



Accountants &
business advisers

FORTE OIL PLC

**CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2014**

FORTE OIL PLC

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF FORTE OIL PLC

We have audited the accompanying consolidated financial statements of **Forte Oil Plc ("the Company") and its subsidiaries (together, "the Group")**, which comprise the consolidated financial position at 31 December 2014 and the consolidated statement of comprehensive income, consolidated statement of cash flows and statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Forte Oil Plc and its subsidiaries** at 31 December 2014, and of their financial performance and its cash flows for the year then ended; in accordance with the Companies and Allied Matters Act, CAP C20, LFN 2004 and in the manner required by the International Financial Reporting Standards in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011.

The company and its subsidiaries have kept proper books of accounts, which are in agreement with the consolidated financial position and statement of comprehensive income as it appears from our examination of their records.


Tajudeen A. Akande, FCA, FRC/2013/ICAN/01780

For: PKF Professional Services

Chartered Accountants

Lagos, Nigeria

Date: 18 February 2015



FORTE OIL PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014

		Group		Company	
Note		31-Dec-14 N'000	31-Dec-13 N'000	31-Dec-14 N'000	31-Dec-13 N'000
Assets					
Non-current assets					
Property, plant and equipment	14	54,253,330	51,843,552	9,851,156	7,442,192
Investment property	15	1,934,928	2,021,526	1,934,928	2,021,526
Intangible assets	16	475,849	606,913	462,724	583,660
Investment in subsidiaries	17	-	-	11,032,291	11,141,547
Deferred tax assets	18	120,990	920,949	-	920,949
Long term employee benefits	24	16,364	-	18,581	2,948
Total non-current assets		56,801,461	55,392,940	23,299,680	22,112,822
Current asset					
Inventories	19	12,201,950	10,583,317	11,250,222	9,801,830
Other assets	20	572,565	426,462	127,415	107,511
Trade and other receivables	21	53,600,153	31,485,663	45,242,378	28,012,325
Cash and cash equivalent	22	16,062,169	6,789,618	13,758,711	5,281,601
Total current assets		82,436,837	49,285,060	70,378,726	43,203,267
Total assets		139,238,298	104,678,000	93,678,406	65,316,089
Equity					
Share capital	23	546,095	539,368	546,095	539,368
Share premium	23	8,181,162	6,947,887	8,181,162	6,947,887
Other reserves	23	(248,099)	(170,082)	(2,255)	(2,255)
Retained earnings	23	3,958,962	5,726,144	3,346,139	4,854,671
Total equity attributable to equity holders of the Company		12,438,120	13,043,317	12,071,141	12,339,671
Non controlling interests	23	31,896,549	29,305,990	-	-
Total equity		44,334,669	42,349,307	12,071,141	12,339,671
Liabilities					
Non-current liabilities					
Long term employee benefits	24	-	9,604	-	-
Deferred tax liabilities	18	82,373	86,332	-	-
Loans and borrowings	25	12,253,829	14,901,078	4,302,768	7,916,178
Non-current trade and other payables	26	421,839	680,711	421,839	680,711
Total non-current liabilities		12,758,041	15,677,725	4,724,607	8,596,889
Current liabilities					
Loans and borrowings	25	12,288,927	4,983,659	12,288,927	4,908,688
Bank overdraft	22	16,496,305	4,906,018	16,496,305	4,906,018
Current tax liabilities	12	845,611	570,523	639,847	468,148
Trade and other payables	26	52,514,745	36,190,768	47,457,579	34,096,675
Total current liabilities		82,145,588	46,650,968	76,882,658	44,379,529
Total liabilities		94,903,629	62,328,693	81,607,265	52,976,418
Total equity and liabilities		139,238,298	104,678,000	93,678,406	65,316,089

The consolidated financial statements were approved by the Board of Directors on **18 February 2015** and signed on its behalf by:

Potedola

Femi Otedola, CON
Chairman
FRC/2013/IODN/00000002426

Akin Akinfemiwa

Akin Akinfemiwa
Group Chief Executive Officer
FRC/2013/IODN/00000001994

JB Omodayo-owotuga

Julius B. Omodayo-Owotuga, CFA
Executive Director & GCFO
FRC/2013/ICAN/00000001995

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

FORTE OIL PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Group		Company	
		31-Dec-14 N'000	31-Dec-13 N'000	31-Dec-14 N'000	31-Dec-13 N'000
Revenue	7	170,127,978	128,027,744	156,714,840	117,541,434
Cost of sales	7	(151,663,049)	(115,766,506)	(143,843,421)	(107,039,042)
Gross profit		18,464,929	12,261,238	12,871,419	10,502,392
Other income	8	1,398,062	6,388,388	1,553,228	3,082,268
Distribution expenses	9	(2,482,002)	(2,935,977)	(2,410,265)	(2,860,669)
Administrative expenses	10	(9,244,250)	(9,443,593)	(6,675,725)	(5,265,152)
Operating profit		8,136,739	6,270,056	5,338,658	5,458,839
Net finance cost	11	(2,130,441)	254,494	(1,131,215)	652,491
Profit before income tax		6,006,298	6,524,550	4,207,443	6,111,330
Income tax expense	12	(1,549,681)	(1,520,153)	(1,568,530)	(1,528,098)
Profit for the year		4,456,617	5,004,397	2,638,913	4,583,232
Other Comprehensive Income:					
Items that will not be reclassified subsequently to profit or loss					
Foreign exchange translation loss		(77,796)	(106,008)	-	-
Items that may be reclassified subsequently to profit or loss					
Defined benefit plan actuarial loss		(222)	(2,255)	-	(2,255)
Total other comprehensive loss net of taxes		(78,018)	(108,263)	-	(2,255)
Total comprehensive income for the year		4,378,599	4,896,134	2,638,913	4,580,977
Total comprehensive income attributable to:					
Owners of the Company		2,322,246	4,549,323	2,638,913	4,580,977
Non controlling interests	23	2,056,353	346,811	-	-
		4,378,599	4,896,134	2,638,913	4,580,977
Earnings per share					
Basic earnings per share in (N)	13	2.20	4.32	2.42	4.25

