

MRS Oil Nigeria Plc

Financial Statements for the quarter ended 31 March 2014

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Corporate Information

RC 6442

Board of Directors

Alhaji Sayyu I. Dantata	Chairman
Mr. Paul Bissohong	Managing Director
Mr. Patrice Alberti	Non Executive Director
Mr. Andrew O. Gbodume	Executive Director (Finance & Administration)
Dr. Samaila M. Kewa	Non Executive Director
Mr. Lawal Mangal	Alternate Director
Ms Amina Maina	Non Executive Director (Appointed on 6 November, 2013)

Registered Office

8, Macarthy Street
Onikan
Lagos State

Company secretary

Mrs. O.M. Jafojo
8, Macarthy Street
Onikan
Lagos State

Registrar

City Securities (Registrars) Limited
358, Albert Macaulay Street
Yaba
Lagos

Independent Auditors

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

Principal Bankers

First Bank of Nigeria Plc
First City Monument Bank Plc
Citibank Nigeria Limited
Standard Chartered Bank Nigeria Limited
Zenith Bank Plc
Access Bank Plc

LEADERSHIP TEAM

Paul Bissohong

Managing Director

Oghenekaro Ologe

Information Technology Manager

Andrew O. Gbodume

Executive Director (Finance & Admin)

Hajia Safia Mohammed

Human Resources Manager

Oluwakemi M. Jafojo

Company Secretary

Andrew Onum

Chief Legal Counsel

Martin Orogun

Finance Manager

Mohammed Koki

Operations Manager

Peter Z. Dia

Aviation Manager

Charles Onum

C & I Manager

Priscilla Thorpe-Monclus

Sales & Marketing Manager

Omoloja Oladipo

Marketing Support Manager

Kola Akinyemi

HSE Manager

Gloria Atong

Procurement Manager

Jubril Hassan

Treasury Manager

Moruf Sobowale

Lubes Operation Manager

Abdullahi Yusuf Daniel

Internal Auditor

Statement of Directors' Responsibilities in Relation to the Financial Statements for the period ended 31 March 2014

The directors accept responsibility for the preparation of the annual financial statements set out on pages 4 to 34 that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council Act, 2011.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements 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. Paul Bissohong
Name

FRC/2013/IOD/00000003841

Date

Signature

Mr. Andrew Gbodume
Name

FRC/2012/ICAN/00000000534

Date

Statement of Financial Position
as at 31 March 2014

		March 2014	December 2013
	Notes	N'000	N'000
Assets			
Property, plant and equipment	13	21,043,240	21,351,269
Intangible assets	14	67,767	81,320
Loans and receivables	17	447,466	655,229
Prepayments		325,864	303,594
Trade and other receivables	16	5,348	5,361
Total non-current assets		21,889,685	22,396,773
 Inventories	15	5,611,680	7,723,595
Loans and receivables	17	1,092,510	975,541
Trade and other receivables	16	19,238,516	21,256,088
Prepayments		297,521	228,003
Cash and cash equivalents	18	6,421,608	13,114,626
Total current assets		32,661,835	43,297,853
 Total assets		54,551,520	65,694,626
 Equity			
Share capital	19(a)	126,994	126,994
Retained earnings	19(b)	19,674,132	19,502,153
 Total equity		19,801,126	19,629,147
 Liabilities			
Employee benefit obligations	20	15,541	15,541
Deferred tax liability		5,981,619	5,981,619
 Total non-current liabilities		5,997,160	5,997,160
 Security deposits	21	1,601,876	1,572,949
Dividend payable		463,656	465,759
Trade and other payables	22	17,151,629	20,952,759
Bank overdraft and short term borrowings	23	8,121,197	15,811,212
Tax payable	12(c)	1,414,876	1,265,640
 Total current liabilities		28,753,234	40,068,319
 Total liabilities		34,750,394	46,065,479
 Total equity and liabilities		54,551,520	65,694,626

Approved by the Board of Directors on

2014 and signed on its behalf by:

_____) Mr. Paul Bissohong (Managing Director)
FRC/2013/IOD/00000003841

_____)Mr. Andrew Gbodume (Executive Director,
Finance & Administration)
FRC/2012/ICAN/00000000534

The notes on pages 9 to 34 are an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income
for the period ended 31 March 2014

