MRS Oil Nigeria Plc

2nd Quarter 2017 Financial Statements

Contents

Corporate information

RC 6442

Board of directors	Alhaji Sayyu I. Dantata	Chairman
	Mr. Andrew O. Gbodume	Managing Director (Ag.)
	Mr. Patrice Alberti	Non Executive Director
	Dr. Paul Bissohong	Non Executive Director
	Dr. Samaila M. Kewa	Non Executive Director
	Alhaji Dahiru Barau Mangal	Non Executive Director
	Mr. Lawal Mangal	Alternate Director
	Ms. Amina Maina	Non Executive Director
	Mr. Mattew Akinlade	Non Executive Director
	Sir. Sunday Nnamdi Nwosu	Non Executive Director
	Mr. Amobi Daniel Nwokafor	Non Executive Director

Registered office
8, Macarthy Street
Onikan
Lagos

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

Registrar
Cardinal Stone Securities (Registrars) Limited
(formerly City Securities (Registrars) Limited)
358, Herbert Macaulay Street
Yaba
Lagos

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

Principal bankers
Access Bank Plc
First Bank of Nigeria Limited
First City Monument Bank Plc
Skye Bank Plc
Standard Chartered Bank Nigeria Limited
Sterling Bank Plc
Unity Bank Plc
Zenith Bank Plc

Leadership team

Andrew O. Gbodume
Managing Director (Ag.)

Oghenekaro Ologe
Information Technology Manager

Oluwakemi M. Jafojo
Company Secretary

Timipiri Odu
Human Resources Manager

Kamil Bello
Chief Financial Officer

Andrew Onum
Chief Legal Counsel

Peter Z. Dia
Aviation Manager

Abdullahi Masanawa
Operations Manager

Tara Ajibulu
Sales & Marketing Manager

Moruf Sobowale
Consumer & Industrial Manager

Michael Ayewa
Health, Safety and Enviroment Manager

Adebayo Olusodo
Engineering/Marketing Support Manager

Jubril Hassan
Treasury Manager

Jah'swill Omolu
Procurement Manager

Daniel Chukwuazawom
Chief Internal Auditor

Ismaila Alabi
Lubes Operation Manager

Statement of directors' responsibilities in relation to the financial statements for the period ended 30 June 2017

The directors accept responsibility for the preparation of the 2nd quarter 2017 financial statements that give a true and fair view in accordance with International Financial Repoting 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 period ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Signature	Signature
Mr. Andrew Gbodume (Managing Director, Ag.)	Mr. Paul Bissohong (Director)
Name	Name
FRC/2012/ICAN/00000000534	FRC/2013/IOD/00000003841
FRC	FRC
Date	Date

Statement of financial position

as at 30

	Notes	June 2017	December 2016
		₦'000	**₦'000**
Assets			
Property, plant and equipment	12	18,011,525	18,402,454
Intangible assets	13	22,838	29,920
Prepayments	30	687,773	578,073
Trade and other receivables	15	347,922	347,922
Total non-current assets		19,070,058	19,358,369
Inventories	17	6,184,116	7,004,173
Loans and receivables	14	357,102	445,193
Trade and other receivables	15	47,364,176	43,244,878
Witholding tax receivables	16	53,583	68,288
Prepayments	30	396,928	333,130
Cash and cash equivalents	18	1,212,722	10,910,784
Total current assets		55,568,627	62,006,446
Total assets		**74,638,685**	**81,364,815**
Equity			
Share capital	19	126,994	126,994
Retained earnings		22,740,318	22,036,847
Total equity		**22,867,312**	**22,163,841**
Liabilities			
Employee benefit obligations	20	16,891	13,891
Deferred tax liabilities	11(d)	5,116,904	5,116,904
Total non-current liabilities		5,133,795	5,130,795
Security deposits	21	1,954,111	1,766,967
Dividend payable	22(a)	410,296	411,318
Trade and other payables	23	33,726,637	32,156,838
Short term borrowings	24	9,288,137	18,526,556
Tax payable	11(c)	1,258,397	1,208,500
Total current liabilities		46,637,578	54,070,179
Total liabilities		**51,771,373**	**59,200,974**
Total equity and liabilities		**74,638,685**	**81,364,815**

Approved by the Board of Directors on 31 July 2017 and signed on its behalf by:

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

) Dr. Paul Bissohong (Director)
FRC/2013/IOD/00000003841

) Mr. Kamil Bello (Chief Financial Officer)
FRC/2013/ICAN/00000000951

The notes on pages 7 to 41 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income
for the Period ended 30

	Notes	April - June 2017	Cumm. YTD June 2017	April - June 2016	Cumm. YTD June 2016
		₦'000	**₦'000**	**₦'000**	**₦'000**
Revenue	5	24,898,986	62,480,435	28,705,903	53,777,025
Cost of sales	7(b)	(22,930,976)	(57,910,047)	(25,125,962)	(48,441,380)
Gross profit		1,968,010	4,570,388	3,579,941	5,335,645
Other income	6	34,331	100,765	463,590	845,240
Selling and distribution expenses	7(b)	(326,009)	(706,705)	(577,901)	(785,794)
Administrative expenses	7(b)	(1,368,966)	(2,733,846)	(1,342,577)	(2,647,488)
Operating profit		307,366	1,230,602	2,123,053	2,747,603
Finance income	8	6,890	95,102	123,863	293,379
Finance costs	8	175,219	(191,073)	(1,336,261)	(1,503,839)
Net finance costs	8	182,109	(95,971)	(1,212,398)	(1,210,460)
Profit before income tax	9	489,475	1,134,631	910,655	1,537,143
Income tax expense	11(a)	(186,001)	(431,160)	(364,272)	(627,397)
Profit for the Period		**303,474**	**703,471**	**546,383**	**909,746**
Total comprehensive income for the period		**303,474**	**703,471**	**546,383**	**909,746**
Earnings per share (EPS)					
Basic and diluted earnings per share (Naira)	10(a)	1.19	2.77	2.15	3.58

The notes on pages 7 to 41 are an integral part of these financial statements.

Statement of changes in equity
for the period ended 30 June

	Notes	Share capital	Retained earnings	Total equity
		₦'000	**₦'000**	**₦'000**
Balance as at 1 January 2016		126,994	20,850,330	20,977,324
Total comprehensive income:				
Profit for the period		-	909,746	909,746
Other comprehensive income		-	-	-
Total comprehensive income for the period		**-**	**909,746**	**909,746**
Transactions with owners of the Company				
Contributions and Distributions				
Dividends declared	22(a)		-	-
Unclaimed dividend written back	22(a)	-	-	-
Total transactions with owners of the Company		**-**	**-**	**-**
Balance as at 30 June 2016		**126,994**	**21,760,076**	**21,887,070**

	Notes	Share capital	Retained earnings	Total equity
		₦'000	**₦'000**	**₦'000**
Balance as at 1 January 2017		126,994	22,036,847	22,163,841
Total comprehensive income:				
Profit for the period		-	703,471	703,471
Total comprehensive income		**-**	**703,471**	**703,471**
Transactions with owners of the Company				
Contributions and Distributions				
Dividends declared	22(a)	-	-	-
Total transactions with owners of the Company		**-**	**-**	**-**
Balance as at 30 June 2017		**126,994**	**22,740,318**	**22,867,312**

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Included in retained earnings is ₦14.40 billion (2016: ₦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 notes on pages 7 to 41 are an integral part of these financial statements.