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

FORTE OIL PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Group		Company	
		31-Dec-14 N'000	31-Dec-13 N'000	31-Dec-14 N'000	31-Dec-13 N'000
Cash flows from operating activities					
Profit for the year		4,378,599	4,896,134	2,638,913	4,580,977
Adjustment for:					
Foreign exchange translation gain/loss on consolidation		77,796	106,008	-	-
Depreciation of property, plant and equipment	14	1,880,009	1,004,412	793,396	543,774
Property, plant and equipment written off		1,776	-	750	-
Amortization of intangible asset	16	191,024	180,164	180,684	173,069
Depreciation of investment property	15	86,598	89,919	86,598	89,919
Profit on disposal of property, plant and equipment		(2,541)	(448,790)	(2,541)	(448,790)
Profit on disposal of investment property		-	(790,785)	-	(790,785)
Impairment loss on property, plant and equipment		-	754,817	-	7,241
Nominal value of shares issued in 2008 but not recognised in the books		4,167	-	4,167	-
Finance income	11	(2,077,351)	(2,132,804)	(1,971,304)	(2,099,077)
Interest expense	11	4,207,792	1,878,310	3,102,519	1,446,586
Increase/decrease in impairment allowance for trade receivables	8,20	46,600	(866,803)	(76,992)	(866,803)
Current service cost	24	71,578	56,646	58,402	52,771
Interest costs on defined benefit plan		15,584	-	14,306	-
Defined benefit plan actuarial loss		222	2,255	-	2,255
Decrease in provision for employee benefit		-	(26,428)	-	-
Expected return on gratuity planned asset	24	(23,031)	(15,809)	(23,031)	(15,809)
Capital gains tax expense	12	-	154,038	-	154,038
Income tax expense	12	1,549,681	1,366,115	1,568,530	1,374,060
Other non cash-items - translation losses		(28,480)	(71,450)	-	-
		<u>10,380,023</u>	<u>6,135,949</u>	<u>6,374,397</u>	<u>4,203,426</u>
Changes in:					
Inventories	19	(1,618,633)	(2,839,224)	(1,448,392)	(2,967,769)
Consumables	21	(146,103)	(278,173)	(19,904)	40,778
Trade and other receivables	20	(22,161,090)	(17,660,314)	(17,153,060)	(17,349,958)
Trade and other payables	26	16,919,160	19,839,421	14,946,956	20,657,044
Non trade payables and other creditors	26	402,137	(4,880,111)	(588,733)	(3,982,763)
Employee benefits paid	24	(20,562)	-	(9,403)	-
Cash generated from operating activities		<u>3,754,932</u>	<u>317,548</u>	<u>2,101,861</u>	<u>600,758</u>
Income taxes paid	12	(1,589,633)	(249,880)	(1,558,397)	(205,728)
Net cash from operating activities		<u>2,165,299</u>	<u>67,668</u>	<u>543,464</u>	<u>395,030</u>
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment	14,8	6,318	674,886	5,501	674,900
Proceeds from sale of investment property		-	947,000	-	947,000
Acquisition of property, plant and equipment	14	(4,323,891)	(44,887,506)	(3,206,070)	(465,969)
Acquisition of intangibles assets	16	(60,404)	(35,188)	(59,748)	(12,376)
Acquisition of investment properties	15	-	(20,529)	-	(20,529)
Acquisition of investment	17	-	3,882,798	(424,950)	(6,801,334)
Divestment from subsidiaries	17	-	-	534,206	-
Long term employee benefit funded	24	(69,537)	(150,000)	(55,907)	(150,000)
Interest received	11	2,077,351	2,132,804	1,971,304	2,099,077
Net cash used in investing activities		<u>(2,370,163)</u>	<u>(37,455,735)</u>	<u>(1,235,664)</u>	<u>(3,729,231)</u>
Cash flows from financing activities					
Funding by non controlling interests		534,206	28,959,179	-	-
Shares issued and fully paid for		1,235,835	639,711	1,235,835	639,711
Dividend paid		(4,321,123)	-	(4,321,123)	-
Short term loans and borrowings		7,305,268	3,668,470	7,380,239	3,713,784
Long term loans and borrowings		(2,647,249)	13,901,769	(3,613,410)	6,916,870
Interest paid	11	(4,207,792)	(1,878,310)	(3,102,519)	(1,446,586)
Net cash (used in)/from financing activities		<u>(2,100,855)</u>	<u>45,290,819</u>	<u>(2,420,978)</u>	<u>9,823,779</u>
Net (decrease)/increase in cash and cash equivalents		<u>(2,305,718)</u>	<u>7,902,752</u>	<u>(3,113,178)</u>	<u>6,489,578</u>
Cash and cash equivalents as at 1 January	22	1,883,601	(6,009,952)	375,584	(6,113,994)
Effect of exchange rate fluctuations		(12,018)	(9,199)	-	-
Cash and cash equivalents at 31 December	22	<u>(434,135)</u>	<u>1,883,601</u>	<u>(2,737,594)</u>	<u>375,584</u>

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

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

Attributable to equity holders - the Group

	Share capital N'000	Share premium N'000	Reserves N'000	Retained earnings N'000	Total N'000	Non - controlling interest N'000	Total equity N'000
Balance at 31 December 2012	539,368	62,292,576	(61,819)	(55,187,283)	7,582,842	-	7,582,842
Changes in equity for 2013:							
Transfer (Scheme of arrangement - capital reorganisation)	-	(55,984,400)	-	55,984,400	-	-	-
Non controlling interest on consolidation of new subsidiary	-	-	-	-	-	28,959,179	28,959,179
Profit or loss	-	-	-	4,657,587	4,657,587	346,811	5,004,398
Foreign exchange translation loss	-	-	(106,008)	-	(106,008)	-	(106,008)
Defined benefit plan actuarial loss	-	-	(2,255)	-	(2,255)	-	(2,255)
Amount attributable to equity holders	539,368	6,308,176	(170,081)	5,454,704	12,132,167	29,305,990	41,438,157
Transactions with owners, recorded directly in equity							
Cancelled unclaimed dividends on shares not paid for	-	-	-	271,440	271,440	-	271,440
Increase in Share Premium	-	639,711	-	-	639,711	-	639,711
Total contributions by and distributions to owners	-	639,711	-	271,440	911,151	-	911,151
Balance at 31 December 2013	539,368	6,947,887	(170,081)	5,726,144	13,043,318	29,305,990	42,349,308
Changes in equity for 2014:							
Non controlling interest on consolidation of new subsidiary*	-	-	-	2,400,264	2,400,264	534,206	534,206
Profit or loss	-	-	(77,796)	-	(77,796)	2,056,353	4,456,617
Foreign exchange translation loss	-	-	(222)	-	(222)	-	(77,796)
Defined benefit plan actuarial loss	-	-	-	-	-	-	(222)
Issue of shares**	6,727	1,233,275	-	-	1,240,002	-	1,240,002
Amount attributable to equity holders	546,095	8,181,162	(248,099)	8,126,408	16,605,566	31,896,549	48,502,115
Transactions with owners, recorded directly in equity							
Dividend to equity holders	-	-	-	(4,321,123)	(4,321,123)	-	(4,321,123)
Withholding tax on dividend from a subsidiary	-	-	-	(20,000)	(20,000)	-	(20,000)
Cancelled unclaimed dividends on shares not paid for	-	-	-	173,677	173,677	-	173,677
Balance at 31 December 2014	546,095	8,181,162	(248,099)	3,958,962	12,438,120	31,896,549	44,334,669

*At 31 December, 2013, the company had 60% stake in Amperion Power Distribution Company Limited. During the year under review, the Company divested 3% to Shanghai Municipal Electric Power Company a technical partner for the acquisition of Geregu Power Plc.

** Included in issued shares are 8,335,225 of 50k each units of shares paid for in 2008 but not recorded in the books. The Board of Directors at its meeting of 6 August, 2014 approved the recognition of these shares in the Company's books to reconcile financial record to the shareholders' register. An underwriting commitment of 5,120,291 units of ordinary shares relating to the hybrid offer in 2008 has been fully met in July 2014 and the shares issued to Greenwich Trust Limited, the underwriters of the offer.

