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CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Driving convenience through technology.

The all-new FO App is your one-stop shop for all our retail services and order-to-delivery solutions.

- **FO store:** your one stop store for all Forte Oil products.
- **FO Wallet:** your digital payment e-wallet.
- **OTD (Order-to-Delivery) :** ordering and invoicing made easy for our vendors and customers.
- **FO Advantage master card:** a loyalty card that offers you access to our wide range of services and products.

For more information call **01 277 6100** or visit **www.forteoilplc.com**.

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CORPORATE INFORMATION

Forte Oil Plc (the Company) is a leading indigenous, integrated energy company in Nigeria involved in petroleum marketing, power generation and upstream oilfield services.

The Company operates a network of c450 retail outlets spread across the Country with major petroleum storage installations at both Apapa (Lagos State) and Onne (Rivers State). Forte Oil Plc also provides aircraft refueling operations operating under the brand name 'Air FO' and its Aviation Joint User's hydrants in Ikeja and Joint Aviation depots in Abuja, Port Harcourt and Kano making the Company one of Nigeria's leading providers of aviation fuel for local and international airlines.

The Company also manufactures and distributes a wide range of quality lubricants, which include Super V, Visco 2000, Diesel Motor Oil from its 30,000 metric tonnes lubricating oil blending plant at its Apapa terminal in Lagos.

In addition to its strategic retail and commercial network in Nigeria, Forte Oil Plc also has a foot print in Ghana under the trade name – AP Oil and Gas Limited (APOG) consisting of a network of retail outlets, liquefied petroleum gas plants and a lubricant blending arrangement with Tema Oil blending plant.

The Company has established a reputation of efficiency; servicing the upstream sector under the trade name Forte Upstream Services Limited (FUS). The Company through it's subsidiary, Amperion Power Distribution Company Limited is the majority shareholder and manager of the Geregu Power Plc; a 435MW Power Plant leveraging on the privatization of the power sector to deliver a long term returns for its shareholders.

At the 39th Annual General Meeting of the Company held on the 23rd of May 2018, the shareholders approved the divestment of Forte Oil Plc's interest in its subsidiaries: Amperion Power Distribution Company Limited ("Amperion") which holds the Group's interest in Geregu Power Plc, Forte Upstream Services Ltd (FUS) and AP Oil and Gas, Ghana Ltd (APOG). These investments have been classified as assets held for sale in these financial statements

Forte Oil Plc's business philosophy is premised on building a high-performance organization with world-class business processes, strong corporate governance and compliance at all levels, culture of strong ethics and discipline and an enhanced safety, health and sustainability policies embedded across the energy value chain.

Board of Directors

Femi Otedola (CON) - Chairman

Akin Akinfemiwa - Group Chief Executive Officer

Julius B. Omodayo-Owotuga, FCA, CFA - Group Executive Director, Finance & Risk Management

Christopher Adeyemi - Non Executive Director

Anil Dua - Independent Non Executive Director

Mairo Mandara - Independent Non Executive Director

Nicolaas A. Vervelde - Independent Non Executive Director

Salamatu Suleiman - Independent Non Executive Director

Akinleye Olagbende - General Counsel

SUBSIDIARIES

Seun Olatubosun - Managing Director
AP Oil and Gas Ghana Limited

Seye Alabi - Managing Director
Forte Upstream Services Limited

Adeyemi Adenuga FNSE - Managing Director
Geregu Power Plc

Registered Office

13, Walter Carrington Crescent, Victoria Island, Lagos

Registrars and Transfer Office

Veritas Registrars Limited
Plot 89A, Ajose Adeogun Street, Victoria Island, Lagos

Auditors

PKF Professional Services Limited
PKF House, 205A Ikorodu Road, Obanikoro, Lagos

Bankers

First Bank of Nigeria Limited
Guaranty Trust Bank Plc
Union Bank Plc
Zenith International Bank Plc
Keystone Bank Limited

ORIGINS AND KEY HISTORICAL MILESTONES

From its incorporation as British Petroleum (Nigeria) in 1964, Forte Oil Plc has emerged the leading diversified energy solutions provider, a publicly listed and widely renowned corporation with one of the fastest growing business portfolios within the energy sector.

CORPORATE GOVERNANCE

The Board of Forte Oil Plc believes that the proper application of world-class corporate governance practice is a key pillar toward achieving long term value for all our shareholders and stakeholders. The Board is committed towards ensuring that all business conducted by the company is in compliance with all applicable laws and regulations, including the regulations of the Nigerian Stock Exchange, the Securities and Exchange Commission's Code of Corporate Governance and the Nigerian Code of Corporate Governance.

At Forte Oil Plc, we believe that sound corporate governance goes beyond adhering to rules and policies of the regulators, but about accountability and stakeholder engagement at all times.

The Board of Directors during the year under review complied with the corporate governance requirements as set out in the report below:

The Board of Directors

This is the highest decision making body of the Company. It is responsible for the overall long-term success and the strategic direction of the Company as well as providing effective oversight to ensure the delivery of long term value to shareholders and stakeholders.

Board Composition

The Board is made up of Eight (8) members which include the Chairman, One (1) Non-Executive Director, two (2) Executive Directors and Four (4) Independent Non-Executive Directors in line with the Code of Corporate Governance. The Board met 4 times in 2018.

Key	Meaning
✓	Present
✗	Absent

Board Meeting Attendance

S/N	Name	Position	MARCH 28, 2018	MAY 22, 2018	July 31, 2018	December 18, 2018
1.	Mr. Femi Otedola (CON)	Chairman	✓	✓	✓	✓
2.	Mr. Akin Akinfemiwa	Director	✓	✓	✓	✓
3.	Mr. Julius Omodayo-Owotuga	Director	✓	✓	✓	✓
4.	Mr. Nico Vervelde	Director	✓	✓	✓	✓
5.	Dr. (Mrs.) Mairo Mandara	Director	✓	✓	✓	✓
6.	Mrs. Salamatu Suleiman	Director	✓	✓	✓	✓
7.	Mr. Christoper Adeyemi	Director	✓	✓	✓	✓
8.	Mr. Anil Dua	Director	✓	✓	✓	✓

The Board Committees

The Board implements its oversight function through Board Committees, with each committee addressing specific topics based on its charter. The charter of each committee sets out its composition, agenda, frequency of meetings and responsibilities. The committees are chaired by Non-Executive Directors except for the Statutory Audit Committee which is chaired by a shareholder representative in line with the provisions of the Companies and Allied Matters Act (CAMA) 2004.

The Committees of the Board include:

Each committee meets at least on a quarterly basis to discuss matters in accordance with its charter, in addition to regular reports provided through the company secretariat on any significant issue to be considered by the various committees.

Outside of these Board Committees, other management committees exist namely; the Executive Management Committee, Management Committee, Risk Management Committee, Credit Risk Committee and Bid Committee.

Corporate Governance and Remuneration Committee

The corporate governance and remuneration committee's role is to assist the board in fulfilling its responsibilities in relation to corporate governance and remuneration. The committee comprises of one non–executive director and two independent non-executive directors who oversee the nomination and board appointment process, board and company-wide remuneration and human resources issues. The committee is also responsible for the review of the company`s governance structure and ensures compliance with the code of corporate governance. It also oversees the succession planning process of the board and the company.

The Committee held two (2) meetings in year 2018.

S/N	Name	Position	March 27, 2018	December 17, 2018
1.	Mr. Christoper Adeyemi	Chairman	✓	✓
2.	Dr. (Mrs.) Mairo Mandara	Member	✓	✓
3.	Mrs. Salamatu Suleiman	Member	✓	✓

Risk Management Committee

The risk management committee assists the board in fulfilling its oversight responsibilities regarding the enterprise risk management of the company. This include but is not limited to the identification, assessment, management of risk and adherence to internal risk management policies and procedures. The committee is further responsible for development of an effective risk governance framework and disclosure process, reviewing of changes in the economic and business environment and reviewing of company's compliance with regulations that impact on its activities.

The Committee held two (2) meetings in the year 2018.

S/N	Name	Position	March 27, 2018	December 17, 2018
1.	Mr. Anil Dua	Chairman	✓	✓
2.	Dr. (Mrs.) Mairo Mandara	Member	✓	✓
3.	Mr. Akin Akinfemiwa	Member	✓	✓
4.	Mr. Julius Omodayo-Owotuga	Member	✓	✓

Statutory Audit Committee

The audit committee is comprised of six (6) members; three (3) shareholders' representatives, one (1) non-executive director and two (2) independent non-executive directors. One of the shareholders' representative sits as the chairman of the committee.

The functions of the committee are set out in section 359 (6) of CAMA 2004. The committee reviews the company's control policies, management accounting and reporting systems, internal control and overall standard of business conduct. The committee in addition, approves both the audit plan and internal audit review plan for the year. The committee approves the financial statement and also monitors and reviews key audit matters.

The Audit Committee held four (4) meetings in the year 2018.

S/N	Name	Position	March 27, 2018	May 22, 2018	July 30, 2018	December 17, 2018
1.	Mr. Tokunbo Shofolawe-Bakare	Chairman	✓	✓	✓	✓
2.	Mr. Emmanuel Okoro	Member	✓	✓	✓	✓
3.	Mr. Suleman Ahmed	Member	✓	✓	✓	✓
4.	Mrs. Salamatu Suleiman	Member	✓	✓	✓	✓
5.	Mr. Christopher Adeyemi	Member	✓	✓	✓	✓
6.	Mr. Anil Dua	Member	✓	✓	✓	✓

The Board Finance & Strategy Committee

The board finance and strategy committee is composed of five (5) members. The committee has oversight responsibilities with regards to the financial management of the company, the company's long and short term strategy, short term financing and capital structure objectives. The committee ensures the integrity of all financial statements published.

The Committee held two (2) meetings in the year 2018.

S/N	Name	Position	March 28, 2018	December 18, 2018
1.	Mr. Nicolaas Vervelde	Chairman	✓	✓
2.	Mr. Christoper Adeyemi	Member	✓	✓
3.	Mr. Julius Omodayo-Owotuga	Member	✓	✓
4.	Mr. Akin Akinfemiwa	Member	✓	✓
5.	Mrs. Salamatu Suleiman	Member	✓	✓
6.	Dr. Mairo Mandara	Member	✓	✓

Separation of the Positions of Chairman and Chief Executive Officer

The positions of the chairman of the board and the chief executive officer of the company are occupied by different individual persons.

The chief executive officer is fully responsible for the execution of the company's business strategy and the day-to-day management of the business, while the chairman is responsible for ensuring compliance with the company's strategic goals and that directors receive accurate and timely information to enable the Board take informed decisions. The Chairman also facilitates the contribution of directors and promotes effective relationships and open communications between executive and non-executive directors.

Board Evaluation Report

The annual board assessment is conducted to ensure the board, committees and individual directors are effective and productive, and also to promote opportunities for improvement. The governance structure of the company is designed to ensure that the board discharges its functions and responsibilities as provided for in the board charters and in accordance with all legislative and regulatory standards.

Communication with Stakeholders

The board is committed to sustaining regular interactions with the company's shareholders and other stakeholders through a well-established communication and complaint management process.

The board is committed to the equitable treatment of shareholders, protection of their rights and complete disclosure and transparency at all times by the management of the company.

To this end, the company has in place, a well-managed Investor Relations Unit to attend to all enquiries on the company's financial performance, financial statements, corporate actions, strategy and all other corporate information.

All other related information on the Company's business operations and allied matters can be obtained by all stakeholders and the public from the Company's website www.forteoilplc.com.

Directors Remuneration

The remuneration of Directors is governed by the Company's Policy on Directors. During the year under review, the Non- Executive Directors and Chairman received an annual Directors fee as stated below:

Directors		**Amount (N)**
Mr. Femi Otedola (CON)	Chairman	800,000.00
Mr. Nicolaas Vervelde		600,000.00
Mrs. Salamatu Suleiman		600,000.00
Mr. Christopher Adeyemi		600,000.00
Mr. Anil Dua		600,000.00
Dr. (Mrs.) Mairo Mandara		600,000.00
Mr. Akin Akinfemiwa		NIL
Mr. Julius Omodayo-Owotuga		NIL

Statement of Compliance with the Corporate Governance Code

Forte Oil Plc affirms its commitment to adhere to the principles of excellent corporate governance practices. The company strives to carry out its business operations on the principles of integrity and professionalism through transparent conduct at all times.

As a public quoted company, the company was compliant in its corporate governance practices and operations regarding the Listing Rules of the Nigerian Stock Exchange, the directions of the Securities and Exchange Commission and international best practices.

Insider Trading

The board of directors have an approved securities trading policy which prescribes a code of behavior for directors, management of the company, external advisers and other related persons in possession of market sensitive information. The code prohibits these persons from dealing in the company's securities during closed periods in accordance with the provisions of the Investments and Securities Act Cap 124 Laws of the Federation of Nigeria, 2004 and the Post Listing Rules of the Nigerian Stock Exchange.

Under the policy, no director or principal officer of the company, or a close family of the director and/or the principal officer of the company who is aware of material non-public information relating to the company may directly or through family members or other persons buy or sell shares of the company or engage in any other action to take advantage of that information during closed periods. All insiders are notified of closed periods via written or electronic communication from the company secretary.

The Securities Trading Policy is available on the website of the company.

Sustainability Report

Forte Oil Plc firmly believes in the importance of contribution to the creation of a thriving society in Nigeria. To this end, the Company is committed to the support of environmentally sustainable initiatives and investments that will impact the lives of our immediate community and the society as a whole.

During the year under review, the Company supported and implemented a variety of initiatives in the advancement of the above objectives.

THE GENERAL MANDATE LETTER

ISSUED IN COMPLIANCE WITH CLAUSE 6 OF THE RULES OF THE NIGERIAN STOCK EXCHANGE GOVERNING RELATED PARTIES OR INTERESTED PERSONS

In order to ensure that its operations are carried out in the most efficient manner possible, the company seeks for the grant of a general mandate in respect of all recurrent transactions entered into with a related party or interested person which are of a revenue or trading nature or are necessary for the company's day to day operations. These transactions have been assessed to cumulatively exceed 5% of the value of the net tangible assets or issued share capital of the company.

The class of related parties and interested persons with which the company will be transacting include; shareholders, employees and their family members, companies or entities within the Forte Oil Plc group and its subsidiaries.

The rationale for the transactions are that they are necessary for the operations of the company, the discharge of legal and contractual obligations currently binding on the company, are of strategic importance to the continued operations of the company, they guarantee the uninterrupted supply of goods and services necessary for the operation of the company as a going concern, are carried out on a transparent basis and are cost effective and performed efficiently.

DIRECTOR'S REPORT

DIRECTORS' REPORT

For the year ended 31 December 2018

In accordance with the provisions of the Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria, 2004, the Board of Directors of Forte Oil Plc ("the Company") is pleased to present its report on the affairs of the Company and its subsidiaries ("the Group"), together with the Group audited financial statements and the auditor's report for the year ended 31st December 2018.

LEGAL FORM

The Company was incorporated in 1964 as British Petroleum (BP) Nigeria Limited with the marketing of BP Petroleum Products as the main focus. The Company changed from a private to public company in 1978, when 40% of the shares were sold to Nigerian citizens in compliance with the provisions of the Nigerian Enterprises Promotion Decree of 1977. On July 31, 1979, the Federal Government of Nigeria (FGN) acquired 60% share capital held originally by BP, for the Nigerian National Petroleum Corporation (NNPC). This step transformed the Company into an entirely Nigerian concern necessitating the subsequent change of name to African Petroleum Plc (AP) in 1979.

In March 1989, FGN sold 20% of its share-holding to the Nigerian public, thus making AP the first public company privatized under the Privatization and Commercialization Policy. The FGN, under its privatization programme in year 2000 divested its remaining 40% shareholding in AP, thus making AP a privately owned Company, with over 153,000 shareholders.

In 2007, the Company was acquired by a majority shareholder, Zenon Petroleum and Gas Limited which led to the change of name from AP to Forte Oil Plc.

PRINCIPAL ACTIVITY

The Company is a major marketer of refined petroleum products with a strong presence in the thirty-six (36) States of Nigeria and the Federal Capital Territory, Abuja. The Company procures and markets petroleum products which include Premium Motor Spirit (PMS), Automotive Gas Oil (AGO), Dual Purpose Kerosene (DPK), Fuel Oils and Aviation Turbine Kerosene (ATK) amongst others. The Company manufactures and distributes a wide range of lubricants foremost amongst them are the SUPER V and VISCO 2000 brands and has also obtained exclusive rights for the distribution of Chevron's Havoline Motor Oils.

The Company sources high quality chemical products classed under industrial, organic and petro-chemicals, which it sells to local industries. These chemical products include: DOP, Polyol, Acetone, Calcium Hydrochloride, Isopropyl Alcohol etc.

Further, in line with the Company's vision to become the foremost energy solutions provider, the Company has embarked on providing solar energy solutions through its FO Solar brand which distributes low cost solar power solutions to domestic customers.

STRUCTURE

The Company has two wholly owned subsidiaries: Forte Upstream Services Limited and AP Oil & Gas, Ghana (APOG). In addition, the Company owns 57% equity in Amperion Power Distribution Company which owns 51% equity in Geregu Power Plc and manages and operates the company's 435 megawatt Geregu Power Plant in Ajaokuta, Kogi State.

The Company is in the process of divesting from its subsidiaries Amperion Power Distribution Company Limited ("Amperion"), Forte Upstream Services Ltd (FUS) and AP Oil and Gas, Ghana Ltd (APOG). These investments have been classified as assets held for sale in these financial statements

OPERATING RESULTS:

The following is a summary of the Group's and Company's operating results for the year ended December 31, 2018:

	GROUP ₦'000	COMPANY ₦'000
Profit before income tax from continuing operations	758,544	1,028,544
Income tax expense	397,073	397,073
Profit after tax from continuing operations	361,471	631,471
Profit after tax from discontinued operations	7,982,935	-
Total Comprehensive income for the period	8,338,511	631,471
Retained earnings, beginning of the year	7,928,047	5,805,859
Retained earnings, end of the year	9,784,299	6,418,039
Earnings per share basic	1.46	0.48

DIRECTORS' REPORT CONT'D

DIVIDEND

No dividend has been declared by the Company for the year ended 31st December, 2018.

PROPERTY, PLANT AND EQUIPMENT

Information relating to changes in property, plants and equipment during the year is given in Note 13 to the financial statements.

DIRECTORS

The names of the Directors as at the date of this report and those who held office during the year are as follows:

MR. FEMI OTEDOLA, CON (Chairman)	Appointed on May 25, 2007
MR. CHRISTOPHER ADEYEMI	Re-elected on July 05, 2017
MR. AKIN AKINFEMIWA	Appointed December 28, 2011
MR. JULIUS OMODAYO-OWOTUGA	Appointed December 28, 2011
MR. ANIL DUA	Re-elected May 23, 2018
MRS. SALAMATU SULIEMAN	Appointed October 31, 2016
DR. MAIRO MANDARA	Appointed October 31, 2016
MR. NICOLAAS VERVELDE	Appointed December 8, 2016

In accordance with Section 259 (2) of the Companies and Allied Matters Act 2004, Mrs. Salamatu Suleiman, Dr. Mairo Mandara and Mr. Nicolaas Vervelde would be up for retirement by rotation from the Board of Directors at this Annual General Meeting.

DIVERSITY ON THE BOARD

Forte Oil Plc is committed to diversity in all aspects of its business and at all levels, including its Board of Directors. The Board of Directors support the election and appointment of diverse candidates to the Board which include gender, race, and ethnicity, along with varied skills and experiences which contributes to a balanced and effective Board.

We believe the benefit of having a diverse Board is an essential element in maintaining a competitive advantage.

DIRECTORS INTERESTS

The Directors of the Company who held office during the year together with their direct and indirect interest in the share capital of the Company were as follows:

NAME	DIRECT HOLDING 31/12/17	INDIRECT HOLDING 31/12/17	DIRECT HOLDING 31/12/18	INDIRECT HOLDING 31/12/18
MR. FEMI OTEDOLA CON (CHAIRMAN)	186,260,357	838,472,441	186,260,357	838,472,441
MR. AKIN AKINFEMIWA	24,000	NIL	24,000	NIL
MR. JULIUS OMODAYO-OWOTUGA	NIL	NIL	NIL	NIL
MR. CHRISTOPHER ADEYEMI	96,582	NIL	96,582	NIL
MR. NICOLAAS VERVELDE	NIL	NIL	NIL	NIL
MR. ANIL DUA	NIL	NIL	NIL	NIL
MRS. SALAMATU SULIEMAN	NIL	NIL	NIL	NIL
DR. MAIRO MANDARA	NIL	NIL	NIL	NIL

CONTRACTS

None of the Directors has notified the company for the purpose of Section 277 of the Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria, 2004 of any declarable interest in contracts which the Director is involved.

ACQUISITION OF SHARES

The Company did not purchase any of its own shares during the year.

SHARE OPTIONS SCHEME

The Directors did not partake in any share option scheme during the year under review.