	Notes	March 2014	March 2013	December 2013
		N'000	N'000	N'000
Revenue	6	24,163,308	15,620,727	87,786,323
Cost of sales	8	(22,559,230)	(14,921,719)	(83,010,060)
Gross profit		1,604,078	699,008	4,776,263
Other income	7	99,893	108,569	612,395
Selling and distribution expenses	8	(150,757)	(273,548)	(938,130)
Administrative expenses	8	(1,173,985)	(702,228)	(5,543,146)
Operating (loss)/profit		379,229	(168,199)	(1,092,618)
Finance income	9	63,921	5,848	3,284,269
Finance cost	9	(121,935)	(109,615)	(784,508)
Net finance income/(costs)	9	(58,014)	(103,767)	2,499,761
Profit before income tax	10	321,215	(271,966)	1,407,143
Income tax expense	12(a)	(149,236)	-	(772,725)
Profit for the year		171,979	(271,966)	634,418
Other Comprehensive Income, net of income tax				
<i>Items that will never be reclassified subsequently to profit or loss:</i>				
Actuarial gains on post-employment benefit obligation		-	-	-
Income tax effect	12(b)	-	-	-
Other comprehensive income, net of tax		-	-	-
Total comprehensive income for the year		171,979	(271,966)	634,418
Earnings per share (EPS)				
Basic earnings per share (Naira)	11(a)	0.68	(1.07)	2.50

The notes on pages 9 to 34 are an integral part of these financial statements.

Statement of Changes in Equity
for the period ended 31 March 2014

	Share capital	Retained earnings	Total equity
Notes	N'000	N'000	N'000
Balance as at 1 January 2014	126,994	19,502,153	19,629,147
Total comprehensive income:			
Profit for the period	-	171,979	171,979
Other comprehensive income	-	-	-
Total comprehensive income	-	171,979	171,979
Transactions with owners of the Company			
<i>Contributions and Distributions</i>			
Dividends	-	-	-
Total transactions with owners of the Company	-	-	-
Balance as at 31 March 2014	126,994	19,674,132	19,801,126

	Share capital	Retained earnings	Total equity
Notes	N'000	N'000	N'000
Balance as at 1 January 2013	126,994	18,927,016	19,054,010
Total comprehensive income:			
Profit for the year	-	634,418	634,418
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	634,418	634,418
Transactions with owners of the Company			
<i>Contributions and Distributions</i>			
Dividends	-	(59,281)	(59,281)
Total transactions with owners of the Company	-	(59,281)	(59,281)
Balance as at 31 December 2013	126,994	19,502,153	19,629,147

The notes on pages 9 to 34 are an integral part of these financial statements.

Statement of Cash Flows
for the period ended 31 March 2014

	Notes	March 2014	December 2013
		N'000	N'000
Cash flows from operating activities:			
Profit after tax		171,979	634,418
Adjustments for :			
Depreciation	13(a)	403,255	1,563,330
Amortisation of intangible assets	14	13,553	59,240
Finance income	9	(63,921)	(3,284,269)
Finance cost		75,521	328,980
(Gain)/loss on sale of property, plant and equipment		-	(22)
Provision for long-term service award		-	2,536
Curtailment gains on long-term service award		-	(3,820)
Provision for gratuity		-	-
Impairment loss on trade receivables		45,000	211,673
(Reversal of)/ impairment loss on inventory		-	(18,199)
Surplus on settlement of gratuity		-	(23,949)
Tax expense	12(a)	149,236	772,725
Curtailment gains of gratuity provision		-	-
		794,623	242,643
Changes in:			
- Inventories		2,111,915	(3,373,663)
- Trade, other receivables and prepayments		1,880,797	(3,195,594)
- Security deposits		28,927	62,045
- Trade and other payables		(3,801,130)	16,525,408
Cash generated from operating activities		1,015,132	10,260,839
Income taxes paid	12(c)	-	(212,456)
Withholding tax credit notes utilised	12(c)	-	(10,648)
Long-term service award paid		-	(340)
Gratuity settlement paid		-	(177,301)
Value added tax paid		-	(215,170)
Net cash generated from operating activities		1,015,132	9,644,924
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment		-	288
Purchase of property, plant and equipment		(95,226)	(870,989)
Amounts advanced to transporters	17	(116,969)	(1,961,323)
Repayment received on amounts advanced to transporters	17	207,763	330,553
Interest received	9	63,921	3,284,269
Net cash generated from / (used in) investing activities		59,489	782,798
Cash flows from financing activities:			
Net repayment on short term borrowings		(7,330,379)	(7,148,000)
Dividends paid		(2,103)	(67,464)
Interest paid		(75,521)	(328,740)
Net cash used in financing activities		(7,408,003)	(7,544,204)
Net change in cash and cash equivalents		(6,333,382)	2,883,518
Cash and cash equivalents at 1 January		11,770,191	8,886,913
Effect of movements in exchange rates on cash held		-	(240)
Cash and cash equivalents as at end of the period	18	5,436,809	11,770,191

The notes on pages 9 to 34 are an integral part of these financial statements.

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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, M.R.S. Africa Holdings Limited gained control of all assets of Chevron Nigeria Holdings Limited, Bermuda. The new management of the Company announced a change of name of the Company from Chevron Oil Nigeria Plc to MRS Oil Nigeria Plc ("MRS") effective 2 December, 2009 following the ratification of the name change of the Company at the 40th Annual General Meeting of the Company on 29 September, 2009.

