

Eterna Plc
IFRS Financial Statements for the year
ended 31 December 2012

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Directors' report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2012, which disclose the state of affairs of the company and the group.

Legal form and address

Eterna Plc was incorporated in Nigeria as a private limited liability company in 1989. In 1997, it became a public company. The company's shares which are currently quoted on the Nigerian Stock Exchange (NSE) were first listed in August 1998. The company is domiciled in Nigeria and the address of its registered office is:

5a Oba Adeyinka Oyekan Avenue
(Formerly Second Avenue)
Ikoyi
Lagos

Principal activities

The principal activities of the companies in the group are manufacturing and marketing of lubricating oils and petrochemicals, importation and sale of fuels through its retail outlets, crude oil, gas, power, upstream supply and technical services for companies in the oil industry.

Results and dividend

The group's results for the year are set out on page 9. The profit for the year of N946 million (2011: N1,039 million) has been transferred to accumulated deficit. No dividend has been recommended for the year.

The Group achieved consolidated revenue of N89.6 billion representing overall percentage growth of 129% compared with N39 billion revenue achieved in 2011. This increase in revenue is mainly attributable to increased Crude Oil revenue of N50.4 billion.

Despite the 129% increase in revenue, gross profit was N3.0 billion, which is a 29% increase compared to gross profit of N2.4 billion achieved in 2011. The minimal increase is mainly due to low margins on Crude Oil revenue which did not necessarily translate to increased gross profit.

Increase in receivable and payable balances are as a result of the increase in Crude Oil sales. At the end of the year, there was a receivable of N16.8 billion in respect of Crude Oil purchased by a customer and a corresponding payable to our Crude Oil supplier. These were settled within the first quarter of 2013.

Directors

The directors who held office during the year are:

Name

Tajudeen Afolabi Adeola mni; OFR (Chairman)
Mr Mahmud Tukur (Managing Director/CEO)
Mr Ibrahim Boyi
Chief (Dr) Michael Ade Ojo, OON (Alternate: Otunba Femi Deru)
Mrs Afolake Lawal

Directors' interest in contracts

None of the directors has notified the Company for the purpose of section 277 of the Companies and Allied Matters Act of their direct or indirect interest in contracts or proposed contracts with the company during the year.

Directors' report

Directors' shareholding

The direct and indirect interests of directors in the issued share capital of the company as recorded in the register of directors' shareholdings and/or as notified by the directors for the purposes of sections 275 and 276 of the Companies and Allied Matters Act and the listing requirements of the Nigerian Stock Exchange are as follows:

Director	No of shares 31-Dec-2012	No of shares held 31-Dec-2011
Chief (Dr) Michael Ade Ojo, OON	25,645,823	25,645,823

Messrs Tajudeen Afolabi Adeola, Ibrahim Boyi, and Mahmud Tukur represent Lenux Integrated Resources Limited which owns 301,156,231 shares in Eterna Plc (Dec 2011: 301,156,231).

Mrs. Afolake Lawal represents L.A. Pro Shares Limited, GTI Securities Limited and GTI Capital Limited which together own 55,380,166 (2011: 55,380,166) shares in Eterna Plc.

Shareholding structure

Number of shares	No of shares	Percentage
1 - 1,000	4,487,416	0.35
1,001 - 10,000	52,391,184	4.02
10,001 - 50,000	90,806,121	6.96
50,001 - 100,000	41,256,132	3.16
100,001 - 500,000	96,643,096	7.41
500,001 - 1,000,000	30,557,399	2.34
1,000,001 - 5,000,000	109,243,146	8.38
5,000,001 - 10,000,000	45,776,253	3.51
10,000,001 - 500,000,000	832,983,900	63.87
Total	1,304,144,647	100

According to the register of members as at 31 December 2012, the following shareholders of the company held more than 5% of the issued share capital of Eterna Plc.

Shareholder	No of shares held	Percentage
Lenux Integrated Resources Limited	301,156,231	23.09
Global Energy Engineering & Raw Materials Company Ltd	179,990,000	13.80
GASL Nominees Limited	112,575,988	8.63
Radix Capital Partners Limited	92,925,382	7.13

Research and development

The company, in its continuous efforts to ensure that its products are the best available in the market using modern and efficient manufacturing processes, continues to invest in research and development.

Employment of disabled persons

The Company has a policy of fair consideration of job applications by disabled persons having regard to their abilities and aptitude. The Company's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees.

Directors' report

Employee training and involvement

The directors maintain regular communication and consultation with the employees, the union leaders and staff representatives on matters affecting employees and the Company.

There is great emphasis on staff development and training through carefully planned training courses and seminars to update the special skills and job requirements of the staff throughout the company.

Health, safety and environment

The Company has established and enshrined in its operating protocols high standards for Health, Safety and Environmental (HSE) protection for its staff, third party staff and the public in all its operating environments. All company and third party personnel are subjected to regular and consistent induction and drills in healthy, safe and environmentally friendly practices. We also maintain, update and monitor our HSE performance against our objectives regularly to ensure we operate at the highest standard.

Property, Plant and Equipment

Movement in property, plant and equipment during the year is shown in Note 11 to the financial statements. In the opinion of the Directors, the market value of the Company's properties is not less than the value shown in the financial statements.

Donations and gifts

The company made contributions to some charitable institutions and organizations during the year which amounted to N3.65 million (2011: N2.87 million).

Beneficiaries

	N'000
Energy Institute Nigeria	500
Oginigba Community Development Project	750
Poise Nigeria	50
Lasgidi Cultural Arts	500
Murtala Muhammed Foundation	500
Idea Builders Initiatives (NGO)	1,300
Federal Road Safety Commission	50

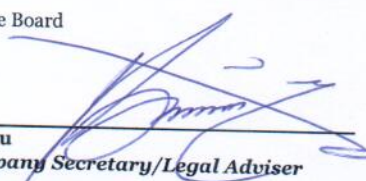
Fuel subsidy case

Last year, we informed you that the greatest challenge facing our Company was the criminal charges by the Economic and Financial Crimes Commission (EFCC) in respect of petroleum subsidy claims and that the Nigerian Government had alleged that Our Company was complicit in making false claims for petroleum subsidy. The charge filed by the EFCC in respect of the transactions is on-going before the Lagos State High Court. Our Company remains resolute in using available legal means to resolve the issues. Once again, we reiterate that we have not received any illegal benefits from subsidy claims and will take all necessary actions to defend the interest of our company.

Auditors

The Company's auditors, Messrs PricewaterhouseCoopers have indicated their willingness to continue in office in accordance with Section 357(2) of the Companies and Allied Matters Act.

By order of the Board


Bunmi Agagu

Acting Company Secretary/Legal Adviser

24 October 2013
Date

Consolidated value added statement

	N'000			
Group	31 Dec 2012	%	31 Dec 2011	%
Turnover	89,637,474		39,198,807	
Bought in materials and services - all local	<u>(87,239,695)</u>		<u>(37,355,993)</u>	
	2,397,779		1,842,814	
Interest income	2,874		9,513	
Other income	<u>243,655</u>		<u>1,122,832</u>	
Value added	<u><u>2,644,308</u></u>		<u><u>2,975,159</u></u>	
Applied as follows:				
Staff salaries, wages and benefits	408,081	15	397,791	13
Maintenance of assets	307,112	12	288,072	10
Government taxes	466,772	18	745,429	25
Interest on borrowings	512,150	19	485,655	16
Retained for future growth	<u>950,193</u>	36	<u>1,058,212</u>	36
	<u><u>2,644,308</u></u>	100	<u><u>2,975,159</u></u>	100

Company	31 Dec 2012	%	31 Dec 2011	%
Turnover	90,488,846		40,082,352	
Bought in materials and services - all local	<u>(88,371,388)</u>		<u>(38,301,034)</u>	
	2,117,458		1,781,318	
Interest income	2,874		9,513	
Other income	<u>228,457</u>		<u>1,099,239</u>	
Value added	<u><u>2,348,789</u></u>		<u><u>2,890,070</u></u>	
Applied as follows:				
Staff salaries, wages and benefits	401,377	17	391,143	14
Maintenance of assets	273,821	12	248,473	9
Government taxes	386,046	16	771,922	27
Interest on borrowings	511,650	22	485,225	17
Retained for future growth	<u>775,895</u>	33	<u>993,307</u>	34
	<u><u>2,348,789</u></u>	100	<u><u>2,890,070</u></u>	100

Consolidated five-year financial summary

	IFRS			Nigeria GAAP	
	Dec 2012	Dec 2011	Dec 2010	Dec 2009	Dec 2008
Financial performance					
Revenue	89,637,474	39,198,807	14,138,607	9,225,442	12,025,273
Profit/(loss) before tax	1,413,128	1,784,682	1,089,150	(1,962,168)	(495,181)
Taxation	(466,772)	(745,429)	(471,224)	466,975	88,545
Profit for the year	946,356	1,039,253	617,926	(1,495,193)	(406,636)
Actuarial gains or losses	5,482	27,085			-
Tax effect of actuarial gains and losses	(1,645)	(8,126)			-
Non - controlling interest	(33)	(3)	(14)	(10)	(10)
Total comprehensive income for the year	950,160	1,058,209	617,912	(1,495,203)	(406,646)
Basic earnings per share (kobo)	0.73	0.80	0.47	(1.32)	(52.13)
Diluted earnings per share (kobo)	0.73	0.80	0.47	(1.32)	(20.84)
Financial position					
Share capital	652,072	652,072	652,072	652,072	390,000
Share premium	5,796,053	5,796,053	5,796,053	5,797,299	1,440,120
Non -controlling interest	94	61	58	45	35
Retained Earnings/(Accumulated deficits)	(51,114)	(1,001,274)	(2,059,483)	(2,677,396)	(1,051,874)
Total equity	6,397,105	5,446,912	4,388,700	3,772,020	778,281
Property, plant and equipment	6,251,335	6,147,772	6,130,716	1,181,532	1,137,276
Other non-current assets	194,468	230,565	587,949	6,103,354	5,734,420
Net current (liabilities)/assets	720,164	20,785	(550,457)	(2,090,754)	(6,057,115)
Non-current liabilities	(768,862)	(952,210)	(1,779,508)	(1,291,817)	(36,300)
Net assets	6,397,105	5,446,912	4,388,700	3,902,315	778,281
Net assets per share (Naira)	4.91	4.18	3.34	3.45	99.78

Statement of directors' responsibilities

The Companies and Allied Matters Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the company at the end of the year and of its profit or loss. This responsibility includes:

- (a) ensuring that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company and comply with the requirements of the Companies and Allied Matters Act;
- (b) designing, implementation and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; and
- (c) preparing the company's financial statements using suitable accounting policies which are consistently applied, supported by reasonable and prudent judgements and estimates.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with the International Financial Reporting Standards (IFRS) and the requirements of the Companies and Allied Matters Act.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

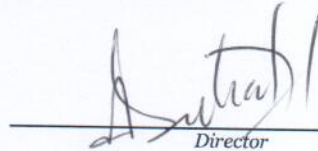
Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.



