicable to the business of the entity and will therefore have no impact on future financial statements.

The directors are of the opinion that the impact of the application of the remaining Standards, Amendments to Standards and Interpretations will be as follows:

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

5 Revenue	30 Sept. 2018	30 Sept. 2017
	N'000	N'000
Premium Motor Spirit (PMS)	53,488,172	46,058,579
Aviation Turbine Kerosene (ATK)	4,938,036	7,455,000
Automotive Gas Oil (AGO)	8,099,004	13,866,896
Lubricants and greases	2,770,090	3,095,594
Dual Purpose Kerosene (DPK)	6,760,048	11,472,126
Liquidified Petroleum Gas (LPG)	19,462	-
	76,074,812	81,948,195

6 Other income	30 Sept. 2018	30 Sept. 2017
	N'000	N'000
Rental and lease income (Note 6(a))	13,807	7,261
Sundry income (Note 6(b))	42,178	31,673
Gain on sale of property, plant & equipment	11,975	3,715
Income on storage services	169,487	79,930
	237,447	122,579

- (a) Rental and lease income relates to income earned on assets that are on operating lease arrangements to third parties. Assets on lease include filling stations and related equipment (generators and dispenser pumps).
- (b) Sundry income represents service fees for handling and other fees earned in the delivery of products.

7(a) Expenses by nature	30 Sept. 2018	30 Sept. 2017
	N'000	N'000
Depreciation (Note 12(a))	1,087,663	1,089,750
Amortization of intangible assets (Note 13)	12,585	4,447
Changes in inventories of lubes, greases and refined products	72,027,962	75,873,390
Rental of service stations, buildings and equipment	178,699	174,668
Advertising expense	42,629	234,031
Consultancy expense	334,694	296,118
Maintenance expense	419,034	503,057
Throughput expense	11,868	42,125
Freight expense	231,546	281,073
Management fees (Note 26 (c))	264,884	249,321
Director's remuneration (Note 9(b)(iv))	3,750	1,250
Employee benefit expense (Note 9 (b)(i))	519,393	565,946
Auditor's remuneration	26,250	23,625
Impairment loss on truck loan receivables (Note 25(a))	-	-
Impairment loss on trade receivables (Note 25(a))	(325,479)	-
Write off of other receivables	(22,883)	(1,141)
Write off of property, plant & equipment (Note 12(a))	-	-
Local and international travel	72,361	100,360
Office expenses and supplies	256,644	270,222
Communication and postage	189,104	238,632
Fines and penalties	10	6,224
Insurance premium	143,932	129,675
Contract labour	409,743	425,918

Sponsorships and donations	17,091	25,248
Licenses and Levies	15,522	40,249
Utilities	32,612	26,319
Subscriptions	33,057	4,563
Board meetings and AGM expenses	37,437	93,509
Security	39,505	38,213
Other office running expenses	68,861	94,937
Total cost of sales, selling and distribution and administrative expenses	76,128,474	80,831,729

7(b) Expenses by function

	30 Sept. 2018	30 Sept. 2017
	₦'000	₦'000
Cost of sales	71,981,863	75,856,500
Selling and distribution expenses	732,418	966,655
Administrative expenses	3,414,193	4,008,574
	76,128,474	80,831,729

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

Non-audit services paid to the statutory auditors comprise:

	30 Sept. 2018	30 Sept. 2017
	₦'000	₦'000
Filing of transfer pricing	2,646	3,600
Tax regulatory compliance services	15,638	22,097
Recruitment services	-	3,000
Accounting advice	929	2,205
	19,213	30,902

8 Finance income and finance costs

Finance income

	30 Sept. 2018	30 Sept. 2017
	₦'000	₦'000
Interest income on short-term bank deposits	30,986	92,717
Interest income on loans to transporters (Note 14)	-	11,804
Total finance income	30,986	104,521

Finance cost

Interest expense	117,849	258,627
Bank charges	43,269	46,645
Net foreign exchange loss	256,074	(266,795)
Total finance costs	417,192	38,477

Net finance costs

	386,206	(66,044)
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	30 Sept. 2018	30 Sept. 2017
	₦'000	₦'000
9 Profit before income tax		
(a) Profit before income tax is stated after charging/(crediting):		
Depreciation (Note 12)	1,087,663	1,089,749
Amortisation of intangible assets (Note 13)	12,585	4,447
Management fees (Note 26(c))	264,884	249,321
Director's remuneration (Note 9(b)(iv))	3,750	1,250
Employee benefit expense (Note 9(b)(i))	519,393	565,946
Auditor's remuneration	26,250	23,625
Gain on sale of property, plant & equipment (Note 6)	(11,975)	(3,715)
Write off of property, plant and equipment (Note 12(a))	-	-
Impairment loss on truck loan receivables (Note 25(a))	-	-
Impairment loss on trade receivables (Note 25(a))	(325,479)	-
Write off of employee and other receivables	(22,883)	-
Net foreign exchange loss (Note 8)	256,074	(266,795)

