# MRS Oil Nigeria Plc

## Annual Report

## 31 December 2019

## Contents

# Corporate Information: RC 6442

| | | |
|---|---|---|
| **Board of Directors** | Mr. Patrice Alberti | Chairman |
| | Mrs. Priscilla Thorpe-Monclus | Managing Director (Acting) |
| | Ms. Amina Maina | Non Executive Director |
| | Mr. Matthew Akinlade | Non Executive Director |
| | Sir. Sunday Nnamdi Nwosu | Non Executive Director |
| | Chief Dr. Amobi Daniel Nwokafor | Independent Director |
| | Mrs Priscilla Ogwemoh | Non Executive Director |
| | Mr Christopher Okorie | Non Executive Director |

**Registered Office**
2, Tin Can Island
Apapa
Lagos

**Company Secretary**
Mrs. O. M. Jafojo
2, Tin Can Island
Apapa
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
Victoria Island
Lagos

**Principal bankers**
Access Bank Plc
Fidelity Bank Plc
First Bank of Nigeria Limited
First City Monument Bank Plc
Polaris Bank Limited
Standard Chartered Bank Nigeria Limited
Sterling Bank Plc
Union Bank of Nigeria Limited
Unity Bank Plc
Zenith Bank Plc

**Leadership team**

**Priscilla Thorpe-Monclus**
Managing Director
**Oluwakemi M. Jafojo**
Company Secretary
**Charles Agutu**
Chief Finance Officer
**Moruf Sobowale**
Sales and Marketting Manager
**Daniel Chukwuazawom**
Chief Internal Auditor
**Oluwole Ojetunde**
Account Manager
**Col.Adebisi Adesanya**
Chief Security Officer
**Mcheal Ayewah**
Health, Safety and Environment Manager

**Sam Itodo**
Treasury Manager
**Olanrewaju Johnson**
Logistics Manager
**Nnenna Enumah**
Sales Administrative Manager
**Stanley Duru**
Supply Manager
**Mr Franklin Ugwueke**
Engineering Manager
**Alex Tiamiyu**
LPG Manager
**Olatunji Sanusi**
Information Technology Manager
**Gbenga Dairo**
Consumer and Industrial Manager

# Directors' report
***For the year ended 31 December 2019***

The Directors present their Annual Report on the state of affairs of the Company, together with the Audited Financial Statements for the year ended 31 December 2019.

**Incorporation and legal status of the Company**
The Company was incorporated as a privately owned Company in 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 marketing of products in Nigeria commenced in 1913 under the Texaco brand, when they were distributed exclusively by CFAO, a French Multinational Retail Company. In 1964, Texaco Africa Limited started direct marketing of Texaco products selling through service stations and kiosks acquired from the said multinational retail Company, on lease terms. It also entered into the aviation business.

On 12 August 1969, Texaco Nigeria Limited was incorporated as a wholly-owned subsidiary of Texaco Africa Limited, thus inheriting the business formerly carried out in Nigeria by Texaco Africa Limited. With the promulgation of the Nigerian indigenization Decree in 1978, 40% of Texaco Nigeria Limited was sold to Nigerian individuals and organizations by Texas Petroleum Company.

In 1990, the Companies and Allied Matters Decree came into force and this necessitated the removal of Limited from the Company's corporate name, to the prescribed 'Public Limited Liability Company' (PLC) with its shares quoted on the Nigerian Stock Exchange.

Following the creation of ChevronTexaco in 2001 from the merger between Chevron Corporation and former Texaco Inc., Texaco Nigeria Plc became an integral part of the new corporation. As Chevron Texaco considered the acquisition of former Union Oil Company of California (UNOCAL), the Board of ChevronTexaco decided to eliminate 'Texaco' from the corporate name and retain only Chevron as the new name of the enlarged corporation.

Effective 1 September 2006, the Company's name changed from Texaco Nigeria Plc to Chevron Oil Nigeria Plc following a directive from Chevron Corporation's headquarters to all affiliate companies. This was designed to present a clear, strong and unified presence of Chevron Corporation throughout the world.

On 20 March 2009, there was an acquisition of Chevron Africa Holdings Limited, (a Bermudian Company) by Corlay Global S.A. of Moffson Building, East 54$^{th}$ 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 40$^{th}$ Annual General Meeting of the Company on 29 September 2009.

Currently 304,786,406 shares (2018: 304,786,406) are held by 24,604 Nigerian shareholders, corporate bodies and 1 foreign shareholder (MRS Africa Holdings Limited, Bermuda, a subsidiary of Corlay Global S.A.) in MRS Oil Nigeria Plc, a company with the main business of marketing and/or manufacture of petroleum related products in Nigeria.

# Directors' report (cont'd)

With about 116 active company owned operating outlets and about 117 third party owned operating outlets, MRS Oil Nigeria Plc is a major player in Nigeria's petroleum products marketing industry and a leading producer of quality lubricating oils and greases.

**Principal Activities:**
The Company remains principally engaged in the business of marketing and distribution of refined petroleum products; blending of lubricants, manufacturing of greases and sale of same.

**Company Results:**
The summary of the results of the Company as included in the Financial Statements are as follows:

| Year ended 31 December | 2019 NGN'000 | 2018 NGN'000 |
|---|---:|---:|
| Revenue | 64,909,370 | 89,552,819 |
| Loss Before Minimum and Income Tax | (1,983,126) | (1,427,448) |
| Income Tax | 603,663 | 162,507 |
| Minimum Tax | (324,547) | - |
| Loss for the year | (1,704,010) | (1,264,941) |
| Loss per 50k Share (Naira) | (5.59) | (4.15) |
| Declared Dividend per 50k Share (Kobo) | - | - |
| Net Assets per 50k Share | 6,269 | 6,798 |

**Board Changes:**

- On the 10th of January, 2019, Mrs Priscilla Thorpe-Monclus was appointed as a Director and the Managing Director (Acting) of MRS Oil Nigeria Plc, following the resignation of Mr Andrew Oghenevo Gbodume as Managing Director/CEO on 10th of January, 2019.
- The Board announced the appointment of Mrs Priscilla Ogwemoh and Mr. Christopher Okorie as a Director of the Company on the 28th of February, 2019 and the 28th of March 2019 respectively.
- Also, the Board approved the resignation of Dr Paul Bissohong and Mr Andrew O. Gbodume as a Director of the Company on the 30th of April 2019 and the 31st of December 2019 respectively.

**Board Induction:**
The Company carries out an induction program to familiarize new Directors appointed on the Board, with the Company's operation, the business environment and the Management of the Company. On the 19th of June, 2019, three (3) Directors were inducted to the Board on their fiduciary duties and responsibilities to the Company.

**Election/Re-election of Directors:**
In accordance with Articles 90/91 of the Company's Article of Association, Mr. Mathew Akinlade and Sir Sunday Nnamdi Nwosu retire by rotation and being eligible, offer themselves for re-election.

# Directors' report (cont'd)

**The Directors:**
The Directors in office during the year are listed below and except where stated, served on the Board in 2019:

| Name | Nationality | Designation | Appointments/ Resignations (A/R) |
|---|---|---|---|
| Mr P. Alberti | French | Chairman | March 20, 2009 (A) |
| *Mrs P. Thorpe-Monclus | | Managing Director (Acting) | January 10, 2019 (A) |
| **Mr A.O. Gbodume | | Non- Executive Director | December 31, 2019 (R) |
| ***Dr. P. Bissobong Ms. | Cameroonian | Non- Executive Director | April 30, 2019 (R) |
| A. Maina | | Non- Executive Director | November 6, 2013 (A) |
| Mr. M. Akinlade | | Independent Director | April 27, 2017 (A) |
| Sir S. N. Nwosu | | Non- Executive Director | April 27, 2017 (A) |
| Chief Dr. A. D. Nwokafor | | Non- Executive Director | April 27, 2017 (A) |
| ****Mrs. P. Ogwemoh | | Non- Executive Director | February 28, 2019 (A) |
| *****Mr. C.O. Okorie | | Non- Executive Director | March 28, 2019 (A) |

*Appointed as Managing Director (Acting), effective January 10, 2019.
**Ceased to be Non-Executive Director, effective December 31, 2019
***Ceased to be Non-Executive Director, effective April 30, 2019
****Appointed as Non-Executive Director, effective February 28, 2019
*****Appointed as Non-Executive Director, effective March 28, 2019

**Directors' Interest in the Issued Share Capital of the Company:**
The direct and indirect interests of Directors in the issued share capital of the Company as recorded in the Register of Directors' Shareholdings and/or as notified by the Directors for the purposes of Sections 275 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the listing requirements of the Nigerian Stock Exchange are as follows:

Ms. Amina Maina, Mr. Matthew Akinlade and Sir Sunday N. Nwosu directly own shares in the Company as follows;

| Name | 2019 | 2018 |
|---|---|---|
| Ms. Amina Maina | 33,136 | 33,136 |
| Sir Sunday N. Nwosu | 6,301 | 6,301 |
| Mr Matthew Akinlade | 571 | 571 |

**Directors' Interest in Contract:**
For the purpose of Section 277 of the Companies and Allied Matters Act, Cap C.20 Laws of the Federation of Nigeria, 2004, none of the Directors have notified the Company of any direct or indirect interest in any contract or proposed contract with the Company.

**Major Shareholders:**
According to the Register of Members as at 31 December 2019, the following shareholders of the Company hold more than 5% of the issued ordinary share capital of the Company:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| Name | Unit | Percentage % | Unit | Percentage % |
| MRS Africa Holdings Limited | 182,871,828 | 60% | 182,871,828 | 60% |
| First Pen Cust/Asset Management Corporation of Nigeria-MAI | 31,919,838 | 10.47% | 31,919,838 | 10.47% |

Sayyu Dantata has an indirect holding in MRS Africa Holdings Limited, which owns 60% of the shares in MRS Oil Nigeria Plc.

# Directors' report (cont'd)

From the register of members, the Directors are not aware of any other person or persons who holds more than 5% of the fully issued and paid shares of the Company.

**Analysis of Shareholding**:
According to the register of Members at 31 December 2019, the spread of shareholding in the Company is presented below:

| Number of holding | | | Number of shareholders | Number of shares held | Percentage of shareholding |
|---|---|---|---|---|---|
| 1 | - | 1000 | 12,523 | 4,442,651 | 1% |
| 1001 | - | 5,000 | 9,416 | 22,973,144 | 8% |
| 5,001 | - | 10,000 | 1,296 | 9,024,497 | 3% |
| 10,001 | - | 50,000 | 1,180 | 21,813,825 | 7% |
| 50,001 | - | 100,000 | 98 | 6,560,638 | 2% |
| 100,001 | - | 500,000 | 79 | 14,587,691 | 5% |
| 500,001 | - | 1,000,000 | 8 | 5,514,127 | 2% |
| 1,000,001 | - | 5,000,000 | 3 | 5,078,167 | 2% |
| 10,000,001 | - | 50,000,000 | 1 | 31,919,838 | 10% |
| 100,000,001 | - | 304,786,406 | 1 | 182,871,828 | 60% |
| **Total** | | | **24,605** | **304,786,406** | **100%** |

| | No of Shareholders | Number of shares held | Percentage of shareholding |
|---|---|---|---|
| Local shareholders | 24,604 | 121,914,578 | 40% |
| Foreign shareholders | 1 | 182,871,828 | 60% |
| | **24,605** | **304,786,406** | **100%** |

**Acquisition of its Own Shares:**
The Company did not acquire its own shares during the year. (2018: Nil)

**ISO Certification:**
The Company is committed to the continued regulation of its quality management system by the International Standards Organisation ISO:9001 2008. In the year under review, ISO conducted its annual audit and was satisfied that the Company consistently maintains high compliance levels.
The Managing Director/CEO has the responsibility of ensuring that the Company’s activities are conducted in the safest and most efficient manner, to deliver value to its stakeholders.

**Employment Policy:**
MRS Oil Nigeria Plc. recognizes that its employees are its most important assets and the effectiveness of the employment process (i.e. selection, recruitment, employee experience, retention, learning and development) is fundamental to the Company’s long-term success. The Company is committed to adopting best practices that will guide the successful engagement of the human capital, to meet its strategic and operational objectives.

Over the years, the Company has built a brand reputation to create an employee value proposition that attracts the right talent to the Company at all levels. The Company has also taken into cognizance its values, the present and strategic needs of the business and the cultural existence of the organization, which are reviewed from time to time to meet the business objectives.

# Directors' report (cont'd)

The Company also provides an avenue where employees fill vacant or new positions in the Company before external recruiting who meet the criteria for any of such positions. There is strategy on recruiting internal and external to ensure the right balance in terms ensuring a continued blend in placement and engagements of qualified and competent candidates to promote the long term competitiveness and attainment of the Company's corporate goals.

The Company pays special attention to the individual profile of its employees and balances their individual profile with the Company's values to ensure that they are a culture-fit, and possess the requisite professionalism, leadership and people relationship skills.

The recruitment, selection and placement of employees are guided by the following principles:

- The Company is an equal opportunities employer.
- The recruitments, selection, procedures and processes are on the basis of an objective and merit-based assessment process of competence, relevant experience and/or potential, as well as general medical, physical, behavioural and mental fitness to perform the role being resourced.
- There is no discrimination between applicants for employment on the basis of age, race, gender, ethnic origin, nationality or religion
- The Company adheres to all applicable laws regarding the employment of labour, as well as international best practice.

**Employee Wellness and Wellbeing**

The Company provides opportunities, initiatives and interventions to improve the health and wellbeing of its employees. The Company ensures holistic health and the wellbeing needs of employees to enhance their working experience and creates a positive impact that leads to a significant increase in their engagement, cohesiveness and overall productivity.

Employees are encouraged to engage in programs focused on improving healthy lifestyle with a positive impact on their mental, emotional, physical and social well-being.

Some of the wellness initiatives implemented during the year include the On-Site Physical Health checks, which encompass
*Health Awareness Sessions*: Healthier Living and maintaining a good Work Life Balance

**Employee Involvement, Learning and Development**

As part of the Company's values to continually train employees to become the best professionals, various foreign/in-country trainings were deployed. The Company is committed to the development of business acumen, competence and knowledge improvement amongst its workforce, for improved productivity, synergy and a broader understanding of the business operations.

**Workforce management:**

As at 31 December 2019, the Company's workforce was 104 (2018: 117), which represents a 11% reduction in the workforce of the Company. This number excludes employees on secondment from MRS Holdings Limited.

# Directors' report (cont'd)

**Health, Safety, And Environment (HSE) Performance in 2019:**
MRS Oil Nigeria Plc. takes the Health and Safety of its employees, contractors, customers, visitors and any other category of persons who may be affected by its activities seriously and considers it as an integral part of its business operation. The Company is committed to the protection of its people, equipment, property and the environment, in all its activities. The Company's Health, Safety and Environment (HSE) Policy is robust and it is developed in accordance with ISO 45001:2018 Occupational Health and Safety (OHS) requirements.

At MRS Oil Nigeria Plc., we believe that "accidents are preventable". As such, the Company continues to commit resources to address the causes of workplace accidents, such as: Unsafe Acts and Unsafe Conditions. To this end, a Safety Awareness Program is conducted monthly, for all employees. The Program is targeted at improving the safety culture and increasing the level of safety awareness among employees. Also, workplace inspections and assessments are conducted periodically to identify and address unsafe conditions and practice. This way, the Company proactively addresses and significantly reduces the risk of workplace accidents.

The Company recognizes that the Health of its employees is critical to the business and it has a direct impact on its productivity. Hence, at MRS Oil Nigeria Plc., the Health of employees is considered paramount. The Company provides health insurance cover for its employees through the Health Maintenance Organizations (HMOs) and provides regular advisory and health talks which proffer health information to employees. The Company ensures that the workplace is free from Health hazards and it ensures the continuous provision of resources that create a conducive and ergonomic workplace.

MRS Oil Nigeria Plc, remains committed to the protection of its operating environment. It demonstrates this by minimizing the impact of its activities, products and services on the environment and its operations comply with the applicable laws and regulation of its operating environment.

In 2019, the HSE indicators of MRS Oil Nigeria Plc improved. This positive performance could be attributed to improved risk management measures, increased employee participation in HSE activities, training and close monitoring of critical metrics, amongst others. Notwithstanding this positive performance, the Company acknowledges that there is a lot more to be done. We remain unwavering in our commitment to the continual improvement of HSE standards and our resolve is that no one gets hurt while working for "MRS".

