



**MRS Oil Nigeria Plc**  
**2021 1st Quarter Financial Statements**

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## Corporate information

RC 6442

<b>Board of directors</b>	Mr. Patrice Alberti Mr. Marco Storari Ms. Amina Maina Mr. Matthew Akinlade Sir. Sunday Nnamdi Nwosu Chief Sir Amobi Daniel Nwokafor Mrs Priscilla Ogwemoh	Chairman Managing Director (Ag.) Non Executive Director Independent Director Non Executive Director Non Executive Director Non Executive Director
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**Registered office** 2, Tincan Island  
Apapa  
Lagos

**Company secretary** Mrs. O.M. Jafojo  
2, Tincan Island  
Apapa  
Lagos

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

**Auditor** Deloitte & Touche  
Civic Tower  
Ozumba Mbadiwe Road  
Victoria Island  
Lagos

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

### Leadership team

<b>Marco Storari</b> Managing Director	<b>Stacey Obielu</b> Treasury Manager
<b>Oluwakemi M. Jafojo</b> Company Secretary	<b>Emmanuel Ogwuozor</b> Logistics Manager
<b>Samson Adejowo</b> Chief Finance Officer	<b>Nkem Fasanmi</b> Supply Manager
<b>Alex Tiamiyu</b> Sales and Marketing Manager	<b>Fortune Nwankwo</b> Engineering Manager
<b>Daniel Chukwuazawom</b> Chief Internal Auditor	<b>Dooyum Omokaro</b> Human Resources Manager
<b>Salami Muideen</b> Accounts Manager	<b>Olawale Badru</b> Legal Adviser
<b>Col. Adebisi Adesanya</b> Chief Security Officer	

**Statement of Directors' responsibilities in relation to the financial statements for the period ended 31 March 2021**

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

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

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

**SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:**



Signature

Mr Marco Storari (Managing Director)

Name

FRC/2020/003/00000022083

FRC

28 April 2021

Date



Signature

Mr. Emmanuel N. Okafor (Director)

Name

FRC/2013/ICAN/00000002770

FRC

28 April 2021

Date

**Statement of Financial Position  
as at 31st March 2021**

	Notes	31 March 2021	31 Dec. 2020
		₦'000	₦'000
<b>Assets</b>			
Property, plant and equipment	15	14,441,870	14,762,285
Right of use	31	1,040,740	1,071,483
Intangible assets	16	214	300
<b>Total non-current assets</b>		<b>15,482,824</b>	<b>15,834,068</b>
Inventories	21	2,901,887	3,831,314
Withholding tax receivables	20	56,356	56,356
Prepayments	29	161,184	111,085
Trade and other receivables	18	12,935,237	12,364,105
Cash and cash equivalents	22	5,514,075	4,462,166
<b>Total current assets</b>		<b>21,568,739</b>	<b>20,825,026</b>
<b>Total assets</b>		<b>37,051,564</b>	<b>36,659,094</b>
<b>Equity</b>			
Share capital	23	152,393	152,393
Retained earnings	23(b)	16,695,855	16,691,078
<b>Total equity</b>		<b>16,848,248</b>	<b>16,843,471</b>
<b>Liabilities</b>			
Employee benefit obligation	24	16,349	15,935
Provisions	30	54,260	52,581
Lease Liabilities	31	675,042	653,732
Deferred tax liabilities	14e)	221,048	221,048
<b>Total non-current liabilities</b>		<b>966,700</b>	<b>943,296</b>
Security deposits	25	1,547,348	1,693,582
Dividend payable	26	170,735	170,735
Trade and other payables	27	15,755,451	15,288,496
Short term borrowings	28	1,411,105	1,411,105
Provisions	30	46,139	46,139
Tax payable	14d)	305,841	262,270
<b>Total current liabilities</b>		<b>19,236,616</b>	<b>18,872,327</b>
<b>Total liabilities</b>		<b>20,203,316</b>	<b>19,815,623</b>
<b>Total equity and liabilities</b>		<b>37,051,564</b>	<b>36,659,094</b>

Approved by the Board of Directors on 20 April 2021 and signed on its behalf by:



)Mr Marco Storari (Managing Director)  
FRC/2020/003/00000022083



) Mr. Emmanuel N. Okafor (Director)  
FRC/2021/002/00000022583



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

The accompanying notes on pages 8 to 57 form an integral part of these financial statements.

**Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 31 March, 2021**

	Notes	Jan-Mar.2021	YTD March 2021	Jan-Mar.2020	YTD March 2020
		₦'000	₦'000	₦'000	₦'000
Revenues	5	17,349,397	17,349,397	18,076,795	18,076,795
Cost of sales	8	(16,425,673)	(16,425,673)	(17,051,236)	(17,051,236)
<b>Gross profit</b>		<b>923,725</b>	<b>923,725</b>	<b>1,025,559</b>	<b>1,025,559</b>
Other income	6	176,943	176,943	95,339	95,339
Administrative expenses	10	(965,349)	(965,349)	(1,583,930)	(1,583,930)
Selling and distribution expenses	9	(329,468)	(329,468)	(376,741)	(376,741)
Reversal of (Impairment loss) on financial assets	32a	(4,836)	(4,836)	(8,368)	(8,368)
<b>Operating loss</b>		<b>(198,985)</b>	<b>(198,985)</b>	<b>(848,141)</b>	<b>(848,141)</b>
Finance income	11	9,538	9,538	4,058	4,058
Finance costs	11	237,796	237,796	(121,277)	(121,277)
<b>Net finance costs</b>	<b>11</b>	<b>247,334</b>	<b>247,334</b>	<b>(117,218)</b>	<b>(117,218)</b>
<b>(Loss)/Profit before minimum tax and income tax</b>		<b>48,349</b>	<b>48,349</b>	<b>(965,360)</b>	<b>(965,360)</b>
Minimum tax	14	(43,571)	(43,571)	(90,348)	(90,348)
<b>(Loss)/Profit before income tax</b>		<b>4,778</b>	<b>4,778</b>	<b>(1,055,707)</b>	<b>(1,055,707)</b>
Income tax credit	14	-	-	-	-
<b>(Loss)/Profit for the period</b>		<b>4,778</b>	<b>4,778</b>	<b>(1,055,708)</b>	<b>(1,055,708)</b>
Other Comprehensive Income, net of income tax		-	-	-	-
<b>Total comprehensive income for the period/(Loss)</b>		<b>4,778</b>	<b>4,778</b>	<b>(1,055,708)</b>	<b>(1,055,708)</b>
<b>Loss per share</b>					
Basic and diluted loss per share (Naira)	13	0.02	0.02	(3.46)	(3.46)

The accompanying notes on pages 8 to 57 form an integral part of these financial statements.

**Statement of Changes in Equity  
for the year ended 31 March, 2021**

Notes	Share capital	Retained earnings	Total equity
	₦'000	₦'000	₦'000
<b>Balance as at 1 January 2020</b>	152,393	18,955,223	19,107,616
<b>Total comprehensive income:</b>			
Loss for the year	-	(2,264,145)	(2,264,145)
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(2,264,145)</b>	<b>(2,264,145)</b>
<b>Transactions with owners of the Company</b>			
Contributions and Distributions			
Write-back of statute barred dividend	-	-	-
<b>Total transactions with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as at 31 December 2020</b>	<b>152,393</b>	<b>16,691,078</b>	<b>16,843,471</b>

	Share capital	Retained earnings	Total equity
	₦'000	₦'000	₦'000
<b>Balance as at 1 January 2021</b>	152,393	16,691,078	16,843,471
<b>Total comprehensive income:</b>			
Profit/(Loss) for the period	-	4,778	4,778
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>4,778</b>	<b>4,778</b>
<b>Transactions with owners of the Company</b>			
Contributions and Distributions			
Write-back of statute barred dividend Note 26(d)			
<b>Total transactions with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as at 31 March 2021</b>	<b>152,393</b>	<b>16,695,855</b>	<b>16,848,248</b>

The accompanying notes on pages 8 to 57 form an integral part of these financial statements.

Statement of Cash Flows for the year end 31 March, 2021

	Notes	31 March 2021	YTD March 2020
		₦'000	₦'000
<b>Cash flows from operating activities:</b>			
(Loss) /Profit after tax		4,778	(1,055,708)
<b>Adjustments for:</b>			
Depreciation on PPE	15	118,959	401,809
Depreciation on Right of Use Assets	31	30,743	-
Amortisation of intangible assets	16	87	622
Finance income	11	(9,538)	(4,059)
Finance costs	11	(237,796)	378,291
(Gain)/Loss on sale of property, plant and equipment	10	(4,571)	-
Write off on Other Receivable-Dividend Receivable from Registrar	18(f)	-	-
Write off on Miscellaneous Receivable Retailers	18(f)	-	-
Provision for long-term service award	24(c)	414	1,376
(Reversal of)/Impairment loss on trade receivables	32	4,836	8,368
Minimum tax	14	43,571	-
Income tax (credit)/charge	14	-	90,348
		<b>(48,516)</b>	<b>(178,955)</b>
Changes in:			
- Inventories		929,428	2,761,445
- Trade, other receivables and prepayments		(299,232)	(653,047)
- Security deposits		(146,234)	(85,618)
- Promisory Notes		-	-
-Interest on loan capitalized		-	-
- Trade and other payables		739,290	(1,476,854)
<b>Cash generated from operating activities</b>		<b>1,174,736</b>	<b>366,971</b>
Income taxes paid	14d)	-	-
Withholding tax credit notes utilised	14d)	-	-
Long-term service award paid	24	-	(130)
Value added tax paid		-	-
<b>Net cash generated from operating activities</b>		<b>1,174,736</b>	<b>366,841</b>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of property, plant and equipment	15	8,835	-
Purchase of property, plant and equipment	15	(129,650)	(114,546)
Purchase of intangible assets	16	-	-
Amounts paid on behalf of transporters	17	-	-
Principal received on amounts advanced to transporters	17	-	-
Interest received	11	9,538	4,059
<b>Net cash used for investing activities</b>		<b>(111,278)</b>	<b>(110,487)</b>
<b>Cash flows from financing activities:</b>			
Additional (overdraft)/short term borrowings	25(c)	-	-
Short term borrowing repayment	25	-	-
Refund of Interest	25	-	-
Dividends paid	26	-	(8)
Interest paid	11	(11,550)	(58,923)
<b>Net cash used in financing activities</b>		<b>(11,550)</b>	<b>(58,931)</b>
<b>Net change in cash and cash equivalents</b>		<b>1,051,908</b>	<b>197,424</b>
Cash and cash equivalents at 1 January	19	4,462,166	1,052,880
Effect of movements in exchange rates on cash held		-	-
<b>Cash and cash equivalents at 30 December 2020</b>	22	<b>5,514,074</b>	<b>1,250,305</b>

The accompanying notes on pages 8 to 57 form an integral part of these financial statements.