Director

24 October 2013

Date



Director

24 October 2013

Date



REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ETERNA PLC

Report on the financial statements

We have audited the accompanying financial statements of Eterna Plc (the company) and its subsidiaries (together, the group). These financial statements comprise the statement of financial position as at 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies and Allied Matters Act and for such internal control, as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the company and the group at 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

Report on other legal requirements

The Companies and Allied Matters Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;
- iii) the company's balance sheet and profit and loss account are in agreement with the books of account.

A large, stylized handwritten signature in blue ink that reads "PricewaterhouseCoopers".

Chartered Accountants

Lagos, Nigeria

FRC/2013/ICAN/00000000648



28 October 2013

Consolidated statement of financial position as at 31 December 2012

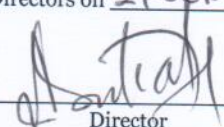
		Group		
	Note	31 December	31 December	1 January
		2012	2011	2011
		N'ooo	N'ooo	N'ooo
Non-current assets				
Property, plant and equipment	11	6,251,335	6,147,772	6,130,716
Prepayments	12	194,468	230,565	286,805
Deferred tax asset	14	0	-	301,144
		<u>6,445,803</u>	<u>6,378,337</u>	<u>6,718,665</u>
Current assets				
Inventory	15	884,624	1,058,452	340,533
Trade and other receivables	16	25,493,986	6,072,211	1,912,645
Prepayments	12	114,928	108,398	108,214
Cash and bank balances	17	273,509	1,155,264	261,798
		<u>26,767,047</u>	<u>8,394,325</u>	<u>2,623,190</u>
Total assets		<u>33,212,850</u>	<u>14,772,662</u>	<u>9,341,855</u>
Non-current liabilities				
Borrowings	18	83,333	416,667	1,295,156
Deferred tax liability	14	174,318	42,017	54,544
Employee benefit liability	19	66,045	53,325	63,060
Decomissioning Liability	20	29,946	22,217	16,792
Derivative liability	18	415,220	417,984	349,956
		<u>768,862</u>	<u>952,210</u>	<u>1,779,508</u>
Current liabilities				
Trade and other payables	21	18,551,903	1,622,816	1,590,015
Borrowings	18	6,206,379	5,493,159	1,427,527
Tax payable	10	791,830	587,751	156,105
Bank overdraft	17	496,771	669,814	-
		<u>26,046,883</u>	<u>8,373,540</u>	<u>3,173,647</u>
Total liabilities		<u>26,815,745</u>	<u>9,325,750</u>	<u>4,953,155</u>
Equity attributable to shareholders				
Share capital	22	652,072	652,072	652,072
Share premium	22	5,796,053	5,796,053	5,796,053
Retained Earnings/(Accumulated deficits)		<u>(51,114)</u>	<u>(1,001,274)</u>	<u>(2,059,483)</u>
		6,397,011	5,446,851	4,388,642
Non -controlling interest		94	61	58
Total equity		<u>6,397,105</u>	<u>5,446,912</u>	<u>4,388,700</u>
Total equity and liabilities		<u>33,212,850</u>	<u>14,772,662</u>	<u>9,341,855</u>

The financial statements and notes on page 7 to 46 were approved by the Board of Directors on 24 DEC 2013 and signed on its behalf by:



Director

FRC /2013/IODN/00000004443



Director

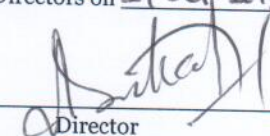
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Consolidated statement of financial position as at 31 December, 2012

	Note	Company		
		31 December	31 December	1 January
		2012	2011	2011
		N'000	N'000	N'000
Non-current assets				
Property, plant and equipment	11	6,062,844	6,013,980	6,004,648
Prepayments	12	194,468	230,565	286,805
Investment in subsidiary	13	50,990	50,990	50,990
Deferred tax asset	14	-	-	301,144
		<u>6,308,302</u>	<u>6,295,535</u>	<u>6,643,587</u>
Current assets				
Inventory	15	614,615	771,135	195,377
Trade and other receivables	16	25,133,116	5,954,166	1,806,520
Prepayments	12	114,928	108,398	108,214
Cash and bank balances	17	273,506	1,155,214	261,430
		<u>26,136,165</u>	<u>7,988,913</u>	<u>2,371,541</u>
Total assets		<u>32,444,467</u>	<u>14,284,448</u>	<u>9,015,128</u>
Non-current liabilities				
Borrowings	18	83,333	416,667	1,295,156
Deferred tax liability	14	139,252	20,658	-
Employee benefit liability	19	66,045	53,325	63,060
Decommissioning Liability	20	26,363	19,134	14,139
Derivative liability	18	415,220	417,984	349,956
		<u>730,213</u>	<u>927,768</u>	<u>1,722,311</u>
Current liabilities				
Trade and other payables	21	18,219,146	1,314,705	1,404,550
Borrowings	18	6,206,379	5,493,159	1,427,527
Tax payable	10	662,883	525,822	100,867
Bank overdraft	17	496,771	669,814	-
		<u>25,585,179</u>	<u>8,003,500</u>	<u>2,932,944</u>
Total liabilities		<u>26,315,392</u>	<u>8,931,268</u>	<u>4,655,255</u>
Equity attributable to shareholders				
Share capital	22	652,072	652,072	652,072
Share premium	22	5,796,053	5,796,053	5,796,053
Accumulated deficits		(319,050)	(1,094,945)	(2,088,252)
		<u>6,129,075</u>	<u>5,353,180</u>	<u>4,359,873</u>
Total equity		<u>6,129,075</u>	<u>5,353,180</u>	<u>4,359,873</u>
Total equity and liabilities		<u>32,444,467</u>	<u>14,284,448</u>	<u>9,015,128</u>

The financial statements and notes on page 7 to 46 were approved by the Board of Directors on 24 Oct. 2013 and signed on its behalf by:


Director
FRC /2013/IODN/00000004443


Director
FRC/2013/IODN/00000004347

Consolidated statement of comprehensive income for the year ended 31 December 2012

		Group 31		Company 31	
	Note	December	31 December	December	31 December
		2012 N'000	2011 N'000	2012 N'000	2011 N'000
Revenue	5	89,637,474	39,198,807	90,488,846	40,082,352
Cost of Sales	6	(86,592,201)	(36,841,859)	(87,745,311)	(37,806,572)
Gross Profit		3,045,273	2,356,948	2,743,535	2,275,780
Selling and Distribution expenses	6	(105,077)	(68,724)	(104,710)	(68,366)
General and Administrative expenses	6	(1,340,468)	(1,028,104)	(1,279,423)	(962,543)
Other Income	7	243,655	1,122,832	228,457	1,099,239
Foreign exchange gains/(losses)		79,021	(122,128)	79,021	(122,128)
Operating Profit		1,922,404	2,260,824	1,666,880	2,221,982
Finance Income	8	2,874	9,513	2,874	9,513
Finance Cost	9	(512,150)	(485,655)	(511,650)	(485,225)
Profit before tax		1,413,128	1,784,682	1,158,104	1,746,270
Taxation	10	(466,772)	(745,429)	(386,046)	(771,922)
Profit for the year		946,356	1,039,253	772,058	974,348
Other Comprehensive Income:					
Actuarial gains or losses	19	5,482	27,085	5,482	27,085
Tax effect of actuarial gains and losses	14	(1,645)	(8,126)	(1,645)	(8,126)
Other Comprehensive Income net of tax		3,837	18,959	3,837	18,959
Total comprehensive income for the year		950,193	1,058,212	775,895	993,307
Attributable to:					
– Owners of the parent		950,160	1,058,209	775,895	993,307
– Non-controlling interests		33	3	-	-
Total comprehensive income for the year		950,193	1,058,212	775,895	993,307
Earnings per share:					
Basic	23	0.73	0.80		
Diluted	23	0.73	0.80		

Consolidated statement of changes in equity for the year ended 31 December 2012

	Attributable to equity holders of the parent				Total Equity N'000
	Share Capital	Share premium	Retained Earnings	Non - controlling interest	
	N'000	N'000	N'000	N'000	
Balance at 1 January 2011	652,072	5,796,053	(2,059,483)	58	4,388,700
Comprehensive income					
Profit or loss	-	-	1,039,250	3	1,039,253
Other Comprehensive income					
- Actuarial gains/(losses) net of tax	-	-	18,959		18,959
Total comprehensive income or loss	652,072	5,796,053	(1,001,274)	61	5,446,912
Transaction with owners	-	-	-	-	-
At 31 December 2011	652,072	5,796,053	(1,001,274)	61	5,446,912
Balance at 1 January 2012	652,072	5,796,053	(1,001,274)	61	5,446,912
Comprehensive income					
Adjustment to retained earnings					
Profit or loss	-	-	946,323	33	946,356
Other Comprehensive income					
- Actuarial gains/(losses) net of tax	-	-	3,837	-	3,837
Total comprehensive income or loss	652,072	5,796,053	(51,114)	94	6,397,105
Transaction with owners	-	-	-	-	-
At 31 December 2012	652,072	5,796,053	(51,114)	94	6,397,105