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

8, Macarthy Street
Onikan
Lagos
Nigeria

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

2 Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

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

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for defined benefit obligations.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Notes to the Financial Statements

(i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in Note 9(a) with respect to recognition of income on foreign exchange and interest reimbursement on government grant.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The Company has adopted the following new standard(s) and amendment(s) to standards including any consequential amendments to other standards, with a date of initial application of 1 January, 2014. The nature and effects of the changes are explained below:

(i) Presentation of items of other comprehensive income (Amendments to IAS 1)

As a result of the amendments to IAS 1, the Company has modified the presentation of items of other comprehensive income in its statement of profit or loss and other comprehensive income, to present separately, items that would be reclassified to profit or loss from those that would never be Comparative information. This has been re-presented accordingly.

(ii) IFRS 13 Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Company has included additional disclosures in this regard (see note 24 (d)).

In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.

(a) Foreign currency transactions

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

Foreign currency differences arising on retranslation are recognized in profit or loss, except for qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction .i.e. they are not retranslated.

Notes to the Financial Statements

(b) Financial instruments

The Company classifies non-derivative financial assets into loans and receivables.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

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

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

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

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

ii Non-derivative financial assets - measurement

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss, if any) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

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

Cash and cash equivalents

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

Notes to the Financial Statements

iii Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

The Company has the following non-derivative financial liabilities: loans and borrowings, trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

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

iv 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.

(c) Property, plant and equipment

i Recognition and measurement

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

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

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

When 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 costs

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.

Notes to the Financial Statements

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

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

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

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

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

(d) Intangible assets

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

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

Subsequent expenditure

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

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. The estimated useful life for the current period for the acquired computer software is 3 years.

(e) Leases

i Determining whether an arrangement contains a lease

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

Notes to the Financial Statements

ii Leased assets

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

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

iii Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(f) Inventories

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

The basis of costing inventories are as follows:

Product Type	Cost Basis
White Petroleum Products (AGO, ATK, PMS , DPK)	Weighted Average Cost of costs incurred (for deregulated products reduced by the value of subsidies due)
Packaging Materials , Lubricants and Greases	First in , First Out
Inventories-in-transit	Purchase cost incurred to date

Net realizable 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 as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

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

Notes to the Financial Statements

Financial assets measured at amortised cost

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

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

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

ii Non-financial assets

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

For impairment testing, assets are group 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 CGUs.

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

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

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

(h) Employee benefits

i Defined contribution plan

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

In line with the provisions of the Pension Reform Act 2004, the Company has instituted a defined contribution pension scheme for its permanent staff. Employees contribute 3 % each of their Basic salary, Transport and Housing Allowances to the Fund on a monthly basis. The Company's contribution is 12 % of each employee's Basic salary, Transport and Housing Allowances. Staff contributions to the scheme are funded through payroll deductions while the Company's contribution is recognised in profit or loss as employee benefit expense in the periods during which services are rendered by employees.

Notes to the Financial Statements

ii Defined benefit plan

The Company operated one gratuity scheme which was a defined benefit scheme for certain employees. This scheme was however terminated in February and all qualifying employees under the scheme were paid off. See note 20.

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 periods 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.

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 periods. The benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Federal Government of Nigeria issued bonds that have maturity dates approximating the term of the Company's obligation. The calculation is performed using the Projected Unit Credit method. Remeasurements are recognised in profit or loss in the period in which they arise.

iv Termination benefits

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

v Short-term employee benefits

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

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

Notes to the Financial Statements

(i) Provisions and contingent liabilities

Provisions

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

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

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

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.

(j) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of value added tax, sales returns, trade discounts and volume rebates. Revenue for regulated products equates the amounts that accrue to the Company directly net of amounts the Company collects from regulators on behalf of third parties i.e. dealer commissions and transport costs. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

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

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

Notes to the Financial Statements

(k) Rental income

Rental income is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Rental income is recognized as other income.

(l) Finance income and finance costs

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

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

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

(m) Income and deferred 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 a business combination, or items recognized directly in equity or in other comprehensive income.

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.

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

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

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

(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 period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares. Diluted earnings per share is only disclosed when there is a dilutive impact.

Notes to the Financial Statements

(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 Board of Directors 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 Board of Directors 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 such as translation differences and other non-cash items, 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.

(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 operation.

Notes to the Financial Statements

4 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

Effective for the financial year commencing 1 January 2014

- IAS 32 *Offsetting Financial Assets and Financial Liabilities*
- IFRIC 21 *Levies*

Effective for the financial year commencing 1 January 2018

- IFRS 9 *Financial Instruments*

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

IFRS 10, IFRS 12 and IAS 27 amendment *Investment entities, Recoverable Amount Disclosures for Non-Financial Assets* (Amendment to IAS 36), *Novation of Derivatives and Continuation of Hedge Accounting* (Amendments to IAS 39), *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19) are not applicable to the business of the entity and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

Amendments to IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities

The amendments clarify when an entity can offset financial assets and financial liabilities. This amendment will result in the Company no longer offsetting two of its master netting arrangements. This amendment is effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

IFRIC 21 Levies

Levies have become more common in recent years, with governments in a number of jurisdictions introducing levies to raise additional income. Current practice on how to account for these levies is mixed. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37 *Provisions, Contingent Liabilities and Assets*. The Interpretation is effective for annual periods commencing on or after 1 January 2014 with retrospective application.