**Employment of the physically challenged:**
The Company maintains a fair policy in considering job applications of physically challenged persons having regard to their abilities and aptitude. The Company did not employ any physically challenged person during the year (2018: Nil).

# Directors' report (cont'd)

**Contributions and charitable donations:**
During the year, the Company made the following donations/contributions in fulfillment of its Corporate Social Responsibility:

**Sponsorship/donation to orphanage homes, charity organizations and schools – year 2019**

| S/N | NAME OF BENEFICIARY | | AMOUNT (NGN) |
|---|---|---|---|
| 1. | Society for Orphan Welfare, Ikoyi, Lagos | Donation | 100,000 |
| 2. | Pacelli School for the Blind & Partially Sighted Children Surulere, Lagos | Donation | 100,000 |
| 3. | The Zamarr Institute (School For Austim), Abuja | Donation | 100,000 |
| 4. | Hope Orphanage, Ilorin | Donation | 100,000 |
| 5. | Infant Jesus Orphanage Home, Calabar | Donation | 100,000 |
| 6. | Motherless Babies Home, Total Garden, Ibadan | Donation | 100,000 |
| 7. | Green Pasture and Initiative | Donation | 100,000 |
| 8. | Cerebral Palsy Centre | Donation | 100,000 |
| 9. | HFSN St. Joseph Orphanage, Owerri | Donation | 100,000 |
| 10. | Edo Orphanage Home | Donation | 100,000 |
| 11. | Easterbrook Foundation | Donation | 100,000 |
| 12. | Port Harcourt Children's Home | Donation | 100,000 |
| 13. | Youth Empowerment Foundation (Scholarships for 3 indigent Children) | Sponsorship | 510,000 |
| | **TOTAL** | | **1,710,000** |

Donations made in 2019 financial year amounted to NGN1,710,000 (2018: NGN4,178,542)

In accordance with Section 38(2) of the Companies and Allied Matters Act Cap C.20, Laws of the Federation of Nigeria, 2004, the Company did not make any donations or give any political party, political association or provide funds for any political purpose in the course of the year under review.

**Internal audit function and internal controls:**
The Directors are committed to an effective risk-based Internal Audit Function that provides assurance on the effectiveness of the internal processes and procedures and that risk management and controls are effective. The Internal Audit regularly reviews the Internal Controls, evaluate their adequacy, effectiveness and efficiency and submits routine reports to the Audit Committee of the Company. The Head of Internal Audit of the Company is an experienced Chartered Accountant who reviews the management of the inherent risks in the business operations of the Company.

The Company's structured risk management framework guides the risk assessment of all arms of the business. The risk assessment captures all areas of business risks and identifies measures to mitigate risk.

The Directors are responsible for the Risk Management Process and assertions on the process effectiveness. The risk management process is integrated into the day to day activities of the Company and identifies key risks in the operational, financial, reputational, procedural and compliance process of the business.

# Directors' report (cont'd)

**Property, plant and equipment:**

Information relating to changes in the Company's property, plant and equipment is given in Note 12 to the Financial Statements.

**Going concern:**

Nothing has come to the attention of the Directors to inform them, that the Company will not remain a going concern in the next twelve months.

**Auditors:**

Messrs. KPMG Professional Services, having satisfied the relevant corporate governance rules on their ten (10) years tenure in office have indicated their ineligibility to continue in office as auditor to the Company. In accordance with Section 357 (1) of the Companies and Allied Matters Act Cap C.20, Laws of the Federation of Nigeria, 2004 and SEC Code of Corporate Governance, the Board will propose at the next Annual General Meeting (AGM) of the Company, the appointment of another firm as Independent Auditors, effective after the conclusion of the AGM.

By Order of the Board
O. M. Jafojo (Mrs.) FCIS
Company Secretary
FRC NO: 2013/NBA/00000002311

27 May 2020

# Corporate governance report

The Board considers the maintenance of high standards of corporate governance, central to achieving the Company's objective of maximizing shareholders value. The Board has a schedule of matters reserved specifically for its decision and the Directors have access to knowledge development and learning appropriate professional skills.

**Ethical standards:**
In line with the Companies and Allied Matters Act, 2004, the Securities and Exchange Commission's Code of Corporate Governance, the Nigerian Stock Exchange Rules and Regulations and other statutory regulations, the Directors continue to act with utmost integrity and high ethical standards and are aware of this primary responsibility in their business dealings with the Company.

**Board composition:**
The Company's Board currently comprises of a Non-Executive Chairman, the Managing Director, Five (5) NonExecutive Directors and an Independent Director. The Managing Director has extensive knowledge of the oil and gas industry, while the NonExecutive Directors bring in their broad knowledge of business, financial, commercial and technical experience to the Board.

Annually, the Board routinely reviews the Board structure to ensure that there is a satisfactory balance on the Board Composition. However, this balance may be reviewed on an ongoing basis, bearing in mind the size of the Company and its ownership structure.

In the year under review, the Board approved the appointment of Mrs. Priscilla Thorpe-Monclus as Managing Director (Acting) following the resignation of Mr. Andrew Oghenevo Gbodume as Managing Director/CEO of the Company, on the 10th of January, 2019. On the 28th of February, 2019 and 28th of March 2019 the Board appointed Mrs. Priscilla Ogwemoh and Mr. Christopher O. Okorie, respectively, as Directors of the Company. Furthermore, the Board approved the resignation of Dr. Paul Bissohong and Mr. Andrew O. Gbodume as Director(s) of the Company on the 30th of April, 2019 and the 31st of December, 2019 respectively.

Currently, there are 8 (Eight) Directors on the Board, each Director bringing their wealth of experience to bear on deliberations at Board Meetings.

**Separation of Powers:**
The position of the Chairman of the Company and the Managing Director/CEO are held by separate individuals, in line with best practice and Corporate Governance standards. The Managing Director/CEO is responsible for the management of the day to day business operations and the implementation of the overall business strategy.

**The Company Secretariat:**
The Company Secretary is the custodian of the Company's history and is responsible for ensuring that Board Members are kept abreast of Statutory and Corporate Governance policies. The Company Secretary also provides support, guidance and advice to the Directors as required.

The secretariat is the liaison office between the Shareholders and the Directors and it is a warehouse of up-to-date statutory records, statutory registers and other records.

**Meetings:**
The register of attendance at board and committee meetings, is available for inspection during normal business hours (8:00am - 5:00pm) at the registered office of the Company and at each Annual General Meeting of the Company.

# Corporate governance report (cont'd)

**Board Meetings:**

The Board meets at least 4 times a year for regular scheduled meetings to review the Company's operations and trading performance, to set and monitor strategy as well as consider new business options. The Board also meets for unscheduled meetings, to attend to specific matters that require its attention.

**Attendance at Board Meetings:**
The attendance of Directors at board meetings in the year under review is noted below:

**MRS Oil Nigeria Plc – 2019 Board Meetings**

| DIRECTORS | Designation | 28 Feb '19 | 28 Mar '19 | 30 Apr '19 | 30 July '19 | 7 Aug '19 | 30 Oct '19 |
|---|---|---|---|---|---|---|---|
| Mr. Patrice Alberti | Chairman | x | x | x | x | x | x |
| *Mrs Priscilla Thorpe-Monclus | Managing Director (Acting) | x | x | x | x | x | x |
| **Mr. Andrew O. Gbodume | Member | x | x | - | - | - | - |
| ***Dr. Paul Bissohong | Member | x | x | N/A | N/A | N/A | N/A |
| Ms. Amina Maina | Member | - | x | - | x | x | x |
| Mr. Matthew Akinlade | Member | x | x | x | x | x | x |
| Sir. Sunday N. Nwosu | Member | x | x | x | x | x | x |
| Chief Dr. Amobi D. Nwokafor | Member | x | x | x | x | x | x |
| ****Mrs Priscilla Ogwemoh | Member | N/A | x | x | x | x | x |
| *****Mr Christopher O. Okorie | Member | N/A | N/A | - | x | x | x |

*Appointed January 10, 2019
**Resigned December 31, 2019
***Resigned April 30, 2019
****Appointed February 28, 2019
*****Appointed March 28, 2019
x= Present, - = Absent, N/A = Not Applicable: Not a member at the stated date.

**Board Performance Appraisal:**
The Board took a formal evaluation of its performance in the year under review. A follow up process exists for all matters of concern or potential improvement which may arise, when an evaluation process is carried out. The annual performance appraisal of the Board was carried out on 26 March, 2020.

**Sub Committees of the Board:**
The Board has established Committees, each with approved written Terms of Reference. Currently, there are four (4) sub-committees of the Board and the Chairman is not on any of the Committees. The Sub-committees are established to assist the Board to effectively and efficiently perform guidance and oversight functions, amongst others.
The Terms of Reference for all the Committees are available for inspection at the registered office of the Company.

# Corporate governance report (cont'd)

The current composition of the Board Sub-committees and attendance at meetings in the year under review are as follows: -

**1. The Audit Committee**

| The Audit Committee Members | Designation | 27 Feb '19 | 27 Mar '19 | 25 Apr '19 | 24 July '19 | 29 Oct '19 |
|---|---|---|---|---|---|---|
| Chief Dr.Amobi D. Nwokafor | Chairman | x | x | x | x | x |
| *Baale Isiaka Saliu | Member | x | x | x | x | N/A |
| Mr. Babajide. A. Adetunji | Member | x | x | x | x | x |
| *Mr. Oluyinka Oniwinde | Member | x | x | x | x | N/A |
| Ms. Amina Maina | Member | - | - | - | - | x |
| **Mrs Priscilla Ogwemoh | Member | N/A | x | x | x | x |
| *Emmanuel N. Okafor | Member | N/A | N/A | N/A | N/A | x |
| *Mr Oladimeji B. Adeleke | Member | N/A | N/A | N/A | N/A | x |

*Baale Isiaka Saliu and Mr. Oluyinka Oniwinde ceased to be members of the Audit Committee effective 7 August 2019, following the appointment of Mr. Emmanuel N. Okafor and Mr. Oladimeji B. Adeleke in their stead on 7 August 2019.
**Appointed 28 February, 2019
x= Present, - = Absent, N/A = Not Applicable: Not a member at the stated date.

On the invitation of the Chairman of the Audit Committee, representatives of Management and the External Auditors are invited to attend committee meetings. The Audit Committee is responsible for the review of the Quarterly and Annual Financial Reports of the Company before submission to the Board. The Audit Committee also makes recommendations on the appointment of the External Auditors and reviews the nature and scope of their work as well as give recommendations on the Company's accounting procedures and internal controls.

In the year under review, the Audit Committee met five (5) times.

**2. Board Nominations and Corporate Governance Committee**

| Board Nominations and Corporate Governance Committee Members | Designation | 10 Jan '19 | 27 Mar '19 | 24 Apr '19 |
|---|---|---|---|---|
| *Dr. Paul Bissohong | Chairman | x | x | - |
| **Mr. Andrew O. Gbodume | Member | x | x | - |
| Mr. Matthew Akinlade | Member | x | x | x |
| Sir Sunday N. Nwosu | Member | x | x | x |
| Chief Dr. Amobi D. Nwokafor | Member | x | x | x |
| Mrs Priscilla Ogwemoh | Member | N/A | N/A | N/A |
| Mr Christopher O. Okorie | Member | N/A | N/A | N/A |

In line with the provisions of the SEC Code, the appointment of Mrs. Priscilla Ogwemoh and Mr. Christopher Okorie was reviewed on 29 October, 2019
*Resigned 30 April, 2019
**Resigned 31 December, 2019
x= Present, - = Absent, N/A = Not Applicable: Not a member at the stated date.

The Board Nominations and Corporate Governance Committee (BNCGC) is responsible for the nomination of candidates for appointment to the Board, bearing in mind the balance and structure of the Board. The Committee also considers corporate governance issues and ensures strict compliance with best practices. The BNCGC makes recommendation to the Board on issues regarding but not limited to the membership of the Audit, the Risk, Strategic and Finance Planning and the Human Resources Committee, in consultation with the Chairman of each Committee.

# Corporate governance report (cont'd)

In the year under review, the Board Nominations and Corporate Governance Committee met three (3) times.

**3. The Risk, Strategic and Finance Planning Committee:**

| **Risk, Strategic Planning and Finance Committee Members** | **Designation** | **29 July '19** | **29 Oct '19** |
|---|---|---|---|
| Ms. Amina Maina | Chairman | x | x |
| Mrs Priscilla Thorpe-Monclus | Member | x | x |
| *Mr. Andrew Gbodume | Member | - | - |
| Mr Matthew Akinlade | Member | x | x |
| Sir Sunday N. Nwosu | Member | x | x |
| Chief Dr. Amobi D. Nwokafor | Member | x | x |
| Mr Christopher O. Okorie | Member | N/A | x |

*Resigned 31 December, 2019
x= Present, - = Absent, N/A = Not Applicable: Not a member at the stated date.

The Risk, Strategic and Finance Planning Committee, is responsible for assisting the Board of Directors in performing its guidance and oversight functions effectively and efficiently and is specifically charged with managing the Organization's exposure to financial and other risk. This Committee is also responsible for defining the Company's strategic objectives, determining its financial and operational priorities, making recommendations regarding the Company's dividend policy and evaluating the long term productivity of the Company's operations.
In the year under review, the Risk, Strategic and Finance Planning Committee met twice.

**4. Human Resources Committee:**

| **Human Resources Committee Members** | **Designation** | **29 Apr '19** | **4 Oct '19** |
|---|---|---|---|
| Mr. Matthew Akinlade | Chairman | x | x |
| Mrs. Priscilla Thorpe-Monclus | Member | x | x |
| *Mr Andrew O. Gbodume | Member | - | - |
| Dr. Paul Bissohong | Member | - | N/A |
| Ms. Amina Maina | Member | - | - |
| Sir Sunday N. Nwosu | Member | x | x |
| Mrs Priscilla Ogwemoh | Member | N/A | x |

*Resigned 31 December, 2019
x= Present, - = Absent, N/A = Not Applicable: Not a member at the stated date

The Human Resources Committee is responsible for the review of contract terms, remuneration and other benefits of Executive Directors and Senior Management of the Company. The Committee also reviews the reports of external consultants for services rendered, that assists the Committee in the execution of its duties.

The Chairman and other Directors may be invited to attend meetings of the Committee, but do not take part in decision making that directly affects their remuneration. The Committee undertakes an external and independent review of remuneration levels on a periodic basis, to ensure that employment policies are strictly adhered to.

In the year under review, the Human Resources Committee met twice.

## Corporate governance report (cont'd)

**Shareholders Rights:**

The Board is committed to the continuous engagement of its shareholders and ensures that shareholders' rights are well protected. The Board further ensures effective communication to its shareholders regarding notice of meetings and necessary statutory information.

**E-Dividend:**

Our records show that several dividends and share certificates remain unclaimed despite publications in the Newspaper to our shareholders and the circulation of the E-dividend forms. A list of shareholders with unclaimed dividend, is available on the Company's website. Shareholders with unclaimed dividend, are urged to kindly update their records to enable the Registrars complete the E-dividend process. The E-dividend form is attached on page 87 for your necessary and urgent attention

**Statement of compliance:**

The Company has a Securities Trading Policy in place, which guides its Directors, Executive Management, Officers and Employees on insider trading as well as the trading of the Company's shares. The Company continues to carry out its operations in line with procedures consistent with excellence through partnership and transparency.

MRS Oil Nigeria Plc has established a Complaints Management Policy which stipulates guidelines, on responses to feedback from investors, clients and other stakeholders. The Policy provides an impartial, fair and objective process of handling stakeholders' complaints as well as an established monitoring and implementation procedure.

The Company efficiently and effectively responds to feedback, to improve and exceed customer expectations, client experience, as well as to deliver excellent service to its stakeholders.

Based on the recommendations of the Securities and Exchange Commission (SEC), the Nigerian Stock Exchange Listing Rules (as Amended), as well as other international best practices, the Company has complied with corporate governance requirements and best practices. MRS Oil Nigeria Plc is committed to the continued sustenance of the principles of sound corporate governance.

**Whistle blowing:**

The Company is committed to complying with all laws in Nigeria that are relevant to its operations. In line with the provisions of the Securities and Exchange Commission's Code of Corporate Governance, a Whistle Blowing Policy exists, for the reporting of serious, actual and suspected concerns of integrity and unethical behaviour. An extract of this Policy can be found on the Company's website.