Statement of cash flows
for the period ended 30

	Notes	June 2017	June 2016
Cash flows from operating activities:			
Profit after tax		703,471	909,746
Adjustments for:			
Depreciation	12(a)	760,022	785,657
Amortisation of intangible assets	13	7,082	1,024
Finance income	8	(95,102)	(293,379)
Finance costs		241,197	114,843
Gain on sale of property, plant and equipment	9(a)	(3,965)	-
Write off of property, plant and equipment	12	-	-
Provision/(Write-back) for long-term service award	20	3,000	3,000
Impairment loss on trade receivables and Truck lease	7	-	-
Impairment loss on non-current assets	7		-
Impairment loss on employee and other receivables	7	(1,141)	(500)
Net increase in impairment loss on inventory	17	-	-
Tax expense	11(a)	431,160	627,397
		2,045,724	2,147,788
Changes in:			
- Inventories		820,057	1,516,197
- Trade, other receivables and prepayments		(4,276,950)	(17,785,498)
- Security deposits		187,144	76,888
- Trade and other payables		1,569,800	5,304,462
Cash (used)/ generated from operating activities		345,775	(8,740,163)
Income taxes paid	11(c)	(356,637)	(412,850)
Withholding tax credit notes utilised	11(c)	(24,626)	-
Long-term service award paid	20	-	(344)
Net cash (used)/ generated from operating activities		(35,489)	(9,153,357)
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment		4,906	-
Purchase of property, plant and equipment	12(a)	(370,034)	(244,673)
Purchase of intangible assets	13	-	(829)
Amounts paid on behalf of transporters	14	(44,050)	(54,448)
Principal repayment received on amounts advanced to transporters	14	132,141	127,396
Interest received	8	95,102	273,763
Net cash (used)/ generated from investing activities		(181,935)	101,209
Cash flows from financing activities:			
Short term borrowing repayment		(12,520,149)	10,327,146
Dividends paid	22(b)	(1,022)	(4,398)
Interest paid		(241,197)	(114,843)
Net cash generated in financing activities		(12,762,368)	10,207,905
Net change in cash and cash equivalents		(12,979,792)	1,155,757
Cash and cash equivalents at 1 January		10,910,784	19,774,397
Effect of movements in exchange rates on cash held			-
Cash and cash equivalents at 30	18	(2,069,008)	20,930,154

The notes on pages 7 to 41 are an integral part of these financial statements.

Index to Notes to the financial statements
for the period ended 30 June 2017

Notes to the financial statements

1. Reporting entity

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

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

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

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

8, Macarthy Street
Onikan
Lagos
Nigeria

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

2 Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act of Nigeria 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 July 2017. 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 for recognition of the following items, which are measured on an alternative basis on each reporting date.

S/N	Items	Measurement bases
1	Property, plant and equipment	Refer to Note 3 (c)
2	Inventories	Refer to Note 3 (f)
3	Other long-term employee benefits	Refer to Note 3 (h)
4	Loans and borrowings	Refer to Note 3 (b)

(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.

Notes to the financial statements

(d) Use of judgements and estimates

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

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

i **Judgements, assumptions and estimation uncertainties**

Information about judgements, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the period ending 30 June 2017 is included in the following notes:

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

Note 15(b) - Recoverability of foreign exchange differential and interest on PSF receivables.

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

Note 25(a) - Recoverability of trade and other receivables.

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

ii **Measurement of fair values**

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

The Company has an established control framework with respect to the measurement of fair values. The Chief Financial 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 Financial 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 Financial 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 Board of Directors.

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

• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

• Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

•Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

3 Significant accounting policies

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

Notes to the financial statements

(a) Foreign currency transactions

Transactions denominated in foreign currencies are translated and recorded in Nigerian Naira at the actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the rates of exchange prevailing at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

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

(b) Financial instruments

The Company classifies non-derivative financial assets into loans and receivables.
The Company classifies non-derivative financial liabilities into the other financial liabilities category.

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

The Company initially recognises loans and receivables on the date when they are originated. Financial liabilities are initially recognised on the trade date.

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

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

ii Non-derivative financial assets - measurement

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

The Company has only loans and receivables, trade and other receivables, cash and cash equivalents as non-derivative financial assets.

Loans and receivables

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

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

Cash and cash equivalents

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

Notes to the financial statements

iii Non-derivative financial liabilities - measurement

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

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

(c) Property, plant and equipment (PPE)

i Recognition and measurement

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

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

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

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

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

ii Subsequent expenditure

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

iii Depreciation

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

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

Notes to the financial statements

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

Land and Buildings:	
- Leasehold Land	Lease period
- Buildings	10 to 25 years
Plant and Machinery	10 to 20 years
Furniture and Fittings	5 years
Automotive equipment	4 to 10 years
Computer equipment	3 years
Office equipment	5 years

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

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

(d) Intangible assets

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

The Company's intangible assets with finite useful lives comprise acquired software.

Subsequent expenditure

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

Amortisation of intangible assets

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. There is no new addition to intangible assets in the current period.

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

(e) Leases

i **Determining whether an arrangement contains a lease**

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

Notes to the financial statements

ii **Leased assets**

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

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

iii **Lease payments**

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(f) Inventories

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

The basis of costing inventories are as follows:

Product Type	Cost Basis
Refined petroleum products (i) (AGO, ATK, PMS , DPK)	Weighted average costs incurred (for regulated products reduced by the value of subsidies due)
Refined petroleum product (ii) (LPG)	First in First Out (FIFO)
Packaging materials , lubricants and greases	Weighted average cost
Inventories-in-transit	Purchase cost incurred to date

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

(g) Impairment

i Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or

Notes to the financial statements

- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

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

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

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

ii Non-financial assets

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

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

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

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

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

(h) Employee benefits

i Defined contribution plan

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

In line with the provisions of the Pension Reform Act 2014, the Company has instituted a defined contribution pension scheme for its permanent staff. Employees contribute 6% each of their basic salary, transport and housing allowances to the Fund on a monthly basis. The Company's contribution is 12% of each employee's basic salary, transport and housing allowances. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recognised in profit or loss as employee benefit expense in the periods during which services are rendered by employees.