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

Attributable to equity holders of the Company

	Share capital N'000	Share premium N'000	Reserves N'000	Retained earnings N'000	Total equity N'000
Balance at 31 December 2012	539,368	62,292,576	-	(55,984,400)	6,847,544
Changes in equity for 2013:					
Transfer (Scheme of arrangement - capital reorganisation)*	-	(55,984,400)	-	55,984,400	-
Profit or loss	-	-	-	4,583,232	4,583,232
Foreign exchange translation gain/loss	-	-	(2,255)	-	(2,255)
Defined benefit plan actuarial loss	-	-	(2,255)	-	(2,255)
Total comprehensive income	539,368	6,308,176	(2,255)	4,583,232	11,428,521
Transactions with owners, recorded directly in equity					
Cancelled unclaimed dividends on shares not paid for	-	639,711	-	271,440	271,440
Increase in Share Premium	-	-	-	-	639,711
Balance at 31 December 2013	539,368	6,947,887	(2,255)	4,854,672	12,339,672
Changes in equity for 2014:					
Profit or loss	-	-	-	2,638,913	2,638,913
Other comprehensive income					
Defined benefit plan actuarial loss	-	-	-	-	-
Issue of shares**	6,727	1,233,275	-	-	1,240,002
Amount attributable to equity holders	546,095	8,181,162	(2,255)	7,493,585	16,218,587
Transactions with owners, recorded directly in equity					
Dividend to equity holders	-	-	-	(4,321,123)	(4,321,123)
Cancelled unclaimed dividends on shares not paid for	-	-	-	173,677	173,677
Balance at 31 December 2014	546,095	8,181,162	(2,255)	3,346,139	12,071,141

** Included in issued shares are 8,335,225 of 50k each units of shares paid for in 2008 but not recorded in the books. The Board of Directors at its meeting of 6 August, 2014 approved the recognition of these shares in the Company's books to reconcile financial record to the shareholders' register. An underwriting commitment of 5,120,291 units of ordinary shares relating to the hybrid offer in 2008 has been fully met in July 2014 and the shares issued to Greenwich Trust Limited, the underwriters of the offer.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. The Group

1.1 Reporting Entity

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

1.2 Principal activities

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

2. Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRSs) as issued by the International Accounting Standard Board (IASB) and in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011. These are the Group's financial statement for the year ended 31 December 2014, prepared in accordance with IFRS 10 - Consolidated Financial Statement has been applied.

2.2 Functional/presentation currency

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

2.3 New and effective standards and interpretations.

The accounting policies adopted are consistent with those of the previous financial year despite the adoption of new standards effective for the first time.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2014, and have been applied in preparing these consolidated financial statements. This includes:

2.3.1 IAS 32, Offsetting Financial Assets and Financial Liabilities'. The amendment to IAS 32 clarify the requirement for offsetting financial assets and liabilities.

IAS 36, Recoverable Amount Disclosures for Non- Financial Assets (Amendments to IAS 36).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

- 2.3.2 IFRS 9, 'Financial instruments'**, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 not later than the accounting period beginning on or after 1 January 2018. The group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.
- 2.3.3 IFRS 7, 'Financial instruments disclosure'**, The amendments to IFRS 7 clarified that additional disclosure of maximum exposure to credit risk is only required where the exposure is not reflected in the carrying amount. It requires disclosure of the financial effect of collateral held as security for financial assets, and removed the requirement to specifically disclose financial assets, where the terms have been renegotiated.
- 2.3.4 IFRS 10, 'Consolidation Financial Statements'**, The amendments to IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity control one or more other entities. It introduces a single control model to be applied in determining control. An entity controls an investee when it has: Power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power the investee to affect the amount of its returns. When assessing whether an investor controls an investee, an investor with decision making rights determines whether it acts as principal or as an agent.
- 2.3.5 IAS 27, 'Separate Financial Statements'**. The amendment to IAS 27 include both existing and amended accounting and disclosure requirement for separate financial statements. The amendments are not expected to have a material impact on the group's financial statements.

2.4 Basis of measurement

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

2.5 Use of estimates and judgements

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

a) Recovery of deferred tax assets

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

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

b) Decommissioning costs

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

c) Contingencies

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

d) Depreciable life of property, plant and equipment

The estimation of useful lives of asset is based on management's judgement. Any material adjustment to the estimated useful lives of items of property, plant and equipment will have an impact on the carrying value of these items.

3. Basis of consolidation

The consolidated financial statements include the financial statements of Forte Oil Plc and its subsidiaries; African Petroleum Oilfield Services Limited (APOS), AP Oil and Gas Ghana Limited (APOG) and Amperion Power Distribution Limited all made up to 31 December 2014.

APOS and APOG are wholly owned by Forte Oil Plc while Forte Oil Plc owns 57% in Amperion Power Distribution Limited. Amperion Power Distribution Limited owns 51% of Geregu Power Plc. All intra group transactions, balances, income and expenses are eliminated on consolidation.

4. Significant accounting policies

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

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4.1.1 Foreign currency transactions

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

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

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

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

4.1.2 Foreign operations

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

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

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

4.2 Financial instruments

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

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

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

4.2.1 Available-for-sale financial assets

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

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

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4.2.2 Trade and other receivables

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

4.2.3 Cash and cash equivalents

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

4.2.4 Trade and other payables

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

4.2.5 Interest-bearing borrowings

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

4.2.6 Compound instruments

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

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

4.2.7 Impairment of financial assets

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

4.3 Share capital

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

4.4 Property, Plant and Equipment

4.4.1 Recognition and measurement

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

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

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

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

4.4.2 Reclassification of investment property

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

4.4.3 Subsequent costs

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

4.4.4 Depreciation

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

Depreciation is recognized in profit or loss on a straight-line basis (Except for Gas Turbines; which Unit of Production Method i.e Equivalent Operating Hours (EOH) are used) over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term in which case the assets are depreciated over the useful life.

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

Land	Over lease period
Buildings	25 years
Plants, equipment and tanks	5-20 years
Furniture and fittings	5 years
Computer equipment	4 years
Motor vehicles	4 years
Gas turbines	160,000 Equivalent Operating Hours (EOH) per plant

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if appropriate. Capital work-in-progress is not depreciated. The attributable cost of each asset is transferred to the relevant asset category immediately the asset is available for use and depreciated accordingly.

4.4.5 De-recognition of tangible assets

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognised.

Non-current asset held for sale

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

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4.5 Investment property

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

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

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

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

Land	Over lease period
Buildings	25 years

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

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

4.6 Intangible assets

4.6.1 Intangible assets acquired separately

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

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

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

Software costs - 3 to 5 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

4.6.2 Intangible assets generated internally

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

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

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

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4.6.3 Intangible assets recognised in a business combination

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

4.6.4 Subsequent expenditure

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

4.6.5 Amortisation

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

Amortisation is recognised in profit or loss on a straight - line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this must closely reflect the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life for the current and comparative period is:

Computer software: 3 to 5 years

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

4.7 Leases

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

4.7.1 Finance leases

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

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

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

4.7.2 Operating leases

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

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

4.8 Borrowing costs

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

4.9 Taxation

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

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

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

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

The carrying amount of deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

4.10 Inventories

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

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

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

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

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

4.11 Impairment

4.11.1 Financial assets (including loans and receivables)

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

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

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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4.12.3 Pension fund scheme

In accordance with the provisions of the Pension Reform Act, 2004, the Group has instituted a Contributory Pension Scheme for its employees, where both the employees and the Group contribute 7.5% of the employee emoluments (basic salary, housing and transport allowances). The Group's contribution under the scheme is charged to the profit and loss account while employee contributions are funded through payroll deductions.

With effect from July 2014 and in accordance with the provisions of the Pension Reform Act 2014, the contribution from the employee and the Group into the scheme is 8% and 10% respectively.