IFRS 9 Financial Instruments

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The effective date of IFRS 9 was 1 January 2015. The effective date has been postponed to 1 January 2018. The Company will adopt the standard in the first annual period beginning on or after the mandatory effective date (once specified). The impact of the adoption of IFRS 9 has not yet been estimated as the standard is still being revised and impairment and macro-hedge accounting guidance is still outstanding.

The Company will assess the impact once the standard has been finalised and becomes effective.

Notes to the Financial Statements

5 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

When applicable further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the measurement date. Fair value for short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

(ii) Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Notes to the Financial Statements

6	Revenue	March 2014	December 2013
		N'000	N'000
	Premium Motor Spirit (PMS)	18,809,921	63,509,044
	Aviation Turbine Kerosene (ATK)	2,472,547	10,580,545
	Automotive Gas Oil (AGO)	1,848,550	9,717,370
	Lubricants and greases	752,654	2,902,370
	Dual Purpose Kerosene (DPK)	279,636	1,076,994
	Low Pour Fuel Oil (LPFO)	-	-
		24,163,308	87,786,323
7	Other income	March 2014	December 2013
		N'000	N'000
	Rental and lease income (Note 7(a))	3,799	110,641
	Gains/(loss) on disposal of property, plant & equipment	-	22
	Sundry income	24,813	180,011
	Income on storage services	71,281	321,721
	Total	99,893	612,395
(a) Rental and lease income relates to income earned on assets that are on lease (finance and operating leases) to third parties. Assets on lease include filling stations and related equipment (generators and dispenser pumps).			
8	Expenses by nature	March 2014	December 2013
		N'000	N'000
	Depreciation	403,255	1,563,330
	Amortization of intangible assets	13,553	59,240
	Changes in inventories of lubes, greases and white products	22,550,397	82,337,775
	Rental of service stations, buildings and equipment	37,188	216,483
	Advertising expense	14,525	57,161
	Consultancy expense	26,291	707,260
	Maintenance expense	70,717	275,660
	Throughput expense	8,833	774,427
	Freight expense	111,750	650,337
	Management fees	145,157	631,119
	Director's remuneration	2,000	9,360
	Employee benefit expense	127,995	588,927
	Auditor's remuneration	6,000	24,914
	Impairment loss on other receivables	-	31,871
	Impairment loss/(reversal of) on trade receivables	44,911	179,802
	Local and international travel	26,532	111,183
	Office expenses and supplies	66,887	218,533
	Communication and postage	34,473	222,129
	Fines and penalties	-	34,460
	Insurance premium	28,038	120,301
	Other expenses	165,470	677,064
		23,883,972	89,491,336
Total cost of sales, selling and distribution expenses and administrative expenses			
9	Finance income and finance costs	March 2014	December 2013
		N'000	N'000
	Finance income		
	Interest income on short-term bank deposits	36,934	115,182
	PPPR reimbursement on interest and foreign exchange differential (Note (9(a)))	-	3,111,107
	Interest income on loans to transporters (Note 17)	26,902	53,338
	Other interest income	85	4,642
	Total finance income	63,921	3,284,269
	Finance cost		
	Interest expense	33,997	245,501
	Bank charges	41,524	83,239
	Net foreign exchange loss	46,414	455,768
	Total finance costs	121,935	784,508
	Net finance (income) /cost	58,014	(2,499,761)

Notes to the Financial Statements

- (a) This amount represents net interest / foreign exchange differential cost claims received from PPPRA in 2013 arising from delayed subsidy payments relating to products imported between 2011 and 2012.

10 Profit before income tax

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

	March 2014	December 2013
	N'000	N'000
Depreciation (Note	403,255	1,563,330
Amortisation of intangible assets (Note	13,553	59,240
Management fees	145,157	631,119
Service charge	-	422,715
Director's remuneration	2,000	9,360
Employee benefit expense	127,995	588,927
Auditor's remuneration	6,000	24,914
(Gain)/ loss on disposal of property, plant and equipment	-	(22)
PPRA reimbursement on interest and foreign exchange differential (Note (9 (a)))	-	(3,111,107)
Foreign currency exchange loss	46,414	455,768

- (b) Directors and employees

- i Employee costs during the year comprise:

	March 2014	December 2013
	N'000	N'000
Salaries and wages	103,826	360,419
Other employee benefits	12,594	199,345
Employer's pension contribution	11,575	47,277
(Reversal of) / post employment benefit charge	-	(23,949)
Other long term employee benefit charge	-	5,835
	127,995	588,927