Notes to the financial statements

ii Other long-term employee benefits

The Company's other long-term employee benefits represents a Long Service Award scheme instituted for all permanent employees. The Company's obligations in respect of this scheme is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Federal Government of Nigeria issued bonds that have maturity dates approximating the term of the Company's obligation. The calculation is performed using the Projected Unit Credit method. Remeasurements are recognised in profit or loss in the period in which they arise. Although the scheme was not funded, the Company ensured that adequate arrangements were in place to meet its obligations under the scheme.

iii Termination benefits

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

iv Short-term employee benefits

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

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

(i) Provisions and contingent liabilities

Provisions

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

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

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

Notes to the financial statements

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

(j) Revenue

Revenue from the sale of non-regulated products in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of value added tax, sales returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Revenue for regulated products is measured at the regulated price of the products. The timing of the transfer of risks and rewards varies depending on whether the customer collects the products himself or the Company delivers to the customer using the third party transporters. For the former, revenue is recognized when the customer picks up the products from the Company's depots and the later, when delivery is made.

(k) Finance income and finance costs

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

Finance costs comprises interest expense on borrowings, bank charges, foreign currency loss on financial assets and financial liabilities, unwinding of the discount on provisions and are recognized in profit or loss using the effective interest method. Finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset which are capitalised as part of the related assets.

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

(l) Income tax

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

i **Current tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates statutorily enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Notes to the financial statements

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

ii **Deferred tax**

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

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

(m) Earnings per share (EPS)

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

(n) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed regularly by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.
Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(o) Statement of cash flows

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

(p) Government grants

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

Notes to the financial statements

(q) Joint arrangement

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

(r) Share capital

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

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

Effective for the financial year commencing 1 January 2018
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 9 *Financial Instruments*
- *Classification and measurement of Share-based Payment Transactions (Amendments to IFRS 2)*
- *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)*
- IFRIC 22 *Foreign currency transactions and advance consideration*
- *Transfers of Investment Property (Amendments to IAS 40)*

- *Annual improvements to IFRSs 2014 - 2016 Cycle*

Effective for the financial year commencing 1 January 2019
- IFRS 16 *Leases*

Standard available for optional adoption
- *Sale or contribution of Assets between an investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28)

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

Classification and measurement of Share-based Payment Transactions (Amendments to IFRS 2), Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4), Recognition of deferred Tax Assets for Unrealised Losses (Amendments to IAS 12), Transfers of Investment Property (Amendments to IAS 40), Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4), *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28) are not applicable to the business of the entity and will therefore have no impact on future financial statements.

Notes to the financial statements

IFRS 15 Revenue from contracts with customers

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

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

The Company is yet to carry-out an assessment to determine the impact that the initial application of IFRS 15 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2018.

IFRS 9 Financial Instruments

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

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Company is yet to carry-out an assessment to determine the impact that the initial application of IFRS 9 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2018.

Disclosure Initiative (Amendments to IAS 7)

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This inlcudes providing a reconciliation between the opening and closing balances arising from financing activities.

IFRIC 22 Foreign currency transactions and advance consideration

The amendments provide guidance on the transaction date to be used in determining the exchange rate for translation of foreign currency transactions involving an advance payment or receipt.

The amendments clarifies that the transaction date is the date on which the Company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The interpretation applies when a Company:

• pays or receives consideration in a foreign currency; and

• recognises a non-monetary asset or liability – eg. non-refundable advance consideration – before recognising the related item.

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

Notes to the financial statements

IFRS 16 *Leasees*

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as operating leases or finance leases as required by IAS 17 and introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

a. assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and

b. depreciation of lease assets separately from interest on lease liabilities in the profit or loss.

For the lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company is yet to carry out an assessment to determine the impact that the initial application of IFRS 16 could have on its business; however, the Company will adopt the standard for the year ending 31 December 2019.

4(b) The following Standards and amendments to Standards applicable to the business of the entity and which became effective during the year do not have a significant impact on the Company's financial statements:

- *Disclosure Initiative (Amendments to IAS 1)*
- *Accounting for Acquisition of Interests in Joint Operations (Amendments to IFRS 11)*
- *Clarification of Acceptable Methods of Depreciation and Amortistion (Amendments to IAS 16 and IAS 38)*
- *Equity Method in Separate Financial Statements (Amendments to IAS 27)*
- *Annual Improvements to IFRSs 2012-2014 Cycle - various standards*
- *Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*

Notes to the financial statements

5	**Revenue**	**June 2017**	**June 2016**
		₦'000	**₦'000**
	Premium Motor Spirit (PMS)	33,997,423	44,999,191
	Aviation Turbine Kerosene (ATK)	5,588,263	3,259,430
	Automotive Gas Oil (AGO)	11,367,322	3,125,973
	Lubricants and greases	1,960,965	1,457,211
	Dual Purpose Kerosene (DPK)	9,566,462	935,220
	Liquidified Petroleum Gas (LPG)	-	-
		62,480,435	**53,777,025**

6	**Other income**	**June 2017**	**June 2016**
		₦'000	**₦'000**
	Rental and lease income (Note 6(a))	5,115	8,681
	Sundry income (Note 6(b))	22,788	482,103
	Gain on sale of property, plant & equipment	3,965	-
	Income on storage services	68,897	354,456
	Total	**100,765**	**845,240**

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

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

7(a)	**Expenses by nature**	**June 2017**	**June 2016**
		₦'000	**₦'000**
	Depreciation	760,022	785,657
	Amortization of intangible assets	7,082	1,024
	Changes in inventories of lubes, greases and refined products	57,919,144	48,439,649
	Rental of service stations, buildings and equipment	115,972	115,505
	Advertising expense	197,979	193,456
	Consultancy expense	200,098	156,458
	Maintenance expense	338,107	177,814
	Throughput expense	34,370	32,907
	Freight expense	192,050	477,518
	Management fees (Note 26 (c))	166,184	367,451
	Director's remuneration	1,250	1,250
	Employee benefit expense (Note 9 (b))	373,211	297,668
	Auditor's remuneration	20,760	15,000
	Impairment loss on employee and other receivables	-	-500
	Impairment loss/write back on trade receivables	-	0
	Write off of other receivables	(1,141)	-
	Write off of property, plant & equipment	-	-
	Local and international travel	81,811	88,289
	Office expenses and supplies	173,172	73,031
	Communication and postage	165,969	85,974
	Fines and penalties	6,218	2,449
	Insurance premium	82,108	64,780
	Contract labour	293,219	285,404
	Sponsorships and donations	19,841	8,446
	Licenses and Levies	31,990	34,581
	Utilities	16,053	22,843
	Subcriptions	3,795	2,449
	Board meetings and AGM expenses	54,196	22,297
	Security	26,011	21,859
	Other expenses	71,127	101,403
	Total cost of sales, selling and distribution and administrative	**61,350,598**	**51,874,662**

Notes to the financial statements

7(b) **Expenses by function**

	June 2017	June 2016
	₦'000	**₦'000**
Cost of sales	57,910,047	48,441,380
Selling and distribution expenses	706,705	785,794
Administrative expenses	2,733,846	2,647,488
	61,350,598	**51,874,662**