4.12.4 Terminal benefit

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

4.13 Provision, contingencies and decommissioning

4.13.1 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

4.13.2 Contingent liabilities

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

4.13.3 Contingent assets

Contingent assets are possible assets that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are only disclosed when an inflow of economic benefit is probable. Asset is recognised when the realisation of income is virtually certain, in which case the related asset is no more contingent.

4.13.4 Decommissioning

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

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.

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4.14 Models used for impairment test, valuations, actuarial results

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

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

The Group considers evidence of impairment for receivables at both specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

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

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

4.15 Income Recognition

4.15.1 Sale of goods and services

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

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

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Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is possible, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

4.15.2 Rental income

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

4.15.3 Throughput income

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

4.16 Finance income and finance costs

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprises interest expense on borrowings and impairment losses recognised on financial assets.

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

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

4.17 Earnings per share

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

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

4.18 Segment reporting

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

4.19 Business combinations

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

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4.20 Transactions with non controlling interests

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

5. Determination of fair values

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

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

Trade and other receivables

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

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

6. Financial risk management

Overview

The Group's Business Assurance and Risk Management (BARM) oversees risk management function for the Group using Enterprise Risk Management framework that focuses on business risk and internal controls taking an entity level portfolio view of risk with the objective to protect and enhance each entity's value and by extension the Group's value. Risks are an inevitable consequence of being in business. The Group through BARM designs policies; processes and procedures that will enable it achieve an appropriate balance between risk and return. Risk management activities are applied across the enterprise at every level from strategy settings to all sources of value. It is a continuous process and includes an element of corporate governance; it promotes efficient and effective assessment of risk, increase risk awareness and improves the management of risk throughout the company. This includes anticipating and avoiding threats and losses as well as identifying and realizing opportunities.

Risk management framework

- i The Board of Directors at the apex, exercise and assume ultimate authority and responsibility for the corporate risk management.
- ii The Risk Management Board Committee is responsible for oversight and approval of risk policies and credit approvals above management's authority levels.
- iii Executive Management Committee (EXCO) is responsible for review of investments and projects proposal and exercise of management's delegated authority for investment and project approvals.
- iv Management Risk Committee headed by BARM are responsible for the risk policy review and implementation.
- v Risk Management unit of BARM responsible for risk development, management and monitoring.
- vi Business units, responsible for the creation and management of risk assets.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports quarterly to the Board of Directors on its activities.

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

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Business Assurance and Risk Management (BARM). BARM undertakes both regular and ad hoc reviews of risk management controls and procedures, the outcomes of which are reported to the Audit Committee regularly.

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

Credit risk

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

The credit risks are managed within a framework of credit policies, guidelines and processes which are described in more detail below:

Trade and other receivables

The Group has developed a comprehensive Credit Policy that details its risk philosophy and metrics. The Credit Risk Policy defines the level and type of credit exposures that the Group is prepared to accept in order to achieve its business goals and objectives. The Framework creates a quantifiable link between the risks assumed and the amount of risk capital required to support those risks. The capital adequacy framework ensures that the Group holds adequate levels of capital to support its investment operations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Group through its Credit Control Committee has established a credit policy under which each new proposed credit customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The review includes external ratings, financial performance, and in some cases bank references. Credit limits are established for each customer, which represents the maximum open amount. These limits are approved by the Chief Executive Officer (CEO) or the Board. These limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Group only on a prepayment basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relates to all customers. Customers that are graded as "high risk" are placed on a restricted customer list and monitored by the Credit Control Committee, and future sales are made on a prepayment basis.

Trade and other receivables are highlighted in note 21.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Allowance for impairment losses

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar

The carrying amount of financial assets represents the maximum credit exposure.

Investments

The Group limits its exposure to credit risk by investing only in liquid securities and only with counterparties that have a credit rating. Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Guarantees

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

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

Liquidity risk

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

The Group manages its liquidity process by:

- Day to day funding, managed by monitoring future cash flows to ensure that requirements can be met.
- Monitoring balance sheet liquidity ratios against internal requirements.
- Managing the concentration and debt profile.
- Daily matching of funds by assets and liabilities managers.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

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

The Group is not currently buying and selling derivatives, however, the Group incurs financial liabilities in order to manage market risks. The Group may in future be involved in buying and selling derivatives. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

The Group manages market risks by keeping cost low to keep prices within profitable range, foreign exchange risks are managed by maintaining foreign denominated bank accounts and maintaining letters of credit facility lines with the Group's bankers. Also interest rates are benchmarked to NIBOR (for local loans and LIBOR (for foreign loans). The Group is exposed to equity risk.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Currency risk

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

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

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

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

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

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

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

Sensitivity analysis

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

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

	Increase/decrease in Foreign Exchange rate	N'000
31 December 2014	+/- 2%	159,129
31 December 2013	+/- 2%	3,139

Interest rate risk

The group's Interest rate on borrowing is floating and is driven by market forces. The group is exposed to multiple interest rates. The risk is managed by the group by constantly negotiating with the banks to ensure that interest rates are consistent with the monetary policy rates as defined by the Central bank of Nigeria.

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

Secured bank loan	20%
Bank overdraft	18%

Notes 25 highlighted the borrowings for the reporting period.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Sensitivity analysis

Assuming that all other variables remain constant, a 200 basis points increase in interest rates at the reporting period would lead to an additional N177.70 million charge to the income statement (2013 - N39.01 million). A 200 basis points decrease in interest rate at the reporting date would have an equal but

Other market price risk

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

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

Operational risk

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

The group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall group standards for the management of

- i Requirements for appropriate segregation of duties, including the independent authorization of transactions/processes.
- ii Requirements for the reconciliation and monitoring of transactions.
- iii Compliance with regulatory and other legal requirements.
- iv Documentation of controls and procedures.
- v Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- vi Requirements for the reporting of operational losses and proposed remedial action.
- vii Development of contingency plans
- viii Training and professional development
- ix Ethical and business standards
- x Risk mitigation, including insurance when this is effective.

Compliance with group standards is supported by a programme of periodic reviews undertaken by Business Assurance and Risk Management. The results of BARM reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and Executive Management of the group.

Capital Management

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

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The group does not have a defined share buy-back plan.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Dec-14 N'000	Dec-13 N'000
Total liabilities	94,903,629	62,328,693
Total assets	139,238,298	104,678,000
Gearing ratio as at:	68%	60%

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

7. Operating segment

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

Segment	Description
Fuels	This segment is responsible for the sale and distribution of petroleum products (white products) and Aviation Turbine Kerosene (ATK) in retail outlets and to industrial customers.
Production Chemicals	This segment manufactures and sells production chemicals.
Lubricants and Greases	This segment manufactures and sells lubricants and greases.
Power Generation	This segment generates power.

The accounting policies of the reportable segments are the same as described in notes 2 to 4. Information regarding the results of each reportable segment is included below.