	Company			Total Equity
	Share capital	Share premium	Retained earnings	
Balance at 1 January 2011	652,072	5,796,053	(2,088,252)	4,359,873
Comprehensive income				
Profit or loss	-	-	974,348	974,348
Other Comprehensive income				
- Actuarial gains/(losses) net of tax	-	-	18,959	18,959
Total comprehensive income or loss	652,072	5,796,053	(1,094,945)	5,353,180
Transaction with owners	-	-	-	-
The financial statements and notes on page 7 to 46 were approved	652,072	5,796,053	(1,094,945)	5,353,180
Balance at 1 January 2012	652,072	5,796,053	(1,094,945)	5,353,180
Comprehensive income				
Profit or loss	-	-	772,058	772,058
Other Comprehensive income				
- Actuarial gains/(losses) net of tax	-	-	3,837	3,837
Total comprehensive income or loss	652,072	5,796,053	(319,050)	6,129,075
Transaction with owners	-	-	-	-
At 31 December 2012	652,072	5,796,053	(319,050)	6,129,075

Consolidated statement of cashflows for the year ended 31 December 2012

	Notes	Group		Company	
		2012 N'000	2011 N'000	2012 N'000	2011 N'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cashflow from operating activities	26	(38,543)	(2,180,626)	(106,731)	(2,205,175)
Tax paid	10	(132,036)	(33,292)	(132,036)	(33,292)
Net cash used in operating activities		(170,579)	(2,213,918)	(238,767)	(2,238,467)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of property, plant and equipment		300	5,461	300	5,461
Purchase of property, plant and equipment	11	(355,481)	(256,015)	(287,247)	(231,580)
Payments for leasehold properties		(53,560)	(31,005)	(53,560)	(31,005)
Interest received	8	2,874	9,513	2,874	9,513
Net cash used in investing activities		(405,867)	(272,046)	(337,633)	(247,611)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Additions to borrowings		16,190,220	4,107,668	16,189,724	4,107,672
Repayment of borrowings		(15,848,924)	(1,018,040)	(15,848,927)	(1,018,042)
Interest paid		(473,562)	(380,012)	(473,062)	(379,582)
Net cash used in financing activities		(132,266)	2,709,616	(132,265)	2,710,048
NET CHANGE IN CASH AND CASH EQUIVALENTS		(708,712)	223,652	(708,665)	223,970
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		485,450	261,798	485,400	261,430
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	17	(223,262)	485,450	(223,265)	485,400

Consolidated segment information

The chief operating decision-maker (CODM) has been identified as the Management team of Eterna Plc. Management has determined the operating segments based on the information reviewed by the management team for the purpose of allocating resources and assessing performance. Management has also determined the operating segments based on these reports.

a) Reportable segments

The CODM considers the business singularly from a product perspective. Management separately considers three segments; Retail and Industrial, Lubricants and Chemicals and the Trading activities of the group. The following summary describes the operations in each of the Group's reportable segments:

i) Retail and Industrial

This segment derives revenue from the sale and distribution of petroleum products (white products and lubricants) in retail outlets and small units and to industrial customers across Nigeria.

ii) Lubricants and Chemicals

This segment involves the manufacture and distribution of lubricants and chemicals to marine and energy customers across Nigeria.

iii) Trading

This segment represents the bulk importation and sales of fuels (PMS, AGO, DPK), Base Oils, Bitumen, LPFO. It also involves lifting and sales of crude oil.

i) The management team (CODM) reviews internal management reports at least on a quarterly basis. Information regarding the results of each reportable segment is included below.

	Dec 2012				Dec 2011			
	Retail & Industrial	Lubricants & Chemicals	Trading	Group	Retail & Industrial	Lubricants & Chemicals	Trading	Group
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Gross revenue	4,381,076	4,797,178	83,070,515	92,248,769	3,715,698	3,105,902	34,433,441	41,255,041
Intersegment sales	(890,543)	(1,720,752)		(2,611,295)	(948,289)	(1,107,945)		(2,056,234)
	<u>3,490,533</u>	<u>3,076,426</u>	<u>83,070,515</u>	<u>89,637,474</u>	<u>2,767,409</u>	<u>1,997,957</u>	<u>34,433,441</u>	<u>39,198,807</u>
Operating profit before interest, depreciation & amortisation	435,157	233,204	1,537,916	2,206,277	334,219	(18,606)	2,226,546	2,542,159
Depreciation & amortisation	(72,083)	(40,421)	(171,369)	(283,873)	(42,127)	(21,579)	(198,603)	(262,309)
Net finance cost	(19,255)	(26,161)	(463,860)	(509,276)	(14,827)	(20,385)	(459,956)	(495,168)
Profit before tax	343,819	166,622	902,687	1,413,128	277,265	(60,570)	1,567,987	1,784,682
Income tax charge	(111,075)	(53,830)	(301,867)	(466,772)	(86,432)	-	(658,997)	(745,429)
Profit after tax	<u>232,744</u>	<u>112,792</u>	<u>600,820</u>	<u>946,356</u>	<u>190,833</u>	<u>(60,570)</u>	<u>908,990</u>	<u>1,039,253</u>

The CODM measures performance based on segment profit before income tax, as included in the internal management reports. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of these segments. Intersegment pricing is determined on an arm's length basis.

The measurement policies the Group uses for segment reporting are the same as those used in its financial statements. There have been no changes from prior years in the measurement methods used to determine reported segment profit or loss.

The Revenue of approximately NGN65 billion are derived from three external customers. These revenues are attributable to the Trading

Consolidated segment information

ii) The segment assets and liabilities as at 31 December 2012 and capital expenditure for the period then ended are as follows:

	Retail & Industrial	Lubricants & Chemicals	Trading	Group
	Dec 2012			
	N'000	N'000	N'000	N'000
Assets	1,123,801	3,058,341	29,030,708	33,212,850
Liabilities	349,560	265,463	26,200,722	26,815,745
Capital expenditure	161,801	90,239	21,108	273,148
	Dec 2011			
	N'000	N'000	N'000	N'000
Assets	1,100,365	13,038,975	633,322	14,772,662
Liabilities	138,867	8,628,947	557,936	9,325,750
Capital expenditure	271,528	39,922	30,571	342,021

Capital expenditure comprises additions to property, plant and equipment and long term prepayments;

b) Geographical segment

The geographical location of the group operations is Nigeria, operations outside Nigeria are non-existent and do not constitute a segment.

Notes to the consolidated financial statements

1. General information

Eterna Plc was incorporated in Nigeria as a private limited liability company in 1989. In 1997, it became a public company. The company's shares which are currently quoted on the Nigerian Stock Exchange (NSE) were first listed in August 1998. The company is domiciled in Nigeria and the address of its registered office is:

5a Second Avenue
Ikoyi
Lagos

The principal activities of the companies in the group are manufacturing and marketing of lubricating oils and petrochemicals, importation and sale of fuels through its retail outlets, gas, power, upstream supply and technical services for companies in the oil industry.

2.0 Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These are the Group's first annual financial statements prepared in accordance with IFRS and IFRS 1 *First-Time Adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and the financial cash flows is provided in the note.

The financial statements comprise the Statement of financial position, statement of comprehensive income, the statement of changes in equity, statement of cash flows and the notes.

Summary of significant accounting policies

2.1 Introduction to summary of accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Basis of preparation

The financial statements of ETERNA PLC have been prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 20.

2.3 Changes in accounting policies and disclosures

(a) Standards and interpretations issued but not yet effective

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ending 31 December 2012 and have not been early adopted.

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.
Amendment to IAS 19, 'Employee benefits' Published June 2011. Effective for Annual periods beginning on or after 1 January 2013.

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. Published June 2011. Effective for Annual periods beginning on or after 1 July 2012.

IFRS 10, 'Consolidated financial statements'. Published May 2011. Effective for Annual periods beginning on or after 1 January 2013.

IFRS 12, 'Disclosure of interest in other entities'. Published May 2011. Effective for annual periods beginning on or after 1 January 2013.

Amendments to IFRS 10, 11 and 12 on transition guidance. Published July 2012. Effective for Annual periods beginning on or after 1 January 2013.

IFRS 13, 'Fair value measurement. Published May 2011. Effective for Annual periods beginning on or after 1 January 2013.

IAS 27 (revised 2011) 'Separate financial statements'. Published May 2011. Effective for Annual periods beginning on or after 1 January 2013.

Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities. Published December 2011. Effective for Annual periods beginning on or after 1 January 2014.

Annual improvements to IFRSs. Published May 2012. Effective for Annual periods beginning on or after 1 January 2013 on IFRS 1, 'First time adoption'. The IAS 1, 'Financial statement presentation'.

Notes to the consolidated financial statements

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in thousand (Naira), which is the group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other (expenses)/income – net'. Translation differences related to changes in amortised cost are recognised in profit or loss.

2.5 Trade receivables

Trade receivables are amounts due from customers for lubricating oils, petrochemicals and fuel sold and technical services in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables, loans and other receivables, which are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. They are included in the current assets, except for maturities greater than 12 months after reporting date. The Company's loan and receivables comprise trade and other receivables in the financial statements.

Trade receivables, loans and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective rate method net of any impairment.

2.6 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of comprehensive income over the period of borrowings using the effective interest method.

Fees paid on establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent that there is no evidence that is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

2.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity. The group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

a) Sale of goods

The companies in the group manufacture and sell lubricating oils and petrochemicals, and import and resell fuels through its retail outlets, gas, power, upstream supply and technical services for companies in the oil industry. Sales of goods are recognised when a group entity has delivered products to the customer and when there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Delivery does not occur until the products have been transferred to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the group has objective evidence that all the criteria for the acceptance have been satisfied.

Revenue is primarily derived from the sale of the following products: Fuel, lubricants, gas, marine fuel and crude oil.

Notes to the consolidated financial statements

2.8 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.9 Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.10 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Provisions

Provisions for environmental restoration (i.e. restoration and abandonment of petroleum storage facilities), 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. Provisions are not recognised for future operating losses.

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.