By Order of the Board

**O. M. Jafojo (Mrs.) FCIS**
Company Secretary
FRC NO: 2013/NBA/00000002311

27 May 2020

## Statement of Directors' responsibilities in relation to the Financial Statements for the year ended 31 December 2019

The Directors accept responsibility for the preparation of the annual 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 the 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 | Signature |
| Mrs. Priscilla Thorpe-Monclus (Managing Director, Acting) | Chief Dr. Amobi D. Nwokafor (Director) |
| Name | Name |
| *FRC/2018/IODN/00000019287* | *FRC/2013/ICAN/00000002770* |
| FRC Number | FRC Number |
| 27 May 2020 | 27 May 2020 |
| Date | Date |

# Report of the audit committee
*For the year ended 31 December 2019*

**TO THE MEMBERS OF MRS OIL NIGERIA PLC**

In accordance with Section 359(6) of the Companies and Allied Matters Act Cap C.20, Laws of the Federation of Nigeria, 2004, we the Members of the Audit Committee of MRS Oil Nigeria Plc, have reviewed the Audited Financial Statements of the Company for the year ended 31 December 2019 and based on the documents and information available to us, report as follows:

a) We ascertained that the accounting and reporting policies of the Company are in accordance with statutory requirements and agreed ethical practices;
b) We have reviewed the scope and planning of the audit requirements;
c) We have reviewed the findings in the management letter in conjunction with the external auditor and management responses thereon;
d) We have kept under review the effectiveness of the Company's system of accounting and internal control.

Members of the Audit Committee in 2019.

| | | |
|---|---|---|
| 1. | Chief Dr. Amobi D. Nwokafor | Chairman |
| 2. | *Baale Isiaka A. Saliu | Member |
| 3. | **Mrs Priscilla Ogwemoh | Member |
| 4. | Ms. Amina Maina | Member |
| 5. | *Mr Oluyinka Oniwinde | Member |
| 6. | Mr Babajide. A. Adetunji | Member |
| 7. | *Mr Emmanuel N. Okafor | Member |
| 8. | *Mr. Oladimeji B. Adeleke | Member |

* Baale Isiaka A. Saliu and Mr Oluyinka Oniwinde ceased to be members of the committee effective 7 August 2019, following the appointment of Mr. Emmanuel N.Okafor and Mr Oladimeji B. Adeleke in their stead on 7 August 2019.
** Appointed- 28 February 2019.

**CHIEF DR AMOBI D. NWOKAFOR**
Chairman, Audit Committee
FRC NO: FRC/2013/ICAN/00000002770

27 May 2020

KPMG

**KPMG Professional Services**
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

Telephone 234 (1) 271 8955
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Internet home.kpmg/ng

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MRS Oil Nigeria Plc

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of MRS Oil Nigeria Plc ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 21 to 83.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter below to be key audit matter to be communicated in our report.

KPMG

| Revenue recognition | |
|---|---|
| Refer to Note 3(j) (Accounting policy) and Note 5 (Revenue) to the financial statements. | |
| **The key audit matter** | **How the matter was addressed** |
| Revenue has a significant impact on the net results of the Company, given the nature of the business. The company's profitability is dependent on their ability to sell large volumes as margins in the downstream sector are low. The continuous reduction in volume and value of sales in the current year made existence and accuracy of revenue an area of significance focus during our audit. | We evaluated the Company's accounting policy with respect to revenue recognition to determine its appropriateness and compliance with the recognition and measurement principles of IFRS 15.<br><br>We evaluated the design and operating effectiveness of key controls over authorization of discounts, appropriate recording of price changes and customer billing process.<br><br>We tested the operating effectiveness of controls over customer registration process in order to check that sales were not made to fictitious customers.<br><br>A statistical sampling tool was applied to test sales transactions on a sample basis by agreeing selected revenue transactions to relevant supporting documents such as proof of delivery.<br><br>Trend analysis was performed on the gross margin and outliers were investigated.<br><br>We analytically tested revenue by developing an expectation of the revenue for the year. This was done by multiplying actual volumes to approved price list to validate total revenue recorded.<br><br>We assessed the accuracy of sales volume by recomputing the product volume reconciliation across the product types.<br><br>Manual journal entries recorded in the respective revenue accounts were evaluated by checking that they represented valid adjustments to revenue recognised.<br><br>We verified that revenue transactions towards the end of the year and at the beginning of the subsequent year were reflected in the appropriate accounting period as evidenced by the relevant delivery documents.<br><br>We reconciled the sales report to the sales general ledger and investigated reconciling items for appropriateness. |

KPMG

*Other Information*

The Directors are responsible for the other information. The other information comprises the Corporate information, Results at a glance, Directors' report, Corporate governance report, Statement of directors' responsibilities, Report of the Audit Committee, Other national disclosures, E-dividend form and Certification pursuant to section 60(2) of Investment and securities Act No. 29 of 2007 which we obtained prior to the date of this auditor's report but does not include the financial statements and our audit report thereon. Other information also includes: Company profile, Notice of Annual General Meeting, Chairman's statement, CEO's statement, Brief profile of Board of Directors, Shareholders information, Share price movement and Corporate directory, together the "Outstanding reports", which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the outstanding reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

***Responsibilities of the Directors for the Financial Statements***

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

*Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004*

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Signed:
Oluwafemi O. Awotoye, FCA
FRC/2013/ICAN/00000001182
For: KPMG Professional Services
Chartered Accountants
27 May 2020
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0750614

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

| | Notes | 2019 | 2018 |
|---|---|---|---|
| | | NGN'000 | NGN'000 |
| **ASSETS** | | | |
| Property, plant and equipment | 12(a) | 17,355,467 | 16,788,788 |
| Intangible assets | 13 | 2,359 | 3,662 |
| Prepayments | 26 | - | 775,010 |
| **Total non-current assets** | | **17,357,826** | **17,567,460** |
| Inventories | 18 | 6,180,329 | 4,473,289 |
| Withholding tax receivables | 17 | 83,374 | 79,846 |
| Prepayments | 26 | 118,602 | 294,664 |
| Trade and other receivables | 15 | 17,999,700 | 25,238,284 |
| Promissory note | 16 | 172,085 | 4,535,573 |
| Cash and cash equivalents | 19 | 2,297,732 | 2,094,086 |
| **Total current assets** | | **26,851,822** | **36,715,742** |
| **Total assets** | | **44,209,648** | **54,283,202** |
| **Equity** | | | |
| Share capital | 20 | 152,393 | 152,393 |
| Retained earnings | | 18,955,223 | 20,568,305 |
| **Total equity** | | **19,107,616** | **20,720,698** |
| **Liablities** | | | |
| Employee benefits obligations | 21(a) | 16,491 | 13,361 |
| Provisions | 27 | 56,322 | - |
| Lease liabilities | 28 | 632,536 | - |
| Deferred tax liabilities | 11(f) | 712,346 | 1,316,009 |
| **Total non-current liabilities** | | **1,417,695** | **1,329,370** |
| Security deposits | 22 | 1,902,623 | 2,174,393 |
| Dividend payable | 23(b) | 285,486 | 375,577 |
| Trade and other payables | 24 | 18,408,455 | 18,089,739 |
| Short term borrowings | 25 | 2,558,191 | 11,326,921 |
| Provisions | 27 | 46,139 | 46,139 |
| Current tax liability | 11(e) | 483,443 | 220,365 |
| **Total current liabilities** | | **23,684,337** | **32,233,134** |
| **Total liabilities** | | **25,102,032** | **33,562,504** |
| **Total equity and liabilities** | | **44,209,648** | **54,283,202** |

Approved by the Board of Directors on 27 May 2020 and signed on its behalf by:

) Mrs Priscilla Thorpe-Monclus (Managing Director, Acting)
FRC/2019/IODN/00000019287

) Chief Dr. Amobi D. Nwokafor (Director)
FRC/2013/ICAN/00000002770

) Charles Agutu (Chief Financial Officer)*

**The Company obtained a waiver from the Financial Reporting Council of Nigeria (FRC) dated 19 March 2020 which allows the Chief Financial Officer (CFO) to sign the 2019 financial statements irrespective of the fact that the CFO is not a professional member of an accounting body established by Act of National Assembly in Nigeria, according to FRC Rule 2*

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

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

| | Notes | 2019 | 2018 |
|---|---|---|---|
| | | **NGN'000** | **NGN'000** |
| Revenue | 5 | 64,909,370 | 89,552,819 |
| Cost of sales | 7 | (61,160,282) | (85,256,239) |
| **Gross profit** | | **3,749,088** | **4,296,580** |
| Other income | 6 | 334,456 | 375,218 |
| Selling and distribution expenses | 7 | (796,798) | (1,048,167) |
| Administrative expenses | 7 | (5,164,844) | (5,217,518) |
| Impairment (loss)/ reversal of financial assets | 29(a) | (235,748) | 109,954 |
| **Operating loss** | | **(2,113,846)** | **(1,483,933)** |
| Finance income | 8(a) | 748,394 | 274,601 |
| Finance costs | 8(a) | (617,674) | (218,116) |
| Net finance income | 8(a) | 130,720 | 56,485 |
| **Loss before minimum tax and income tax** | | **(1,983,126)** | **(1,427,448)** |
| Minimum tax | 11(b) | (324,547) | - |
| **Loss before income tax** | 9 | **(2,307,673)** | **(1,427,448)** |
| Income tax credit | 11(c) | 603,663 | 162,507 |
| **Loss for the year** | | **(1,704,010)** | **(1,264,941)** |
| **Other comprehensive income, net of income tax** | | - | - |
| **Total comprehensive loss for the year** | | **(1,704,010)** | **(1,264,941)** |
| **Loss per share** | | | |
| Basic and diluted loss per share (Naira) | 10 | (5.59) | (4.15) |

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

# Statement of changes in equity
***for the year ended 31 December***

| | Notes | Share capital NGN'000 | Retained earnings* NGN'000 | Total equity NGN'000 |
|---|---|---|---|---|
| **Balance as at 1 January 2018** | | **126,994** | **21,784,608** | **21,911,602** |
| **Total comprehensive income:** | | | | |
| Loss for the year | | - | (1,264,941) | (1,264,941) |
| Other comprehensive income | | - | - | - |
| **Total comprehensive income for the year** | | **-** | **(1,264,941)** | **(1,264,941)** |
| **Transactions with owners of the Company** | | | | |
| ***Contributions and distributions*** | | | | |
| Write-back of statute barred unclaimed dividend | 23(b) | - | 74,037 | 74,037 |
| Bonus shares issued | 23(a) | 25,399 | (25,399) | - |
| **Total transactions with owners of the Company** | | **25,399** | **48,638** | **74,037** |
| **Balance as at 1 January 2019** | | **152,393** | **20,568,305** | **20,720,698** |
| **Total comprehensive income:** | | | | |
| Loss for the year | | - | (1,704,010) | (1,704,010) |
| Other comprehensive income | | - | - | - |
| **Total comprehensive income for the year** | | **-** | **(1,704,010)** | **(1,704,010)** |
| **Transactions with owners of the Company** | | | | |
| ***Contributions and distributions*** | | | | |
| Write-back of statute barred unclaimed dividend | 23(b) | - | 90,928 | 90,928 |
| **Total transactions with owners of the Company** | | **-** | **90,928** | **90,928** |
| **Balance as at 31 December 2019** | | **152,393** | **18,955,223** | **19,107,616** |

*Included in retained earnings is NGN14.40 billion (2018: NGN14.40 billion) which represents revaluation surplus on property, plant and equipment transferred at IFRS transition date on 1 January 2011. 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 year ended 31 December***

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | **NGN'000** | **NGN'000** |
| **Cash flows from operating activities** | | | |
| Loss after tax | | (1,704,010) | (1,264,941) |
| Adjustments for: | | | |
| Depreciation | 12(a) | 1,567,083 | 1,449,956 |
| Amortisation of intangible assets | 13 | 3,885 | 16,446 |
| Finance income | 8(a) | (748,394) | (274,601) |
| Finance costs | 8(a) | 617,674 | 218,116 |
| Loss on sale of property, plant and equipment | 7(a) | 39,450 | - |
| Gain on sale of property, plant and equipment | 6 | - | (9,565) |
| Provision for long-term service award | 21(c) | 3,901 | 1,649 |
| Impairment loss/ (reversal) on trade receivables | 7(a) | 430,242 | (161,776) |
| Reversal of impairment on truck loan receivable | 14(b) | (198,436) | (39,959) |
| Recovery of loss on employee receivables | 7(a) | - | (627) |
| Impairment of Petroleum Equalization Fund receivables | 29(a) | 28,260 | 30,591 |
| (Reversal)/ impairment of Petroleum Product Pricing Regulatory Agency receivables | 29(a) | (24,318) | 14,697 |
| Impairment of related party receivables | 29(a) | - | 46,494 |
| Write-off of inventory | 7(a) | 105,600 | 688,233 |
| (Write back)/deduction on settlement of PPPRA receivables | 7(a) | (172,085) | 172,085 |
| Reversal of inventory write down | 18(a) | (874) | (24,238) |
| Minimum tax | 11(b) | 324,547 | - |
| Income tax credit | 11(c) | (603,663) | (162,507) |
| | | **(331,138)** | **700,053** |
| *Changes in:* | | | |
| Inventories | | (1,811,766) | 1,094,483 |
| Trade, other receivables and prepayments | | 7,228,258 | 192,678 |
| Security deposits | | (271,770) | 250,024 |
| Promissory note | | 4,363,488 | - |
| Interest on loan capitalized | | - | 1,197,331 |
| Trade and other payables | | 432,920 | (4,334,168) |
| **Cash generated from/ (used in) operating activities** | | **9,609,992** | **(899,599)** |
| Income taxes paid | 11(e) | (46,832) | (450,580) |
| Withholding tax credit notes utilised | 11(e),17 | (14,637) | (50,883) |
| Long term service award paid | 21(c) | (771) | (187) |
| **Net cash generated from/ (used in) operating activities** | | **9,547,752** | **(1,401,249)** |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | 13,560 | 32,825 |
| Purchase of property, plant and equipment | 12(a) | (648,259) | (923,842) |
| Purchase of intangible assets | 13 | (2,582) | - |
| Principal received on amounts advanced to transporters | 14 | 198,436 | 39,934 |
| Interest received | 8(a) | 22,966 | 31,732 |
| **Net cash used in investing activities** | | **(415,879)** | **(819,351)** |
| **Cash flows from financing activities** | | | |
| Proceeds from short term borrowing | 25 | - | 3,700,000 |
| Repayment of short term borrowing | 25 | (9,011,084) | - |
| Refund of interest | 25 | (299,753) | - |
| Net dividends paid | 23(b) | (40,238) | (12,055) |
| Interest paid | 8(b) | (141,323) | (50,408) |
| **Net cash (used in)/ generated from financing activities** | | **(9,492,398)** | **3,637,537** |
| Net change in cash and cash equivalents | | (360,525) | 1,416,937 |
| Cash and cash equivalent at 1 January | | 1,424,272 | 20,344 |
| Effect of movement in exchange rates on cash held | | (10,867) | (13,009) |
| **Cash and cash equivalents at 31 December** | 19 | **1,052,880** | **1,424,272** |

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

# Index to Notes to the financial statements
## *for the year ended 31 December 2019*

# Notes to the financial statements

**1 Reporting entity**

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

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

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

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

2, Tin Can Island
Apapa
Lagos
Nigeria

The Company is principally engaged in the business of marketing and distribution of refined petroleum products, liquefied petroleum gas, 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 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 27 May 2020.

This is the first set of the Company's annual financial statements in which IFRS 16 Leases have been applied. Details of the Company's accounting policies and changes to significant accounting policies are described in Notes 3 and 2(e).

**(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**

In preparing the financial statements, Management has made judgements and estimates 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.

# Notes to the financial statements (cont'd)

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.

Information about judgements, assumptions and estimation uncertainties that have a risk of resulting in a material adjustment in the year ending 31 December 2020 are included in the notes below:

**a. Impairment assessment of cash generating unit**

The Company assesses whether there are any indicators of impairment of its business at the end of each reporting period. At the end of the year, the Company's carrying amount of the net assets exceeded its market capitalization by NGN14.9 billion. This triggered an impairment test which resulted in the Company performing a valuation to determine the recoverable amount of its cash generating unit (CGU). The Company has a single CGU, whose carrying amount is reflected in the net assets position.

