MOBIL OIL NIGERIA plc

Unaudited Financial Statements for the
period ended September 2016

Table of Contents

Mobil Oil Nigeria plc
Unaudited Statement of Financial Position
As at 30 September, 2016

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	Note	September 2016	December 2015
Assets			
Non-current assets			
Property plant and equipment	2	7,648,337	7,612,813
Intangible assets	3	87,161	100,862
Investment property	4	29,030,316	29,288,265
Deferred tax	11	115,501	156,455
Prepayments	5	2,134,318	1,598,378
Total non-current assets		39,015,633	38,756,773
Current assets			
Inventories	6	6,894,279	5,878,400
Current portion of prepayment	5	67,340	190,200
Trade and other receivables	7	6,878,223	6,028,505
Cash and cash equivalents	16	4,542,235	3,218,211
Total current asset		18,382,077	15,315,316
Total assets		57,397,709	54,072,089
Equity and Liabilities			
Equity			
Share capital		180,298	180,298
Share premium		14,380	14,380
Retained income and other reserves	18	18,316,439	15,168,723
Total capital and reserves		18,511,116	15,363,401
Current liabilities			
Current tax payable	13	2,110,360	141,531
Borrowings	10	-	413,371
Trade and other payables	8	12,077,873	9,824,419
Current portion of deferred income	9b	1,460,456	3,901,137
Total current liabilities		15,648,689	14,280,458
Non current liabilities			
Retirement benefit obligation	12	3,178,341	3,279,629
Deferred income	9a	20,059,563	21,148,601
Total non-current liabilities		23,237,904	24,428,230
Total liabilities		38,886,593	38,708,688
Total Equity and Liabilities		57,397,709	54,072,089

The financial statements, accounting policies and the notes were signed on behalf of the Board of Directors on October 24, 2016 by:

A. A. OYEBANJI
FRC/2014/IODN/00000007151

A. J. MACNAUGHTON
FRC/2013/IODN/00000003867

H. I. IDIAKE
FRC/2014/ICAN/00000007153

Mobil Oil Nigeria plc
Unaudited Statement of Profit or Loss
For the Period Ended 30 September, 2016

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Statement of Income	Note	Jan - Sept 2016	Jan - Sept 2015
Turnover		71,868,603	45,326,443
Cost of sales		(59,942,368)	(37,118,402)
Gross profit		11,926,235	8,208,041
Other income	14	3,937,619	3,345,542
Selling and distribution expenses		(4,914,381)	(3,944,904)
Administrative expenses		(2,572,744)	(2,283,443)
Other non-operating expense	15	(8,037)	(18,693)
Operating profit		8,368,692	5,306,543
Finance income		107,613	55,138
Finance costs		(292)	(113,842)
Profit before taxation		8,476,012	5,247,839
Taxation	13	(2,732,010)	(1,598,250)
Profit for the period		5,744,002	3,649,589
Basic earnings per share (kobo)		1,593	1,012

Statement of Other Income	Jan - Sept 2016	Jan - Sept 2015
Items that will not be reclassified to profit or loss		
Actuarial gains / (losses)	-	-
Other comprehensive income net of tax	-	-
Total comprehensive income for the period	5,744,002	3,649,589

Mobil Oil Nigeria plc
Unaudited Statement of Changes in Equity
For the Period Ended 30 September, 2016

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2016 September	Share capital	Share premium	Total share capital	Reserves	Accumulated other reserves	Total equity
At the Beginning of the year	180,298	14,380	194,678	16,972,173	(1,803,450)	15,363,401
Comprehensive Income for the year	-	-	-	5,744,002	-	5,744,002
Dividend payment	-	-	-	(2,596,286)	-	(2,596,286)
At the end of the period	180,298	14,380	194,678	20,119,889	(1,803,450)	18,511,117

2015 December	Share capital	Share premium	Total share capital	Reserves	Accumulated other reserves	Total equity
At the beginning of the year	180,298	14,380	194,678	14,479,173	(1,124,401)	13,549,450
Comprehensive Income for the year	-	-	-	4,872,929	-	4,872,929
Dividend payment	-	-	-	(2,379,929)	-	(2,379,929)
Other Comprehensive Income/(loss) for the year	-	-	-	-	(679,049)	(679,049)
At the end of the period	180,298	14,380	194,678	16,972,173	(1,803,450)	15,363,401

Mobil Oil Nigeria plc
Unaudited Statement of Cash Flows
For the Period Ended 30 September, 2016