2.12 Environmental Restoration

The Group makes provision for the future cost of decommissioning storage tanks on a discounted basis. These costs are expected to be incurred within 30 to 50 years. The provision has been estimated using existing technology at current prices, escalated at 10.3% (2010 – 11.8%) and discounted at 12.8% (2010 – 15.42%). The economic life and the timing of the asset retirement obligation are dependent on Government legislation, commodity price and the future production profiles of the project. In addition, the estimated cash outflows are subject to inflationary and/or deflationary pressures.

A corresponding item of property, plant and equipment of an amount equivalent to the provision is also recognized. 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.

2.13 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Costs includes expenditure that are directly attributable to the acquisition of the fixed assets. When parts of an item of fixed assets have different useful life, they are accounted for as separate items of fixed assets. Costs relating to fixed assets under construction or in the process of installation are disclosed as Capital Work in Progress. The cost attributable to each asset is transferred to the relevant category immediately the asset is available for use.

Gains and losses on disposal of fixed assets are included in the profit and loss account.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is provided at rates calculated to write off the cost/valuation, less estimated residual value, of each asset on a straight-line basis over its estimated useful life as follows:

Notes to the consolidated financial statements

Property, Plant and Equipment (Continued)

Asset category	Depreciation rate (years)
Leasehold land and building	nil
Plant and machinery:	
Office equipment	10 - 50
Buildings	5 - 10
Motor Vehicles	20
Furniture and fittings	5
Capital work in progress	5 - 10
	nil

Depreciation is not calculated on fixed assets until they are available for use and is included in the profit and loss account.

The assets' residual values and useful lives are reviewed, adjusted if appropriate, at the end of each reporting period

2.14 Income taxation

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company and its subsidiary operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2.15 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.16 Employee benefits

Defined contribution scheme

(a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Notes to the consolidated financial statements

Defined benefit scheme

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

2.17 Accounting for Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

LESSEE

The group leases certain land and buildings. Leases of land and buildings where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

LESSOR

The group leases out certain fuel filling stations. Leases of these filling stations by the lessee are classified as operating leases. Payment under the operating leases are recognised under other income on a straight-line basis over the period of the lease.

2.18 Dividend distribution

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

Notes to the consolidated financial statements

2.19 Compound financial instruments

Compound financial instrument is an instrument that contains elements of both liability and equity in a single contract. In some instances, the instrument comprise an embedded derivative.

An embedded derivative is a component of a compound instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the compound instrument vary in a way similar to a stand-alone derivative.

Compound financial instruments issued by the group comprise bonds with convertible options that can be converted to share capital at the option of the holder, and the number of shares to be issued varies with changes to in their fair value and other variables. The non-derivative host contract is the bond while the option granted to the holders is a standalone derivative.

Upon issue, it is determined whether the options granted are a financial liability or an equity instrument. The instrument is an equity instrument if, and only if, it is a derivative that will be settled by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments, otherwise it is a liability.

The option liability component of a compound instrument is recognized initially at the fair value of option on grant date. The bond liability component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the option liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion of their initial carrying amounts.

Subsequent to initial recognition, the bond liability component of the compound financial instrument is measured at amortised cost using the effective interest rate method. The option liability component of a compound financial instrument is re-measured at fair value subsequent to initial recognition at the end of every reporting period. The fair value gains or losses are recognized through profit and loss.

The financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the current reporting period.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Team that makes strategic decisions.

In accordance with IFRS 8, the group has the following business segments:

Segment	Description
Retail and Industrial	This segment derives revenue from the sale and distribution of petroleum products (white products and lubricants) in retail outlets and small units and to industrial customers across Nigeria.
Lubricants and Chemicals	This segment involves the manufacture and distribution of lubricants and chemicals to marine and energy customers across Nigeria.
Trading	This segment represents the bulk importation and sales of fuels (PMS, AGO, DPK), Base Oils, Bitumen, LPFO. It also involves lifting and sales of crude oil.

Notes to the consolidated financial statements

3 Critical accounting estimates and judgements

The preparation of financial statements requires management to make certain judgements, accounting estimates and assumptions that affect the amounts reported to the assets and liabilities at the reporting date and the amounts reported for revenues and expenses during the year. The nature of the estimation means that actual outcomes could differ from those estimates. The key source of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities are discussed below.

(a) Recoverability of assets carrying amount

The Company assesses its property plant and equipment, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least at every reporting date. Such indicators include changes in the Company's business plans, changes in commodity prices, evidence of physical damage and, for oil and gas properties, significant downward revisions of estimated recoverable volumes or increases in estimated future development expenditure.

If there are low oil prices or natural gas prices during an extended period the Company may need to recognize significant impairment charges. The assessment for impairment entails comparing the carrying value of the cash-generating unit with its recoverable amount, that is, the higher of the value in use and fair value less costs to sell. Value in use is usually determined on the basis of discounted estimated future net cash flows. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional market supply-and-demand conditions for crude oil, natural gas and refined products.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Such estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(b) Asset retirement obligation

Provisions for environmental clean-up and remediation costs associated with the Company's drilling operations are based on current constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in public expectations, prices, discovery and analysis of site conditions and changes in clean-up technology.

(c) Income taxes

The Company is subject to income taxes only within the Nigerian tax authority which does not require much judgement in terms of provision for income taxes but a certain level of judgement is required for recognition of the deferred tax assets. Management is required to assess the ability of the Company to generate future taxable economic earnings that will be utilised by all deferred tax assets. The future cash flows are used by management to assess whether the company will be able to generate enough future cash flows, as part of the management assumptions. The estimates are based on the future cash flow from operations taking into consideration the oil and gas prices, volumes produced, operational and capital expenditure.

Notes to the consolidated financial statements

(d) Impairment of trade receivables

The Group reviews trade receivables at least annually and when there is any indication that the receivables might be impaired. The Group has estimated the recoverable amount using models that require assumptions about future cash flows, cashflow dates and discount rates.

In 2012, Eterna Plc recognised an impairment loss of N822.7m(2011:N802.3m) on the group's trade and other receivables. The assessment was carried out by management to determine the recoverability of past due receivable balances in the books. Recoverable amount has been determined based on the net present value of the estimated future cashflows using the appropriate risk adjusted discount rate. The key assumptions include the following:

Parameters:	2012(%)	2011(%)
Weighted average probability of default	4.06%	20.50%
Recoverable amount (as a percentage of total receivables)	95.90%	79.42%
Discount rate	12.60%	15.09%

An increase/decrease in the weighted average probability of default by 10% , all other factors remaining constant, will lead to a 11.35% (2011:6.83%) increase/decrease in impairment provision for the year .

An increase/decrease in recoverable amount by 10%, all other factors remaining constant, will lead to a 5.93%(2011:6.83%) increase/decrease in impairment provision for the year .

An increase/decrease in discount rate by 10%, all other factors remaining constant, will lead to a 0.04% (2011:0.27%)increase/decrease in impairment provision for the year.

Notes to the consolidated financial statements

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3.1 Financial risk management

The Group's activities expose it to a variety of financial risks such as market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the treasury department under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by ensuring that sufficient funds are available to meet its commitments as they fall due.

The Group uses both long term and short term cash flow projections to monitor funding requirements for activities and to ensure there are sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits on any of its borrowing facilities. Cash flow projections take into consideration the group's debt financing plans, covenant compliance and internal balance sheet ratio targets.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed maturity periods. The table has been drawn based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Company can be required to pay.

Group

	Due within 1 year	1 - 2 years	2 - 3 years	3 - 5 years	3 - 5 years
December 31, 2012					
Borrowings	6,293,161	83,333	-	-	-
Trade payables	18,551,903	-	-	-	-
Bank overdrafts	496,771	-	-	-	-

December 31, 2011

Borrowings	5,951,863	416,667	-	-	-
Trade payables	1,622,816	-	-	-	-
Bank overdrafts	669,814	-	-	-	-

Company

	Due within 1 year	1 - 2 years	2 - 3 years	3 - 5 years	3 - 5 years
December 31, 2012					
Borrowings	6,209,828	83,333	-	-	-
Trade payables	18,219,145	-	-	-	-
Bank overdrafts	496,771	-	-	-	-

December 31, 2011

Borrowings	5,535,196	416,667	-	-	-
Trade payables	1,314,705	-	-	-	-
Bank overdrafts	669,814	-	-	-	-

The table below details unutilised credit facilities available to the Group, as at 31 December 2012

Description	Amount	Duration	Interest rate
LPG finance facility	USD 55 million	October 2012 to October 2013	Libor + 8.5%

The carrying amount of the borrowings approximates the fair value of the loans as the group's credit spread has remained the same throughout the period.

Notes to the consolidated financial statements

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(b) Market risk

(i) Price risk

The Group has limited exposure to commodity price risk as the Group's transactions are mostly Naira denominated. The Group is also not exposed to any equity price risks.

(ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. The borrowings are issued at a fixed rate and do not expose the group to fair value interest rate risk. During the current period, the Group had borrowings denominated in Naira and Japanese Yen.

(iii) Foreign exchange risk

The Group is exposed to foreign exchange risk arising primarily from its Japanese Yen denominated loan. The Japanese Yen-Naira exchange rate has not seen any major fluctuations as a result management has not established any hedging mechanisms.

In December 2012, if the currency had weakened/strengthened by 10% against the Japanese Yen with other variables constant, post tax profit for the year would have been N73.21m (2011:N75.73m) higher/lower, mainly as a result of foreign exchange gains/losses on translation of the Japanese Yen denominated bond/borrowing. Similarly, the impact on equity would have been N73.21m (2011:N75.73m) higher/lower.

(c) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and accounts receivable.

The credit risk on cash is limited because the majority of deposits are with banks which have stable credit ratings assigned by international credit agencies as shown in the table below. The Company's maximum exposure to credit risk due to default of the counter party is equal to the carrying value of its financial assets.