(b) Directors and employees

i Employee costs during the period comprise:

	30 Sept. 2018	30 Sept. 2017
	₦'000	₦'000
Salaries and wages	354,457	402,099
Other employee benefits	126,573	122,343
Employer's pension contribution	33,563	37,004
Other long term employee benefit charge (Note 20(c))	4,800	4,500
	519,393	565,946

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

	Number	
	30 Sept. 2018	30 Sept. 2017
Administration	46	49
Technical and production	24	21
Operations and distribution	17	26
Sales and marketing	35	35
	122	131

- iii Higher-paid employees of the Company and other than directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration in excess of ₦2,000,000 (excluding pension contributions) in the following ranges:

		Number	
		30 Sept. 2018	30 Sept. 2017
₦	₦		
2,000,001	3,000,000	1	-
3,000,001	4,000,000	7	3
4,000,001	5,000,000	48	45
5,000,001	6,000,000	36	38
6,000,001	7,000,000	8	5
7,000,001	8,000,000	5	18
8,000,001	9,000,000	7	13
9,000,001	10,000,000	3	2
Above	10,000,000	7	7
		<u>122</u>	<u>131</u>

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

	30 Sept. 2018	30 Sept. 2017
	₦'000	₦'000
Fees	5,000	1,000
Other emoluments	10,770	250
	<u>15,770</u>	<u>1,250</u>

The directors' remuneration shown above includes:

Chairman	-	-
Highest paid director	5,820	1,250

Other directors received emoluments in the following ranges:

		Number	
		30 Sept. 2018	30 Sept. 2017
₦	₦		
Nil		3	2
1,000,001	2,000,000	-	1
2,000,001	3,000,000	-	1
3,000,001	4,000,000	4	-
4,000,001	5,000,000	-	-
5,000,001	6,000,000	1	-
6,000,001	7,000,000	-	-
7,000,001	8,000,000	-	-
		<u>-</u>	<u>-</u>

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

(a) Basic EPS

Basic earnings per share of ₦1.4 (Sept. 2017: ₦3.19) is based on profit attributable to ordinary shareholders of ₦425,761,000 (Sept. 2017: ₦809,155,000) and on the 304,786,406 ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the period (Sept. 2017: 253,988,672).

	30 Sept. 2018	30 Sept. 2017
Profit/(Loss) for the period attributable to shareholders (expressed in ₦)	(425,761,000)	105,684,000
Weighted average number of ordinary shares in issue	304,786,406	253,988,672
Basic earnings per share (expressed in Naira per share)	(1.40)	0.42

(b) Diluted Earnings per share

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

11 Income taxes

Income tax expense

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

(a) Amounts recognized in profit or loss

	30 Sept. 2018 ₦'000	30 Sept. 2017 ₦'000
Current tax expense:		
Income tax	204,235	469,832
Tertiary education tax	19,105	26,102
Capital gains tax	-	-
Changes in estimate related to prior years	-	-
	<u>223,340</u>	<u>495,934</u>
Deferred tax (credit)/expense:		
Origination and reversal of temporary differences	-	-
Income tax (credit)/expense	<u>223,340</u>	<u>495,934</u>

(b) Reconciliation of effective tax rates

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

	%	30 Sept. 2018	%	30 Sept. 2017
Profit before income tax		(202,421)		1,305,089
Income tax using the statutory tax rate	30	(60,725)	36	469,832
Impact of tertiary education tax	2	(4,048)	2	26,102
Capital gains tax	-	-	-	-
Effect of tax incentives	41	(82,345)	-	-
Non deductible expenses	(226)	456,917	-	-
Tax exempt income	49	(99,281)	-	-
Difference in CIT rate and TET rate	-	-	-	-
Derecognition of previously recognised taxable difference	-	-	-	-
years	-	-	-	-
Other differences	(6)	12,822	-	-
Total income tax expense in income statement	(110)	223,340	38	495,934

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

(c) Movement in current tax liability

	30 Sept. 2018	30 Sept. 2017
	N'000	N'000
Balance at beginning of the period	653,429	1,208,500
Payments during the period	(297,206)	(1,125,628)
Net charge for the period (Note 11(a))	223,340	624,608
Withholding tax credit notes utilized (Note 16)	(50,883)	(54,051)
	528,680	653,429

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

(d) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	30-Sep-18 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000
Property, plant and equipment	-	-	(2,507,312)	(2,507,312)	(2,507,312)	(2,507,312)
Employee benefits	3,807	3,807	-	-	3,807	3,807
Trade receivables	236,754	236,754	-	-	236,754	236,754
Truck loan receivables	10,427	10,427	-	-	10,427	10,427
Other receivables	37,274	37,274	-	-	37,274	37,274
Inventories	9,836	9,836	-	-	9,836	9,836
Net unrealised exchange differences	98,583	98,583	-	-	98,583	98,583
	396,681	396,681	(2,507,312)	(2,507,312)	(2,110,631)	(2,110,631)