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	Note	Jan - Sept 2016	Jan - Sept 2015
OPERATING ACTIVITIES			
Operating Profit		8,368,692	5,306,543
Adjustment for non cash items			
Depreciation of fixed assets		1,682,392	1,414,587
Provision for pension plan		498,689	392,254
Amortization of intangible assets		13,701	16,409
(Gain) / Loss on disposal of fixed assets		8,037	18,693
Total non cash items		2,202,820	1,841,943
Changes in current assets and liabilities			
Decrease/(Increase) in inventories		(1,015,879)	(665,734)
Decrease/(Increase) in due from associated companies		52,673	530,754
Decrease/(Increase) in foreign currency deposit for imports		(39,737)	6,778
Decrease/(Increase) in trade debtors and bridging claims		(1,235,668)	278,861
Decrease/(Increase) in other debtors and prepayments		(40,065)	182,508
Increase/(Decrease) in due to associated companies		1,826	(1,129,996)
Increase/(Decrease) in trade creditors		772,988	(968,795)
Increase/(Decrease) in other creditors and accruals		1,484,520	(787,884)
Increase/(Decrease) in unamortised rental income		(3,529,721)	1,830,478
Net changes in current assets and liabilities		(3,549,063)	(723,030)
Income taxes paid		(693,567)	(2,574,667)
Witholding tax credit utilised		(28,661)	(436,433)
Retirement benefits paid		(164,112)	(40,251)
Pension asset funding		(435,866)	-
Net cash generated from operating activities		5,700,244	3,374,105
INVESTING ACTIVITIES			
Purchase of fixed assets		(1,468,256)	(3,738,788)
Proceeds from disposal of assets		251	-
Interest received		107,613	55,138
Net cash used in investing activities		(1,360,392)	(3,683,650)
FINANCING ACTIVITIES			
Increase/(Decrease) in borrowings		(418,371)	4,158,691
Dividend paid		(2,596,286)	(2,379,929)
Long-term borrowings		-	(1,708,955)
Increase/(Decrease) in lease obligations		(5,880)	11,610
Interest charges		(292)	(113,842)
Net cash used in financing activities		(3,015,829)	(32,425)
Net Increase/(Decrease) in cash and cash equivalents		1,324,024	(341,970)
Cash and cash equivalents at beginning of the period		3,218,211	372,712
Cash and cash equivalents at end of the period		4,542,235	30,742

The Company

Mobil Oil Nigeria plc. was incorporated as a Private Limited Liability Company in 1951. It became a public limited liability company in 1978 and its share capital is listed on the Nigerian Stock Exchange.

ExxonMobil Oil Corporation, U.S.A., holds 60% of the issued share capital while other investors hold 40% as at 30th September, 2016.

Mobil Oil Nigeria plc has been informed by its majority shareholder, ExxonMobil Oil Corporation that the shareholder has agreed, subject to regulatory approvals, to sell its shares representing 60 percent of Mobil Oil Nigeria's shares to Nipco Investment Limited, a wholly-owned subsidiary of Nipco Plc (both of which are Nigerian Companies).

The Company was formed principally for the marketing of petroleum products. The Petroleum products the company sells include; Petrol, Diesel, Aviation fuel, Kerosene and Lubricants. Petrol, Diesel, and Kerosene are mainly sold through the company's service stations while Lubricants are sold through distributors. Aviation fuel is sold at Murtala Muhammed Airport.

All the fuels which the Company sells are purchased either from the Nigerian National Petroleum Corporation or from other third party suppliers. Lubricants are blended locally or purchased from associated companies.

The company also has some investment properties which are leased out to a related party at market rate in an arm's length transaction.

Significant accounting policies

1. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

2. Functional and presentation currency

The Company's presentation currency and functional currency is Nigerian Naira.

3. Basis of measurement

The financial statements have been prepared under the historical cost convention.

4. Use of estimates and judgment

In preparing the financial statements, management is required to make use of estimates and assumptions that affects the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements

5. Current versus non-current classification

MON presents assets and liabilities in the statement of financial position based on current and/or non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Is due to be settled within 12 months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

Non-current assets are due to be settled more than 12 months after the reporting period.

A liability is current when:

- It is expected to be settled in the normal operating cycle

- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current

6. Interest in Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Mobil Oil Nigeria plc. accounts for the assets, liabilities and expenses relating to its interest in its joint operations in accordance with applicable IFRSs.

