

# MRS OIL NIGERIA PLC

RC: 6442

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www.mrsholdings.com



## MRS Oil Nigeria Plc 2nd Quarter 2018 Financial Statements

### DIRECTORS:

Mr. Patrice Alberti (French), (Chairman), Mr. Andrew O. Gbodume (Managing Director/CEO), Dr. Paul Bissohong (Cameroonian),  
Dr. Samaila M. Kewa, Ms. Amina Maina, Mr. Mathew Akinlade (FCA), Sir Sunday N. Nwosu, Dr. Amobi D. Nwokafor (FCA)



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**Corporate information**

RC 6442

**Board of directors**

Mr. Patrice Alberti  
Mr. Andrew O. Gbodume  
Dr. Paul Bissohong  
Dr. Samaila M. Kewa  
Ms. Amina Maina  
Mr. Matthew Akinlade  
Sir. Sunday Nnamdi Nwosu  
Chief Sir Amobi Daniel Nwokafor

Chairman  
Managing Director/CEO  
Non Executive Director  
Non Executive Director  
Non Executive Director  
Independent Director  
Non Executive Director  
Non Executive Director

**Registered office**

8, Macarthy Street  
Onikan  
Lagos

**Company secretary**

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

**Registrar**

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

**Auditor**

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

**Principal bankers**

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

**Leadership team**

**Andrew O. Gbodume**  
Managing Director/CEO

**Oluwakemi M. Jafojo**  
Company Secretary

**Kamil Bello**  
Chief Finance Officer

**Adewole Abegunde\***  
**Peter Z. Dia\*\***  
Aviation Manager

**Tara Ajibulu**  
Sales & Marketing Manager

**Michael Ayewa**  
Health, Safety and Environment Manager

**Jubril Hassan**  
Treasury Manager

**Daniel Chukwuazawom**  
Chief Internal Auditor

\* Assigned role - June 8, 2018

\*\* Resigned - June 7, 2018

**Timipiri Odu**  
Human Resources Manager

**Uche Amanambu**  
Chief Legal Counsel (Ag.)

**Abdullahi Masanawa**  
Operations Manager

**Moruf Sobowale**  
Commercial & Industrial Manager

**Adebayo Olusodo**  
Engineering/Marketing Support Manager

**Jah'swill Omolu**  
Procurement Manager

**Ismaila Alabi**  
Lubes Operation Manager

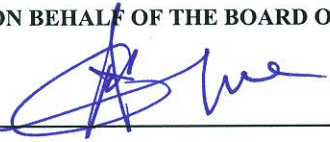
**Statement of Directors' responsibilities in relation to the financial statements for the period ended  
30 June 2018**

The directors accept responsibility for the preparation of the 2nd quarter 2018 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.

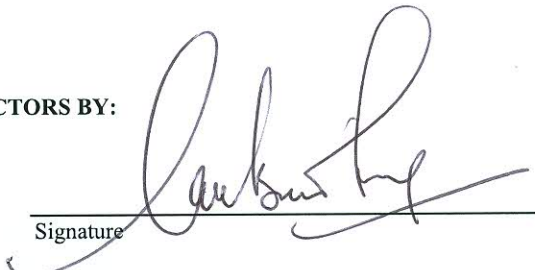
**SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:**