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

(e) Movement in temporary differences during the period

	Recognized in Profit or loss		Recognized in Profit or loss		Balance	
	1-Jan-17 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000	30-Sep-18 N'000	31-Dec-17 N'000
Property, plant and equipment	(5,188,135)	2,680,823	-	-	(2,507,312)	(2,507,312)
Employee benefits	4,445	(638)	-	-	3,807	3,807
Trade receivables	93,995	142,759	-	-	236,754	236,754
Truck loan receivables	-	10,427	-	-	10,427	10,427
Other receivables	37,274	-	-	-	37,274	37,274
Inventories	19,382	(9,546)	-	-	9,836	9,836
Net unrealised exchange difference	(83,865)	182,448	-	-	98,583	98,583
	(5,116,904)	3,006,273	(2,110,631)	(2,110,631)	(2,110,631)	(2,110,631)

12 Property, Plant and Equipment

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

	Leasehold Land ₦'000	Building ₦'000	Plant & Machinery ₦'000	Automotive Equipment ₦'000	Computer & Office Equipment ₦'000	Furniture & Fittings ₦'000	Capital Work in Progress ₦'000	Total ₦'000
Cost								
Balance at 1 January 2017	9,065,742	6,097,611	10,784,824	1,030,122	878,358	213,936	124,228	28,194,821
Additions	29,023	115,966	134,084	201,171	57,799	4,277	11,814	554,134
Transfers				77,827			(77,827)	-
Disposals/Scrap		(119,698)	(244,184)	(13,780)				(377,662)
Reclassification of accumulated depreciation on reassessment of useful life of land (Note 12 (b))	(622,463)							(622,463)
Balance as at 31 December 2017	8,472,302	6,093,879	10,674,724	1,295,340	936,157	218,213	58,215	27,748,830
Cost								
Balance at 1 January 2018	8,472,302	6,093,879	10,674,724	1,295,340	936,157	218,213	58,215	27,748,830
Additions	32,000	72,879	135,097	60,249	21,727	1,280	392,812	716,044
Transfers		36,650		(33,600)			(36,650)	-
Write-off				(4,079)				(33,600)
Disposals								(4,079)
Balance as at 30 September 2018	8,504,302	6,203,408	10,809,821	1,317,910	957,884	219,493	414,377	28,427,196
Accumulated depreciation and impairment								
Balance as at 1 January 2017	526,284	1,875,266	5,762,811	667,992	772,543	187,471	-	9,792,367
Reclassification*	96,179	(96,179)						-
Balance as at 1 January 2017	622,463	1,779,087	5,762,811	667,992	772,543	187,471	-	9,792,367
Charge for the period	-	234,273	1,031,406	140,090	42,548	5,749		1,454,066
Impairment loss								-
Write off		(35,204)	(164,587)					(199,791)
Disposal			(420)	(13,091)				(13,511)
Reclassification of accumulated depreciation on reassessment of useful life of land (Note 12 (b))	(622,463)							(622,463)
Balance as at 31 December 2017	-	1,978,156	6,629,210	794,991	815,091	193,220	-	10,410,668
Accumulated depreciation and impairment								
Balance as at 1 January 2018	-	1,978,156	6,629,214	794,989	815,090	193,220	-	10,410,669
Charge for the period	-	176,077	773,189	102,741	31,296	4,360	-	1,087,663
Reclassification/ Adjustments	-							-
Write-off	-			(11,141)				(11,141)
Disposal	-			(3,876)				(3,876)
Balance as at 30 September 2018	-	2,154,233	7,402,403	882,713	846,386	197,580	-	11,483,315
Carrying amounts								
Balance as at 30 September 2018	8,504,302	4,049,175	3,407,418	435,196	111,498	21,912	414,377	16,943,880
Balance as at 31 December 2017	8,472,302	4,115,723	4,045,514	500,349	121,066	24,993	58,215	17,338,162

*This relates to reclassification of accumulated depreciation relating to land which was previously classified as accumulated depreciation on building. The reclassification on property, plant and equipment does not have an impact on the statement of comprehensive income.

- (b) During the period, the Company reviewed the estimated useful life of its leasehold land as unlimited on the basis that it is reasonably certain the respective state governors will more likely than not renew the lease upon expiration. The substance of the lease is that the Company has ownership of the land, not a right to use the land for a predefined period. Previously recognised accumulated depreciation is consequently reversed against cost of the land.

The effect of this change in the current period profit or loss is that no depreciation is charged on land in the current period (Dec 2017: Nil). No depreciation will also be charged in future periods.