Bank	Rating
First Bank of Nigeria	B+
United Bank for Africa	B+
Sterling Bank	A2
Access Bank	A-
FCMB Plc	A2-
Mainstreet Bank	No rating

The Group assesses the credit quality of the customers by taking into account the financial position, past experience and other factors related to that particular customer. Customer limits are set on each individual client based on past

The analysis of trade and other receivables by performance is as follows:

	2012	2011
Performing	25,423,485	5,993,360
Past due but not impaired	74,491	53,998
Individually impaired	834,717	827,112

Notes to the consolidated financial statements

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3.2 Capital management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of net debt ratio, that is, the ratio of net debt to net debt plus equity. Net debt is calculated as gross debt as shown in the balance sheet, less cash and cash equivalents.

During 2012, the group's strategy, which was unchanged from 2011, was to maintain a net debt ratio of below or within 40% to 50%. The net debt ratios as at 31 December 2012, 2011 and 2010 are as follows:

	31 December 2012	31 December 2011	1 January 2011
Borrowings:	6,289,712	5,909,826	2,722,683
Less: cash and bank balances	(273,509)	(1,155,264)	(261,798)
	<u>6,016,203</u>	<u>4,754,562</u>	<u>2,460,885</u>
Equity	6,397,011	5,446,851	4,388,641
Net debt ratio	48%	47%	36%

3.3 Financial instruments and fair values

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the statement of income or other comprehensive income.

Those categories are: loans and receivables; and for liabilities, fair value through profit or loss and amortized cost.

The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2012 and 2011 and January 1, 2011.

	31 December 2012	31 December 2011	1 January 2011
Assets			
Loans and receivables:			
Cash and bank balances	273,509	1,155,264	261,798
Trade and other receivables	<u>25,493,986</u>	<u>6,072,211</u>	<u>1,912,646</u>
	25,767,495	7,227,475	2,174,444
Liabilities			
Amortized cost:			
Trade and other payables	18,551,903	1,622,816	1,590,016
Borrowings	6,206,379	5,493,159	1,427,527
Bank overdrafts	<u>496,771</u>	<u>669,814</u>	<u>-</u>
	25,255,053	7,785,789	3,017,543
Fair value through profit and loss:			
Derivative liability	415,220	417,984	349,956

Notes to the consolidated financial statements

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The following table summarizes the fair value of financial assets and liabilities at December 31, 2012 and 2011 and January 1, 2011:

	31 December 2012	31 December 2011	1 January 2011
Assets			
Cash and cash equivalents	273,509	1,155,264	261,798
Trade and other receivables	<u>25,510,024</u>	<u>6,072,211</u>	<u>1,912,646</u>
	<u>25,783,533</u>	<u>7,227,475</u>	<u>2,174,444</u>
Liabilities			
Trade and other payables	18,551,903	1,622,816	1,590,016
Borrowings	6,315,474	5,876,890	2,851,629
Bank overdrafts	496,771	669,814	-
Derivative liability	<u>415,220</u>	<u>417,984</u>	<u>349,956</u>
	<u>25,779,368</u>	<u>8,587,504</u>	<u>4,791,601</u>

Notes to the consolidated financial statements

4 Transition to IFRS

Explanation of transition to IFRS

As stated in note 2.0, these are the Group's first financial statements prepared in accordance with IFRS. The Group has applied IFRS 1 in preparing these financial statements and the accounting policies set out in note 2 have been applied in preparing the financial statements for the period ended 31 December 2012, the comparative information presented in these financial statements for the period ended 31 December 2011, and in the preparation of an opening IFRS balance sheet at 1 January 2011 (the date of the Company's transition to IFRS).

In preparing its opening IFRS balance sheet, the Company has adjusted amounts previously reported in its financial statements prepared in accordance with Statements of Accounting Standards issued by the Nigerian Accounting Standards Board ("Nigerian GAAP"). An explanation of how the transition from Nigerian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out below.

In preparing these financial statements in accordance with IFRS 1, the Company has applied the mandatory exceptions from full retrospective application of IFRS. The optional exemptions from full retrospective application selected by the Company are summarised below.

(i) 1. Initial elections upon adoption

Set out below are the applicable IFRS 1 exemptions and exceptions applied in the conversion from NGAAP to IFRS.

1.1 IFRS exemption options

The Company applied the following optional exemptions from retrospective application:

(a) Property plant & Equipment

Eterna has elected not to apply the fair value as deemed cost exemption. As a result a full retrospective adjustment was applied to all property, plant and equipment.

(b) Lease

The optional exemption was chosen and agreements existing at the transition date were assessed whether they contain lease based on the facts and circumstances that exist at transition date.

(c) Business combinations

The group elected to apply IFRS 3 prospectively to business combinations occurring after its transition date. Business combinations occurring prior to the transition date have not been restated.

(d) IFRIC 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities

Eterna has elected the exemption which allows the Group to apply IFRIC 1 transitional exemptions. As a result, the decommissioning liability was calculated based on circumstances that existed at balance sheet date.

1.2 IFRS mandatory exceptions

Set out below are the applicable mandatory exceptions in IFRS 1 applied in the conversion from NGAAP to IFRS.

Exception for estimates

Estimates under IFRS at 1 January 2011 are consistent with estimates made for the same date under Nigerian GAAP, unless there is evidence that those estimates were in error.

Derecognition of financial assets and liabilities exception

Financial assets and liabilities derecognised before 1 January 2004 are not re-recognised under IFRS.

Non-controlling interests exception

From 1 January 2011 total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if it results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners) from 1 May 2009. The guidance contained in IFRS on accounting for the loss of control of a subsidiary is applied prospectively from 1 January 2011.

Notes to the consolidated financial statements

Classification and measurement of financial assets exception

The assessment of whether the Group's financial assets and liabilities meet the measurement requirements as set out in IAS 39, was performed at 1 January 2011.

(ii) Reconciliations of Nigerian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The company's first-time adoption did not have an impact on the total operating, investing or financing cash flows. The following tables represent the reconciliations from Nigerian GAAP to IFRS for the respective periods noted for equity, earnings and comprehensive income.

Reconciliation of equity and comprehensive income as previously reported under Nigerian GAAP to IFRS

Equity	Note 4 (iii)	31 December 2011 N'000	1 January 2011 N'000
Equity as reported under Nigerian GAAP		5,834,978	4,623,819
IFRS adjustments increase/ (decrease):			
Retirement benefit obligation	(a)	(50,608)	(65,025)
Property, plant and equipment:			
– Depreciation	(b)	362,817	220,896
– Deemed cost of PPE	(c)	(130,295)	(130,295)
Impairment of trade receivables	(d)	27,175	(14,648)
Accretion charge on decommissioning liabilities	(e)	(2,608)	-
Recognition of derivative liability	(f)	(417,984)	(349,956)
Recognition of financial assets/liabilities using the effective interest rate	(g)	42,037	147,680
Deferred income tax	(h)	(218,600)	(43,771)
Equity as reported under IFRS		5,446,912	4,388,700

Comprehensive income	Note 4 (iii)	31 December 2011 N'000
As reported under Nigerian GAAP		1,211,159
Increase/ (decrease) in net income for:		
Employee future benefits	(a)	(12,668)
Impairment of trade receivables	(d)	41,823
Depreciation	(b)	141,921
Accretion charge on decommissioning liabilities	(e)	(2,608)
Recognition of derivative liability	(f)	(68,028)
Recognition of financial assets/liabilities using the effective interest rate	(g)	(105,643)
Deferred income tax	(h)	(166,703)
		(171,906)
Increase (decrease) in other comprehensive income for:		
Employee future benefits – actuarial gains and losses	(a)	27,085
Deferred income tax		(8,126)
As reported under IFRS		1,058,212

Notes to the consolidated financial statements

(iii) Notes to Reconciliation of Nigerian GAAP to IFRS

(a) Retirement benefit obligation

The group does not employ the services of a professional actuary in computing the defined benefit obligation. IFRS encourages the use of actuarial assumptions and techniques to make a reliable estimate of the defined benefit obligation using the projected unit credit method. HR Nigeria & Associates Limited performed a valuation of the obligation of the group as at 1 January 2011, 31 December 2011 and 31 December 2012. The valuation of the retirement obligation based on the actuarial report resulted in an increase of N65 million in the retirement benefit obligation as at 1 January 2011 (31 December 2011: N50.6 million).

(b) Depreciation of Property, plant and equipment:

IFRS requires that the residual values, useful lives and depreciation method of property, plant and equipment be reviewed at each reporting period. Items of property plant and equipment with significant components are required to be disaggregated (componentised) for the purpose of depreciation. These are not required under NGAAP. The revision of residual values, useful lives and componentisation led to an increase in property plant and equipment of N220million as at 1 January 2011 (N363million as at 31 December 2011)

(c) Deemed cost on PPE

The Group has chosen to apply IAS 16 retrospectively for all classes of property, plant and equipment. In addition, revaluation reserves of the sum of N130m which was initially recognised under NGAAP was reversed due to the retrospective application of IAS 16.

(d) Impairment of trade and receivables

Under NGAAP, loans and receivable balances are subjected to provision for doubtful debts based on expected losses determined solely by the ageing of such receivable balances. In addition, a general provision is made for items in the account receivable buckets which is not required under IFRS. Instead, IFRS requires that an impairment can only be recognized if there is an objective evidence that a loss has occurred after the recognition of an asset but before the reporting date. This impairment exercise on trade receivables as at 1 January 2011 resulted in a reduction of trade receivables by N14.6m (increase of N27.2m as at 31 December 2011)

(e) Decommissioning liabilities

Under NGAAP, there is no requirement for downstream oil and gas entities to account for future decommissioning costs. On adoption of IFRS, the Company has recognised the present value of the estimated future costs of decommissioning its tank farms. The recognition of such costs had no impact on retained earnings on 1 January 2011 (N2.6m as at 31 December 2011)

(f) Recognition of derivative liability

Under IFRS, derivatives are recognised in the statement of financial position as either financial assets or financial liabilities. Derivatives are measured at fair value, with changes in value recognised in profit or loss as they arise. Under NGAAP there is no guidance as to the measurement of derivatives. The Group issued bonds with a conversion option in 2009, the options meet the definition of a derivative per IAS 39. The valuation of the derivative resulted in the recognition of a derivative liability of N350m as at 1 January 2011 (N418m as at 31 December 2011).