7. Investment property

Investment property is recognised as an asset when it is probable that the future economic benefits associated with the investment property will flow to the Company and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. Where a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent costs are included in the carrying amount of the investment property or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Cost model

Investment property is carried at cost, less depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Average useful life (years)
Land	Infinite
Buildings	20 - 50
Plant and equipment	10 - 30
Fixtures and fittings	5 - 15

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

8. Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Interest is capitalized as an increase in property, plant and equipment on major capital projects during construction. All property, plant and equipment are stated at historical cost less depreciation. Repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

Residual values, method of amortization and useful lives of the assets are reviewed consistently and adjusted when appropriate.

When significant parts of plant and equipment are required to be replaced at intervals, MON depreciates them separately based on their specific useful lives

Impairment losses and gains and losses on disposals of property, plant and equipment and are included in profit or loss. Incomplete construction relates to uncompleted project which are not depreciated. Upon completion, balances are reclassified to the relevant asset category for depreciation.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life (years)
Land	Infinite
Buildings	20 - 50
Plant and equipment	10 - 30
Fixtures and fittings	5 - 15
Motor vehicles	5 - 10

9. Intangible assets

The Company's intangible assets are classified into three groups:

a) Software License:

These are acquired computer software licenses and are capitalised on the basis of costs incurred to acquire and bring to use the specific software. The costs are amortised on a straight line basis over 15 years which is the estimated useful life of the software. Costs associated with maintaining computer software programs are recognized in expense as incurred.

b) Franchise costs:

These are capitalised amounts paid to UAC Nigeria plc. (UAC), which gives the Company the right to use the "Mr. Biggs" Brand in Mobil Oil Nigeria plc. retail outlets. Amortisation is calculated using the straight line method to allocate the franchise costs over the period of the agreement between Mobil Oil Nigeria plc. and UAC, which has a contractual life of 10 years.

c) Permits

These are capitalized amounts paid to a third-party for a right of way permit. The permit is for 20 years and it is amortised using the straight line method.

Intangible assets amortisation is recognised in profit or loss statement.

10. Financial instruments

a) Initial recognition and measurement

Financial instruments are recognised initially when the Company becomes a party to the contractual provisions of the instruments. The Company classifies its financial instruments on initial recognition as a financial asset or a financial liability.

b) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

c) Impairment

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.
The Company adopts the following criteria when considering the financial assets not at fair value, in the books:

- Indication of any material decline in market value.
- Significant changes with long term adverse impacts that have taken place during the period or will take place in the near future.
- Material changes in interest rates.
- Evidence of adverse economic performance

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognized.

d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

e) The Company's financial instruments are classified as:

- Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

I. Trade and other receivables

Trade receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset may be impaired. Significant financial difficulties of the debtor, probability that the debtor will file for bankruptcy or conduct financial reorganization, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit and loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit and loss.

II. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments. Bank overdrafts are recognized under current liabilities.

- Financial liabilities at amortized cost

I. Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method

II. Borrowings

Borrowings are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

11. Current and deferred income tax

Income tax expense is the aggregate of the charge to the profit or loss account in respect of current income tax, education tax and deferred tax.

Current income tax liabilities are recognised in line with the provisions of the Companies Income Tax Act. Education tax is determined at 2% of assessable profits. Capital gains tax liability is charged on applicable capital asset disposals where the proceeds are not to be reinvested in a similar asset.

Deferred tax is provided using the liability method on all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes in accordance with the provisions of IAS 12. Current tax rates are used to determine deferred taxes.

Income taxes are recognised in profit or loss except when they relate to items recognized in other comprehensive income, in which case the tax is also recognised in other comprehensive income.

Deferred tax liabilities are recognised for all taxable temporary differences, except: When the deferred tax liability arises from the Initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except: When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current assets against current liabilities and when deferred income taxes assets and liabilities relate to income levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

12. Leases

An arrangement is recorded (or contains) as a lease based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

As a lessee

a) Finance leases

These are leases that transfer substantially all the risks and rewards of ownership to the Company. They are recognised at the commencement of the lease term as finance leases and are capitalized at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Finance lease payments are apportioned between interest expense and repayments of debt.

The Company's finance leases relate to motor vehicles where it bears substantially all risks and rewards. These cars are included as part of Property, Plant and Equipment in the financial statements.

Assets acquired under lease are depreciated using the useful life of the assets. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, they are depreciated over the shorter of the useful life and the lease term.

As a lessor

b) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Company owns investment properties which are leased out under operating lease agreements to a related party. The investment properties presented in the statement of financial position are in line with the accounting policy disclosed in note 4.

The lease income from the operating leases is recognized in income on a straight-line basis over the lease term. Costs, including depreciation, incurred in earning the lease income are recognized as an expense.

13. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes expenditure incurred in acquiring and transporting the stock to its present location. Cost is determined using the first-in, first-out (FIFO) method for lubricant products and weighted average method for fuels products. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. If the carrying value exceeds the net realisable value, an inventory write down is recognised.

14. Employee benefits

a) Short term benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation and sick leave, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

b) Post-employment benefits

The Company operates both the defined benefit and the defined contribution pension plan approved by the National Pension Commission.

(i) Defined Benefit - Pension

These are retirement plans that define the amount of pension benefit to be provided and are generally funded by payments to independent pension fund administrators.

The defined benefits plans define an amount of pension benefit that an employee will receive on retirement usually dependent on one or more factors as determined by the actuary. The defined benefit obligation is calculated by the actuary using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to other reserve through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods

Pension cost represents the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets.

Since the liability values calculated by the actuary are discounted, they will automatically increase by the discount rate yearly. The interest cost is the expected increase in liability values in the course of the review year.

The service cost is the value of benefits acquired by service rendered in the review year while the past service cost is the increase in the present value of the Benefit Obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, benefits provisions.

(ii) Defined benefit - Gratuity

Included as part of the defined benefit obligation are gratuity benefits which are payable at retirement and is calculated as 8.33% of annual pensionable salary multiplied by the years of services, provided 5 years of qualifying service has been rendered at exit.

(iii) Defined Contribution - Pension

In line with Government regulations, the Company adopted a defined contribution scheme in 2014. This is a pension scheme under which MON pays fixed contributions into a pension fund as an amount or as a percentage of the pay of participants under the scheme.

Participants under the Defined Contribution scheme also enjoy gratuity as described under the Defined benefit scheme on withdrawal or retirement.

(iv) Other benefits

On retirement or withdrawal from the company, an employee is paid Ex-gratia which is calculated as 3 months of annual pensionable salary at exit.

When the employee renders the services, pension costs are recognized as expenses in the Statement of profit or loss.

15. Provisions and contingencies

Provisions are recognized as best estimates on statement of financial position date. They are recognised when the company has a legal or constructive obligation as a result of past events and where it is more likely than not that an outflow of resources will be required to settle the obligation. A reliable estimate of the amount to settle the obligation must also be possible before a provision is made. The measurement of provisions takes into consideration the time value of money and risk specific to the obligation. The increase in provision due to the passage of time is recognised as an interest expense.

The carrying amount of provisions are regularly reviewed and adjusted for new facts or changes in law, regulation.

Where the above conditions are not met, a contingent asset/liability is disclosed.

16. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

Revenue from the sale of all petroleum products (Petrol, Aviation fuel, Diesel, Kerosene and Lubricants) is recognised at fair value of consideration received or receivable net of taxes and discounts on sales when the significant risk and rewards of ownership have been transferred and title passed to the customer.

Revenue for the sale of goods is recognized when the following conditions have been met

- The company has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The company does not retain managerial involvement usually associated with ownership nor effective control over the goods sold
- The amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to Mobil Oil Nigeria plc.
- The costs incurred in respect of the transaction can be measured reliably.

17. Interest Income

Interest income is recognised in the Company's financial statements using the effective interest rate method

18. Other Income

Other income refers to all other sources of income apart from the sale of petroleum products which the Company receives. It includes amongst others; rental income and back court income.

Rental income refers to rent the Company gets from its investment property and service stations. This income is recognised on a straight line basis over the lease term.

Backcourt income refers to income recognised from the use of the food court on some of the Company's service stations by UAC. It is charged at a percentage of total revenue recognised by UAC at the food courts.

19. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.

Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred. The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted and ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised in an expense in the period they are incurred.

20. Translation of foreign currencies

Transactions in foreign currencies are recorded at the official rates of exchange on the transaction date. At the end of each reporting period, monetary items denominated in foreign currency are retranslated at the official rates prevailing at that day while non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Assets and liabilities denominated in foreign currency are translated at the applicable official rates of exchange on the reporting date. Exchange gains and losses are included in the profit or loss of the period in which they arise.

Exchange differences on monetary items are recognised in profit or loss in the period in which they occur.

21. Segment reporting

The Company has two business segments - Petroleum Products Marketing & Property Business. The Directors have determined operating segments based on the nature of the Company's business and performance reports reported to the Chief Operating Decision Maker (CODM).

These business segments have been grouped in a manner consistent with internal reporting and as provided to the chief operating decision maker (Executive Directors). The Company's activities that are significantly integrated or interdependent are not considered as separate business segments and no operating segments have been aggregated.

The Petroleum Products Marketing segment generates revenue from the sale of white products and company lubricants while the Property business generates income from the rent paid on MON's investment properties leased out solely to a related party.