(c) **Capital commitments**

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

	30 Sept. 2018 N'000	31 December 2017 N'000
Capital commitments	309,225	-

- (d) No property, plant and equipment has been pledged as collateral in respect of any facility (2017: Nil).
- (e) No borrowing costs related to the acquisition of property, plant and equipment was capitalised during the period (2017: Nil)

13 Intangible assets

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

	30 September 2018 N'000	31 December 2017 N'000
Cost		
Balance as at 1 January	280,678	276,683
Additions	-	3,995
Balance	280,678	280,678
Accumulated amortisation		
Balance as at 1 January	260,570	246,763
Charge for the period (Note 7(a))	12,585	13,807
Balance	273,155	260,570
Carrying amount	7,523	20,108

14 Truck loan receivables

	30 September 2018 N'000	31 December 2017 N'000
Balance as at 1 January	246,760	445,193
Insurance	-	44,050
Interest accrued (Note 14(a))	-	20,047
Principal received during the period	(5,842)	(209,898)
Interests received during the period	-	(20,047)
Impairment recognised (Note 25(a))	-	(60,495)
Impairment loss reversal	-	27,910
Balance	240,918	246,760

- (a) There was no interest income earned with respect to these loans (Dec 2017: N20.05 million). The Company did not incur additional cost during the period.

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

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

During the period, the Company recorded no impairment charge (2017: ₦32.59 million) leaving the total impairment allowance as ₦94.17 million (2017: ₦94.17 million) in respect of certain transporters whose recoverables are doubtful. On the basis of retention of title as well as The truck loan receivables at the end of the reporting period are current.

15 Trade and other receivables

	31 Sept. 2018 ₦'000	31 December 2017 ₦'000
Trade receivables (Note 15(a))	4,282,371	4,262,400
Bridging claims (Note 15(c))	5,832,823	3,200,776
Petroleum Support Fund (PSF) (Note 15(b))	18,896,305	18,097,601
Receivables from related parties (Note 26(e))	4,340,203	4,310,838
Employee receivables	63,497	50,108
Advances paid to suppliers	370,745	3,941,893
Due from joint operation partners	68,959	27,888
Receivables from registrar	58,614	26,093
Sundry receivables	135,264	317,394
	<u>34,048,781</u>	<u>34,234,991</u>
Non-current portion	-	-
Current portion	<u>34,048,781</u>	<u>34,234,991</u>
Financial assets	<u>33,678,036</u>	<u>30,293,098</u>
Non-financial assets	<u>370,745</u>	<u>3,941,893</u>
	30 September 2018 ₦'000	31 December 2017 ₦'000
(a) Trade receivables	5,045,967	5,351,475
Gross trade receivables	(763,596)	(1,089,075)
Impairment allowance	<u>4,282,371</u>	<u>4,262,400</u>
Net trade receivables		

(b) Included in the Petroleum Support Fund is an amount of ₦17.28 billion (Dec 2017: ₦16.47 billion) receivable from Petroleum Products Pricing Regulatory Agency (PPPRA) with respect to interest on delayed payments and foreign exchange losses between the rate prescribed by the PPPRA in pricing imported Premium Motor Spirit (PMS) and the actual foreign exchange rates which the Company incurred as a result of PMS importation. The directors believe this amount to be fully recoverable considering historical payment patterns of such receivables and based on their interactions with the PPPRA. Accordingly, no impairment has been recognised on this amount (Note 2(d)).

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

The Company's exposure to credit risk and currency risks related to trade and other receivables are disclosed in Note 25.

16 Withholding tax receivables

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

	30 September 2018	31 December 2017
	₦'000	₦'000
Balance at 1 January	70,542	68,288
Additions	46,371	56,305
Withholding tax credit note utilised (Note 11(c))	(50,883)	(54,051)
Balance	66,030	70,542

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

17 Inventories

	30 September 2018	31 December 2017
	₦'000	₦'000
Premium Motor Spirit (PMS)	743,544	1,136,587
Lubricants and greases	1,892,748	2,218,615
Aviation Turbine Kerosene (ATK)	864,316	1,297,952
Automotive Gas Oil (AGO)	191,306	188,444
Dual Purpose Kerosene (DPK)	650,967	423,133
Packaging materials and other sundry items	27,721	24,641
Liquidified Petroleum Gas (LPG)	2,286	-
Goods in Transit	-	-
	4,372,888	5,289,372

Inventory amounting to ₦399.70 million (Dec 2017: ₦485.22 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 ₦72.03 billion (Sept 2017: ₦75.87 billion).

	30 September 2018	31 December 2017
	₦'000	₦'000
Gross inventory	4,395,117	5,337,746
Impairment allowance (Note 17(b))	(22,229)	(48,374)
Net inventory	4,372,888	5,289,372

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

	30 September 2018	31 December 2017
	₦'000	₦'000
Balance as at 1 January	48,374	78,205
Impairment allowance for the period	-	-
Reversal of impairment allowance	-	(29,831)
Net (reversal)/impairment allowance	-	(29,831)
Balance	<u>48,374</u>	<u>48,374</u>

18 Cash and cash equivalents

	30 September 2018	31 December 2017
	₦'000	₦'000
Cash at bank and on hand	256,892	3,133,945
Short term deposits with banks	407,976	846,927
Cash and cash equivalents in the statement of financial position	<u>664,868</u>	<u>3,980,872</u>
Bank overdrafts used for cash management purposes (Note 24)	(247,871)	(3,960,528)
Cash and cash equivalents in the statement of cash flows	<u>416,997</u>	<u>20,344</u>

The Company's exposure to credit risk and currency risks are disclosed in Note 25.