MAJOR SHAREHOLDING

According to the Register of Members, the shareholder under-mentioned held more than 5% of the issued share capital of the Company as at 31 December 2017:

	No. of Shares	% Holding
ZENON PETROLEUM & GAS LIMITED	640,476,400	48.87
THAMES INVESTMENT INCORPORATED	197,996,041	15.11
FEMI OTEDOLA, CON	186,260,357	14.21

DIRECTORS INTERESTS CONT'D

SHARE CAPITAL HISTORY

AUTHORISED CAPITAL			ISSUED AND FULLY PAID CAPITAL			
DATE	**FROM**	**TO**	**DATE**	**FROM**	**TO**	**CONSIDERATION**
	₦	₦		₦	₦	₦
22/06/78	6,000,000	7,500,000	28/02/79	6,000,000	7,500,000	-
17/07/80	7,500,000	11,250,000	17/07/80	7,500,000	11,250,000	Bonus (1:2)
28/08/82	11,250,000	22,500,000	24/08/82	11,250,000	22,500,000	Bonus (1:1)
04/08/84	22,500,000	30,000,000	10/08/84	22,500,000	30,000,000	Bonus (1:3)
06/08/86	30,000,000	36,000,000	16/09/86	30,000,000	36,000,000	Bonus (1:5)
12/07/88	36,000,000	43,200,000	03/08/88	36,000,000	43,200,000	Bonus (2:3)
29/06/90	43,200,000	72,000,000	24/09/90	43,200,000	86,400,000	Rights Issue
29/07/93	72,000,000	86,400,000	10/01/94	72,000,000	86,400,000	Bonus (1:4)
28/11/97	86,400,000	108,000,000	28/11/99	86,400,000	108,000,000	Rights Issue
19/02/99	108,000,000	144,000,000	13/09/04	108,000,000	216,000,000	Rights Issue
15/11/02	144,000,000	5,000,000,000	25/11/04	216,000,000	234,263,450.50	-
			30/09/05	234,263,450.50	281,116,141	Bonus (1:5)
			28/10/06	281,116,141	394,393,919	Placement
			20/04/09	394,393,919	443,271,555	Rights Issue
			20/04/09	443,271,555	543,535,383	Public Offer
26/11/13	5,000,000,000	2,000,000,000	6/12/13	543,535,383	543,535,383	-
			11/07/14	543,535,383	546,095,528	Underwriting of 2008/2009 Hybrid Offer
			15/04/15	**546,095,528**	**655,314,633**	**Bonus (1:5)**

ANALYSIS OF SHAREHOLDING

The analysis of the distribution of the shares of the Company at the end of the 2018 financial year is as follows

Range		No. of Holders	Holders %	Units	Units %
1	1,000	132,740	81.78%	44,358,268	3.38%
1,001	5,000	23,559	14.52%	48,162,671	3.67%
5,001	10,000	3,209	1.98%	22,305,181	1.70%
10,001	100,000	2,541	1.57%	61,634,867	4.70%
100,001	500,000	210	0.12%	42,260,866	3.24%
500,001	1,000,000	25	0.02%	18,433,970	1.41%
1,000,001	10,000,000	18	0.01%	77,966,862	5.95%
10,000,001	100,000,000	1	0.00%	29,400,929	2.24%
100,000,001	1,000,000,000	3	0.00%	966,105,654	73.71%
		162,306	100.00%	**1,310,629,268**	100.00%

DONATIONS AND CHARITABLE GIFTS

The Group identifies with the aspirations of the community as well as the environment within which it operates and made charitable donations to the under-listed organizations amounting to N5,588,438.00 during the year under review as follows:

S/N	ORGANIZATION/BODY	AMOUNT
1	Diesel supply to Lagos state Motherless babies home Lekki.	N999,200.00
2	Support for free medical outreach - WHO	N250,000.00
3	Donation to Association of Energy Correspondents of Nigeria for Annual conference	N500,000.00
4	Scholarship donation to Ugbele General Assembly	N265,000.00
5	Donation and diesel supply to various schools	N1,124,238.00
6	Donation to host community - Onne	N150,000.00
7	Donation to host community - Ikpokiri	N150,000.00
8	Donation to host community - Rumuogba	N150,000.00
9	Donation for independence golf tournament - to IBB International Golf & Country Club	N2,000,000.00
		N5,588,438.00

DISCLOSURES

- **Borrowing and Maturity Dates**
  The details of the borrowings and maturity dates are stated in Note 28 to the financial statements.

- **Risk Management and Compliance System**
  Forte Oil Plc has a structured enterprise risk management framework that puts in place and undertakes a thorough risk assessment of all aspects of the business. The risk assessment is based on two criteria, 'Business Impact' and 'Likelihood of Occurrence' and for every identified business risk, mitigating measures are implemented by the Company.

  The Directors are responsible for the total process of risk management as well as expressing their opinion on the effectiveness of the process. The risk management framework of the Company is integrated into the day-to-day operations of the company and provides guidelines and standards for administering the acceptance and on-going management of key risks such as operational, reputational, financial, market and compliance risk.

  The Directors are of the view that an effective internal audit function exists in the company and that risk management control and compliance systems are operating efficiently and effectively in all respects.

- **Related Party Transactions**
  The Company has contractual relationship with related companies in the ordinary course of business. The details of the outstanding amounts arising from the related party transactions are stated in Notes 31 to the financial statements.

EMPLOYMENT OF PHYSICALLY CHALLENGED PERSONS

The Company is an equal opportunity employer and will not discriminate on any grounds. The Company operates a non-discriminatory policy in the consideration of applications for employment, including those received from physically challenged persons. In the event of any employee becoming disabled in the course of employment, the Company will arrange appropriate training and facilities upgrade to ensure the continuous employment of such a person without subjecting him/her to any disadvantage in his/her career development. As at 31 December 2018, the Company had no disabled persons in its employment.

HEALTH, SAFETY AND WELFARE OF EMPLOYEES

It is the policy of Forte Oil Plc to carry out its activities in a manner that safeguards the health and safety of its workers and other stakeholders, the protection of the Company's facilities and the environment and compliance with all regulatory and industry requirements.

The Company considers health, safety and environmental issues as important as our core businesses and assume the responsibility of providing a healthy, safe and secure work environment for our employees and contractors as required by law. Our objective is to minimize the number of cases of occupational accidents, illnesses, damage to property and environmental degradation.

Our vision is to achieve leadership role in sustainable health, safety and environment practices through the establishment and implementation of effective business management principles that are consistent with local and international regulations and standards.

EMPLOYEE INVOLVEMENT AND TRAINING

The Company encourages participation of employees in arriving at decisions in respect of matters affecting their well-being. To this end, the Company provides opportunities for employees to deliberate on issues affecting the Company and employees' interests, with a view to making inputs to decisions thereon. The Company places a high premium on the development of its human capital. Consequently, the Company sponsored its employees for various training courses in the year under review.

POST YEAR END EVENTS

All post year end events have been reviewed and considered for materiality. Appropriate adjustments, where necessary, were also made with respect to the events.

AUDITORS

Messrs PKF Professional Services have indicated their willingness to continue in office in accordance with Section 357(2) of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria, 2004.

BY ORDER OF THE BOARD

AKINLEYE OLAGBENDE
Company Secretary
FRC/2013/NBA00000003160
FO House, 13 Walter Carrington Crescent
Victoria Island
Lagos.

26 March, 2019

REPORT OF THE AUDIT COMMITTEE TO THE MEMBERS OF FORTE OIL PLC

In accordance with the provision of Section 359(6) of the Companies and Allied Matters Matters Act of 2004, we confirm that the accounting and reporting policies of the Company are in accordance with Legal requirements and agreed ethical practices.

In our opinion, the scope and planning of the audit for the year ended 31st December, 2018 were adequate and we have reviewed the external auditor's findings on management matters and are satisfied with the departmental response thereto.

Dated this 26th day of March 2019.

Tokunbo Shofolawe-Bakare, FCA
Chairman, Audit Committee
FRC/2013/ICAN/00000004461

MEMBERS OF THE AUDIT COMMITTEE

S/N	NAME	REPRESENTATION	POSITION
1.	MR. TOKUNBO SHOFOLAWE BAKARE	SHAREHOLDER REPRESENTATIVE	CHAIRMAN
2.	MR. EMMANUEL OKORO	SHAREHOLDER REPRESENTATIVE	MEMBER
3.	MR. SULEMAN AHMED	SHAREHOLDER REPRESENTATIVE	MEMBER
4.	MR. CHRISTOPHER ADEYEMI	NON-EXECUTIVE DIRECTOR	MEMBER
5.	MR. ANIL DUA	INDEPENDENT NON-EXECUTIVE DIRECTOR	MEMBER
6.	MRS. SALAMATU SULEIMAN	INDEPENDENT NON-EXECUTIVE DIRECTOR	MEMBER

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors accept responsibility for the preparation of the accompanying financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in accordance with the International Financial Reporting Standards; in compliance with the Financial Reporting Council Act No. 6, 2011 and in the manner required by the Companies and Allied Matters Act, CAP C20 LFN 2004.

The Directors are of the opinion that the accompanying financial statements give a true and fair view of the state of the financial affairs of the Company, in accordance with the International Financial Reporting Standards; in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and in the manner required by Companies and Allied Matters Act, CAP C20, LFN 2004.

The Directors further accept responsibility for the maintenance of adequate accounting records as required by the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and for such internal controls 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 assessment of the company's ability to continue as a going concern and have no reason to believe that the company will not remain a going concern in the years ahead.

Signed on behalf of the Board of Directors by:

Femi Otedola	**Akin Akinfemiwa**	**Julius B, Omodayo-Owotuga, FCA,CFA**
Chairman	**Group Chief Executive Officer**	**Group Executive Director, Finance**
FRC/2013/IODN/00000002426	**FRC/2013/IODN/00000001994**	**FRC/2013/ICAN/00000001995**
Date: 26 March 2019	**Date: 26 March 2019**	**Date: 26 March 2019**

Independent Auditor's Report To the Shareholders of Forte Oil Plc

Opinion

We have audited the consolidated financial statements of Forte Oil Plc (''the Company'') and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and with the requirements of the Companies and Allied Matters Act, CAP C20, LFN 2004.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter below relates to the audit of the consolidated financial statements.

Key Audit Matter	How the matter was addressed in the audit
1. **Impairment of financial Assets** The adoption of the International Financial Reporting Standards (IFRS 9) - Financial Instrument recognition and measurement effective 01 January 2018 introduced an expected credit loss model (ECL) for recognizing impairments for financial instruments different from the incurred loss model under IAS 39. The ECL model involves the application of considerable level of judgement and estimation in determining inputs which are derived from historical records obtained within and outside the Group into a complex financial model. The Group considered the following in determining the inputs for the ECL model: • determining criteria for assigning Probability of Default rates (PD Rates); • assessing the relationship between the quantitative factors such as default and qualitative factors such as macro-economic variables; • The Group incorporates forward looking information in the model building process;	We focused our testing of impairment on financial assets on the assumptions of management and in line with IFRS 9. Our audit procedures are as follows: • We assessed and tested the design and operating effectiveness of the controls over impairment calculations. • key controls tested include the recoverability of the receivables that had been long overdue. • Evaluate whether the model used to calculate the recoverable amount complied with the requirements of IFRS 9 and it is in agreement with our understanding of the business and the industry in which Forte Oil operates. • For the financial assets, we challenged all the assumptions considered in the estimation of recovery cash flows and timing of realization by considering historical patterns of amount owed and repayment as well as recent communications with their counterparties.

• factors incorporated in determining the Probability of Default (PD); • factors considered in cash flow estimation including rate of recovery from customers. Adopting IFRS 9 for the first time also requires some judgements in taking certain key decisions which will impact on the transitional disclosures as at 01 January 2018. The audit matters include controls over the model used and accuracy of the inputs into the model.	
2. **Non-current Assets Held for Sale and Discontinued Operations** During the year, the shareholders approved the divestment of its interests in Ghana operations, upstream services and power business. Therefore, the requirement of IFRS 5 was applied. The application of IFRS 5 'Non-Current Assets Held for sale and discontinued operations' is significant to the current year audit because the transaction, classifications and accounting is non-routine and involves significant management judgements. These includes amongst others, the date of classification of the non-current assets as held for sale, the identification of the disposal group and the presentation of its results as discontinued operations. Also, there are requirements around the valuation of the assets of the disposal group and presentation in the consolidated financial statements and disclosure notes, the identification of income and expenses allocated to the subsidiaries, assumptions and estimates made with regard to the allocations, and adjustments to be recorded (e.g. central cost allocations, seizing of depreciation and amortization).	Our audit procedures included among others: • an evaluation of the client's conclusions on the classification of the disposal group as held for sale and the results of the subsidiaries as discontinued operations in line with IFRS 5, • confirmed the measurement and valuation of the Assets held for sale, • confirmed the allocated income and expenses including assumptions and estimates made as regards the allocation, as well as other adjustments recorded. • ensured that depreciation (or amortization) of non-current asset are discontinued while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

Other Information

The directors are responsible for the other information. The other information comprises the Chairman's statement, Directors' Report; Audit Committee's Report, Corporate Governance Report and Company Secretary's report which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appeared to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and the requirements of the Companies and Allied Matters Act, CAP C20, LFN 2004, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Najeeb A. Abdussalaam, FCA
FRC/2013/ICAN/00000000753
For: **PKF Professional Services**
Chartered Accountants
Lagos, Nigeria

Dated: 26 March 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

	Note	Group		Company	
		31-Dec-18 ₦'000	31-Dec-17 ₦'000	**31-Dec-18 ₦'000**	31-Dec-17 ₦'000
Assets					
Non-current assets					
Property, plant and equipment	13.	**8,789,910**	65,730,699	**8,789,910**	9,768,251
Investment property	14.	**1,531,995**	1,557,444	**1,531,995**	1,557,444
Intangible assets	15.	**143,811**	210,616	**143,811**	196,650
Investment in subsidiaries	16.	**-**	-	**-**	10,296,796
Deferred tax assets	17.	**577,571**	3,681,641	**577,571**	819,128
Long term employee benefits	23.	**95,365**	38,822	**95,364**	16,042
Total non-current assets		**11,138,653**	71,219,222	**11,138,651**	22,654,311
Current assets					
Inventories	18.	**9,528,146**	6,100,441	**9,528,146**	4,618,386
Trade and other receivables	19.	**27,930,528**	68,146,204	**28,611,871**	33,731,717
Cash and cash equivalents	20.	**1,154,269**	1,771,949	**1,154,269**	1,113,215
		38,612,943	76,018,594	**39,294,286**	39,463,318
Assets classified as held for sale	21.1.	**91,786,004**	-	**10,296,796**	-
Total current assets		**130,398,947**	76,018,594	**49,591,082**	39,463,318
Total assets		**141,537,600**	147,237,816	**60,729,733**	62,117,629
Equity					
Share capital	22.	**655,314**	655,314	**655,314**	655,314
Share premium	22.	**8,071,943**	8,071,943	**8,071,943**	8,071,943
Other reserves	22.	**(7,752)**	(218,135)	**(7,752)**	(7,752)
Retained earnings	22.	**9,784,299**	7,928,047	**6,418,039**	5,805,859
Reserves of disposal groups classified as held for sale	21.2.	**(216,278)**	-	**-**	-
Total equity attributable to equity holders of the Company		**18,287,526**	16,437,169	**15,137,544**	14,525,364
Treasury stock	22.	**(1,388,574)**	(1,388,574)	**(1,388,574)**	(1,388,574)
Non controlling interests	22.	**46,669,489**	40,230,626	**-**	-
Total equity		**63,568,441**	55,279,221	**13,748,970**	13,136,790
Liabilities					
Non-current liabilities					
Trade and other payables	26.	**375,653**	378,045	**375,653**	378,045
Deferred tax liabilities	17.	**1,490,741**	1,711,028	**1,490,741**	1,628,088
Loans and borrowings	24.	**634,369**	13,599,405	**634,369**	1,564,283
Medium term bond	24.	**5,041,359**	7,178,006	**5,041,359**	7,178,006
Deferred fair value gain on loan	25.	**-**	567,538	**-**	-
Total non-current liabilities		**7,542,122**	23,434,022	**7,542,122**	10,748,422
Current liabilities					
Trade and other payables	26.	**25,416,280**	53,359,633	**26,097,620**	26,237,700
Current income tax liabilities	11.	**296,217**	733,172	**296,217**	245,206
Loans and borrowings	24.	**1,437,094**	11,547,326	**1,437,094**	9,319,103
Medium term bond	24.	**2,134,164**	1,628,016	**2,134,164**	1,628,016
Deferred fair value gain on loan	25.	**-**	454,034	**-**	-
Bank overdraft	20.	**9,473,546**	802,392	**9,473,546**	802,392
		38,757,301	68,524,573	**39,438,641**	38,232,417
Liabilities directly associated with assets classified as held for sale	21.1.	**31,669,736**	-	-	-
Total current liabilities		**70,427,037**	68,524,573	**39,438,641**	38,232,417
Total liabilities		**77,969,159**	91,958,595	**46,980,763**	48,980,839
Total equity and liabilities		**141,537,600**	147,237,816	**60,729,733**	62,117,629

The consolidated financial statements were approved by the Board on 26 March 2019 and signed on its behalf by:

Femi Otedola, CON	**Akin Akinfemiwa**	**Julius B. Omodayo-Owotuga, FCA,CFA**
Chairman	**Group Chief Executive Officer**	**Group Executive Director, Finance**
FRC/2013/IODN/00000002426	**FRC/2013/IODN/00000002426**	**FRC/2013/ICAN/00000001995**

The accompanying notes and significant accounting policies form an integral part of these interim consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Notes	**31-Dec-18 ₦'000**	31-Dec-17 ₦'000 Restated	**31-Dec-18 ₦'000**	31-Dec-17 ₦'000
Continuing operations					
Revenue	7.1.3.	**134,704,409**	86,165,261	**134,706,306**	86,176,010
Cost of sales	7.1.3.	**(123,375,376)**	(76,122,872)	**(123,376,240)**	(76,133,621)
Gross profit		**11,329,033**	10,042,389	**11,330,066**	10,042,389
Other income	8.	**1,579,962**	1,642,442	**1,859,809**	2,019,331
Distribution expenses	9.2	**(2,245,688)**	(1,644,855)	**(2,245,688)**	(1,644,855)
Administrative expenses	9.2	**(7,984,221)**	(7,401,993)	**(7,995,101)**	(7,829,493)
Operating profit		**2,679,086**	2,637,983	**2,949,086**	2,587,372
Finance income	10	**1,120,257**	1,372,529	**1,181,038**	1,482,552
Finance cost	10	**(3,040,799)**	(2,064,231)	**(3,101,580)**	(2,174,254)
Net finance cost		**(1,920,542)**	(691,702)	**(1,920,542)**	(691,702)
Profit before income tax from continuing operations		**758,544**	1,946,281	**1,028,544**	1,895,670
Income tax expense	11.	**(397,073)**	(633,612)	**(397,073)**	(633,612)
Profit after tax from continuing operations		**361,471**	1,312,669	**631,471**	1,262,058
Discontinued operations					
Profit after tax from discontinued operations	21.3.	**7,982,935**	10,913,759	**-**	-
Profit		**8,344,406**	12,226,428	**631,471**	1,262,058
Other Comprehensive Income: Items that may be reclassified subsequently to profit or loss					
Foreign exchange translation gain/(loss)		**(5,895)**	4,222	**-**	-
Total other comprehensive income net of taxes		**(5,895)**	4,222	**-**	**-**
Total comprehensive income for the period		**8,338,511**	12,230,650	**631,471**	1,262,058
Owners of the Company		**1,899,648**	3,772,084	**631,471**	1,262,058
Non controlling interests	22.	**6,438,863**	8,458,566	**-**	-
		8,338,511	12,230,650	**631,471**	1,262,058
Total comprehensive income attributable to owners of the company arises from:					
Continuing operations		**361,471**	1,312,669	**631,471**	1,262,058
Discontinued operations		**1,538,177**	2,459,415	**-**	-
		1,899,648	3,772,084	**631,471**	1,262,058
Earnings per share					
Basic/diluted in (₦)	12.	**1.46**	2.85	**0.48**	0.97

The accompanying notes and significant accounting policies form an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

Attributable to equity holders - the Group

	Share capital	Share premium	Reserves	Retained earnings	Total equity attributable to equity holders of the company	Reserve of disposal group held for sale	Treasury shares	Non - controlling interest	Total equity
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Balance at 31 December 2017	**655,314**	**8,071,943**	**(218,135)**	**7,928,047**	**16,437,169**	**-**	**(1,388,574)**	**40,230,626**	**55,279,221**
Changes in equity for 2018:									
Profit or loss for the period	-	-	-	1,905,543	1,905,543	-	-	6,438,863	8,344,406
Foreign exchange translation (loss)/gain	-	-	(5,895)	-	(5,895)	-	-	-	(5,895)
Amount attributable to equity holders	**655,314**	**8,071,943**	**(224,030)**	**9,833,590**	**18,336,817**	**-**	**(1,388,574)**	**46,669,489**	**63,617,732**
Transactions with owners, recorded directly in equity									
Effect of retrospective adoption of New standard	-	-	-	(19,291)	(19,291)				(19,291)
Dividend	-	-	-	-	-	-	-	-	-
Withholding tax on dividend from a subsidiary	-	-	-	(30,000)	(30,000)	-	-	-	(30,000)
Discontinued operations	-	-	216,278	-	216,278	(216,278)	-	-	-
Balance at 31 December 2018	**655,314**	**8,071,943**	**(7,752)**	**9,784,299**	**18,503,804**	**(216,278)**	**(1,388,574)**	**46,669,489**	**63,568,441**

The accompanying notes and significant accounting policies form an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

Attributable to equity holders of the Company

	Share capital N'000	Share premium ₦'000	Reserves ₦'000	Retained earnings ₦'000	Total ₦'000	Treasury shares ₦'000	Total equity ₦'000
Balance at 31 December 2017	**655,314**	**8,071,943**	**(7,752)**	**5,805,859**	**14,525,364**	**(1,388,574)**	**13,136,790**
Changes in equity for 2018:							
Effect of retrospective adoption of New standard	-	-	-	(19,291)	(19,291)		**(19,291)**
Profit or loss for the year	-	-	-	631,471	631,471	-	**631,471**
Balance at 31 December 2018	**655,314**	**8,071,943**	**(7,752)**	**6,418,039**	**15,137,544**	**(1,388,574)**	**13,748,970**

The accompanying notes and significant accounting policies form an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