An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is higher of its fair value less costs of disposal and value-in-use. The Company has carried out a fair value less cost to sell valuation of their assets. Management has made an assessment of the amount that the Company could obtain at the end of the reporting period from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting cost of disposal. In determining this amount, the Company has considered variants of market approach. For developed properties, the Company has adopted the Depreciated Replacement Cost Approach while for undeveloped plots, the Direct Market Comparison Method was adopted.

Based on the above, the directors have determined that the recoverable amount as at 31 December 2019 of the CGU is higher than the carrying amount, and accordingly no impairment of the CGU is required as at that date.

**b. Recognition of Petroleum Products Pricing Regulatory Agency (PPPRA) receivables**

The Company has recognized receivables from a government agency - PPPRA relating to:

(a) difference between the landing cost for petroleum products imported by the company in prior years and the ex-depot price approved for the products by PPPRA;

(b) foreign exchange losses arising from the difference between the rate prescribed by the Regulator in pricing imported Premium Motor Spirit (PMS) and the actual foreign exchange rates incurred; and

(c) interest incurred arising from delayed payments by PPPRA on behalf of the Federal Government of Nigeria.

As at the year ended 31 December 2019, the receivable due from PPPRA was NGN4.12 billion (NGN6.94 billion). The directors have assessed the recoverability of the carrying amount in accordance with IFRS 9 and have recognised an impairment of NGN44.56 million as at 31 December 2019 (2018: NGN68.88 million). (See Note 15(b)).

# Notes to the financial statements (cont'd)

Following the reconciliation of the first tranche with the Debt Management Office (DMO) of the Federal Ministry of Finance, the Company received promissory notes in settlement of the PPPRA receivable in the prior year. (See Note 16).

The reconciliation process for the second tranche of payments is yet to be completed as at the date of approval of these financial statements. Based on the above, along with the historical collection patterns of this receivable, the directors are of the view that the unimpaired balance of the PPPRA receivable as at 31 December 2019 is the amount that the Company expects to be fully recoverable.

c. **Recognition of contingencies**: key assumptions about the likelihood and magnitude of an outflow/ inflow of economic resources. See Note 33 (a) and 33 (c).

**Other areas of judgments, assumptions and estimation uncertainties include:**

- Measurement of ECL allowance for trade receivables and other receivables; including government and related party receivables: key assumptions in determining the weighted-average loss rate
- Determination of outflow of economic resources: provisions. See Note 27.
- Lease term- whether the Company is reasonably certain to exercise extension options. See Note 28(iii).

**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 where such are made by the Company. 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:

# Notes to the financial statements (cont'd)

• 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 initially applied IFRS 16 Leases from 1 January 2019.

The Company applied IFRS 16 using the modified retrospective approach. Under this approach the Company elects to measure its right of use assets at 1 January 2019 at an amount equal to the lease liability, adjusted as appropriate. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

**A. Definition of a lease**

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3(e).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

**B. As a lessee**

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

# Notes to the financial statements (cont'd)

***i. Leases classified as operating leases under IAS 17***

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019.

Right-of-use assets are measured at:

— an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all their leases.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

— did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

— did not recognise right-of-use assets and liabilities for leases of low value , that is below NGN 1 million;

— excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

— used hindsight when determining the lease term.

**C. Impact on transition**

On transition to IFRS 16, the Company recognised additional right-of-use assets and lease liabilities. The impact on transition is shown below:

| | | ***1 January 2019*** |
|---|---|---|
| | | **NGN'000** |
| Right-of-use assets – property, plant and equipment | | 1,538,512 |
| Lease liabilities | | (536,047) |
| Prepayment | | (851,289) |

| | | ***1 January 2019*** |
|---|---|---|
| | | **NGN'000** |
| Operating lease commitments at 31 December 2018 | | - |
| Extension options reasonably certain to be exercised | | 536,047 |
| Lease liabilities recognised at 1 January 2019 | | 536,047 |

# Notes to the financial statements (cont'd)

**3 Significant accounting policies**

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

**(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**

***(i) Recognition and initial measurement***

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

***(ii) Classification and subsequent measurement***

**Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Financial assets – Business model assessment**

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to directors. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether the directors' strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the directors

– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

# Notes to the financial statements (cont'd)

– how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

**Financial assets – Assessment of whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

– contingent events that would change the amount or timing of cash flows;
– terms that may adjust the contractual coupon rate, including variable-rate features;
– prepayment and extension features; and
– terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

**Financial assets – Subsequent measurement and gains and losses**

| | |
|---|---|
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss |

# Notes to the financial statements (cont'd)

**Financial liabilities – Classification, subsequent measurement and gains and losses**
Financial liabilities are classified as measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

***(iii) Derecognition***

**Financial assets**
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

**Financial liabilities**
The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.
On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

***(iv) Offsetting***

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

## (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.

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.

# Notes to the financial statements (cont'd)

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.

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

| | |
|---|---|
| - 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.

# Notes to the financial statements (cont'd)

**(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**

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**

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

***Policy applicable from 1 January 2019***

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

**i. As a lessee**

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

# Notes to the financial statements (cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– amounts expected to be payable under a residual value guarantee; and
– the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' in the statement of financial position.

***Short-term leases and leases of low-value assets***

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (i.e below NGN 1 million) and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**ii. As a lessor**

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

# Notes to the financial statements (cont'd)

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other income’.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

***Policy applicable before 1 January 2019***

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

– fulfilment of the arrangement was dependent on the use of a specific asset or assets; and

– the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:

- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

**i. As a lessee**

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

**ii. As a lessor**

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

# Notes to the financial statements (cont'd)

**(f) Inventories**

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

The basis of costing inventories are as follows:

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

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

**(g) Impairment**

**i *Non-derivative Financial Assets***

*Financial instruments*

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for the bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured at 12 month ECL.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

– the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or

– the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

# Notes to the financial statements (cont'd)

***Measurement of ECLs***

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

***Credit-impaired financial assets***

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;

– a breach of contract such as a default or being more than 90 days past due;

– the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;

– it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for a security because of financial difficulties.

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

***Write-off***

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company writes off a financial asset when there is sufficient information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery e.g. when the period within which the debt can be legally enforced has expired or the debtor is deceased, leaving no asset.

The Company expects no significant recovery from the amounts written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

**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.

# Notes to the financial statements (cont'd)

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 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.

# Notes to the financial statements (cont'd)

**(i) Provisions, contingent liabilities and assets**

**Provisions**

Provisions comprise liabilities for which the amount and timing are uncertain. They arise from legal and tax risks, litigation and other risks, and decommissioning costs. 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

**Contingent assets**

A contingent asset is a possible asset whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the company.

Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised. However, the company is required to disclose a brief description of the nature of the contingent assets at the reporting date. When the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs.

**(j) Revenue**

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over its products to a customer.

Revenue recognition depends on whether the customer took delivery of the products directly using their own delivery vehicles or whether the Company delivered to the customer using the third party transporters. For the former, revenue was recognised when the customer took delivery directly from the Company's depot and for the latter, when products are delivered at the customers' premises or designated point and accepted by the customer or the customer's designate.

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.

If it is probable that discounts will be granted and the amount could be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. Revenue for regulated products is presented at the regulated price of the products (transaction price) net of standard transport cost directly recoverable from the prices of regulated products.

# Notes to the financial statements (cont'd)

**(k) Finance income and finance costs**

The Company's finance income and finance costs include:

- interest income;

- interest expense;

- the net gain or loss on financial assets at FVTPL

- the foreign currency gain or loss on financial assets and financial liabilities

- 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.

- Unwinding of the discount on provisions.

Interest income or expenses are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or

– the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. 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**

The Company is subject to the Companies Income Tax Act (CITA). Income tax expense comprises current tax (company income tax, tertiary education tax, and Nigeria Police Trust Fund levy) and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Company had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

# Notes to the financial statements (cont'd)

**(i)Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:
- Company income tax is computed on taxable profits
- Tertiary education tax is computed on assessable profits
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year)

Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the period are treated as income tax in line with IAS 12.
The Company offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realised.

**(ii) Deferred tax**

Deferred tax is recognised in 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;

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) Minimum tax**

The Company is subject to the Companies Income Tax Act (CITA). Total amount of tax payable under CITA is determined based on the higher of two components namely, Company Income Tax (based on taxable income (or loss) for the year); and Minimum tax (determined as 0.5% of the qualifying company's turnover less franked investment income).
Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognised in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as Minimum tax.

# Notes to the financial statements (cont'd)

**(n) 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.

**(o) 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.

**(p) 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.

**(q) 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.

**(r) 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 in profit or loss for the year in which the Company makes the determination that all conditions have been met and the amount will be recovered. Any deduction by the PPPRA or other government agencies on settlement of the recognised subsidy claims is written off to profit or loss as administrative expense.

**(s) 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.

# Notes to the financial statements (cont'd)

**(t) 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.

**(u) 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, and income taxes.

**(v) 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.

**(w) Operating expenses**

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 asset 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.

**(x) 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.

**(y) Other income**

The Company recognises income from rental of some of its space, filling stations and 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) Standards and interpretations not yet effective**

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements and plans to adopt them as relevant on their respective effective date.

## Notes to the financial statements (cont'd)

Effective for the financial year commencing 1 January 2020

i. ***Amendments to References to Conceptual Framework in IFRS Standards***

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

• A new chapter on measurement;

• Guidance on reporting financial performance;

• Improved definitions of an asset and a liability, and guidance supporting these definitions; and

• Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

The Company is yet to carry out an assessment to determine the impact of this amendment on its financial statements.

ii. ***Definition of Material (Amendments to IAS 1 and IAS 8)***

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

The Company is yet to carry out an assessment to determine the impact of this amendment on its financial statements.

The following amended standards and interpretation are not expected to have a significant impact on the Company's financial statements.

-*Definition of a Business (Amendments to IFRS 3)*

-*Interest Rate Benchmark Reform (Amendment to IFRS 9, IAS 39 and IFRS 7)*

-*IFRS 17 Insurance contracts*

-*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).*

# Notes to the financial statements (cont'd)

## 5. Revenue

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Premium Motor Spirit (PMS) | 46,608,909 | 62,085,483 |
| Aviation Turbine Kerosene (ATK) | 8,252,334 | 6,492,154 |
| Automotive Gas Oil (AGO) | 5,874,762 | 9,412,379 |
| Lubricants and Greases | 3,925,301 | 3,494,736 |
| Dual Purpose Kerosene (DPK) | 84,810 | 8,026,188 |
| Liquefied Petroleum Gas (LPG) | 163,254 | 41,879 |
| | **64,909,370** | **89,552,819** |

Revenue is recognised at a point in time and sales are mostly made to customers in Nigeria. Information on analysis of revenue by category is shown in Note 31.

## 6. Other income

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Rental and lease income (Note 6((a)) | 27,277 | 26,533 |
| Sundry income (Note 6(b)) | 39,637 | 84,425 |
| Gain on sale of property, plant and equipment | - | 9,565 |
| Income on storage services | 267,542 | 254,695 |
| | **334,456** | **375,218** |

(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.

# Notes to the financial statements (cont'd)

| 7(a) Expenses by nature | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Depreciation (Note 12(a)) | 1,567,083 | 1,449,956 |
| Amortisation of intangible assets (Note 13) | 3,885 | 16,446 |
| Changes in inventories of lubes, greases and refined products | 61,072,725 | 84,697,670 |
| Rental of service stations, buildings and equipment | 90,343 | 245,721 |
| Advertising expense | 59,979 | 42,220 |
| Consultancy expense | 181,800 | 333,307 |
| Maintenance expense | 786,567 | 591,816 |
| Throughput expense | 51,914 | 14,096 |
| Freight expense | 499,943 | 355,216 |
| Management fees (Note 30(c)) | 382,329 | 360,065 |
| Director's remuneration (Note 9(b)iv) | 27,378 | 28,950 |
| Employee benefit expense (Note 9(b)i) | 570,848 | 685,373 |
| Auditor's remuneration | 38,000 | 35,000 |
| Reversal of impairment on truck loan receivables (Note 29(a)) | (198,436) | (39,959) |
| Impairment loss/ (reversal) on trade receivables (Note 29(a)) | 430,242 | (161,776) |
| Recovery of employee receivables | - | (627) |
| Impairment of Petroleum Equalization Fund receivables (Note 29(a)) | 28,260 | 30,591 |
| (Reversal)/ impairment of Petroleum Product Pricing Regulatory Agency receivables (Note 29(a)) | (24,318) | 14,697 |
| Impairment of related party receivables (Note 29(a)) | - | 46,494 |
| Write-off of inventory | 105,600 | 688,233 |
| Reversal of inventory write down (Note 18(a)) | (874) | (24,238) |
| (Write back)/ deduction on settlement of PPPRA receivables (Note 16) | (172,085) | 172,085 |
| Loss on sale of property, plant and equipment | 39,450 | - |
| Local and international travel | 125,468 | 81,420 |
| Office expenses and supplies | 340,575 | 363,114 |
| Communication and postage | 300,350 | 254,675 |
| Fines and penalties | 31 | 10 |
| Insurance premium | 231,740 | 192,987 |
| Contract labour | 566,770 | 563,278 |
| Sponsorships and donations | 2,369 | 29,741 |
| Licenses and Levies | 17,040 | 23,176 |
| Utilities | 8,681 | 44,477 |
| Subscriptions | 9,858 | 71,905 |
| Board meetings and AGM expenses | 85,314 | 47,541 |
| Security | 42,118 | 52,292 |
| Other office running expenses | 86,725 | 106,018 |
| **Total cost of sales, selling and distribution, administrative expenses and impairment loss/(reversal)** | **67,357,672** | **91,411,970** |

# Notes to the financial statements (cont'd)

**(b) Fees paid to the statutory auditors for non-audit services**

Non-audit fees paid to the statutory auditors comprise:

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Filing of transfer pricing returns | 1,500 | 3,600 |
| Tax regulatory compliance services | 25,000 | 29,500 |
| | 26,500 | 33,100 |

**8(a) Finance income and finance costs**

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| **Interest income under the effective interest rate method** | | |
| Interest income on short- term bank deposits | 22,966 | 31,707 |
| Interest income on loans to transporter (Note 14) | - | 25 |
| Total interest income arising from financial assets at amortised cost | 22,966 | 31,732 |
| Net foreign exchange gain (Note 8(b)) | - | 242,869 |
| *Reversal of overaccrual of NNPC charges | 725,428 | - |
| **Total finance income** | 748,394 | 274,601 |
| **Finance costs arising from financial liabilities measured at amortized cost** | | |
| Interest expense (Note 24(a)) | 103,997 | 167,708 |
| **Finance costs - other** | | |
| Bank charges | 141,323 | 50,408 |
| Unwind of discount on site restoration provision (Note 27) | 8,591 | - |
| Interest on lease liability (Note 28) | 96,489 | - |
| Net foreign exchange loss | 267,274 | - |
| **Total finance costs** | 617,674 | 218,116 |
| **Net finance income recognised in profit or loss** | (130,720) | (56,485) |

*During the year, the Company performed a detailed reconciliation with Pipelines and Product Marketing Company (PPMC) on the amount of outstanding interest on overdue payments from 2014 to 2019 financial years. Based on the reconciliations performed, the Company had over accrued a total of NGN 725 million as interest charges. This resulted to a reversal of the over accrued charges in current year.