19 Share capital

	30 September 2018	31 December 2017
	₦'000	₦'000
Authorised:		
322,454,964 (Dec 2017: 271,657,230) Ordinary shares of 50k each	<u>161,227</u>	<u>135,829</u>
Issued and fully paid:		
304,786,406 (Dec 2017: 253,988,672) Ordinary shares of 50k each	<u>152,393</u>	<u>126,994</u>
Issued and fully allotted:		
304,786,406 (Dec 2017: 253,988,672) Ordinary shares of 50k each	<u>152,393</u>	<u>126,994</u>

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.

20 Employee benefit obligations

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

	30 September 2018	31 December 2017
	₦'000	₦'000
Other long term employee benefits	16,604	11,899
Total employee benefit liabilities	<u>16,604</u>	<u>11,899</u>

(b) The provision was based on an independent actuarial valuation performed by Olurotimi Olatokunbo Okpaise (FRC/2012/NAS/00000000738), a partner with EY Nigeria. The method of valuation used is the projected unit credit method and the last valuation was as at 31 December 2017. Other long term employee benefits comprise long service awards and it is funded on a pay as you go basis by the Company.

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

	30 September 2018	31 December 2017
	₦'000	₦'000
Balance as at 1 January	11,899	13,891
<i>Included in profit or loss:</i>		
Current service cost	3,568	6,273
Interest cost	1,137	1,919
Remeasurement gains (net)	-	(7,828)
<i>Net charge to profit or loss</i>	4,705	364
Benefits paid by the employer	-	(2,356)
Balance	<u>16,604</u>	<u>11,899</u>

21 Security deposits

	30 September 2018	31 December 2017
	₦'000	₦'000
Security deposits	<u>2,129,030</u>	<u>1,924,369</u>

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

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

22 Dividends and bonus shares

(a) Declared dividends

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

	30 September 2018	31 December 2017
	₦'000	₦'000
No dividend per qualifying ordinary share (Dec. 2017: ₦1.73 kobo)	<u>-</u>	<u>439,400</u>

Dividend payable

	30 September 2018	31 December 2017
	N'000	N'000
Balance as at 1 January	461,669	411,318
Declared dividend	-	439,400
Payments	(12,056)	(389,049)
Unclaimed dividend written back to retained earnings (see 22(i))	(74,037)	-
Balance	<u>375,576</u>	<u>461,669</u>

- (ii) As at 30 September 2018, dividend payable held by the Company amounted to ₦375.58 million (Dec 2017: ₦461.67 million). A balance of ₦58.61 million (Dec 2017: ₦53.28 million) was held with the Company's registrar, First Registrars and Investor Services Limited.

23 Trade and other payables

	30 September 2018	31 December 2017
	N'000	N'000
Trade payables	7,373,049	13,186,233
Accrued expenses	527,404	569,261
Amounts due to joint arrangement partners (Note 23(c))	245,629	252,913
Bridging allowance (Note 23(d))	3,984,763	2,901,101
Amounts due to related parties (Note 26(e))	6,085,191	5,283,331
Pension payable (Note 23(a))	752	752
<i>Total financial liabilities</i>	<u>18,216,788</u>	<u>22,193,591</u>
<i>Non financial liabilities</i>		
Statutory deductions (Note 23(b))	280,012	331,100
Advances received from customers	953,618	1,708,142
	<u>1,233,630</u>	<u>2,039,242</u>
	<u>19,450,418</u>	<u>24,232,833</u>

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

	30 September 2018	31 December 2017
	N'000	N'000
Balance as at 1 January	752	9,903
Contributions during the period	54,464	88,217
Payments during the period	(54,464)	(97,368)
Balance	<u>752</u>	<u>752</u>

- (b) This represents statutory deductions which are mandated by law or statute. They include Value Added Tax (VAT), Withholding Tax (WHT) liabilities and Pay As You Earn (PAYE) liabilities, which are to be remitted to the relevant tax authorities.
- (c) Amount relates to cash received from other parties of the Joint Aviation Facility for the running of the facility by the Company.
- (d) Bridging allowance represents amount due to the Petroleum Equalisation Fund Management Board as its contribution to the Fund. It is charged on every litre of product lifted from Pipelines and Product Marketing Company.

The Company's exposure to liquidity risk and currency risks are disclosed in Note 25.

24 Short term borrowings

	30 September 2018	31 December 2017
	₦'000	₦'000
Bank overdraft (Note 18 and Note 24(a))	247,871	3,960,528
Bank borrowings (Import Finance and other short term Facilities)	9,874,646	5,679,324
Total Borrowings	10,122,517	9,639,852

- (a) Interest rates on this overdraft ranged between 19% to 23.5% per annum (Dec 2017: 19% to 23.5%). 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 period relating to overdraft and short term borrowings amounted to ₦3 million (Dec 2017: ₦0.34 million). The bank overdraft used for cash management purposes has been included as part of cash and cash equivalents in the statement of cash flows (Note 18).
- (b) Import Finance Facilities represents short term borrowings obtained to fund letters of credits for product importation. These facilities are either secured with products financed, domiciliation of Petroleum Products Pricing Regulatory Agency (PPPRA) payments or the Company's sinking fund account with a balance of Nil as at period end (Dec 2017: Nil).