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

	Number	
	March 2014	December 2013
Administration	26	26
Technical and production	2	2
Operations and distribution	30	30
Sales and marketing	30	30
	88	88

- iii Higher-paid employees of the Company, other than directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration in excess of N1,000,000 (excluding pension contributions) in the following ranges:

		Number	
	March 2014	December 2013	
N	N		
1,000,001	2,000,000	1	1
2,000,001	3,000,000	23	23
3,000,001	4,000,000	32	32
4,000,001	5,000,000	7	7
5,000,001	6,000,000	13	13
6,000,001	7,000,000	6	6
7,000,001	8,000,000	1	1
8,000,001	9,000,000	1	1
9,000,001	10,000,000	-	-
Above	10,000,000	4	4
		88	88

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

	March 2014	December 2013
	N'000	N'000
Fees	-	2,250
Other emoluments	2,000	7,110
	2,000	9,360

The directors' remuneration shown above includes:

Chairman	-	-
Highest paid director	-	5,600

Notes to the Financial Statements

Other directors received emoluments in the following ranges:

			Number	
			March 2014	December 2013
	Nil		2	2
	1,000,001	2,000,000	3	3

11 Earnings per share (EPS)

(a) Basic EPS

Basic earnings per share of N0.68 (December 2013: N2.50 is based on profit attributable to ordinary shareholders of N171,979,000 (December 2013: N634,418,000, and on the 253,988,672 ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the year (December 2013: 253,988,672).

	March 2014	December 2013
Profit for the year attributable to shareholders (expressed in Naira)	171,979,000	634,418,000
Weighted average number of ordinary shares in issue	253,988,672	253,988,672
Basic earnings per share (expressed in Naira per share)	0.68	2.50

12 Income taxes

Income tax expense

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

(a) Amounts recognized in profit or loss

	March 2014	December 2013
	N'000	N'000
Current tax expense:		
Income tax	139,909	953,087
Tertiary education tax	9,327	76,619
Prior year over provision	-	-
	149,236	1,029,706
Deferred tax expense:		
Origination and reversal of temporary differences	-	(256,981)
	-	(256,981)
Tax expense on operations	149,236	772,725

(b) Tax recognized in other comprehensive income:

No tax was recognised in other comprehensive income during the period (December 2013: Nil).

(c) Movement in current tax liability

	March 2014	December 2013
	N'000	N'000
Balance at beginning of the year	1,265,640	459,038
Payments during the period/ year	-	(212,456)
Provision for the period/ year	149,236	1,029,706
Withholding tax credit notes utilised	-	(10,648)
	1,414,876	1,265,640

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

Notes to the Financial Statements

13 Property, Plant and Equipment

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

	Leasehold Land & Buildings N'000	Plant & Machinery N'000	Automotive Equipment N'000	Computer & Office Equipment N'000	Furniture & Fittings N'000	Capital Work in Progress N'000	Total N'000
Cost							
Balance at 1 January 2013	14,438,612	10,149,259	1,646,343	775,767	191,302	373,103	27,574,386
Additions	-	-	-	-	-	95,226	95,226
Transfers	-	97,044	114	5,238	3,528	(105,924)	-
Disposals	-	-	-	-	-	-	-
Balance as at 31 March 2014	14,438,612	10,246,303	1,646,457	781,005	194,830	362,405	27,669,612
Depreciation and impairment losses							
Balance as at 1 January 2013	1,502,999	2,796,338	1,100,939	655,686	167,155	-	6,223,117
Charge for the period	73,010	242,380	53,792	29,494	4,579	-	403,255
Disposal	-	-	-	-	-	-	-
Balance as at 31 March 2014	1,576,009	3,038,718	1,154,731	685,180	171,734	-	6,626,372
Carrying amounts							
Balance as at 31 March 2014	12,862,603	7,207,585	491,726	95,825	23,096	362,405	21,043,240
Balance as at 31 December 2013	12,935,613	7,352,921	545,404	120,081	24,147	373,103	21,351,269

Notes to the Financial Statements

(b) **Impairment assessment**

The carrying amount of the Company's net assets exceeded its market capitalization as at the period end. As a result of this, management carried out an impairment test as at 31 March 2014. Based on results of the test, the recoverable amount of the Company's cash generating units (CGU) are higher than the carrying amount i.e value in use of the CGUs exceeds the carrying amount and as such no impairment loss has been recorded.

(d) **Capital commitments**

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

	2014	2013
	N'000	N'000
Capital commitments	1,120,000	1,606,756

(e) All depreciation expense is included as part of administrative expenses.