22. Dividend payable

Proposed dividends for the year are recognised as a liability after the statement of financial position date when declared and approved by shareholders at the Annual General Meeting.

23. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

24. Deferred income

This relates to advance rent received from investment property. The current portion is amortized to income within one year on a straight line basis while the non-current portion is initially carried at initial cost and subsequently at face value.

25. Impairment of non-financial assets

Impairment test is carried out on group of fixed assets only when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

The Company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are 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.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

26. Fair value measurement

The Fair value of MON's employee loans and its investment properties are reported for disclosure in the financial statements. The Directors oversee all policies, procedures, significant valuation techniques and inputs for fair value measurement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

External valuers are involved for valuation of significant assets, such as investment properties and significant liabilities, such as contingent consideration.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, MON has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

The fair values of MON's investment property and employee loans are categorized as Level 3.

In determining the fair value of the investment properties, the market approach valuation technique was used. There was no change in valuation technique during the year. In estimating the fair value of the investment properties the highest and best use of the properties is their current use.

The Company uses the discounted cash flows approach as the valuation technique for the employee loans.

27. Key accounting estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Mobil Oil Nigeria Plc. based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Significant Estimates include:

a) Contingent liability

Contingent liabilities made in the financial statements are determined by management using estimates based on the information available. The contingent liabilities disclosed by management during the year is 100% of the litigation claim filed against the company.

b) Defined benefit pension plans

Defined benefit plan assets and obligations are subject to significant volatility as market values and actuarial assumptions change. The assumptions used in determining the net cost/income for pensions include the discount rate, mortality rates, and expected increase in salaries. Any change in these assumptions will impact the carrying amount of the pension obligation.

The Actuary determines the appropriate discount rate to use at the end of the year based on the interest rates of government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The interest rate is used to determine the present value of estimated future cash outflows to be required to settle the pension obligations.

Due to the complexity of valuation, the underlying assumption and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All the assumptions are reviewed at each reporting date.

Under the accounting policy applied, experienced gains or losses are recognised immediately in the statement of other comprehensive income.

Pension Fund Administrators manage the pension funds in accordance with National Pension Commission (PENCOM) regulations.

c) Valuation of Investment properties

Mobil Oil Nigeria Plc. carries its investment properties at cost however the fair values of the investment properties are also disclosed in the investment property note. The Company engaged 2 independent valuation specialists to assess their fair value as at 31 December 2015.

The investment property assets were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

28. Key accounting Judgments

In the process of applying the Company's accounting policies, the Directors have made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

a) Operating lease commitments – Mobil Oil Nigeria Plc. as lessor

The Company has entered into commercial property leases on its investment property portfolio. The Directors have determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

1 The Company

The Company was incorporated as a private limited liability company in 1951. It became a public limited liability company in 1978 and its share capital is listed on the Nigerian Stock Exchange.

The issued share capital is held 60% by ExxonMobil Oil Corporation, U.S.A., and 40% by other investors as at 30th September 2016.

Mobil Oil Nigeria plc has been informed by its majority shareholder, ExxonMobil Oil Corporation, that the shareholder has agreed, subject to regulatory approvals, to sell its shares representing 60 percent of Mobil Oil Nigeria's shares to Nipco Investment Limited, a wholly-owned subsidiary of Nipco Plc (both of which are Nigerian Companies)

The Company was formed principally for the marketing of petroleum products. All the fuels which the Company sells are purchased from the Nigerian National Petroleum Corporation and other third party suppliers. Lubricants are blended locally or purchased from associated companies.

2 Property plant and equipment movement analysis

September 2016	Land	Buildings	Plant and Equipment	Fixtures and Fittings	Motor Vehicles	Asset under Construction	Total
		N'000	N'000	N'000	N'000	N'000	N'000
Cost							
At beginning of the year	749,269	4,188,434	6,009,913	296,496	328,443	1,231,647	12,804,203
Additions	-	79,388	69,377	8,573	7,980	337,772	503,091
Transfers from lease	-	-	-	-	-	-	-
Transfers from asset under Construction	-	788,179	418,306	18,799	-	(1,225,284)	(0)
Transfers to Investment Property							-
Disposals	-	(12,529)	(21,978)	(960)	(6,208)	-	(41,675)
At end of the period	749,269	5,043,472	6,475,618	322,908	330,215	344,135	13,265,616
Depreciation							
At beginning of the year	-	(1,699,914)	(3,069,226)	(195,713)	(226,536)	-	(5,191,390)
Charge for period	-	(157,502)	(259,236)	(16,751)	(25,788)	-	(459,276)
Disposals	-	10,796	15,706	960	5,925	-	33,387
At end of the period	-	(1,846,621)	(3,312,757)	(211,504)	(246,398)	-	(5,617,280)
Net book value							
30 September 2016	749,269	3,196,851	3,162,861	111,404	83,817	344,135	7,648,337