# Notes to the financial statements (cont'd)

**(b) Reconciliation of finance cost to statement of cash flows**

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Interest expense (Note 24(a)) | 103,997 | 167,708 |
| Bank charges | 141,323 | 50,408 |
| Unwind of discount on site restoration provision | 8,591 | - |
| Interest on lease liability | 96,489 | - |
| Effects of movements in exchange rates on cash held | 10,866 | 13,009 |
| Foreign exchange movements in trade and other payables | 515,370 | 186,600 |
| Foreign exchange movements in trade and other receivables | (281,928) | (442,478) |
| | **594,708** | **(24,753)** |

Analyzed as follows:

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Interest income included in finance income (Note 8(a)) | (22,966) | (242,869) |
| Finance cost shown on the Statement of Cash flows | 617,674 | 218,116 |
| | **594,708** | **(24,753)** |

## 9 Loss before minimum and income tax

| | 2019 | 2018 |
|---|---|---|
| (a) *Loss before minimum and income tax is stated after charging/(crediting):* | NGN'000 | NGN'000 |
| Depreciation (Note 12) | 1,567,083 | 1,449,956 |
| Amortisation of intangible assets (Note 13) | 3,885 | 16,446 |
| Management fees (Note 30 (c)) | 382,329 | 360,065 |
| Directors' remuneration (Note 9(b)iv) | 27,378 | 28,950 |
| Employee benefit expense (Note 9(b)i) | 570,848 | 685,373 |
| Auditor remuneration | 38,000 | 35,000 |
| Loss on sale of property, plant and equipment (Note 7(a)) | 39,450 | - |
| Gain on sale of property, plant and equipment (Note 6) | - | (9,565) |
| Reversal of impairment on truck loan receivables (Note 14b) | (198,436) | (39,959) |
| Impairment of Petroleum Equalization Fund receivables (Note 29(a)) | 28,260 | 30,591 |
| (Reversal)/ impairment of Petroleum Product Pricing Regulatory Agency receivables (Note 29(a)) | (24,318) | 14,697 |
| Impairment of related party receivables (Note 29(a)) | - | 46,494 |
| Write-off of inventory | 105,600 | 688,234 |
| Reversal of inventory write down (Note 18(a) | (874) | (24,238) |
| Reversal of overaccrual of NNPC charges | 725,428 | - |
| (Write back)/ deduction on settlement of PPPRA receivables (Note 16) | (172,085) | 172,085 |
| Impairment loss/(Reversal) on trade receivables (Note 29(a)) | 430,242 | (161,776) |
| Recovery of employee and other receivables | - | (627) |
| Net foreign exchange loss/(gain) (Note 8) | 267,274 | (242,869) |

# Notes to the financial statements (cont'd)

**(b)** Directors and employees

i Employee costs during the year comprise:

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Salaries and wages | 400,263 | 463,706 |
| Other employee benefits | 128,512 | 175,967 |
| Employer's pension contribution | 38,172 | 44,051 |
| Other long term employee benefit charge (Note 21(c)) | 3,901 | 1,649 |
| | **570,848** | **685,373** |

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

| | Number 2019 | 2018 |
|---|---|---|
| Administration | 35 | 45 |
| Technical and production | 20 | 24 |
| Operations and distribution | 14 | 16 |
| Sales and marketing | 35 | 32 |
| | **104** | **117** |

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 NGN2,000,000 (excluding pension contributions) in the following ranges:

| NGN | | NGN | 2019 | 2018 |
|---|---|---|---|---|
| 2,000,001 | - | 3,000,000 | 5 | 1 |
| 3,000,001 | - | 4,000,000 | 33 | 7 |
| 4,000,001 | - | 5,000,000 | 45 | 44 |
| 5,000,001 | - | 6,000,000 | 3 | 35 |
| 6,000,001 | - | 7,000,000 | 8 | 8 |
| 7,000,001 | - | 8,000,000 | 4 | 5 |
| 8,000,001 | - | 9,000,000 | 3 | 7 |
| 9,000,001 | - | 10,000,000 | - | 3 |
| Above | | 10,000,000 | 3 | 7 |
| | | | 104 | 117 |

# Notes to the financial statements (cont'd)

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

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Fees | 5,500 | 5,000 |
| Other emoluments | 21,878 | 23,950 |
| | 27,378 | 28,950 |
| The directors' remuneration shown above includes: | | |
| Chairman | - | - |
| Highest paid director | 7,674 | 8,445 |
| Other directors received emoluments in the following ranges: | | |

| | | | Number | |
|---|---|---|---|---|
| | | | 2019 | 2018 |
| NGN | | NGN | | |
| Nil | | | 5 | 3 |
| 2,000,001 | - | 3,000,000 | 1 | - |
| 3,000,001 | - | 4,000,000 | - | 4 |
| 4,000,001 | - | 5,000,000 | - | 4 |
| 5,000,001 | - | 6,000,000 | 1 | 1 |
| 7,000,001 | - | 8,000,000 | 3 | - |

**10 Loss per share (EPS) and Dividend declared per share**

**(a) Basic loss per share**

Basic loss per share of NGN5.59 (2018: NGN4.15) is based on loss attributable to ordinary shareholders of NGN1,704,010,000 (2018: loss of NGN1,264,941,000) and on the weighted average number of ordinary shares in issue during the year (2018: 304,786,406).

| | 2019 | 2018 |
|---|---|---|
| Loss for the year attributable to shareholders (expressed in Naira) | (1,704,010,000) | (1,264,941,000) |
| Weighted average number of ordinary shares in issue | 304,786,406 | 304,786,406 |
| Basic loss per share (expressed in Naira per share) | (5.59) | (4.15) |

**(b) Diluted earnings per share**

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

**(c) Dividend declared per share**

No dividends were declared during the year (2018: Nil) on 304,786,406 ordinary shares of 50 kobo each, being the ordinary shares in issue during the year (2018: Nil).

**11 Taxation**

**(a) Applicability of the Finance Act, 2019**

The Finance Act 2019 became effective on 13 January 2020 and introduced significant changes to some sections of the Companies Income Tax Act (CITA). The Company has applied the CITA related provisions of the Finance Act in these financial statements, in line with the Federal Inland Revenue Service (FIRS) information circular number NO:2020/04 published on 29 April 2020.

# Notes to the financial statements (cont'd)

**(b) Minimum tax**

The Company has applied the provisions of the Companies Income Tax Act that mandates a minimum tax assessment, where a qualifying taxpayer does not have a taxable profit which would generate an eventual tax liability when assessed to tax. The Company's assessment based on the minimum tax legislation for the year ended 31 December 2019 is NGN 325 million (2018: nil).

**(c) Income tax expense**

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

**Amounts recognized in profit or loss**

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| **Current tax expense:** | | |
| Income tax | - | 57,291 |
| Tertiary education tax | - | 11,108 |
| Capital gains tax | - | - |
| Nigeria police trust fund levy | - | - |
| | **-** | **68,399** |
| **Deferred tax credit:** | | |
| Origination and reversal of temporary differences | (603,663) | (230,906) |
| **Income tax credit** | **(603,663)** | **(162,507)** |

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

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

| | % | 2019 NGN'000 | % | 2018 NGN'000 |
|---|---|---|---|---|
| Loss before minimum tax and income tax | | (1,983,126) | | (1,427,448) |
| Income tax using statutory tax rate | 30 | (594,938) | 30 | (428,234) |
| Impact of tertiary education tax | 2 | (39,663) | 2 | (28,549) |
| Capital gains tax | - | - | | - |
| Effects of tax incentives | - | (5,546) | - | (5,069) |
| Non deductible expenses | - | 1,218 | (19) | 270,286 |
| Changes in estimates relating to prior year | 1 | (11,865) | - | - |
| Differences in CIT rate and TET rate | (2) | 47,131 | (2) | 28,999 |
| Other differences | - | - | - | 60 |
| **Total income tax expense in income statement** | **31** | **(603,663)** | **11** | **(162,507)** |

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

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

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Balance at beginning of the year | 220,365 | 653,429 |
| Payments during the year | (46,832) | (450,580) |
| Net charge for the year (Note 11(c)) | - | 68,399 |
| Minimum tax | 324,547 | - |
| Withholding tax credit notes utilised (Note 17) | (14,637) | (50,883) |
| | 483,443 | 220,365 |

# Notes to the financial statements (cont'd)

## (f) Recognised deferred tax assets and liabilities

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 31- Dec-19 | 31-Dec-18 | 31- Dec-19 | 31-Dec-18 | 31- Dec-19 | 31-Dec-18 |
| | NGN'000 | NGN'000 | NGN'000 | NGN'000 | NGN'000 | NGN'000 |
| Property, plant & equipment | - | - | (1,723,491) | (2,179,708) | (1,723,491) | (2,179,708) |
| Employee benefits | 5,277 | 4,275 | - | - | 5,277 | 4,275 |
| Trade receivables | 836,719 | 546,056 | - | - | 836,719 | 546,056 |
| Truck loan receivables | - | 76,603 | (19,705) | - | (19,705) | 76,603 |
| Other receivables | 37,274 | 37,274 | - | - | 37,274 | 37,274 |
| Inventories | 1,800 | 2,080 | - | - | 1,800 | 2,080 |
| PPPRA receivables | - | 22,041 | (3,079) | - | (3,079) | 22,041 |
| PEF receivables | 18,832 | 19,971 | - | - | 18,832 | 19,971 |
| Related party receivable | 14,878 | 61,382 | - | - | 14,878 | 61,382 |
| Net unrealised exchange differences | - | 94,017 | (192,330) | - | (192,330) | 94,017 |
| Leases | 30,876 | - | - | - | 30,876 | - |
| Provisions-ARO | 2,749 | - | - | - | 2,749 | - |
| Right of use assets | 9,688 | - | - | - | 9,688 | - |
| Unrelieved losses | 268,166 | - | - | - | 268,166 | - |
| | **1,226,259** | **863,699** | **(1,938,605)** | **(2,179,708)** | **(712,346)** | **(1,316,009)** |

The Company does not have any unrecognized deferred tax assets or liabilities. The unrelieved losses do not expire and the directors have recognised a deferred asset on it as they consider it probable that future taxable profits would be available against which the unrelieved losses can be recovered and, therefore, the related deferred tax asset can be realised.

## (g) Movement in temporary differences during the year

| | 1-Jan-18 | Recognised in profit or loss | Balance 31-Dec-18 | Recognised in profit or loss | Balance 31-Dec-19 |
|---|---|---|---|---|---|
| | NGN'000 | NGN'000 | NGN'000 | NGN'000 | NGN'000 |
| Property, plant & equipment | (2,507,312) | 327,604 | (2,179,708) | 456,217 | (1,723,491) |
| Employee benefits | 3,807 | 468 | 4,275 | 1,002 | 5,277 |
| Trade receivables | 647,483 | (101,427) | 546,056 | 290,663 | 836,719 |
| Truck loan receivables | 89,390 | (12,787) | 76,603 | (96,308) | (19,705) |
| Other receivables | 37,274 | - | 37,274 | - | 37,274 |
| Inventories | 9,836 | (7,756) | 2,080 | (280) | 1,800 |
| PPPRA receivables | 17,338 | 4,703 | 22,041 | (25,120) | (3,079) |
| PEF receivables | 10,182 | 9,789 | 19,971 | (1,139) | 18,832 |
| Related party receivable | 46,504 | 14,878 | 61,382 | (46,504) | 14,878 |
| Net unrealised exchange differences | 98,583 | (4,566) | 94,017 | (286,347) | (192,330) |
| Leases | - | - | - | 30,876 | 30,876 |
| Provisions-ARO | - | - | - | 2,749 | 2,749 |
| Right of use | - | - | - | 9,688 | 9,688 |
| Unrelieved losses | - | - | - | 268,166 | 268,166 |
| | **(1,546,915)** | **230,906** | **(1,316,009)** | **603,663** | **(712,346)** |

# Notes to the financial statements (cont'd)

**12. Property, plant and equipment**

(a) The movement in property, plant & equipment were as follows:

| | Leasehold land | Building | Plant & Machinery | Automotive equipment | Computer & office equipment | Furniture & Fittings | Capital work-in-progress | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | **NGN'000** | **NGN'000** | **NGN'000** | **NGN'000** | **NGN'000** | **NGN'000** | **NGN'000** | **NGN'000** |
| Balance as 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 |
| Addition | 46,095 | 86,221 | 140,691 | 60,249 | 18,849 | 1,280 | 570,457 | 923,842 |
| Transfers | | 37,300 | 18,655 | - | 4,044 | - | (59,999) | |
| Disposal | - | (1,120) | - | (37,680) | - | - | - | (38,800) |
| **Balance as at 31 December 2018** | **8,518,397** | **6,216,280** | **10,834,070** | **1,317,909** | **959,050** | **219,493** | **568,673** | **28,633,872** |
| Balance as at 1 January 2019 | **8,518,397** | **6,216,280** | **10,834,070** | **1,317,909** | **959,050** | **219,493** | **568,673** | **28,633,872** |
| Recognition of right of use asset on initial application of IFRS 16 | 1,538,512 | - | - | - | - | - | - | 1,538,512 |
| Addition | 17,050 | 234,419 | 102,542 | 7,921 | 13,528 | 5,878 | 266,921 | 648,259 |
| Transfers | 23,000 | 244,712 | 52,507 | 1,844 | 25,730 | - | (347,793) | - |
| Disposal | - | - | (275,561) | (5,798) | (29,477) | (12,945) | - | (323,781) |
| Balance as at 31 December 2019 | **10,096,959** | **6,695,411** | **10,713,558** | **1,321,876** | **968,831** | **212,426** | **487,801** | **30,496,862** |
| **Accumulated depreciation and impairment** | | | | | | | | |
| **Balance as at 1 January 2018** | - | 1,978,156 | 6,629,210 | 794,991 | 815,091 | 193,220 | - | 10,410,668 |
| Charge for the year | - | 235,181 | 1,036,891 | 133,986 | 38,261 | 5,637 | - | 1,449,956 |
| Disposals | - | (523) | - | (15,017) | - | - | - | (15,540) |
| **Balance as at 31 December 2018** | **-** | **2,212,814** | **7,666,101** | **913,960** | **853,352** | **198,857** | **-** | **11,845,084** |
| Balance as at 31 January 2019 | - | 2,212,814 | 7,666,101 | 913,960 | 853,352 | 198,857 | - | 11,845,084 |
| Charge for the year | 154,984 | 241,526 | 1,030,634 | 108,680 | 26,013 | 5,246 | - | 1,567,083 |
| Disposals | - | - | (224,916) | (5,509) | (27,986) | (12,361) | - | (270,772) |
| **Balance as at 31 December 2019** | **154,984** | **2,454,340** | **8,471,819** | **1,017,131** | **851,379** | **191,742** | **-** | **13,141,395** |
| **Carrying Amounts** | | | | | | | | |
| **Balance as at 31 December 2019** | **9,941,975** | **4,241,071** | **2,241,739** | **304,745** | **117,452** | **20,684** | **487,801** | **17,355,467** |
| **Balance as at 31 December 2018** | **8,518,397** | **4,003,466** | **3,167,969** | **403,949** | **105,698** | **20,636** | **568,673** | **16,788,788** |
| **Balance as at 1 January 2018** | **8,472,302** | **4,115,723** | **4,045,514** | **500,349** | **121,066** | **24,993** | **58,215** | **17,338,162** |

# Notes to the financial statements (cont'd)

**(b) Capital commitments**

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

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Capital commitments | 21,589 | 282,884 |

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

**(d)** No borrowing costs related to the acquisition of property, plant and equipment was capitalised during the year.

**13 Intangible assets**

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

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| **Cost** | | |
| Balance as at 1 January | 280,678 | 280,678 |
| Additions | 2,582 | - |
| Balance as at 31 December | 283,260 | 280,678 |
| | | |
| **Accumulated amortization** | | |
| Balance as at 1 January | 277,016 | 260,570 |
| Charge for the year (Note 7(a)) | 3,885 | 16,446 |
| Balance as at 31 December | 280,901 | 277,016 |
| **Carrying amount** | **2,359** | **3,662** |

The amortization of accounting software is included in administrative expenses (Note 7(a))

# Notes to the financial statements (cont'd)

## 14 Truck loan receivables

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Balance as at 1 January | - | 246,193 |
| Adjustment on initial application of IFRS 9 | - | (246,760) |
| *Restated Opening balance at 1 January 2018* | - | - |
| Insurance | - | - |
| Interest accrued | - | - |
| Principal received during the year | (198,436) | (39,934) |
| Interest received during the year (Note 8(a)) | - | (25) |
| | (198,436) | (39,959) |
| Impairment recognised | - | - |
| Impairment loss reversal (Note 29(a)(iv), Note 14(b)) | 198,436 | 39,959 |
| Net reversal of impairment loss recognised | 198,436 | 39,959 |
| *Balance as at 31 December* | - | - |

**(a)** In prior year, interest income received with respect to these loans was NGN0.025 million and has been included as part of finance income in profit or loss (Note 8). The Company did not incur additional cost during the year (2018: NIL).
Truck loan arose from an arrangement which the Company entered into with some of its transporters to provide tankers to these transporters. The transporters made a 20% contribution at the commencement of the arrangement and are to repay the Company's contribution to the cost of the tankers plus an interest of 17% per annum. The transporters are expected to repay their obligations to the Company from freight costs charged to the Company for services rendered. The repayment years range from 12 to 24 months. 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 2015, the arrangement was revised and the interest on outstanding payments was increased to 20% per annum with an extension of tenure for another 12 months.

**(b)** The Company had recorded full impairment of the loan receivables on transition to IFRS 9 on 1 January 2018 as the Company believed that the outstanding truck loans were doubtful of recovery. During the year, based on recovery efforts, the Company recovered NGN 198.44 million (2018: NGN 39.96 million) of previously impaired truck loan receivables. Consequently the Company recorded a reversal of impairment in respect of these recoveries.