## 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:

2, Tincan Road  
Lagos  
Nigeria

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

### 2 Basis of preparation

#### (a) Statement of compliance

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

The financial statements were authorised for issue by the Company's Board of Directors on 31 March 2021. Details of the Company's significant accounting policies are included in Note 3.

#### (b) Basis of measurement

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

#### (c) Composition of Financial statements

The financial statements Comprise:

- i Statement of profit or Loss and other comprehensive income
- ii Statement of Financial position
- iii Statement of changes in equity
- iv Statement of cash flows
- v Notes to the financial statements

#### (e) 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.

#### (f) Significant changes in the current reporting year

In 2020, oil prices and demand for oil products reduced significantly due to the global Coronavirus (COVID-19) pandemic and other geopolitical events around the world. These recent events will continue to have an impact on oil price volatility. The Company will continue to monitor the oil prices and take adequate steps to manage its business and any financial impact of same. However, the Company's operations are not affected by seasonality or cyclic

## Notes to the financial statements

### 2 Critical accounting judgement and key sources of estimating uncertainty 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the year in which the estimates are revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future year.

## Notes to the financial statements

### 2 Critical accounting judgement and key sources of estimating uncertainty ( cont'd) Judgements, assumptions and estimation uncertainties

Significant judgments have been made in applying accounting policies that would have significant effects on the amounts recognised in these financial statements. Information about judgements, assumptions and estimation uncertainties that have a risk of resulting in a material adjustment in the period ending 31 March 2021 are included in the notes below:

#### (i) Impairment assessment of cash generating unit

In year 2020, the Company assessed whether there are any indicators of impairment of its business because Company's carrying amount of the net assets exceeded its market capitalization by NGN12.76 billion. This triggered an impairment test which resulted in the Company performing a valuation to determine the recoverable amount of its cash generating unit (CGU). The Company has a single CGU, whose carrying amount is reflected in the net assets position of such receivables. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is higher of its fair value less costs of disposal and value-in-use. The Company has carried out a fair value less cost to sell valuation of their assets. Management has made an assessment of the amount that the Company could obtain at the end of the reporting period from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting cost of disposal. In determining this amount, the Company has considered the outcome of recent transactions for similar assets within the same industry.

#### (ii) Measurement of fair values

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

The Company has an established control framework with respect to the measurement of fair values. The Chief Finance Officer has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports to the Board of Directors through The Chief Finance Officer regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Chief Finance Officer assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Audit Committee and Board of Directors.

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

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

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

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

## Notes to the financial statements

### i **Recovery of deferred tax assets**

Judgement is required to determine which types of arrangements are considered to be tax on income in contrast to an operating cost. Judgement is also required in determining whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from un-utilised tax losses require management assessment of the likelihood that the Company will generate sufficient taxable earnings in future years in order to utilise recognised deferred tax assets.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by sales volume and production, global oil prices, operating costs and capital expenditure) and judgement about the application of existing tax laws.

To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted.

Future changes in tax laws could also limit the ability of the Company to obtain tax deductions in future years.

### (ii) **Revenue recognition**

In making its judgement, management considered the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular, whether the entity had transferred control of the goods to the customer. Following the detailed quantification of the entity's liability in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, the directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision for the rectification costs.

## Notes to the financial statements

### 2 **Critical accounting judgement and key sources of estimating uncertainty (cont'd)**

#### (iii) **Contingencies**

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

#### (iv) **Estimated useful lives and residual values of intangible assets and property, plant and equipment**

The Company's management determines the estimated useful lives and related depreciation charge for its items of property, plant and equipment on an annual basis. The Company has carried out a review of the residual values and useful lives of property, plant and equipment during the year and that has not highlighted any requirement for an adjustment to the residual lives and remaining useful lives of the assets for the current or future periods.

#### v) **Recoverability of financial assets**

The Company reviews all financial assets at least annually and when there is any indication that the asset might be impaired. Loss allowance for trade receivables is measured at an amount equal to twelve months ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has recognised a loss allowance of 100% against all receivables over 365 days past due, because historical experience has indicated that these receivables are generally not recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting year. The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, except where there is adequate security. None of the trade receivables that have been written off are subject to enforcement activities. Trade receivables are considered to be past due when they exceed the credit period granted.

#### (vi) **Provision for obsolete inventory**

The Company reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is any future saleability of the product and the net realizable value for such product. Accordingly, provision for impairment, if any, is made where the net realizable value is less than cost based on best estimates by the management.

## Notes to the financial statements

### Notes to the financial statements

#### 3 Significant accounting policies

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

##### (a) Foreign currency transactions

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

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

### Notes to the financial statements

#### 3 Significant accounting policies (cont'd)

##### (b) Financial instruments

###### (i) Recognition and initial measurement

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

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

###### (ii) Classification and subsequent measurement

###### Financial assets

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

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

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

###### Financial assets – Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether the directors' strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the directors
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

## Notes to the financial statements

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

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

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

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

## Notes to the financial statements

### 3 Significant accounting policies (cont’d)

#### (b) Financial instruments

##### (ii) Classification and subsequent measurement

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

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

### Financial assets at amortised cost

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

### Financial liabilities – Classification, subsequent measurement and gains and losses

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

#### (iii) Derecognition

##### Financial assets

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

##### Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

#### (iv) Offsetting

Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**Notes to the financial statements**

**(c) Property, plant and equipment**

**i Recognition and measurement**

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

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

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

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

**ii Subsequent expenditure**

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

**iii Depreciation**

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

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

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

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

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

## Notes to the financial statements

### (d) Intangible assets

#### (i) Recognition and measurement

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

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

#### (ii) Subsequent expenditure

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

#### (iii) Amortisation of intangible assets

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

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

### (e) Leases

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

#### Policy applicable from 1 January 2019

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

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

#### i As a lessee

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

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

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

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

## Notes to the financial statements

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

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

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

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

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

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

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

## ii. As a lessor

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

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

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

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

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

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

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

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

### Policy applicable before 1 January 2019

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

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.



**Notes to the financial statements**

**i As a lessee**

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

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

**ii. As a lessor**

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

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

**(f) Inventories**

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

The basis of costing inventories are as follows:

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

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

**(g) Impairment**

**i Non-derivative financial assets**

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

Objective evidence that financial assets maybe impaired includes

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

## Notes to the financial statements

### Non-derivative financial assets (cont'd)

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.

#### Non-financial assets

##### ii

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

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

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

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

##### (h) Employee benefits

##### i

#### Defined contribution plan

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

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

##### ii Defined benefit plan

The Company's net obligation in respect of defined benefit scheme was calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years and that benefit was discounted to determine its present value. In determining the liability for employee benefits under the defined benefit scheme, consideration was given to future increases in salary rates and the Company's experience with staff turnover.

The recognised liability was determined by an independent actuarial valuation every year using the projected unit credit method. Actuarial gains and losses arising from differences between the actual and expected outcome in the valuation of the obligation were recognised fully in Other Comprehensive Income. The effect of any curtailment is recognised in full in profit or loss immediately the curtailment occurs. The discount rate is the yield on Federal Government of Nigeria issued bonds that have maturity dates approximating the terms of the Company's obligation. Although the scheme was not funded, the Company ensured that adequate arrangements were in place to meet its obligations under the scheme

##### iii Other long-term employee benefits

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

## Notes to the financial statements

### 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, Contingent Liabilities and Assets

#### Provisions

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

#### Contingent liabilities

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

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

#### Contingent assets

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

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

### (j) Revenue

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

If it is probable that discounts will be granted and the amount could be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Revenue for regulated products is presented at the regulated price of the products (transaction price) net of standard transport cost directly recoverable from the prices of regulated products.

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

## Notes to the financial statements

### (k) Finance income and finance costs

The Company's finance income and finance costs include:

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

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. Finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the related assets. Finance costs that are directly attributable to the importation of Premium Motor Spirit (PMS) are classified as trade and other receivables.

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

### (l) Income tax

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

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

#### i Current tax

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

#### ii Deferred tax

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

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

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

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

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

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

#### iii Minimum tax

The Company is subject to the Companies Income Tax Act (CITA). Total amount of tax payable under CITA is determined based on the higher of two components namely, Company Income Tax (based on taxable income (or loss) for the year); and Minimum tax (determined as 0.25% of the qualifying company's turnover less franked investment income).