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

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

	30 September 2018	31 December 2017
	₦'000	₦'000
Opening balance	5,679,324	18,526,556
Additions	4,193,379	3,446,703
Repayments	-	(18,056,744)
Exchange loss on borrowings	1,943	1,762,809
	9,874,645	5,679,324

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

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 21). 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 period 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 in line. 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 Company did not recognise collective impairment loss allowance during the period (2017: Nil).

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

	30 September 2018	31 December 2017
	₦'000	₦'000
Trade receivables		
- Major customers	4,318,665	4,736,832
- Other customers	727,302	614,643
- Impairment allowance	<u>(763,596)</u>	<u>(1,089,075)</u>
	4,282,370	4,262,400
- Due from related parties	4,340,203	4,310,838
- Due from regulators (Government entities)		
Petroleum Equalisation Fund (PEF)	5,832,823	3,200,776
Petroleum Support Fund (PSF)	18,896,305	18,097,601
- Other receivables*	<u>326,334</u>	<u>421,483</u>
	<u>33,678,036</u>	<u>30,293,098</u>

* Excludes advances paid to suppliers and withholding tax receivables.

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

As at period end, the ageing of trade and other receivables that were not impaired was as follows:

	30 Sept. 2018	31 December 2017
	₦'000	₦'000
Neither past due nor impaired	1,965,382	2,388,697
Past due 0-30 days	118,766	154,063
Past due 31-60 days	345,281	198,468
Past due 61-180 days	214,298	742,384
Past due 181 days and above	<u>31,275,226</u>	<u>27,056,246</u>
	<u>33,918,953</u>	<u>30,539,858</u>

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

	30 Sept. 2018	31 December 2017
	₦'000	₦'000
Balance as at 1 January	1,089,075	581,073
Impairment loss recognised	-	746,154
Reversal of impairment allowance	<u>(325,479)</u>	<u>(47,017)</u>
Net impairment allowance (Note 7(a))	(325,479)	699,137
Bad debt written-off		<u>(191,135)</u>
Balance	<u>763,597</u>	<u>1,089,075</u>

The movement in the allowance for impairment in respect of truck loan receivables during the period was as follows:

	30 Sept. 2018	31 December 2017
	N'000	N'000
Balance as at 1 January	94,165	61,580
Impairment allowance for the period	-	60,495
Reversal of impairment allowance	-	(27,910)
Net impairment (Note 7(a))	-	32,585
Balance	94,165	94,165

The Directors have applied judgement in the Company's assessment of the recoverability of its trade and other receivables which are past due but not impaired. The significant judgement involved estimation of future cash flows and the timing of those cash flows. Based on the assessment of the Directors, these trade and other receivables are fully recoverable and accordingly no impairment has been recorded.

Due from Government entities

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

Determination of amounts due are based on existing regulations/guidelines and impairment is only recognized when changes occur in the regulations that prohibit or limit recovery of previously recognized amounts. For bridging claims amounting to ₦5.83 billion (Dec 2017: ₦3.20 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 ₦3.98 billion (Dec 2018: ₦2.90 billion) recorded as a liability (Note 23). However, as the right of set off does not exist, the amounts have been presented gross in these financial statements.

Due from related parties

The Company has transactions with its parent and other related parties by virtue of being members of the MRS Group. Payment terms are usually not established for transactions within the Group companies and amounts receivable from members of the Group are not impaired except the member is facing bankruptcy or other significant financial difficulty. 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 2017: Nil).

Other receivables

Other receivables includes employee receivables 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 of receivables during the period. (Dec 2017: Nil).

Truck loan 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 period end are secured with title to the trucks that were financed.

Cash and cash equivalents

The Company held cash and cash equivalents of ₦664.89 million as at 30 September 2018 (Dec 2017: ₦3.98 billion), which represents its maximum credit exposure on these assets. The credit risk on this is not significant as cash and cash equivalent reside with banks that have good credit ratings issued by reputable international rating agencies.