**(c)** Truck loan receivable

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Gross truck loan receivble | 102,530 | 300,966 |
| Impairment allowance (Note 29(a)(iv)) | (102,530) | (300,966) |
| Net truck loan receivable | - | - |

The Company's exposure to credit risks related to truck loan receivables are disclosed in Note 29(a).

# Notes to the financial statements (cont'd)

## 15 Trade and other receivables

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Trade receivables (Note 15(a)) | 2,666,249 | 2,683,943 |
| DMO holdback (Note 15(d)) | 1,600,000 | 8,111,679 |
| Bridging claims (Note 15(c)) | 8,396,068 | 6,215,722 |
| Petroleum Support Fund (PSF) (Note 15(b)) | 4,126,155 | 6,937,004 |
| Receivables from related parties (Note 15(e)) | 616,446 | 675,038 |
| Employee receivables | 46,204 | 67,851 |
| Due from joint arrangement partners | 90,254 | 97,059 |
| Receivables from registrar (Note 23(c)) | 41,780 | 53,350 |
| Sundry receivables | 156,058 | 145,789 |
| *Total financial assets* | 17,739,214 | 24,987,435 |
| *Non financial assets* | | |
| Advances paid to suppliers | 260,486 | 250,849 |
| | 17,999,700 | 25,238,284 |
| Non-current portion | - | - |
| Current portion | 17,999,700 | 25,238,284 |

## (a) Trade receivables

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Gross trade receivables | 5,307,319 | 4,894,771 |
| Impairment allowance (Note 29(a)(iv) | (2,641,070) | (2,210,828) |
| Net trade receivables | **2,666,249** | **2,683,943** |

## (b) Petroleum Support Fund (PSF)

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Gross PSF receivable | 4,170,713 | 7,005,880 |
| Impairment allowance (Note 29(a)(iv) | (44,558) | (68,876) |
| Net PSF receivable | **4,126,155** | **6,937,004** |

PSF receivables relates to receivables from a government agency-Petroleum Pricing Regulatory Agenc (PPPRA).The receivable comprises;difference between the landing cost for petroleum products imported by the Company in prior years and the ex-depot price approved for the products by PPRA, foreign exchange losses and interest accrued arising from delayed payments by PPPRA on behalf of the Federal Government of Nigeria. The PSF receivables are reduced by means of promissory notes issued by Debt Management Office.

## (c) Bridging claims

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Gross bridging claims | 8,486,737 | 6,278,130 |
| Impairment allowance (Note 29(a)(iv) | (90,669) | (62,408) |
| Net bridging claims | **8,396,068** | **6,215,722** |

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.

# Notes to the financial statements (cont'd)

**(d) DMO holdback**

DMO holdback is comprised of:

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Amount set aside for liabilities owed to government agencies | - | 2,846,738 |
| Amount set aside for liabilities owed to financial institutions | 1,600,000 | 5,264,941 |
| | **1,600,000** | **8,111,679** |

In the the 2018 financial year, prior to the settlement of outstanding PSF receivables to the company, the Debt Management Office (DMO), held back the amounts owed to government agencies and financial institutions by the Company for direct settlement of those liabilities. The amount held back in respect of financial institutions was based on court orders issued by the Federal High Court in Abuja requiring that the amount be withheld by the DMO for direct settlement to the affected financial institutions and agencies. These liabilities relate to financing provided by those financial institutions to the Company for product importation in previous years. The relevant liabilities in respect of government agencies and financial institutions are included in trade and other payables (See Note 24(d)) and short term borrowings (Note 25). The DMO holdback is reduced by actual settlements by the DMO to the respective institutions.

**(e) Due from related parties**

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Gross receivable from related parties (Note 30(e)) | 808,264 | 866,856 |
| Impairment allowance (Note 29(a)(iv) | (191,818) | (191,818) |
| Net receivable from related parties | **616,446** | **675,038** |

The Company's exposure to credit risk and currency risks related to trade and other receivables are disclosed in Note 29(a).

**16 Promissory note**

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Promissory note from DMO (Note 16(a)) | 172,085 | 4,535,573 |

**(a)** In the 2018 financial year, the Company received a Promissory Note of NGN4.54 billion dated 14 December 2018 from the Debt Management Office (DMO) of the Federal Ministry of Finance in respect of amounts reconciled totalling NGN12.82 billion. The DMO held back an amount of NGN8.11 billion (Note 15(d)) for the settlement of liabilities owed by the Company to certain government agencies and to financial institutions based on a court order. In executing the settlement, DMO deducted an amount of NGN172.09 million as a palliative deduction (Note 7(a)). In current year, NGN 1.6 billion was held back for the settlement of liabilities owed to a financial institution. The promissory note as at year end was issued by the Debt Management Office (DMO) on 23 August 2019 as a refund for the 1.5% palliative deduction made in prior year.

The Company's exposure to credit risk and currency risks related to the promissory notes are disclosed in Note 29(a).

# Notes to the financial statements (cont'd)

## 17 Withholding tax receivables

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

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Balance at 1 January | 79,846 | 70,542 |
| Additions | 18,165 | 60,187 |
| Withholding tax credit note utilised (Note 11(e)) | (14,637) | (50,883) |
| Balance at 31 December | 83,374 | 79,846 |

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

## 18 Inventories

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Premium Motor Spirit (PMS) | 1,969,061 | 1,273,759 |
| Lubricants and Greases | 1,835,667 | 1,765,615 |
| Aviation Turbine Kerosene (ATK) | 2,116,698 | 1,336,121 |
| Automotive Gas Oil (AGO) | 225,973 | 20,751 |
| Dual Purpose Kerosene (DPK) | - | - |
| Packaging materials and other sundry items | 7,558 | 77,043 |
| Liquified Petroleum Gas (LPG) | 21,253 | - |
| Low Pour Fuel Oil | 4,119 | - |
| | 6,180,329 | 4,473,289 |

No inventory (2018: NGN3.79 million) are stored at facilities owned by MRS Oil and Gas Limited (Note 30(a)).

The value of changes in products, packaging materials and work-in-progress included in cost of sales amounted to NGN61.07 billion (2018:NGN 84.70 billion).

An assessment for impairment was carried out on inventory at year end, which resulted in a reversal of impairment allowance by NGN0.87 million (2018: impairment loss of NGN24.24 million). Impairment allowances for the year and reversals of impairment allowances are included in the cost of sales on the Statement of Profit or Loss and Other Comprehensive Income.

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Gross inventory | 6,203,591 | 4,497,425 |
| Inventory write down (Note 18(a)) | (23,262) | (24,136) |
| Net inventory | 6,180,329 | 4,473,289 |

**(a)** The movement in the allowance for inventory write down in respect of inventories during the year was as follows:

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Balance as at 1 January | 24,136 | 48,374 |
| Net reversal of inventory write down (Note 7(a)) | (874) | (24,238) |
| Balance as at 31 December | 23,262 | 24,136 |

# Notes to the financial statements (cont'd)

## 19 Cash and cash equivalents`

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Cash at bank and on hand | 1,881,094 | 1,685,695 |
| Short term deposits with banks | 416,638 | 408,391 |
| Cash and cash equivalents in the statement of financial position | 2,297,732 | 2,094,086 |
| Bank overdraft (Note 25) | (1,244,852) | (669,814) |
| Cash and cash equivalents in the statement of cash flows | **1,052,880** | **1,424,272** |

The Company's exposure to credit risk and currency risks are disclosed in Note 29(a).

## 20 Share capital

| | 2019 | 2018 |
|---|---|---|
| **Authorised:** | **NGN'000** | **NGN'000** |
| 322,454,964 (2018: 322,454,964 ) Ordinary shares of 50k each | 161,227 | 161,227 |
| **Issued and fully paid:** | | |
| 304,786,406 (2018: 304,786,406) Ordinary shares of 50k each | 152,393 | 152,393 |
| **Issued and fully allotted:** | | |
| 304,786,406 (2018: 304,786,406 ) Ordinary shares of 50k each | 152,393 | 152,393 |

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

## 21 Employees benefit obligations

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

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Other long term employee benefits | 16,491 | 13,361 |
| **Total employee benefits liabilities** | **16,491** | **13,361** |

**(b)** Other long term employee benefits comprise long service awards and it is funded on a pay-as-you-go basis by the Company. The provision was based on an independent actuarial valuation performed by Brian Karidza FRC/2017/NAS/00000016625, of Alexander Forbes (2018: Brian Karidza FRC/2017/NAS/00000016625, of Alexander Forbes). The method of valuation used is the projected unit credit method and the last valuation was as at 31 December 2019.

**(c)** The movement in other long term employee benefits is as follows:

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Balance as at 1 January | 13,361 | 11,899 |
| *Included in profit or loss* | | |
| Current service cost | 3,147 | 4,512 |
| Interest cost | 2,596 | 2,284 |
| Remeasurement gains (net) | (1,842) | (5,147) |
| *Net charge to profit or loss* (Note 9(b)(i)) | 3,901 | 1,649 |
| Benefits paid by the employer | (771) | (187) |
| Balance as at 31 December | **16,491** | **13,361** |

# Notes to the financial statements (cont'd)

**(d)** Actuarial Assumptions

Key actuarial assumptions relating to measurements of employee benefit obligations involves estimates and assumptions. These assumptions are not considered to have a material effect on the financial statements for the year ending 31 December 2019 as the balance is not material to the financial statements.

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

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Long-term average discount rate (p.a) | 13% | 16.1% |
| Future average pay increase (p.a) | 12% | 12.0% |
| Average rate of inflation (p.a) | 12% | 12.0% |
| Average Duration in years (Long Service Awards) | 5 | 5 |

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

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

Mortality in Service

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

**Withdrawal from service**

| Age band | 2019 | 2018 |
|---|---|---|
| | Rates | |
| <34 | 3.0% | 3.0% |
| 34-44 | 5.0% | 10.0% |
| 45-55 | 3.0% | 8.0% |
| 56-59 | 2.0% | 2.0% |
| 60 | 100% | 2.0% |

It is assumed that all the employees covered by the long service award scheme would retire at age 60 (2018: age 60).

# Notes to the financial statements (cont'd)

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

| | | Long Service Award (NGN'000) |
|---|---|---|
| **Discount rate** | -1% | 17,403 |
| | +1% | 15,699 |
| **Salary increase rate** | -1% | 15,927 |
| | +1% | 17,103 |
| **Inflation rate** | -1% | 16,134 |
| | +1% | 16,886 |
| **Mortality rate** | | |
| Aged rated up by 1 year | | 17,059 |
| Age rated down by 1 year | | 15,962 |

## 22 Security deposits

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Security deposits | 1,902,623 | 2,174,393 |

These are collateral deposits paid by dealers who maintain credit facilities with the Company. These amounts are set-off against trade receivables from these dealers on a periodic basis to cater for probable losses from sales to customers. See Note 29(a)(ii).

These deposits do not bear interest and are refundable to the dealers at anytime they or the Company terminates the business arrangements in the event that the amount is in excess of the outstanding receivable.

## 23 Dividends

**(a) Declared dividends**

No dividends were declared by the Company during the year (2018: Nil). No bonus shares were also proposed (2018: a bonus issue of 1 (one) new share of 50 kobo each for every 5 (five) existing shares, representing 50,797,734 ordinary shares fully paid up amounting to NGN25.40 million).

**(b) Dividend Payable**

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Balance as at 1 January | 375,577 | 461,669 |
| Declared dividend | - | - |
| Payments | (40,238) | (12,055) |
| Unclaimed dividend returned by registrar | 41,075 | - |
| Unclaimed dividend written back to retained earnings (Note 23(d)) | (90,928) | (74,037) |
| Balance as at 31 December | **285,486** | **375,577** |

**(c)** Included in the dividend payable balance at year end is an amount of NGN 41.78 million (2018: NGN53.35 million), which is held with the Company's registrar, First Registrars and Investor Services Limited. The dividend payable as at year end does not attract interest.

# Notes to the financial statements (cont'd)

**(d)** The Company reversed unclaimed dividends of NGN 90.9 million (2018; NGN74.04 million) back into retained earnings. This represents the value of dividends 34 which became statutes barred after remaining unclaimed for 12 years after declaration.

## 24 Trade and other payables

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Trade payables (Note 24(a)) | 10,735,917 | 7,990,887 |
| Accrued expenses | 771,014 | 591,405 |
| Amount due to joint arrangement partners (Note 24(b)) | 196,918 | 241,049 |
| Bridging allowance (Note 24(c)) | 3,247,358 | 6,258,734 |
| Amounts due to related parties (Note 30(e)) | 1,597,923 | 1,538,145 |
| *Total financial liabilities* | 16,549,130 | 16,620,220 |
| *Non financial liabilities* | | |
| Statutory deductions (Note 24(d)) | 230,062 | 255,195 |
| Advances received from customers (Note 24(e)) | 1,629,263 | 1,214,324 |
| | 1,859,325 | 1,469,519 |
| | **18,408,455** | **18,089,739** |

**(a)** Included in trade payables is an amount of NGN7.70 billion, due to one of the Company's vendors which bears interest on expiration of a credit policy granted to the Company (2018: NGN6.49 billion). The interest charged is included in interest expense. (Note 8(a)).

**(b)** Amount relates to cash received from other parties of the Joint Aviation Facility for the running of the facility by the Company.

**(c)** Bridging allowance represents amount due to the Petroleum Equalisation Fund Management Board as the Company's contribution to the Fund.

**(d)** 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.

**(e)** Amount relates to cash received from customers in advance for sale of products. These amounts are utilised for the purpose of supplies of products at any point in time when the customer decides 1to take delivery of the relevant products.

The Company's exposure to liquidity risk is disclosed in Note 29(b).

## 25 Short term borrowings

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Bank overdraft (Note 19, Note 25(a)) | 1,244,852 | 669,814 |
| Bank borrowing (Import Finance and other short term facilities (Note 25(b)) | 1,313,339 | 10,657,107 |
| Balance as at 31 December | 2,558,191 | 11,326,921 |

(a). The interest rate on this overdraft was 18% per annum (2018:interest rates was 20%). There is no right of set-off between the overdraft and the deposits held. The net interest expense incurred in the year relating to overdraft and short term borrowings amounted to NGN10.35 million (2018: NGN0.79 million). The bank overdraft used for cash management purposes has been included as part of cash and cash equivalents in the statement of cash flows (Note 19).

# Notes to the financial statements (cont'd)

(b). Import finance facilities represents short term borrowings, including unpaid interest and expenses 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. There was no balance in the sinking fund account as at year end (2018: Nil).

During the year, as part of negotiations to close out on the outstanding subsidy claims, the Central Bank of Nigeria issued a letter dated 18 January 2019 requiring banks to take a 100% haircut on interest accrued on these import finance facilities (IFF) from 1 July 2017 to date. Promissory notes expected to be issued by the Federal Government to the petroleum marketers (such as the Company) will be used to settle the remaining balance of the IFF. Settlement of the import finance facility has been outstanding mainly due to the delay in settlement of the Company's subsidy claims by the Federal Government.

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

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Opening balance | 10,657,107 | 5,679,324 |
| Additions: | | |
| - Principal | - | 3,700,000 |
| - Interest capitalised | - | 1,197,331 |
| Repayments | (9,011,084) | - |
| Refund of interest | (299,753) | - |
| Exchange loss on borrowings | (32,932) | 80,452 |
| Balance as at 31 December | **1,313,338** | **10,657,107** |

The Company's exposure to liquidity risk and currency risks are disclosed in Note 29(b) and 29 (c) respectively.

## 26 Prepayments

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Operating leases | - | 851,289 |
| Other prepayments | 118,602 | 218,385 |
| | **118,602** | **1,069,674** |

The Company leases a number of offices and service stations under both cancellable and non-cancellable leases. In current year, leases previously classified as operating leases have been reclassified as right of use assets in line with IFRS 16.

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Non current portion | - | 775,010 |
| Current portion | 118,602 | 294,664 |
| | 118,602 | 1,069,674 |

| **Movement in prepayment** | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Opening balance | 1,069,674 | 1,009,511 |
| Additions | 490,681 | 741,717 |
| Reclassification to right of use assets | (830,025) | - |
| Release to profit or loss | (611,728) | (681,554) |
| | 118,602 | 1,069,674 |

# Notes to the financial statements (cont'd)

## 27 Provisions

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Balance at 1 January | 46,139 | 46,139 |
| Unwind of discount on site restoration provision | 8,591 | - |
| Provisions made during the year | 47,731 | - |
| **Balance as at 31 December** | 102,461 | 46,139 |
| | | |
| Non-current | 56,322 | - |
| Current | 46,139 | 46,139 |
| | 102,461 | 46,139 |

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Legal | 46,139 | 46,139 |
| Asset retirement obligation | 56,322 | - |
| | 102,461 | 46,139 |

Legal 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.