(g) Recognition of financial assets/liabilities carried at amortised cost using the effective interest rate

IFRS requires financial assets carried at amortised cost to be measured using the effective interest method. The effect of applying the effective interest rate resulted in an increase in borrowings by N147.7million as at 1 January 2011 (31 December 2011: N42.0million). The corresponding effect was recorded as finance costs in the income statement.

(h) Deferred tax

The adjustments to effect the transition to IFRS increased the deferred tax liability as follows based on an income tax rate of 30 per cent and a capital gains tax rate of 10 per cent as at 1 January 2011 and 31 December 2011.

Deferred tax	Note	31 Dec 2011	1 Jan 2011
		N' 000	N' 000
Depreciation of property, plant and equipment	(b)	226,412	66,269
Impairment of trade receivables	(d)	8,152	(4,394)
Retirement benefit obligation	(a)	(15,182)	(18,104)
Decommissioning liabilities	(e)	(782)	-
		<u>218,600</u>	<u>43,771</u>

Notes to the consolidated financial statements

	N'ooo			
	Group		Company	
	2012	2011	2012	2011
5 Revenue				
Fuel	20,803,817	16,899,028	21,708,339	17,714,942
Lubricants	1,186,234	1,142,692	1,133,083	1,246,454
Gas	-	4,925,695	-	4,925,695
Marine fuel	1,890,192	855,265	1,890,192	855,265
Crude Oil	65,757,231	15,376,127	65,757,232	15,339,996
	<u>89,637,474</u>	<u>39,198,807</u>	<u>90,488,846</u>	<u>40,082,352</u>
6 Expenses by nature				
Material cost	86,337,102	36,561,841	87,490,210	37,526,554
Delivery cost	194,772	201,780	194,773	201,780
Sales commission	60,327	78,238	60,328	78,238
Staff Cost	408,081	397,791	401,377	391,143
Depreciation and amortisation	283,873	262,309	269,634	245,611
Legal and professional fees	284,081	74,910	278,022	68,160
Repairs and Maintenance	55,194	58,099	35,438	35,212
Marketing, gifts and donations	54,710	30,677	54,610	30,577
Operating lease cost	52,863	54,725	52,363	54,725
Travelling Expenses	50,368	38,047	50,100	37,789
Insurance, medical and security expenses	46,520	43,192	44,114	40,680
Stationery and communication	44,209	30,064	41,478	28,509
Pension costs	23,790	17,373	23,790	17,373
Directors Remuneration	13,475	1,600	13,475	1,600
Licence fees	12,952	7,216	12,733	6,978
Auditors Remuneration	11,013	10,000	7,013	7,000
Impairment provision	42,082	-57,418	42,082	(57,418)
Gain/(Loss) on disposal of property, plant and equipment	(300)	3,525	(300)	3,525
Other expenses	62,634	124,718	58,204	119,445
Total cost of sales, distribution costs and administrative expenses	<u>88,037,746</u>	<u>37,938,687</u>	<u>89,129,444</u>	<u>38,837,481</u>
Expenses by function				
Cost of Sales	86,592,201	36,841,859	87,745,311	37,806,572
Selling and Distribution expenses	105,077	68,724	104,710	68,366
General and Administrative expenses	1,340,468	1,028,104	1,279,423	962,543
	<u>88,037,746</u>	<u>37,938,687</u>	<u>89,129,444</u>	<u>38,837,481</u>
7 Other income				
Depot storage income	154,036	959,768	154,036	959,768
Rent income	26,342	20,667	26,342	20,667
Reversal of impairment	18,713	59,302	18,714	59,302
Blending Income	15,199	-	-	-
Other income	29,365	83,095	29,365	59,502
	<u>243,655</u>	<u>1,122,832</u>	<u>228,457</u>	<u>1,099,239</u>
8 Finance Income				
Interest income on short-term bank deposits	2,874	9,513	2,874	9,513
	<u>2,874</u>	<u>9,513</u>	<u>2,874</u>	<u>9,513</u>

Notes to the consolidated financial statements

	N'000			
	Group		Company	
	2012	2011	2012	2011
9 Finance cost				
Interest expense	429,729	339,005	429,229	338,575
Unwinding of discount on provisions	7,044	7,435	7,044	7,435
Interest cost on employee benefits	3,374	2,608	3,374	2,608
Other bank charges	72,003	136,607	72,003	136,607
	<u>512,150</u>	<u>485,655</u>	<u>511,650</u>	<u>485,225</u>
10 Taxation				
Current taxes on income for the reporting period	336,115	464,938	269,097	458,247
Current deferred tax for the reporting period	130,657	280,491	116,949	313,675
Total tax expense	<u>466,772</u>	<u>745,429</u>	<u>386,046</u>	<u>771,922</u>
	Group			
Reconciliation of effective tax rate	31 Dec 2012	31 Dec 2011		
Profit before income tax	1,413,128	1,784,682		
Income tax using the domestic corporation tax rate	30.00%	423,938	30.00%	535,405
Disallowed expenses	0.59%	8,360	9.67%	172,657
Education tax levy	2.44%	34,474	2.09%	37,367
Total income tax expense in statement of comprehensive income	<u>33.03%</u>	<u>466,772</u>	<u>41.76%</u>	<u>745,429</u>
	Company			
Reconciliation of effective tax rate	31 Dec 2012	31 Dec 2011		
Profit before income tax	1,158,104	1,746,270		
Income tax using the domestic corporation tax rate	30.00%	347,431	30.00%	523,882
Disallowed expenses	0.82%	9,537	12.12%	211,674
Education tax levy	2.51%	29,078	2.08%	36,366
Total income tax expense in statement of comprehensive income	<u>33.33%</u>	<u>386,046</u>	<u>44.20%</u>	<u>771,922</u>

Notes to the consolidated financial statements

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	Group		Company	
	2012	2011	2012	2011
The movement in the current income tax liability is as follows:				
Opening balance	587,751	156,105	525,822	100,867
Tax paid	(132,036)	(33,292)	(132,036)	(33,292)
Income tax charge	336,115	464,938	269,097	458,247
Closing balance	791,830	587,751	662,883	525,822
Current	791,830	587,751	662,883	525,822
Non-current	-	-	-	-
	791,830	587,751	662,883	525,822

Notes to the consolidated financial statements

11 Property, Plant and Equipment

GROUP	Capital Work-in-progress N'000	Land and buildings N'000	Office Equipment N'000	Furniture and fittings N'000	Motor vehicles N'000	Plant and Machinery N'000	Total N'000
Balance as at 1 January 2011	545,570	431,194	31,444	37,379	35,681	5,049,448	6,130,716
Additions	3,800	116,501	17,522	17,260	24,015	76,917	256,015
Disposals	-	-	-	-	(5,147)	(3,840)	(8,987)
Depreciation	-	(9,224)	(13,807)	(14,046)	(12,430)	(180,465)	(229,972)
Closing balance	549,370	538,471	35,159	40,593	42,119	4,942,060	6,147,772
Cost	549,370	574,540	78,694	80,962	64,308	5,670,908	7,018,782
Accumulated depreciation	-	(36,068)	(43,535)	(40,369)	(22,189)	(728,849)	(871,010)
Closing balance	549,370	538,472	35,159	40,593	42,119	4,942,059	6,147,772
Balance as at 1 January 2012	549,370	538,472	35,159	40,593	42,119	4,942,059	6,147,772
Additions	26,730	126,245	52,155	1,175	66,817	82,359	355,481
Disposals	-	-	-	-	-	-	-
Depreciation	-	(14,716)	(18,107)	(15,409)	(16,519)	(187,167)	(251,918)
Closing balance	576,100	650,001	69,207	26,359	92,417	4,837,251	6,251,335
Cost	576,100	700,785	130,350	83,347	112,830	5,762,273	7,365,685
Accumulated depreciation	-	(50,784)	(61,142)	(56,989)	(20,413)	(925,022)	(1,114,350)
Closing balance	576,100	650,001	69,208	26,358	92,417	4,837,251	6,251,335

Notes to the consolidated financial statements

11 Property, Plant and Equipment (Continued)

Company	Capital Work-in-progress N'000	Land and buildings N'000	Office Equipment N'000	Furniture and fittings N'000	Motor vehicles N'000	Plant and Machinery N'000	Total N'000
Balance as at 1 January 2011							
Additions	545,570	366,640	18,738	36,088	35,681	5,001,931	6,004,648
Disposals	3,800	116,503	8,318	16,627	21,616	64,716	231,580
Depreciation	-	-	-	-	(5,147)	(3,840)	(8,987)
Closing balance	549,370	475,299	(7,626)	(13,476)	(12,490)	(171,825)	(213,261)
			19,431	39,239	39,660	4,890,982	6,013,980
Cost	549,370	498,801	41,318	77,190	60,603	5,560,401	6,787,683
Accumulated depreciation	-	(23,503)	(21,887)	(37,951)	(20,944)	(669,418)	(773,703)
Closing balance	549,370	475,298	19,431	39,239	39,659	4,890,983	6,013,980
Balance as at 1 January 2012							
Additions	549,370	475,298	19,431	39,239	39,659	4,890,983	6,013,980
Disposals	-	125,895	23,019	2,455	66,816	69,062	287,247
Depreciation	-	-	-	-	-	-	-
Closing balance	549,370	(13,322)	(10,005)	(16,128)	(22,135)	(176,793)	(238,383)
		587,871	32,445	25,566	84,340	4,783,252	6,062,844
Cost	549,370	624,696	63,838	79,646	100,279	5,638,839	7,056,668
Accumulated depreciation	-	(36,825)	(31,393)	(54,980)	(15,938)	(855,588)	(993,824)
Closing balance	549,370	587,871	32,445	25,566	84,341	4,783,251	6,062,844

Notes to the consolidated financial statements

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12 Prepayments

	Group		
	31 Dec 2012	31 Dec 2011	1 Jan 2011
Prepaid rent	220,485	255,442	312,641
Current portion of prepaid rent	(26,017)	(24,877)	(25,836)
Non-current portion of prepaid rent	194,468	230,565	286,805
Other short term prepayment	88,911	83,521	82,378
Current portion of prepaid rent	26,017	24,877	25,836
	114,928	108,398	108,214

	Company		
	31 Dec 2012	31 Dec 2011	1 Jan 2011
Prepaid rent	220,485	255,442	312,641
Current portion of prepaid rent	(26,017)	(24,877)	(25,836)
Non-current portion of prepaid rent	194,468	230,565	286,805
Other short term prepayment	88,911	83,521	82,378
Current portion of prepaid rent	26,017	24,877	25,836
	114,928	108,398	108,214

13 Investment in subsidiaries

Investment in subsidiaries is made up of:

	Company		
	31 Dec 2012	31 Dec 2011	1 Jan 2011
99.98% in Eterna Industries Limited	49,990	49,990	49,990
100% in Eterna Marine and Services Limited	1,000	1,000	1,000
	50,990	50,990	50,990

These investments are ultimately consolidated at group level.