Attributable to equity holders - the Group

	Share capital	Share premium	Reserves	Retained earnings	Total equity attributable to equity holders of the company	Treasury shares	Non - controlling interest	Total equity
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 31 December 2016	**655,314**	**8,071,943**	**(222,357)**	**4,200,191**	**12,705,091**	**(1,388,574)**	**32,017,060**	**43,333,577**
Changes in equity for 2017:								
Profit or loss for the year	-	-	-	3,767,856	3,767,856	-	8,458,566	12,226,422
Foreign exchange translation loss	-	-	4,222	-	4,222	-	-	4,222
Amount attributable to equity holders	**655,314**	**8,071,943**	**(218,135)**	**7,968,047**	**16,477,169**	**(1,388,574)**	**40,475,626**	**55,564,221**
Transactions with owners, recorded directly in equity								
Dividend	-	-	-	-	-	-	(245,000)	(245,000)
Withholding tax on dividend from a subsidiary	-	-	-	(40,000)	(40,000)	-	-	(40,000)
Balance at 31 December 2017	**655,314**	**8,071,943**	**(218,135)**	**7,928,047**	**16,437,169**	**(1,388,574)**	**40,230,626**	**55,279,221**

The accompanying notes and significant accounting policies form an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

Attributable to equity holders of the Company	Share capital ₦'000	Share premium ₦'000	Reserves ₦'000	Retained earnings ₦'000	Total	Treasury shares ₦'000	Total equity ₦'000
Balance at 31 December 2016	**655,314**	**8,071,943**	**(7,752)**	**4,543,801**	**13,263,306**	**(1,388,574)**	**11,874,732**
Changes in equity for 2017:							
Profit or loss for the year	-	-	-	1,262,058	1,262,058	-	**1,262,058**
Balance at 30 December 2017	**655,314**	**8,071,943**	**(7,752)**	**5,805,859**	**14,525,364**	**(1,388,574)**	**13,136,790**

The accompanying notes and significant accounting policies form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Group		Company	
		31-Dec-18 ₦'000	31-Dec-17 ₦'000	**31-Dec-18 ₦'000**	31-Dec-17 ₦'000
Cash flows from operating activities			Restated		
(Loss)/Profit for the period from continuing operations		**361,471**	1,312,669	**631,471**	1,262,058
Profit for the period from discontinued operations		**7,982,935**	10,913,759	**-**	-
		8,344,406	12,226,428	**631,471**	1,262,058
Adjustment for:					
Provisions no longer required		**77,402**	280,073	**77,402**	280,073
Foreign exchange translation loss on consolidation		**(5,895)**	4,222	**-**	-
Depreciation of property, plant and equipment	13.	**4,850,879**	5,193,499	**1,324,413**	1,310,907
Depreciation of investment property	14.	**25,449**	31,712	**25,449**	31,712
Amortization of intangible asset	15.	**75,938**	86,663	**72,236**	82,798
(Profit)/Loss on disposal of property, plant and equipment	13.	**(6,691)**	30,897	**(6,537)**	31,716
Profit/(loss) on disposal of investment property		**-**	(489,694)	**-**	(489,694)
Finance income	10.	**(1,120,257)**	(2,096,143)	**(1,181,038)**	(1,482,552)
Finance cost on loans and borrowings	10.	**3,040,799**	5,726,751	**3,101,580**	2,174,254
Increase/(decrease) in impairment allowance for trade receivables	9	**443,944**	(27,821)	**443,944**	(30,071)
Current service cost	23.	**121,047**	112,337	**97,347**	97,348
Income tax (credit)/expense	11.	**(1,049,990)**	(1,599,266)	**397,073**	633,612
Deferred fair value gain on loan	25.	**(454,032)**	(454,032)	**-**	-
Effect of retrospective adoption of New standard		**(19,291)**	-	**(19,291)**	-
Impairment of investment	9.	**-**	-	**-**	410,610
		14,323,707	19,025,626	**4,964,049**	4,312,771
Changes in:					
Inventories	18.	**(4,849,011)**	(700,510)	**(4,909,760)**	(689,753)
Trade and other receivables	19.	**8,107,377**	(21,298,925)	**4,675,902**	(2,486,119)
Trade and other payables	26.	**(5,966,767)**	8,267,765	**(303,620)**	(108,574)
Non trade payables and other creditors	26.	**(1,313,890)**	106,661	**83,745**	(361,059)
Cash generated from/(used in) operating activities		**10,301,416**	5,400,617	**4,510,316**	667,267
Employee benefit paid	23.	**(102,698)**	(57,947)	**(102,173)**	(38,453)
Income taxes paid		**(556,303)**	(1,200,034)	**(241,852)**	(979,429)
Net cash generated from operating activities		**9,642,415**	4,142,636	**4,166,292**	(350,615)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment	13,8	**35,693**	8,846	**32,263**	7,322
Proceeds from sale of investment property		**-**	700,000	-	700,000
Acquisition of property, plant and equipment	13.	**(439,775)**	(1,667,291)	**(371,798)**	(1,665,786)
Acquisition of Intangibles	15.	**(19,397)**	(67,972)	**(19,397)**	(67,972)
Long term employee benefit funded		**(2,250)**	(2,400)	**-**	-
Return on employee benefits planned assets	23.	**(88,351)**	(89,138)	**(74,496)**	(74,412)
Interest received	10.	**1,120,257**	2,096,143	**1,181,038**	1,482,552
Net cash generated from investing activities		**606,177**	978,188	**747,611**	381,704
Cash flows from financing activities					
Short term loans and borrowings	24.	**(9,604,084)**	(8,220,500)	**(7,375,861)**	(9,742,645)
Long term loans and borrowings	24.	**(5,737,980)**	(5,321,824)	**(3,066,561)**	(2,134,474)
Interest paid	10.	**(3,040,799)**	(5,726,751)	**(3,101,580)**	(2,174,254)
Net cash used in financing activities		**(18,382,863)**	(19,269,075)	**(13,544,002)**	(14,051,373)
Net decrease in cash and cash equivalents		**(8,134,271)**	(14,148,251)	**(8,630,100)**	(14,020,284)
Cash and cash equivalents as at 1 January	20.	**969,563**	15,115,612	**310,823**	14,331,107
Effect of exchange rate fluctuations		**8,845**	2,202	**-**	-
Cash and cash equivalents at 31 December	20.	**(7,155,863)**	969,563	**(8,319,276)**	310,823
Cash and cash equivalents at 31 December					
Included in cash and cash equivalent per statement of financial position.		**(8,319,277)**	310,823	**(8,319,276)**	310,823
Included in the assets of the disposal group	20.	**1,163,414**	658,740	**-**	-
		(7,155,863)	969,563	**(8,319,276)**	310,823

The accompanying notes and significant accounting policies form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. The Group

1.1 Reporting entity

Forte Oil Plc (the Company) was incorporated on 11 December 1964 as British Petroleum. It became African Petroleum through the nationalisation policy of the Federal Government of Nigeria in 1979. The Company changed its name to Forte Oil Plc in December 2010 upon restructuring and rebranding. The major shareholders are Zenon Petroleum and Gas Company Limited and Thames Investment Incorporated. The Company and its subsidiaries, Forte Upstream Services Limited, AP Oil and Gas Ghana Limited and Amperion Power Distribution Company Limited and its subsidiary, Geregu Power Plc are collectively the Group.

1.2 Principal activities

The Company and its subsidiaries are primarily engaged in the marketing of petroleum products which is divided into fuels, production chemicals, lubricants, greases and power generation.

2. Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRSs) as issued by the International Accounting Standard Board (IASB) and in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011. These are the Group's financial statements for the year ended 31 December 2018, prepared in accordance with IFRS 3- Business Combination has been applied.

2.2 Functional/presentation currency

These consolidated financial statements are presented in Naira, which is the Group's functional currency (except for AP Oil Ghana Ltd which operates in the Ghanain Cedis). Except as indicated in these consolidated financial statements, financial information presented in Naira has been rounded to the nearest thousand.

2.3 New standards, interpretations and amendments adopted by the Group

The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

2.3.1 IFRS 15, 'Revenue from contracts with customers'

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

There are no significant impacts from the adoption of IFRS 15 in relation to the timing of when the Group recognises revenues. Revenue recognition for interest income are recognised based on requirements of IFRS 9. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements.

2.3.2 IFRS 9, 'Financial instruments'

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

a. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Through Other Comprehensive Income FVOCI - debt investment; FVOCI - equity investment; or Fair Value Through Profit or Loss - FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial assets is managed and its contractual cash flow characteristics

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at Fair Value Through Profit or Loss - FVTPL:
— it is held within a business model whose objective is to hold assets to collect contractual cashflows; and
— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
— it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI.This election is made on an investment-by-investment

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

The following accounting policies apply to the subsequent measurement of financial assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

b. Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade and other receivables, the Group has applied the standard's simplified approach and will calculate ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group has considers a financial asset in default when contractual payment are 60 days past due. However, in certain cases, the Group has also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of this standard resulted in impairment on the Group's trade receivables
Below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9

	IAS 39 as at December 31, 2017	Remeasurement	ECL under IFRS 9 as at January 1, 2018
	N'000	N'000	N'000
IAS 39 measurement category Trade receivables			
Gross allowance for expected credit losses	1,829,870	19,291	1,849,161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2.3.3 Clarifications to IFRS 15 'Revenue from contracts with customers'

Amends IFRS 15 in three areas:

a. Identification of performance obligations – changes clarify the application of the concept of 'distinct‘ in this context.
b. Whether an entity is acting as principal or agent – changes clarify the application of the principal of ‘control’ in making this determination.
c. Licensing – changes assist in determining whether an entity’s activities ‘significantly affect’ intellectual property during the year for which it has been licensed to a customer.

The amendments also provide some transition relief for modified contracts and completed contracts.
Effective date: The Amendments are effective for annual years beginning on or after 1 January 2018.

Impact on Initial Application

These amendments do not have any impact on the Group’s consolidated financial statements.

2.3.4 Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

Currently, there is ambiguity over how an entity should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payment. The amendments cover three accounting areas:

- **Measurement of cash-settled share-based payments**

  There is currently no guidance in IFRS 2 on how to measure the fair value of the liability incurred in a cash-settled share-based payment. As a result, diversity in practice exists between measuring the liability using the same approach as for equity-settled awards and using full fair value. The amendments clarify that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments – i.e. the modified grant date method.

  The new requirements do not change the cumulative amount of expense that is ultimately recognized, because the total consideration for a cash-settled share- based payment is still equal to the cash paid on settlement.

- **Classification of share-based payments settled net of tax withholdings**

  There is currently no guidance in IFRS 2 on how to measure the fair value of the liability incurred in a cash-settled share-based payment. As a result, diversity in practice exists between measuring the liability using the same approach as for equity-settled awards and using full fair value. The amendments clarify that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments – i.e. the modified grant date method.

  The new requirements do not change the cumulative amount of expense that is ultimately recognized, because the total consideration for a cash-settled share- based payment is still equal to the cash paid on settlement.

- **Classification of share-based payments settled net of tax withholdings**

  Some share-based payment arrangements permit or require the entity to withhold a portion of the shares that would otherwise be issued to the employee, and to pay the tax authorities on the employee’s behalf.

  Prior to the amendments, a question existed as to whether the portion of the share-based payment that is withheld in these instances should be accounted for as equity-settled or cash-settled.

  The amendments clarify the conditions under which a share-based payment transaction with employees settled net of tax withholding is accounted for as equity-settled.

- **Accounting for a modification of a share-based payment from cash-settled to equity-settled**

  There is no specific guidance in IFRS 2 that addresses the accounting when a share-based payment is modified from cash-settled to equity-settled. The amendments clarify that at the modification date the liability for the original cash- settled share-based payment is derecognized, and the equity-settled share-based payment is measured at its fair value as at the modification date, and recognized to the extent that the services have been received up to that date, with the difference recognized in profit or loss immediately.

There is no specific guidance in IFRS 2 that addresses the accounting when a share-based payment is modified from cash-settled to equity-settled. The amendments clarify that at the modification date the liability for the original cash- settled share-based payment is derecognized, and the equity-settled share-based payment is measured at its fair value as at the modification date, and recognized to the extent that the services have been received up to that date, with the difference recognized in profit or loss immediately.

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognized for new and outstanding awards.

The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively.

Impact on Initial Application

These amendments do not have any impact on the Group's consolidated financial statements.

2.3.5 Transfer of Investment Property (Amendments to IAS 40)

In December 2016, the IASB issued Transfers of Investment Property (Amendments to IAS 40).

The amendments clarify that:

- an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use of a property supported by evidence that a change in use has occurred; and
- the list of circumstances of when a change in use has occurred is non-exhaustive.

The amendments provide transitional provisions which allow an entity to apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments (the date of initial application). At the date of initial application, an entity shall also reassess the classification of property held at that date and, if applicable, reclassify property to reflect conditions that exist at that date. An entity is permitted to apply the amendments retrospectively, but only if it does not involve the use of hindsight.

The amendments apply for annual periods beginning on or after January 1, 2018.

Impact on initial application

These amendments do not have any impact on the Group's consolidated financial statements.

2.3.6 Foreign Currency Transactions – Advance Consideration (IFRIC Interpretation 22)

In December 2016, the IASB issued IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration in response to diversity in practice in determining the appropriate exchange rate to use when translating assets, expenses or income, when foreign currency consideration is paid or received in advance of the item to which it relates.

The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The Interpretation may be applied either:

• retrospectively; or

• prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after:

– the beginning of the reporting period in which the entity first applies the Interpretation; or

– the beginning of a prior reporting period presented as comparative information in the financial statements.

The Interpretation is applicable for annual periods beginning on or after January 1, 2018.

Impact on Initial Application

This Interpretation does not have any impact on the Group's Consolidated financial statements.

2.3.7 Annual Improvements to IFRSs 2014-2016 Cycle

In December 2016, as part of its process to make non-urgent but necessary amendments to IFRS, the IASB issued narrow-scope amendments to IFRS 1 First- time Adoption of International Financial Reporting Standards, and IAS 28 Investments in Associates and Joint Ventures which are effective for annual periods beginning on or after January 1, 2018.

The amendments to IAS 28 clarify that:

• a venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis;

• a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

These amendments do not have any impact on the Group's consolidated financial statements.

New standards and interpretations not yet adopted
Standards and interpretations issued but not yet effective.

2.3.8 1FRS 16, 'Leases'

IFRS 16 was issued which introduces a number of significant changes to the lease accounting model under IFRSs, including a requirement for leases to recognize nearly all leases on their balance sheets. IFRS 16 will supersede the current leases guidance including IAS 17 Leases, IFRIC 4 Determing whether an Arrangement contains a lease, SIC 15- Operating leases incentives, SIC 27-Evaluating the substance of Transactions involving the legal form of lease.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 is effective for annual reporting years beginning on or after January 1, 2019. However, an entity cannot adopt this standard earlier than it adopts IFRS 15, Revenue from Contracts with Customers. This standard was issued on 13 January, 2016. The group is yet to assess IFRS 16's full impact and intends to adopt IFRS 16 not later than the accounting year beginning on or after 1 January 2019.

Impact on Initial Application

The group is yet to assess IFRS 16's full impact and intends to adopt IFRS 16 not later than the accounting year beginning or after 1 January 2019.

2.3.9 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 17 is effective for annual periods beginning on or after January 1, 2021, well after the effective date of IFRS 9 Financial Instruments, January 1, 2018. IFRS 9 will cover a majority of an insurer's investments; therefore, the expected differing effective dates created concerns related to temporary volatility and accounting mismatches in profit or loss. Some companies have also expressed concerns about the need to implement two significant changes in accounting on different dates, which will increase costs and complexity.

In September 2016, the IASB issued amendments to its existing insurance contracts standard, IFRS 4. The amendments introduced two approaches that supplement existing options in the Standard that can be used to address the temporary volatility as a result of the different effective dates of IFRS 9 and the forthcoming insurance contracts standard.

The amendments:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

- provide a reporting entity (whose predominant activity is to issue insurance contracts) a temporary exemption from applying IFRS 9 until the earlier of: a) the application of IFRS 17; or b) January 1, 2021 (to be applied at the reporting entity level) (referred to as the 'temporary exemption'); and
- give entities issuing insurance contracts the option to remove from profit or loss the incremental volatility caused by changes in the measurement of specified financial assets upon application of IFRS 9 (referred to as the 'overlay approach'). This option will be in place until IFRS 17 comes into effect.

Impact on Initial Application

The amended to the standard might not have any impact on the Group financial statements when it becomes effective in 2021

2.3.10 Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)

In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments in response to diversity in practice for various issues in circumstances in which there is uncertainty in the application of the tax law. While IAS 12 Income Taxes provides requirements on the recognition and measurement of current and deferred tax liabilities and assets, there is diversity in the accounting for income tax treatments that have yet to be accepted by tax authorities.

The Interpretation requires an entity to:

• reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty;

• measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable);

• reassess the judgements and estimates applied if facts and circumstances change (e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires); and

• consider whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;

The Interpretation is applicable for annual periods beginning on or after January 1, 2019.

Impact on Initial Application

The amended to the standard might not have any impact on the Group financial statements when it becomes effective in 2019.

2.3.11 IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. Scope The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. Key requirements The interpretation specifically addresses the following:

• Whether an entity considers uncertain tax treatments separately
• The assumptions an entity makes about the examination of tax treatments by taxation authorities
• How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
• How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be

Effective date and transition The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

Effective date and transition The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

2.3.12 Prepayment Features with Negative Compensation - Amendments to IFRS 9

Key requirements Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification.

The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives

The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract. Transition - The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the rest of IFRS 9.

Effective date and transition The interpretation is effective for annual reporting periods beginning on or after 1 January 2019.

2.3.13 Plan Amendment, Curtailment or Settlement - Amendments to IAS 19

Key requirements The amendments to IAS 19 Employee Benefits address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. Determining the current service cost and net interest When accounting for defined benefit plans under IAS 19, the standard generally requires entities to measure the current service cost using actuarial assumptions determined at the start of the annual reporting period. Similarly, the net interest is generally calculated by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

• Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

• Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset) Effect on asset ceiling requirements

A plan amendment, curtailment or settlement may reduce or eliminate a surplus in a defined benefit plan, which may cause the effect of the asset ceiling to change. The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts.

Transition The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.

2.3.14 Long-term interests in associates and joint ventures - Amendments to IAS 28

Key requirements The amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

The Board also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. To illustrate how entities apply the requirements in IAS 28 and IFRS 9 with respect to long-term interests, the Board also published an illustrative example when it issued the amendments. Transition Entities must apply the amendments retrospectively, with certain exceptions.

Effective date and transition The interpretation is effective for annual reporting periods beginning on or after 1 January 2019.

2.3.15 Conceptual Framework for Financial Reporting

Purpose:- The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Key provisions:The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 – The objective of financial reporting
- Chapter 2 – Qualitative characteristics of useful financial information
- Chapter 3 – Financial statements and the reporting entity
- Chapter 4 – The elements of financial statements
- Chapter 5 – Recognition and derecognition
- Chapter 6 – Measurement
- Chapter 7 – Presentation and disclosure
- Chapter 8 – Concepts of capital and capital maintenance The Conceptual Framework is accompanied by a Basis for Conclusions.

The Board has also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the Conceptual Framework. In most cases, the standard references are updated to refer to the Conceptual Framework.

There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 Business Combinations and for those applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.
Impact The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event

2.4 Basis of measurement

These consolidated financial statements are prepared on the historical cost basis except as modified by actuarial valuation of staff gratuity and fair valuation of financial assets and liabilities where applicable. There are other assets and liabilities measured at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

2.5 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs 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.

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

In particular, the Group has identified the following areas where significant judgements, estimates and assumptions are required. Changes in these assumptions may materially affect the financial position or financial results reported in future years. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the consolidated financial statements.

a) Recovery of deferred tax assets

Judgement is required to determine which types of arrangements are considered to be tax on income in contrast to an operating cost. Jugement is also required in determining whether deferred tax assets are recognised in the consolidated statement of financial position. Deferred tax assets, including those arising from un-utilised tax losses require management assessment of the likelihood that the Group will generate sufficient taxable earnings in future years in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by sales volume and production, global oil prices, operating costs and capital expenditure) and judgement about the application of existing tax laws.

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

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

b) Decommissioning costs

The Group may incur decommissioning cost at the end of the operating life of some of the Group's facilities and properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary for various factors including changes to relevant legal requirements, emergence of new restoration techniques or experience on similar decommissioning exercise. The expected timing, extent and amount of expenditure can also change, for example in response to changes in laws and regulations or their interpretations. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which could affect future financial results.

c) Contingencies

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

d) Estimated useful lives and residual values of intangible assets and property, plant and equipment

The Group’s management determines the estimated useful lives and related depreciation charge for its items of property, plant and equipment on an annual basis. The Group has carried out a review of the residual values and useful lives of property, plant and equipment as at 31 December 2017 and that has not highlighted any requirement for an adjustment to the residual lives and remaining useful lives of the assets for the current or future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

e) Impairment review

IFRS requires management to undertake an impairment test of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area which involves management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

a) growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
b) timing and quantum of future capital expenditure;
c) long-term growth rates; and
d) the selection of discount rates to reflect the risks involved.

The Group prepares and approves a formal five-year management plan for its operations, which is used in the calculation of its value in use, a long-term growth rate into perpetuity has been determined as the compound annual growth rate in EBITDA in years four to five of the management plan.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results. The Group's review includes the key assumptions related to sensitivity in the cash flow projections.

f) Provisions for employee benefits

The actuarial techniques used to assess the value of the defined benefit plans involve financial assumptions (discount rate, rate of return on assets, medical costs trend rate) and demographic assumptions (salary increase rate, employee turnover rate, etc.). The Group uses the assistance of an external independent actuary in the assessment of these assumptions. For more details refer to note 22.

g) Control over subsidiaries

The Group's management has asessed whether or not the Group has control over the subsidiaries based on whether the Group has the practical ability to direct the relevant activities of each subsidiary laterally. In making their judgement, the directors considered the Group’s absolute size of holding in the subsidiaries and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the Directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of the subsidiaries and therefore the Group has control over them.

3. Basis of consolidation

3.1 The Group's financial statements incorporate the financial statements of the parent and entities controlled by the parent and its subsidiaries made up to 31 December 2018. Control is achieved where the investor:

i has power over the investee entity,
ii is exposed, or has rights, to variable returns from the investee entity as a result of its involvement,
iii can exercise some power over the investee to affect its returns.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners’ of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any impairment that has been recognised in profit or loss.