  
\_\_\_\_\_  
Signature

Mr. Andrew Gbodume (Managing Director/CEO)  
Name

FRC/2012/ICAN/00000000534  
FRC

25-07-2018  
Date

  
\_\_\_\_\_  
Signature

Mr. Paul Bissohong (Director)  
Name


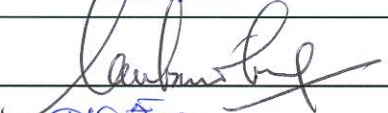

FRC/2013/IOD/00000003841  
FRC

25-07-2018  
Date

**Statement of financial position**  
as at

	Notes	30 June 2018	31 December 2017
		₦'000	₦'000
<b>Assets</b>			
Property, plant and equipment	12	17,225,999	17,338,162
Intangible assets	13	11,718	20,108
Prepayments	30	798,529	699,649
Trade and other receivables	15	-	-
<b>Total non-current assets</b>		<b>18,036,246</b>	<b>18,057,919</b>
Inventories	17	6,432,526	5,289,372
Truck loan receivables	14	240,943	246,760
Trade and other receivables	15	33,877,252	34,234,991
Withholding tax receivables	16	114,257	70,542
Prepayments	30	453,236	309,862
Cash and cash equivalents	18	535,116	3,980,872
<b>Total current assets</b>		<b>41,653,330</b>	<b>44,132,399</b>
<b>Total assets</b>		<b>59,689,576</b>	<b>62,190,318</b>
<b>Equity</b>			
Share capital	19	126,994	126,994
Retained earnings		23,488,051	22,982,503
<b>Total equity</b>		<b>23,615,045</b>	<b>23,109,497</b>
<b>Liabilities</b>			
Employee benefit obligations	20	15,036	11,899
Provisions	31	44,147	44,147
Deferred tax liabilities	11(d)	2,110,631	2,110,631
<b>Total non-current liabilities</b>		<b>2,169,814</b>	<b>2,166,677</b>
Security deposits	21	2,079,798	1,924,369
Dividend payable	22(a)	456,615	461,669
Trade and other payables	23	20,582,745	24,232,833
Short term borrowings	24	9,929,136	9,639,852
Provisions	31	1,992	1,992
Tax payable	11(c)	854,431	653,429
<b>Total current liabilities</b>		<b>33,904,717</b>	<b>36,914,144</b>
<b>Total liabilities</b>		<b>36,074,531</b>	<b>39,080,821</b>
<b>Total equity and liabilities</b>		<b>59,689,576</b>	<b>62,190,318</b>

Approved by the Board of Directors on 25 July 2018 and signed on its behalf by:

  
 \_\_\_\_\_ ) Mr. Andrew Gbodume (Managing Director)  
 FRC/2012/ICAN/00000000534  
  
 \_\_\_\_\_ ) Dr. Paul Bissohong (Director)  
 FRC/2013/IOD/00000003841  
  
 \_\_\_\_\_ ) Mr. Kamil Bello (Chief Finance Officer)  
 FRC/2013/ICAN/00000000951

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

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

	Notes	April - June 2018	YTD June 2018	April - June 2017	YTD June 2017
		₦'000	₦'000	₦'000	₦'000
Revenue	5	28,766,484	62,316,274	24,898,986	62,480,435
Cost of sales	7(b)	(27,386,451)	(59,020,652)	(22,930,976)	(57,910,047)
<b>Gross profit</b>		<b>1,380,033</b>	<b>3,295,622</b>	<b>1,968,010</b>	<b>4,570,388</b>
Other income	6	153,635	181,590	34,331	100,765
Selling and distribution expenses	7(b)	(245,712)	(489,357)	(326,009)	(706,705)
Administrative expenses	7(b)	(1,030,482)	(2,071,508)	(1,368,966)	(2,733,846)
<b>Operating profit</b>		<b>257,474</b>	<b>916,347</b>	<b>307,366</b>	<b>1,230,602</b>
Finance income	8	15,651	27,775	6,890	95,102
Finance costs	8	(71,675)	(170,427)	175,219	(191,073)
Net finance costs	8	(56,024)	(142,652)	182,109	(95,971)
<b>(Loss)/profit before income tax</b>		<b>201,450</b>	<b>773,695</b>	<b>489,475</b>	<b>1,134,631</b>
Income tax credit/(expense)	11(a)	(70,507)	(268,147)	(186,001)	(431,160)
<b>Profit for the period</b>		<b>130,943</b>	<b>505,548</b>	<b>303,474</b>	<b>703,471</b>
<b>Other Comprehensive Income, net of income tax</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>130,943</b>	<b>505,548</b>	<b>303,474</b>	<b>703,471</b>
<b>Earnings per share (EPS)</b>					
Basic and diluted earnings per share (Naira)	10	0.52	1.99	1.19	2.77

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

**Statement of changes in equity  
for the period ended 30 June 2018**

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

Notes	Share capital ₦'000	Retained earnings* ₦'000	Total equity ₦'000
<b>Balance as at 1 January 2018</b>	126,994	22,982,503	23,109,497
<b>Total comprehensive income:</b>			
Profit for the period	-	505,548	505,548
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	-	505,548	505,548
<b>Transactions with owners of the Company</b>			
<i>Contributions and Distributions</i>			
Dividends declared	-	-	-
<b>Total transactions with owners of the Company</b>	-	-	-
<b>Balance as at 30 June 2018</b>	<b>126,994</b>	<b>23,488,051</b>	<b>23,615,045</b>

\*Included in retained earnings is ₦14.40 billion (2017: ₦14.40 billion) which represents revaluation surplus on Property, plant and equipment transferred at IFRS transition date. The Company has opted not to distribute this amount.