8 **Finance income and finance costs**

	June 2017	June 2016
	₦'000	**₦'000**
Finance income		
Interest income on short-term bank deposits	90,443	273,763
PPPRA reimbursement on interest and foreign exchange differential (a)	-	-
Interest income on loans to transporters (Note 14)	4,659	19,616
Total finance income	95,102	293,379
Finance cost		
Interest expense	203,527	72,054
Bank charges	37,670	42,789
Net foreign exchange loss/(Gain)	(50,124)	1,388,996
Total finance costs	191,073	1,503,839
Net finance costs	**95,971**	**1,210,460**

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

9 **Profit before income tax**

(a) Profit before income tax is stated after charging/(crediting):

	June 2017	June 2016
	₦'000	**₦'000**
Depreciation (Note 12)	760,022	785,657
Amortisation of intangible assets (Note 13)	7,082	1,024
Management fees (Note 26(c))	166,184	367,451
Director's remuneration (Note 9(b)(iv))	1,250	1,250
Employee benefit expense (Note 9(b)(i))	373,211	297,668
Auditor's remuneration	20,760	15,000
Gain on disposal of property, plant and equipment	(3,965)	-
Write off of property, plant and equipment	-	-
PPPRA reimbursement on interest and foreign exchange differential	-	-
Net foreign exchange loss (Note 8)	(50,124)	1,388,996

(b) Directors and employees

i Employee costs during the period comprise:

	June 2017	June 2016
	₦'000	**₦'000**
Salaries and wages	273,620	185,234
Other employee benefits	71,218	88,553
Employer's pension contribution	25,373	20,881
Other long term employee benefit charge	3,000	3,000
	373,211	297,668

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

Notes to the financial statements

	Number June 2017	June 2016
Administration	52	19
Technical and production	23	2
Operations and distribution	25	27
Sales and marketing	32	33
	132	81

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 ₦1,000,000 (excluding pension contributions) in the following ranges:

₦	₦	Number June 2017	June 2016
2,000,001	3,000,000	3	7
3,000,001	4,000,000	45	39
4,000,001	5,000,000	54	8
5,000,001	6,000,000	9	9
6,000,001	7,000,000	5	9
7,000,001	8,000,000	6	5
8,000,001	9,000,000	3	-
9,000,001	10,000,000	4	-
Above	10,000,000	3	4
		132	81

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

	June 2017	June 2016
	₦'000	**₦'000**
Fees	1,000	1,000
Other emoluments	250	250
	1,250	1,250

The directors' remuneration shown above includes:

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

Other directors received emoluments in the following ranges:

₦	₦	Number June 2017	June 2016
Nil		2	2
1,000,001	2,000,000	1	1
2,000,001	3,000,000	1	1

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

(a) **Basic EPS**

Basic earnings per share of ₦2.77 (June 2016: ₦3.58) is based on profit attributable to ordinary shareholders of ₦703,471,000 (June 2016: ₦909,746,000) and on the 253,988,672 ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the Period (June 2016: 253,988,672).

	June 2017	June 2016
Profit for the period attributable to shareholders (expressed in Naira)	703,471,000	909,746,000
Weighted average number of ordinary shares in issue	253,988,672	253,988,672
Basic earnings per share (expressed in Naira per share)	2.77	3.58

Notes to the financial statements

(b) **Diluted Earnings per share**

The Company had no dilutive ordinary shares to be accounted for in these financial statements. Consequently, diluted and basic earnings per share are the same.

11 **Income taxes**

Income tax expense

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

(a) **Amounts recognized in profit or loss**

	June 2017	June 2016
	₦'000	**₦'000**
Current tax expense:		
Income tax	408,467	596,654
Tertiary education tax	22,693	30,743
Capital gains tax	-	-
Prior year under-provision	-	-
	431,160	**627,397**
Deferred tax expense:		
Origination and reversal of temporary differences	-	-
Tax expense on operations	**431,160**	**627,397**

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

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

	%	June 2017	%	June 2016
Profit before income tax		1,134,631		1,537,143
Income tax using the statutory tax rate	36	408,467	39	596,654
Effect of:				
Impact of capital gains tax	-	-		-
Impact of tertiary education tax	2	22,693	2	30,743
Effect of tax incentives	-	-	-	-
Non deductible expenses	-	-	-	-
Tax exempt income	-	-	-	-
Changes in estimates related to prior years	-	-	-	-
Prior year under-provision	-	-	-	-
Other differences	-	-	-	-
Total income tax expense in income statement	38	431,160	41	627,397

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

	June 2017	June 2016
	₦'000	**₦'000**
Balance at beginning of the period	1,208,500	991,830
Payments during the period	(356,637)	(701,883)
Net provision for the period	431,160	1,016,638
Withholding tax credit notes utilized	(24,626)	(98,085)
	1,258,397	**1,208,500**

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

Notes to the financial statements

(d) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Property, plant and equipment	-	-	(5,188,135)	(5,188,135)	(5,188,135)	(5,188,135)
Employee benefits	4,445	4,445	-	-	4,445	4,445
Impairment loss	131,269	131,269	-	-	131,269	131,269
Inventories	19,382	19,382	-	-	19,382	19,382
Net unrealised exchange difference	-	-	(83,865)	-	(83,865.00)	(83,865)
	155,096	155,096	(5,272,000)	(5,188,135)	(5,116,904)	(5,116,904)

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

(e) Movement in temporary differences during the period

	Balance 1-Jan-16	Recognized in profit or loss	Balance 31-Dec-16	Recognized in profit or loss	Balance 30-Jun-17
	₦'000	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Property, plant and equipment	(5,494,533)	306,398.00	(5,188,135)	-	(5,188,135)
Employee benefits	3,785	660.00	4,445	-	4,445
Impairment loss	137,106	(5,837.00)	131,269	-	131,269
Inventories	8,800	10,582.00	19,382	-	19,382
Net unrealised exchange difference	32,743	(116,608.00)	(83,865)	-	(83,865)
	(5,312,099)	195,195	(5,116,904)	-	(5,116,904)