3.2 Group structure

Forte Upstream Services (FUS) Limited and AP Oil and Ghana Limited (APOG) are wholly owned by Forte Oil Plc while Forte Oil Plc owns 57% in Amperion Power Distribution Company Limited. Amperion Power Distribution Company Limited owns 51% of Geregu Power Plc.

3.3 Transactions eliminated on consolidation

All intra-group balances and any gain and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.4 Non-controlling interest

Non-controlling interest is the equity in a subsidiary or entity controlled by the Company, not attributable, directly or indirectly, to the parent company and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. Total comprehensive income attributable to non- controlling interests is presented on the line “Non- controlling interests” in the statement of financial position, even where it becomes negative.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, unless otherwise indicated.

4.1.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the entities within the group.

Monetary items denominated in foreign currencies are re-translated at the exchange rates applying at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences are recognised in profit or loss in the year in which they arise except for:

- exchange differences on foreign currency borrowings which are regarded as adjustments to interest costs , where those interest costs qualify for capitalisation to assets under construction;
- exchange differences on transactions entered into to hedge foreign currency risks; and
- exchange differences on loans to or from a foreign operation for which settlement is neither planned nor likely to occur and therefore forms part of the net investment in the foreign operation, which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

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

4.1.2 Foreign operations

The functional currency of the parent company and the presentation currency of the consolidated financial statements is Naira. The assets and liabilities of the Group's foreign operations are translated to Naira using exchange rates at year end. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rate on transaction date is used. Goodwill acquired in business combinations of a foreign operation are treated as assets and liabilities of that operation and translated at the closing rate.

Exchange differences are recognised in other comprehensive income and accumulated in a separate category of equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

On the disposal of a foreign operation, the accumulated exchange differences of that operation, which is attributable to the Group are recognised in profit or loss.

4.2 Financial instruments - Accounting policies applicable prior to 1 January, 2018

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments are recognised initially at fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial assets at fair value through profit or loss, which are initially measured at fair value, excluding transaction costs.

Financial instruments are derecognised on trade date when the Group is no longer a party to the contractual provisions of the instrument.

4.2.1 Available-for-sale financial assets

Available-for-sale financial assets comprise equity investments. Subsequent to initial recognition, available-for-sale financial assets are stated at fair value. Movements in fair values are taken directly to equity, with the exception of impairment losses which are recognised in profit or loss. Fair values are based on prices quoted in an active market if such a market is available. If an active market is not available, the Group establishes the fair value of financial instruments by using a valuation technique, usually discounted cash flow analysis.

When an investment is disposed, any cumulative gains and losses previously recognised in equity are recognised in profit or loss. Dividends are recognised in profit or loss when the right to receive payments is established.

4.2.2 Trade and other receivables

Trade receivables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash receipts over the short credit year is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue trade receivables is recognised as it accrues.

4.2.3 Cash and cash equivalents

Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term.

4.2.4 Non-derivative financial liabilities

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

4.2.5 Trade and other payables

Trade payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short payment year is not considered to be material.

4.2.6 Loans and borrowings

4.2.6a Interest-bearing borrowings

Interest-bearing borrowings are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

4.2.6b Debt instruments

Financial instruments issued by the Group are qualified as debt instruments if there is a contractual obligation to deliver cash or another financial asset to the holder of the instrument. The same applies if the Group is required to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group.

Issues of bonds are recorded at their initial fair value which normally reflects the proceeds received, net of direct issue costs less any repayments. Subsequently these are stated at amortised cost, using the effective interest method. Any difference between the proceeds after direct issue costs and the redemption value is recognised over the term of the borrowing in the income statement using the effective interest method.

4.2.7 Compound instruments

At the issue date, the fair value of the liability component of a compound instrument is estimated using the market interest rate for a similar non-convertible instrument. This amount is recorded as a liability at amortised cost using the effective interest method until extinguished upon conversion or at the instrument's redemption date.

The equity component is determined as the difference of the amount of the liability component from the fair value of the instrument. This is recognised in equity, net of income tax effects, and is not subsequently remeasured.

4.2.8 Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at reporting date to determine whether there is objective evidence that is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occured after initial recognition of the asset, and that the loss event had a negative effect on the future cash flows of that asset that can be estimated reliably. See note 4.11 (Impairment) and note 6 (Financial risk management).

4.2.9 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

4.3.0 Financial assets and financial liabilities under IFRS 9

Recognition and initial measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement of financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the COmpany has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level

The Compay's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

• Financial assets at amortised cost (debt instruments)

• Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

• Financial assets at fair value through profit or loss (the company however has no financial instrument in this category)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

There are three measurement categories into which the company classifies its debt instruments:

Amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through other comprehensive income (FVOCI):

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through profit or loss:

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the profit or loss statement within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in the interest income.

Other financial assets:

Other financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets. These are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment losses. These comprise trade receivables, unbilled revenues, cash and cash equivalents and other assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

Trade and other receivables

Trade and other receivables are recognised initially at their transaction price and subsequently measured at amortized cost less loss allowances.

Expected credit losses

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ECLs for trade receivables at an amount equal to lifetime ECLs. The ECLs on trade receivables are calculated based on actual credit loss experience over the preceding three on the total balance of non-credit impaired trade receivables.

The Group considers a trade receivable to be credit impaired when one or more detrimental events have occurred such as:

significant financial difficulty of the customer; or

it is becoming probable that the customer will enter bankruptcy or other financial reorganization.

Impairment losses related to trade and other receivables are not presented separately in the consolidated income statement but are reported under the heading administrative expenses

Business model:

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at fair value through profit or loss ('FVTPL"). Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely Payment of Principal and Interest (SPPI):

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

(iii) Impairment of financial assets

The Group recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(iv) Derecognition

A financial asset is derecognised when:

The rights to receive cash flows from the asset have expired;

The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

(a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

The Group has classified all financial liabilities within the scope of IFRS 9 under loans and borrowings and other financial liabilities as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and other financial liabilities, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated income statement.

Derecognition

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

Offsetting of financial instruments

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

4.3.1 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects and costs directly attributable to the issue of the instrument.

4.3.2 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the year in which the dividends are approved by the company's shareholders.

Dividends which remained unclaimed for a year exceeding twelve (12) years from the date of declaration and which are no longer actionable by shareholders in accordance with Section 385 of Companies and Allied Matters Act of Nigeria, are written back to retained earnings.

4.4 Property, plant and equipment

4.4.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

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

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 recognised net within other income in profit or loss.

4.4.2 Reclassification of investment property

When the use of a property changes from owner-occupied to investment property, the property is transferred to investment properties at its carrying amount.

4.4.3 Subsequent costs

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

4.4.4 Depreciation

Depreciation is calculated over 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 (except for gas turbines; for which Unit of Production Method i.e Equivalent Operating Hours (EOH) is used) 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 Group 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 year are as follows:

Land	Over lease year
Buildings	25 years
Building improvements	5 years
Plants, equipment and tanks	5-20 years
Furniture and fitttings	4 years
Computer equipment	3 years
Motor vehicles	5-8years
Gas turbines	160,000 Equivalent Operating Hours (EOH) per plant
Gas turbines - major overhaul amortised cost	41,000 Equivalent Operating Hours (EOH) per plant

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.

Non-current asset held for sale

Non-current assets or a disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets or disposal group are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit and loss. Gains are not recognised in excess of any cumulative impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

4.5 Investment property

Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the property. Investment properties under construction are disclosed as capital work-in-progress. The cost of construction recognised includes the cost of materials and direct labour, any other costs directly attributable to bringing the property to a condition of commercial lease to third parties.Land held for an undefined future use is recognised as investment property.

Property that is being constructed or developed for future use as investment property is recognised as investment property.

Depreciation is calculated over the depreciable amount, which is the cost of a property, or other amount substituted for cost, less its residual value. Depreciation is recognised on a straight - line basis over the useful life of the investment property.

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

Land	Over lease year
Buildings	25 years

The criteria used by the Group to distinguish investment property from owner occupied property are as follows:

- The property must not be actively used for the running of the core business activity of the group that is, production and marketing of petroleum products.
- The property generates cash flows which have no direct connection with core business activity of the group.
- The property is held primarily for rental income generation and/or value appreciation.

4.6 Intangible assets

4.6.1 Intangible assets acquired separately

Intangible assets acquired separately are shown at historical cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. These charges are included in other expenses in profit or loss.

Intangible assets with an indefinite useful life are tested for impairment annualy. Other intangible assets are amortised from the date they are available for use. The estimated useful live for the current and comparative year is:

Software costs - 3 to 8 years
Amortisation years and methods are reviewed annually and adjusted if appropriate.

4.6.2 Intangible assets generated internally

Expenditures on research or on the research phase of an internal project are recognised as an expense when incurred. The intangible assets arising from the development phase of an internal project are recognised if, and only if, the following conditions apply:

- it is technically feasible to complete the asset for use by the Group;
- the Group has the intention of completing the asset for either use or resale;
- the Group has the ability to either use or sell the asset;
- it is possible to estimate how the asset will generate income;
- the Group has adequate financial, technical and other resources to develop and use the asset; and
- the expenditure incurred to develop the asset is measurable.

If no intangible asset can be recognised based on the above, then development costs are recognised in profit and loss in the year in which they are incurred.

4.6.3 Intangible assets recognised in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date.

4.6.4 Subsequent expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

4.6.5 Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised 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 must closely reflect the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life for the current and comparative year is:

Computer software: 3 to 8 years

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

4.7 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

4.7.1 Finance leases

Assets held under finance leases are recognised as assets of the Group at the fair value at the inception of the lease or if lower, at the present value of the minimum lease payments. The related liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between interest expenses and capital redemption of the liability. Interest is recognised immediately in profit or loss, unless attributable to qualifying assets, in which case they are capitalised to the cost of those assets.

Contingent rentals are recognised as expense in the year in which they are incurred.

4.7.2 Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except if another systematic basis is more representative of the time pattern in which economic benefits will flow to the Group.

Contingent rentals arising under operating leases are recognised in the year in which they are incurred. Lease incentives and similar arrangements of incentives are taken into account when calculating the straight-lined expense.

4.8 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the year in which they are incurred.

4.9 Taxation

Income tax for the year is based on the taxable income for the year. Taxable income differs from profit as reported in the statement of comprehensive income for the year as there are some items which may never be taxable or deductible for tax and other items which may be deductible or taxable in other years.

The Company offsets the tax assets arising from withholding tax credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set-off the recognised amounts, and it intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would not be realised.

Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the statement of financial position. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

The Group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, joint ventures and associates where the parent company is able to control the timing of the reversal of the temporary differences and it is not considered probable that the temporary differences will reverse in the foreseeable future. It is the Group's policy to reinvest undistributed profits arising in group companies.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

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

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

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

4.10 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of deregulated inventories - AGO, ATK, LPFO is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. The cost of regulated inventories - PMS and DPK is based on the standard cost principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

Packaging Materials, Solar inverters, Lubricants, and Greases are valued based on Weighted Average Cost, Inventories -in-transit is valued based on purchse cost incurred to date.

Perpetual inventory system where cost of sales and ending inventory is updated continuously is in use.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The production costs comprise direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads.

Allowance is made for obsolete, slow moving or defective items where appropriate.

Spare parts and consumables

Spare parts which are expected to be fully utilized in production within the next operating cycle and other consumables are valued at weighted average cost.

4.11 Impairment

4.11.1 Financial assets (including loans and receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether 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 in respect of a financial asset measured at amortised cost is calculated as the difference between its 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 against receivables. Interest on the impaired asset where applicable continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

4.11.2 Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 amortization, if no impairment loss had been recognised.

4.12 Employee benefits

The Group operates both defined contribution plans and defined benefit plans.

4.12.1 Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit post-retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average year until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

4.12.2 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the year during which services are rendered by employees. In relation to the defined contribution plan, the Group has in place the Pension fund scheme.

4.12.3 Pension fund scheme

In accordance with the revised provisions of the Pension Reform Act, 2014, the Group has instituted a Contributory Pension Scheme for its employees, where both the employees and the Group contribute 8% and 10% respectively of the employee's emoluments (basic salary, housing and transport allowances). The Group's contribution under the scheme is charged to the profit and loss account while employee contributions are funded through payroll deductions.

4.12.4 Terminal benefit

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting year, then they are discounted to their present value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

4.12.5 Short term benefits - Profit-sharing and bonus plans

Forte Oil Plc recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to Forte's shareholders after certain adjustments. Forte Oil Plc recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

4.13 Provision, contingencies and decommissioning costs

4.13.1 Provisions

A provision is recognised if, as a result of a past event, the Group 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 for environmental restoration, restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

4.13.2 Contingent liabilities

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Group. Contingent liabilities are not recognised in the financial statements but are disclosed. However if the possibility of an outflow of economic resources is considered remote, such contigent liabilities are recognised in the financial statements.

4.13.3 Contingent assets

Contingent assets are possible assets that arise from past events 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 entity. Contigent assets are only disclosed when an inflow of economic benefit is probable. Asset is recognised when the realisation of income is virtually certain, in which case the related asset is no more contingent.

4.13.4 Decommissioning costs

Liabilities for decommissioning costs are recognised when the Group has an obligation to dismantle and remove a facility or an item of property, plant or equipment and to restore the site on which it is located, and when a reliable estimate of the liability can be made. Where an obligation exists for a new facility such as a retail outlet, this will be on construction. An obligation for decommissioning may also crystalize during the year of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also recognised. This is subsequently depreciated as part of the asset.

Other than the unwinding discount on the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding item of property, plant and equipment.

4.14 Models used for impairment test, valuations, actuarial results

The new impairment requirements in IFRS 9 are based on an expected credit loss model and replaces the IAS 39 incurred loss model. The expected credit loss model applies to debt instruments (such as bank deposits, loans, debt securities and trade receivables) recorded at amortised cost or at fair value through other comprehensive income, plus lease receivables, contract assets and loan commitments and financial guarantee contracts that are not

In line with the requirements of IFRS 9, The Group recognize losses on all receivables including receivables that are not past due. i.e it is no longer necessary for a credit event to have occurred before credit losses are recognized. The Group calculates expected credit losses on trade receivables using a provision matrix based on historical, current and forecasted credit conditions. All receivables are grouped based on different customer attributes and different historical loss patterns

The Group's trade receivables by their nature do not include a significant financing component, they are measured at transaction price and do not have a contractual interest rate. Thus the Effective Interest Rate (EIR) would be zero (0). As a result of this, the discounting of cash shortfalls when measuring our ECL would not be required. The following approach is adopted by the company in determining the expected credit loss on all receivables. In line with the requirements of IFRS 9, all receivables have an ECL provision, including receivables that are not past due

Default based on our internal rating system is considered after 60days. All receivables are categorized based on the ageing of the receivables, associated risk rating and the impairment allowance relative to the risk class as analyzed below. All receivables with credit balances have no associated risk. Also, receivables that are not past due has a risk rating of 1. In determining Historical default rate, we considered internal rating over a prior period of three years for the trade receivables and compared with the rating as at reporting date. This was used to determine if there had been a significant increase in credit risk (SICR).

The Company considers forward-looking information using reasonable and supportable forecasts of future economic conditions that is available without undue cost or effort. We considered inflation rate and GDP growth rate as the macro-economic factors that influence the default rate. The historical default rate is adjusted with the forecasts of future economic condition to arrive a credit loss rate.

The expected credit loss is calculated by applying the credit loss rate to the receivables balance at the reporting period. Estimates for our ECL computation reflect cashflows expected from collaterals (i.e transporters freight costs) and other credit enhancements that are part of the credit terms. These collaterals are recognized alongside the receivables being tested for impairment.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each financial year at the same time.

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

4.15 Income Recognition under IAS 18 - Revenue - Accounting policies applicable prior to 1 January, 2018

4.15.1a Sale of goods and services

Revenue from sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue from energy sold and capacity charge are measured on monthly basis using the regulated rates in the Multi Year Tariff Order 11, 2012 - 2017 (MYTO II) of the Nigerian Electricity Regulatory Commission (NERC), net of energy and capacity import and grid transmission losses of 8.05% of energy sent out.

Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is possible, the associated costs and possible return of goods can be estimated reliably , 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 the individual terms of the sales agreement. For self collection, it occurs when the products are loaded unto the customer's trucks and for all other sales, when the products are delivered to the customer's site or in the case of vendor managed inventory, when the products are discharged to the customers.

4.15.1b Revenue from contract with customers - Accounting policies applicable from 1 January, 2018

Revenue from sale of petroleum products, Aviation Turbine Kerosene, production chemicals, lubricants and greases, and solar panel

Revenue arises mainly from the sale of petroleum products (white products), Aviation Turbine Kerosene (ATK), production chemicals, lubricants and greases, and solar panel.

To determine whether to recognise revenue, the Group follows a 5-step process:

1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied.

The transaction price for a contract excludes any amounts collected on behalf of third parties. Customers obtain control of products when the products are delivered to and have been accepted and revenue is recognised at that point in time. Invoice are usually payable within 30days.

4.15.1c Revenue from energy sold and capacity charge.

Revenue from energy sold and capacity charge is recognised when a promised energy transferred at a point in time to the national grid and are measured on monthly basis using the regulated rates in the Multi Year Tarff Order 11, 2012-2017 (MYTO 11) of the Nigerian Electricity Regulatory Commission (NERC), net of energy and capacity import and grid transmission losses 8.05% of energy sent out.

4.15.2 Rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from other property is recognised as other income.

4.15.3 Throughput income

Throughput income represents fees earned from the use of the Group's storage facilities by third parties on one hand and the Nigerian National Petroleum Corporation product discharge into these storage facilities. These are recognised as other income.

4.16 Finance, dividend income and finance cost.

4.16.1 Finance and dividend income

Finance income comprises interest income on funds invested, credit bank balances, reimbursement of any foreign loss and /or interest from Petroleum Product Pricing Regulatory Agency PPPRA). Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables recognised using the original effective interest rate. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

4.16.2 Finance cost

Finance costs comprises interest expense on borrowings.
Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

4.17 Earnings per share

The Company presents basic/diluted earnings per share data for its ordinary shares.

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted earnings per share adjusts the figures used in the determination of Basic earnings per share to take into account the weighted average number of additional shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

4.18 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. Segment results that are reported to the Group's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of head office expenses, and tax assets and liabilities.

4.19 Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group. The consideration transferred is measured as the sum of the fair value of the asset given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Transaction costs are recognised within profit or loss as and when they are incured.The Group measures non-controlling interest on the acquisition date as the proportion of the subsidiary's identifiable net assets.

4.20 Transactions with non controlling interests

Transactions with non controlling interests that do not result in the gain or loss of control are accounted for as transactions with equity holders of the group. For purchases of additional interest from non controlling interests, the difference between the purchase consideration and the group's proportionate share of the subsidiary's additional net asset value acquired is accounted for directly in equity.

4.21a Deferred fair value gain on loans

Deferred fair value gain on loans are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the gainss will be received. Deferred fair value gain on loans are recognised in profit or loss on a systematic basis over the years in which the Company recognises as expenses the related costs for which the gains are intended to compensate. Specifically, deferred fair value gain on loans whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Deferred fair value gain on loans that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the year in which they become receivable. The benefit of a deferred fair value gain on loans at a below-market rate of interest is treated as a deferred fair value gain on loans, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. The amount recognised as deferred fair value gain on loan is recognised in profit or loss over the year the related expenditure is incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

4.21b Petroleum subsidies

Petroleum Products Pricing Regulatory Agency (PPPRA) subsidises the cost of importation of certain refined petroleum products whose prices are regulated in the Nigerian market. The subsisidies 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.

4.22 Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of the future cash flows, and discounted at market rates of interest at the reporting date. For trade and other receivables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

Fair value which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at market rates of interest at the reporting date. For trade and other creditors with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

4.23 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter year. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments “at fair value through profit or loss”.

4.24 Offsetting financial assets and liabilities

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

4.25 Repurchase and reissue of share capital (Treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

4.26 Statement of cash flows

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

4.27 Related parties

Related parties include the holding company and other group entities. Directors, their close family members and any employee who is able to exert a significant influence on the operating policies of the Company, are also considered to be related parties. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

4.28 Event occurring after the balance sheet date

The value of asset and liabilities at the balance sheet date are adjusted if there is evidence that subsequent adjusting event warrant a modification of these values. These adjustment are made up to the date of approval of the consolidated financial statements by the Board of Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

Other non-adjusting event are disclosed in the notes.

5. Determination of fair values

A number of Group's accounting policies and disclosures require the determination of fair value, both for financial and non financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated and separate financial statements is determined for measurement and / or disclosures 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.

6. Financial risk management

Overview

Our risk management objective is to ensure sustainable business growth with stability by promoting a pro-active approach in identifying, evaluating, mitigating and reporting risks associated with the business. In order to achieve these objective(s), we have established a structured and disciplined approach to Risk Management, including the development of the Risk Matrix, in order to guide decisions of the Group on risk related issues. Forte Oil Plc Group has a risk management system embedded in our day to day business activities which guides our business operations and is being followed in a consistent and systematic manner to increase value to our shareholders. Our Enterprise Risk Management framework focuses on enterprise wide risk of Forte Oil Group with the objective to protect and enhance each entity's value and by extension the Group's value.

Forte Oil Group (FO Group) - Risk Management framework

The Board of Directors sets our overall risk appetite, approve the risk management strategy and is ultimately responsible for the effectiveness of the risk management process and system of internal control within FO Group.

Specific objectives of the Group's Risk Management framework are:

To ensure that all the current and future material risk exposures of FO Group are identified, assessed, quantified, appropriately mitigated and managed.

- To establish a framework for FO risk management process and to ensure group-wide implementation.
- To ensure systematic and uniform assessment of risks related with the Group's operations.
- To reduce operational surprises and losses.
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- To assure business growth with financial stability.