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

**Statement of cash flows  
for the period ended**

	Notes	30 June 2018 N'000	30 June 2017 N'000
<b>Cash flows from operating activities:</b>			
Profit after tax		505,548	703,471
<b>Adjustments for:</b>			
Depreciation	12(a)	723,986	760,022
Amortisation of intangible assets	13	8,390	7,082
Finance income	8	(27,775)	(95,102)
Finance costs	8(b)	170,427	241,197
Gain on sale of property, plant and equipment	6	(7,660)	(3,965)
Write off of property, plant and equipment	12(a)	-	-
Provision for long-term service award	20(c)	3,137	3,000
Impairment loss on trade receivables	7(a)	(325,479)	-
Impairment loss on truck loan receivable	7(a)	-	-
Write off of other receivables	7(a)	(22,230)	(1,141)
(Write back)/impairment loss on inventory	17(b)	-	-
Income tax (credit)/charge	11(a)	268,147	431,160
		1,296,491	2,045,724
<b>Changes in:</b>			
- Inventories		(1,143,154)	820,057
- Trade, other receivables and prepayments		419,479	(4,276,950)
- Security deposits		155,429	187,144
- Provisions		-	-
- Trade and other payables		(3,650,088)	1,569,800
<b>Cash generated from operating activities</b>		<b>(2,921,843)</b>	<b>345,775</b>
Income taxes paid	11(c)	(67,144)	(356,637)
Withholding tax credit notes utilised	11(c)	-	(24,626)
Long-term service award paid	20	-	-
<b>Net cash generated from operating activities</b>		<b>(2,988,987)</b>	<b>(35,489)</b>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of property, plant and equipment		19,518	4,906
Purchase of property, plant and equipment	12(a)	(623,682)	(370,034)
Purchase of intangible assets	13	-	-
Amounts paid on behalf of transporters	14	-	(44,050)
Principal received on amounts advanced to	14	5,817	132,141
Interest received	8	27,775	95,102
<b>Net cash used for investing activities</b>		<b>(570,572)</b>	<b>(181,935)</b>
<b>Cash flows from financing activities:</b>			
Additional short term borrowings	24(c)	4,003,189	-
Short term borrowing repayment		-	(12,520,149)
Dividends paid	22	(5,054)	(1,022)
Interest paid	8	(170,427)	(241,197)
<b>Net cash used in financing activities</b>		<b>3,827,708</b>	<b>(12,762,368)</b>
Net change in cash and cash equivalents		268,149	(12,979,792)
Cash and cash equivalents at 1 January	18	20,344	10,910,784
Effect of movements in exchange rates on cash held	24(c)	(1,248)	-
<b>Cash and cash equivalents at 30 June</b>	18	<b>287,245</b>	<b>(2,069,007)</b>

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

**Index to Notes to the financial statements**  
*for the period ended 30 June 2018*

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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, Chevron Nigeria Holdings Limited, Bermuda changed its name to MRS Africa Holdings Limited, Bermuda.

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

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

8, Macarthy Street  
Onikan  
Lagos  
Nigeria

The Company is principally engaged in the business of marketing and distribution of refined petroleum products, blending 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 25 July 2018. Details of the Company's significant accounting policies are included in Note 3.

#### (b) Basis of measurement

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

#### (c) Functional and presentation currency

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

#### (d) Use of judgements and estimates

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

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

## Notes to the financial statements

### i Judgements, assumptions and estimation uncertainties

Significant judgments have been made in applying accounting policies that would have significant effects on the amounts recognised in these financial statements.

### ii Measurement of fair values

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

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

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

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

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

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

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

### (e) Changes in accounting policies

The Company has adopted Amendments to IAS 7 including any consequential amendments to other standards with initial date of application of 1 January 2017.

#### Disclosure Initiative (Amendments to IAS 7)

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances arising from the financing activities. Disclosures in line with this standard are presented in Note 22 and Note 24(c).

## 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.

#### (a) Foreign currency transactions

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

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

#### (b) Financial instruments

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 when the Company becomes a party to the contractual provisions of the instrument.

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 legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

##### ii Non-derivative financial assets - measurement

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

The Company has only loans and receivables, trade and other receivables(both classified as loans and receivables category), cash and cash equivalents as non-derivative financial assets.

###### *Loans and receivables*

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

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

###### *Cash and cash equivalents*

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

## 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, security deposit and dividend payable.

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

### iv Derivative financial assets - measurement

The Company holds derivative financial instruments to hedge its foreign currency exposures.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

## (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.

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

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

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

### ii Subsequent expenditure

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

## Notes to the financial statements

### iii Depreciation

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

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

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

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

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

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

### (d) Intangible assets

#### (i) Recognition and measurement

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

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

#### (ii) Subsequent expenditure

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

#### (iii) Amortisation of intangible assets

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

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

## Notes to the financial statements

### (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.

#### 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 year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### (f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition 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.

## Notes to the financial statements

The basis of costing inventories are as follows:

Product Type	Cost Basis
a) Refined petroleum products AGO, ATK, PMS, DPK	Weighted average cost
b) Packaging materials, lubricants and greases	
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 group of financial assets

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

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

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

#### ii Non-financial assets

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

## Notes to the financial statements

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 periods during which services are rendered by employees.

#### ii Other long-term employee benefits

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

#### iii 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 year, then they are discounted.

#### iv Short-term employee benefits

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

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