Asset retirement obligation relates to the estimate of costs to be incured by the Company in dismantling and removing the underground tank and other structures on the leased land after the expiration of the lease.

## 28 Lease liabilities

The Company leases land and thereafer constructs its fuelling stations. The leases typically run for an average period of 10 years, with an option to renew the lease after that date. Lease payments are usually renegotiated close to the expiration of the lease term to reflect market rentals. Previously, these leases were classified as operating leases under IAS 17.

Information about leases for which the Company is a lessee is presented below:

# Notes to the financial statements (cont'd)

i. ***Right of use assets***

Right of use assets related to leased land that do not meet the definition of investment property are presented as property, plant and equipement (see Note 12(a)).

| | **Leasehold land** |
|---|---|
| | **2019** |
| | **NGN'000** |
| Balance at 1 January (Note 12(a)). | 1,538,512 |
| Depreciation charge for the year (Note 12(a)) | (154,984) |
| Balance at 31 December | 1,383,528 |

***ii. Amounts recognised in profit or loss***

| Leases under IFRS 16 | **2019** |
|---|---|
| | **NGN'000** |
| Interest on lease liabilities (Note 8(a)) | 96,489 |

***iii Lease liability***

| | **2019** |
|---|---|
| | **NGN'000** |
| Balance at 1 January | 536,047 |
| Interest on lease liabilities (Note 8(a)) | 96,489 |
| Balance at 31 December | 632,536 |

The Company's exposure to liquidity risk is disclosed in Note 29(b).

***iii Extension options***

Some leases contain extension options exercisable by the Company at the expiration of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

# Notes to the financial statements (cont'd)

## 29 Financial Risk Management

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 investments in debt securities.

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

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

| *In thousands of Naira* | **2019** | **2018** |
|---|---|---|
| Impairment loss/(Reversal) on trade receivables arising from contracts with customers (Note 29(a)(iv) | 430,242 | (161,776) |
| Reversal of impairment loss on truck loan receivable (Note 29(a)(iv) | (198,436) | (39,959) |
| Impairment of Petroleum Equalization Fund receivables (Note 29(a)(iv) | 28,260 | 30,591 |
| (Reversal)/ impairment of Petroleum Product Pricing Regulatory Agency receivables (Note 29(a)(iv) | (24,318) | 14,697 |
| Impairment of related party receivables (Note 29(a)(iv) | - | 46,494 |
| | **235,748** | **(109,953)** |

# Notes to the financial statements (cont'd)

i) ***Maximum credit exposure***

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

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Trade receivables | | |
| - Major customers | 4,633,257 | 4,361,904 |
| - Other customers | 674,062 | 532,867 |
| Gross total receivables | 5,307,319 | 4,894,771 |
| - Impairment allowance | (2,641,070) | (2,210,828) |
| Net total receivables | 2,666,249 | 2,683,943 |
| - Due from related parties | 616,446 | 675,038 |
| - Due from regulators (Government entities) | | |
| - Petroleum Equalisation Fund (PEF) | 8,396,068 | 6,215,722 |
| - Petroleum Support Fund (PSF) | 4,126,155 | 6,937,004 |
| - DMO holdback | 1,600,000 | 8,111,679 |
| - Other receivables* | 334,296 | 364,049 |
| | **17,739,214** | **24,987,435** |

* Excludes advances paid to suppliers and withholding tax receivables.

***ii) Trade receivables***

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

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

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

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

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

The Company is taking actions to limit its exposure to customers in general. In 2018, the Company made certain changes to its credit policy; reducing the credit exposure to aviation customers by dealing with them on a cash and carry basis as the Company's experience is that these customers have a higher risk of payment default than others.

# Notes to the financial statements (cont'd)

The Company does not require collateral in respect of trade and other receivables. The Company does not have trade receivable for which no loss allowance is recognised because of collateral. At 31 December 2019, the exposure to credit risk for trade receivables and contract assets by type of counterparty was as follows.

| *In thousands of Naira* | **2019** | **2018** |
|---|---|---|
| Retail customers | 2,334,691 | 2,491,927 |
| Commercial and industrial | 1,247,530 | 898,969 |
| Aviation | 1,725,098 | 1,503,875 |
| | **5,307,319** | **4,894,771** |

### *iii) Expected credit loss assessment as at 31 December 2019*

**Expected credit loss assessment for government and related party receivables as at 31 December 2019**

The Company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements and management accounts of customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies (Moody's and Standard and Poors)
Exposures within each credit risk grade are segmented by counterparty type (PEF, PPPRA and related parties) and an ECL rate is calculated for each segment based on the probability of default and a consideration of forward looking information.

**Expected credit loss assessment for trade receivables as at 31 December 2019**
The Company uses an allowance matrix to measure the ECLs of trade receivables from customers, which comprise a large number of small to medium balances.

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019.

| ***Aviation customers*** **31 December 2019** *In thousands of Naira* | Weighted average loss rate | Gross carrying amount | Loss allowance | Credit-impaired |
|---|---|---|---|---|
| Current (not past due) | 7.69% | 566,450 | 43,560 | No |
| 1–30 days past due | 46.68% | 14,507 | 6,772 | No |
| 31–60 days past due | 55.48% | 17,113 | 9,494 | No |
| 61–180 days past due | 60.47% | 38,713 | 23,410 | No |
| 181-365 days past due | 75.00% | 2,287 | 1,715 | No |
| More than 365 days past due | 100.00% | 1,086,028 | 1,086,028 | Yes |
| | | 1,725,098 | 1,170,979 | |

# Notes to the financial statements (cont'd)

| ***Retail customers*** **31 December 2019** *In thousands of Naira* | Weighted average loss rate | Gross carrying amount* | Loss allowance | Credit-impaired |
|---|---|---|---|---|
| Current (not past due) | 13.14% | 90,848 | 11,937 | No |
| 1–30 days past due | 26.59% | 56,512 | 15,027 | No |
| 31–60 days past due | 34.56% | 85,620 | 29,590 | No |
| 61–180 days past due | 42.20% | 123,575 | 52,149 | No |
| 181-365 days past due | 68.64% | 63,653 | 43,691 | No |
| More than 365 days past due | 100.00% | 733,527 | 733,527 | Yes |
| | | 1,153,735 | 885,921 | |

| ***Commercial/industrial customers*** **31 December 2019** *In thousands of Naira* | Weighted average loss rate | Gross carrying amount | Loss allowance | Credit-impaired |
|---|---|---|---|---|
| Current (not past due) | 17.94% | 258,342 | 46,347 | No |
| 1–30 days past due | 23.38% | 217,474 | 50,845 | No |
| 31–60 days past due | 32.36% | 129,210 | 41,812 | No |
| 61–180 days past due | 40.77% | 237,114 | 96,671 | No |
| 181- 365 days past due | 64.60% | 160,719 | 103,824 | No |
| More than 365 days past due | 100.00% | 244,671 | 244,671 | Yes |
| | | 1,247,530 | 584,170 | |

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December 2018:

| ***Aviation customers*** **31 December 2018** *In thousands of Naira* | Weighted average loss rate | Gross carrying amount | Loss allowance | Credit-impaired |
|---|---|---|---|---|
| Current (not past due) | 8.93% | 299,043 | 26,705 | No |
| 1–30 days past due | 53.34% | 74,035 | 39,490 | No |
| 31–60 days past due | 63.56% | 13,803 | 8,773 | No |
| 61–180 days past due | 67.57% | 48 | 32 | No |
| 181-365 days past due | 69.31% | 36,443 | 25,259 | No |
| More than 365 days past due | 100.00% | 1,080,503 | 1,080,503 | Yes |
| | | 1,503,875 | 1,180,762 | |

# Notes to the financial statements (cont'd)

| ***Retail customers*** **31 December 2018** *In thousands of Naira* | Weighted average loss rate | Gross carrying amount* | Loss allowance | Credit-impaired |
|---|---|---|---|---|
| Current (not past due) | 11.11% | 74,723 | 8,302 | No |
| 1–30 days past due | 22.05% | 51,566 | 11,370 | No |
| 31–60 days past due | 30.50% | 24,307 | 7,414 | No |
| 61–180 days past due | 37.97% | 59,860 | 22,729 | No |
| 181-365 days past due | 65.22% | 530,983 | 346,311 | No |
| More than 365 days past due | 100.00% | 236,077 | 236,077 | Yes |
| | | 977,516 | 632,203 | |

| ***Commercial/industrial customers*** **31 December 2018** *In thousands of Naira* | Weighted average loss rate | Gross carrying amount | Loss allowance | Credit-impaired |
|---|---|---|---|---|
| Current (not past due) | 17.38% | 219,974 | 38,232 | No |
| 1–30 days past due | 22.93% | 159,041 | 36,468 | No |
| 31–60 days past due | 32.57% | 109,973 | 35,823 | No |
| 61–180 days past due | 41.66% | 167,618 | 69,837 | No |
| 181- 365 days past due | 66.01% | 73,150 | 48,289 | No |
| More than 365 days past due | 100.00% | 169,212 | 169,212 | Yes |
| | | 898,968 | 397,861 | |

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

Loss rates are based on actual credit loss experience over the past two to three years. These rates are adjusted to reflect economic conditions for the period over which the historical data has been collected, current conditions and the Company’s view of economic conditions over the expected lives of the receivables (forward looking information). Forward looking information is re-evaluated at every reporting date.

For instance, the Company determined that the Gross Domestic Product (GPD) has the most significant impact on the ability of the counterparties to settle receivables. Therefore, if GDP growth rate is expected to significantly deteriorate, over the next year, which can result in increased default, the historical default rate is adjusted.

# Notes to the financial statements (cont'd)

### *iv) Movements in the allowance for impairment of financial assets*

The movement in the allowance for impairment in respect of financial assets during the year was as follows.

| *In thousands of Naira* | 1-Jan -18 | Net remeasurement of loss allowance (Note 7(a) | Balance 31-Dec-18 | Recognised in profit or loss | Balance 31-Dec-19 |
|---|---|---|---|---|---|
| Truck loan receivables | 340,925 | (39,959) | 300,966 | (198,436) | 102,530 |
| Trade receivables | 2,372,604 | (161,776) | 2,210,828 | 430,242 | 2,641,070 |
| Bridging claim receivable | 31,818 | 30,591 | 62,409 | 28,260 | 90,669 |
| PSF Receivables | 54,179 | 14,697 | 68,876 | (24,318) | 44,558 |
| Related Party Receivables | 145,324 | 46,494 | 191,818 | - | 191,818 |
| | **2,944,850** | **(109,953)** | **2,834,897** | **235,748** | **3,070,645** |

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, the unimpaired balances are recoverable and accordingly, no further impairment is therefore recorded.

### v) Due from Government entities

This comprises amount due from the Petroleum Product Pricing Regulatory Agency (PPPRA) with respect to subsidies/Petroleum Support Fund (PSF) receivable on imported products as well as amounts receivable from the Petroleum Equalisation Fund (PEF) with respect to bridging claims.

Determination of amounts due are based on existing regulations/guidelines. For bridging claims amounting to NGN8.40 billion (2018: NGN6.22 billion) recognized as receivable (Note 15), possibilities exist depending on negotiations, that settlement will occur via a set off to the extent of bridging allowances amounting to NGN3.25 billion (2018: NGN6.26 billion) recorded as a liability (Note 24). However, as the right of set off does not exist, the amounts have been presented gross in these financial statements. Refer to Note 2(d)(i) for judgements and assumptions relating to PPPRA receivables. The directors have assessed government receivables for impairment in accordance with IFRS 9. See Note 29(a)(iv).

### vi) Due from related parties

The Company has transactions with its parent and other related parties by virtue of being members of the MRS Group. Payment terms are usually not established for transactions within the Group companies and amounts receivable from members of the Group are contractually settled on a net basis. Related party receivable balances were assessed for impairment in accordance with IFRS 9. See Note 29(a)(iv).

# Notes to the financial statements (cont'd)

**vii) 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 was no impairment loss recognised in this category of receivables during the year. (2018: Nil).

**viii) Cash and cash equivalents**

The Company held cash and cash equivalents of NGN2.30 billion as at 31 December 2019 (2018: NGN2.09 billion), which represents its maximum credit exposure on these assets. The credit risk on this is not significant as cash and cash reside with banks that have good credit ratings issued by reputable international rating agencies.

**ix) Promissory note**

The Company held promissory note issued by the Debt Management Office (DMO) of NGN0.17 billion as at 31 December 2019 (2018: 4.54 billion) which represents its maximum credit exposure on these assets. The credit risk on this is not significant as the promissory note is backed by the full faith and credit of the Federal Government of Nigeria.

**(b) Liquidity risk**

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

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

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

# Notes to the financial statements (cont'd)

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 | 6months or less |
|---|---|---|---|---|
| **Non- derivative financial liabilities** | | | | |
| **31 December 2019** | | | | |
| Overdraft and other short term borrowing | 25 | 2,558,191 | 2,558,191 | 2,558,191 |
| Dividend payable | 23 | 285,486 | 285,486 | 285,486 |
| Trade and other payables* | 24 | 16,549,130 | 16,549,130 | 16,549,130 |
| Lease liability | 28 | 632,536 | 632,536 | 632,536 |
| | | 20,025,343 | 20,025,343 | 20,025,343 |
| **31 December 2018** | | | | |
| Overdraft and other short term borrowing | 25 | 11,326,921 | 11,326,921 | 11,326,921 |
| Dividend payable | 23 | 375,577 | 375,577 | 375,577 |
| Trade and other payables* | 24 | 16,620,220 | 16,620,220 | 16,620,220 |
| Lease liability | 28 | - | - | - |
| | | 28,322,718 | 28,322,718 | 28,322,718 |

* Excludes advances received from customers and statutory liabilities.

**(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 transactional foreign risk to the extent that there is a mismatch between the currencies in which sales, purchases and receivables and borrowings are denominated and the respective functional currency of the Company, which is 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.

# Notes to the financial statements (cont'd)

**Exposure to currency risk**

The summary of quantitative data about the Company's exposure to currency risk is as follows:

| | December 2019 | December 2018 |
|---|---|---|
| *In thousands* | | |
| **Financial assets** | | |
| Trade and other receivables | | |
| USD | 189 | 517 |
| *Cash and cash equivalents* | | |
| USD | 1,425 | 333 |
| **Financial liabilities** | | |
| Short term borrowings | | |
| USD | (2,744) | (6,264) |
| *Trade and other payables* | | |
| USD | (4,335) | (6,436) |
| **Net statement of financial position exposure** | | |
| **USD** | **(5,465)** | **(11,850)** |

**Sensitivity analysis**

A strengthening of the Naira, as indicated below against the Dollar at 31 December would have increased profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period and has no impact on equity.

| | Decrease in profit or loss |
|---|---|
| **31 December 2019** | **NGN'000** |
| USD (10 percent strengthening) | (199,309) |
| | |
| **31 December 2018** | |
| USD (10 percent strengthening) | (425,166) |

The following significant exchange rates were applied during the year

| | Average rate | | Reporting date spot rate | |
|---|---|---|---|---|
| | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| | NGN | NGN | NGN | NGN |
| US Dollar | 361.66 | 347.12 | 364.70 | 358.79 |

**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.

# Notes to the financial statements (cont'd)

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

| | Carrying amount | |
|---|---|---|
| | 2019 | 2018 |
| | NGN'000 | NGN'000 |
| **Fixed rate instruments** | | |
| Bank overdraft and borrowings (Note 25) | 2,558,191 | 11,326,921 |
| Trade payables* | 7,697,811 | 6,818,909 |

*Included in trade payables is an amount of NGN7.70 billion, due to one of the Company's vendors which bears interest on expiration of credit policy granted to the Company (2018: NGN6.82 billion).

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

**(d) Capital risk management**

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

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

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Total borrowings (Note 25) | 2,558,191 | 11,326,921 |
| Less: Cash and cash equivalents (Note 19) | (2,297,732) | (2,094,086) |
| Adjusted net debt | 260,459 | 9,232,835 |
| Total equity | 19,107,616 | 20,720,698 |
| Total capital employed | 19,368,075 | 29,953,533 |
| Adjusted net debt to equity ratio | 0.014 | 0.45 |

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

The Company is not subject to externally imposed capital requirements.