The Board oversees risk management through the following Committees:

Board Risk Management Committee

The Board Risk Management Committee is responsible for developing and monitoring the Group's risk management policies which are established to identify and analyse the risks faced by the Group, to set appropriate risk limit and controls, monitor risks and adherence to risk limits. The Committee ensures that risk management policies are integrated into FO Group's culture. The Committee also reviews quarterly risk management reports and direct appropriate actions to be taken by senior management. The committee reports quarterly to the Board of Directors on its various activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

Statutory Audit Committee

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the FO Group.

Corporate Governance and Remuneration Committee

The Corporate Governance and Remuneration Committee assists the Board in fulfilling its responsibilities in relation to Corporate Governance & remuneration matters. It ensures the group meets all legal and regulatory requirements for business operations, thus protecting the Group from incurring operational and reputational liabilities that can affect the achievement our goals and objectives.

Risk Management Committee

The Risk Management Committee is a Management Committee of Forte Oil Group which evaluates the risks inherent within the business and ensure that they are captured appropriately within the business risk profile. The committee monitors residual risk exposures and provides assurance as to adequacy of controls implemented to manage risks to the agreed level of appetite. The committee meets monthly, however risk reports are provided quarterly to the Board Risk Committee. Principal risk events are however escalated immediately.

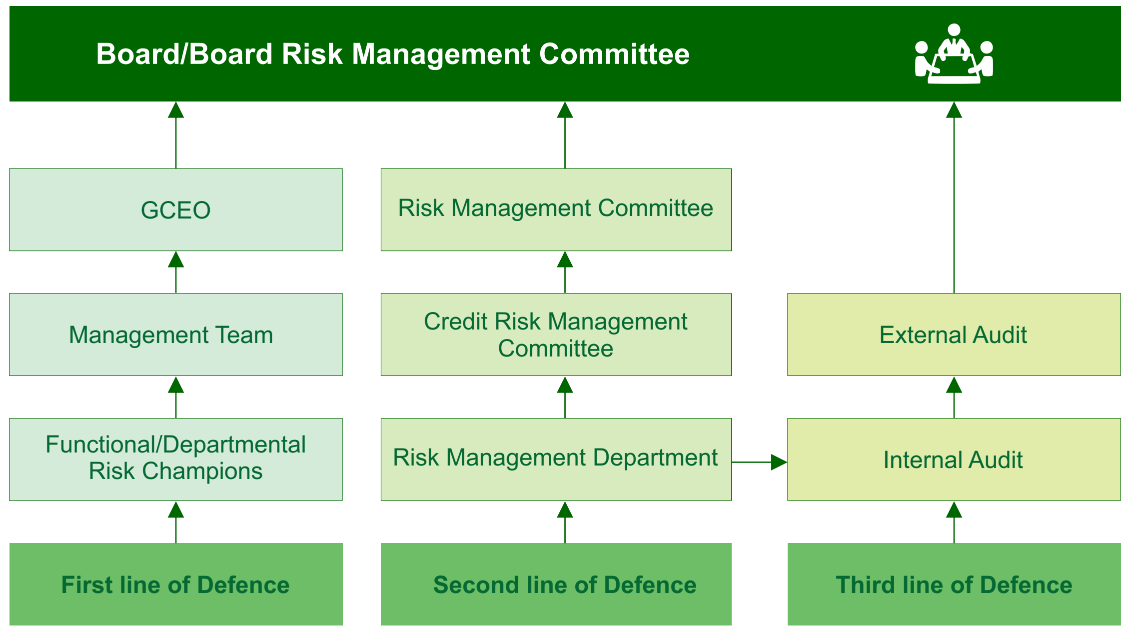
Credit Risk Management Committee

The Credit Risk Management Committee is a Sub-Committee of the Risk Management Committee that assesses the credit risk of Forte Oil Group. The Committee review and approve credit request in line with the Group's credit policy.

The committee also meets at least monthly to review payment performance of credit customers, the adequacy of Bank Guarantees, credit limits of customers and also take appropriate actions to ensure zero tolerance for bad debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

Risk Management Structure & Governance



Risk Management Governance Structure

FO Plc Management Committees including – Risk Management & Credit Management

1st Line: Primary Risk Responsibility	2nd Line: Challenge and Risk Control.	3rd Line: Assurance
* Operational management manages the Company's risks by implementing and maintaining effective internal control procedures on a day-to-day basis.	* The Risk Management department collaborates with operational management to develop and monitor processes and controls to mitigate identified risks. * They facilitate risk assessment sessions, develop risk management programs and alert management to emerging issues and changing risk scenarios.	* Independent assurance of the effectiveness of the risk management process and methodology

Risk Profile

In the course of our daily operations, we are exposed to various risks. The Group has a risk management function that manages these risks with various reporting done as required. We have categorised the risks into the following:

Operational Risk
- HSE Risk

Financial Risk
- Credit risk
- Liquidity risk
- Market risk
- Capital risk management

Reputational Risk
Strategic Risk

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the group's processes and controls, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the group's operations.

The group's objective is to manage operational risk to be within its risk appetite thus ensuring that the overall control processes and procedures does not restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions/processes.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the yearly assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation approach such as adequate insurance cover on the assets of FO Group Plc.

The Operational risk of the Group is identified and monitored through risk management review of operational processes and procedures across departments and subsidiaries with the use of Risk Management tool kit such as Risk registers, Control Self- Assessments, Top 25 Risk of the business and Key Risk Indicators Review.

Compliance with Group's operating standards is also supported by a programme of yearic reviews undertaken by Business Assurance & Compliance (BAC). The results of BAC's reviews are discussed with the management of the business unit while the summaries submitted to the Audit Committee and Executive Management of the group.

HSE Risk

Forte Oil Group is committed to managing a Health, Safety & Environmental system that promotes a safe working environment for all employees, contractors, customers and visitors to our sites. At Forte Oil Group, Health and Safety has equal importance with all other business activities.

It is the policy of the Group to carry out its activities in a manner that guarantees health and safety of its workers and other stakeholders, the protection of the company's facilities and the environment and compliance with all regulatory and industry requirements. We consider health, safety and environmental issues as important as our core businesses and assume the responsibility of providing healthy, safe and secure work environment for our workers as required by law.

Our objective is to minimize the number of cases of occupational accidents, illnesses, damage to property and environmental degradation. 53 incidents were reported by various staff from different departments at different locations in the year 2018, while 36 incidents were reported in 2017

Financial Risk

FO Group Plc's overall risk management focuses on the unpredictability of financial markets and the adverse effect on the company's financial and operational performance. The Group has a risk management function that manages the financial risks relating to the Group's operations under the policies approved by the Board of Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

The Group has exposure to the following risks from its use of financial instruments:
Credit Risk
Liquidity Risk
Market Risk
Foreign Exchange Risk
Currency Risk
Interest Rate Risk
Other Market Risk

Credit Risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a policy of only dealing with creditworthy customers as a means of mitigating the risk of financial loss from defaults. We also secure our credits with Bank Guarantees from Company selected Banks.

The Company uses other publicly available financial information and its own trading records to evaluate its major customers using the Automated Credit Application. All credits are administered in line with FO's Credit policy.
Warning signs for default are promptly identified based on our Credit Management & Reporting tools. Mitigating actions such as reduced credit term, aggressive cash collection and downward review of credit limits are highlighted and implemented for high-risk customers based on approval by Executive Management and Management Credit Committee.

There is no material concentration of our credit exposure with individual customers and there is no significant level of counterparty default.

Trade and other receivables
The Group has established a credit policy under which each new customer is analysed individually for creditworthiness. Credit limit is established for each customer, which represents the maximum exposure to the customer. These limits are reviewed annually by management credit committee based on customer's performance and credit worthiness. Customers that fail to meet the Group's credit criteria may transact with the Company on a cash-and-carry basis or provides a Bank Guarantee.

Our exposure to credit risk for trade and other receivables and related impairment losses at the reporting date is as disclosed in note 19.

Allowance for impairment losses
The Group establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables. Please refer to Note 27 for the ageing of trade and other receivables and related impairment allowances for the Group at the reporting date. The historical provision rates are updated with current and forward looking information

The models used for impairment is explained in note 4.14 above

Investments
The Group actively monitors the credit rating of companies and only invest in liquid securities with companies with high credit ratings. The Group does not expect any counterparty to fail to meet its obligations.

Guarantees
The Group's policy is to provide financial guarantees only to subsidiaries after a careful review of the underlying transaction. Where the underlying transaction does not meet the Group's risk appetite, such transactions are exited.

There is a financial guarantee on behalf of Amperion to First Bank of Nigeria Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 and avoidable losses or risking damage to the Group's reputation. Cash flow projection is performed by the treasury unit of FO Group Plc to anticipate the cash & liquidity requirements of the Group.

The Group 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 and related parties which can be utilised to meet its liquidity requirements.

The Group manages its liquidity process by:

- Day to day funding, managed by monitoring future cash flows to ensure that requirements can be met.
- Monitoring balance sheet liquidity ratios against internal requirements.
- Managing the concentration and debt profile.
- Usage of overdraft facility to meet liquidity needs.

Lastly, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a year of 60 days, 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 Group'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.

Foreign Exchange Risk

In Forte Oil Plc, foreign exchange (FX) risk management policy shall be considered in all FX transactions. This policy provides guidelines on how foreign exchange risk is managed. In Forte Oil Plc, the sources of FX risk includes Imports of all petroleum products for sale e.g PMS, AGO, Base Oil and ATK, FX denominated operating expenses, Receivables denominated in currency other than the base currency.

Currency Risk

The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than its functional currency. The Group is exposed primarily to US Dollars (USD), Euro (E), Pound Sterling (GBP) and Ghanian Cedis (GHC).

The Group monitors the movement in currency rates on an ongoing basis to mitigate the risk that the movements in the exchange rates may adversely affect the Group's income or value of their financial instruments.

The Group is allowed to hedge currency exposure within the tolerable limit by bank and must be approved by Risk Management Committee. The Group does not hedge for speculative reasons.

Interest on borrowings is denominated in the currency of the borrower. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily Naira, also GHC and USD. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The investment in APOG subsidiary is hedged by a GHC-denominated secured bank loan, which mitigates the currency risk arising from the subsidiary's net assets. The investments in other subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

Sensitivity analysis

A change in the exchange rate either positively or negatively by 200 basis points would have increased/ (decreased) equity and profit or loss by the amount stated below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting year, the analysis assumes that all other variables, in particular interest rates remain.

A weakening of the Naira against the currencies at 31 December 2018 would have increased/(decreased) equity and profit or loss by the amount shown below:

31-Dec-18	+-2%	32,258
31-Dec-17	+-2%	133,256

Interest Rate Risk

The Group is exposed to interest rate risk because the Company borrows funds at fixed interest rates and also utilizes overdraft facilities from Banks. This risk is managed by the Company by maintaining an appropriate mix between short and long term borrowings. The risk is also managed by the Company by constantly negotiating with the banks to ensure that interest rates are consistent with the monetary policy rates as defined by the Central Bank of Nigeria.

At the reporting date, the average interest rate profile of the Group's interest -bearing financial interest was:

Secured bank loan	18.0%
Overdraft	18.0%

Note 23 highlights the borrowings for the reporting year.

Sensitivity Analysis

A change in the interest rate either positively or negatively by 200 basis points would have increased/ (decreased) equity and profit or loss by the amount stated below. This analysis is based on interest bearing debt obligations at the relevant reporting dates while holding all other variables constant.

Year end	Increase / decrease in interest rate	N'000
31-Dec-18	+-2%	354,421
31-Dec-17	+-2%	251,292

Other market Risk

Management of the Forte Oil Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are recommended by Risk Management Committee and approved by the Executive Committee.

Management is assisted by external advisors in this regard. In accordance with this strategy, certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis. The group does not enter into commodity contracts other than to meet the group's expected usage and sale requirements; such contracts are not settled net.

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence at all times and to sustain future development and growth of the business. The Board of Directors monitors capital on the basis of the gearing ratio, which the group defines as total liabilities (non-current liabilities and current liabilities) over total assets (non-current assets and current assets).

The Group manages its capital structure to achieve capital efficiency, maximise flexibility and give the appropriate level of access to debt markets at attractive cost levels. Also, The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The group's debt to capital ratio at the end of the reporting year was as follows:

	Dec-18	Dec-17
	₦'000	₦'000
Total liabilities	77,969,159	91,958,595
Total assets	141,537,600	147,237,816
Gearing ratio as at:	55%	62%

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing its returns to all stakeholders

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

Reputational Risk

Reputational risk is the risk that operations and activities of Forte Oil Group, its related parties or affiliates will negatively affect its image or public perception.

The Group understands the fact that the losses stemming from reputational exposure may not be quantifiable, thus we have implemented structures and procedures which will help protect the company against such losses.

The Board through the Risk Management committee monitor closely, media publications about the activities of Forte Oil Group through Brand and Corporate Communications Unit (BCC) who ensures controls for mitigating reputational risk are active at all times.

We also regularly engage and interact with our stakeholders to know how Forte Oil Group is fulfilling their expectations. We improve our performance based on the feedback obtained. Major stakeholders include customers, investors, employees, suppliers, government, regulators, special interest & consumer groups, media and the general public.

Strategic Risk

Strategic risk is the risk that Forte Oil Group will make inappropriate strategic choices, or that there will be changes in the external environment to which the Group fails to adapt its strategies.

The Group organizes a Strategy Review Session to deliberate on issues relating to changes in operating environment that may impact strategy execution and implementation. These include issues on Product sourcing and logistics, availability of forex for importation, delay in subsidy payments, currency devaluation, changes in government policies and macroeconomic variables and volatilities in crude prices which have implications for profitability, product availability and business growth.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

Operating segment

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products, and are managed separately. For each of the strategic business units, the Group's CEO reviews internal management reports on at least monthly basis. The following summary describes the operations in each of the Group's reportable segments.

Fuels

This segment is responsible for the sale and distribution of petroleum products (white products) and Aviation Turbine Kerosene (ATK) in retail outlets and to industrial customers.

Upstream Services

This segment provides anciliary services to the Exploration & Production (E&P) sub sector of the oil and gas industry.

Lubricants and Greases

This segment manufactures and sells lubricants and greases.

Power Generation

This segment generates power.

At the end of June 2018, Forte Upstream Services, AP Oil and Gas- Ghana and Amperion Power Distribution Company Limited which form part of the Upstream Services, Fuels and Power Generation segments were classified as held for sale. These have however been included in the segment details in line with the requirements of the Chief Operating Decision Maker.

The accounting policies of the reportable segments are the same as described in notes 2 to 5.
Information regarding the results of each reportable segment is included below:

		Group		Company	
		31-Dec-18 ₦'000	31-Dec-17 ₦'000	31-Dec-18 ₦'000	31-Dec-17 ₦'000
7.1	**Revenue & Cost of Sales**				
7.1.1.	**Revenue**				
	Fuels	**123,104,438**	78,821,279	**120,844,440**	74,071,152
	Production chemicals	**2,552,493**	1,900,647	**-**	-
	Lubricants and greases	**13,721,069**	12,108,309	**13,720,830**	12,104,858
	Solar system	**141,036**	-	**141,036**	-
	Power generation	**35,005,971**	36,613,569	**-**	-
		174,525,007	129,443,804	**134,706,306**	86,176,010
7.1.2.	**Cost of Sales**				
	Fuels	**114,498,144**	70,210,975	**112,346,536**	65,734,613
	Production chemicals	**1,356,653**	1,066,679	**-**	-
	Lubricants and greases	**10,909,912**	10,401,971	**10,909,732**	10,399,008
	Solar system	**119,973**	-	**119,972**	-
	Power generation	**21,604,138**	23,648,239	**-**	-
		148,488,820	105,327,864	**123,376,240**	76,133,621
	Gross profit	**26,036,187**	24,115,940	**11,330,066**	10,042,389

		Group	
		31-Dec-18 ₦'000	31-Dec-17 ₦'000
7.1.3.	**Reconciliation of segment information**		
	Revenue per segment report	**174,526,903**	129,454,553
	Elimination of intercompany transactions on consolidation	**(1,896)**	(10,749)
	Reclassified as discontinued operations	**(39,820,598)**	(43,278,543)
	As reported in the statement of profit or loss	**134,704,409**	86,165,261
	Cost of Sales per segment report	**148,489,684**	105,338,614
	Elimination of intercompany transactions on consolidation	**(863)**	(10,749)
	Reclassified as discontinued operations	**(25,113,445)**	(29,204,993)
	As reported in the statement of profit or loss	**123,375,376**	76,122,872
	Gross profit	**11,329,033**	10,042,389

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

7.1.4. The company operates Vendor Managed Inventory located at some customers' premises. The risk and reward of the inventory at these locations still reside in the company until consumed or transferred to the customers facilities. Freight cost of inventory in these locations is included as part of the value of inventory and not freight expense and subsequently recognised as cost of sales when the risk and reward of these

7.1.5. Depreciation charge of N3,398,083,000 (December 2017 : N3,746,949,000) for the turbines used for power generation is included in cost of sales for the Power Generating Segment. This is recognised using Equivalent Operating Hours (EOH) of the turbines for the period.

The segment assets and liabilities as at 31 December 2018 are as follows:

		Group		Company	
		31-Dec-18 ₦'000	31-Dec-17 ₦'000	**31-Dec-18 ₦'000**	31-Dec-17 ₦'000
7.2	**Segment Reporting**				
	Current assets				
	Fuels, lubricants and solar system	**39,332,767**	39,560,212	**39,294,286**	39,463,318
	Production chemicals**	**2,132,073**	2,307,375	**-**	-
	Power generation**	**31,810,094**	34,151,006	**-**	-
	Total current assets	**73,274,934**	76,018,593	**39,294,286**	39,463,318
7.2.2	**Non-current assets**				
	Fuels, lubricants and solar system	**11,291,016**	12,656,186	**11,138,651**	22,654,312
	Production chemicals**	**306,487**	314,281	**-**	-
	Power generation**	**56,665,163**	58,248,754	**-**	-
	Total non-current assets	**68,262,666**	71,219,221	**11,138,651**	22,654,312
7.2.3	**Current liabilities**				
	Fuels, lubricants and solar system	**39,686,924**	39,046,963	**39,438,641**	38,232,417
	Production chemicals**	**900,048**	1,042,501	**-**	-
	Power generation**	**26,318,336**	28,435,109	**-**	-
	Total current liabilities	**66,905,308**	68,524,573	**39,438,641**	38,232,417
7.2.4	**Non-current liabilities**				
	Fuels, lubricants and solar system	**7,542,122**	10,748,421	**7,542,122**	10,748,422
	Production chemicals**	**80,081**	82,940	**-**	-
	Power generation**	**3,441,648**	12,602,661	**-**	-
	Total non-current liabilities	**11,063,851**	23,434,022	**7,542,122**	10,748,422

The fuels and lubricants segment both share the same resources of the company which are not directly allocated to the segments

** Included in the Production chemicals and Power generation segments are the assets and liabilities of Forte Upstream Services, AP Oil and Gas Limited (APOG) and Amperion Power Distribution Company, which have all been classified as Held for Sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

7.3 Geographic segment

In the 2018 financial year, the Group operated in two geographic regions namely Nigeria and Ghana.
AP Oil and gas Ghana, which represented the group's operating activities in Ghana was classified as held for sale and discountinued operations.

	Nigeria	Ghana	Nigeria	Ghana
	31-Dec-18	**31-Dec-18**	31-Dec-17	31-Dec-17
	₦'000	**₦'000**	₦'000	₦'000
Income statement				
Revenue	**172,262,873**	**2,262,135**	124,679,475	4,764,329
Cost of sales	**(146,387,337)**	**(2,101,484)**	(100,909,830)	(4,418,035)
Gross profit	**25,875,536**	**160,650**	23,769,645	346,294
Other income	**1,572,711**	**7,251**	2,046,269	11,871
Distribution expenses	**(2,236,555)**	**(78,910)**	(1,672,744)	(123,998)
Administrative expenses	**(7,247,674)**	**(154,319)**	(9,939,336)	(180,237)
Operating profit	**17,964,018**	**(65,328)**	14,203,834	53,931
Finance income	**3,039,164**	**-**	2,096,143	-
Finance expense	**(6,713,609)**	**(21,271)**	(5,702,040)	(24,711)
Reportable segment profit before income tax	**14,289,573**	**(86,599)**	10,597,937	29,220
Financial position				
Total current assets	**130,398,947**	**-**	74,946,457	1,072,137
Total non current assets	**11,138,653**	**-**	70,943,332	275,889
Total assets	**141,537,600**	**-**	145,889,789	1,348,026
Total current liabilities	**38,757,301**	**-**	67,211,599	1,312,974
Total non current liabilities	**7,542,122**	**-**	23,434,022	-
Total liabilities	**46,299,423**	**-**	90,645,621	1,312,974
Statement of cash flows				
Net cash from/(used in) operating activities	**9,783,089**	**140,667**	3,945,680	196,950
Net cash used in investing activities	**607,869**	**(1,692)**	978,991	(803)
Net cash from/(used in) financing activities	**(18,363,051)**	**(19,812)**	(19,244,365)	(24,710)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

	Group		Company	
	31-Dec-18 ₦'000	31-Dec-17 ₦'000 Restated	**31-Dec-18 ₦'000**	31-Dec-17 ₦'000
8. Other income				
Investment property rental income	**223,260**	185,468	**233,113**	202,357
Throughput income (Note 8.1)	**466,362**	102,778	**466,362**	102,778
Foreign exchange gain (Note 8.2)	**113,688**	16	**113,688**	16
Sundry income (Note 8.3)	**198,536**	307,721	**198,530**	307,721
Provisions no longer required	**77,402**	280,073	**77,402**	280,073
Decrease in impairment allowance	**-**	30,070	**-**	30,070
Dividend received (Note 8.4)	**-**	-	**270,000**	360,000
Freight income (Note 8.5)	**494,177**	246,622	**494,177**	246,622
Gain on disposal of property, plant and equipment	**6,537**	-	**6,537**	-
Gain on disposal of investment property	**-**	489,694	**-**	489,694
	1,579,962	1,642,442	**1,859,809**	2,019,331

8.1 This represents throughput income earned on storage of products for the Pipeline and Petroleum Marketing Company (PPMC) and other petroleum marketers in Apapa tank farm during the year.