	Group		Company	
	Dec-14 N'000	Dec-13 N'000	Dec-14 N'000	Dec-13 N'000
7.1 Revenue & Cost of Sales				
7.1.1 Revenue				
Fuels	152,124,286	117,679,188	150,446,999	111,655,434
Production chemicals	2,683,698	2,843,433	16,126	12,411
Lubricants and greases	6,257,994	5,825,781	6,251,715	5,873,589
Power generation	9,062,000	1,679,342	-	-
	<u>170,127,978</u>	<u>128,027,744</u>	<u>156,714,840</u>	<u>117,541,434</u>
7.1.2 Cost of sales				
Fuels (Note 7.1.3)	141,397,111	109,074,484	139,860,222	103,341,257
Production chemicals	1,985,795	2,208,283	22,781	15,682
Lubricants	3,965,223	3,634,162	3,960,418	3,682,103
Power generation	4,314,920	849,577	-	-
	<u>151,663,049</u>	<u>115,766,506</u>	<u>143,843,421</u>	<u>107,039,042</u>
Gross profit	<u>18,464,929</u>	<u>12,261,238</u>	<u>12,871,419</u>	<u>10,502,392</u>

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	Dec-14 N'000	Dec-13 N'000	Dec-14 N'000	Dec-13 N'000
7.2 Segment Reporting				
7.2.1 Current assets				
Fuels	69,067,083	38,741,814	67,563,915	41,710,761
Production chemicals	1,218,446	2,012,242	7,242	6,330
Lubricants	2,841,239	1,290,806	2,807,569	1,486,176
Power generation	9,310,069	7,240,198	-	-
Total current assets	82,436,837	49,285,060	70,378,726	43,203,267
7.2.2 Non current assets				
Fuels	12,052,949	8,090,995	22,367,805	19,106,115
Production chemicals	212,632	278,586	2,398	-
Lubricants	495,827	3,006,707	929,478	3,006,707
Power generation	44,040,054	44,016,652	-	-
Total non current assets	56,801,461	55,392,940	23,299,680	22,112,822
7.2.3 Current liabilities				
Fuels	74,387,471	39,923,923	73,807,721	42,852,666
Production chemicals	1,317,809	1,112,816	7,911	-
Lubricants	3,072,939	1,330,192	3,067,026	1,526,863
Power generation	3,367,369	4,284,037	-	-
Total current liabilities	82,145,588	46,650,968	76,882,658	44,379,529
7.2.4 Non current liabilities				
Fuels	4,570,169	8,323,354	4,535,645	8,301,116
Production chemicals	80,625	92,152	486	-
Lubricants	188,005	277,319	188,475	295,773
Power generation	7,919,242	6,984,900	-	-
Total non current liabilities	12,758,041	15,677,725	4,724,607	8,596,889
7.3 Geographic segment				
The Group operates in two geographic regions namely Nigeria and Ghana.				

FORTE OIL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

	Nigeria Dec-14 N'000	Ghana Dec-14 N'000	Nigeria Dec-13 N'000	Ghana Dec-13 N'000
7.3.1 Income statement				
Revenue	168,444,413	1,683,565	121,988,105	6,039,639
Cost of sales	(150,121,355)	(1,541,693)	(110,016,768)	(5,749,738)
Gross profit	18,323,058	141,872	11,971,337	289,901
Other income	1,394,619	3,443	6,385,071	3,317
Distribution expenses	(2,417,995)	(64,007)	(2,866,146)	(69,831)
Administrative expenses	(8,711,930)	(532,320)	(8,838,113)	(605,480)
Operating profit	8,587,752	(451,013)	6,652,149	(382,093)
Finance income	2,077,351	-	2,132,804	-
Finance expense	(4,188,197)	(19,594)	(1,848,779)	(29,531)
Reportable segment profit before income tax	6,476,906	(470,608)	6,936,174	(411,624)
7.3.2 Financial position				
Total current assets	81,778,359	658,478	47,272,818	2,012,242
Total non current assets	56,593,209	208,252	55,114,354	278,586
Total assets	138,371,568	866,730	102,387,172	2,290,828
Total current liabilities	81,425,776	719,812	45,538,152	1,112,816
Total non current liabilities	12,726,221	31,819	15,585,573	92,152
Total liabilities	94,151,997	751,631	61,123,725	1,204,968
7.3.3 Statement of cash flows				
Net cash generated from operating activities	2,546,861	(381,563)	(42,244)	109,912
Net cash used in investing activities	(2,368,088)	(2,075)	(37,411,643)	(44,093)
Net cash from/(used in) financing activities	(2,444,359)	343,505	45,337,749	(46,930)

FORTE OIL PLC

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	Group		Company	
	Dec-14 N'000	Dec-13 N'000	Dec-14 N'000	Dec-13 N'000
8. Other income				
Investment property rental income	190,001	142,927	196,915	149,128
Throughput income (Note 8.1)	286,969	120,710	286,969	120,710
Foreign exchange gain (Note 8.2)	379,781	126,994	369,379	63,909
Bad debt recovered	38,550	-	38,550	-
Bad debt impairment no longer required	76,992	866,803	76,992	866,803
Sundry income	304,336	1,616,346	283,325	642,143
Dividend Received (Note 8.3)	-	-	180,000	-
Discount Received	2,936	-	2,601	-
Negative goodwill on consolidation	-	2,275,033	-	-
Freight Income	115,956	-	115,956	-
Gain on disposal of investment property	-	790,785	-	790,785
Gain on disposal of property, plant and equipment	2,541	448,790	2,541	448,790
	<u>1,398,062</u>	<u>6,388,388</u>	<u>1,553,228</u>	<u>3,082,268</u>

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

8.2 This represents foreign exchange differentials from the Petroleum Product Pricing and Regulatory Agency for delayed subsidy payments in 2011 and 2012. It also consists transactional gains of foreign exchange sales earned from sale of dollar inflows.

8.3 During the year ended 31 December 2014, the company received N180,000,000 Dividend from AP Oilfield Services Limited, one of its subsidiaries. This has been eliminated on consolidation.

	Group		Company	
	Dec-14 N'000	Dec-13 N'000	Dec-14 N'000	Dec-13 N'000
9. Distribution expenses				
Freight cost of transportation of products	2,466,772	2,935,977	2,395,035	2,860,669
Sales commissions	15,230	-	15,230	-
	<u>2,482,002</u>	<u>2,935,977</u>	<u>2,410,265</u>	<u>2,860,669</u>

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

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	Group		Company	
	Dec-14 N'000	Dec-13 N'000	Dec-14 N'000	Dec-13 N'000
10. Administration expenses				
Personnel expenses (Note 10.1)	1,776,480	1,439,157	1,391,701	1,247,552
Depreciation and amortisation	1,159,588	904,876	1,060,680	806,761
Bank charge	415,857	401,337	403,501	387,457
Transport and travel costs	388,887	285,612	241,580	227,809
Repairs and maintenance	1,075,602	378,777	837,945	369,768
Safety security and quality control	272,883	171,277	218,682	123,755
Insurance	141,754	158,277	135,381	125,145
Internet and communication	145,419	116,350	129,650	103,128
Utilities	124,294	149,207	116,026	125,648
Professional and legal fees	854,832	2,427,857	295,805	292,832
Audit fees	66,349	63,970	56,700	55,325
Board and AGM expenses	110,863	88,393	58,349	86,843
Licenses, rates and fees	146,031	162,698	139,992	151,574
Import related period costs	190,430	-	190,430	-
Public relations, promotions and advertisement	123,961	42,982	123,222	42,366
Rent and leases	953,890	895,935	867,891	845,556
Foreign exchange loss	729,022	50,457	24,401	-
Others	568,108	1,706,431	383,789	273,634
	<u>9,244,250</u>	<u>9,443,593</u>	<u>6,675,725</u>	<u>5,265,152</u>
10.1 Personnel expenses				
Salaries, wages and allowances	1,267,772	923,629	933,438	736,251
Contributions to pension fund scheme	62,891	41,900	49,215	36,827
Expenses related to defined benefit plans	63,909	40,837	49,677	36,962
Training, recruitment and canteen expenses	85,093	73,280	79,436	69,846
Medical expenses	25,289	17,912	19,511	14,100
Contract Manpower	187,867	254,790	182,967	254,790
Other personnel expenses	83,659	86,809	77,457	98,776
	<u>1,776,480</u>	<u>1,439,157</u>	<u>1,391,701</u>	<u>1,247,552</u>
11. Finance income and finance cost				
Finance income				
Interest income on bank deposits	335,050	418,014	326,538	384,287
Other interest income (Note 11.1)	1,742,301	1,714,790	1,644,766	1,714,790
	<u>2,077,351</u>	<u>2,132,804</u>	<u>1,971,304</u>	<u>2,099,077</u>
Finance costs				
Interest expense on bank loans and overdrafts	(4,207,792)	(1,878,310)	(3,102,519)	(1,446,586)
	<u>(2,130,441)</u>	<u>254,494</u>	<u>(1,131,215)</u>	<u>652,491</u>