14 Intangible assets

	March 2014	December 2013
	N'000	N'000
Cost		
Balance as at 1 January	175,050	175,050
Additions	-	-
Balance as at 31 March	175,050	175,050
Accumulated amortisation		
Balance as at 1 January	93,730	34,490
Charge for the period/ year	13,553	59,240
Balance as at 31 March	107,283	93,730
Carrying amount	67,767	81,320

Amortisation of N13.55 million is included in 'administrative expenses' in the statement of comprehensive income (December 2013: N59.24 million).

15 Inventories

	March 2014	December 2013
	N'000	N'000
Premium Motor Spirit (PMS)	2,529,621	4,228,581
Lubricants and greases	2,129,042	2,416,035
Aviation Turbine Kerosene (ATK)	551,727	501,527
Automotive Gas Oil (AGO)	266,277	423,608
Dual Purpose Kerosene (DPK)	101,539	127,024
Packaging materials and other sundry stocks	33,474	26,820
	5,611,680	7,723,595

Notes to the Financial Statements

16 Trade and other receivables

	March 2014	December 2013
	N'000	N'000
Trade receivables	3,525,938	4,935,456
Petroleum Equalisation Fund (PEF)	3,811,986	2,978,583
Petroleum Support Fund (PSF)	5,078,087	5,793,454
Loans to employees	144,807	43,042
Interest receivable	-	-
Withholding tax receivables	130,986	119,378
Due from joint operation partners	44,476	39,882
Receivables from registrar	88,095	88,095
Receivables from related parties	6,096,939	7,163,265
Other debtors	322,550	100,294
	<u>19,243,864</u>	<u>21,261,449</u>
Less: non-current portion	(5,348)	(5,361)
Current portion	<u>19,238,516</u>	<u>21,256,088</u>

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

The Company's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in Note 24 (a).

17 Loans and receivables

In 2013, the Company purchased tankers from a related party (Rosscourt International Limited) amounting to ₦2.64 billion. The Company, then entered into an arrangement with some of its transporters to provide these tankers to them, at cost of the tankers plus an interest of 17% per annum. The transporters are expected to repay from freight costs charged to the Company for services rendered and repayment periods range from 12 to 24 months. The transporters made a 20% contribution at the commencement of the arrangement. Outstanding balance on the tankers are secured by the Company's retention of title to the tankers. On the basis of retention of title as well as historical payment behaviours of the respective transporters (including continuing business as of date as adequate insurance cover on the tankers), the Company does not believe that the amounts are impaired and as such no impairment loss has been recorded.

The analysis of the loans was as follows:

	March 2014	December 2013
	N'000	N'000
Cost of trucks (including other incidental costs incurred)	2,757,342	2,640,373
Less down payment from the transporters	(679,050)	(679,050)
Total amount advanced to transporters	2,078,292	1,961,323
Repayments received	(538,316)	(330,553)
Balance as at end of the period/ year	1,539,976	1,630,770
Less non current portion	(447,466)	(655,229)
Current portion	<u>1,092,510</u>	<u>975,541</u>

Interest income earned on this amounting to ₦26.9 million has been included as part of finance income in profit or loss (Note 9). Included in the repayments received is ₦207.76 million repaid by transporters in the last three months period. Additional incidental cost of ₦116.97 million on trucks insurance renewal was incurred in the period.

18 Cash and cash equivalents

	March 2014	December 2013
	N'000	N'000
Cash at bank and on hand	1,577,099	1,268,260
Short term deposits with banks (Note 18 (a))	4,844,509	11,846,366
	<u>6,421,608</u>	<u>13,114,626</u>
Bank overdrafts used for cash management purposes (Note 23)	(984,799)	(1,344,435)
Cash and cash equivalents in the statement of cash flows	<u>5,436,809</u>	<u>11,770,191</u>

- (a) Short term deposits with banks represent placements with commercial banks for period between 0 - 90 days. Included in short term deposits are unclaimed dividends amounting to ₦266.54 million (December 2013: ₦263.26 million) held in separate bank accounts in accordance with guidelines issued by Securities and Exchange Commission. This amount is restricted from use by the Company. Also included in short term deposits with banks is an amount of ₦4.58 billion (December 2013: ₦9.1 billion) being the balance on the sinking fund account. The sinking fund account is used to finance import finance facilities held with the Company's Bankers.

Notes to the Financial Statements

19 Capital and reserves

(a) Share capital

	March 2014	December 2013
	N'000	N'000
Authorised:		
271,657,230 Ordinary shares of 50k each	135,829	135,829
Issued and fully paid:		
253,988,672 Ordinary shares of 50k each	126,994	126,994
Issued and fully allotted:		
253,988,672 Ordinary shares of 50k each	126,994	126,994

(b) Retained earnings

	March 2014	December 2013
	N'000	N'000
Balance as at 1 January	19,502,153	18,927,016
Profit for the year	171,979	634,418
Defined benefit plan actuarial gain, net of tax	-	-
Dividends declared	-	(59,281)
Unclaimed dividend written back	-	-
Balance as at 31 December	19,674,132	19,502,153

Included in retained earnings is N14.40 billion (December 2013: N14.40 billion) which represents revaluation surplus transferred at IFRS transition date. The Company has opted not to distribute this amount.