8.2 This represents transactional gains of foreign exchange earned from sale of dollar inflows.

8.3 This represents income from sales of scrap and empty packaging materials.

8.4 During the year ended 31 December 2018, the company - Forte Oil Plc received N270,000,000 (December 2017 : 360,000,000) Dividend net of withholding taxes from Forte Upstream Services Limited, one of its subsidiaries, which as at the reporting date, has been presented as a discontinued operation. These dividend incomes have been eliminated on consolidation after deducting applicable taxes.

8.5 This represents income earned on 100 trucks owned by Forte Oil Plc managed by various logistic companies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

	Group		Company	
	31-Dec-18 ₦'000	31-Dec-17 ₦'000 Restated	**31-Dec-18 ₦'000**	31-Dec-17 ₦'000
9. Expenses by nature				
Personnel expenses (Note 9.1)	**1,890,182**	1,827,880	**1,890,182**	1,827,880
Depreciation and amortisation	**1,422,097**	1,425,417	**1,422,098**	1,425,417
Changes in inventories of lubes, greases, solar and refined products	**123,375,377**	76,043,092	**123,376,240**	76,053,842
Distribution cost	**2,245,688**	1,644,855	**2,245,688**	1,644,855
Bank charge	**164,764**	290,928	**164,764**	290,928
Transport and travel costs	**308,519**	290,250	**308,519**	290,250
Repairs and maintenance	**876,059**	863,909	**876,060**	863,909
Safety security and quality control	**190,091**	186,271	**190,091**	186,271
Insurance	**205,436**	225,145	**205,436**	225,145
Internet and communication	**165,253**	129,195	**165,254**	129,195
Utilities	**95,494**	83,208	**96,524**	83,208
Professional and legal fees	**362,676**	259,709	**362,676**	259,709
Audit fees	**34,125**	52,500	**34,125**	52,500
Board and AGM expenses	**87,593**	113,995	**87,592**	113,995
Licenses, rates and fees	**152,252**	112,722	**152,251**	112,722
Public relations, promotions and advertisement	**70,734**	84,187	**70,734**	84,187
Rent and leases	**1,054,154**	1,066,741	**1,064,006**	1,083,630
Foreign exchange loss	**-**	6,214	**-**	6,214
Bad and uncollectible debt	**13,384**	48,798	**13,384**	48,798
Diminution in investment	**-**	-	**-**	410,610
Impairment charge	**443,944**	-	**443,944**	-
Shrinkage and product losses	**276,433**	172,826	**276,433**	172,826
Loss on disposal of property, plant and equipment	**422**	31,716	**422**	31,716
Printing and stationery expenses	**17,120**	16,810	**17,120**	16,810
Director fees	**3,850**	3,850	**3,850**	3,850
Others expenses	**149,635**	189,502	**149,636**	189,502
	133,605,282	**85,169,720**	**133,617,029**	85,607,969
9.1.1 Personnel expenses				
Salaries, wages and allowances	**1,466,136**	1,415,914	**1,097,228**	1,097,305
Contributions to pension fund scheme	**97,087**	90,042	**75,930**	72,314
Gratuity and redundancy cost	**107,695**	121,399	**97,851**	82,498
Performance bonus	**173,000**	-	**130,000**	-
Training, recruitment and canteen expenses	**277,983**	414,692	**101,001**	279,844
Medical expenses	**58,277**	37,378	**47,638**	26,336
Contract Manpower	**368,386**	306,399	**307,295**	252,323
Other personnel expenses	**45,937**	52,021	**33,239**	17,260
	2,594,501	2,437,845	**1,890,182**	1,827,880
Analysis of personnel cost for the year:				
- Continuing operations (Note 9)	**1,890,182**	1,827,880	**1,890,182**	1,827,880
- Discontinued operations	**704,319**	609,965	**-**	**-**
	2,594,501	2,437,845	**1,890,182**	1,827,880

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

	Group		Company	
	31-Dec-18 ₦'000	31-Dec-17 ₦'000 Restated	**31-Dec-18 ₦'000**	31-Dec-17 ₦'000
9.2 Expense by function				
Cost of sales (Note 7.1.3)	**123,375,376**	76,122,872	**123,376,240**	76,133,621
Selling, distribution expenses	**2,245,688**	1,644,855	**2,245,688**	1,644,855
Administrative expenses	**7,984,221**	7,401,993	**7,995,101**	7,829,493
	133,605,285	85,169,720	**133,617,029**	85,607,969
10. Finance income and finance cost				
Finance income				
Interest income on bank deposits (Note 10.1)	**194,552**	447,185	**194,551**	447,185
Other interest income (Note 10.2)	**925,705**	925,344	**986,487**	1,035,367
Total Finance income	**1,120,257**	1,372,529	**1,181,038**	1,482,552

	Group		Company	
	31-Dec-18 ₦'000	31-Dec-17 ₦'000	**31-Dec-18 ₦'000**	31-Dec-17 ₦'000
Finance costs				
Interest on medium term bond	**(1,591,484)**	(1,676,427)	**(1,591,484)**	(1,676,427)
Interest expense on bank loans and overdrafts (Note 10.1)	**(1,449,315)**	(387,804)	**(1,510,096)**	(497,827)
Total Finance cost	**(3,040,799)**	(2,064,231)	**(3,101,580)**	(2,174,254)
Net finance costs	**(1,920,542)**	(691,702)	**(1,920,542)**	(691,702)

10.1 Interest income represents income earned on bank deposits while interest expense represents charges paid on trade finance, loans and overdraft facilities utilised during the year.

10.2 Other interest income represents interest earned on other financial assets carried at amortised cost.

	Group		Company	
	31-Dec-18 ₦'000	31-Dec-17 ₦'000	**31-Dec-18 ₦'000**	31-Dec-17 ₦'000
11. Taxation				
a) Income tax expense				
Continuing operations				
Income tax	**241,252**	177,511	**241,252**	177,511
Education tax	**52,543**	-	**52,543**	-
Over provision in prior year	**(932)**		**(932)**	
Capital gain	**-**	64,735	**-**	64,735
	292,863	242,246	**292,863**	242,246
Deferred tax (credit)/charge	**104,210**	391,366	**104,210**	391,366
Total income tax (credit)/expense	**397,073**	633,612	**397,073**	633,612
Discontinued operations				
Income tax	**498,017**	186,002	**-**	-
Education tax	**(94,122)**	274,596	**-**	-
	403,895	460,598	**-**	-
Deferred tax (credit)/charge	**(1,850,959)**	(2,693,476)	**-**	-
Total income tax (credit)/expense	**(1,447,064)**	(2,232,878)	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

	Group		Company	
	31-Dec-18	31-Dec-17	**31-Dec-18**	31-Dec-17
	₦'000	₦'000	**₦'000**	₦'000
b) Effective tax rate		Restated		
Profit for the year from continuing operations	**361,471**	1,312,669	**631,471**	1,262,058
Profit for the year from discontinued operations	**7,982,935**	10,913,759	**-**	-
(Loss)/Profit before taxes	**8,344,406**	12,226,428	**631,471**	1,262,058
Income tax reported in the statement of profit or loss	**397,073**	633,612	**397,073**	633,612
Income tax attributable to discontinued operations	**(1,447,064)**	(2,232,878)	**-**	-
Total income taxes	**(1,049,991)**	(1,599,266)	**397,073**	633,612
Profit before taxes	**7,294,415**	10,627,162	**1,028,544**	1,895,670
Effective tax rates (Continuing operations)	**5%**	6%	**39%**	33%
c) Effective tax rate reconciliation				
The income tax charge for the year can be reconciled to the accounting profit as follows:				
Profit before taxes	**7,294,415**	10,627,162	**1,028,544**	1,895,670
Income tax expense at 30%	**2,188,325**	3,187,986	**308,563**	568,701
Effect of income exempt from taxation	**(453,270)**	(1,478,028)	**(214,543)**	(1,465,874)
Effect of expenses not deductible for taxation	**1,771,335**	2,125,833	**688,491**	614,024
Effect of capital allowance	**(3,119,704)**	(3,932,961)	**(525,427)**	-
Effect of balancing charge	**8,270**	17,817	**8,270**	17,795
Loss effect	**(265,354)**	265,354	**(265,354)**	265,354
Company income tax	**129,602**	186,001	**-**	-
Capital gains tax	**324,426**	64,735	**-**	64,735
Education tax	**134,991**	274,596	**52,543**	-
Underprovision/(Overprovision)	**(147,395)**	-	**(932)**	-
Minimum tax	**255,172**	177,511	**241,252**	177,511
Deferred tax	**(1,746,784)**	(2,302,110)	**104,210**	391,366
Total income tax (credit)/expense	**(1,049,989)**	(1,599,267)	**397,073**	633,612

The company income tax computation for the year ended 31 December 2018 was based on the provisions of the Company Income Tax Act Cap C21 LFN 2004.

Education tax was computed at the rate of 2% of assessable profit in accordance with the provisions of the Act.

	Group		Company	
	31-Dec-18	31-Dec-17	**31-Dec-18**	31-Dec-17
	₦'000	₦'000	**₦'000**	₦'000
c) Movement in current tax liability balance				
Liability as at 1 January	**733,172**	1,230,362	**245,206**	982,389
Income tax for the year- Continuing operations	**292,863**	242,246	**292,863**	242,246
Income tax for the year- Discontinued operations	**403,895**	460,598	**-**	-
Payments during the year	**(556,303)**	(1,200,034)	**(241,852)**	(979,429)
Transfer to disposal group classified as held for sale	**(577,410)**	-	**-**	-
	296,217	733,172	**296,217**	245,206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

	Group		Company	
	31-Dec-18 **₦'000**	31-Dec-17 ₦'000	**31-Dec-18** **₦'000**	31-Dec-17 ₦'000
12. Earnings per share				
Profit attributable to ordinary shareholders				
Profit from continuing operations attributable to ordinary shareholders	**361,471**	1,262,058	**631,471**	1,262,058
Profit from discontinued operations attributable to ordinary shareholders	**1,544,072**	2,455,193	**-**	**-**
Profit attributable to ordinary shareholders	**1,905,543**	3,717,251	**631,471**	1,262,058
Weighted average number of ordinary shares				
Issued ordinary shares at 1 January *	**1,310,629**	1,310,629	**1,310,629**	1,310,629
Treasury shares	**(5,599)**	(5,599)	**(5,599)**	(5,599)
Bonus issue	**-**	-	**-**	-
Weighted average number of ordinary shares	**1,305,030**	1,305,030	**1,305,030**	1,305,030
Basic/diluted earnings per share in (N)				
From continuing operations	**0.28**	0.97	**0.48**	0.97
From discontinued operations	**1.18**	1.88	-	-
	1.46	2.85	**0.48**	0.97

The Group's basic earnings/(loss) per share for continuing and discontinued operations of N0.28 kobo (December 2017 : (N0.48 kobo)) and N1.18 kobo (December 2017 : N1.88 kobo) respectively is based on the profit/(loss) attributable to ordinary shareholders from continuing and discontinued operations of 361,469,000 (December 2017 : (N1,262,058,000)) and N1,544,072,000 (December 2017 : N2,455,188,000) respectively, and on the 1,305,030,180 (December 2017 : 1,305,030,180) ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the current and preceding year.

Dilutive instruments

There were no dilutive instruments in the books of the Group as at the year ended 31 December, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13. Property, plant and equipment

a) The Group

The movement on this account during the period was as follows:	Land	Building	Plant, Equipment and tanks	Computer equipment	Furniture & fittings	Motor vehicles	Construction work in progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost								
Balance at 1 January 2018	3,839,469	4,068,291	71,350,267	386,191	68,660	3,252,934	53,113	83,018,925
Additions	-	55,000	212,967	64,742	-	105,154	1,912	439,775
Disposals	-	-	-	(740)	-	(142,335)	-	(143,075)
Translation difference	(1,809)	(15,069)	(8,067)	(914)	(2,210)	(3,094)	(944)	(32,107)
Assets held for sale (Note 21)	(135,465)	(1,338,729)	(62,818,901)	(72,080)	(39,206)	(181,659)	(6,763)	(64,592,803)
Balance at 31 December 2018	**3,702,195**	**2,769,493**	**8,736,266**	**377,199**	**27,244**	**3,031,000**	**47,318**	**18,690,715**
Depreciation								
Balance at 1 January 2018	400,023	1,537,525	13,414,707	313,477	51,143	1,571,351	-	17,288,226
Charge for the year	43,521	262,370	4,074,856	55,804	8,191	406,137	-	4,850,879
Disposals	-	-	-	(699)	-	(113,374)	-	(114,073)
Translation difference	(1,636)	(4,500)	(6,864)	(862)	(2,150)	(2,801)	-	(18,813)
Assets held for sale (Note 21)	(18,561)	(191,109)	(11,643,012)	(53,260)	(36,443)	(163,030)	-	(12,105,414)
Balance at 31 December 2018	**423,347**	**1,604,286**	**5,839,687**	**314,460**	**20,741**	**1,698,283**	**-**	**9,900,805**
At 1 January 2018	3,439,446	2,530,766	57,935,560	72,714	17,517	1,681,583	53,113	65,730,699
Balance at 31 December 2018	**3,278,848**	**1,165,207**	**2,896,579**	**62,739**	**6,503**	**1,332,716**	**47,318**	**8,789,910**

a} Included in depreciation charge of N4,850,879,000 (December 2017 : N5,193,499,000) is a charge of N3,526,466,000 (December 2017 : N3,882,592,000) attributable to discontinued operations, these have been appropriately presented in the statement of profit or loss. The balance of N1,324,413,000 (December 2017: N1,310,907,000) representing depreciation for continuing operations is reported in the administrative expenses in the statement of profit or loss.

b} Depreciation charge for discontinued operations of N3,526,466,000 (December 2017 : N3,882,592,000) is inclusive of a charge of N3,398,083,000 (December 2017 : N3,746,949,000) representing depreciation for the turbines used for power generation.

c} There is an All Asset Debenture Security on the Company - Forte Oil Plc's assets for all its loans and trade finance lines with First Bank of Nigeria Limited. Other lenders are to be admitted into this All Asset Debenture.

d} No impairment charge on property, plant and equipment during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(b) Company

The movement on this account during the year was as follows:	Land	Building	Plant, Equipment and tanks	Computer equipment	Furniture & fittings	Motor vehicles	Construction work in progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost								
Balance at 1 January 2018	3,702,195	2,769,493	8,532,837	314,724	27,244	3,049,031	47,318	18,442,842
Additions	-	-	203,429	63,215	-	105,154	-	371,798
Disposals	-	-	-	(740)	-	(123,185)	-	(123,925)
Balance at 31 December 2018	**3,702,195**	**2,769,493**	**8,736,266**	**377,199**	**27,244**	**3,031,000**	**47,318**	**18,690,715**
Depreciation and impairment losses								
Balance at 1 January 2018	382,283	1,394,493	5,188,541	279,841	15,845	1,413,588	-	8,674,591
Charge for the year	41,064	209,793	651,146	35,318	4,896	382,196	-	1,324,413
Disposals	-	-	-	(699)	-	(97,500)	-	(98,199)
Balance at 31 December 2018	**423,347**	**1,604,286**	**5,839,687**	**314,460**	**20,741**	**1,698,284**	**-**	**9,900,805**
Carrying amounts								
At 1 January 2018	3,319,912	1,375,000	3,344,296	34,883	11,399	1,635,443	47,318	9,768,251
Balance at 31 December 2018	**3,278,848**	**1,165,207**	**2,896,579**	**62,739**	**6,503**	**1,332,716**	**47,318**	**8,789,910**

a} Depreciation charge of N1,324,413,000 (December 2017 : N1,310,908,000) is included in administrative expenses in the statement of profit or loss and other comprehensive income.

b} There is an All Asset Debenture Security on the Company - Forte Oil Plc's assets for all its loans and trade finance lines with First Bank of Nigeria Limited. Other lenders are to be admitted into this All Asset Debenture.

c} No impairment charge on property, plant and equipment during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

	Group	Company
	31-Dec-18	31-Dec-18
	₦'000	₦'000
14. Investment property		
Cost		
Balance at 1 January	2,235,584	2,235,584
Balance at 31 December 2018	2,235,584	2,235,584
Depreciation		
Balance at 1 January	678,140	678,140
Charge for the year	25,449	25,449
Balance at 31 December 2018	703,589	703,589
Carrying amount		
At 1 January	1,557,444	1,557,444
At 31 December 2018	1,531,995	1,531,995

{a} Investment property comprises of a number of commercial properties that are leased to third parties. The lease year ranges between 1 - 5 years. Investment properties are carried at cost/deemed cost. The carrying amount of investment property is separated between lease hold land and buildings. Lease hold land is amortised over the lease year while building is depreciated on a straight line basis over the estimated useful life at 4% per annum.

{b} During the year ended 31 December 2018 the Group recognised N223,260,000 as rental income from continuing operations in statement of profit or loss (December 2017 : N185,468,000) after eliminating intra-group transactions while the Company recognised N233,113,000 (December 2017 : N202,357,000).

{c} Depreciation charge of N25,499,000 (2017 : N31,712,000) is included in administrative expenses in the statement of profit or loss and other comprehensive income.

{d} The fair value of the investment properties as at 30 June 2018 was N5,251,786,900. The fair valuation was carried out by Jide Taiwo & Co. (FRC2012/NIESV/000000254); Ismail & Partners (FRC/2012/NIESV/00000000245) and Dele Olaiya & Associates (FRC/2013/NIESV/00000002773). These valuations indicate upward movement in the market values of these properties compared to their carrying amounts, hence no indication of impairment for all investment properties. Directors are of the view that the fair value of these properties as at 31st December, 2018 are not materially different from the values ontained at 30th June, 2018

{e} There is an All Asset Debenture Security on the Company - Forte Oil Plc's assets for all its loans and trade finance lines with First Bank of Nigeria Limited. Other lenders are to be admitted into this All Asset Debenture.

{f} No impairment charge on investment properties during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

	Group	Company
	31-Dec-18	31-Dec-18
	₦'000	₦'000
15. Intangible assets		
Cost		
Balance at 1 January	1,068,760	1,014,969
Acquisitions	19,397	19,397
Disposal of subsidiary	-	-
Assets held for sale (Note 21)	(50,133)	-
Translation difference	(211)	-
Balance at 31 December 2018	1,037,812	1,034,366
Amortisation		
Balance at 1 January	858,144	818,319
Charge for the year	75,938	72,236
Disposal of subsidiary	-	-
Assets held for sale (Note 21)	(39,870)	-
Translation difference	(211)	-
Balance at 31 December 2018	894,001	890,555
Carrying amounts		
At 1 January 2018	210,616	196,650
Balance at 31 December 2018	143,811	143,811

a) These relate to purchased softwares.

b) The amortisation charge on intangible assets of N75,938,000 (December 2017 : N86,663,000) is made up of N3,701,000 (December 2017 : N3,868,000) attributable to discontinued operations, and N72,235,000 (December 2017 : N82,798,000) attributable to continuing operations is included in administrative expenses in the statement of profit or loss.

c) There is an All Asset Debenture Security on the Company - Forte Oil Plc's assets for all its loans and trade finance lines with First Bank of Nigeria Limited. Other lenders are to be admitted into this All Asset Debenture.

d) No impairment charge on intangible assets during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

	Company	
	% of ownership	Amount ₦'000
16. Investment in subsidiaries		
Investment in subsidiaries comprise:		
31 December 2018		
Equity:		
Forte Upstream Services Limited	**100**	**10,000**
AP Oil and Gas Ghana Limited	**100**	**670,011**
Amperion Power Distribution Company Limited	**57**	**10,149,926**
		11,254,887
Impairment allowance		**(958,091)**
Total investment in subsidiaries		**10,296,796**

Investment in subsidiaries classfied as 'Held for sale'

Investment in subsidiaries are classified as held for sale in line with the requirements of IFRS 5. Detailed explanations are included in note 21.