December 2015	Land	Buildings	Plant and Equipment	Fixtures and Fittings	Motor Vehicles	Asset under Construction	Total
		N'000	N'000	N'000	N'000	N'000	N'000
Cost							
At beginning of the year	749,269	4,093,928	5,801,906	282,207	288,484	743,279	11,959,073
Additions	-	52,008	62,499	14,289	29,959	728,537	887,292
Transfers from lease	-	-	-	-	-	-	-
Transfers from asset under Construction	-	50,414	179,755	-	10,000.00	(240,169)	-
Disposals	-	(7,916)	(34,246)	-	-	-	(42,162)
At end of the year	749,269	4,188,434	6,009,914	296,496	328,443	1,231,647	12,804,203
Depreciation							
At beginning of the year	-	(1,533,541)	(2,772,606)	(174,949)	(190,806)	-	(4,671,902)
Charge for period	-	(168,704)	(325,210)	(20,764)	(35,730)	-	(550,408)
Transfers from lease	-	-	-	-	-	-	-
Disposals	-	2,331	28,589	-	-	-	30,920
At end of the year	-	(1,699,914)	(3,069,227)	(195,713)	(226,536)	-	(5,191,390)
Net book value							
31 December 2015	749,269	2,488,520	2,940,687	100,783	101,907	1,231,647	7,612,813

3 Intangible assets movement analysis

September 2016	Software Costs	Franchise Costs	Permit	Total
	N'000	N'000		N'000
Cost				
At beginning of the year	201,551	123,647	15,045	340,242
Additions	-	-	-	-
Disposals	-	-	-	-
At end of the period	**201,551**	**123,647**	**15,045**	**340,242**
Amortization				
At beginning of the year	(123,172)	(114,893)	(1,316)	(239,381)
Amortization for the period charged to expense	(10,078)	(3,059)	(564)	(13,701)
Disposals		-	-	-
At end of the period	**(133,250)**	**(117,952)**	**(1,881)**	**(253,082)**
Net Book Value				
30 September 2016	**68,302**	**5,694**	**13,164**	**87,161**

December 2015	Software Costs	Franchise Costs	Permit	Total
	N'000	N'000		N'000
Cost				
At beginning of the year	201,551	123,647	15,045	340,242
Additions	-	-	-	-
Disposals	-	-	-	-
At end of the year	201,551	123,647	15,045	340,243
Amortization				
At beginning of the year	(109,735)	(108,105)	(564.17)	(218,405)
Amortization for the period charged to expense	(13,437)	(6,787)	(752)	(20,976)
Disposals	-	-	-	-
At end of the year	(123,172)	(114,891)	(1,316)	(239,382)
Net Book Value				
31 December 2015	78,379	8,756	13,729	100,862

Intangible assets are made up of the cost of upgrading the Company's computer systems, permits and the franchise cost paid, which gives the Company the right to use named brands in Mobil service stations. The assets are amortised using straight line method with a useful life of fifteen and ten years for the software and franchise cost respectively.

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	September 2016	December 2015
4 Investment Property		
Opening balance	29,288,265	26,954,798
Additions	965,166	3,749,645
Disposals	-	(12,185)
Depreciation	(1,223,115)	(1,403,993)
Closing balance	29,030,316	29,288,265
Amounts recognized in statement of comprehensive income for the period		
Rental income from investment property	3,760,097	4,194,467
Direct operating expenses from rental generating investment property	(1,245,244)	(1,424,390)
5 Prepayments (Non-Current)		
Rent	2,063,268	1,552,986
Employee benefits	71,050	45,392
Prepayment and deferred charges	2,134,318	1,598,378
Prepayments (Current)	67,340	190,200
Total Prepayments	2,201,657	1,788,578

This represents prepaid rent for company owned service stations, prepaid employee benefits and prepaid loan.