Notes to the financial statements

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 as at 1 January 2016	8460233	6,108,018	10,770,226	1,913,021	864,556	210,101	79,828	28,405,983
Additions	605,509	11,420	217,615	68,195	17,558	8,735	44,400	973,432
Transfers	-	(21,827)	(79,017)	(142,322)	(2,148)	(1,095)	-	(246,409)
Disposal		-	(124,000)	(808,772)	(1,608)	(3,805)	-	(938,185)
Balance as at 31 December 2016	**9,065,742**	**6,097,611**	**10,784,824**	**1,030,122**	**878,358**	**213,936**	**124,228**	**28,194,821**
Cost								
Balance at 1 January 2017	9,065,742	6,097,611	10,784,824	1,030,122	878,358	213,936	124,228	28,194,821
Additions	29,023.00	57,924	33,587	187,659	43,402	4,276	14,163	370,034
Write off	-	-			-	-	-	-
Disposal	-	-	(672)	(13,780)			-	(14,452)
Balance as at 30 June 2017	**9,094,765**	**6,155,535**	**10,817,739**	**1,204,001**	**921,760**	**218,212**	**138,391**	**28,550,403**
Accumulated depreciation and impairment								
Balance as at 1 January 2016	439,808	1,650,503	4,831,360	1,506,204	743,354	181,049	-	9,352,278
Charge for the period	86,476	232,441	1,033,403	102,581	32,757	10,776	-	1,498,434
Write off		(7,678)	(46,211)	(135,206)	(2,041)	(679)	-	(191,815)
Disposal		-	(55,741)	(805,587)	(1,527)	(3,675)	-	(866,530)
Balance as at 31 December 2016	**526,284**	**1,875,266**	**5,762,811**	**667,992**	**772,543**	**187,471**	**-**	**9,792,367**
Accumulated depreciation and impairment								
Balance as at 1 January 2017	526,284	1,875,266	5,762,811	667,992	772,543	187,471	-	9,792,367
Charge for the period	-	122,725	553,633	59,509	21,109	3,046	-	760,022
Write off	-	-	-	-	-	-		-
Disposal	-	-	(628)	(12,883)	-	-	-	(13,511)
Balance as at 30 June 2017	**526,284**	**1,997,991**	**6,315,816**	**714,618**	**793,652**	**190,517**	**-**	**10,538,878**
Carrying amounts								
Balance as at 30 June 2017	**8,568,481**	**4,157,544**	**4,501,923**	**489,383**	**128,108**	**27,695**	**138,391**	**18,011,525**
Balance as at 31 December 2016	**8,539,458**	**4,222,345**	**5,022,013**	**362,130**	**105,815**	**26,465**	**124,228**	**18,402,454**

Notes to the financial statements

(b) **Impairment assessment**

The carrying amount of the Company's net assets exceeded its market capitalization as at 2016 year end. As a result of this, management carried out an impairment test. Based on results of the test, the recoverable amount of the Company's cash generating units (CGU) are higher than the carrying amount i.e fair value less costs of disposal exceeds the carrying amount hence none of the company's assets were impaired. No further impairment test has been carried out as at the end of the period June 2017.

(d) **Capital commitments**

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

	June 2017	December 2016
	₦'000	**₦'000**
Capital commitments	775,075	393,423

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:

	June 2017	December 2016
	₦'000	**₦'000**
Cost		
Balance as at 1 January	276,683	234,088
Additions	-	42,595
Balance as at 30 June	276,683	276,683
Accumulated amortisation		
Balance as at 1 January	246,763	232,944
Charge for the period (Note 7(a))	7,082	13,819
Balance as at 30 June	253,845	246,763
Carrying amount	**22,838**	**29,920**

14 **Loans and receivables**

	June 2017	December 2016
	₦'000	**₦'000**
Balance as at 1 January	445,193	606,985
Insurance	44,050	54,448
Interest accrued (Note 14(a))	4,659.00	26,095
Principal and interests repayments received during the period	(136,800)	(180,755)
Impairment on Truck lease (Note 14(b))	-	(61,580)
Balance as at 30 June	**357,102**	**445,193**

(a) Interest income earned with respect to these loans was ₦4.66 million (Dec. 2016: ₦26.10 million) and has been included as part of finance income in profit or loss (Note 8). During the period, there were no additional cost incurred.

Notes to the financial statements

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

	June 2017	December 2016
	₦'000	₦'000
Balance as at 1 January	61,580	-
Impairment loss recognised	-	61,580
Balance as at 30 June	61,580	61,580

The Company, entered into an arrangement with some of its transporters to provide tankers to them. The transporters are to repay the Company the cost of the tankers plus an interest of 17% per annum. The transporters were expected to repay their obligations to the Company from freight costs charged to the Company for services rendered. The repayment periods range from 12 to 24 months. The transporters made a 20% contribution at the commencement of the arrangement. The outstanding balance on the receivable from the transporters are secured by the Company's retention of title to the tankers. Legal title will only be passed to the transporters once they have settled the outstanding balance.
In addition, in 2015, the arrangement was revised and the interest on outstanding payments was increased to 20% per annum and the tenor was extended for another 12 months and the insurance payments on the trucks for the current period was included as part of the new principal amount. The Company did not record any impairment during the period. (Dec. 2016: ₦61.58 million) in respect of certain transporters whose recoverables are doubtful of recovery. On the basis of retention of title as well as historical payment behaviours of the respective transporters (including continuing business as of date, repayments during the year and adequate insurance cover on the tankers), the Company believes that the outstanding balances are recoverable.

15 **Trade and other receivables**

	June 2017	December 2016
	₦'000	₦'000
Trade receivables (Note 15(a))	5,916,685	5,295,575
Petroleum Equalisation Fund (PEF)	4,509,004	2,972,340
Petroleum Support Fund (PSF) (Note 15(b)	16,142,156	12,229,750
Loans to employees	58,125	35,466
Due from joint operation partners	39,596	30,670
Receivables from registrar	70,812	70,812
Receivables from related parties	20,396,313	20,035,831
Advances paid to suppliers	434,330	2,713,092
Other debtors	145,077	209,264
	47,712,098	43,592,800
Less: non-current portion	(347,922)	(347,922)
Current portion	**47,364,176**	**43,244,878**

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

(a) Trade receivables	June 2017	December 2016
	₦'000	₦'000
Gross trade receivables	6,497,758	5,876,648
Impairment	(581,073)	(581,073)
Net trade receivables	**5,916,685**	**5,295,575**

Notes to the financial statements

(b) Included in the Petroleum Support Fund is an amount of ₦14.52 billion (Dec. 2016: ₦10.98 billion) receivable from Petroleum Products Pricing Regulatory Agency (PPPRA) with respect to interest on delayed payments and foreign exchange differences between the rate used by the PPPRA in pricing Premium Motor Spirit (PMS) and the foreign exchange rate used by the Company. The directors believe this amount to be fully recovereable considering historical payment patterns of such receivables and based on their interactions with the PPPRA. Accordingly, no impairment has been recognised on this amount. The related liability is included in short term borrowings (See Note 24(a)).

The Company's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in Note 25 (a)

16 **Witholding tax receivables**

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

	June 2017	December 2016
	₦'000	₦'000
Balance at 1 January	68,288	32,348
Additions	9,921	134,025
Withholding tax credit note utilised	(24,626)	(98,085)
Balance at 30 June	53,583	68,288

17 **Inventories**

	June 2017	December 2016
	₦'000	₦'000
Premium Motor Spirit (PMS)	1,400,768	2,780,005
Lubricants and greases	2,282,958	1,898,422
Aviation Turbine Kerosene (ATK)	2,011,623	1,863,232
Automotive Gas Oil (AGO)	34,561	71,301
Dual Purpose Kerosene (DPK)	323,485	261,669
Packaging materials and other sundry items	130,721	129,544
Goods in Transit	-	-
	6,184,116	**7,004,173**

Inventory amounting to ₦315.99 million (Dec. 2016 : ₦315.99 million) was held in a facility owned by MRS Oil and Gas Limited, a related party (Note 26).