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognised in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as Minimum tax.

## Notes to the financial statements

**(m) Withholding tax receivables**

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

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

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

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

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

**(o) Segment reporting**

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

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

**(p) Statement of cash flows**

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

**(q) Government grants**

Petroleum Products Pricing Regulatory Agency (PPPRA) subsidies which compensate the Company for losses made on importation of certain refined petroleum products are recognised when there is reasonable assurance that they will be recovered and the Company has complied with the conditions attached to receiving the subsidy. The subsidies are recognised as a reduction to the landing cost of the subsidised petroleum product in profit or loss for the year in which the Company makes the determination that all conditions have been met and the amount will be recovered. Any deduction by the PPPRA or other government agencies on settlement of the recognised subsidy claims is written off to profit or loss as administrative expense.

**(r) Joint arrangement**

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

**(s) Share capital**

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

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

## Notes to the financial statements

**(t) Operating profit**

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

**(u) Dividend**

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

**(v) Operating expense**

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

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

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

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

**(w) Cost of sales**

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

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

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

**(x) Other income**

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

## Notes to the financial statements

### Notes to the financial statements

#### 4 New and amended IFRS standards

##### 4.1 New and amended IFRS standards that are effective for the current year

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2020, but do not have any material impact on the financial statements of the Company.

##### **Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7.**

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are not relevant to the Company given that it does not apply hedge accounting to its benchmark interest rate

##### **Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16**

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification

##### 4.1.1 New and amended IFRS standards that are effective for the current year (cont'd)

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rentconcession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) There is no substantive change to other terms and conditions of the lease.

These amendments had no impact on the financial statements of the Company, but may impact future periods should the Company have any rent concessions.

##### **Amendments to References to the Conceptual Framework in IFRS Standards**

The Company has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32

##### **Amendments to IFRS 3: Definition of a Business**

The amendments to IFRS 3 clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

#### Notes to the financial statements

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset.

These amendments had no significant impact on the financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

#### Notes to the financial statements

##### 4.1 New and amended IFRS standards that are effective for the current year (cont'd)

###### Amendments to IAS 1 and IAS 8: Definition of Material

The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

###### a. Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

These amendments had no impact on the financial statements of the Company

###### b. Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of the Company, nor is there expected to be any future impact to the Company.

The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

###### c. Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

These amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relation is affected if the reform gives rise to uncertainties about the timing and of amount of benchmark-based cashflows of the hedged item or the hedging instrument. These amendments had no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

##### 4.2 New and revised IFRS Standards in issue but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for December 2020 reporting periods and have not been early adopted by the Company. The Company does not expect the new accounting standards and interpretations to have a material impact on its current or future reporting periods.

Details of these new standards and interpretations are set out below:



## Notes to the financial statements

### IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

Effective for annual periods beginning on or after 1 January 2023 and must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

## Notes to the financial statements

### 4.2 New and revised IFRS Standards in issue but not yet effective (cont'd)

#### Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

#### Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination"

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

## Notes to the financial statements

### Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

### Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

### Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

#### a. IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16 (a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted

## Notes to the financial statements

### 4.2 New and revised IFRS Standards in issue but not yet effective (cont’d)

#### b. IFRS 9 Financial Instruments

The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted

#### c. IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

Notes to the Financial Statements

5 Revenue

	31 March 2021	31 March 2020
	₦'000	₦'000
Premium Motor Spirit (PMS)	14,818,804	13,545,059
Automotive Gas Oil (AGO)	1,326,746	1,800,476
Dual Purpose Kerosene (DPK)	-	9,422
Aviation Turbine Kerosene (ATK)	729,652	1,508,587
Lubricants and Greases	440,693	1,152,909
Liquidified Petroleum Gas (LPG)	33,503	60,342
	<b>17,349,397</b>	<b>18,076,795</b>

Revenue is recognised at a point in time and sales are mostly made to customers in Nigeria. Information on analysis of revenue by category is shown in Note 34.

6 Other income

	31 March 2021	31 March 2020
	₦'000	₦'000
Rental and lease income (Note 6(a))	42,495	16,201
Sundry income (Note 6(b))	90,010	138
Gain on sale of property, plant & equipment	-	8,123
Income on storage services	44,438	70,876
	<b>176,943</b>	<b>95,339</b>

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

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

7 Expenses by function

	31 March 2021	31 March 2020
	₦'000	₦'000
Cost of sales( Note 8)	16,425,673	17,051,236
Selling and distribution expenses (Note 9)	329,468	376,741
Administrative expenses (Note 10)	965,349	1,583,930
	<b>17,720,490</b>	<b>19,011,907</b>

8 Cost of sale

	31 March 2021	31 March 2020
	₦'000	₦'000
Premium Motor Spirit (PMS)	14,177,793	13,166,207
Automotive Gas Oil (AGO)	1,255,873	1,652,420
Dual Purpose Kerosene (DPK)	-	9,087
Aviation Turbine Kerosene (ATK)	667,204	1,426,513
Lubricants and greases	296,172	751,554
Liquidified Petroleum Gas (LPG)	28,631	45,455
	<b>16,425,673</b>	<b>17,051,236</b>

9 Selling and distribution expenses

	31 March 2021	31 March 2020
	₦'000	₦'000
Freight expense	286,569	319,004
Rental of service stations, buildings and equipment	41,424	44,568
Advertising	1,475	13,169
	<b>329,468</b>	<b>376,741</b>

Notes to the Financial Statements

10 Administration expenses

	31 March 2021	31 March 2020
	₦'000	₦'000
Depreciation (Note 15(a))	149,702	401,809
Amortization of intangible assets (Note 16)	87	622
Changes in inventories of lubes, greases and refined products	4,095	8,182
Rental of service stations, buildings and equipment	62	95
Consultancy expense	38,177	64,945
Maintenance expense	173,110	132,797
Advertising expenses	539	522
Management fees (Note 33 (c))	108,430	98,170
Director's remuneration (Note 12(b)(iv))	7,525	11,170
Employee benefit expense (Note 12 (b)(i))	128,536	135,134
Other Product Related Bank Charges	-	-
Auditor's remuneration	6,350	9,188
Write back/deduction on settlement of PPPRA receivables (Note 19)	-	-
Loss on sale of Property, plant and equipment	(4,571)	-
Local and international travel	5,542	8,847
Office expenses and supplies	55,456	118,104
Communication and postage	59,266	84,797
Fines and penalties	-	-
Insurance premium	31,128	40,922
Contract labour	95,720	126,478
Sponsorships and donations	-	200
Licenses and Levies	29,722	15,694
Utilities	5,624	3,643
Subscriptions	6,173	12,442
Board meetings and AGM expenses	102	6,029
Security	8,720	12,973
Other office running expenses	19,778	34,153
Net foreign exchange loss	36,075	257,015
	<b>965,349</b>	<b>1,583,930</b>

11 Finance income and finance costs

	31 March 2021	31 March 2020
	₦'000	₦'000
<b>Finance income</b>		
Interest income on short-term bank deposits	9,538	4,058
Reversal of overaccrual of NNPC charges	-	-
Net foreign exchange gain	-	-
<b>Total finance income</b>	<b>9,538</b>	<b>4,058</b>

The total interest income arising from financial assets at amortised cost is N9,538,000 (2020: N4,058,000)

<b>Finance cost arising from financial liabilities measured at amortised cost</b>		
Interest expense	(272,336)	36,084
<b>Finance costs - others</b>		
Bank charges	11,550	58,923
Unwind of discount on site restoration provision	1,679	2,148
Interest on lease liability (Note 31)	21,310	24,122
Net foreign exchange loss	-	-
<b>Total finance costs</b>	<b>(237,796)</b>	<b>121,277</b>
<b>Net finance costs</b>	<b>247,334</b>	<b>(117,218)</b>

Notes to the Financial Statements

a) Reconciliation of finance cost to statement of cash flows

Interest expense	(272,336)	36,084
Bank charges	11,550	58,923
Unwind of discount on site restoration provision	1,679	2,148
Interest on lease liability	21,310	24,122
Effect of movements in exchange rates on cash held		-
Foreign exchange movements in trade and other payables		-
Foreign exchange movements in trade and other receivables	(9,538)	(4,058)
<b>Amount shown on the statement of cash flows</b>	<b>(247,334)</b>	<b>117,218</b>

Analyzed as follows:

Ineterst income included in finance income(Note 8(a))	(9,538)	(4,058)
Finance cost shown on the Statement of Cash flows	(237,796)	121,277
	(247,334)	117,218

31 March 2021	31 March 2020
₦'000	₦'000
(272,336)	36,084
11,550	58,923
1,679	2,148
21,310	24,122
	-
	-
(9,538)	(4,058)
<b>(247,334)</b>	<b>117,218</b>

31 March 2021	31 March 2020
₦'000	₦'000
(9,538)	(4,058)
(237,796)	121,277
	-
<b>(247,334)</b>	<b>117,218</b>

12 Loss before minimum and income tax

a) Loss before minimum and income tax is stated after charging/(crediting):