	September 2016	December 2015
6 Inventories		
Raw materials	5,693,959	4,382,592
Finished products	1,200,320	1,495,808
Total	6,894,279	5,878,400
7 Trade debtors and other receivables		
Trade debtors	3,160,805	2,111,678
Bridging claims	1,052,184	865,643
Other debtors	1,010,803	1,237,909
Foreign currency deposit for imports	112,301	72,564
Advances and employee receivables	509,825	655,733
Due from associated companies	1,032,305	1,084,978
Total	6,878,223	6,028,505
Aging analysis of trade debtor		
Current	3,016,028	2,066,893
Overdue 1 - 30 Days	144,777	39,008
Overdue 31 - 60 days	-	3,250
Overdue 61 - 90 days	-	-
Overdue 91 - 180 days	-	2,527
Overdue 181 days	-	-
Total	3,160,805	2,111,678
8 Payables and other liabilities		
Trade creditors	7,332,218	6,559,230
Other creditors	4,192,519	2,694,906
Accruals	188,791	219,115
Lease obligation	3,990	9,870
Due to associated companies	293,382	291,556
Value Added Tax (net payable position)	66,973	49,742
Total	12,077,873	9,824,419

The fair value of financial liabilities included above aproximates the carrying amount.

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	September 2016	December 2015
9 Deferred revenue		
(a) Portion of deferred revenue due after one year (Non-current)	20,059,563	21,148,601
(b) Portion of deferred revenue due within a year (Current)	1,460,456	3,901,137

This represents advance rent for the company's real estate occupied by a related party company, Mobil Producing Nigeria Unlimited. The fair value of financial liabilities included above approximates the carrying amount.

	September 2016	December 2015
10 Borrowings		
Borrowings due within one year (Current)		
At amortised cost	-	413,371
11 Deferred income tax		
(a) Deferred tax movement		
At beginning of the period	156,455	1,049,185
Current period charge/(provision)	(40,954)	(892,730)
At the end of the period	115,501	156,455
(b) Deferred tax		
Deferred tax asset		
Retirement benefits	1,017,069	1,049,481
Advance rent	4,130,265	3,669,430
Bad debt & unrealised forex	-	50,594
Total deferred tax asset	5,147,334	4,769,505
Deferred tax liability		
Accelerated depreciation	(4,693,666)	(4,267,324)
Capital gains tax rollover	(345,726)	(345,726)
Bad debt & unrealised forex	7,558	-
Total deferred tax liability	(5,031,834)	(4,613,050)
Net deferred tax asset/(liability)	115,501	156,455
12 Pension plan liability		
(a) Defined benefit		
Movement Analysis:		
At beginning of the period	(3,279,629)	(1,853,525)
Provision for the period	(498,689)	(523,005)
Payments made during the period	164,112	95,502
Pension asset funding	435,866	-
Additional Provision	-	(998,601)
At the end of the period	(3,178,341)	(3,279,629)

Additional Provision relates to Actuarial gains & losses recognized in Other Comprehensive Income (OCI)

	September 2016	December 2015
Reconciliation of amount recoginised in the statement of financial position		
Defined Benefit Obiligation	(7,432,252)	(7,097,675)
Funded Asset	4,253,911	3,818,046
Net Liability at the end of the period	(3,178,341)	(3,279,629)

The Company operates a defined benefit pension plan. As at the end of the reporting years, the outstanding obligations as valued by the actuary, comprised of both unfunded reserves and funded assets. The pension plan liability balance at the end of the year represents the shortfall of the cumulative funding over the benefits liability accrued in income.

	September 2016	December 2015
(b) Defined contribution	1,909	2,206

During the period, the Company paid the above amount as its contribution into its defined contribution pension scheme.

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	September 2016	December 2015
13 Current tax analysis:		
Movement in current income tax balance		
At beginning of the period	141,531	2,348,901
Payments	(693,567)	(2,574,668)
Provision for the period	2,691,056	821,110
Withholding tax credit	(28,661)	(453,811)
At the end of the period	2,110,360	141,531

	September 2016	September 2015
Taxation charge for the period		
Based on profit for the period		
Company income tax	2,463,569	633,813
Education tax	227,487	170,909
Current taxes	2,691,056	804,722
Deferred tax Profit & Loss	40,954	793,528
Total Company Deferred taxes	40,954	793,528
Taxation Charge Profit & Loss	2,732,010	1,598,250
Total company Taxation charge	2,732,010	1,598,250

The tax charge comprises of company income tax at 30% of taxable income plus education tax at 2% of taxable income before capital allowances.

14 Other income		
Rent income	3,961,831	3,159,525
Gain/(Loss) on foreign exchange transactions	(278,849)	(16,029)
Back-court income	109,578	106,468
Others	145,059	95,578
Total	3,937,619	3,345,542

Included in the Rent Income is N3,760M relating to rents received from a related party.