20 Employee benefit obligations

In 2013, the Company terminated the gratuity scheme available to its employees. The resulted obligation under the scheme was settled by the Company. The amounts outstanding as at 31 March 2014 with respect to employee benefit obligations is shown below:

	March 2014	December 2013
	N'000	N'000
Period/ Year end obligations for:		
Post-employment benefit	-	-
Other long term employee benefits (Note 20 (a))	15,541	15,541
Total employee benefit liabilities	15,541	15,541

- (a) The provision was based on independent actuarial valuation performed by HR Nigeria Limited using the projected unit credit as at December 2013. Last valuation was as at 31 December 2013. Other long term employee benefits comprises long service awards and it is funded on a pay as you go basis by the Company.

The movement on the provision for other long term employee benefits was as follows:

	March 2014	December 2013
	N'000	N'000
Balance as at 1 January	15,541	17,165
Provision for the period/ year:		
Current service cost	-	4,479
Interest cost	-	1,356
Remeasurement (gains)/ losses	-	(3,299)
Benefits paid by the employer	-	(340)
Curtailment gains	-	(3,820)
Balance as at 31 March	15,541	15,541

Notes to the Financial Statements

21 Security deposits

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

22 Trade and other payables

	March 2014	December 2013
	N'000	N'000
Trade payables	8,138,052	11,192,693
Accrued expenses	881,206	850,190
Amounts due to joint venture partners	85,341	66,780
Advances received from customers	-	966,383
Bridging allowance	2,235,122	1,633,939
Amounts due to related parties	5,811,908	6,239,990
Pension payable (22(a))	-	2,784
Other liabilities	-	-
	17,151,629	20,952,759

- (a) The balance on the pension payable account represents the amount due to Pension Fund Administrators which are yet to be remitted at end of the accounting period.

23 Bank overdrafts and other short term borrowings

	March 2014	December 2013
	N'000	N'000
Bank overdraft (Note 18)	984,799	1,344,435
Bank borrowings (Import Finance Facilities)	7,136,398	14,466,777
Total Borrowings	8,121,197	15,811,212

Interest rates on these facilities ranged between 17.5% to 18.5% per annum (December 2013: 18% - 20%). However, for the bank overdraft, as a result of an agreement with one of the bankers, interest is calculated net of the amount of fixed deposits held with the banker. Where, the fixed deposit held is in excess of the overdraft, interest income is earned. There is no right of offset between the overdraft and the deposits held.

Import Finance Facilities represents short term borrowings obtained to fund letters of credits for product importation. Included in the balance of N7.14 billion is an amount of N1.39 billion obtained on behalf of a related party, MRS Oil and Gas Limited (MOG) (December 2013: N9.57). This amount is included as part of the receivable from MOG at the end of the three months. These facilities are either secured with products financed, domiciliation of Petroleum Products Pricing Regulatory Agency (PPPRA) payments or the Company's sinking fund account with a balance of N4.58 billion as at year end (2013: N11.85 billion). The sinking fund account is included in the short term deposits. The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

Notes to the Financial Statements

24 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.

(a) Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Note	March 2014	December 2013
	N'000	N'000
Trade and other receivables	19,112,878	21,142,071
Loans and receivables	1,539,976	1,630,770
Cash and cash equivalents (excluding cash on hand)	6,418,044	13,110,757
	27,070,898	35,883,598

Trade and other receivables

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

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

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

Notes to the Financial Statements

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

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

	March 2014	December 2013
	N'000	N'000
Trade receivables		
- Major customers	3,209,628	3,365,802
- Others	739,981	1,948,325
- Impairment	(423,671)	(378,671)
	3,525,938	4,935,456
- Due from related parties	6,096,939	7,163,265
- Due from regulators (Government entities)	8,890,073	8,772,037
- Others	599,928	271,313
	19,112,878	21,142,071

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

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

	March 2014	December 2013
	N'000	N'000
Balance as at 1 January	378,671	198,869
Impairment loss recognised	45,000	269,455
Reversal of impairment losses	-	(89,653)
Balance as at 31 March	423,671	378,671

The impairment loss as at 31 March 2014 relates to several customers that are not expected to be able to pay their outstanding balances, mainly due to economic circumstances. The Company believes that the unimpaired amounts are still collectible, based on historic payment behaviour and extensive analyses of the underlying customers' credit ratings when available. Impairment calculated also takes into consideration the value of the security deposits held by the Company on a customer by customer basis. The impairment loss is included in administrative expenses on the statement of comprehensive income.

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 to the regulations/ guidelines that prohibit or limit recovery of previously recognized amounts. For bridging claims amounting to ₦3.81 billion recognized as receivable, possibilities exist depending on negotiations that settlement will occur via a set off to the extent of bridging allowances amounting to ₦2.24 billion recorded as a liability. However, as the right of set off do not exist, the amounts have been presented gross in these financial statements.