14 Deferred Income Tax

	Group		
	31 Dec 2012	31 Dec 2011	1 Jan 2011
The analysis of deferred tax assets and deferred tax liabilities is as follows:			
Deferred tax assets			
Deferred tax asset to be recovered after more than 12 months	-	-	-
Deferred tax asset to be recovered within 12 months	-	-	(301,144)
	-	-	(301,144)
Deferred tax liabilities			
Deferred tax liability to be recovered after more than 12 months	174,318	42,017	42,017
Deferred tax liability to be recovered within 12 months	-	-	12,527
	174,318	42,017	54,544
Net deferred tax liability/(asset)	174,318	42,017	-246,600

Notes to the consolidated financial statements

	N'ooo		
	Company		
	31 Dec 2012	31 Dec 2011	1 Jan 2011
The analysis of deferred tax assets and deferred tax liabilities is as follows:			
Deferred tax assets			
Deferred tax asset to be recovered after more than 12 months	-	-	-
Deferred tax asset to be recovered within 12 months	-	-	(301,144)
	-	-	(301,144)
Deferred tax liabilities			
Deferred tax liability to be recovered after more than 12 months	139,252	20,658	-
Deferred tax liability to be recovered within 12 months	-	-	-
	139,252	20,658	-
Net deferred tax liability/(asset)	139,252	20,658	(301,144)

	Group					
	Trade and other receivables	Borrowings	Property, Plant & Equipment	Decommissioning Liabilities	Employee Benefits	Total
Deferred tax assets						
At 1 January 2011	(253,972)	(40,658)	11,589	-	(18,103)	(301,144)
Charged/(credited) to the statement of comprehensive income	253,972	40,658	(11,589)	-	18,103	301,144
Charged/(credited) to other comprehensive income	-	-	-	-	-	-
Charged/(credited) directly to equity	-	-	-	-	-	-
At 31 December 2011	-	-	-	-	-	-
Charged/(credited) to the statement of comprehensive income	-	-	-	-	-	-
Charged/(credited) to other comprehensive income	-	-	-	-	-	-
Charged/(credited) directly to equity	-	-	-	-	-	-
At 31 December 2012	-	-	-	-	-	-

Notes to the consolidated financial statements

	Group						N'ooo
	Trade and other receivables	Borrowings	Property, Plant & Equipment	Decommissioni ng Liabilities	Employee Benefits	Total	
Deferred tax liabilities							
At 1 January 2011			54,544	-			54,544
Charged/(credited) to the statement of comprehensive income	(248,267)	(40,218)	292,738	(782)	(7,872)		(4,401)
Charged/(credited) to other comprehensive income	-	-	-	-	(8,126)		(8,126)
Charged/(credited) directly to equity	-	-	-	-	-		-
At 31 December 2011	(248,267)	(40,218)	347,282	(782)	(15,998)		42,017
Charged/(credited) to the statement of comprehensive income	1,536	16,512	119,083	(1,013)	(2,172)		133,946
Charged/(credited) to other comprehensive income	-	-	-	-	(1,645)		(1,645)
Charged/(credited) directly to equity	-	-	-	-	-		-
At 31 December 2012	(246,731)	(23,706)	466,365	(1,795)	(19,815)		174,318
Company							
	Trade and other receivables	Borrowings	Property, Plant & Equipment	Decommissioni ng Liabilities	Employee Benefits	Total	
Deferred tax assets							
At 1 January 2011	(253,972)	(40,658)	11,589	-	(18,103)		(301,144)
Charged/(credited) to the statement of comprehensive income	5,705	440	314,205	(653)	10,231		329,928
Charged/(credited) to other comprehensive income	-	-	-	-	(8,126)		(8,126)
At 31 December 2011	(248,267)	(40,218)	325,794	(653)	(15,998)		20,658
Charged/(credited) to the statement of comprehensive income	1,536	16,512	105,225	(862)	(2,172)		120,239
Charged/(credited) to other comprehensive income	-	-	-	-	(1,645)		(1,645)
At 31 December 2012	(246,731)	(23,706)	431,019	(1,515)	(19,815)		139,252

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Notes to the consolidated financial statements

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15 Inventory

	Group		
	31 Dec 2012	31 Dec 2011	1 Jan 2011
Raw materials	190,352	193,846	119,167
Finished goods	694,272	864,606	221,366
	<u>884,624</u>	<u>1,058,452</u>	<u>340,533</u>

	Company		
	31 Dec 2012	31 Dec 2011	1 Jan 2011
Finished goods	614,615	771,135	195,377
Goods in transit			
	<u>614,615</u>	<u>771,135</u>	<u>195,377</u>

Inventory is carried at the lower of cost or net realisable value.

16 Trade and Other receivables

	Group		
	31 Dec 2012	31 Dec 2011	1 Jan 2011
Trade receivables	20,123,365	3,001,782	2,280,634
Less: Provision for impairment of receivables	(746,218)	(725,638)	(792,330)
Trade receivables – net	<u>19,377,147</u>	<u>2,276,144</u>	<u>1,488,304</u>
Advances to suppliers	3,916,093	1,988,005	757
Tax related receivables	1,987,345	980,627	391,973
Other receivables	289,852	904,056	85,854
Less: Provision for impairment of other receivables	(76,451)	(76,621)	(54,243)
	<u>25,493,986</u>	<u>6,072,211</u>	<u>1,912,645</u>

	Company		
	31 Dec 2012	31 Dec 2011	1 January 2011
Trade receivables	20,116,253	2,993,525	2,266,502
Due from subsidiaries (refer to Note 25)	50,882	205,181	51,005
Less: Provision for impairment of receivables	(745,988)	(725,408)	(792,100)
Trade receivables – net	<u>19,421,147</u>	<u>2,473,298</u>	<u>1,525,407</u>
Advances to suppliers	4,549,275	1,898,733	757
Tax related receivables	950,022	754,700	248,746
Other receivables	289,123	904,056	85,853
Less: Provision for impairment of other receivables	(76,451)	(76,621)	(54,243)
	<u>25,133,116</u>	<u>5,954,166</u>	<u>1,806,520</u>

Notes to the consolidated financial statements

	N'000		
	31 Dec 2012	Group 31 Dec 2011	1 Jan 2011
Movements on the provision for impairment for trade receivables are as follows:			
Opening balance	(725,638)	(792,330)	-
Receivables written off during the year as uncollectible	21,502	9,274	-
Charge for the year	(42,082)	-	(792,330)
Unused amounts reversed		57,418	-
Closing balance	(746,218)	(725,638)	(792,330)

	31 Dec 2012	Company 31 Dec 2011	31 Jan 2011
Movements on the provision for impairment for trade receivables are as follows:			
Opening balance	(725,407)	(792,100)	-
Charge for the year	(42,083)	-	792,100
Receivables written off during the year as uncollectible	21,502	9,274	-
Unused amounts reversed	-	57,418	-
Unwind of discount	-	-	-
Closing balance	(745,988)	(725,408)	(792,100)

The creation of provision for impaired receivables have been included in 'General and administrative expenses' and the release of impairment provisions is included in 'other income' in the statement of comprehensive income (note 6).

17 Cash and Cash Equivalents

	31 Dec 2012	Group 31 Dec 2011	1 Jan 2011
Cash and bank balances	273,509	1,155,264	261,798
Bank overdrafts	(496,771)	(669,814)	-
	(223,262)	485,450	261,798

	31 Dec 2012	Company 31 Dec 2011	1 Jan 2011
Cash and bank balances	273,506	1,155,214	261,430
Bank overdrafts	(496,771)	(669,814)	-
	(223,265)	485,400	261,430

Short term investment represents short term bank deposits. The cash and cash equivalent balance includes bank overdraft.

Notes to the consolidated financial statements

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18 Borrowings

	Group		
	31 Dec 2012	31 Dec 2011	1 Jan 2011
Non-current			
Bank borrowings	83,333	416,667	-
Bond instrument	-	-	1,295,156
	<u>83,333</u>	<u>416,667</u>	<u>1,295,156</u>
Current			
Bank borrowings	5,488,165	4,698,361	1,427,527
Bond instrument	718,214	794,798	-
	<u>6,206,379</u>	<u>5,493,159</u>	<u>1,427,527</u>
	Company		
	31 Dec 2012	31 Dec 2011	1 Jan 2011
Non-current			
Bank borrowings	83,333	416,667	-
Bond instrument	-	-	1,295,156
	<u>83,333</u>	<u>416,667</u>	<u>1,295,156</u>
Current			
Bank borrowings	5,488,165	4,698,361	1,427,527
Bond instrument	718,214	794,798	-
	<u>6,206,379</u>	<u>5,493,159</u>	<u>1,427,527</u>

Borrowings classified as current are denominated in Nigerian Naira and Japanese Yen and are secured by a lien on products for resale, legal mortgages and a Petroleum Storage Depot.

Bank borrowings classified as current are denominated in Naira. This relates to various import finance facilities (IFF) and local purchase facilities (LPF) obtained from various banks at interest rates ranging between 15% to 18% per annum with repayment period ranging from 15 to 90 days. The facilities are secured by lien on the products for resale, the Group's Petroleum Storage Depot and Aviation Tank Farm.