The value of changes in products, packaging materials and work-in-progress included in cost of sales amounted to ₦57.92 billion (June 2016: ₦48.44 billion).

	June 2017	December 2016
	₦'000	₦'000
Gross inventory	6,262,321	7,082,378
Impairment	(78,205)	(78,205)
Net inventory	**6,184,116**	**7,004,173**

18 **Cash and cash equivalents**

	June 2017	December 2016
	₦'000	₦'000
Cash at bank and on hand	912,219	2,059,224
Short term deposits with banks	300,503	8,851,560
Cash and cash equivalents in the statement of financial position	**1,212,722**	**10,910,784**
Bank overdrafts used for cash management purposes (Note 24)	(3,281,730)	-
Cash and cash equivalents in the statement of cash flows	**(2,069,008)**	**10,910,784**

Notes to the financial statements

19 Share capital

	June 2017	December 2016
Authorised:	**₦'000**	**₦'000**
271,657,230 Ordinary shares of 50k each	135,829	135,829
Issued and fully paid:		
253,988,672 Ordinary shares of 50k each	126,994	126,994
Issued and fully allotted:		
253,988,672 Ordinary shares of 50k each	126,994	126,994

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

20 Employee benefit obligations

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

	June 2017	December 2016
	₦'000	**₦'000**
Year end obligations for:		
Other long term employee benefits	16,891	13,891
Total employee benefit liabilities	16,891	13,891

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

	June 2017	December 2016
	₦'000	**₦'000**
Balance as at 1 January	13,891	12,618
Provision for the period :		
Current service cost	3,000	4,582
Interest cost	-	1,418
Discontinued benefits due to contract change	-	-
Remeasurement gains (net)	-	(3,176)
Benefits paid by the employer	-	(1,551)
Balance as at 30 June	16,891	13,891

21 Security deposits

	June 2017	December 2016
	₦'000	**₦'000**
Security deposits	1,954,111	1,766,967

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

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

Notes to the financial statements

22 **Dividends**

(a) Declared dividends

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

	June 2017	December 2016
	₦'000	**₦'000**
xx kobo per qualifying ordinary share (Dec. 2016: ₦1.10 kobo)	-	279,388

	June 2017	December 2016
	₦'000	**₦'000**
xx kobo per qualifying ordinary share (2015: 173 kobo)	-	439,772

Dividend payable

	June 2017	December 2016
	₦'000	**₦'000**
Balance as at 1 January	411,318	399,889
Declared dividend	-	279,388
Payments	(1,022)	(267,959)
Unclaimed dividend written back to retained earnings (see 22(i) below)	-	-
Balance as at 30 June	410,296	411,318

(i) Unclaimed dividends transferred to retained earnings represents dividends which have remained unclaimed for over twelve (12) years and are therefore no longer recoverable or actionable by the shareholders in accordance with Section 385 of the Companies and Allied Matters Act, Cap. C20, Laws of the Federal Republic of Nigeria, 2004.

(ii) As at 30 June 2017, dividend payable held by the Company amounted to ₦410.30 million (Dec. 2016: ₦340.51 million). The balance of ₦70.81 million (Dec. 2016: ₦70.81 million) are held with the Company's registrar, CardinalStone (Registrars) Limited.

23 **Trade and other payables**

	June 2017	December 2016
	₦'000	**₦'000**
Trade payables	9,090,546	8,303,391
Accrued expenses	554,861	602,618
Amounts due to joint arrangement partners	260,042	134,381
Advances received from customers	921,679	644,551
Bridging allowance	3,364,593	4,023,064
Amounts due to related parties	19,187,553	18,029,888
Pension payable (Note 23(a))	903	9,903
Statutory deductions (Note 23(b))	346,460	409,042
	33,726,637	**32,156,838**

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

	June 2017	December 2016
	₦'000	**₦'000**
Balance as at 1 January	9,903	752
Contributions during the Period	45,683	73,736
Payments during the period	(54,683)	(64,585)
Balance as at 30 June	**903**	**9,903**

Notes to the financial statements

(b) This represents statutory deductions which are mandated by law or statute. They include Value Added Tax (VAT) and Withholding Tax (WHT) liabilities and Pay As You Earn (PAYE) liabilities, which are to be remitted to the relevant tax authorities.

24 **Short term borrowings**

	June 2017	December 2016
	₦'000	₦'000
Bank overdraft (Note 18 and Note 24(a))	3,281,730	-
Bank borrowings (Import Finance and Short term Facilities)	6,006,407	18,526,556
Total Borrowings	**9,288,137**	**18,526,556**

(a) Interest rates on these overdraft ranged between 19% to 23.5% per annum (Dec. 2016: 18% to 20%). Where the fixed deposit held is in excess of the overdraft, interest income is earned. There is no right of set-off between the overdraft and the deposits held. The net interest expense incurred in the period relating to overdrafts and short term borrowings amounted to ₦203.53 million (Dec 2016: ₦315.70 million).

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

(c) Reconciliation of short term borrowings received to statement of cashflows is as follows:

	June 2017	December 2016
	₦'000	₦'000
Changes in borrowings	-	2,126,090
Repayments	12,520,149	28,099,488
Exchange loss on borrowings	-	(10,172,195)
	12,520,149	20,053,383

25 **Financial Risk Management & Financial Instruments**

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

Notes to the financial statements

The Company’s Audit Committee oversees how management monitors compliance with the Company’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Internal Audit undertakes both regular and ad hoc reviews of compliance with established controls and procedures, the results of which are reported to Senior Management of the Company and the audit committee.

(a) Credit risk

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

Trade and other receivables

Management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis by an established credit committee headed by the Managing Director. Under the credit policies all customers requiring credit above a certain amount are reviewed and new customers analysed individually for creditworthiness before the Company’s standard payment and delivery terms and conditions are offered. The Company’s credit assessment process includes collecting cash deposits from customers. These deposits are non interest bearing and refundable, net of any outstanding amounts (if any) upon termination of the business relationship and are classified as current liability (Note 21). Credit limits are established for qualifying customers and these limits are reviewed regularly by the Credit Committee. Customers that fail to meet the Company’s benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Credit Committee reviews each customer’s credit limit in line with the customers’ performance, feedback from sales team and perceived risk factor assigned to the customer.