Dues from related parties

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

Notes to the Financial Statements

Other receivables

Other receivables includes staff debtors and other sundry receivables. The Company reviews the balances due from this category on a periodic basis taking into consideration functions such as continued business/employment relationship and ability to offset amounts against transactions due to these parties.

Loans and receivables

Loans and receivables comprise amounts loaned to some of the Company's transporters. All the transporters still carry out business with the Company as at the end of the three months period and repayments have been consistent with the terms of the agreements. In addition, the balance due as at the end of the three months period, is secured with title to the tankers that were financed. As such, management does not believe that the amounts are impaired.

Cash and cash equivalents

The Company held cash and cash equivalents of ₦6.42 billion as at 31 March 2014 (December 2013: ₦13.11 billion), which represents its maximum credit exposure on these assets. The cash and cash equivalents (with the exception of ₦3.56 million held as cash by the Company) are held by banks and financial institutions in Nigeria.

(b) Liquidity risk

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

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

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

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.

(c) Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity. Management also monitors the level of dividends to all shareholders.

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

	March 2014	December 2013
	₦'000	₦'000
Total borrowings (Note 23)	8,121,197	15,811,212
Less: Cash and cash equivalents (Note 18)	(6,421,608)	(13,114,626)
Net debt	1,699,589	2,696,586
Total equity	19,801,126	19,629,147
Total capital Employed	21,500,715	22,325,733
Debt to adjusted capital ratio	9%	14%

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

The Company is not subject to externally imposed capital requirements.

Notes to the Financial Statements

(d) **Fair values**

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Carrying amount		
	Loans and receivables	Other financial liabilities	Total
	N'000	N'000	N'000
31 December 2013			
Financial assets not measured at fair value			
Trade and other receivables	21,142,071	-	21,142,071
Loans and receivables	1,630,770	-	1,630,770
Cash and cash equivalents	13,114,626	-	13,114,626
	35,887,467	-	35,887,467
Financial liabilities not measured at fair value			
Short term borrowings	-	15,811,212	15,811,212
Trade and other payables	-	19,986,376	19,986,376
Security deposits	-	1,572,949	1,572,949
	-	37,370,537	37,370,537

The Company's financial instruments are categorised as follows:

	Carrying amount		
	Loans and receivables	Other financial liabilities	Total
31 March 2014	N'000	N'000	N'000
Financial assets not measured at fair value			
Trade and other receivables	19,112,878	-	19,112,878
Loans and receivables	1,539,976	-	1,539,976
Cash and cash equivalents	6,421,608	-	6,421,608
	27,074,462	-	27,074,462
Financial liabilities not measured at fair value			
Short term borrowings	-	8,121,197	8,121,197
Trade and other payables	-	17,151,629	17,151,629
Security deposits	-	1,601,876	1,601,876
	-	26,874,702	26,874,702

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.

The interest rates used to determine the discounted estimated cash flows, where applicable are based on external sources and were as follows:

	March 2014	December 2013
Loans and receivables	17%	17%
Other receivables	18%	18%

Notes to the Financial Statements

25 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 Board of Directors 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 (white products) to retail customers and industrial customers.
- (ii) **Aviation** - this segment involves the sale of Aviation Turbine Kerosene (ATK).
- (iii) **Lubricants** - this segment manufactures and sells lubricants and greases.

Segment assets and liabilities are not disclosed as these are not regularly reported to the Board of Directors.

Segment revenue and cost of sales

31-Mar-14		Revenue		Cost of sales		Gross profit	
		N'000	% of Total	N'000	% of Total	N'000	% of Total
Retail/C&I		20,938,107	87	19,770,756	88	1,167,351	73
Aviation		2,472,547	10	2,237,155	10	235,392	15
Lubes		752,654	3	551,319	2	201,335	13
Total		24,163,308	100	22,559,230	100	1,604,078	100

31-Dec-13		Revenue		Cost of sales		Gross profit	
		N'000	% of Total	N'000	% of Total	N'000	% of Total
Retail/C&I		74,303,408	85	71,155,981	86	3,147,427	66
Aviation		10,580,545	12	9,684,533	11	896,012	19
Lubes		2,902,370	3	2,169,546	3	732,824	15
Total		87,786,323	100	83,010,060	100	4,776,263	100

26 Subsequent events

There are no significant subsequent events, which could have had a material effect on the state of affairs of the Company as at 31 March 2013.

27 Operating leases

Leases as lessee

The Company leases a number of offices, buses, warehouses and service stations under both cancellable and non-cancellable leases. During the three months period, an amount of ₦37.19 million was recognized as an expense in profit or loss in respect of operating leases (December 2013: ₦216.48 million). Lease rentals are paid upfront and included in prepayments, which are amortised to the profit or loss over the life of the lease except for leases for buses that are paid in arrears on a monthly basis.