The bond instrument is a JPY750,000,000 zero-coupon bonds issued by Eterna Plc to Daewoo Securities (Europe) Limited on 29 November 2009. The bond yield at the time of issue was 4.75% compounded per annum and repayable in 2 equal tranches; at the end of 24 months from the date of the agreement and at the end of 32 months. The first tranche was repaid on schedule in November 2011 while the second tranche which fell due in July 2012 was not fully paid on schedule as only a part payment was made in December 2012. The bond is currently running at a default yield rate of 14.75%.

The agreement also provides that Daewoo Securities (Europe) Limited has an option to subscribe in aggregate up to the Naira equivalent of JPY 750,000,000 in ordinary shares of Eterna Plc. This option is exercisable at any time between 24 November 2011 and 24 November 2029. As at 31 December 2012 this option had not been exercised by Daewoo Securities (Europe) Limited. As at 31 December 2012, the option (derivative liability) has been recognised at fair value of N415.22 million (2011: N417.98 million). The fair value of the option was determined using the Monte-Carlo simulation methodology, by simulating monthly share prices in order to calculate the relevant strike price at each reset date. Fair value changes arising on the option are recognised in the statement of comprehensive income.

Non current borrowings represent a N1billion facility obtained from the Bank of Industry in April 2011 with an interest rate is 7% per annum. It is secured by a lien on the Group's Petroleum Storage Depot. The principal and interest are payable quarterly and is to be fully repaid in March 2014.

Notes to the consolidated financial statements

N'000

19 Employee Benefits

	Group		
	31 Dec 2012	31 Dec 2011	1 Jan 2011
Defined benefit obligations	66,045	53,325	63,060
Fair value of plan assets	-	-	-
Deficit of funded plans	66,045	53,325	63,060
Unrecognised (gains)/losses	-	-	-
Net Liability Recognised	66,045	53,325	63,060

The reconciliation of the defined benefit obligations as at

	31 Dec 2012	31 Dec 2011
Opening balance	53,325	63,060
Current service cost	11,158	16,490
Interest cost	7,044	7,435
Benefits paid	-	(6,575)
Actuarial (gains)/losses	(5,482)	(27,085)
Net Liability Recognised	66,045	53,325

Statement of comprehensive income charge for:

	31 Dec 2012	31 Dec 2011
Defined benefit obligation	12,741	16,748
Total amount recognised in the statement of comprehensive income	12,741	16,748

Actuarial gains/(losses) recognised in the statement of other comprehensive income in the period

	3,837	18,958
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Cumulative actuarial gain/(losses) recognised in the statement of other comprehensive income

	22,795	18,958
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Plan liability (Gratuity provision) is based upon independent actuarial valuation performed by HR Nigeria Limited using the projected unit credit basis. This valuation was carried out as at 31 December 2010, 31 December 2011 and 31 December 2012 appropriately. The principal assumptions, i.e., discount rates and average rate of inflation, used for the purpose of arriving at the actuarial valuation was 12% and 10% per annum respectively.

The sensitivity of the gratuity liability to changes in the weighted principal assumptions as at 31 December 2012, is:

Change in assumption	Impact on gratuity liability
Discount rate--Increase/decrease of 1.0%	Increase/decrease by N7.1m
Salary growth rate--Increase/decrease of 1.0%	Increase/decrease by N7.4m
Life expectancy--Increase/decrease of 1 year	Increase/decrease by N0.11m

Notes to the consolidated financial statements

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20 Decommissioning Liability

	Group		
	31 Dec 2012	31 Dec 2011	1 January 2011
Balance as at 1 January	22,217	16,792	-
Additional obligations incurred	4,855	2,816	16,792
Changes in estimated flows	-	-	-
Unwinding of discount due to passage of time	2,874	2609	-
Balance at 31 December	29,946	22,217	16,792

	Company		
	31 Dec 2012	31 Dec 2011	1 January 2011
Balance as at 1 January	19,134	14,139	-
Additional obligations incurred	4,355	2,817	14,139
Unwinding of discount due to passage of time	2,874	2,178	-
Balance at 31 December	26,363	19,134	14,139

The Company makes provision for the future cost of decommissioning storage tanks on a discounted basis. These costs are expected to be incurred 30 to 50 years. The provision has been estimated using existing technology at current prices, escalated at 10.3% (2010 – 11.8%) and discounted at 12.8% (2010 – 15.42%). The economic life and the timing of the asset retirement obligation are dependent on Government legislation, commodity price and the future production profiles of the project. In addition, the estimated cash outflows are subject to inflationary and/or deflationary pressures.

21 Trade and other payables

	Group		
	31 Dec 2012	31 Dec 2011	1 Jan 2011
Trade creditors	17,117,124	495,350	787,164
Tax related liabilities	954,296	653,385	398,208
Advance received	217,293	172,812	13,019
Accrued expenses	124,913	60,667	157,390
Other payables	138,277	240,602	234,234
	18,551,903	1,622,816	1,590,015

	Company		
	31 Dec 2012	31 Dec 2011	1 Jan 2011
Trade creditors	17,090,222	263,622	706,546
Tax related liabilities	644,180	437,561	250,487
Advance received	217,293	172,812	13,019
Accrued expenses	117,023	55,232	145,385
Other payables	129,589	231,179	227,366
Due to subsidiaries (Refer to Note 25)	20,839	154,299	61,747
	18,219,146	1,314,705	1,404,550

Notes to the consolidated financial statements

N'000

22 Share capital and Share premium

Authorised:

1,600,000 thousands Ordinary shares of 50k each

31 Dec 2012	31 Dec 2011	1 Jan 2011
800,000	800,000	800,000

Issued and fully paid:

1,304,145 thousand Ordinary shares of 50k each

652,072	652,072	652,072
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Issued and fully allotted:

1,304,145 thousand Ordinary shares of 50k each

652,072	652,072	652,072
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Movements during the period:

	Number of shares '000	Ordinary shares '000	Share premium '000	Total '000
Balance at 1 January 2011	1,304,145	652,072	5,796,053	6,448,125
Capitalised during the period	-	-	-	-
Issue of new shares	-	-	-	-
At 31 December 2011	1,304,145	652,072	5,796,053	6,448,125
Capitalised during the period	-	-	-	-
Issue of new shares	-	-	-	-
At 31 December 2012	1,304,145	652,072	5,796,053	6,448,125

23 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	Group	
	2012	2011
Profit for the year attributable to shareholders (in N'000)	946,356	1,039,254
Weighted average number of ordinary shares in issue	1,304,145	1,304,145
Basic earnings per share (in N'000)	0.73	0.80

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	2012	2011
Profit for the year attributable to shareholders (in N'000)	946,356	1,039,254
Weighted average number of ordinary shares in issue	1,304,145	1,304,145
Adjustments for :		
- Share options	-	-
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,304,145	1,304,145
Diluted earnings per share (in N'000)	0.73	0.80

Notes to the consolidated financial statements

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24 Contingent liabilities

The directors are not aware of any material contingent liability arising out of any suit pending against the company that has not been provided for in the financial statements for the year ended 31 December 2012 (2011 : nil).

25 Related party transactions

Eterna Plc. is not wholly controlled by any individual/company/entity, however Lenux integrated resources Limited held 23.09% of the shareholding of Eterna plc. and is represented by 3 directors out of the 5 directors on the board.

The company has two subsidiaries: Eterna Marine Services Limited and Eterna Industries Limited. The company carried out some transactions with its subsidiaries during the year under review.

The balances due from/(due to) these companies and the nature of the business relationships involved are as follows:

	Relationship	31 Dec 2012	31 Dec 2011	1 Jan 2011
Subsidiaries:				
Eterna Industries Limited	Subsidiary	(20,839)	154,299	(61,747)
Eterna Marine and Services Limited	Subsidiary	50,882	50,882	51,005
		<u>30,043</u>	<u>205,181</u>	<u>(10,742)</u>

Significant related party transactions and balances relating to the Company's financial statements are as follows:

a) Transactions

	31 Dec 2012	31 Dec 2011	1 Jan 2011
Sales			
Eterna Industries Limited	890,543	948,289	367,582
Purchase			
Eterna Industries Limited	1,720,752	1,107,945	632,501

b) Key management compensation

Key Management includes the Managing Director/CEO, The Head, Financial Controls and The Head of Internal Controls. The compensation paid or payable to key management for employee services is shown below:

	31 Dec 2012	31 Dec 2011	1 Jan 2011
Salaries and other short-term employee benefits	62,988	62,988	26,589
Post-employment benefits	10,895	7,678	-
	<u>73,883</u>	<u>70,666</u>	<u>26,589</u>

Notes to the consolidated financial statements

			N'ooo	
26 Cash (used in)/generated from operations	Group		Company	
	2012	2011	2012	2011
Profit on ordinary activities before taxation	1,922,404	2,260,824	1,666,880	2,221,982
Adjustments for non-cash items:				
Depreciation	251,918	229,972	238,383	213,261
Fair value loss on derivative liability	(2,765)	68,027	(2,765)	68,027
Amortisation of long term prepayments	83,128	87,060	83,128	87,060
(Profit)/Loss on disposals of property, plant and equipment	(300)	3,525	(300)	3,525
Unwinding of discount on decommissioning liabilities	7,729	5,425	7,729	4,995
Increase in employee benefits	18,203	9,225	18,203	9,224
	<u>2,280,317</u>	<u>2,664,058</u>	<u>2,011,258</u>	<u>2,608,074</u>
Changes in working capital:				
(Increase) / decrease in inventory	173,828	(717,919)	156,520	(575,758)
Increase in debtors	(19,421,775)	(4,159,566)	(19,178,950)	(4,147,646)
Decrease in payables	16,929,087	32,801	16,904,441	(89,845)
	<u>(2,318,860)</u>	<u>(4,844,684)</u>	<u>(2,117,989)</u>	<u>(4,813,249)</u>
Cashflow from operating activities	<u>(38,543)</u>	<u>(2,180,626)</u>	<u>(106,731)</u>	<u>(2,205,175)</u>