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

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

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

		June 2017	December 2016
		₦’000	**₦’000**
Trade receivables			
-	Major customers	5,836,138	3,735,012
-	Others	661,620	2,141,636
-	Impairment	(581,073)	(581,073)
		5,916,685	5,295,575
-	Due from related parties	20,396,313	20,035,831
-	Due from regulators (Government entities)	20,651,160	15,202,090
-	Others*	313,610	346,212
		47,277,768	**40,879,708**

* Excludes advances paid to suppliers and withholding tax receivables

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

Notes to the financial statements

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

	June 2017	December 2016
	₦'000	**₦'000**
Neither past due nor impaired	3,388,592	3,161,741
Past due 0-30 days	44,896	838,520
Past due 31-90 days	599,990	18,924
Past due 91 days and above	1,883,207	1,276,390
	5,916,685	**5,295,574**

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

	June 2017	December 2016
	₦'000	**₦'000**
Balance as at 1 January	581,073	423,154
Impairment loss recognised	-	342,609
Bad debt written-off	-	-
Reversal of impairment losses	-	(184,690)
Balance as at 30 June	**581,073**	**581,073**

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 cashflows and the timing of those cashflows. Based on the assessment of the Directors, these trade and other receivables are fully recoverable and accordingly no impairment has been recorded.

Due from Government entities

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

Determination of amounts due are based on existing regulations/ guidelines and impairment is only recognized when changes occur in the regulations/ guidelines that prohibit or limit recovery of previously recognized amounts. For bridging claims amounting to ₦4.51 billion recognized as receivable (Note 15), possibilities exist depending on negotiations that settlement will occur via a set off to the extent of bridging allowances amounting to ₦3.36 billion recorded as a liability (Note 23). However, as the right of set off does not exist, the amounts have been presented gross in these financial statements.

Due from related parties

The Company has transactions with its parent and other related parties who are related to the Company by virtue of being members of the MRS Group. Payment terms are usually not established for transactions within the Group companies and amounts receivable from members of the Group are not impaired except the member is facing bankruptcy. In the directors view, all amounts are collectible. No impairment was recorded with respect to amounts due from related parties in the current period (Dec 2016: Nil).

Other receivables

Other receivables includes staff debtors and other sundry receivables. The Company reviews the balances due from this category on a periodic basis taking into consideration functions such as continued business/employment relationship and ability to offset amounts against transactions due to these parties. Where such does not exist, the amounts are impaired. There were no Impairment loss recognised in this category during the period. (Dec 2016: Nil).

Loans and receivables

Loans receivable comprise amounts loaned to some of the Company's transporters. See Note 14. All the transporters still carry out business with the Company as at the period end and the balances due as at year end are secured with title to the trucks that were financed.

Notes to the financial statements

Cash and cash equivalents

The Company held cash and cash equivalents of ₦1.21 billion as at 30 June 2017 (Dec 2016: ₦10.91 billion), which represents its maximum credit exposure on these assets.

(b) Liquidity risk

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

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

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

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

	Notes	Carrying amount	Contractual cash flows	6 months or less
		₦'000	**₦'000**	**₦'000**
Non-derivative financial liabilities				
30 June 2017				
Overdraft and other short-term borrowings	24	9,288,137	9,288,137	9,288,137
Dividend payable	22	410,296	410,296	410,296
Trade and other payables*	23	32,458,498	32,458,498	32,458,498
Security deposits	21	1,954,111	1,954,111	1,954,111
		44,111,042	**44,111,042**	**44,111,042**
31 December 2016				
Overdraft and other short-term borrowings	24	18,526,556	18,526,556	18,526,556
Dividend payable	22	411,318	411,318	411,318
Trade and other payables*	23	31,103,245	31,103,245	31,103,245
Security deposits	21	1,766,967	1,766,967	1,766,967
		51,808,086	**51,808,086**	**51,808,086**

* Excludes advances received from customers and tax liabilities

Market risk

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

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

Notes to the financial statements

Currency risk

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

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

The following significant exchange rates were applied during the period

	Average rate		Reporting date spot rate	
	June 2017	**Dec. 2016**	**June 2017**	**Dec. 2016**
	₦	**₦**	**₦**	**₦**
US Dollar	305.21	252.69	305.40	304.50

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	
	June 2017	**December 2016**
	₦'000	**₦'000**
Fixed rate instruments		
Bank overdraft and borrowings	9,288,137	18,526,556

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

(c) **Capital risk management**

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

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

	June 2017	**December 2016**
	₦'000	**₦'000**
Total borrowings (Note 24)	9,288,137	18,526,556
Less: Cash and cash equivalents (Note 18)	(1,212,722)	(10,910,784)
Adjusted net debt	8,075,415	7,615,772
Total equity	22,867,312	22,163,841
Total capital employed	30,942,727	29,779,613
Adjusted net debt to equity ratio	0.35	0.34

Notes to the financial statements

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

The Company is not subject to externally imposed capital requirements.

(d) **Fair values**

Fair values versus carrying amounts

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

The Company's financial instruments are categorised as follows:

	Carrying amount		
	Loans and receivables	**Other financial liabilities**	**Total**
30 June 2017	**₦'000**	**₦'000**	**₦'000**
Financial assets not measured at fair value			
Trade and other receivables	47,277,768	-	47,277,768
Loans and receivables	357,102	-	357,102
Cash and cash equivalents	1,212,722	-	1,212,722
	48,847,592	-	48,847,592
Financial liabilities not measured at fair value			
Short term borrowings	-	9,288,137	9,288,137
Trade and other payables	-	32,458,498	32,458,498
Security deposits	-	1,954,111	1,954,111
Dividend payable	-	410,296	410,296
	-	44,111,042	44,111,042

	Carrying amount		
	Loans and receivables	**Other financial liabilities**	**Total**
31 December 2016	**₦'000**	**₦'000**	**₦'000**
Financial assets not measured at fair value			
Trade and other receivables	40,879,708	-	40,879,708
Loans and receivables	445,193	-	445,193
Cash and cash equivalents	10,910,784	-	10,910,784
	52,235,685	-	52,235,685
Financial liabilities not measured at fair value			
Short term borrowings	-	18,526,556	18,526,556
Trade and other payables	-	31,103,245	31,103,245
Security deposits	-	1,766,967	1,766,967
Dividend payable	-	422,746	422,746
	-	51,819,514	51,819,514

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.

Notes to the financial statements

26 **Related party transactions**

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

As at the year ended 30 June 2017, 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 company of MRS Holdings Limited which is a shareholder in Corlay Global SA. Corlay Global SA is the ultimate holding company of MRS Oil Nigeria Plc. The following transactions occurred during the year:

Nature of transactions	**June 2017**	**December 2016**
	₦'000	**₦'000**
Sales of goods	-	18,464,238
Staff Secondment	(122,784)	(219,723)
Other services	-	-
Reimbursements for expenses	-	-
Purchase of goods	(624,022)	-

The value of products stored by MRS Oil and Gas Limited for the Company amounting to ₦315.99 million (Dec 2016: ₦315.99 million).

Net balance due from MRS Oil and Gas Limited was ₦5.62 billion (Dec. 2016: ₦6.23 billion).