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

11.1 This represents interest earned on Petroleum subsidies for 2011 and 2012 from the Petroleum Product Regulatory Agency that were not received within the stipulated 45 days of the PSF scheme.

FORTE OIL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

12. Taxation

a) Income tax expense

	Dec-14 N'000	Dec-13 N'000	Dec-14 N'000	Dec-13 N'000
Income tax	665,393	317,596	539,926	223,257
Education tax	116,813	141,969	107,655	128,149
Capital Gain	-	154,038	-	154,038

Deferred tax charge

	782,206	613,603	647,581	505,444
	767,475	906,550	920,949	1,022,654

Total income tax expense

	1,549,681	1,520,153	1,568,530	1,528,098
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b) Effective tax rate

Profit for the year	4,456,617	5,004,397	2,638,913	4,583,232
Total income tax expense	1,549,681	1,520,153	1,568,530	1,528,098

Profit before taxes

	6,006,298	6,524,550	4,207,443	6,111,330
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Effective tax rates

	26%	23%	37%	25%
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The company income tax computation for the year ended 31 December 2014 was based on the provisions of the Company Income Tax Act Cap C21 LFN 2004. The tax payable for 2013 was based on minimum tax provisions of the Act. Amperion Power Distribution Company Ltd reported a taxable loss for the year ended and is exempted from minimum tax in its first four (4) years of commencement of business while Geregu Power Plc in line with the relevant tax laws and regulations will enjoy pioneer status considering its nature of operations. Hence, no tax estimate has been recognised for these entities in these financial statements is not liable to income tax for the year under review because the company is currently in the process of applying for Pioneer status. Hence, it will enjoy tax holiday for the next five years.

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

c) Movement in current tax liability balance

	Dec-14 N'000	Dec-13 N'000	Dec-14 N'000	Dec-13 N'000
Liability as at 1 January	570,523	206,800	468,148	168,432
Provisions for the year	782,206	613,603	647,581	505,444
Reclassification from other liabilities (Note 12.1)	1,082,515	-	1,082,515	-
Payments during the year	(1,589,633)	(249,880)	(1,558,397)	(205,728)
	845,611	570,523	639,847	468,148

12.1 This represents prior year tax provisions reporting in accounts payable now correctly reclassified.

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13. Basic earnings per share

The group's basic earnings per share of N2.20 kobo (December 2013 : N4.32 kobo) is based on the profit attributable to ordinary shareholders of N2,400,264,000 (December 2013 : N4,657,586,000), and on the 1,089,631,000 (December 2013 : 1,078,735,540) ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the current and preceding year

Dilutive instrument

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

	Group		Company	
	Dec-14 N'000	Dec-13 N'000	Dec-14 N'000	Dec-13 N'000
Profit attributable to ordinary shareholders				
Profit for the year	<u>2,400,264</u>	<u>4,657,586</u>	<u>2,638,913</u>	<u>4,583,232</u>
Profit attributable to ordinary shareholders	<u>2,400,264</u>	<u>4,657,586</u>	<u>2,638,913</u>	<u>4,583,232</u>
Weighted average number of ordinary shares				
Issued ordinary shares at 1 January	1,078,736	1,078,736	1,078,736	1,078,736
Shares issued in 2008 not recognised	8,335	8,335	8,335	8,335
Additional issued during the year (5,120,291) see Note 26.4	<u>2,560</u>	<u>-</u>	<u>2,560</u>	<u>-</u>
Weighted average number of ordinary shares	<u>1,089,631</u>	<u>1,087,071</u>	<u>1,089,631</u>	<u>1,087,071</u>

Included in issued shares are 8,335,225 of 50k each units of shares paid for in 2008 but not recorded in the books. The Board of Directors at its meeting of 6th of August, 2014 approved the recognition of these shares in the Company's books to reconcile financial record to the shareholders' register. The prior year EPS has also been adjusted accordingly

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

14. Property, plant and equipment

a) The Group

The movement on this account during the year was as follows:

Cost	Land N'000	Building N'000	Plant, Equipment and tanks N'000	Furniture & fittings N'000	Motor vehicles N'000	Construc- tion work in progress N'000	Total N'000
Balance at 1 January 2014	2,743,468	2,289,103	50,863,509	39,051	612,156	546,572	57,093,859
Additions	95,790	52,136	557,160	11,453	2,551,469	1,055,883	4,323,891
Transfers	-	406,656	83,536	128	6,040	(496,360)	-
Write off	-	-	(974)	(52)	-	(750)	(1,776)
Disposal	-	-	(1,638)	(4,029)	(34,120)	-	(39,787)
Translation difference	(2,720)	(17,456)	(9,091)	(4,274)	(5,144)	(678)	(39,363)
Balance at 31 December 2014	2,836,538	2,730,439	51,492,502	42,277	3,130,401	1,104,667	61,336,824
Depreciation and impairment losses							
Balance at 1 January 2014	275,817	710,794	3,931,477	17,689	314,531	-	5,250,308
Depreciation for the year	29,197	146,216	1,459,429	6,480	238,687	-	1,880,009
Disposals	-	-	(1,202)	(2,262)	(32,546)	-	(36,010)
Translation difference	(1,436)	(2,478)	(4,450)	(2,066)	(384)	-	(10,814)
Balance at 31 December 2014	303,578	854,532	5,385,254	19,841	520,288	-	7,083,493
At 1 January 2014	2,467,651	1,578,309	46,932,032	21,362	297,625	546,572	51,843,552
At 31 December 2014	2,532,960	1,875,907	46,107,248	22,436	2,610,113	1,104,667	54,253,330

Depreciation charge is included in administrative expenses in the statement of comprehensive income.

The Group is committed to a capital project to the tune of \$83,000,000 in respect of the overhauling of three 138MW power plants in Geregu. Of this amount, \$6,300,000 has been advanced for this overhaul.

There is an All Asset Debenture Security on the Company - Forte Oil Plc's assets for the long term loan secured from Zenith Bank Plc and the guarantee of a loan from First Bank of Nigeria Plc granted to Amperion Power Distribution Limited for the acquisition of Geregu Power Plc in 2013.

