



MRS Oil Nigeria Plc
2020 4th Quarter Financial Statements

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Corporate information

RC 6442

Board of directors	Mr. Patrice Alberti Mr. Marco Storari Ms. Amina Maina Mr. Matthew Akinlade Sir. Sunday Nnamdi Nwosu Chief Sir Amobi Daniel Nwokafor Mrs Priscilla Ogwemoh	Chairman Managing Director (Ag.) Non Executive Director Independent Director Non Executive Director Non Executive Director Non Executive Director
Registered office	2, Tincan Island Apapa Lagos	
Company secretary	Mrs. O.M. Jafojo 2, Tincan Island Apapa Lagos	
Registrar	First Registrars and Investor Services Limited Plot 2, Abebe Village Road, Iganmu Lagos PMB 12692 Marina Lagos	
Auditor	Deloitte & Touche Civic Tower Ozumba Mbadiwe Road 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 Plc Unity Bank Plc Zenith Bank Plc	
Leadership team	Marco Storari Managing Director Oluwakemi M. Jafojo Company Secretary Samson Adejonwo Chief Finance Officer Sam Itodo Treasury Manager Daniel Chukwuazawom Chief Internal Auditor Salami Muideen Accounts Manager Col. Adebisi Adesanya Chief Security Officer	Alex Tiamiyu Customer & Industrial Manager Emmanuel Ugwuozor Logistics Manager Fasanmi Nkem Supply Manager Olawale Badru Legal Adviser

Statement of Directors' responsibilities in relation to the financial statements for the period ended 31 December 2020

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

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

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Signature

Marco storari (Managing Director/CEO)

Name

FRC/2020/003/00000022083

FRC

Date



Signature

Dr. Amobi D. Nwokafor (Director)

Name

FRC/2013/ICAN/00000002770




FRC

Date

Statement of financial position
as at 31st December 2020

	<i>Notes</i>	2020	2019
		₦'000	₦'000
Assets			
Property, plant and equipment	12(a)	15,830,277	17,355,467
Intangible assets	13	300	2,359
Prepayments	26	-	-
Total non-current assets		15,830,577	17,357,826
Inventories	18	4,014,429	6,180,329
Withholding tax receivables	17	56,356	83,374
Prepayments	26	69,068	118,602
Trade and other receivables	15	11,863,726	17,999,700
Promissory note	16	-	172,085
Cash and cash equivalents	19	4,455,844	2,297,732
Total current assets		20,459,423	26,851,822
Total assets		36,290,000	44,209,648
Equity			
Share capital	20	152,393	152,393
Retained earnings		17,162,785	18,955,223
Total equity		17,315,178	19,107,616
Liabilities			
Employee benefit obligation	21	18,945	16,491
Provisions	27	52,224	56,322
Lease Liabilities	28	641,966	632,536
Deferred tax liabilities	11(e)	221,046	712,346
Total non-current liabilities		934,181	1,417,695
Security deposits	22	1,693,581	1,902,623
Dividend payable	23(b)	285,478	285,486
Trade and other payables	24	14,439,834	18,408,455
Short term borrowings	25	1,313,339	2,558,191
Provisions	27	46,139	46,139
Tax payable	11(d)	262,270	483,443
Total current liabilities		18,040,641	23,684,337
Total liabilities		18,974,822	25,102,032
Total equity and liabilities		36,290,000	44,209,648

Approved by the Board of Directors on 29 January 2020 and signed on its behalf by:

) Mr Marco Storari (Managing Director) FRC/2020/003/00000022083
) Dr. Amobi D. Nwokafor (Director) FRC/2013/ICAN/00000002770
) Mr. Samson Adejonwo (Chief Finance Officer) FRC/2020/001/00000021998

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

Statement of Profit or Loss and other comprehensive income
for the period ended 31st December 2020

	Notes	Oct -Dec. 2020	YTD December 2020	Oct -Dec. 2019	YTD December 2019
		₦'000	₦'000	₦'000	₦'000
Revenue	5	9,810,371	41,349,184	17,630,677	64,909,370
Cost of sales	7(b)	(9,018,746)	(38,550,202)	(16,485,865)	(61,160,282)
Gross profit		791,625	2,798,982	1,144,812	3,749,088
Other income	6	(184,115)	(15,858)	128,511	334,456
Selling and distribution expenses	7(b)	(229,829)	(819,067)	60,955	(796,798)
Administrative expenses	7(b)	(877,058)	(4,084,844)	(1,852,143)	(5,164,844)
Reversal of (Impairment loss) on financial assets		(42,845)	587,023	(39,609)	(235,748)
Operating loss		(542,222)	(1,533,764)	(557,474)	(2,113,846)
Finance income	8	3,521	8,878	713,440	748,394
Finance costs	8	(731,944)	(655,476)	(314,071)	(617,674)
Net finance costs	8	(728,423)	(646,598)	399,369	130,720
(Loss)/Profit before minimum tax and income tax		(1,270,645)	(2,180,362)	(158,105)	(1,983,126)
Minimum tax	11a	54,320	(103,374)	(324,547.00)	(324,547.00)
(Loss)/Profit before income tax		(1,216,325)	(2,283,736)	(482,652)	(2,307,673)
Income tax credit/(expense)	11b	491,298	491,298	299,803	603,663
(Loss)/Profit for the period		(725,027)	(1,792,438)	(182,849)	(1,704,010)
Other Comprehensive Income, net of income tax		-	-	-	-
Total comprehensive income for the period/(Loss)		(725,027)	(1,792,438)	(182,849)	(1,704,010)
(Loss)/Earnings per share					
Basic and diluted (loss)/earnings per share (Naira)	10	(2.38)	(5.88)	(0.60)	(5.59)

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

Statement of changes in equity
for the Period ended 31st December 2020

<i>Notes</i>	Share capital	Retained earnings*	Total equity
	₦'000	₦'000	₦'000
Balance as at 1 January 2019	152,393	20,568,305	20,720,698
Total comprehensive income:			
(Loss)/Profit 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			
<i>Contributions and Distributions</i>			
Write-back of statute barred 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
<i>Notes</i>	Share capital	Retained earnings*	Total equity
	₦'000	₦'000	₦'000
Balance as at 1 January 2020	152,393	18,955,223	19,107,616
Total comprehensive income:			
Profit/(Loss) for the period	-	(1,792,438)	(1,792,438)
Other comprehensive income	-	-	-
Total comprehensive income	-	(1,792,438)	(1,792,438)
Transactions with owners of the Company			
<i>Contributions and Distributions</i>			
Write-back of statute barred dividend	23(b) -	-	-
Total transactions with owners of the Company	-	-	-
Balance as at 31 December 2020	152,393	17,162,785	17,315,178