	% of ownership	Amount ₦'000
31 December 2017		
Equity:	100	10,000
AP Oil and Gas Ghana Limited	100	670,011
Amperion Power Distribution Company Limited	57	10,149,926
Irredeemable Preference Shares:		
Cummulative Convertible Preference Shares in AP Oil and Gas Ghana Ltd		424,950
		11,254,887
Impairment allowance		(958,091)
Total investment in subsidiaries		10,296,796

The consolidated financial statements include the financial statements of Forte Oil Plc and its subsidiaries; Forte Upstream Services (FUS) Limited, AP Oil and Gas Ghana Limited and Amperion Power Distribution Company Limited and its subsidiary (Amperion Group) all made up to 31 December 2018. These subsidiaries have however been presented as discontinued operations and have been seperately disclosed in note 21 of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

17. Deferred tax assets and liabilities

17.1 The Group

a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000	2018 N'000	2017 N'000
Property, plant and equipment	2,538,801	2,691,130	1,570,822	1,711,028	967,979	980,102
Trade receivables	382,446	382,446	-	-	382,446	382,446
Other receivables	167,190	167,190	-	-	167,190	167,190
Other liabilities	36,156	11,645	-	-	36,156	11,645
Loss carry-forwards	2,143,114	429,230	-	-	2,143,114	429,230
	5,267,707	3,681,641	1,570,822	1,711,028	3,696,885	1,970,613
Reflected in the statement of financial position as follows						
Continuing operations	577,571	3,681,641	1,490,741	1,711,028	(913,170)	1,970,613
Discontinued operations	4,690,137	-	80,081	-	4,610,056	-
	5,267,707	3,681,641	1,570,822	1,711,028	3,696,886	1,970,613

b) Movement in temporary differences during the period

	Balance January-2018 N'000	Recognized in profit or loss N'000	Effect of forex flunctuations N'000	Recognized in other comprehensive income N'000	Balance December-2018 N'000
Property, plant and equipment	980,102	1,037,605	(2,524)	-	2,015,183
Trade receivables	382,446	-	-	-	382,446
Other receivables	167,190	-	-	-	167,190
Other liabilities	11,645	24,511	-	-	36,156
Loss carry-forwards	429,230	680,405	(13,724)	-	1,095,911
	1,970,613	1,742,521	(16,248)	-	3,696,886

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

	Group	
	31-Dec-18	31-Dec-17
	₦'000	₦'000
c) Analysis of deferred tax charge for the year		
- Continuing operations	**(104,210)**	391,366
- Discontinued operations	**1,850,958**	(2,693,476)
	1,746,748	(2,302,110)

17.2 The Company

a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	₦'000	**₦'000**	**₦'000**	**N'000**	**₦'000**	**₦'000**
Property, plant and equipment	**-**	-	1,490,741	1,628,088	**(1,490,741)**	(1,628,088)
Trade receivables	**381,771**	381,771	**-**	**-**	**381,771**	381,771
Other receivables	**167,190**	167,190	**-**	**-**	**167,190**	167,190
Other liabilities	**28,610**	4,813	**-**	**-**	**28,610**	4,813
Tax loss carried forward	**-**	265,354	-	**-**	**-**	265,354
	577,571	819,128	**1,490,741**	1,628,088	**(913,170)**	(808,960)

b) Movement in temporary differences during the year

	Balance January-2018	Recognized in profit or loss	Effect of forex flunctuations	Recognized in other comprehen-sive income	Balance December-2018
	₦'000	₦'000	N'000	₦'000	₦'000
Property, plant and equipment	(1,628,088)	**137,347**	-	-	**(1,490,741)**
Trade receivables	381,771	**-**	-	-	**381,771**
Other receivables	167,190	**-**	-	-	**167,190**
Other liabilities	4,813	**23,797**	-	-	**28,610**
Tax loss carried forward	265,354	**(265,354)**			**-**
	(808,960)	(104,210)	-	-	**(913,170)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

	Group		Company	
	31-Dec-18	31-Dec-17	**31-Dec-18**	31-Dec-17
	₦'000	₦'000	**₦'000**	₦'000
18. Inventories				
White products	**5,762,909**	2,396,474	**5,762,913**	2,392,844
Raw materials	**1,924,552**	853,291	**1,924,552**	853,291
Packaging materials	**90,383**	144,761	**90,383**	144,761
Semi-finished goods of lubricants	**118,631**	70,792	**118,631**	70,792
Finished goods of lubricants	**1,352,825**	931,103	**1,318,366**	891,600
Chemicals	**712,622**	784,884	**-**	-
Inventory -Solar System	**123,850**	-	**123,850**	-
Consumables (Note 18.2)	**899,856**	955,317	**189,451**	278,001
Gross value	**10,985,628**	6,136,622	**9,528,146**	4,631,289
Impairment allowance	**(146,687)**	(36,181)	**-**	(12,903)
Carrying amount	**10,838,941**	6,100,441	**9,528,146**	4,618,386
Continuing operations	**9,528,146**	6,100,441	**9,528,146**	4,618,386
Discontinued operations (Note 21.2)	**1,308,333**	-	**-**	-
Carrying amount	**10,836,479**	6,100,441	**9,528,146**	4,618,386

18.1 During the year, N123,375,377,000 (December 2017 : N76,043,092,000) of inventory was sold and recognised as cost of sales in the statement of profit or loss for continuing operations.

18.2 Consumables include spare parts for retail outlets, equipment maintenance and stationery for office use.

18.3 There is an All Asset Debenture Security on the Company - Forte Oil Plc's assets for all its loans and trade finance lines with First Bank of Nigeria Limited, Guaranty Trust Bank Plc and Zenith Bank Plc.

	Group		Company	
	31-Dec-18	31-Dec-17	**31-Dec-18**	31-Dec-17
	₦'000	₦'000	**₦'000**	₦'000
19. Trade and other receivables				
Trade receivables (Note 19.1)	**34,706,004**	38,256,695	**3,293,720**	3,974,489
Receivable from related parties (Note 31)	**7,544,806**	6,650,053	**8,239,393**	7,222,796
Prepayments	**3,255,263**	3,390,099	**2,975,098**	2,934,109
Prepaid staff expenses	**485,388**	490,542	**372,504**	475,630
Petroleum Support Fund receivable (Note 19.2)	**8,719,609**	18,819,118	**8,719,609**	18,819,118
Notes receivable (Note 19.3)	**4,628,897**	-	**4,628,897**	-
Advance payment to suppliers	**2,025,251**	1,327,169	**1,802,033**	1,232,993
Interest receivable	**32,653**	2,712	**17,016**	1,154
Withholding tax recoverable	**380,074**	526,621	**88,834**	54,110
Other debtors	**890,136**	873,072	**767,872**	847,188
	62,668,081	70,336,081	**30,904,976**	35,561,587
Impairment allowance (Note 19.3)	**(2,629,254)**	(2,189,877)	**(2,293,105)**	(1,829,870)
Trade and other receivables attributable to continuing operations	**60,038,827**	**68,146,204**	**28,611,871**	**33,731,717**
Continuing operations	**27,930,528**	**68,146,204**	**28,611,871**	**33,731,717**
Discontinued operations	**32,108,298**	**-**	**-**	**-**
Carrying amount	**60,038,826**	68,146,204	**28,611,871**	33,731,717

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

19.1 The Group carries out periodic review and financial assessment of customers before products are supplied on credit. Credit customers are categorised according to the determined default risk rating. High risk customers are required to provide bank guarantees for credit sales. The Credit Committee assesses the status of all credit customers periodically. See Note 4.11 (Impairment) and Note 6 (Financial Risk Management).

19.2 This balance relates to outstanding subsidy receivable from Petroleum Products Pricing Regulatory Agency (PPPRA) which represents interest on delayed payments and foreign exchange differential claims under the PSF scheme recoverable from PPPRA on PMS imported by Forte Oil Plc. The foreign exchange differential represents differences between the rate used by PPPRA in pricing Power Motor Spirit (PMS) and the actual rates the foreign exchange in respect of these products importation were purchased. Promissory notes was issued to the oil markerters as part settlement of these outstanding in December, 2018. The balance of N8.7bn is also expected to be settled with a one year promissory note.

19.3 This balance represents promissory note received from the Federal Government for outstanding subsidy. Maturity of the note is December 2019.

		Group		Company	
		31-Dec-18 ₦'000	31-Dec-17 ₦'000	**31-Dec-18 ₦'000**	31-Dec-17 ₦'000
19.3	**Impairment allowance**				
	At 1 January	**2,189,877**	6,122,221	**1,829,870**	5,744,074
	Effect of retrospective adoption of New standard	**19,291**		**19,291**	
	Increase/(decrease) during the year- Continuing operations.	**443,944**	(27,821)	**443,944**	(30,071)
	Write-offs	**-**	(3,909,156)	**-**	(3,884,133)
	Effect of translation difference	**-**	4,633	-	-
	Transfer to disposal group classified as held for sale	**(23,858)**	-	-	-
		2,629,254	2,189,877	**2,293,105**	1,829,870
20.	**Cash and cash equivalents**				
	Bank balances	**563,887**	806,113	**299,638**	521,938
	Short-term deposits (Note 20.1)	**1,753,796**	965,836	**854,631**	591,277
	Cash at bank and short term deposits attributable to discontinued operations (Note 21.)	**(1,163,414)**	-	**-**	-
	Cash and bank balances	**1,154,269**	1,771,949	**1,154,269**	1,113,215
	Bank overdrafts used for cash management purposes (Note 20.2)	**(9,473,546)**	(802,392)	**(9,473,546)**	(802,392)
	Cash and cash equivalents in the statement of cash flows	**(8,319,277)**	969,557	**(8,319,277)**	310,823

20.1 Bank balances and short term deposits with banks represent placements with banks for period between 0 - 180 days. Included in these are unclaimed dividends amounting to N627,305,356 (Dec 2017 : N736,249,204) held in a separate bank account in accordance with the guildlines of the Security and Exchange Commission (SEC). The unclaimed dividend deposit is restricted for use by the Company.

20.2 This represents the overdrawn current account balances with four Nigerian banks. These facilities have an average interest rate of 18% and are secured by an 'all asset debenture'.

21 Discontinued operations and disposal groups held for sale.

Following the approval by the Board and shareholders at the 39th Annual General Meeting held on 23 May 2018, the company has decided to divest its interest in Power, Upstream Services and Marketing in Ghana (APOG). At 30 June 2018, the subsidiaries were classified as disposal groups held for sale and as discontinued operations. The subsidiaries represent part of the Group's Fuel, Production Chemicals and Power Generation segments, with their classification as discontinued operations, these segments going forward will no longer be presented in the segment notes. While efforts to dispose of the groups are ongoing, a sale is expected to be completed within a year from the reporting date.

These subsidiaries were not previously classfied as held for sale or as discontinued operations. The comparative statement of profit or loss and OCI has been restated to show the discontinued operations seperately from continuing operations. Analysis of the results of entities classified as discontinued operations and held for sale are as detailed below:

21.1. Assets and liabilities of disposal groups held for sale and discontinued operations

Assets and liabilities of disposal groups held for sale comprise the assets and liabilities of FUS, APOG and Amperion as at 31 December 2018.

At 31 December 2018, the disposal group was stated at carrying amount, which was deemed to be lower than the fair value.

Carrying values of	**FUS 31-Dec-18 ₦'000**	**APOG 31-Dec-18 ₦'000**	**Amperion 31-Dec-18 ₦'000**	**Total 31-Dec-18 ₦'000**
Assets				
Net book value of property, plant and equipment (Note 13)	271,366	88,449	52,127,573	**52,487,388**
Intangible assets (Note 15)	9,267	-	997	**10,264**
Deferred tax asset (Note 17)	11,295	143,400	4,535,442	**4,690,137**
Inventory (Note 18)	598,633	2,461	709,698	**1,310,792**
Trade and other receivables (Note 19)	1,090,591	717,363	30,300,343	**32,108,297**
Cash and cash equivalents (Note 20)	442,849	(79,486)	800,053	**1,163,416**
Long term employee benefits (Note 23)	14,559	-	1,151	**15,710**
Total assets held for sale	2,438,560	872,187	88,475,257	**91,786,004**
Liabilities				
Trade and other payables (Note 26)	(734,364)	(929,633)	(19,417,005)	**(21,081,002)**
Current income tax liabilities (Note 11)	(165,684)	10	(411,736)	**(577,410)**
Bank overdraft (Note 20.2)	-	-	-	**-**
Loans and borrowings (Note 24)	-	-	(9,931,243)	**(9,931,243)**
Deferred Tax liabilities (Note 17)	(80,081)	-	-	**(80,081)**
				-
Total liabilities held for sale	(980,130)	(929,624)	(29,759,985)	**(31,669,736)**
Net Assets/(Liabilities) directly associated with disposal group	**1,458,430**	**(57,437)**	**58,715,272**	**60,116,268**

21.2. Amount included in accumulated OCI:

	31-Dec-18 ₦'000
Other reserves (Note 22)	**210,383**
Foreign exchange translation gain (Note 22)	5,895
Reserve of disposal group classified as held for sale	**216,278**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

	31-Dec-18 ₦'000	31-Dec-17 ₦'000
21.3. Results of discontinued operations		
Revenue (Note 7.1.3)	**39,820,598**	43,278,543
Cost of sales (Note 7.1.3)	**(25,113,445)**	(29,204,993)
Gross profit	**14,707,153**	14,073,550
Other income	**16,131**	415,698
Administrative and Distribution expenses	**(6,412,238)**	(2,869,461)
Operating profit	**8,311,046**	11,619,787
Net finance cost	**(1,775,173)**	(2,938,906)
Profit before tax from discontinued operations	**6,535,873**	8,680,881
Income tax (Note 11)	**1,447,062**	2,232,878
Profit after tax from discontinued operations	**7,982,935**	10,913,759

21.4. Cash flows from/(used in) discontinued operations		
Net cash used in operating activities	7,090,215	3,230,250
Net cash used in investing activities	1,249,382	269,676
Net cash used in financing activities	(7,431,702)	(3,381,700)
Net cash flows for the year	907,895	118,226

	Group		Company	
	31-Dec-18 ₦'000	31-Dec-17 ₦'000	**31-Dec-18 ₦'000**	31-Dec-17 ₦'000
22. Share capital and reserves				
Ordinary shares				
a) Authorised ordinary shares:				
4,000,000,000 ordinary shares of 50k each	**2,000,000**	2,000,000	**2,000,000**	2,000,000
b) Issued and fully paid ordinary shares of 50k each				
1,310,629,267 ordinary share of 50k each	**655,314**	655,314	**655,314**	655,314

	Group		Company	
	31-Dec-18 Units	31-Dec-17 Units	**31-Dec-18 Units**	31-Dec-17 Units
c) Shares outstanding				
Issued ordinary shares at 1 January	**1,310,629**	1,310,629	**1,310,629**	1,310,629
Treasury shares	**(5,599)**	(5,599)	**(5,599)**	(5,599)
Number of ordinary shares	**1,305,030**	**1,305,030**	**1,305,030**	**1,305,030**

**These are in thousand units.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

	Group		Company	
	31-Dec-18	31-Dec-17	**31-Dec-18**	31-Dec-17
	₦'000	₦'000	**₦'000**	₦'000
d) Share premium	**8,071,943**	8,071,943	**8,071,943**	8,071,943

e) Other reserves

Other reserves represent the carried forward, other comprehensive income and expenses plus current year other comprehensive income attributable to shareholders.

f) Retained earnings

Retained earnings represent the carried forward recognised income net of expenses plus current year income attributable to shareholders.

	Group 31-Dec-18 ₦'000	Group 31-Dec-17 ₦'000	Company 31-Dec-18 ₦'000	Company 31-Dec-17 ₦'000
Balance at 1 January	**7,928,047**	4,200,191	**5,805,859**	4,543,801
Profit for the year	**1,905,543**	3,767,856	**631,471**	1,262,058
Effect of retrospective adoption of IFRS 9	**(19,291)**	-	**(19,291)**	
Withholding tax on intercompany dividends	**(30,000)**	(40,000)	**-**	-
	9,784,299	7,928,047	**6,418,039**	5,805,859

g) Treasury stocks

This represents 5,599,087 units (at the market value of N248 as at the date of the transfer) of the company's existing shares transfered to Forte Oil Plc to enable the Company recover the dividend and interest received on unpaid shares in 2009 by a shareholder. These shares were seized by the company on the ruling of the Security and Exchange Commission (SEC). The shareholders at the 37th Annual General Meeting held on the 26th of April, 2016 approved the re-issue of these shares to existing shareholders of the company on a pari passu basis at the market price of N300 per share.

	31-Dec-18	**31-Dec-17**
	₦'000	₦'000
h) Non-controlling interest		
At 1 January	**40,230,626**	32,017,060
Dividend	**-**	(245,000)
Share of profit for the period (see note j)	**6,438,863**	8,458,566
	46,669,489	40,230,626
i) Bureau of Public Enterprises share of profit from Geregu Power Plc	**5,406,520**	6,594,800
BSG Resources Ltd share of profit/(loss) from Amperion Power Distribution Company Ltd.	**912,303**	1,647,048
Shanghai Municipal Electricity Power Company share of profit/(loss) from Amperion Power Distribution Company Ltd.	**120,040**	216,718
	6,438,863	8,458,566

Bureau of Public Enterprises (BPE) has 49% equity stake in Geregu Power Plc; BSG Resources Limited and Shanghai Municipal Electricity Power Company own 38% and 5% respectively of Amperion Power Distribution Limited as at 31 December, 2018.

j) The irredeemable convertible cummulative preference shares in the books of AP Oil and Gas Ghana Limited has been eliminated on consolidation thereby eliminating the dilutive instument in the Group as at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

23. Long term employee benefits

The Group operates a funded long term employees plan (gratuity) for qualifying employees of the Group. Under the plan, the employees are entitled to a lump sum benefits on attainment of a retirement age or on disengagement after contributing a specific number of years in service. No other post-retirement benefits are provided to these employees. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out as at 31st December 2018 by KMC Acturial Service. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method with acturial valuation being carried out at the end of each reporting year.

The movement in the present value of the other long term employee benefits was as follows:

	Group		Company	
	31-Dec-18	31-Dec-17	**31-Dec-18**	31-Dec-17
	₦'000	₦'000	**₦'000**	₦'000
Gratuity liability at 1 January	**541,029**	486,639	**473,372**	414,477
Current service costs	**121,047**	112,337	**97,347**	97,348
Payment during the period	**(102,698)**	(57,947)	**(102,173)**	(38,453)
Gratuity liability	**559,378**	541,029	**468,546**	473,372
Planned asset at 1 January	**(579,851)**	(488,313)	**(489,414)**	(415,002)
Additional funding during the period	**(2,250)**	(2,400)	**-**	-
Actual return on planned assets	**(88,351)**	(89,138)	**(74,496)**	(74,412)
Transfer to disposal group classified as held for sale (Note 21.2)	**15,709**	**-**	**-**	**-**
	(95,365)	(38,822)	**(95,364)**	(16,042)
Expense recognised in comprehensive income				
Current service costs	**121,047**	112,337	**97,347**	97,348
Interest costs	**-**	-	**-**	-
Return on planned assets	**(88,351)**	(89,138)	**(74,496)**	(74,412)
Charged to profit or loss	**32,696**	23,199	**22,851**	22,936

{a} Long term employee benefit expense is recognised in administrative expenses in the statement of profit or loss.

{b} The actuary valuation report was signed by Miller Kingsley (FRC/2013/NAS/00000002392) of KMC Actuarial Services a fellow of Society of Actuaries, USA.

{c} The planned asset is held by four fund managers : Pensions Alliance Limited (PAL); FSDH Asset Management Limited, Cardinal Stone Securities Limited, and Afriinvest Securities Limited.

The assets are placed in Treasury bills, Bonds with quoted market price in the active Nigerian bond market and Fixed deposits are placements with financial institutions and do not have quoted prices.

The plan typically exposes the Group to actuarial risks such as; assets volitility, interest rate risk, life expectancy, salary risk, changes in corporate yeilds and inflation risk.

Asset volatility

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in Government Securities and money market instruments. Due to the long- term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

Interest Rate Risk

A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Life Expectancy

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants during their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary Risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Changes in bond yields

A decrease in corporate bonds yield will increase plans liabilities.

Inflation Risk

The majority of the plan's assets are either unaffected by fixed interest bonds or loosely correlated with equities inflation, meaning that an increase in inflation will also increase defict.

There are two categories of employees in Forte Oil Plc; first category are those on direct long term contract with the company, while the second category are Associates on secondment to Forte from other companies. Only the former are covered by this longterm benefit.

24. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group		Company	
	31-Dec-18 ₦'000	31-Dec-17 ₦'000	**31-Dec-18 ₦'000**	31-Dec-17 ₦'000
Non-current				
Term loans (note 24.1)	**634,369**	13,599,405	**634,369**	1,564,283
Medium term bond (24.2)	**5,041,359**	7,178,006	**5,041,359**	7,178,006
	5,675,728	20,777,411	**5,675,728**	8,742,289
Current				
Loans and borrowings				
Term loans (note 24.1)	**861,278**	3,244,832	**861,278**	1,016,609
Import finance facilities (note 24.3)	**575,816**	8,302,494	**575,816**	8,302,494
	1,437,094	11,547,326	**1,437,094**	9,319,103
Medium term bond (24.2)	**2,134,164**	1,628,016	**2,134,164**	1,628,016
	9,246,986	33,952,753	**9,246,986**	19,689,408

24.1 Group N6.5 billion (Company ₦634 million) of this relates to long term financing for the acquisition of Geregu Power Plant by Forte Oil Plc through its subsidiary Amperion Power Distribution Company Limited.

Group N3.billion (Company nil) of this relates to the Power Intervention Loan granted to Geregu Power Plc through the Central Bank of Nigeria.

24.2 In December 2016, The company issued N9billion unsecured corporate bond for a 5year tenor and at a coupon and effective interest rate of 17.5% and 19.43% respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

The net proceeds were used to refinance existing commercial bank loan obligations and to immediately finance the company's retails outlet expansion strategy.

The restriction to the bonds issued are as follows but not limited to below:-

a give prior notice to the Trustees of any proposed redemption and, if it shall have given Notice to the Bondholders of its intention to redeem any Bonds, duly proceed to redeem such Bonds accordingly.

b not (and procure that none of its Subsidiaries shall) without the consent of the Bondholders and Trustees.

bi incur any Indebtedness above the sumn of Five Billion Naira (N5,000,000,000.00);

bii dispose any of its assets above the sum of Five Billion Naira (N5,000,000,000);

c give to the Trustees and Bondholders a Notice prior to the acquisition of any company/business/assets where the cost of such acquisition when aggregated with the cost of any other acquisition of any company/business/assets by the Issuer during the financial year of the proposed acquisition, exceeds the total sum of Five Billion Naira (N5,000,000,000).

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Borrowinge are initially measured at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the year of the borrowings using the effective interest method. The carrying values of borrowings approximate their fair value.

24.3 Import finance facilities represents short term borrowings obtained to fund letters of credits for petroleum product importation. These facilities are secured with the product financed, the Petroleum Subsidy Fund receivable on them if applicable and the Company's sinking fund account included in short term deposits (Note 20)
There is an all asset debenture security as collateral to the banks for these long term borrowings.

25. Deferred fair value gain on loan

	Group		Company	
	31-Dec-18	31-Dec-17	**31-Dec-18**	31-Dec-17
	₦'000	₦'000	**₦'000**	₦'000
Deferred fair value gain on loan				
Non-current	-	567,538	-	-
	-	567,538	-	-
Current	-	454,034	-	-
	-	454,034	-	-
	-	1,021,572	-	-

These represent the benefit of a Bank of Industry (BOI) intervention loan at a below-market rate of interest measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.This amount is recognised in profit or loss over the year the related expenditure is incurred.