Depreciation (Note 15)	149,702	401,809
Amortisation of intangible assets (Note 16)	87	622
Management fees (Note 33(c))	108,430	98,170
Director's remuneration (Note 12(b)(iv))	7,525	11,170
Employee benefit expense (Note 12(b)(i))	128,536	135,134
Auditor's remuneration	6,350	9,188
Loss on sale of property, plant & equipment (Note 10)	(4,571)	-
Reversal of impairment loss on truck loan receivables (Note 17)	-	-
Impairment of petroleum equalization fund receivables (Note 32(a))	-	-
Reversal of impairment of PPPRA receivables	-	-
Reversal of impairment of related party receivables (Note 32)	-	-
Write-off of inventory	-	-
(Write back)/Deduction on settlement of PPPRA Receivables	-	-
Reversal of Impairment of invenotry (Note 21a)	(165,152)	-
Reversal of overaccrual of NNPC charges		
Impairment/(Reversal) on trade receivables (Note 32)	4,836	8,368
Net foreign exchange (Gain)/loss (Note 11)	36,075	257,015

31 March 2021	31 March 2020
₦'000	₦'000
149,702	401,809
87	622
108,430	98,170
7,525	11,170
128,536	135,134
6,350	9,188
(4,571)	-
-	-
-	-
-	-
-	-
-	-
(165,152)	-
4,836	8,368
36,075	257,015

b) Directors and employees

i) Employee costs during the period comprise:

Salaries and wages	86,722	94,074
Other employee benefits	33,509	29,311
Employer's pension contribution	7,810	9,169
Other long term employee benefit charge	494	1,376
	<b>128,536</b>	<b>133,930</b>

31 March 2021	31 March 2020
₦'000	₦'000
86,722	94,074
33,509	29,311
7,810	9,169
494	1,376
<b>128,536</b>	<b>133,930</b>

**Notes to the Financial Statements**

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

	Number	
	31 March 2021	31 March 2020
Administration	27	29
Technical and production	4	16
Operations and distribution	34	28
Sales and marketing	31	33
	<b>96</b>	<b>106</b>

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

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

₦	Number	
	31 March 2021	31 March 2020
	₦'000	₦'000
1000001 - 2000000	2	3
1000001 - 3000000	10	10
1000001 - 4000000	7	6
1000001 - 5000000	49	41
1000001 - 6000000	20	27
1000001 - 7000000	0	5
1000001 - 8000000	2	4
1000001 - 9000000	2	4
1000001 - 10000000	0	2
1000001 - 10000000	4	4
	<b>96</b>	<b>106</b>

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

	31 March 2021	31 March 2020
	₦'000	₦'000
Fees	5,500	5,500
Other emoluments	2,025	5,670
	<b>7,525</b>	<b>11,170</b>
The directors' remuneration shown above includes:		
Chairman	-	-
Highest paid director	3,110	3,110

Other directors received emoluments in the following ranges:

₦	Number	
	31 March 2021	31 March 2020
Nil	-	-
1000001 - 2000000	4	5
1000001 - 3000000	-	1
1000001 - 4000000	-	-
1000001 - 5000000	-	-
1000001 - 6000000	-	1
1000001 - 7000000	-	-
1000001 - 8000000	3	3
	<b>7</b>	<b>10</b>

## Notes to the Financial Statements

### 13 Loss per share (EPS) and Dividend declared per share

#### a) Basic EPS

Basic loss/profit per share of ₦-.02 ( March 2020: loss per share ₦3.46) is based on loss attributable to ordinary shareholders of ₦4,778 (2019: loss of ₦1,055,707) and on the 304,786 ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the period (Dec. 2020: 304,786).

	31 March 2021	31 March 2020
	₦'000	₦'000
Loss for the period attributable to shareholders (expressed in Naira)	4,778	(1,055,708)
Weighted average number of ordinary shares in issue	304,786	304,786
Basic earnings per share (expressed in Naira per share)	0.02	(3.46)

#### b) Diluted Earnings per share

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

#### c) Dividend declared per share

No dividend were declared during the year (2020: Nil) on 304,786,406 ordinary shares of 50 kobo each, being the ordinary shares in issue during the year (2020: Nil)

### 14 Taxation

#### a) Applicability of the Finance Act, 2019

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

#### bi) Minimum tax

The Company has applied the provisions of the Companies Income Tax Act that mandates a minimum tax assessment, where a qualifying taxpayer does not have a taxable profit which would generate an eventual tax liability when assessed to tax. The Company's assessment based on the minimum tax legislation for the year ended 31 March 2021 is NGN 43.6 million (Dec. 2020: NGN 103.4 million)

#### ii) Income tax expense

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

#### Amounts recognized in profit or loss

	31 March 2021	31 March 2020
	₦'000	₦'000
<b>Current tax expense:</b>		
Income tax	-	-
Tertiary education tax	-	-
Capital gains tax	-	-
Changes in estimate related to prior periods	-	-
	-	-
<b>Deferred tax (credit)/expense:</b>		
Origination and reversal of temporary differences	-	90,348
<b>Income tax (credit)/expense</b>	-	<b>90,348</b>

**Notes to the Financial Statements**

**c) Reconciliation of effective tax rates**

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

	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	%	%	₦'000	₦'000
(Loss) before minimum tax and income tax			48,349	(965,360)
Income tax using the statutory tax rate	-	-	-	-
Impact of tertiary education tax	-	-	-	-
Capital gains tax	-	-	-	-
Effect of tax incentives	-	-	-	-
Non deductible expenses	-	-	-	-
Difference in CIT rate and TET rate	-	-	-	-
Changes in estimates related to prior periods	-	-	-	-
Other differences	-	-	-	-
<b>Total income tax expense in income statement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

**d) Movement in current tax liability**

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Balance at beginning of the period	262,270	483,443
Payments during the period	-	(293,138)
Net charge for the period	-	-
Minimum tax	43,571	103,374
Withholding tax credit notes utilized (Note 20)	-	(31,408)
	<b>305,841</b>	<b>262,270</b>



Notes to the Financial Statements

e) Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	-	-	(1,361,153)	(1,361,153)	(1,361,153)	(1,361,153)
Employee benefits	6,484	6,484	-	-	6,484	6,484
Trade receivables	724,512	724,512	-	-	724,512	724,512
Truck loan receivables	-	-	(19,705)	(19,705)	(19,705)	(19,705)
Other receivables	37,274	37,274	-	-	37,274	37,274
Inventories	1,800	1,800	-	-	1,800	1,800
PPPRA receivables	-	-	(17,337)	(17,337)	(17,337)	(17,337)
PEF receivables	18,832	18,832	-	-	18,832	18,832
Related party receivable	(46,504)	(46,504)	-	-	(46,504)	(46,504)
Net unrealised exchange differences	-	-	(627,053)	(627,053)	(627,053)	(627,053)
Finance Leases	57,503	57,503	-	-	57,503	57,503
Provisions - ARO	4,879	4,879	-	-	4,879	4,879
Right of Use Assets	36,192	36,192	-	-	36,192	36,192
Unrelieved Losses	963,230	963,230	-	-	963,230	963,230
	<b>1,804,202</b>	<b>1,804,202</b>	<b>(2,025,248)</b>	<b>(2,025,248)</b>	<b>(221,046)</b>	<b>(221,046)</b>

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

f) Movement in temporary differences during the period

	1-Jan-20	Recognised in Profit or loss	31-Dec-20	Recognised in Profit or loss	31-Dec-20
	₦'000	₦'000	₦'000	₦'000	₦'000
Property, plant and equipment	(1,723,491)	362,338	(1,361,153)		(1,361,153)
Employee benefits	5,277	1,207	6,484		6,484
Trade receivables	836,719	(112,207)	724,512		724,512
Truck loan receivables	(19,705)	-	(19,705)		(19,705)
Other receivables	37,274	-	37,274		37,274
Inventories	1,800	-	1,800		1,800
PPPRA receivables	(3,079)	(14,258)	(17,337)		(17,337)
PEF receivables	18,832	-	18,832		18,832
Related party receivable	14,878	(61,382)	(46,504)		(46,504)
Net unrealised exchange differences	(192,330)	(434,723)	(627,053)		(627,053)
Finance Leases	30,876	26,627	57,503		57,503
Provisions - ARO	2,749	2,130	4,879		4,879
Right of Use Assets	9,688	26,504	36,192		36,192
Unrelieved Losses	268,166	695,064	963,230		963,228
	<b>(712,346)</b>	<b>491,300</b>	<b>(221,046)</b>	<b>-</b>	<b>(221,048)</b>

Notes to the Financial Statements

15 Property, Plant and Equipment

a) The movement on these accounts was as follows:

	Leasehold	Building	Plant & Machinery	Automotive Equipment	Computer & Office Equipment	Furniture & Fittings	Capital Work in Progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
<b>Cost</b>								
<b>Balance at 1st January 2020</b>	8,558,447	6,695,411	10,713,558	1,321,876	968,831	212,426	487,801	28,958,350
Additions	-	113,122	204,429	-	11,465	3,756	96,940	429,713
Transfers		151,147	58,085	6,092	3,995	3,602	(223,222)	(300)
Disposals/Scrap	(189,495)	(172,270)	(127,532)	(24,130)	(20,840)	(3,142)	-	(537,410)
<b>Balance as at 31st December 2019</b>	<b>8,368,952</b>	<b>6,787,410</b>	<b>10,848,540</b>	<b>1,303,838</b>	<b>963,451</b>	<b>216,642</b>	<b>361,519</b>	<b>28,850,353</b>
<b>Cost</b>								
<b>Balance at 1st January 2021</b>	8,368,952	6,787,410	10,848,540	1,303,838	963,451	216,642	361,519	28,850,353
Additions		23,173	25,130		1,995	5,392	73,959	129,650
Adjustment							-	-
Disposals	(261,251)	(27,662)	(937,157)	(24,996)	(5,489)	(502)		(1,257,057)
<b>Balance as at 31st March 2021</b>	<b>8,107,702</b>	<b>6,782,921</b>	<b>9,936,513</b>	<b>1,278,842</b>	<b>959,956</b>	<b>221,532</b>	<b>435,479</b>	<b>27,722,946</b>
<b>Accumulated depreciation and impairment</b>								
<b>Balance as at 1st January 2020</b>	-	2,454,340	8,471,819	1,017,131	851,379	191,742	-	12,986,411
Charge for the year	-	257,835	965,427	91,406	27,295	4,715	-	1,346,678
Disposal	-	(89,666)	(108,837)	(23,716)	(19,801)	(3,001)	-	(245,021)
<b>Balance as at 31st December 2020</b>	<b>-</b>	<b>2,622,509</b>	<b>9,328,409</b>	<b>1,084,821</b>	<b>858,873</b>	<b>193,456</b>	<b>-</b>	<b>14,088,068</b>
<b>Accumulated depreciation and impairment</b>								
<b>Balance as at 1st January 2021</b>	-	2,622,509	9,328,409	1,084,821	858,873	193,456	-	14,088,068
Charge for the period	-	64,948	37,587	8,842	6,247	1,335	-	118,959
Disposal	-	(26,390)	(869,769)	(24,100)	(5,215)	(481)	-	(925,956)
<b>Balance as at 31st March 2021</b>	<b>-</b>	<b>2,661,067</b>	<b>8,496,227</b>	<b>1,069,563</b>	<b>859,905</b>	<b>194,310</b>	<b>-</b>	<b>13,281,072</b>
<b>Carrying amounts</b>								
<b>Balance as at 31st March 2021</b>	8,107,701	4,121,854	1,440,286	209,278	100,051	27,222	435,478	14,441,870
<b>Balance as at 31 December 2020</b>	8,368,952	4,164,901	1,520,131	219,017	104,578	23,186	361,519	14,762,285

## Notes to the Financial Statements

### b) Capital commitments

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

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Capital commitments	84,040	50,037

### 16 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:

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
<b>Cost</b>		
Balance as at 1 January	283,560	283,260
Additions	-	300
Balance	283,560	283,560
<b>Accumulated amortisation</b>		
Balance as at 1 January	283,260	280,901
Charge for the Period (Note 10)	87	2,359
Balance	283,346	283,260
<b>Carrying amount</b>	<b>214</b>	<b>300</b>

The amortization of accounting software is included in administrative expenses (Note 10)

### 17 Truck loan receivables

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Principal received during the period	-	2,500
Interests received during the period	-	-
	-	2,500
Impairment recognised	-	-
Impairment loss reversal Note 29(a), Note 14(b))	-	(2,500)
Net (reversal of)/Impairment loss recognised	-	(2,500)
Balance	-	-

- a) The transporters are expected to repay their obligations to the Company from freight costs charged to the Company for services rendered. The repayment years range from 12 to 24 months. The outstanding balance on the receivable from the transporters are secured by the Company's retention of title to the tankers. Legal title will only be passed to the transporters once they have settled the outstanding balance. In 2015, the arrangement was revised and the interest on outstanding payments was increased to 20% per annum with an extension of tenure for another 12 months.

## Notes to the Financial Statements

- b) The Company had recorded full impairment of the loan receivables on transition to IFRS 9 on 1 January 2018 as the Company believed that the outstanding truck loans were doubtful of recovery. During the period, there was no recovery of truck loan receivable (2020: N2.5 million) of previously impaired truck loan receivables. Consequently, the Company recorded a reversal of impairment in respect of these recoveries.

c) <b>Truck Loan receivables</b>	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Gross truck loan receivables	-	100,030
Impairment allowance	-	(100,030)
Net truck loan receivables	-	-

The Company's exposure to credit risks related to truck loan receivables are disclosed in Note 32(a).

## 18 Trade and other receivables

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Trade receivables (Note 18(a))	835,723	1,747,485
Petroleum Support Fund (PSF) (Note 18(b))	-	-
Bridging claims (Note 18(c))	8,351,655	8,577,065
DMO holdback (Note 18(d))	1,600,000	1,600,000
Receivables from related parties (Note 18(e))	1,679,155	322,690
Employee receivables	21,912	12,426
Due from joint arrangement partners	25,574	23,058
Receivables from Registrar	24,855	24,855
Sundry receivables	374,265	47,428
<i>Total financial assets</i>	<b>12,913,140</b>	<b>12,355,008</b>
<i>Non financial assets</i>		
Advances paid to suppliers	22,097	9,097
	12,935,237	12,364,104

a) <b>Trade receivables</b>	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Gross trade receivables	3,165,921	4,081,691
Impairment allowance	(2,330,198)	(2,325,362)
Net trade receivables	835,723	1,756,329

b) <b>Petroleum Support Fund (PSF)</b>	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Balance at 1st January	0	4,126,155
Payment/Reversal	-	(4,126,155)
Impairment allowance (Note 32(a)(iv))	-	-
Balance	-	-

PSF receivables relates to receivables from Regulatory Agency (PPPRA). The receivable comprises: difference between the

c) <b>Bridging Claims</b>	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Gross bridging claims	8,495,596	8,721,006
Impairment allowance (Note 32(a)(v))	(143,941)	(143,941)
Net bridging claims	8,351,655	8,577,065

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

## Notes to the Financial Statements

### d) DMO Holdback

DMO holdback is comprised of:

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Amount set aside for liabilities owed to government agencies	-	-
Amount set aside for liabilities owed to financial institutions	1,600,000	1,600,000
Amount subsequently released by DMO to the company	-	-
	1,600,000	1,600,000

In the 2018 financial year, prior to the settlement of outstanding PSF receivables to the company, the Debt Management Office (DMO), held back the amounts owed to government agencies and financial institutions by the Company for direct settlement of those liabilities. The amount held back in respect of financial institutions was based on court orders issued by the Federal High Court in Abuja requiring that the amount be withheld by the DMO for direct settlement to the affected financial institutions and agencies. These liabilities relate to financing provided by those financial institutions to the Company for product importation in previous years. The relevant liabilities in respect of government agencies and financial institutions are included in trade and other payables (See Note 27(c)) and short term borrowings (Note 28). The DMO holdback is reduced by actual settlements by the DMO to the respective institutions.

### e) Due from related parties

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Gross receivable from related parties (Note 30 (e))	1,711,879	355,415
Impairment	(32,725)	(32,725)
Balance	1,679,155	322,690

The Company's exposure to credit risk and currency risks related to trade and other receivables are disclosed in Note 32(a).

### f) Receivables from Registrar

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Balance at 1st January	24,855	81,542
Excess receivable written down	-	(63,271)
Net off against Dividend	-	6,585
Balance	24,855	24,855

This relates to portion of unclaimed Dividend currently held by the Company Registrars

### f) Sundry Receivables- Miscellaneous

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Balance at 1st January	3,888	76,392
Excess receivable written down	-	72,504
Balance	3,888	3,888

## Notes to the Financial Statements

### 20 Withholding tax receivables

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

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Balance at 1st January	56,356	83,374
Additions	-	4,390
Withholding tax credit note utilised (Note 14(d))	-	(31,408)
Balance	<b>56,356</b>	<b>56,356</b>

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

### 21 Inventories

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Premium Motor Spirit (PMS)	897,585	2,249,011
Automotive Gas Oil (AGO)	232,275	21,276
Dual Purpose Kerosene (DPK)	-	-
Aviation Turbine Kerosene (ATK)	426,348	362,708
Lubricants and greases	1,289,788	1,170,925
Liquidified Petroleum Gas (LPG)	17,960	17,840
Low Pour Fuel Oil (LPFO)	4,119	4,119
Packaging materials and other sundry items	33,812	5,435
	<b>2,901,887</b>	<b>3,831,314</b>

Inventory valued at N640.72 million was (2020: N 1.69 billion) are stored at facilities owned by MRS Oil and Gas Limited (Note 33(a)).

The value of changes in products, packaging materials and work-in-progress included in cost of sales amounted to ₦39.5 billion (March 2020: ₦17.1 billion).

Notes to the Financial Statements

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Gross inventory	3,146,417	3,910,692
Inventory write down (Note 21)	(244,530)	(79,378)
Net inventory	<b>2,901,887</b>	<b>3,831,314</b>

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

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Balance as at 1st January	(79,378)	(23,262)
Net movement of inventory write down (Note 10)	(165,152)	(56,116)
Balance	<b>244,530</b>	<b>(79,378)</b>

22 Cash and cash equivalents

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Cash at bank and on hand	4,867,075	2,073,059
Short term deposits with banks	647,000	2,389,108
Cash and cash equivalents in the statement of financial position	<b>5,514,075</b>	<b>4,462,166</b>
Bank overdrafts used for cash management purposes (Note 28)	-	-
Cash and cash equivalents in the statement of cash flows	<b>5,514,075</b>	<b>4,462,166</b>

The Company's exposure to credit risk and currency risks are disclosed in Note 32 (a).

23 Equity

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
<b>Authorised:</b>	161,227	161,227
<b>a) Issued and fully paid:</b>	152,393	152,393
<b>Issued and fully allotted:</b>	152,393	152,393

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



## Notes to the Financial Statements

### b) Retained earnings

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
<b>Balance as at 1st January</b>	16,691,078	18,955,223
Loss for the period	4,778	(2,264,145)
Write back of unclaim dividend	-	-
<b>Balance as at 31st December</b>	<b>16,695,856</b>	<b>16,691,078</b>

### 24 Employee benefit obligations

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

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Other long term employee benefits	16,349	15,935
<b>Total employee benefit liabilities</b>	<b>16,349</b>	<b>15,935</b>

(b) Other long term employee benefits comprise long service awards and it is funded on a pay-as-you-go basis by the Company. The provision was based on an independent actuarial valuation performed by Henre Prinsloo FRC/2018/NAS/00000018473, of QED Actuaries Nigeria Limited. The method of valuation used is the projected unit credit method and the last valuation was as at 31 December 2020.