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

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

Statement of cash flows
for the period ended 31 December 2020

Notes	31 December 2020	31 December 2019
	₦'000	₦'000
Cash flows from operating activities:		
(Loss)/Profit after tax	(1,792,438)	(1,704,010)
Adjustments for:		
Depreciation	12(a) 1,489,073	1,567,083
Amortisation of intangible assets	13 2,358	3,885
Finance income	8 (8,878)	(748,394)
Finance costs	8 655,476	617,674
Loss/(Gain) on sale of property, plant and equipment	6 224,550	39,450
Write off of property, plant and equipment	12(a) -	-
Provision for long-term service award	21(c) 2,584	3,901
(Reversal of)/Impairment loss on trade receivables	7(a) (348,147)	430,242
(Reversal of)/Impairment loss on truck loan receivable	14 (2,500)	(198,436)
(Write on)/Deduction on settlement of PPPRA receivables	7(a) -	(172,085)
Impairment of Petroleum Equalization Fund receivables	29(a) -	28,260
Impairment/(Reversal) of Petroleum Product Pricing Regulatory Agency receivables	29(a) (44,558)	(24,318)
Impairment/(Reversal) of Related party receivables	29(a) (191,818)	-
Write off of inventory	7(a) -	105,600
(Recovery)/Write off of employee receivables	7(a) -	-
Reversal of impairment on Inventory	18(a) -	(874)
Minimum tax	11a 103,374	324,547
Income tax (credit)/charge	11b (491,298)	(603,663)
	(402,222)	(331,138)
Changes in:		
- Inventories	2,165,900	(1,811,766)
- Trade, other receivables and prepayments	6,907,613	7,228,258
- Security deposits	(209,042)	(271,770)
- Promisory Notes	-	4,363,488
- Trade and other payables	(3,968,621)	432,920
Cash generated from operating activities	4,493,628	9,609,992
Income taxes paid	11(d) (293,138)	(46,832)
Withholding tax credit notes utilised	11(d) (31,408)	(14,636)
Long-term service award paid	21 (130)	(771)
Net cash generated from operating activities	4,168,951	9,547,753
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	49,830	13,560
Purchase of property, plant and equipment	12(a) (652,634)	(648,259)
Purchase of intangible assets	13 (300)	(2,582)
Amounts paid on behalf of transporters	14 -	-
Principal received on amounts advanced to transporters	14 2,500	198,436
Interest received	8 8,878	22,966
Net cash used for investing activities	(591,727)	(415,879)
Cash flows from financing activities:		
Additional (overdraft)/short term borrowings	25(c) 2,500,000	-
Short term borrowing repayment	25 (2,500,000)	(9,011,084)
Refund of Interest	25 (299,753)	(299,753)
Dividends paid	23 (8)	(40,238)
Interest paid	8 (174,253)	(141,323)
Net cash used in financing activities	(174,261)	(9,492,398)
Net change in cash and cash equivalents	3,402,964	(360,525)
Cash and cash equivalents at 1 January	19 1,052,880	1,424,272
Effect of movements in exchange rates on cash held	-	(10,867)
Cash and cash equivalents at 30 December 2020	19 4,455,844	1,052,880

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

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for the Period ended 30 September 2020

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1. Reporting entity

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

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

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

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

2, Tincan Road
Lagos
Nigeria

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

2 Basis of preparation

(a) Statement of compliance

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

The financial statements were authorised for issue by the Company's Board of Directors on 31 December 2019. Details of the Company's significant accounting policies are included in Note 3.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of judgements and estimates

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

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

i Judgements, assumptions and estimation uncertainties

Significant judgments have been made in applying accounting policies that would have significant effects on the amounts recognised in these financial statements. Information about judgements, assumptions and estimation uncertainties that have a risk of resulting in a material adjustment in the period ending 30 June 2020 are included in the notes below:

a. Impairment assessment of cash generating unit

In year 2019, the Company assessed whether there are any indicators of impairment of its business because 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 of such receivables. 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 the outcome of recent transactions for similar assets within the same industry.

Other areas of judgments, assumptions and estimate 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 31.

ii **Measurement of fair values**

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

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

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

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

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

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

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

(e) **Changes in accounting policies**

The Company has adopted IFRS 16 Leases with initial date of application of 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.

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

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;

– 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

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

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

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.

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 years are as follows:

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

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

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

(d) Intangible assets

(i) Recognition and measurement

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

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

(ii) Subsequent expenditure

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

(iii) Amortisation of intangible assets

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

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

(e) Leases

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.

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.

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.

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.

(f) **Inventories**

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

The basis of costing inventories are as follows:

Product Type	Cost Basis
a) Refined petroleum products AGO, ATK, PMS, DPK 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**

Non-derivative financial assets

i 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.

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.

Non-financial assets

ii

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

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

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

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

(h) Employee benefits

i Defined contribution plan

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

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

ii 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.

(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. 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.

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.

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

(k) Finance income and finance costs

The Company's finance income and finance costs include:

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

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

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.

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.

iii **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.

(m) **Withholding tax receivables**

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

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

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

(n) **Earnings per share (EPS)**

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

(o) **Segment reporting**

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

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

(p) **Statement of cash flows**

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

(q) Government grants

Petroleum Products Pricing Regulatory Agency (PPRA) 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 PPRA or other government agencies on settlement of the recognised subsidy claims is written off to profit or loss as administrative expense.

(r) Joint arrangement

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

(s) Share capital

The Company has only one class of shares, ordinary shares. Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price is recorded in the share premium reserve. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects are recognised as a deduction from equity.

(t) Operating profit

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

(u) Dividend

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

(v) Operating expense

Expenses are decreases in economic benefits during the accounting period in the form of outflows, depletion of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Expenses are recognized on an accrual bases regardless of the time of spending cash.

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

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

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

(w) Cost of sales

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

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

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

(x) Other income

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

4(a) 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.

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).

5 Revenue	2020	2019
	₦'000	₦'000
Premium Motor Spirit (PMS)	31,043,171	46,608,909
Aviation Turbine Kerosene (ATK)	2,265,465	8,252,334
Automotive Gas Oil (AGO)	4,008,886	5,874,762
Lubricants and greases	3,806,507	3,925,301
Dual Purpose Kerosene (DPK)	9,422	84,810
Liquidified Petroleum Gas (LPG)	215,733	163,254
	41,349,184	64,909,370

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

6 Other income	2020	2019
	₦'000	₦'000
Rental and lease income (Note 6(a))	35,716	25,433
Sundry income (Note 6(b))	3,185	30,900
(Loss)/Gain on sale of property, plant & equipment	(224,550)	(19,347)
Income on storage services	169,791	168,959
	(15,858)	205,945