(b) Liquidity risk

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

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

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

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

	Notes	Carrying amount	Contractual cash flows	6 months or less
		₦'000	₦'000	₦'000
Non-derivative financial liabilities				
30 September 2018				
Overdraft and other short-term borrowings	24	10,122,517	10,122,517	10,122,517
Dividend payable	22	375,576	375,576	375,576
Trade and other payables*	23	18,216,788	18,216,788	18,216,788
Security deposits	21	2,129,030	2,129,030	2,129,030
		30,843,911	30,843,911	30,843,911
31 December 2017				
Overdraft and other short-term borrowings	24	9,639,852	9,788,133	9,788,133
Dividend payable	22	461,669	461,669	461,669
Trade and other payables*	23	22,193,591	22,193,591	22,193,591
Security deposits		1,924,369	1,924,369	1,924,369
		34,219,481	34,367,762	34,367,762

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

(c) Market risk

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

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

Currency risk

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

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

The following significant exchange rates were applied during the period

	Average rate		Reporting date spot rate	
	30 Sept. 2018	31 December 2017	30 Sept. 2018	31 December 2017
	₦	₦	₦	₦
US Dollar	347.17	323.34	361.00	331.16
Euro	416.60	366.33	433.20	397.39

Interest rate risk profile

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

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

	Carrying amount	
	30 Sept. 2018	31 December 2017
	₦'000	₦'000
Fixed rate instruments		
Bank overdraft and borrowings	10,122,517	9,639,852
Truck loan receivables	240,918	246,760
Trade payables*	3,063,881	9,103,017

*Included in trade payables is an amount of ₦3.06 million, due to one of the Company's vendors which bears interest on expiration of credit policy granted to the Company.

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

(d) Capital risk management

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

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

	30 Sept. 2018	31 December 2017
	₦'000	₦'000
Total borrowings (Note 24)	10,122,517	9,639,852
Less: Cash and cash equivalents (Note 18)	(664,868)	(3,980,872)
Adjusted net debt	9,457,649	5,658,980
Total equity	22,757,773	23,109,497
Total capital employed	32,215,422	28,768,477
Adjusted net debt to equity ratio	0.42	0.24

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

The Company is not subject to externally imposed capital requirements.

(e) **Fair value disclosures**

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

The Company's financial instruments are categorised as follows:

	Carrying amount		
	Loans and receivables	Other financial liabilities	Total
	N'000	N'000	N'000
30 September 2018			
Financial assets not measured at fair value			
Trade and other receivables (Note 15)	33,678,036	-	33,678,036
Truck loan receivables (Note 14)	240,918	-	240,918
Cash and cash equivalents (Note 18)	416,997	-	416,997
	<u>34,335,951</u>	<u>-</u>	<u>34,335,951</u>
Financial liabilities not measured at fair value			
Short term borrowings (Note 24)	-	10,122,517	10,122,517
Trade and other payables (Note 23)	-	18,216,788	18,216,788
Dividend payable (Note 22)	-	375,576	375,576
Security deposit (Note 21)	-	2,129,030	2,129,030
	<u>-</u>	<u>30,843,911</u>	<u>30,843,911</u>
31 December 2017			
Financial assets not measured at fair value			
Trade and other receivables (Note 15)	30,293,098	-	30,293,098
Truck loan receivables (Note 14)	246,760	-	246,760
Cash and cash equivalents (Note 18)	20,344	-	20,344
	<u>30,560,202</u>	<u>-</u>	<u>30,560,202</u>
Financial liabilities not measured at fair value			
Short term borrowings (Note 24)	-	9,639,852	9,639,852
Trade and other payables (Note 23)	-	22,193,591	22,193,591
Dividend payable (Note 22)	-	461,669	461,669
Security deposit (Note 21)	-	1,924,369	1,924,369
	<u>-</u>	<u>34,219,481</u>	<u>34,219,481</u>

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

26 Related party transactions

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

As at the period ended 30 September 2018, 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 period:

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

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

Nature of transactions	30 Sept. 2018 ₦'000	31 December 2017 ₦'000
Sales of goods	-	583
Staff Secondment	(154,739)	(233,233)
Product purchase	(1,267,250)	(1,474,580)
Reimbursements for expenses	-	443,462
	<u>(1,421,989)</u>	<u>(1,263,768)</u>

The value of products stored by MRS Oil and Gas Limited for the Company amounted to ₦399.70 million (Dec 2017: ₦485.22 million). The total transaction with MOG during period was ₦1.42 billion (Dec 2017: ₦1.26 billion).

Net balance due to MRS Oil and Gas Limited was ₦432.14 million (Dec 2017: ₦548.76 million).

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

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

Nature of transactions	30 Sept. 2018 ₦'000	31 December 2017 ₦'000
Purchase of goods	-	-

Net balance due to Petrowest was ₦1.44 billion (Dec 2017: ₦1.54 billion)

(c) **MRS Holdings Limited**

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

Nature of transactions	30 Sept. 2018 ₦'000	31 December 2017 ₦'000
Management fees	(264,884)	(323,197)
Sale of goods	55,627	151,406
Shared services	-	(16,837)

Net balance due from MRS Holdings Limited was ₦172.08 million (Dec 2017: ₦36.81 million)

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

	30 Sept. 2018 ₦'000	31 December 2017 ₦'000
MRS Benin S. A.	54,412	49,666
Corlay Togo S. A.	(8,996)	111
Corlay Benin S. A.	281	(293)
Corlay Cote D'Ivoire	(98,696)	(92,155)
Corlay Cameroun S. A.	12,850	21,448
	<u>(40,148)</u>	<u>(21,223)</u>