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

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

	June 2017	**December 2016**
Nature of transactions	**₦'000**	**₦'000**
Purchase of goods	-	(17,140,228)
Goods in transit	-	-

Net balance due to Petrowest was ₦4.36 billion (Dec. 2016: ₦4.15 billion)

(c) **MRS Holdings Limited**

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

	June 2017	**December 2016**
Nature of transactions	**₦'000**	**₦'000**
Management fees	(166,184)	(275,500)
Sale of goods	82,527	111,607
Shared services	-	32,567

Net balance due to MRS Holdings Limited was ₦1.33 million (Dec. 2016: ₦27.52 million)

Notes to the financial statements

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

	June 2017	December 2016
	₦'000	**₦'000**
MRS Benin	42,158	41,941
Corlay Togo	(8,473)	(3,921)
Corlay Benin	2,962	344
Corlay Cote D'Ivoire	(86,199)	(86,164)
Corlay Cameroun	(941)	3,770
Others	-	-
Total	(50,493)	(44,030)

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

All outstanding balances do not bear interest and exclude value of products stored by MRS Oil and Gas Limited for the Company amounting to ₦315.99 million (Dec. 2016: ₦315.99 million).

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

	June 2017		December 2016	
	Receivables	**Payables**	**Receivables**	**Payables**
	₦'000	**₦'000**	**₦'000**	**₦'000**
MRS Oil and Gas Limited (MOG)	17,689,660	(12,069,743)	17,566,746	(11,338,953)
MRS Holdings Limited	2,661,533	(2,662,860)	2,423,030	(2,450,551)
Petrowest	-	(4,359,337)	-	(4,150,300)
MRS Benin	42,158	-	41,941	-
Corlay Togo	-	(8,473)	-	(3,921)
Corlay Benin	2,962		344	-
Corlay Cote D'Ivoire	-	(86,199)	-	(86,164)
Corlay Cameroun	-	(941)	3,770	-
Other	-	-	-	-
	20,396,313	(19,187,553)	20,035,830	(18,029,888)

(ii) **Key management personnel compensation**

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

	June 2017	December 2016
	₦'000	**₦'000**
Short term employee benefits	1,250	1,928

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

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

In line with Nigerian Stock Exchange - Rules Governing Transactions with Related Parties or Interested Persons, the Company has disclosed transactions with related parties which are individually or in aggregate greater than 5% of the total tangible assets. The total tangible assets amounted to N18.01 billion and the 5% disclosure limit is N900.58million. During the period, the Company has not entered into transactions above the 5% disclosure limit .However, below is the summary of transaction with the following related parties:

Notes to the financial statements

	June 2017	December 2016
	₦'000	₦'000
MRS Oil and Gas Limited (See Note 26(a) above)	(746,806)	18,244,515
Petrowest SA (See Note 26(b) above)	-	(17,140,228)
MRS Holdings Limited (See note 26 (c) above	(83,657)	(131,326)

27 **Segment reporting**

In accordance with the provisions of IFRS 8 – Operating Segments, the operating segments used to present segment information were identified on the basis of internal reports used by the Company's Board of Directors to allocate resources to the segments and assess their performance. The Managing Director is MRS Oil Nigeria Plc's "Chief operating decision maker" within the meaning of IFRS 8.

Segment information is provided on the basis of product segments as the Company manages its business through three product lines - Retail/Commercial & Industrial, Aviation, and Lubricants. The business segments presented reflect the management structure of the Company and the way in which the Company's management reviews business performance. The accounting policies of the reportable segments are the same as described in Note 3.

The Company has identified three operating segments:

(i) **Retail/ Commercial & Industrial** - this segment is responsible for the sale and distribution of petroleum products (refined products) to retail customers and industrial customers.

(ii) **Aviation** - this segment involves the sale of Aviation Turbine Kerosene (ATK).

(iii) **Lubricants** - this segment manufactures and sells lubricants and greases.

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

Segment revenue and cost of sales

	Revenue		Cost of sales		Gross profit	
June 2017	₦'000	% of Total	₦'000	% of Total	₦'000	% of Total
Retail/C&I	54,931,207	88	51,796,783	89	3,134,424	69
Aviation	5,588,263	9	5,053,834	9	534,429	12
Lubes	1,960,965	3	1,059,430	2	901,535	20
Total	**62,480,435**	**100**	**57,910,047**	**100**	**4,570,388**	**100**

	Revenue		Cost of sales		Gross profit	
June 2016	₦'000	% of Total	₦'000	% of Total	₦'000	% of Total
Retail/C&I	49,060,384	91	44,680,277	92	4,380,107	82
Aviation	3,259,430	6	2,739,431	6	519,999	10
Lubes	1,457,211	3	1,021,672	2	435,539	8
Total	**53,777,025**	**100**	**48,441,380**	**100**	**5,335,645**	**100**

28 **Subsequent events**

There are no significant subsequent events that could have had a material effect on the financial position of the Company as at 30 June 2017 and on the profit for the period ended on that date that have not been taken into account in these financial statements.

Notes to the financial statements

29 **Contingencies**

(a) *Pending litigations and claims*

There are certain lawsuits and claims pending against the Company in various courts of law which are being handled by external legal counsels. The total claims in respect of pending litigations amounted to ₦19 billion as at 30 June 2017 (Dec. 2016: ₦19 billion). In the opinion of the directors and based on independent legal advice, the Company's liabilities are not likely to be material, thus no provision has been made in these financial statements.

(b) *Financial commitments*

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

30 **Prepayments**

	June 2017	**December 2016**
	₦'000	**₦'000**
Operating leases	801,275	698,114
Other prepayments	283,426	213,089
	1,084,701	911,203

The Company leases a number of offices, buses, warehouses and service stations under both cancellable and non-cancellable leases. During the period, an amount of ₦115.97 million (Dec. 2016: ₦223.84 million) was recognized as an expense in profit or loss in respect of operating leases. Lease rentals are paid upfront and included in prepayments (current and non-current), which are amortised to profit or loss over the life of the lease except for leases for buses that are paid in arrears on a monthly basis.

	June 2017	**December 2016**
	₦'000	**₦'000**
Non-current portion	687,773	578,073
Current portion	396,928	333,130
	1,084,701	911,203

	June 2017	**December 2016**
	₦'000	**₦'000**
Opening balance	911,203	643,494
Addition	419,279	706,747
Release to P&L	(245,781)	(439,038)
Closing balance	1,084,701	911,203

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

We the undersigned hereby certify the following with regards to our Financial Statements for the period ended June 30, 2017 that:

(a) We have reviewed the report;

(b) To the best of our knowledge, the report does not contain:
(i) Any untrue statement of a material fact, or

(ii) Omit to state a material fact, which would make the statements, misleading in the light of the circumstances under which such statements were made;

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

(d) We:

(i) Are responsible for establishing and maintaining internal controls.

(ii) Have designed such internal controls to ensure that material information relating to the Company, particularly during the period in which the periodic reports are being prepared;

(e) We have disclosed to the auditors of the company and the audit committee:

(i) Any fraud, whether or not material, that involves management or other employees who have significant roles in the Company's internal controls;"

Managing Director **Chief Financial Officer**

Director

July 31, 2017.