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

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

7(a) Expenses by nature	2020	2019
	₦'000	₦'000
Depreciation (Note 12(a))	1,489,073	1,567,083
Amortization of intangible assets (Note 13)	2,358	3,885
Changes in inventories of lubes, greases and refined products	38,548,956	61,072,725
Rental of service stations, buildings and equipment	48,264	90,343
Advertising expense	26,938	59,979
Consultancy expense	118,273	181,800
Maintenance expense	636,063	786,567
Throughput expense	38,823	51,914
Freight expense	257,630	499,943
Management fees (Note 30 (c))	411,322	382,329
Director's remuneration (Note 9(b)(iv))	11,975	27,378
Employee benefit expense (Note 9 (b)(i))	463,755	570,848
Auditor's remuneration	25,733	38,000
(Reversal of)/Impairment loss on truck loan receivables (Note 29(a))	(2,500)	(198,436)
Impairment/ (Reversal) on trade receivables (Note 29(a))	(348,147)	430,242
Impairment/(Reversal) of Petroleum Product Pricing Regulatory Agency receivables	(44,558)	(24,318)
Impairment of Petroleum Equalization Fund receivables Note 29(a)	-	28,260
Write off/(Write on) of other receivables	-	-
Impairment/(Reversal) of related party receivables	(191,818)	-
Write-off of inventory	-	105,600
Reversal of Impairment of inventory	-	(874)
Write back/deduction on settlement of PPPRA receivables (Note 16)	-	(172,085)
Loss on sale of Property, plant and equipment	-	39,450
Local and international travel	24,828	125,468
Office expenses and supplies	310,294	340,575
Communication and postage	139,431	300,350
Fines and penalties	100	31
Insurance premium	100,924	231,740
Contract labour	465,209	566,770
Sponsorships and donations	50,200	2,369
Licenses and Levies	40,549	17,040
Utilities	13,380	8,681
Subscriptions	61,713	9,858
Board meetings and AGM expenses	12,716	85,314
Security	40,743	42,118
Other office running expenses	114,863	86,725
Total cost of sales, selling and distribution and administrative expenses	42,867,090	67,357,672

7(b) Expenses by function

	2020	2019
	₦'000	₦'000
Cost of sales	38,550,202	61,160,282
Selling and distribution expenses	819,067	796,798
Administrative expenses (Including Impairment of financial assets)	3,497,821	5,400,592
	<u>42,867,090</u>	<u>67,357,672</u>

8 Finance income and finance costs

	2020	2019
	₦'000	₦'000
Finance income		
Interest income on short-term bank deposits	8,878	22,966
Interest income on loans to transporters (Note 14)	-	-
Total interest income arising from financial Assets at amortised cost	<u>8,878</u>	<u>22,966</u>
Reversal of overaccrual of NNPC charges		725,428
Net foreign exchange gain	-	-
Total finance income	<u>8,878</u>	<u>748,394</u>
Finance cost arising from financial liabilities measured at amortised cost		
Interest expense	706,061	103,997
Finance costs - others		
Bank charges	174,253	141,323
Unwind of discount on site restoration provision	6,656	8,591
Interest on lease liability (Note 28)	83,208	96,489
Net foreign exchange loss	(314,702)	267,274
Total finance costs	<u>655,476</u>	<u>617,674</u>
Net finance costs	646,598	(130,720)

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

	2020	2019
	₦'000	₦'000
Interest expense	706,061	103,997
Bank charges	174,253	141,323
Unwind of discount on site restoration provision	6,656	8,591
Interest on lease liability	83,208	96,489
Effect of movements in exchange rates on cash held		10,866
Foreign exchange movements in trade and other payables		515,370
Foreign exchange movements in trade and other receivables	(323,580)	(281,928)
Amount shown on the statement of cash flows	<u>646,598</u>	<u>594,708</u>

Analyzed as follows:

	2020	2019
	₦'000	₦'000
Interest income included in finance income (Note 8(a))	(8,878)	(22,966)
Finance cost shown on the Statement of Cash flows	655,476	617,674
	<u>646,598</u>	<u>594,708</u>

	2020	2019
	₦'000	₦'000
9 (Loss)/Profit before income tax		
(a) (Loss)/Profit before income tax is stated after charging/(crediting):		
Depreciation (Note 12)	1,489,073	1,567,083
Amortisation of intangible assets (Note 13)	2,358	3,885
Management fees (Note 30(c))	411,322	382,329
Service fee (Note 26(b))	-	-
Director's remuneration (Note 9(b)(iv))	11,975	27,378
Employee benefit expense (Note 9(b)(i))	463,755	570,848
Auditor's remuneration	25,733	38,000
(Gain)/Loss on sale of property, plant & equipment (Note 6)	224,550	39,450
Write off of property, plant and equipment (Note 12(a))	-	-
PPPRA reimbursement on interest and foreign exchange differential	-	-
Impairment loss on truck loan receivables (Note 29)	(2,500)	(198,436)
Impairment of petroleum equalization fund receivables (Note 29)	-	28,260
Impairment of petroleum product pricing regulatory agency receivables	-	(24,318)
Write-off of other receivables.	-	-
Impairment/(Reversal) of related party receivables	(191,818)	-
Write-off of inventory	-	105,600
Reversal of Impairment of inventory	-	(172,085)
Deduction on settlement of PPPRA Receivables	-	(874)
Reversal of overaccrual of NNPC charges	-	725,428
Impairment/(Reversal) on trade receivables (Note 29)	(348,147)	430,242
Write off of employee and other receivables	(44,558)	-
Net foreign exchange loss/(Gain) (Note 8)	(314,702)	267,274

(b) Directors and employees

i Employee costs during the period comprise:

	2020	2019
	₦'000	₦'000
Salaries and wages	357,567	400,263
Other employee benefits	68,050	128,512
Employer's pension contribution	34,237	38,172
Other long term employee benefit charge	3,901	3,901
	<u>463,755</u>	<u>570,848</u>

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

	Number	
	2020	2019
Administration	26	35
Technical and production	14	20
Operations and distribution	28	14
Sales and marketing	31	35
	99	104

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

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

		Number	
		2020	2019
₦	₦		
1,000,001	2,000,000	2	0
2,000,001	3,000,000	10	5
3,000,001	4,000,000	9	33
4,000,001	5,000,000	42	45
5,000,001	6,000,000	22	3
6,000,001	7,000,000	3	8
7,000,001	8,000,000	3	4
8,000,001	9,000,000	2	3
9,000,001	10,000,000	1	0
Above	10,000,000	5	3
		99	104

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

	2020	2019
	₦'000	₦'000
Fees	5,400	5,500
Other emoluments	6,575	21,878
	11,975	27,378

The directors' remuneration shown above includes:

Chairman	-	-
Highest paid director	3,110	7,674

Other directors received emoluments in the following ranges:

		Number	
		2020	2019
₦	₦		
Nil		3	0
1,000,001	2,000,000	-	5
2,000,001	3,000,000	-	1
3,000,001	4,000,000	-	-
4,000,001	5,000,000	-	-
5,000,001	6,000,000	-	1
6,000,001	7,000,000	-	-
7,000,001	8,000,000	-	3

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

(a) Basic EPS

Basic loss per share of ₦5.88 (2019: loss per share ₦5.59) is based on loss attributable to ordinary shareholders of ₦1,792,438 (2019: loss of ₦1,704,010) and on the 304,786 ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the period (Dec. 2019: 304,786).