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

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
<b>Balance as at 1st January</b>	15,935	16,491
<i>Included in profit or loss:</i>		
Current service cost/Provision	414	3,247
Interest cost	-	2,472
Remeasurement gains (net)	-	(4,828)
<i>Net charge to profit or loss</i>	414	891
Benefits paid by the employer	-	(1,447)
<b>Balance</b>	<b>16,349</b>	<b>15,935</b>

### (d) Actuarial Assumptions

Key actuarial assumptions relating to measurements of employee benefit obligations involves estimates and assumptions, but is not considered to have a risk of material adjustment for the period ending 31 March 2021 as the balance is not material to the financial statements

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

	31 March 2021	31 Dec. 2020
	%	%
Long-term average discount rate (p.a.)	7.8%	7.8%
Future average pay increase (p.a.)	12.0%	12.0%
Average rate of inflation (p.a.)	9.0%	9.0%
Average Duration in years (Long Service Awards)	5	5

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

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

Notes to the Financial Statements

Mortality in Service	No of deaths in year out of 10,000 lives	
	Jan-Mar.2021	31 Dec. 2020
<b>Sample age</b>	<b>%</b>	<b>%</b>
25	7	7
30	7	7
35	9	9
40	14	14
45	26	26

Withdrawal from Service	Rates	
	Jan-Mar.2021	31 Dec. 2020
<b>Age Band</b>	<b>%</b>	<b>%</b>
≤ 34	3	3
34-44	5	5
45-55	3	3
56-59	2	2
60	100	100

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

**Sensitivity Analysis**

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

Mortality in Service		Long Service Award
<b>Sample age</b>	<b>%</b>	<b>₦'000</b>
<b>Discount rate</b>	-1%	17,070
	+1%	14,931
<b>Salary increase rate</b>	-1%	15,211
	+1%	16,734
<b>Gift benefit rate</b>	-1%	15,610
	+1%	16,299
<b>Mortality rate - Age rated down by 1 year</b>	-1%	15,978
<b>Age rated up by 1 year</b>	+1%	15,887

**25 Security deposits**

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Security deposits	1,547,348	1,693,582

These are collateral deposits paid by dealers who maintain credit facilities with the Company. These amounts are set-off against trade receivables from these dealers on a periodic basis to cater for probable losses from sales to customers. See Notes 32(a)(ii).

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

## Notes to the Financial Statements

### 26 Dividends

#### (a) Declared dividends

No dividends were declared by the Company during the year (2020: Nil). No bonus shares were also proposed (2020: nil)

#### (b) Dividend payable

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
<b>Balance as at 1st January</b>	170,735	285,486
Payments	-	(8)
Dividend write on	-	6,585
Unclaimed dividend returned by Registrar	-	-
Unclaimed dividend written back to retained earnings (see 26(d))	-	(121,328)
<b>Balance</b>	<b>170,735</b>	<b>170,735</b>

(c) Included in the dividend payable balance at period end is an amount of NGN 24.86 million (2020: NGN24.86 million), which is held with the Company's registrar, First Registrars and Investor Services Limited. The dividend payable as at period end does not attract interest.

(d) There was no dividend written back during the period. (2020; NGN 121.33 million) back into retained earnings.

### 27 Trade and other payables

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Trade payables (Note 27(a))	6,462,404	5,646,158
Accrued expenses	862,913	794,326
Amounts due to joint arrangement partners (Note 27(b))	143,441	144,816
Bridging allowance (Note 27(c))	4,669,656	4,393,420
Amounts due to related parties (Note 33(e))	2,936,118	2,914,272
<i>Total financial liabilities</i>	<i>15,074,533</i>	<i>13,892,992</i>
<i>Non financial liabilities</i>		
Statutory deductions (Note 27(d))	269,870	269,150
Advances received from customers (Note 27(e))	411,047	1,126,354
	<b>680,918</b>	<b>1,395,504</b>
	<b>15,755,451</b>	<b>15,288,496</b>

(a) Included in trade payables is an amount of NGN5.2 billion, due to one of the Company's vendors which bears interest on expiration of credit policy granted to the Company (2020: NGN3.9 billion). The interest charged is included in interest expense. (Note 11(a)).

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

(c) Bridging allowance represents amount due to the Petroleum Equalisation Fund Management Board as its contribution to the Fund. It is charged on every litre of product lifted from Pipelines and Product Marketing Company.

(d) This represents statutory deductions which are mandated by law or statute. They include Value Added Tax (VAT), Withholding

Tax (WHT) liabilities and Pay-As-You-Earn (PAYE) liabilities, which are to be remitted to the relevant tax authorities.

(e) Amount relates to cash received from customers in advance for sale of products. These amounts are utilised for the purpose of supplies of products at any point in time when the customer decides to take delivery of the relevant products. The Company's exposure to liquidity risk and currency risks are disclosed in Note 32(b).

## Notes to the Financial Statements

### 28 Short term borrowings

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Bank overdraft (Note 22, Note 28(a))	-	0
Bank borrowing (Import Finance and other short term facilities) (Note 28(b))	1,411,105	1,411,105
<b>Total Borrowings</b>	<b>1,411,105</b>	<b>1,411,105</b>

(a) The interest rate on this facility is 15% per annum (2019: Interest rates was 18%). There is no right of set-off between overdraft and the deposits held. The net interest expense incurred in the period relating to overdraft and short term borrowings amounted to NGN85.18million (2020: NGN85.18million). The bank overdraft used for cash management purposes has been included as part of cash and cash equivalents in the statement of cash flows (Note 22).

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

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Balance as at 1 January	1,411,105	1,313,339
Additions	-	2,500,000
Repayments	-	(2,500,000)
Refund of interest	-	97,766
Exchange (gain)/loss on borrowings	-	-
Balance	<b>1,411,105</b>	<b>1,411,105</b>

The Company's exposure to liquidity risk and currency risks are disclosed in Note 32(b) and 32(c) respectively.

### 29 Prepayments

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Other prepayments	161,184	111,085
	<b>161,184</b>	<b>111,085</b>

The Company leases a number of offices and service stations under both cancellable and non- cancellable leases. In 2019, leases previously classified as operating leases have been reclassified as right of use assets in line with IFRS 16.

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Non-current portion	-	-
Current portion	161,184	111,085
	<b>161,184</b>	<b>111,085</b>

Notes to the Financial Statements

**Movement in prepayment**

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Balance as at 1st January	111,084	118,602
Addition	104,340	235,764
Release to profit or loss	(54,240)	(243,282)
Balance	161,184	111,084

**30 Provisions**

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Balance at 1st January	102,461	46,139
Unwind of discount on site restoration provision	1,679	8,591
Provisions made during the period	(3,741)	47,731
Balance	100,400	102,461
Non-current	54,260	56,322
Current	46,139	46,139
	100,400	102,461

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Legal	46,139	46,139
Asset Retirement Obligation	54,260	56,322
	100,400	102,461

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

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

**31 Lease Liabilities**

The Company leases land and thereafter constructs its fuelling stations. The leases typically run for an average period of 10 years, with an option to renew the lease after that date. Lease payments are usually renegotiated close to the expiration of the lease term to reflect market rentals.

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

**i Right of use assets**

Right of use assets related to leased land that do not meet the definition of investment property are presented as property, plant and equipment (see Note 15(a)).

**Leasehold land**

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Balance at 1st January	1,071,483	1,383,528
Depreciation charge for the period note 15(a))	(30,743)	(143,000)
Disposal	-	(169,045)
Balance as at 31st December	1,040,740	1,071,483
<b>ii Amounts recognised in profit or loss</b>		
Interest on lease liabilities	21,310	96,489
	21,310	96,489

## Notes to the Financial Statements

### iii Lease liability

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Balance at 1st January	653,732	632,536
Interest on lease liabilities	21,310	(62,495)
		83,691
Balance as at 31st December	675,042	653,732

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

#### Extension options:

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

### 32 Financial Risk Management & Financial Instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

#### Risk management framework

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

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

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

## Notes to the Financial Statements

### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities.

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

	Jan-Mar.2021	YTD March 2021
	₦'000	₦'000
Impairment (Reversal)/loss on trade receivables Note 32(a)(iv)	4,836	(315,708)
Reversal of Impairment loss on truck loan receivable (Note 32(a)(iv))	-	(2,500)
Impairment of Petroleum Equalization Fund receivables (Note 32(a)(iv))	-	53,272
Reversal of Impairment of PPPRA receivables (Note 32(a)(iv))	-	(44,558)
Reversal of Impairment of related party receivables (Note 32(a)(iv))	-	(159,093)
	<b>4,836</b>	<b>(468,587)</b>

### (i) Maximum credit expose

The maximum exposure to credit risk for trade and other receivables at the reporting

	Jan-Mar.2021	YTD March 2021
	₦'000	₦'000
Trade receivables		
- Major customers	2,806,579	2,806,579
- Other customers	359,342	1,275,112
<b>Gross total receivables</b>	<b>3,165,921</b>	<b>4,081,691</b>
- Impairment allowance	(2,330,198)	(2,325,362)
<b>Net total receivables</b>	<b>835,723</b>	<b>1,756,329</b>
- Due from related parties	1,679,155	322,690
<b>Due from regulators (Government entities) :</b>		
Petroleum Equalisation Fund (PEF)	8,351,655	8,577,065
Petroleum Support Fund (PSF)	-	-
DMO holdback	1,600,000	1,600,000
- Other receivables*	446,607	107,767
	<b>12,913,140</b>	<b>12,363,852</b>

### (ii) Trade and other receivables

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

The risk management committee has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's credit assessment process includes collecting cash deposits from customers. These deposits are non interest bearing and refundable, net of any outstanding amounts (if any) upon termination of the business relationship and are classified as current liability (Note 25). 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.