Impairment charge of NGN1,776,000 is recognised in administrative expenses

FORTE OIL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(b) Company

The movement on this account during the year was as follows:

	Land N'000	Building N'000	Plant, Equipment and tanks N'000	Furniture & fittings N'000	Motor vehicles N'000	Construc- tion work in progress N'000	Total N'000
Cost							
Balance at 1 January 2014	2,610,092	1,990,053	6,291,157	4,477	481,510	543,229	11,920,518
Additions	95,790	52,136	548,128	10,945	2,498,429	642	3,206,070
Transfers	-	406,656	74,270	-	-	(480,926)	-
Write off	-	-	-	-	-	(750)	(750)
Disposal	-	-	(305)	-	(25,696)	-	(26,001)
Balance at 30 December 2014	2,705,882	2,448,845	6,913,250	15,422	2,954,243	62,195	15,099,837
Depreciation and impairment losses							
Balance at 1 January 2014	268,555	697,178	3,242,904	1,724	267,965	-	4,478,326
Depreciation for the year	27,097	134,952	426,880	1,929	202,538	-	793,396
Disposals	-	-	(158)	-	(22,883)	-	(23,041)
Balance at 30 December 2014	295,652	832,130	3,669,626	3,653	447,620	-	5,248,681
Carrying amounts							
At 1 January 2014	2,341,537	1,292,875	3,048,253	2,753	213,545	543,229	7,442,192
At 31 December 2014	2,410,230	1,616,715	3,243,624	11,769	2,506,623	62,195	9,851,156

Depreciation charge is included in administrative expenses in the statement of comprehensive income.

There is an All Asset Debenture Security for the long term loan secured from Zenith Bank Plc and the guarantee of a loan from First Bank of Nigeria Plc granted to Amperion Power Distribution Limited for the acquisition of Geregu Power Plc in 2013

Impairment charge of NGN750,000 is recognised in administrative expenses

FORTE OIL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

	Group N'000	Company N'000
15. Investment property		
Cost		
Balance at 1 January 2014	2,611,401	2,611,401
Acquisitions	-	-
Disposals	-	-
Balance at 31 December 2014	2,611,401	2,611,401
Depreciation and impairment losses		
Balance at 1 January 2014	589,875	589,875
Depreciation for the year	86,598	86,598
Disposals	-	-
Balance at 31 December 2014	676,473	676,473
Carrying amounts		
At 1 January 2014	2,021,526	2,021,526
At 30 December 2014	1,934,928	1,934,928

Investment property comprises of a number of commercial properties that are leased to third parties. The lease period ranges between 1 - 2 years. Investment properties are carried at cost/deemed cost. The carrying amount of investment property is separated between lease hold land and buildings. Lease hold land is amortised over the lease period while building is depreciated on a straight line basis over the estimated useful life at 4% per annum.

During the year ended 31 December 2014 the Group recognised N190,001,000 as rental income in statement of comprehensive income (December 2013 : N142,927,000) after eliminating intra-group transactions while the Company recognised N196,915,000 (December 2013 : N149,128,000).

Depreciation on investment properties recognised in administrative expenses was N86,598,000 (December 2013 : N89,919,000).

The fair value of the investment properties as at 31 December 2013 was N6,512,781,600. The fair valuation was carried out by Jide Taiwo & Co (FRC2012/000000000254); Femi Ismail & Associates (FRC/2013/NIESV/000000005108); Bullnet & Enquiries Networking Services Limited (FRC/2013/NIESV/000000005548). These valuations indicate upward movement in the market values of these properties, hence no indication of impairment for all investment properties. Management is of the view that market values of these investment properties as at 31 December 2014 were not materially different from those values obtained as at 31 December 2013.

There are no observed indications that the fair value of these investments properties has declined during the year significantly more than would be expected as a result of the passage of time or normal use.

FORTE OIL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

	Group N'000	Company N'000
16. Intangible assets		
Cost		
Balance at 1 January	895,091	863,580
Acquisitions	60,404	59,748
Disposals	-	-
Translation difference	(737)	-
Balance at 31 December 2014	954,758	923,328
Amortisation and impairment losses		
Balance at 1 January	288,178	279,920
Amortisation for the year	191,024	180,684
Disposals	-	-
Translation difference	(293)	-
Balance at 31 December 2014	478,909	460,604
Carrying amounts		
At 1 January 2014	606,913	583,660
At 31 December 2014	475,849	462,724

- a) These relate to purchased softwares.
- b) The amortisation of intangible asset recognised in administrative expenses in the statement of comprehensive income was N191,024,000 (December 2013 - N180,684,000).
- c) There is an All Asset Debenture Security for the long term loan secured from Zenith Bank Plc and the guarantee of a loan from First Bank of Nigeria Plc granted to Amperion Power Distribution Limited for the acquisition of Geregu Power Plc in 2013.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

	Company	
	% of ownership	Amount N'000
17. Investment in subsidiaries		
Investment in subsidiaries comprise:		
31 December 2014		
Equity:		
AP Oilfield Services Limited	100	10,000
AP Oil and Gas Ghana Limited	100	670,011
Amperion Power Distribution Limited (see note 17.1 below)	57	10,149,926
		<u>10,829,937</u>
Impairment losses		(222,596)
		<u>10,607,341</u>
Irredeemable Preference Shares:		
Cummulative Convertible Preference Shares in AP Oil and Gas Ghana Ltd		424,950
		<u>11,032,291</u>
31 December 2013		
Equity:		
AP Oilfield Services Limited	100	10,000
AP Oil and Gas Ghana Limited	100	670,011
Amperion Power Distribution Limited	60	10,684,132
		<u>11,364,143</u>
Impairment losses		(222,596)
		<u>11,141,547</u>
The consolidated financial statements include the financial statements of Forte Oil Plc and its subsidiaries; African Petroleum Oilfield Services Limited (APOS), AP Oil and Gas Ghana Limited (APOG) and Amperion Power Distribution Company Limited and its subsidiary (Amperion Group) all made up to 31 December 2014.		
17.1 As at 31 December, 2013, Forte Oil Plc had 60% stake in Amperion Power Distribution Company Limited. During the year under review, Forte Oil Plc divested 3% at cost to Shanghai Municipal Electric Power Company a technical partner for the acquisition of Geregu Power Plc. The analysis of the divestment is as below:		
Total shares held at 1 January		10,684,132
Value of shares divested		(534,206)
		<u>10,149,926</u>
Total shares held at 31 December 2014		<u>10,149,926</u>