	2020	2019
Profit/(Loss) for the period attributable to shareholders (expressed in Naira)	(1,792,438)	(1,704,010)
Weighted average number of ordinary shares in issue	304,786	304,786
Basic earnings per share (expressed in Naira per share)	(5.88)	(5.59)

(b) Diluted Earnings per share

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

11 Taxation

(a) 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 2020 is NGN 103.4 million (Dec. 2019: NGN 325m)

(b) 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

	2020	2019
	₦'000	₦'000
Current tax expense:		
Income tax	-	-
Tertiary education tax	-	-
Capital gains tax	-	-
Changes in estimate related to prior periods	-	-
	-	-
Deferred tax (credit)/expense:		
Origination and reversal of temporary differences	(491,298)	(603,663)
Income tax (credit)/expense	(491,298)	(603,663)

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

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

	%	2020	%	2019
(Loss)/Profit before minimum tax and income tax		(2,180,362)		(1,983,126)
Income tax using the statutory tax rate	30	(654,021)	30	(594,938)
Impact of tertiary education tax	2	(43,601)	2	(39,663)
Capital gains tax	-	-	-	-
Effect of tax incentives	0	(8,339)	0	(5,546)
Non deductible expenses	(0)	386		1,218
Tax exempt income	-	-		
Difference in CIT rate and TET rate	-		(2)	47,131
Derecognition of previously recognised taxable difference	-	-		
Changes in estimates related to prior periods	(5)	117,447	1	(11,865)
Other differences	(4)	96,831		
Total income tax expense in income statement	23	(491,297)	31	(603,663)

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

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

	2020	2019
	₦'000	₦'000
Balance at beginning of the period	483,443	220,365
Payments during the period	(293,138)	(46,832)
Net charge for the period	-	-
Minimum tax	103,374	324,547
Withholding tax credit notes utilized (Note 17)	(31,408)	(14,637)
	262,270	483,443

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

(e) **Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	-	-	(1,361,153)	(1,723,491)	(1,361,153)	(1,723,491)
Employee benefits	6,484	5,277	-	-	6,484	5,277
Trade receivables	724,512	836,719	-	-	724,512	836,719
Truck loan receivables	-	-	(19,705)	(19,705)	(19,705)	(19,705)
Other receivables	37,274	37,274	-	-	37,274	37,274
Inventories	1,800	1,800	-	-	1,800	1,800
PPRA receivables	-	-	(17,337)	(3,079)	(17,337)	(3,079)
PEF receivables	18,832	18,832	-	-	18,832	18,832
Related party receivable	(46,504)	14,878	-	-	(46,504)	14,878
Net unrealised exchange differences	-	-	(627,053)	(192,330)	(627,053)	(192,330)
Finance Leases	57,503	30,876	-	-	57,503	30,876
Provisions - ARO	4,879	2,749	-	-	4,879	2,749
Right of Use Assets	36,192	9,688	-	-	36,192	9,688
Unrelieved Losses	963,230	268,166	-	-	963,230	268,166
					-	-
	1,804,202	1,226,259	(2,025,248)	(1,938,605)	(221,046)	(712,346)

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

(f) **Movement in temporary differences during the period**

	01-Jan-19		31-Dec-19		Balance
	Recognised in Profit or loss	31-Dec-19	Recognised in Profit or loss	31-Dec-20	31-Dec-20
	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	(2,179,708)	456,217	(1,723,491)	362,338	(1,361,153)
Employee benefits	4,275	1,002	5,277	1,207	6,484
Trade receivables	546,056	290,663	836,719	(112,207)	724,512
Truck loan receivables	76,603	(96,308)	(19,705)	-	(19,705)
Other receivables	37,274	-	37,274	-	37,274
Inventories	2,080	(280)	1,800	-	1,800
PPRA receivables	22,041	(25,120)	(3,079)	(14,258)	(17,337)
PEF receivables	19,971	(1,139)	18,832	-	18,832
Related party receivable	61,382	(46,504)	14,878	(61,382)	(46,504)
Net unrealised exchange differences	94,017	(286,347)	(192,330)	(434,723)	(627,053)
Finance Leases		30,876	30,876	26,627	57,503
Provisions - ARO		2,749	2,749	2,130	4,879
Right of Use Assets		9,688	9,688	26,504	36,192
Unrelieved Losses		268,166	268,166	695,064	963,230
	(1,316,009)	603,663	(712,346)	491,300	(221,046)

12 Property, Plant and Equipment

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

	Leasehold Land	Building	Plant & Machinery	Automotive Equipment	Computer & Office Equipment	Furniture & Fittings	Capital Work in Progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost								
Balance at 1 January 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	1,538,512							1,538,512
Additions	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)	-
Disposals/Scrap	-	-	(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
Cost								
Balance at 1 January 2020	10,096,959	6,695,411	10,713,558	1,321,876	968,831	212,426	487,801	30,496,862
Additions		264,269	262,514	6,092	15,460	7,358	96,940	652,634
Transfers/Reclass	(232,713)						(223,222)	(455,934)
Write-off								-
Disposals	(189,495)	(172,270)	(127,532)	(24,130)	(20,840)	(3,142)	-	(537,410)
Balance as at 31 December 2020	9,674,752	6,787,410	10,848,540	1,303,838	963,451	216,642	361,519	30,156,152
Accumulated depreciation and impairment								
Balance as at 1 January 2019		2,212,814	7,666,101	913,960	853,352	198,857	-	11,845,084
Charge for the year	154,984	241,526	1,030,634	108,680	26,013	5,246	-	1,567,083
Disposal	-	-	(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
Accumulated depreciation and impairment								
Balance as at 1 January 2020	154,984	2,454,340	8,471,819	1,017,131	851,379	191,742	-	13,141,395
Charge for the period	142,393	257,836	965,428	91,406	27,294	4,715	-	1,489,072
Disposal	(59,569)	(92,044)	(106,462)	(23,716)	(19,801)	(3,001)	-	(304,592)
Balance as at 31 December 2020	237,808	2,620,132	9,330,785	1,084,821	858,873	193,455	-	14,325,875
Carrying amounts								
Balance as at 31 December 2020	9,436,943	4,167,277	1,517,754	219,017	104,578	23,186	361,519	15,830,277
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

(b) **Capital commitments**

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

	2020	2019
	₦'000	₦'000
Capital commitments	50,037	21,589

(c) No property, plant and equipment has been pledged as collateral in respect of any facility (2019: Nil).

(d) No borrowing costs related to the acquisition of property, plant and equipment was capitalised during the period (2019: Nil)

13 **Intangible assets**

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

	2020	2019
	₦'000	₦'000
Cost		
Balance as at 1 January	283,260	280,678
Additions	300	2,582
Balance	283,560	283,260
Accumulated amortisation		
Balance as at 1 January	280,901	277,016
Charge for the Period (Note 7(a))	2,358	3,885
Balance	283,260	280,901
Carrying amount	300	2,359

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

14 **Truck loan receivables**

	2020	2019
	₦'000	₦'000
Balance as at 1 January	-	246,760
Adjustment on initial application of IFRS 9 <i>Restated opening balance at 1 January 2018</i>	-	(246,760)
Insurance	-	-
Interest accrued (Note 14(a))	-	-
Principal received during the period	2,500	198,436
Interests received during the period	-	-
	2,500	198,436
Impairment recognised	-	-
Impairment loss reversal Note 29(a), Note 14(b))	(2,500)	(198,436)
Net (reversal of)/Impairment loss recognised	(2,500)	(198,436)
Balance	-	-

(a) 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 period, the Company did recover N2.5 million (2019: NGN 198.44 million) of previously impaired truck loan receivables.