Nature of transactions

	30 Sept. 2018 N'000	31 December 2017 N'000
MRS Benin S. A. Reimbursements for expenses	226	3,776
Corlay Togo S. A. Reimbursements for expenses	8,544	7,875
Corlay Benin S. A. Reimbursements for expenses	5,553	828
Corlay Cote D'Ivoire Reimbursements for expenses	1,490	1,362
Corlay Cameroun S. A. Reimbursements for expenses	44	46,376

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

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

(e) Summary of intercompany receivables and payables:

	30 September 2018		31 December 2017	
	Receivables N'000	Payables N'000	Receivables N'000	Payables N'000
MRS Oil and Gas Limited (MOG)	1,091,794	(1,523,933)	1,321,137	(772,381)
MRS Holdings Limited	3,180,865	(3,008,781)	2,918,476	(2,881,671)
Petrowest		(1,444,786)	-	(1,536,831)
MRS Benin S. A.	54,412		49,666	-
Corlay Togo S. A.		(8,996)	111	-
Corlay Benin S. A.	280.95		-	(293)
Corlay Cote D'Ivoire		(98,696)	-	(92,155)
Corlay Cameroun S. A.	12,850		21,448	-
	4,340,203	(6,085,191)	4,310,838	0 (5,283,331)

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

(ii) Key management personnel compensation

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

	30 Sept. 2018 N'000	31 December 2017 N'000
Short term employee benefits	15,770	20,692

The managing director is seconded from MRS Oil and Gas Limited to MRS Oil Nigeria Plc.

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

In line with Nigerian Stock Exchange - Rules Governing Transactions with Related Parties or Interested Persons, the Company has disclosed transactions with related parties which are individually or in aggregate greater than 5% of the total tangible assets. The total tangible assets amounted to ₦16.94 billion and the 5% disclosure limit is ₦847.19 million. During the period, the Company had not entered into transactions above the 5% disclosure limit with related parties.

	30 Sept. 2018	31 December 2017
	₦'000	₦'000
MRS Oil and Gas Limited (See Note 26(a) above)	(1,421,989)	(1,263,768)
Petrowest SA (See Note 26(b) above)	-	-
MRS Holdings Limited (See note 26 (c) above)	-	-

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 Note 3.

The Company has identified three operating segments:

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

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

Segment revenue and cost of sales

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

September 2017	Revenue		Cost of sales		Gross profit	
	₦'000	% of Total	₦'000	% of Total	₦'000	% of Total
Retail/C&I	71,397,601	87%	67,186,081	89%	4,211,520	69%
Aviation	7,455,000	9%	6,923,866	9%	531,134	9%
Lubes	3,095,594	4%	1,746,553	2%	1,349,041	22%
Total	81,948,195	100%	75,856,500	100%	6,091,695	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 30 September 2018 and on the profit for the period ended on that date that have not been taken into account in these financial statements.

29 Contingencies

(a) Pending litigations

There are certain lawsuits pending against the Company in various courts of law. The total contingent liabilities in respect of pending litigations as at 30 September 2018 is ₦7.09 billion (Dec 2017: ₦7.09 billion). A total provision of ₦46.14 million (Dec 2017: ₦46.14) (Note 31) has been made in these financial statements. The actions are being contested and the directors are of the opinion that no significant liability will arise in excess of the provision that has been recorded in the financial statements.

(b) Financial commitments

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

30 Prepayments

	30 Sept. 2018	31 December 2017
	₦'000	₦'000
Operating leases	903,245	808,659
Other prepayments	289,235	200,852
	<u>1,192,480</u>	<u>1,009,511</u>

The Company leases a number of offices and service stations under both cancellable and non-cancellable leases. During the period, an amount of ₦455.69 million (Dec 2017: ₦575.55 million) was recognized as an expense in profit or loss in respect of operating leases. Lease rentals are paid upfront and included in prepayments (current and non-current), which are amortised to profit or loss over the life of the lease except for leases for buses that are paid in arrears on a monthly basis.

	30 Sept. 2018	31 December 2017
	₦'000	₦'000
Non-current portion	812,485	699,649
Current portion	379,995	309,862
	<u>1,192,480</u>	<u>1,009,511</u>

Movement in prepayment

	30 Sept. 2018	31 December 2017
	₦'000	₦'000
Opening balance	1,009,511	911,203
Addition	638,667	673,859
Release to profit or loss	(455,699)	(575,551)
Closing balance	<u>1,192,480</u>	<u>1,009,511</u>

31 Provisions

	30 Sept. 2018	31 December 2017
	₦'000	₦'000
Balance at 1 January	46,139	-
Provisions made during the period (Note 29(a))	-	46,139
Balance	<u>46,139</u>	<u>46,139</u>
Non-current	<u>44,147</u>	<u>44,147</u>
Current	<u>1,992</u>	<u>1,992</u>

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

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

We the undersigned hereby certify the following with regards to our financial report for the period ended September 30, 2018 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/CEO



Director



Chief Finance Officer

24 October 2018