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

	Group		Company	
	31-Dec-18 ₦'000	31-Dec-17 ₦'000	**31-Dec-18 ₦'000**	31-Dec-17 ₦'000
26. Trade and other payables				
Current trade and other payables				
Trade payable				
NNPC accounts payable	**6,495,512**	10,393,386	**6,495,513**	10,393,386
Trade creditors	**20,009,364**	24,398,837	**2,850,689**	3,674,073
Petroleum Equalisation Fund (PEF) payable (Note 26.1)	**2,234,526**	537,336	**2,234,526**	537,336
Inventory accruals (Note 26.2)	**10,287,013**	10,035,573	**8,770,024**	6,790,038
Customer deposits for products	**2,657,270**	1,839,406	**2,657,270**	1,839,406
	41,683,685	47,204,538	**23,008,022**	23,234,239
Non-trade payables and other creditors				
Non-trade payables and other creditors (Note 26.3)	**3,013,187**	4,493,328	**2,862,718**	2,600,958
Related parties payable	**1,800,410**	1,661,767	**226,880**	402,503
	4,813,597	6,155,095	**3,089,598**	3,003,461
Total Trade and other payables	**46,497,282**	53,359,633	**26,097,620**	26,237,700
Continuing operations	**25,416,280**	53,359,633	**26,097,620**	26,237,700
Discontinued operations	**21,081,002**	-	-	-
	46,497,282	53,359,633	**26,097,620**	26,237,700
Non-current trade and other payables				
Refundable security deposits	**375,653**	378,045	**375,653**	378,045
	375,653	378,045	**375,653**	378,045

26.1 This balance relates to bridging allowance net of bridging claims due to Petroleum Equalisation Fund (PEF). Bridging claims, raised against the Federal Government of Nigeria, are costs incurred in transporting white products (excluding deregulated products) from specific PPMC depots to approved areas. Bridging allowances are compulsory contributions on each litre of white product lifted, to assist the Federal Government defray costs arising from bridging claims. Bridging claims are usually set off against bridging allowances to establish the net amount due to, or from the PEF, an organ of the Federal Government of Nigeria responsible for managing the process.

26.2 Inventory accrual accounts includes liability accrued for product and associated costs. This account holds accruals for value of goods received pending receipt of supplier's invoices.

26.3 This consists of tranporters freight account, withholding tax liabilities, VAT, rents received in advance, PAYE, NSITF, and unclaimed dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

	Group		Company	
	31-Dec-18	31-Dec-17	**31-Dec-18**	31-Dec-17
	₦'000	₦'000	**₦'000**	₦'000
27. Financial instruments				
Credit risk				
Exposure to credit risk				
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:				
Trade and receivables (Note 19)	**60,038,827**	68,146,204	**28,611,871**	33,731,717
Cash and cash equivalents (Note 20)	**(7,155,861)**	969,557	**(8,319,277)**	310,823
	52,882,966	69,115,761	**20,292,594**	34,042,540
Forex exposure				
Bank balances denominated in other currencies	**344,292**	283,431	**292,828**	481,409
Trade and other receivables denominated in other currencies	**1,947,487**	1,796,138	**1,520,280**	-
Liabilities dominated in other currencies	**(1,314,360)**	(9,040,285)	**(594,360)**	(7,542,091)
	977,419	(6,960,716)	**1,218,748**	(7,060,682)

	Gross	Impairment	Gross	Impairment
	31-Dec-18	**31-Dec-18**	31-Dec-17	31-Dec-17
	₦'000	**₦'000**	₦'000	₦'000
Impairment losses				
The Group				
The aging of loans and receivables at the reporting date was:				
0-2 months	**11,768,575**	18,079	**35,072,212**	407,344
2-3 months	**1,619,800**	1,943	**539,990**	9,607
3-6 months	**4,333,072**	2,477	**1,786,658**	2,733
6-12 months	**6,613,324**	724	**4,249,791**	4,366
More than 12 months	**38,333,310**	2,606,031	**28,687,430**	1,765,827
	62,668,081	2,629,254	**70,336,081**	2,189,877

	Gross	Impairment	Gross	Impairment
	31-Dec-18	**31-Dec-18**	31-Dec-17	31-Dec-17
	N'000	**N'000**	N'000	N'000
The Company				
The aging of loans and receivables at the reporting date was:				
0-2 months	**2,947,227**	**11,065**	1,182,198	47,337
2-3 months	**811,320**	**1,943**	919,321	9,607
3-6 months	**1,489,685**	**2,477**	1,411,142	2,733
6-12 months	**968,699**	**724**	3,485,736	4,366
More than 12 months	**24,461,163**	**2,276,897**	28,563,189	1,765,827
	30,678,094	**2,293,106**	35,561,586	1,829,870

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

	Gross	Impairment	Gross	Impairment
	31-Dec-17	31-Dec-16	**31-Dec-17**	31-Dec-16
	₦'000	**₦'000**	₦'000	₦'000
The Group				
Analysis of financial assets impaired.				
Trade receivables	**3,629,867**	**2,056,247**	2,031,618	1,616,870
Advances to contractors	**500,000**	**500,000**	500,000	500,000
Other Receivables	**54,454**	**54,454**	54,454	54,454
Receivables from Property customers	**15,709**	**15,709**	15,709	15,709
Receivables from former employees	**2,844**	**2,844**	2,844	2,844
	4,202,874	**2,629,254**	2,604,625	2,189,877
The Company				
Analysis of financial assets impaired.				
Trade receivables	**3,293,718**	**1,720,098**	1,313,853	1,256,863
Advances to contractors	**500,000**	**500,000**	500,000	500,000
Other Receivables	**54,454**	**54,454**	54,454	54,454
Receivables from Property customers	**15,709**	**15,709**	15,709	15,709
Receivables from former employees	**2,844**	**2,844**	2,844	2,844
	3,866,725	**2,293,105**	**1,886,860**	**1,829,870**

The average credit year on sales of goods is 60 days. Specific impairment is made for trade receivables that are past due and doubtful of recovery based on the probability of default. Receivables not specifically impaired are impaired collectively using the historical probability of default over the last three reporting years. Trade receivables are considered to be past due when they exceed the credit year granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

The Group

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal Interest rate	Year of Maturity	2018 Present value N'000	2018 Carrying amount N'000	2017 Present value N'000	2017 Carrying amount N'000
Continuing operations							
Secured term loan	Naira	18.00%	2020	**-**	**-**	1,868,051	2,180,892
Secured term loan	Naira	16.00%	2018	**-**	**-**	400,000	400,000
Secured term loan	Naira	23%	2020	**4,878,973**	**6,455,314**	8,588,460	9,232,195
Secured term loan with Government Grant	Naira	7.00%	2020	**2,304,806**	**3,475,929**	4,291,935	6,052,722
17.5% medium term bond	Naira	17.50%	2021	**-**	**-**	7,112,900	8,806,022
Trade finance lines	Naira	18.00%	2017	**-**	**-**	8,302,494	8,302,494
Discontinued operations							
Secured term loan	Naira	18.00%	2020	**1,367,758**	**1,495,647**	-	-
17.5% medium term bond	Naira	17.50%	2021	**6,054,318**	**7,175,523**	-	-
Trade finance lines	Naira	18.00%	2017	**575,816**	**575,816**	-	-
Total interest bearing				**15,181,671**	**19,178,229**	30,563,840	34,974,325

The Company

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal Interest rate	Year of Maturity	2018 Present value N'000	2018 Carrying amount N'000	2017 Present value N'000	2017 Carrying amount N'000
Secured term loan	Naira	18.00%	2020	**1,367,758**	**1,495,647**	1,868,051	2,180,892
Secured term loan	Naira	16.00%	2018	**-**	**-**	400,000	400,000
17.5% medium term bond	Naira	17.50%	2021	**6,054,318**	**7,175,523**	7,112,900	8,806,022
Trade finance lines	Naira	18.00%	2017	**575,816**	**575,816**	8,302,494	8,302,494
Total interest bearing				**7,997,892**	**9,246,986**	17,683,445	19,689,408

The bank loans are secured by an "All Asset Debenture" on the Company's assets exucuted in favour of First Bank of Nigeria Limited. Other lenders are to be admitted into this All Asset Debenture

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

27. Financial instruments (Cont'd)

Liquidity risk

The Group

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

	Carrying amount N'000	Contractual cash flows N'000	6 months or less N'000	6-12 months N'000	1-2 years N'000	2-5 years N'000	More than 5 years N'000
31 December 2018							
Non-derivative financial liabilities							
Secured bank loans	**19,178,229**	**23,237,332**	**4,854,793**	**4,744,524**	**6,934,898**	**6,703,117**	**-**
Trade and other payables	**25,791,933**	**25,791,933**	**24,794,837**	**621,443**	**375,653**		**-**
Bank overdraft	**9,473,546**	**9,473,546**	**9,473,546**	**-**	**-**	**-**	**-**
	54,443,708	**58,502,812**	**39,123,176**	**5,365,967**	**7,310,551**	**6,703,117**	**-**
31 December 2017							
Non-derivative financial liabilities							
Secured bank loans	34,974,325	35,995,063	4,009,606	8,944,001	17,071,552	5,969,904	-
Trade and other payables	53,737,678	53,737,678	52,623,384	736,249	378,045		-
Bank overdraft	802,392	802,392	802,392	-	-	-	-
	89,514,395	90,535,133	57,435,382	9,680,250	17,449,597	5,969,904	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

28. Financial instruments (Cont'd)

The Company

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

	Carrying amount ₦'000	Contractual cash flows ₦'000	6 months or less ₦'000	6-12 months ₦'000	1-2 years ₦'000	2-5 years ₦'000	More than 5 years ₦'000
31 December 2018							
Non-derivative financial liabilities							
Secured bank loans	**9,246,986**	**11,483,380**	**2,127,938**	**2,127,938**	**4,005,520**	**3,221,983**	**-**
Trade and other payables	**26,473,272**	**26,473,272**	**25,476,176**	**621,443**	**375,653**		
Bank overdraft	**9,473,546**	**9,473,546**	**9,473,546**	**-**	**-**	**-**	
	45,193,804	**47,430,198**	**37,077,660**	**2,749,381**	**4,381,173**	**3,221,983**	**-**
31 December 2017							
Non-derivative financial liabilities							
Secured bank loans	19,689,408	15,739,841	2,136,641	4,255,876	7,736,332	1,610,992	-
Trade and other payables	26,615,745	26,615,745	25,501,451	736,249	378,045		
Bank overdraft	802,392	802,392	802,392	-	-	-	
	47,107,545	43,157,978	28,440,484	4,992,125	8,114,377	1,610,992	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

29. Contingencies

a) Guarantees

The Company guaranteed the sum of N8.7bn loan by First Bank of Nigeria Limited to a subsidiary Amperion Power Distribution Company Limited in respect of the acquisition of Geregu Power Plc.

b) Pending litigation and claims

The Company is engaged in lawsuits that have arisen in the normal course of business. The contingent liabilities in respect of pending litigation and claims amounted to N116 Million at 31 December 2018 (31 December 2017 : N216 Million). In the opinion of the directors, and based on independent legal advice, the Company is not expected to suffer any material loss arising from these claims. Thus, no provision has been made in these consolidated financial statements.

c) Financial commitments

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

30. Transactions with key management personnel

Loan to directors

No loan to directors was issued during the year ended 31 December 2018.

	2018		2017	
	Directors ₦'000	**Chairman ₦'000**	Directors ₦'000	Chairman ₦'000
Directors emoluments				
Fee	600	800	600	800
Allowances	8,979	11,375	8,979	11,375
	9,579	**12,175**	9,579	12,175

Executive Directors are not entiled to and do not get paid directors fees.

The Group has 210 employees as at 31 December 2018 and 213 as at December 2017. The total number of employees for the company were 161 as at 31 December 2017 and 171 as at December 2016.

Group	2018	2017
1. Group Chief Executive Officer	Akin Akinfemiwa	Akin Akinfemiwa
2. Group Executive Director - Finance and Risk Management	Julius Omodayo-Owotuga	Julius Omodayo-Owotuga
3. Manager Director- AP Oil and Gas Ghana Ltd	Oluwaseun Olatunbosun	Oluwaseun Olatunbosun
4. Managing Director - Forte Upstream Services Ltd	Seye Alabi	Seye Alabi
5. Chief Executive Officer - Geregu Power Plc	Adeyemi Adenuga	Adeyemi Adenuga

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

Transactions with key management personnel

Key management of the Group are the executive members of Forte Oil Plc. Key management personnel remuneration includes the following expenses:

	Group		Company	
	31-Dec-18 ₦'000	**31-Dec-17 ₦'000**	**31-Dec-18 ₦'000**	**31-Dec-17** ₦'000
Key management personnel compensation comprised:				
Short-term employee benefits:				
- Salaries including allowances	**191,215**	181,964	139,933	134,439
	191,215	181,964	139,933	134,439
Post-employment benefits:				
- Defined contribution to compulsory pension fund scheme	**13,746**	12,379	10,193	9,560
Defined benefit gratuity scheme	**33,079**	24,419	13,786	14,088
	238,040	218,762	**163,912**	158,087

	The Group		The Company	
	31-Dec-18	31-Dec-17	**31-Dec-18**	31-Dec-17
Range	**Number**	Number	**Number**	Number
Below N1,000,000	**15**	10	11	10
N1,000,001 - N2,000,000	**9**	9	5	8
N2,000,001 - N3,000,000	**22**	48	18	42
N3,000,001 - N4,000,000	**43**	15	38	9
N4,000,001 - N5,000,000	**16**	33	12	29
N5,000,001 - N6,000,000	**29**	29	26	26
N6,000,001 - N7,000,000	**24**	24	16	17
N7,000,001 - N8,000,000	**12**	8	9	7
N8,000,001 - N9,000,000	**16**	12	8	4
N9,000,001 - N10,000,000	**4**	4	3	2
N10,000,001 and above	**20**	21	15	17
Total	**210**	213	**161**	171

**These are annual emoluments*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

31. Other related party transactions

The aggregate value of transactions and outstanding balances relating to these entities were as follows:

Related Parties	Nature of Transaction	Relationship	Transaction value during the year		Balance outstanding as at 31 December	
			31-Dec-18 ₦'000	31-Dec-17 ₦'000	**31-Dec-18 ₦'000**	31-Dec-17 ₦'000
BSG Resources Ltd	Advances	Joint investor in a subsidiary	**902,534**	805,816	**7,466,467**	6,563,933
Amperion Power Distribution Company Ltd	Advances	Subsidiary	**298,771**	(1,259,962)	**681,341**	382,570
Geregu Power Plc	Advances	Sub subsidiary	**415,748**	(404,566)	**13,245**	(402,503)
Forte Upstream Services Ltd	Sales & Advances	Subsidiary	**(353,351)**	(435,705)	**(226,880)**	126,471
AP Oil and Gas Ghana Ltd	Translation difference	Subsidiary	**(3,902)**	-	**61,492**	65,394
Zenon Petroleum and Gas Limited	Rent	Related party to core investor	**(67,580)**	-	**16,847**	84,427
			1,192,220	(1,294,417)	**8,012,512**	6,820,292

a) BSG Resources Ltd is a co-investor in Amperion Power Distribution Company Ltd and the technical partner for the acquisition of Geregu Power Plc. The receivables represents a loan from Forte Oil Plc to BSG in respect of its equity contribution on the acquisition of the Power Plant in 2013. Interest is charged at prevailing market rate and recognised as finance income in the statement of profit or loss.

b) All transactions with these related parties were priced at arm's length.

32. Events after the end of reporting date

i The promissory note of N4.6bn received from the FGN through the Debt Management Office as part settlement of outstanding subsidy receivables (see note 19.3) was assigned to the Petroelum Products Marketing Company (PPMC) a subsidiary of the Nigerian National Petroleum Corporation as part settlement of obligations in respect of product liftings

ii The valuation of Forte Oil Plc's 57% equity stake in Amperion Power Distribution Ltd also classified as held for sale was conducted by United Capital Plc as part of the process to dispose the asset. A valuation range of NGN10.85bn to NGN12.03bn was received in this regard. In line with regulatory process on related party transaction of this nature, Deloitte Professional Services was also engaged to independently review this valuation and a valuation range of N10bn to NGN14.8bn was also received. The investment was carried at amortised cost as at 31st December, 2018 and not impaired as the carrying value of NGN10.1bn is within the ranges of the valuations received.

33. Prior year corresponding balances

Certain prior year balances have been reclassified to ensure porper disclosure and uniformity with current year's presentation. These reclassifications have no net effect on these financial statements.

OTHER INFORMATION

CONSOLIDATED STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 31 DECEMBER 2018

	The Group				The Company			
	31-Dec-18 N'000	**%**	31-Dec-17 N'000	%	**31-Dec-18 N'000**	**%**	31-Dec-17 N'000	%
Turnover	**86,165,261**		129,443,804		**134,706,306**		86,176,010	
Other income	**1,642,442**		2,058,140		**1,859,809**		2,019,331	
Finance income	**1,120,257**		2,096,143		**1,181,038**		1,482,552	
	88,927,960		133,598,087		**137,747,153**		89,677,893	
Bought in materials and services:								
- Local	**(70,414,718)**		(99,984,897)		**(121,828,431)**		(73,878,354)	
- Imported	**(9,509,564)**		(9,509,564)		**(8,476,318)**		(8,476,318)	
Value added	**9,003,678**	**100**	24,103,626	100	**7,442,404**	**100**	7,323,221	100
APPLIED AS FOLLOWS:								
To pay employees:								
Salaries, wages and other staff costs	**2,594,501**	**29**	2,437,845	10	**1,890,182**	**25**	1,827,880	25
To pay Government:								
Taxation	**633,612**	**7**	(1,599,266)	(7)	**397,073**	**5**	633,612	9
To pay providers of capital:								
Interest on borrowings	**3,040,799**	**34**	5,726,751	24	**3,101,580**	**42**	2,174,254	30
Retained in the business								
Depreciation and amortisation	**1,422,097**	**16**	5,311,874	22	**1,422,098**	**19**	1,425,417	19
Profit transferred to reserves	**1,312,669**	**15**	12,226,422	51	**631,471**	**8**	1,262,058	17
	9,003,678	**100**	24,103,626	100	**7,442,404**	**100**	7,323,221	100

Included in depreciation and amortisation for the Group is the depreciation for the turbines used for power generation which in included in cost of sales of the statement of comprehensive income for the Group in line with the provisions of IFRS.

Value added represents the additional wealth which the Group has been able to create/erode by its own and its employees' efforts. This statement shows the allocation of that wealth among the employees, government, providers of capital and that retained for the future creation of more wealth.

FINANCIAL SUMMARY FOR THE YEAR ENDED 31 DECEMBER 2018

	The Group					The Company				
	2018	2017	2016	2015	2014	**2018**	2017	2016	2015	2014
	₦'000	₦'000	₦'000	₦'000	₦'000	**₦'000**	₦'000	₦'000	₦'000	₦'000
Funds employed										
Share capital	**655,314**	655,314	655,314	546,095	546,095	**655,314**	**655,314**	655,314	546,095	546,095
Share premium	**8,071,943**	8,071,943	8,071,943	8,181,162	8,181,162	**8,071,943**	**8,071,943**	8,071,943	8,181,162	8,181,162
Other reserves	**(7,752)**	(218,135)	(222,357)	(257,985)	(248,099)	**(7,752)**	**(7,752)**	(7,752)	(7,752)	(2,255)
Retained earnings	**9,784,299**	7,928,047	4,200,191	6,001,847	3,958,962	**6,418,039**	**5,805,859**	4,543,801	5,691,196	3,346,139
Total equity attributable to equity holders of the Company	**18,503,804**	16,437,169	12,705,091	14,471,119	12,438,120	**15,137,544**	**14,525,364**	13,263,306	14,410,701	12,071,141
Treasury stock	**(1,388,574)**	(1,388,574)	(1,388,574)	(1,388,574)	-	**(1,388,574)**	**(1,388,574)**	(1,388,574)	(1,388,574)	-
Non controlling interests	**46,669,489**	40,230,626	32,017,060	33,198,198	31,896,549	**-**	**-**	-	-	-
Total equity	**63,784,719**	55,279,221	43,333,577	46,280,743	44,334,669	**13,748,970**	**13,136,790**	11,874,732	13,022,127	12,071,141
Current liabilities	**38,757,301**	68,524,573	69,409,121	59,618,349	82,145,588	**39,438,641**	**38,232,417**	49,892,291	49,341,673	76,882,658
Non-current liabilities	**7,542,122**	23,434,022	28,013,794	15,858,864	12,758,041	**7,542,122**	**10,748,422**	11,691,972	3,377,160	4,724,607
	110,084,142	147,237,816	140,756,492	121,757,956	139,238,298	**60,729,733**	**62,117,629**	73,458,995	65,740,960	93,678,406
Assets employed										
Non-current assets	**11,138,653**	71,219,222	71,493,170	64,711,062	56,801,461	**11,138,651**	**22,654,311**	22,171,280	22,846,995	23,299,680
Current assets	**130,398,947**	76,018,594	69,263,322	57,046,894	82,436,837	**49,591,082**	**39,463,318**	51,287,715	42,893,965	70,378,726
	141,537,600	147,237,816	140,756,492	121,757,956	139,238,298	**60,729,733**	**62,117,629**	73,458,995	65,740,960	93,678,406

	The Group					The Company				
	2018	2017	2016	2015	2014	**2018**	2017	2016	2015	2014
	₦'000	₦'000 Restated	₦'000	₦'000	₦'000	**₦'000**	₦'000	₦'000	₦'000	₦'000
Revenue	**134,704,409**	86,165,261	148,695,261	124,617,238	170,127,978	**134,706,306**	86,176,010	131,613,962	108,853,855	156,714,840
Operating profit	**2,679,086**	2,637,983	9,622,162	8,688,248	8,136,739	**2,949,086**	2,587,372	6,707,897	5,780,627	5,338,657
Profit before income tax	**758,544**	1,946,281	5,340,244	7,012,442	6,006,298	**1,028,544**	1,895,670	5,442,482	5,831,755	4,207,442
Profit after tax	**361,471**	1,312,669	2,890,430	5,794,055	4,456,617	**631,471**	1,262,058	3,235,829	4,794,578	2,638,913
Basic & diluted earnings per share in (N)	**1.46**	2.85	1.99	4.13	2.20	**0.48**	0.97	2.48	4.39	2.42

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