	2020	2019
	₦'000	₦'000
(c) Truck Loan receivables		
Gross truck loan receivables	100,030	102,530
Impairment allowance	(100,030)	(102,530)
Net truck loan receivables	-	-

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

15 Trade and other receivables

	2020	2019
	₦'000	₦'000
Trade receivables (Note 15(a))	1,027,891	2,666,249
DMO holdback (Note 15(d))	1,600,000	1,600,000
Bridging claims (Note 15(c))	8,630,338	8,396,068
Petroleum Support Fund (PSF) (Note 15(b))	-	4,126,155
Receivables from related parties (Note 15(e))	280,170	616,446
Employee receivables	12,426	46,204
Due from joint arrangement partners	21,505	90,254
Receivables from Registrar	41,780	41,780
Sundry receivables	240,519	156,058
<i>Total financial assets</i>	11,854,629	17,739,214
<i>Non financial assets</i>		
Advances paid to suppliers	9,097	260,486
Non-current portion	-	-
Current portion	11,863,726	17,999,700

	2020	2019
	₦'000	₦'000
(a) Trade receivables		
Gross trade receivables	3,320,815	5,307,319
Impairment allowance	(2,292,924)	(2,641,070)
Net trade receivables	1,027,891	2,666,249

	2020	2019
	₦'000	₦'000
(b) Petroleum Support Fund (PSF)		
Balance at 1 January	4,126,155	4,170,713
Payment/Reversal	(4,126,155)	(44,558)
Impairment allowance (Note 29(a)(iv))	-	-
Balance	-	4,126,155

(c) Bridging Claims

	2020	2019
	₦'000	₦'000
Gross bridging claims	8,721,007	8,486,737
Impairment allowance (Note 28(a)(v))	(90,669)	(90,669)
Net bridging claims	8,630,338	8,396,068

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

(d) DMO Holdback

DMO holdback is comprised of:

	2020	2019
	₦'000	₦'000
Amount set aside for liabilities owed to government agencies	-	-
Amount set aside for liabilities owed to financial institutions	1,600,000	1,600,000
Amount subsequently released by DMO to the company	-	-
	1,600,000	1,600,000

In 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

	2020	2019
	₦'000	₦'000
Gross receivable from related parties (Note 30 (e))	280,170	808,264
Impairment	-	(191,818)
Balance	280,170	616,446

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

	2020	2019
	₦'000	₦'000
Promissory note from DMO (Note 16(a))	-	172,085

During the period, the Company received a Promissory Note of NGN4.23 billion from the Debt Management Office (DMO) of the Federal Ministry of Finance in respect of the outstanding amounts from Petroleum Products Pricing Regulatory Agency. The Company's exposure to credit risk and currency risks related to the promissory notes are disclosed in Note 29(a).

17 **Withholding tax receivables**

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

	2020	2019
	₦'000	₦'000
Balance at 1 January	83,374	79,846
Additions	4,390	18,165
Withholding tax credit note utilised (Note 11(c))	(31,408)	(14,637)
Balance	56,356	83,374

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

18 **Inventories**

	2020	2019
	₦'000	₦'000
Premium Motor Spirit (PMS)	2,253,030	1,969,061
Lubricants and greases	1,335,871	1,835,667
Aviation Turbine Kerosene (ATK)	363,940	2,116,698
Automotive Gas Oil (AGO)	33,352	225,973
Dual Purpose Kerosene (DPK)	-	-
Packaging materials and other sundry items	18,044	7,558
Liquidified Petroleum Gas (LPG)	6,073	21,253
Low Pour Fuel Oil (LPFO)	4,119	4,119
	4,014,429	6,180,329

No inventory (2019: Nil) 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 ₦39.5 billion (December, 2019: ₦61.1 billion).

	2020	2019
	₦'000	₦'000
Gross inventory	4,093,807	6,203,591
Inventory write down (Note 18a)	(79,378)	(23,262)
Net inventory	4,014,429	6,180,329

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

	2020	2019
	₦'000	₦'000
Balance as at 1 January	23,262	24,136
Net movement of inventory write down	56,116	(874)
Balance	79,378	23,262

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

19 **Cash and cash equivalents**

	2020	2019
	₦'000	₦'000
Cash at bank and on hand	2,066,736	1,881,094
Short term deposits with banks	2,389,108	416,638
Cash and cash equivalents in the statement of financial position	4,455,844	2,297,732
Bank overdrafts used for cash management purposes (Note 25)	-	(1,244,852)
Cash and cash equivalents in the statement of cash flows	4,455,844	1,052,880

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

20 **Share capital**

	2020	2019
	₦'000	₦'000
Authorised:		
322,454,964 (Dec 2019: 322,454,964) Ordinary shares of 50k each	161,227	161,227
Issued and fully paid:		
304,786,406 (Dec 2019: 304,786,406) Ordinary shares of 50k each	152,393	152,393
Issued and fully allotted:		
304,786,406 (Dec 2019: 304,786,406) Ordinary shares of 50k each	152,393	152,393

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

21 **Employee benefit obligations**

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

	2020	2019
	₦'000	₦'000
Other long term employee benefits	18,945	16,491
Total employee benefit liabilities	18,945	16,491

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

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

	2020	2019
	₦'000	₦'000
Balance as at 1 January	16,491	13,361
<i>Included in profit or loss:</i>		
Current service cost/Provision	2,584	3,147
Interest cost	-	2,596
Remeasurement gains (net)	-	(1,842)
<i>Net charge to profit or loss</i>	2,584	3,901
Benefits paid by the employer	(130)	(771)
Balance	18,945	16,491

(d) **Actuarial Assumptions**

Key actuarial assumptions relating to measurements of employee benefit obligations involves estimates and assumptions, but is not considered to have a risk of material adjustment for the period ending 31 December 2020 as the balance is not material to the financial statements

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

	2020	2019
Long-term average discount rate (p.a.)	13.0%	13.0%
Future average pay increase (p.a.)	12.0%	12.0%
Average rate of inflation (p.a.)	12.0%	12.0%
Average Duration in years (Long Service Awards)	5	5

* Not applicable

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

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

Mortality in Service

Sample age	Number of deaths in year out of 10,000 lives	
	2020	2019
25		7
30		7
35		9
40		14
45		26

Withdrawal from Service

Age Band	Rates	
	2020	2019
≤ 34	3.0%	3.0%
34-44	5.0%	5.0%
45-55	3.0%	3.0%
56-59	2.0%	2.0%
60	100.0%	100.0%

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

Sensitivity Analysis

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

		Long Service Award
		N'000
Discount rate	-1%	17,403
	+1%	15,669
Salary increase rate	-1%	15,927
	+1%	17,103
Mortality rate	Age rated up by 1 year	17,059
	Age rated down by 1 year	15,962

22 **Security deposits**

	2020	2019
	₦'000	₦'000
Security deposits	1,693,581	1,902,622

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 Notes 29(a)(iv). 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.