## Notes to the Financial Statements

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

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

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

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

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

At 31 March 2021, the exposure to credit risk for trade receivables and contract assets by type of counterparty was as follows.

	31 March 2021	31 Dec. 2020
	₦'000	₦'000
Retail customers	1,384,846	2,437,153
Commercial and industrial	776,988	547,700
Aviation	1,073,962	1,087,994
	<u>3,235,795</u>	<u>4,072,847</u>

### (iii) Expected credit loss assessment as at 31 March 2021

#### Expected credit loss assessment for government and related party receivables at 31 March 2021

The Company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements and management accounts of customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies (Moody's and Standard and Poors)

Exposures within each credit risk grade are segmented by counterparty type (PEF, PPPRA and related parties) and an ECL rate is calculated for each segment based on the probability of default and a consideration of forward looking information.

#### Expected credit loss assessment for trade receivables at 31 March 2021

The Company uses an allowance matrix to measure the ECLs of trade receivables from customers, which comprise a large number of small to medium balances.

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 March 2021.



Notes to the Financial Statements

Retail Customers* March 2021	31	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
In thousand of Naira		%	₦'000	₦'000	₦'000
Current (not past due)		34.44%	59,517	20,495	No
1–30 days past due		40.53%	56,703	22,979	No
31–60 days past due		43.89%	151,100	66,321	No
61–180 days past due		50.46%	296,766	149,747	No
181–365 days past due		78.60%	119,056	93,582	No
More than 365 days past due		100.00%	701,703	701,497	No
			<b>1,384,846</b>	<b>1,054,622</b>	

Retail Customers* December 2020	31	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
In thousand of Naira		%	₦'000	₦'000	₦'000
Current (not past due)		4.18%	240,813	10,054	Yes
1–30 days past due		6.85%	424,814	29,092	Yes
31–60 days past due		13.51%	267,415	36,116	Yes
61–180 days past due		17.41%	483,100	84,124	Yes
181–365 days past due		35.04%	206,546	72,377	Yes
More than 365 days past due		100.00%	814,465	814,465	Yes
			<b>2,437,153</b>	<b>1,046,228</b>	

Commercial/Industries Customers March 2021	31	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
In thousand of Naira		%	₦'000	₦'000	₦'000
Current (not past due)		25.08%	223,972	56,178	
1–30 days past due		29.59%	234,426	69,368	
31–60 days past due		36.21%	94,338	34,164	
61–180 days past due		41.81%	43,310	18,110	
181–365 days past due		61.01%	112,092	68,389	
More than 365 days past due		100.00%	68,849	68,849	
			<b>776,988</b>	<b>315,057</b>	

Commercial/Industries Customers December 2020	31	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
In thousand of Naira		%	₦'000	₦'000	₦'000
Current (not past due)		28.40%	188,416	53,510	Yes
1–30 days past due		33.74%	81,590	27,529	No
31–60 days past due		39.94%	45,386	18,127	No
61–180 days past due		53.16%	123,560	65,684	No
181–365 days past due		72.26%	54,448	39,345	No
More than 365 days past due		100.00%	54,300	54,300	No
			<b>547,700</b>	<b>258,495</b>	

Notes to the Financial Statements

Aviation customers March 2021	31	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
		%	₦'000	₦'000	₦'000
In thousand of Naira					
Current (not past due)		20.68%	75,999	15,718	Yes
1–30 days past due		37.32%	49,483	18,468	No
31–60 days past due		46.87%	18,938	8,876	No
61–180 days past due		51.05%	19,914	10,166	No
181–365 days past due		85.46%	16,057	13,721	Yes
More than 365 days past due		100.00%	893,570	893,570	No
			<b>1,073,962</b>	<b>960,519</b>	

Aviation customers December 2020	31	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
		%	₦'000	₦'000	₦'000
In thousand of Naira					
Current (not past due)		15.87%	43,105	7,668	No
1–30 days past due		39.39%	22,469	8,851	Yes
31–60 days past due		49.47%	982	486	No
61–180 days past due		54.58%	36,428	19,883	No
181–365 days past due		83.04%	2,543	2,112	Yes
More than 365 days past due		100.00%	982,467	982,467	Yes
			<b>1,087,994</b>	<b>1,021,468</b>	

\* This has been adjusted with security deposits. (See Note 25).

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

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

## Notes to the Financial Statements

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

The movement in the allowance for impairment in respect of financial assets during the period was as follow

	Balance 1-Jan-2020	Net remeasurement of loss allowance	Balance 31-Dec-2020	Recognised in profit or loss	Balance 31-Mar-2021
	₦'000	₦'000	₦'000	₦'000	₦'000
Truck loan receivables	102,530	(2,500)	100,030	-	100,030
Trade receivables	2,641,070	(315,710)	2,325,360	4,836	2,330,196
PEF receivables	90,669	53,273	143,942	-	143,942
PPPRA receivables	44,558	(44,558)	-	-	-
Related party receivables	191,818	(159,093)	32,725	-	32,725.00
<b>Total</b>	<b>3,070,645</b>	<b>(468,588)</b>	<b>2,602,057</b>	<b>4,836</b>	<b>2,606,893</b>

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

### v) Due from Government entities

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

Determination of amounts due are based on existing regulations/guidelines and impairment is only recognized when changes occur in the regulations that prohibit or limit recovery of previously recognized amounts. For bridging claims amounting to ₦9.06 billion (Dec 2019: ₦8.4 billion) recognized as receivable (Note 18), possibilities exist depending on negotiations that settlement will occur via a set off to the extent of bridging allowances amounting to ₦5.04 billion (Dec 2019: ₦3.2 billion) recorded as a liability (Note 27). However, as the right of set off does not exist, the amounts have been presented gross in these financial statements.

### vi) Due from related parties

The Company has transactions with its parent and other related parties by virtue of being members of the MRS Group. Payment terms are usually not established for transactions within the Group companies and amounts receivable from members of the Group are contractually settled on a net basis. Related party receivable balances were assessed for impairment in accordance with IFRS 9. See Note 32(a)(v).

### vii) Other receivables

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

### viii) Cash and cash equivalents

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

## Notes to the Financial Statements

### ix) Promissory note

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

### (b) Liquidity risk

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

The Company has a clear focus on ensuring sufficient access to capital to growth and to refinance maturing debt obligations. As part of the liquidity management process, the Company has various credit arrangement 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 disaster.

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
<b>Non-derivative financial liabilities</b>				
<b>31 December 2020</b>				
Overdraft and other short-term borrowings	28	1,411,105	1,411,105	1,411,105
Dividend payable	26	170,735	170,735	170,735
Trade and other payables*	27	15,074,533	15,074,533	15,074,533
Security deposits	25	1,547,348	1,547,348	1,547,348
		<u>18,203,721</u>	<u>18,203,721</u>	<u>18,203,721</u>
<b>31 December 2019</b>				
Overdraft and other short-term borrowings	28	1,411,105	1,411,105	1,411,105
Dividend payable	26	170,735	170,735	170,735
Trade and other payables*	27	13,892,992	13,892,992	13,892,992
Security deposits	25	1,693,582	1,693,582	1,693,582
		<u>17,168,414</u>	<u>17,168,414</u>	<u>17,168,414</u>

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

### c) Market risk

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

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

## Notes to the Financial Statements

### Currency risk

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

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

### Exposure to currency risk

The Company's transactional exposure to Naira (NGN) was based on notional amounts as follows:

	Jan-Mar.2021	YTD March 2020
<i>In thousands</i>	₦'000	₦'000
<b>Financial assets</b>		
<i>Trade and other receivables</i>		
USD	187	189
<i>Cash and cash equivalents</i>		
USD	191	1,425
<b>Financial liabilities</b>		
<i>Short-term borrowings</i>		
USD	(2,744)	(2,744)
<i>Trade and other payables</i>		
USD	(6,576)	(4,355)
<b>Net statement of financial position exposure</b>		
<b>USD</b>	<b>(8,941.15)</b>	<b>(5,485)</b>

### Sensitivity analysis

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

31-Dec-20	Increase in profit or loss
	₦'000
USD (10 percent strengthening)	(364,468)
31-Dec-19	
USD (10 percent strengthening)	(199,309)

The following significant exchange rates were applied during the year

	Average rate		Reporting date spot rate	
	31 Mar. 2021	31 Dec. 2020	31 Mar. 2021	31 Dec. 2020
	₦	₦	₦	₦
US Dollar	403.85	384.56	407.63	400.33
Euro	484.77	438.79	478.68	492.16

## Notes to the Financial Statements

### 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:

	YTD March 2021	YTD March 2020
	₦'000	₦'000
<b>Fixed rate instruments</b>		
Bank overdraft and borrowings	1,411,105	1,411,105
Trade payables*	3,915,681	7,697,811

\*Included in trade payables is an amount of ₦5.2 billion (Dec 2019: NGN3.92 billion), due to one of the Company's vendors which bears interest on expiration of credit policy granted to the Company.