**(e) Fair value disclosures**

***Accounting classifications and fair value***

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

# Notes to the financial statements (cont'd)

The Company's financial instruments are categorised as follows:

| | Carrying amount | | |
|---|---|---|---|
| **31 December 2019** | **Financial assets at amortised cost** | **Other financial liabilities** | **Total** |
| | **NGN'000** | **NGN'000** | **NGN'000** |
| **Financial assets not measured at fair value** | | | |
| Trade and other receivables (Note 15) | 17,739,214 | - | 17,739,214 |
| Promissory note (Note 16) | 172,085 | - | 172,085 |
| Cash and cash equivalents (Note 19) | 2,297,732 | - | 2,297,732 |
| | 20,209,031 | - | 20,209,031 |
| **Financial liabilities not measured at fair value** | | | |
| Short term borrowings (Note 25) | - | 2,558,191 | 2,558,191 |
| Trade and other payables* (Note 24) | - | 16,549,130 | 16,549,130 |
| Dividend payable (Note 23) | - | 285,486 | 285,486 |
| Lease liability (Note 28) | - | 632,536 | 632,536 |
| | - | 20,025,343 | 20,025,343 |

| | Carrying amount | | |
|---|---|---|---|
| | **Financial assets at amortised cost** | **Other financial liabilities** | **Total** |
| | **NGN'000** | **NGN'000** | **NGN'000** |
| **31 December 2018** | | | |
| **Financial assets not measured at fair value** | | | |
| Trade and other receivables (Note 15) | 24,987,435 | - | 24,987,435 |
| Promissory Notes (Note 16) | 4,535,573 | - | 4,535,573 |
| Cash and cash equivalents (Note 19) | 2,094,086 | - | 2,094,086 |
| | 31,617,094 | - | 31,617,094 |
| **Financial liabilities not measured at fair value** | | | |
| Short term borrowings (Note 25 | - | 11,326,921 | 11,326,921 |
| Trade and other payables*(Note 24) | - | 16,620,220 | 16,620,220 |
| Dividend payable (Note 23) | - | 375,577 | 375,577 |
| Lease liability (Note 28) | - | - | - |
| | - | 28,322,718 | 28,322,718 |

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.
*Excludes advances received from customers and statutory liabilities.

# Notes to the financial statements (cont'd)

**30 Related party transactions**

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

As at the year ended 31 December 2019, MRS Africa Holdings Limited (incorporated in Bermuda) owned 60% of the issued share capital of MRS Oil Nigeria Plc. MRS Africa Holdings Limited is a subsidiary of Corlay Global SA. The ultimate holding company is Corlay Global SA incorporated in Panama.

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

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

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

| **Nature of transactions** | **2019** | **2018** |
|---|---|---|
| | **NGN'000** | **NGN'000** |
| Sales of goods | 225,044 | - |
| Staff secondment | (80,047) | (189,501) |
| Product purchase | (6,614,411) | (2,961,634) |
| Reimbursements for expenses | 415,962 | 28,578 |

In current year, no product was stored by MRS Oil and Gas Limited for the Company (2018: NGN3.79 million). The total transactions with MOG during the year was NGN 6.05 billion (2018: NGN2.1billion).

Net balance due from MRS Oil and Gas Limited was NGN739.17 million (2018:NGN153.09 million).

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

MRS Holdings Ltd which is a shareholder in Corlay Global S.A, the ultimate parent of MRS Oil Nigeria Plc; holds an indirect interest of 45% in Petrowest (through MOG). The net balance due to Petrowest was NGN1.46 billion (2018: NGN1.44 billion)

**(c) MRS Holdings Limited (MRSH)**

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

| **Nature of transactions** | **2019** | **2018** |
|---|---|---|
| | **NGN'000** | **NGN'000** |
| Management fees | (382,329) | (360,065) |
| Sale of goods | 59,780 | 79,163 |
| Reimbursable | 232,168 | 6,223 |
| Shared services | (598,455) | - |
| Staff secondment | 9,132 | - |

Net balance due to MRS Holdings Limited was NGN35 million (2018: due from-NGN646.57 million).

# Notes to the financial statements (cont'd)

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

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| MRS Benin S.A | 55,077 | 54,071 |
| Corlay Togo S.A. | 227 | 239 |
| Corlay Benin S.A. | 759 | 112 |
| Corlay Cote D'Ivoire | (99,426) | (98,092) |
| Corlay Cameroun S.A. | 13,037 | 12,772 |
| | (30,326) | (30,898) |

| | Nature of transaction | 2019<br>NGN'000 | 2018<br>NGN'000 |
|---|---|---|---|
| MRS Benin S.A. | Reimbursements for expenses | 107 | 226 |
| Corlay Togo S.A. | Reimbursements for expenses | 15,006 | 8,964 |
| Corlay Benin S.A. | Reimbursements for expenses | 7,726 | 5,486 |
| Corlay Cote D'Ivoire | Reimbursements for expenses | 282 | 1,490 |
| Corlay Cameroun S.A. | Reimbursements for expenses | 54 | 44 |

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 (gross of impairment) and payables:**

| | December 2019 | | December 2018 | |
|---|---|---|---|---|
| | Receivables | Payables | Receivables | Payables |
| | NGN'000 | NGN'000 | NGN'000 | NGN'000 |
| MRS Oil and Gas Limited (MOG) | 739,165 | - | 153,093 | - |
| MRS Holdings Limited | - | (35,004) | 646,569 | - |
| Petrowest SA | - | (1,463,493) | - | (1,440,053) |
| MRS Benin S.A. | 55,077 | - | 54,071 | - |
| Corlay Togo S.A. | 227 | - | 239 | - |
| Corlay Benin S.A. | 759 | - | 112 | - |
| Corlay Cote D'Ivoire | - | (99,426) | - | (98,092) |
| Corlay Cameroun S.A. | 13,036 | - | 12,772 | - |
| | 808,264 | (1,597,923) | 866,856 | (1,538,145) |

**(f) Netting arrangement**

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

# Notes to the financial statements (cont'd)

The following table sets out the carrying amount of recognised financial instruments that are subject to the above agreements.

| | December 2019 | | | December 2018 | | |
|---|---|---|---|---|---|---|
| | Gross Amounts of recognised financial instruments | | Net amount presented in the Statement of Financial Position | Gross Amounts of recognised financial instruments | | Net amount presented in the Statement of Financial Position |
| | Receivables | Payables | | Receivables | Payables | |
| MOG | 1,742,378 | (1,003,213) | **739,165** | 1,114,917 | (961,824) | **153,093** |
| MRSH | 851,112 | (886,116) | **(35,004)** | 874,973 | (228,404) | **646,569** |

**(ii) Key management personnel compensation**

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

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Short term employee benefits | 27,378 | 28,950 |

Other remuneration to key management personnel were as follows:

| | 2019 | 2018 |
|---|---|---|
| | NGN'000 | NGN'000 |
| Short term employee benefits | 55,697 | 68,374 |
| Other long term benefits | 3,725 | 3,736 |
| | 59,422 | 72,110 |

**(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 NGN23.54 billion and the 5% disclosure limit is NGN1.18 billion. During the year, the Company had entered into transactions above the 5% disclosure limit with MRS Oil and Gas Limited. Refer to Note 30(i)(a) for details of these transactions.

**31 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.

# Notes to the financial statements (cont'd)

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 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**

| 2019 | Revenue | | Cost of sales | | Gross profit | |
|---|---|---|---|---|---|---|
| | NGN'000 | % of Total | NGN'000 | % of Total | NGN'000 | % of Total |
| Retail/C&I | 52,731,736 | 81 | 50,713,866 | 83 | 2,017,870 | 47 |
| Aviation | 8,252,334 | 13 | 7,921,702 | 13 | 330,632 | 17 |
| Lubes | 3,925,300 | 6 | 2,524,714 | 4 | 1,400,586 | 36 |
| **Total** | **64,909,370** | **100** | **61,160,282** | **100** | **3,749,088** | **100** |

| 2018 | Revenue | | Cost of sales | | Gross profit | |
|---|---|---|---|---|---|---|
| | NGN'000 | % of Total | NGN'000 | % of Total | NGN'000 | % of Total |
| Retail/C&I | 79,565,340 | 89 | 77,226,530 | 90 | 2,338,810 | 55 |
| Aviation | 6,492,155 | 7 | 5,669,138 | 7 | 823,016 | 19 |
| Lubes | 3,495,324 | 4 | 2,360,571 | 3 | 1,134,753 | 26 |
| **Total** | **89,552,819** | **100** | **85,256,239** | **100** | **4,296,579** | **100** |

## 32 Subsequent events

On 11 March 2020, the World Health Organization declared the coronavirus (COVID – 19) outbreak a pandemic and most governments have taken restrictive measures to contain its further spread by introducing lockdowns, closures of borders and travel restrictions which has affected the free movement of people and goods. The Nigerian Centre for Disease Control (NCDC) has confirmed COVID -19 cases in Nigeria and this has resulted in lock down in certain states. The pandemic has caused a significant reduction in social interactions, disruption in economic activities while some public facilities have been shut down in a bid to reduce the spread of the virus.

The Company considers this outbreak to be a non-adjusting subsequent event. As the situation is fluid and rapidly evolving, the Directors do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak and will continue to evaluate the impact of COVID-19 on the Company's operations, financial position and operating results.

As at the date these financial statements were authorised for issue, the Directors were not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

There were no other events after the reporting date that could have had a material effect on the financial statements of the Company that have not been provided for or disclosed in these financial statements.

## 33 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 31 December 2019 is NGN 1.29 billion (2018:NGN7.42 billion). A total provision of NGN46.14 million (2018:NGN46.14 million) (Note 27) 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.

**(c)** *Contingent assets*

As at the date of these financial statements, the Company is expecting potential promissory notes from the Debt Management Office (DMO) of the Federal Ministry of Finance in respect of outstanding PPPRA subsidies. The existence and amount of these promissory notes will be confirmed upon the finalization of the reconciliation process with the DMO at which point, the details of the promissory notes will be agreed and the reconciled amount will be recognized as additional PPPRA receivables in the Company's financial statements. The directors estimate the promissory notes to be approximately NGN 3 billion in excess of the PPPRA receivables currently recorded as at year end, however, this will be subject to further reconciliations with the relevant government authorities.

# Other National Disclosures

# Other National Disclosures

## Value added statement
## For the year ended 31

| | December 2019 | % | December 2018 | % |
|---|---|---|---|---|
| Revenue | (64,909,370) | | (89,552,819) | |
| Bought in materials and services: | | | | |
| - Imported | - | | 127,009 | |
| - Local | 66,768,584 | | 91,011,739 | |
| | 1,859,214 | | 1,585,929 | |
| Other income | (334,456) | | (375,218) | |
| Finance income | (748,394) | | (242,869) | |
| Value added by operating activities | **776,364** | **100** | **967,842** | **100** |
| | | | | |
| **Distribution of value Added** | | | | |
| **To Government as:** | | | | |
| Minimum tax | 324,547 | 42 | - | - |
| Taxes and duties | (603,663) | (78) | (162,507) | (18) |
| **To Employees:** | | | | |
| Salaries, wages, fringe and end of service benefits | 570,848 | 73 | 685,373 | 71 |
| **To providers of Finance:** | | | | |
| - Finance cost | 617,674 | 80 | 218,116 | 23 |
| **Retained in the business** | | | | |
| To maintain and replace: | | | | |
| - Property, plant and equipment | 1,567,083 | 202 | 1,449,956 | 150 |
| - Intangible assets | 3,885 | - | 16,446 | 2 |
| Bonus dividend | - | - | 25,399 | 3 |
| To deplete retained earnings | (1,704,010) | (219) | (1,264,941) | (131) |
| **Value added** | **776,364** | **100** | **967,842** | **100** |

# Other national disclosures

## Five year financial summary

### Statement of comprehensive income

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| | **NGN'000** | **NGN'000** | **NGN'000** | **NGN'000** | **NGN'000** |
| Revenue | 64,909,370 | 89,552,819 | 107,088,347 | 109,635,054 | 87,099,216 |
| Results from operating activities | (2,113,846) | (1,483,933) | 101,216 | 3,289,530 | 1,610,521 |
| (Loss)/profit before taxation | (2,307,673) | (1,427,448) | (996,609) | 2,287,347 | 1,460,843 |
| (Loss)/profit for the year | (1,704,010) | (1,264,941) | 1,385,056 | 1,465,905 | 935,625 |
| Comprehensive (loss)/income for the year | (1,704,010) | (1,264,941) | 1,385,056 | 1,465,905 | 935,625 |
| **Ratios** | | | | | |
| (Loss)/earnings per share (Kobo) | (559) | (415) | 454 | 577 | 368 |
| Declared dividend per share (Kobo) | - | - | 173 | 110 | 88 |
| Net assets per share (Kobo) | 6,269 | 6,798 | 9,099 | 8,726 | 8,259 |

### Statement of financial position

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| | **NGN'000** | **NGN'000** | **NGN'000** | **NGN'000** | **NGN'000** |
| **Employment of Funds** | | | | | |
| **Non-current assets:** | | | | | |
| Property,plant and equipment | 17,355,467 | 16,788,788 | 17,338,162 | 18,402,454 | 19,053,705 |
| Provision | - | - | - | - | - |
| Intangible assets | 2,359 | 3,662 | 20,108 | 29,920 | 1,144 |
| Trade and other receivables | - | - | - | 347,922 | 1,211 |
| Prepayments | - | 775,010 | 699,649 | 578,073 | 354,303 |
| Net current assets | 3,167,485 | 4,482,608 | 7,218,255 | 7,936,267 | 6,891,678 |
| **Non-current liabilities:** | | | | | |
| Employee benefit obligation | (16,491) | (13,361) | (11,899) | (13,891) | (12,618) |
| Provisions | (56,322) | - | (44,147) | - | - |
| Finance lease liabilities | (632,536) | - | - | - | - |
| Deferred tax liability | (712,346) | (1,316,009) | (2,110,631) | (5,116,904) | (5,312,099) |
| **Net assets** | **19,107,616** | **20,720,698** | **23,109,497** | **22,163,841** | **20,977,324** |
| **Fund Employed** | | | | | |
| Share capital | 152,393 | 152,393 | 126,994 | 126,994 | 126,994 |
| Retained earnings | 18,955,223 | 20,568,305 | 22,982,503 | 22,036,847 | 20,850,330 |
| | **19,107,616** | **20,720,698** | **23,109,497** | **22,163,841** | **20,977,324** |

***E-Dividend Form***

The Registrar,
First Registrars & Investor services Limited
Plot 2, Abebe Village Road
Iganmu,
Lagos

P.O. Box 9117, Lagos
Tel: 01 279 9880
Fax: 01-2714729

Dear Sir,

I/We hereby request that all dividend(s) due to me/us from my/our holding in MRS Oil Nigeria Plc be paid directly to my/our Bank named below:

**NAME OF BANK** ______ **BRANCH** ______

**BANK ADDRESS** ______

**BANK ACCOUNT NO** ______

**SORT CODE** ______ **BVN NO** ______

**CSCS NO** ______

**SHAREHOLDERS SURNAME** ______ **TITLE** ______

______
**OTHER NAMES**

**FULL ADDRESS:** ______

**MOBILE (GSM) NO** ______ **LAND LINE** ______

**EMAIL** ______ **FAX** ______

**SHAREHOLDER'S SIGNATURE(S)** **BANK'S AUTHORISED SIGNATURES/STAMP**

1. ______ 3. ______

2. ______ 4. ______

5. ______

Company Seal

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Please fill out and send this form to the Registrar's address above

**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 year ended 31 December 2019 that:

(a) We have reviewed the Report;

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

(c) To the best of our knowledge, the Financial Statement and other financial information included in the Report fairly present in all material respects the financial condition and results of operation of the Company as of and for periods presented in the Report.

(d) We:
- (i) Are responsible for establishing and maintaining internal controls.
- (ii) Have designed such internal controls to ensure that material information relating to the Company, particularly during the period in which the periodic reports are being prepared;

(e) We have disclosed to the Auditors of the Company and the Audit Committee:
- (i) Any fraud, whether or not material, that involves management or other employees who have significant roles in the Company's internal controls.

Managing Director (Ag.)

Chief Finance Officer

Director

27 May 2020