The Company's exposure to liquidity risks related to security deposits is disclosed in Note 29 (b).

23 **Dividends**

(a) **Declared dividends**

No dividends were declared by the Company during the year (2019: Nil). No bonus shares were also proposed (2019: 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**

	2020	2019
	₦'000	₦'000
Balance as at 1 January	285,486	375,577
Declared dividend	-	-
Payments	(8)	(40,238)
Unclaimed dividend returned by Registrar	-	41,075
Unclaimed dividend written back to retained earnings (see 23(d))	-	(90,928)
Balance	285,478	285,486

(c)

Included in the dividend payable balance at period end is an amount of NGN 41.78 million (2019: NGN41.78 million), which is held with the Company's registrar, First Registrars and Investor Services Limited. The dividend payable as at period end does not attract interest.

(d) There is no dividend written back during the period. (2019; NGN90.9 million) back into retained earnings.

24 **Trade and other payables**

	2020	2019
	₦'000	₦'000
Trade payables (Note 24(a))	5,855,934	10,735,917
Accrued expenses	752,505	771,014
Amounts due to joint arrangement partners (Note 24(b))	144,816	196,918
Bridging allowance (Note 24(c))	4,393,419	3,247,358
Amounts due to related parties (Note 30(e))	2,300,857	1,597,923
<i>Total financial liabilities</i>	13,447,531	16,549,130
<i>Non financial liabilities</i>		
Statutory deductions (Note 24(d))	268,948	230,062
Advances received from customers (Note 24(e))	723,355	1,629,263
	992,303	1,859,325
	14,439,834	18,408,455

- (a) Included in trade payables is an amount of NGN3.5 billion, due to one of the Company's vendors which bears interest on expiration of credit policy granted to the Company (2019: NGN7.7 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 its contribution to the Fund. It is charged on every litre of product lifted from Pipelines and Product Marketing Company.
- (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 to take delivery of the relevant products.

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

25 Short term borrowings

	2020	2019
	₦'000	₦'000
Bank overdraft (Note 19, Note 25(a))	-	1,313,339
Bank borrowing (Import Finance and other short term facilities) (Note 25(b))	1,313,339	2,558,191
Total Borrowings	1,313,339	3,871,530

- (a) The interest rate on this facility is 15% per annum (2019: Interest rates was 18%). There is no right of set-off between overdraft and the deposits held. The net interest expense incurred in the period relating to overdraft and short term borrowings amounted to NGN85.18million (2019: NGN10.35 million). The bank overdraft used for cash management purposes has been included as part of cash and cash equivalents in the statement of cash flows (Note 19).
- (b) Import finance facilities represents short term borrowings, 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 period end (2019: Nil).
- (c) Movement of short term borrowings received to statement of cash flows is as follows:

	2020	2019
	₦'000	₦'000
Opening balance	1,313,339	10,657,107
Additions	-	-
- Principal	2,500,000	-
- Interest capitalised	-	-
Repayments	(2,500,000)	(9,011,084)
Transfer to Overdraft	-	(299,752)
Exchange (gain)/loss on borrowings	-	(32,932)
	1,313,339	1,313,339

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

26 **Prepayments**

	2020	2019
	₦'000	₦'000
Operating leases	-	-
Other prepayments	69,068	118,602
	<u>69,068</u>	<u>118,602</u>

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.

	2020	2019
	₦'000	₦'000
Non-current portion	-	-
Current portion	69,068	118,602
	<u>69,068</u>	<u>118,602</u>

Movement in prepayment

	2020	2019
	₦'000	₦'000
Opening balance	118,602	1,069,674
Addition	193,748	490,681
Reclassification to right of use assets		(830,025)
Release to profit or loss	(243,282)	(611,728)
Closing balance	<u>69,068</u>	<u>118,602</u>

27 **Provisions**

	2020	2019
	₦'000	₦'000
Balance at 1 January	102,461	46,139
Provisions made during the period	6,656	8,591
Unwind of discount on site restoration provision	(10,754)	47,731
Balance	<u>98,363</u>	<u>102,461</u>
Non-current	52,224	56,322
Current	46,139	46,139
	<u>98,363</u>	<u>102,461</u>

	2020	2019
	₦'000	₦'000
Legal	46,139	46,139
Asset Retirement Obligation	52,224	56,322
Balance	<u>98,363</u>	<u>102,461</u>

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 incurred 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 thereafter 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.

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

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 equipment (see Note 12(a)).

	Leasehold land	
	2020	2019
	₦'000	₦'000
Balance at 1 January	1,383,528	1,538,512
Depreciation charge for the period note 12(a))	(142,393)	(154,984)
Balance	1,241,135	1,383,528

ii. Amounts recognised in profit or loss

	2020	2019
Interest on lease liabilities	83,208	96,489
	83,208	96,489

iii. Lease liability

	2020	2019
	₦'000	₦'000
Balance at 1 January	632,536	536,047
Interest on lease liabilities	9,430	96,489
Balance	641,966	632,536

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

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.

29 Financial Risk Management & Financial Instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

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

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and

(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.

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

	2020	2019
	₦'000	₦'000
Impairment loss/(Reversal) on trade receivables arising from contracts with customers	(348,147)	430,242
Impairment loss/(Reversal) on truck loan receivable	(2,500)	(198,436)
Impairment of Petroleum Equalization Fund receivables	-	28,260
Impairment/(Reversal) of Petroleum Product Pricing Regulatory Agency receivables	(44,558)	(24,318)
Impairment/ (Reversal) of related party receivables	(191,818)	-
	(587,023)	235,748

i) *Maximum credit expose*

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

	2020	2019
	₦'000	₦'000
Trade receivables		
- Major customers	2,806,579	4,633,257
- Other customers	514,236	674,062
Gross total receivables	3,320,815	5,307,319
- Impairment allowance	(2,292,924)	(2,641,070)
Net total receivables	1,027,891	2,666,249
- Due from related parties	280,170	616,446
- Due from regulators (Government entities)		
Petroleum Equalisation Fund (PEF)	8,630,338	8,396,068
Petroleum Support Fund (PSF)	-	4,126,155
DMO Holdback	1,600,000	1,600,000
- Other receivables*	316,230	334,296
	11,854,629	17,739,214

* Excludes advances paid to suppliers and withholding tax receivables.

ii) **Trade and other receivables**

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

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

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

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

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

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

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

At 31 December 2020, the exposure to credit risk for trade receivables and contract assets by type of counterparty was as follows.

	2020 N'000	2019 N'000
Retail customers	1,685,120	2,334,691
Commercial and industrial	547,701	1,247,530
Aviation	1,087,994	1,725,098
	<u>3,320,815</u>	<u>5,307,319</u>

iii) Expected credit loss assessment as at 31 December 2020

Expected credit loss assessment for government and related party receivables at 31 December 2020

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 Exposures within each credit risk grade are segmented by counterparty type (PEF, PPPRA and related parties) and an ECL rate is

Expected credit loss assessment for trade receivables at 31 December 2020

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 2020.