15 Other non-operating income /(expense)		
Profit/(Loss) on disposal of investment property assets	-	(12,185)
Profit/(Loss) on disposal of property, plant & equipment	(8,037)	(6,508)
Total	(8,037)	(18,693)

	September 2016	December 2015
16 Cash and cash equivalents		
Short-term bank deposits	4,542,235	3,218,211
Cash intransit	-	-
At the end of the period	4,542,235	3,218,211

Of the 4,542M short-term bank deposits at the end of September 2016, 243M is domiciled in dollars and subject to exchange rate fluctuations.

17 Dividends		
At beginning of the period	-	-
Dividend Proposed	2,596,286	2,379,929
Dividend Paid	(2,596,286)	(2,379,929)
At the end of the period	-	-

18 Reserves		
At the beginning of the period	15,168,723	13,354,772
Profit for the period	5,744,002	4,872,929
Other comprehensive income/(loss) for the period	-	(679,049)
Dividend paid	(2,596,286)	(2,379,929)
At the end of the period	18,316,439	15,168,723

19 Segmental Information

As at 30 September 2016, the Company had two reportable business segments:
(i) Petroleum Products Marketing (ii) Property Business

All MON's assets are located within Nigeria and there were no export sales made as at 30 September, 2016. (2015: Nil)

Segment revenue reported below represents revenue generated from external customers. There were also no intersegment sales as at 30 September, 2016. (2015: nil). The accounting policy of the reportable segments below are the same as MON's accounting policies disclosed in the financial statements.

	Petroleum Products Marketing (N'000)	Property Business (N'000)	Total (N'000)
A The segment results for the period ended 30 September 2016 are as follows:			
Revenue	71,868,603	-	71,868,603
Cost of sales	(59,942,368)	-	(59,942,368)
Operating expense	(6,241,880)	(1,245,244)	(7,487,125)
Other income	177,522	3,760,097	3,937,619
Other non-operating expense	(8,037)	-	(8,037)
Finance income	107,613	-	107,613
Finance costs	(292)	-	(292)
Profit before taxation	5,961,160	2,514,852	8,476,012
Taxation	(1,916,989)	(815,022)	(2,732,010)
Profit for the period	4,044,172	1,699,830	5,744,002
The segment results for the period ended 30 September 2015 are as follows:			
Revenue	45,326,443	-	45,326,443
Cost of sales	(37,118,402)	-	(37,118,402)
Operating expense	(5,214,998)	(1,013,349)	(6,228,347)
Other income	389,267	2,956,275	3,345,542
Other non-operating expense	(6,507)	(12,185)	(18,693)
Finance income	55,138	-	55,138
Finance costs	(113,842)	-	(113,842)
Profit before taxation	3,317,099	1,930,741	5,247,839
Taxation	(1,070,291)	(527,960)	(1,598,250)
Profit for the period	2,246,808	1,402,781	3,649,589
B Reconciliation of segment assets and liabilities to total assets and liabilities as at 30 September 2016:			
Intangible assets	87,161	-	87,161
Segmented total assets (excl. cash and cash equivalents & deferred tax)	23,420,285	29,319,688	52,739,973
Segmented total liabilities	(16,551,551)	(22,335,040)	(38,886,593)
Deferred tax	115,501	-	115,501
Cash and cash equivalents	4,542,235	-	4,542,235
Segmented net assets	11,526,469	6,984,648	18,511,117
Capital expenditure	503,090	965,166	1,468,256
Depreciation charge for the period	(459,277)	(1,223,115)	(1,682,392)
Reconciliation of segment assets and liabilities to total assets and liabilities as at 31 December 2015:			
Intangible assets	100,862	-	100,862
Segmented total assets (excl. cash and cash equivalents & deferred tax)	21,255,438	29,441,985	50,697,423
Segmented total liabilities	(12,964,507)	(25,744,181)	(38,708,688)
Deferred tax	156,455	-	156,455
Cash and cash equivalents	3,218,211	-	3,218,211
Segmented net assets	11,665,597	3,697,804	15,363,401
Capital expenditure	887,292	3,749,645	4,636,937
Depreciation charge for the year	(550,408)	(1,403,993)	(1,954,401)

Segment assets consist primarily of Investment properties, property, plant and equipment, intangible assets, Inventory, long term receivables, debtors and other receivables. Deferred taxation and cash and short term deposits are not allocated to segments as they are managed on a total company basis.

Segment liabilities comprise current taxation, unamortized rental income, payables and other liabilities and provision for liabilities & charges. Unallocated liability is deferred taxation.

Capital expenditure comprises additions to property, plant and equipment, Investment property and intangible assets.