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

### d) Capital risk management

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

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

	YTD March 2021	YTD March 2020
	₦'000	₦'000
Total borrowings (Note 28)	1,411,105	1,411,105
Less: Cash and cash equivalents (Note 22)	(5,514,075)	(4,462,166)
<b>Adjusted net debt</b>	<b>(4,102,970)</b>	<b>(3,051,061)</b>
Total equity	16,848,248	16,843,471
Total capital employed	12,745,278	13,792,410
<b>Adjusted net debt to equity ratio</b>	<b>(0.24)</b>	<b>(0.181)</b>

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

The Company is not subject to externally imposed capital requirements.

Notes to the Financial Statements

e) Fair value disclosures

*Accounting classification and fair value*

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

The Company's financial instruments are categorised as follows:

	Carrying amount		
	Financial assets at amortised cost	Other financial liabilities	Total
	₦'000	₦'000	₦'000
<b>31 December 2020</b>			
<b>Financial assets not measured at fair value</b>			
Trade and other receivables (Note 21)	12,935,237	-	12,935,237
Promissory note (Note 19)	-	-	-
Cash and cash equivalents (Note 22)	5,514,075	-	5,514,075
	<b>18,449,312</b>	<b>-</b>	<b>18,449,312</b>
<b>Financial liabilities not measured at fair value</b>			
Short term borrowings (Note 28)	-	1,411,105	1,411,105
Trade and other payables (Note 27)	-	15,755,451	15,755,451
Dividend payable (Note 23)	-	170,735	170,735
Security deposit (Note 25)	-	1,547,348	1,547,348
	<b>-</b>	<b>18,884,638</b>	<b>18,884,638</b>

	Carrying amount		
	Financial assets at amortised cost	Other financial liabilities	Total
	₦'000	₦'000	₦'000
<b>31 December 2019</b>			
<b>Financial assets not measured at fair value</b>			
Trade and other receivables (Note 21)	12,364,105	-	12,364,105
Truck loan receivables (Note 14)	-	-	-
Promissory note (Note 19)	-	-	-
Cash and cash equivalents (Note 19)	4,462,166	-	4,462,166
	<b>16,826,272</b>	<b>-</b>	<b>16,826,272</b>
<b>Financial liabilities not measured at fair value</b>			
Short term borrowings (Note 28)	-	1,411,105	1,411,105
Trade and other payables (Note 27)	-	15,288,496	15,288,496
Dividend payable (Note 23)	-	170,735	170,735
Lease Liability (Note 31)	-	1,693,582	1,693,582
	<b>-</b>	<b>18,563,918</b>	<b>18,563,918</b>

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

### 33 Related party transactions

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

As at the period ended 31 March 2021, MRS Africa Holdings Limited (incorporated in Bermuda) owned 60% of the issued share capital of MRS Oil Nigeria Plc. MRS Africa Holdings Limited is a subsidiary of Corlay Global SA. The ultimate holding company is Corlay Global SA incorporated in Panama.

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

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

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

Nature of transactions	31 Mar. 2021	31 Dec. 2020
	₦'000	₦'000
Sales of goods	-	59,743
Staff Secondment	-	-
Product purchase	(2,078,000)	(3,578,019)
Loan	1,547,540	-
Reimbursements for expenses	-	30,680

In current period, the value of product stored by MRS Oil and Gas Limited for the Company amounted to ₦640.72 million (Dec 2020: ₦1.69 billion). The total transactions with MOG during the period was ₦530.46 million (Dec 2020: ₦3.49 billion). The net balance due from MOG is ₦1.58 billion (Dec 2020: ₦43.9 million)

#### (b) Petrowest SA (Petrowest)

MRS Holdings Ltd which is a shareholder in Corlay Global S.A, the ultimate parent of MRS Oil Nigeria Plc; holds an indirect interest of 45% in Petrowest (through MOG). The net balance due to Petrowest was ₦1.61 billion (Dec 2020: ₦1.59 billion)

#### (c) MRS Holdings Limited

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

Nature of transactions	31 Mar. 2021	31 Dec. 2020
	₦'000	₦'000
Management fees	(108,430)	(411,322)
Sale of goods	9,343	49,621
Reimbursable	-	-
Shared services	-	-
Staff Secondment	-	-

Net balance due to/(from) MRS Holdings Limited was ₦1.16 billion (Dec 2020: ₦895.20million)

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

Nature of transactions	31 Mar. 2021	31 Dec. 2020
	₦'000	₦'000
MRS Benin S. A.	61,560	60,458
Corlay Togo S. A.	114	112
Corlay Benin S. A	114	112
Corlay Cote D'Ivoire	(108,854)	(106,905)
Corlay Cameroun S. A.	14,571	14,310
	(32,494)	(31,913)



**Notes to the Financial Statements**

		31 Mar. 2021	31 Dec. 2020
		₦'000	₦'000
	<b>Nature of transactions</b>		
MRS Benin S. A.	Reimbursements for expenses		
Corlay Togo S. A.	Reimbursements for expenses	-	16,758
Corlay Benin S. A.	Reimbursements for expenses	-	3,702
Corlay Cote D'Ivoire	Reimbursements for expenses	-	2,163
Corlay Cameroun S. A.	Reimbursements for expenses	-	-

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

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

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

	31 Mar. 2021		31 Dec. 2020	
	₦'000	₦'000	₦'000	₦'000
	<b>Receivables</b>	<b>Payables</b>	<b>Receivables</b>	<b>Payables</b>
MRS Oil and Gas Limited (MOG)	1,583,650	-	237,896	(281,785)
MRS Holdings Limited	51,869	(1,212,864)	42,527	(937,731)
Petrowest	-	(1,614,400)	-	(1,587,851)
MRS Benin S. A.	61,560		60,458	
Corlay Togo S. A.	114		112	
Corlay Benin S. A.	114		112	
Corlay Cote D'Ivoire	-	(108,854)		(106,905)
Corlay Cameroun S. A.	14,571		14,310	
	<b>1,711,879</b>	<b>(2,936,118)</b>	<b>355,415</b>	<b>(2,914,272)</b>

**(ii) Key management personnel compensation**

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

	2020	2019
	₦'000	₦'000
Short term employee benefits	7,525	27,378
Other remuneration to key management personnel were as follows:		
Short term benefits	41,772	55,697
Other long term benefits	2,793	3,725
	<b>44,565</b>	<b>59,422</b>

**(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 ₦18.38 billion and the 5% disclosure limit is ₦9.19 billion. During the period, the Company has not entered into transactions above the 5% disclosure limit with MRS Oil and Gas Limited. Refer to Note 33(a)(i) for details of these transactions.

## Notes to the Financial Statements

### 34 Segment reporting

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

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

The Company has identified three operating segments:

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

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

#### Segment revenues and cost of sales

March 2021	Revenue		Cost of sales		Gross profit	
	₦'000	% of Total	₦'000	% of Total	₦'000	% of Total
Retail/C&I	16,179,053	93%	15,462,297	94%	716,756	78%
Aviation	729,652	4%	667,204	4%	62,448	7%
Lubes	440,693	3%	296,172	2%	144,521	16%
<b>Total</b>	<b>17,349,397</b>	<b>100%</b>	<b>16,425,673</b>	<b>100%</b>	<b>923,725</b>	<b>100%</b>

March 2020	Revenue		Cost of sales		Gross profit	
	₦'000	% of Total	₦'000	% of Total	₦'000	% of Total
Retail/C&I	15,415,299	89%	14,873,169	91%	542,130	59%
Aviation	1,508,587	9%	1,426,513	9%	82,074	9%
Lubes	1,152,909	7%	751,554	5%	401,355	43%
<b>Total</b>	<b>18,076,795</b>	<b>104%</b>	<b>17,051,236</b>	<b>104%</b>	<b>1,025,559</b>	<b>111%</b>

### 35 Subsequent events

There are no significant subsequent events that could have had a material effect on the financial position of the Company as at 31 March 2021 and on the loss for the period ended on that date that have not been taken into account in these financial statements.

### 36 Contingencies

#### (a) Pending litigations

There are certain lawsuits pending against the Company in various courts of law. The total contingent liabilities in respect of pending litigations as at 31 March 2021 is ₦745.67million (Dec 2020: ₦738.91 million). A total provision of ₦46.14 million (Dec 2020: ₦46.14) (Note 30) has been made in these financial statements. The actions are being contested and the directors are of the opinion that no significant liability will arise in excess of the provision that has been recorded in the financial statements.

#### (b) Financial commitments

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

## **STATEMENT OF COMPLIANCE**

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

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

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

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

### **WHISTLE BLOWING:**

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

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

We the undersigned hereby certify the following with regards to our financial report for the period ended 30 September 2020 that:

- (a) We have reviewed the Report;
- (b) To the best of our knowledge, the Report does not contain:
  - (i) Any untrue statement of a material fact, or
  - (ii) Omit to state a material fact, which would make the statements, misleading in the light of the circumstances under which such statements were made;
- (c) To the best of our knowledge, the Financial Statement and other financial information included in the Report fairly present in all material respects the financial condition and results of operation of the company as of and for periods presented in the Report.
- (d) We:
  - (i) Are responsible for establishing and maintaining internal controls.
  - (ii) Have designed such internal controls to ensure that material information relating to the Company, particularly during the period in which the periodic reports are being prepared;
- (e) We have disclosed to the Auditors of the Company and the Audit Committee;  
Any fraud, whether or not material, that involves management or other employees who have significant roles in the Company's internal controls.



**Mr. Marco Storari**  
**(Managing Director, Ag.)**  
**FRC/2020/003/00000022083**



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



**Mr. Emmanuel N. Okafor**  
**(Director)**  
**FRC/2021/002/000000022583**

**28 April 2021**