Aviation customers

	Aviation 31-Dec-20			
	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
<i>In thousand of Naira</i>				
Current (not past due)	8.93%	43,105	3,849	No
1–30 days past due	53.34%	22,469	11,985	Yes
31–60 days past due	63.56%	982	624	No
61–180 days past due	67.57%	36,427	24,614	No
181–365 days past due	69.31%	2,543	1,763	Yes
More than 365 days past due	100.00%	982,467	982,467	Yes
		<u>1,087,994</u>	<u>1,025,302</u>	

Aviation				
31-Dec-19				
	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
<i>In thousand of Naira</i>				
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%	38713	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
		<u>1,725,098</u>	<u>1,170,979</u>	

Retail customers*

Retails				
31-Dec-20				
	Weighted average loss rate	Gross carrying amount*	Loss allowance	Credit impaired
<i>In thousand of Naira</i>				
Current (not past due)	11.11%	106,986	6,583	Yes
1–30 days past due	22.05%	104,441	12,503	Yes
31–60 days past due	30.50%	256,583	49,138	Yes
61–180 days past due	37.97%	296,722	112,666	Yes
181–365 days past due	65.22%	119,043	77,640	No
More than 365 days past due	100.00%	801,345	801,139	Yes
		<u>1,685,121</u>	<u>1,059,668</u>	

Retails				
31-Dec-19				
	Weighted average loss rate*	Gross carrying amount*	Loss allowance	Credit impaired
<i>In thousand of Naira</i>				
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
		<u>1,153,735</u>	<u>885,921</u>	

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

Commercial/Industries customers

Commercial/Industries customers				
31-Dec-20				
	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
<i>In thousand of Naira</i>				
Current (not past due)	17.38%	188,416	32,747	Yes
1–30 days past due	22.93%	81,590	18,709	No
31–60 days past due	32.57%	45,386	14,782	No
61–180 days past due	41.66%	123,560	51,475	No
181–365 days past due	66.01%	54,448	35,941	No
More than 365 days past due	100.00%	54,300	54,300	No
		<u>547,701</u>	<u>207,954</u>	

	Commercial/Industries customers			
	31-Dec-19			
	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
<i>In thousand of Naira</i>				
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
		<u>1,247,530</u>	<u>584,171</u>	

* 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.

iv) Movements in the allowance for impairment of financial assets

The movement in the allowance for impairment in respect of financial assets during the period of transition to IFRS 9.

	Truck loan receivables	Trade receivables	PEF receivables	PPPRA receivables	Related party receivables	Total
Balance at 1 Jan. 2019	300,966	2,210,828	62,409	68,876	191,818	2,834,898
Net remeasurement of loss allowance	(198,436)	430,242	28,260	(24,318)	-	235,748
Balance at 31 Dec. 2019	102,530	2,641,070	90,669	44,558	191,818	3,070,646
Recognised in Profit or loss	(2,500)	(348,147)	-	(44,558)	(191,818)	(587,023)
Balance at 31 Dec. 2020	100,030	2,292,923	90,669	-	-	2,483,623

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

v) Due from Government entities

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

Determination of amounts due are based on existing regulations/guidelines and impairment is only recognized when changes occur in the regulations that prohibit or limit recovery of previously recognized amounts. For bridging claims amounting to ₦9.06 billion (Dec 2019: ₦8.4 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 ₦5.04 billion (Dec 2019: ₦3.2 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.

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 28(a)(v).

vii) Other receivables

Other receivables includes employee receivables and other sundry receivables. The Company reviews the balances due from this category on a yearly basis taking into consideration functions such as continued business/employment relationship and ability to offset amounts against transactions due to these parties. Where such does not exist, the amounts are impaired. There were no impairment loss recognised in this category of receivables during the period. (Dec 2019: Nil).

viii) Cash and cash equivalents

The Company held cash and cash equivalents of ₦4.60 billion as at 31 December 2020 (Dec 2019: ₦2.3 billion), which represents its maximum credit exposure on these assets. The credit risk on this is not significant as cash and cash equivalent reside with banks that have good credit ratings issued by reputable international rating agencies.

ix) Promissory note

The Company held promissory note issued by the Debt Management Office (DMO) of NGN4.40 billion as at 30 December 2020 (2019: NGN172 million) which represents its maximum credit exposure on these assets. The credit risk on this is not significant as the promissory note is backed by the full faith and credit of the Federal Government of Nigeria.

(b) Liquidity risk

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

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

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

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

	Notes	Carrying amount ₦'000	Contractual cash flows ₦'000	6 months or less ₦'000
Non-derivative financial liabilities				
31 December 2020				
Overdraft and other short-term borrowings	25	1,313,339	1,313,339	1,313,339
Dividend payable	23	285,478	285,478	285,478
Trade and other payables*	24	13,447,531	13,447,531	13,447,531
Security deposits	22	1,693,581	1,693,581	1,693,581
		<u>16,739,929</u>	<u>16,739,929</u>	<u>16,739,929</u>
31 December 2019				
Overdraft and other short-term borrowings	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
Security deposits	22	632,536	632,536	632,536
		<u>20,025,343</u>	<u>20,025,343</u>	<u>20,025,343</u>

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

(c) Market risk

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

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

Currency risk

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

In managing currency risk, the Company aims to reduce the impact of short-term fluctuations on earnings. The Company has no export. The following significant exchange rates were applied during the period

	Average rate		Reporting date spot rate	
	30 Dec. 2020	31 Dec. 2019	30 Dec. 2020	31 Dec. 2019
	₦	₦	₦	₦
US Dollar	384.56	347.12	400.33	358.79
Euro	438.79	412.46	492.16	410.56

Interest rate risk profile

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

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

	Carrying amount	
	Dec. 2020	Dec. 2019
	₦'000	₦'000
Fixed rate instruments		
Bank overdraft and borrowings	1,313,339	2,558,191
Truck loan receivables	-	-
Trade payables*	1,972,065	7,697,811

*Included in trade payables is an amount of ₦1.97 billion (Dec 2019: NGN7.70 billion), due to one of the Company's vendors which bears interest on expiration of credit policy granted to the Company.

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

(d) Capital risk management

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

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

	Dec. 2020	Dec. 2019
	₦'000	₦'000
Total borrowings (Note 25)	1,313,339	2,451,892
Less: Cash and cash equivalents (Note 19)	(4,455,844)	(2,231,997)
Adjusted net debt	(3,142,505)	219,895
Total equity	17,315,178	18,495,484
Total capital employed	14,172,673	28,768,477
Adjusted net debt to equity ratio	(0.18)	0.01

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

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

The Company is not subject to externally imposed capital requirements.

(e) **Fair value disclosures**

Accounting classification and fair value

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

The Company's financial instruments are categorised as follows:

	Carrying amount		
	Financial assets at amortised cost	Other financial liabilities	Total
	₦'000	₦'000	₦'000
31 December 2020			
Financial assets not measured at fair value			
Trade and other receivables (Note 15)	11,854,629	-	11,854,629
Truck loan receivables (Note 14)	-	-	-
Promissory note (Note 16)	-	-	-
Cash and cash equivalents (Note 19)	4,455,844	-	4,455,844
	<u>16,310,473</u>	<u>-</u>	<u>16,310,473</u>
Financial liabilities not measured at fair value			
Short term borrowings (Note 25)	-	1,313,339	1,313,339
Trade and other payables (Note 24)	-	13,447,531	13,447,531
Dividend payable (Note 23)	-	285,478	285,478
Security deposit (Note 22)	-	1,693,581	1,693,581
	<u>-</u>	<u>16,739,929</u>	<u>16,739,929</u>
31 December 2019			
Financial assets not measured at fair value			
Trade and other receivables (Note 15)	17,739,214	-	17,739,214
Truck loan receivables (Note 14)	-	-	-
Promissory note (Note 16)	172,085	-	172,085
Cash and cash equivalents (Note 19)	2,297,732	-	2,297,732
	<u>20,209,031</u>	<u>-</u>	<u>20,209,031</u>
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	-	632,536	632,536
	<u>-</u>	<u>20,025,343</u>	<u>20,025,343</u>

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

30 **Related party transactions**

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

As at the period ended 30 December 2020, MRS Africa Holdings Limited (incorporated in Bermuda) owned 60% of the issued share capital of MRS Oil Nigeria Plc. MRS Africa Holdings Limited is a subsidiary of Corlay Global SA. The ultimate holding company is Corlay Global SA incorporated in Panama.

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

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

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

Nature of transactions	Dec.	Dec.
	2020	2019
	₦'000	₦'000
Sales of goods	59,743	225,044
Staff Secondment	-	(80,047)
Product purchase	(3,578,019)	(6,614,411)
Reimbursements for expenses	30,680	415,962

In current period, the value of product stored by MRS Oil and Gas Limited for the Company amounted to ₦1.69 billion (Dec 2019: ₦1.51 billion). The total transactions with MOG during the period was ₦3.48 billion (Dec 2019: ₦6.05 billion). The net balance due from MOG is ₦82.4 million (Dec 2019: ₦666.35 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 ₦1.25 billion (Dec 2019: ₦1.46 billion)

(c) **MRS Holdings Limited**

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

Nature of transactions	2020	2019
	₦'000	₦'000
Management fees	(411,322)	(382,329)
Sale of goods	49,621	59,780
Reimbursable	-	23,268
Shared services	-	(598,455)
Staff Secondment		9,132

Net balance due to/(from) MRS Holdings Limited was ₦640.40 million (Dec 2019: ₦35million)

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

	2020	2019
	₦'000	₦'000
MRS Benin S. A.	37,244	55,077
Corlay Togo S. A.	69	227
Corlay Benin S. A	69	759
Corlay Cote D'Ivoire	(83,914)	(99,426)
Corlay Cameroun S. A.	8,816	13,037
	(37,716)	(30,326)

Nature of transactions

		2020	2019
		₦'000	₦'000
MRS Benin S. A.	Reimbursements for expenses	-	107
Corlay Togo S. A.	Reimbursements for expenses	16,758	15,006
Corlay Benin S. A.	Reimbursements for expenses	3,702	7,726
Corlay Cote D'Ivoire	Reimbursements for expenses	2,163	282
Corlay Cameroun S. A.	Reimbursements for expenses	-	54

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

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

(e) **Summary of intercompany receivables and payables:**

	31 December 2020		31 December 2019	
	Receivables	Payables	Receivables	Payables
	₦'000	₦'000	₦'000	₦'000
MRS Oil and Gas Limited (MOG)	138,797	(221,186)	739,165	-
MRS Holdings Limited	95,174	(736,067)	-	(35,004)
Petrowest	-	(1,259,690)	-	(1,463,493)
MRS Benin S. A.	37,244	-	55,077	-
Corlay Togo S. A.	69	-	227	-
Corlay Benin S. A.	69	-	759	-
Corlay Cote D'Ivoire	-	(83,914)	-	(99,426)
Corlay Cameroun S. A.	8,816	-	13,036	-
	<u>280,169</u>	<u>(2,300,858)</u>	<u>808,264</u>	<u>(1,597,923)</u>
MRS Oil and Gas Limited (MOG)	-	(82,389)	666,346	-
MRS Holdings Limited	-	(640,893)	-	(63,103)
Petrowest	-	(1,259,690)	-	(1,501,187)
MRS Benin S. A.	37,244	-	53,834	-
Corlay Togo S. A.	69	-	222	-
Corlay Benin S. A.	69	-	742	-
Corlay Cote D'Ivoire	-	(83,914)	-	(98,712)
Corlay Cameroun S. A.	8,816	-	12,742	-
	<u>46,198</u>	<u>(2,066,886)</u>	<u>733,887</u>	<u>(1,663,002)</u>

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

(ii) **Key management personnel compensation**

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

	2020	2019
	₦'000	₦'000
Short term benefits	11,975.00	27,378

Other remuneration to key management personnel were as follows:

	2020	2019
	₦'000	₦'000
Short term benefits	41,772	55,697
Other long term benefits	2,793	3,725
Total	44,565	59,422

(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 ₦19.88 billion and the 5% disclosure limit is ₦994.12 million. During the period, the Company has not entered into transactions above the 5% disclosure limit with MRS Oil and Gas Limited.

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.

The Company has identified three operating segments:

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

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

Segment revenue and cost of sales

2020	Revenue		Cost of sales		Gross profit	
	₦'000	% of Total	₦'000	% of Total	₦'000	% of Total
Retail/C&I	35,277,212	85%	33,746,614	88%	1,530,598	55%
Aviation	2,265,465	5%	2,262,463	6%	3,002	0%
Lubes	3,806,507	9%	2,541,125	7%	1,265,382	45%
Total	41,349,184	100%	38,550,202	100%	2,798,982	100%

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

32 **Subsequent events**

There are no significant subsequent events that could have had a material effect on the financial position of the Company as at 31 December 2020 and on the loss for the period ended on that date that have not been taken into account 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 2020 is ₦738.91 million (Dec 2019: ₦1.29 billion). A total provision of ₦46.14 million (Dec 2019: ₦46.14) (Note 31) has been made in these financial statements. The actions are being contested and the directors are of the opinion that no significant liability will arise in excess of the provision that has been recorded in the financial statements.

(b) *Financial commitments*

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

34 **Securities Trading Policy**

In compliance with Rule 17.15, the Disclosure of Dealings in Issuers' Shares, Rulebook of the Exchange 2015 (Issuers Rule), **MRS Oil Nigeria Plc**, maintains an effective Security Trading Policy which guides Directors, Audit Committee members, employees and all individuals categorized as insiders on their dealing in the Company's shares.

The Policy is reviewed regularly and updated by the Board. The Company is not aware of any infringement of any of the directors and other insiders.

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

We the undersigned hereby certify the following with regards to our financial report for the period ended 30 September 2020 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;
Any fraud, whether or not material, that involves management or other employees who have significant roles in the Company's internal controls.



Mr. Marco Storari
(Managing Director, Ag.)
FRC/2020/003/00000027083



Mr. Samson Adejonwo
(Chief Finance Officer)
FRC/2020/001/00000021998



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

29 January 2020