FORTE OIL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

	Assets		Liabilities		Net	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000	2014 N'000	2013 N'000
18. Deferred tax assets and liabilities - Group						
a) Recognised deferred tax assets and liabilities						
Deferred tax assets and liabilities are attributable to the following:						
Property, plant and equipment	120,990	547,970	82,373	86,332	(38,617)	461,638
Tax loss carry-forwards	-	372,979	-	-	-	372,979
	<u>120,990</u>	<u>920,949</u>	<u>82,373</u>	<u>86,332</u>	<u>(38,617)</u>	<u>834,617</u>
b) Movement in temporary differences during the year						
Property, plant and equipment		Balance - December - 2013 N'000	Recognized in profit or loss N'000	Effect of forex fluctuations N'000	Recognized in other comprehen- sive income N'000	Balance December- 2014 N'000
Tax loss carry-forwards		461,638	494,283	5,972	-	(38,617)
		<u>372,979</u>	<u>372,979</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>834,617</u>	<u>867,262</u>	<u>5,972</u>	<u>-</u>	<u>(38,617)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

d) Movement in temporary differences during the year

FORTE OIL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	Dec-14 N'000	Dec-13 N'000	Dec-14 N'000	Dec-13 N'000
19. Inventories				
White products	9,054,469	7,053,520	8,146,656	6,341,327
Raw and packaging materials	2,105,867	2,538,602	2,105,867	2,538,602
Semi-finished goods of lubricants	171,710	226,627	171,710	226,627
Finished goods of lubricants	864,686	737,550	820,771	668,256
Chemicals	5,218	27,018	5,218	27,018
	<u>12,201,950</u>	<u>10,583,317</u>	<u>11,250,222</u>	<u>9,801,830</u>
During the year, N151,659,785,000 (2013 N115,400,138,000) of inventory was sold and recognised as cost of sales in the income statement (Note 7.1.2)				
There was no impairment of inventory during the year.				
20. Other assets				
Consumables	<u>572,565</u>	<u>426,462</u>	<u>127,415</u>	<u>107,511</u>
Consumables include spare parts for retail outlets, equipment maintenance and stationery for office use.				
There is an All Asset Debenture Security for the long term loan secured from Zenith Bank Plc and the guarantee of a loan from First Bank of Nigeria Plc granted to Amperion Power Distribution Limited for the acquisition of Geregu Power Plc in 2013.				
21. Trade and other receivables				
Trade receivables (Note 21.1)	16,162,392	6,284,629	8,071,729	3,108,311
Receivable from related parties (Note 30)	4,366,608	6,741,136	4,756,931	7,146,014
Prepayments	3,802,936	3,278,554	3,437,849	2,859,595
Prepaid staff expenses	454,922	123,457	451,526	122,649
Petroleum Support Fund (PSF) receivable (Note 21.2)	26,528,812	14,149,592	26,528,812	14,149,592
Petroleum Equilisation Fund (PEF) receivable (Note 21.3)	490,255	-	490,255	-
Advance payment to suppliers	3,645,453	2,721,141	3,645,453	2,715,586
Interest receivable (Note 21.4)	2,033,798	2,065,788	2,033,798	2,065,788
Transporters' scheme	1,374,311	1,416,756	1,374,311	1,416,756
Withholding taxes receivable	560,466	408,230	59,311	49,890
Other debtors	210,837	280,417	159,870	222,604
	<u>59,630,790</u>	<u>37,469,700</u>	<u>51,009,845</u>	<u>33,856,785</u>
Impairment allowance (Note 21.5)	<u>(6,030,637)</u>	<u>(5,984,037)</u>	<u>(5,767,467)</u>	<u>(5,844,459)</u>
	<u>53,600,153</u>	<u>31,485,663</u>	<u>45,242,378</u>	<u>28,012,326</u>
21.1	The Group carries out review and financial assessment of customers before products are supplied on credit. Credit customers are categorised according to the determined default risk rating. High risk customers are required to provide bank guarantees for credit sales. The Credit Committee assesses the status of all credit customers periodically. See note 4.11 (Impairment) and Note 6 (Financial Risk Management).			

FORTE OIL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

- 21.2** This balance relates to outstanding subsidy claims under the PSF scheme recoverable from Petroleum Products Pricing Regulatory Agency (PPPRA) on PMS imported by Forte Oil Plc.
- 21.3** This balance relates to the net of bridging claims due to Petroleum Equalisation Fund (PEF). Bridging claims, usually raised against the Federal Government of Nigeria, are costs incurred in transporting white products (excluding deregulated products) from specific PPMC depots to approved areas. Bridging claims are usually set off against bridging allowances to establish the net amount due to, or from the PEF, an organ of the Federal Government responsible for managing the process.
- 21.4** This relates to disputed balance on interest receivable from Afribank now Mainstreet Bank. This has been fully impaired.

	Group		Company	
	Dec-14 N'000	Dec-13 N'000	Dec-14 N'000	Dec-13 N'000
21.5 Impairment allowance				
At 1 January	5,984,037	12,328,479	5,844,459	12,328,479
Additions during the year	123,592	139,578	-	-
Decrease in impairment	(76,992)	(866,803)	(76,992)	(866,803)
Written off during the year	-	(5,617,217)	-	(5,617,217)
Balance at 31 December	6,030,637	5,984,037	5,767,467	5,844,459
21.5.1 The age analysis of Trade receivables and foreign exchange exposure from trade & other receivables denominated in other currencies are presented in note 27.				
22. Cash and cash equivalents				
Bank balances	1,304,336	1,315,259	878	10,798
Short-term deposits	14,757,833	5,474,359	13,757,833	5,270,803
Cash and bank balances	16,062,169	6,789,618	13,758,711	5,281,601
Bank overdrafts used for cash management purposes (Note 22.1)	(16,496,305)	(4,906,018)	(16,496,305)	(4,906,018)
Cash and cash equivalents in the statement of cash flows	(434,136)	1,883,600	(2,737,594)	375,583
22.1 This represents the overdrawn current account balances with four Nigerian banks. These facilities have an average interest rate of 17% and are secured by an 'all asset debenture'.				
23. Capital and reserves				
Ordinary shares				
a) Authorised ordinary shares:				
4,000,000,000 ordinary shares of 50k each	2,000,000	2,000,000	2,000,000	2,000,000
b) Issued and fully paid ordinary shares of 50k each				
1,092,191,056 ordinary share of 50k each	546,095	539,368	546,095	539,368
c) Share premium	8,181,162	6,947,887	8,181,162	6,947,887

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

d) Retained earnings

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

e) Other reserves

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

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

	Dec-14 N'000	Dec-13 N'000
g) Non-controlling interest		
At 1 January	29,305,990	-
Addition during the year	534,206	28,959,179
Share of profit for the year (see note h)	2,056,353	346,811
At 31 December	31,896,549	29,305,990
h) Bureau of Public Enterprises share of profit from Geregu Power Plc	2,038,141	351,583
BSG Resources Ltd share of profit/(loss) from Amperion Power Distribution Ltd	16,094	(4,772)
Shanghai Municipal Electricity Power Company Share of profit/(loss) from Amperion Power Distribution Ltd	2,118	-
	2,056,352	346,811

Bureau of Public Enterprises (BPE) has 49% equity stake in Geregu Power Plc; BSG Resources Limited and Shanghai Municipal Electricity Power Company own 38% and 5% respectively of Amperion Power Distribution Limited as at 31st December, 2014

24. Long term employee benefits

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

	Group		Company	
	Dec-14 N'000	Dec-13 N'000	Dec-14 N'000	Dec-13 N'000
Gratuity liability at 1 January	173,158	142,940	160,606	107,835
Charged to profit and loss	87,162	56,646	72,708	52,771
Payment during the year	(20,562)	-	(9,403)	-
Excess provision released	-	(26,428)	-	-
Gratuity liability at 31 December	239,758	173,158	223,911	160,606
Planned asset at 1 January	(163,554)	-	(163,554)	-
Additional fund during the year	(69,537)	(150,000)	(55,907)	(150,000)
Actual return on planned assets	(23,031)	(13,554)	(23,031)	(13,554)
Balance at 31 December (over)/under funded position	(16,364)	9,604	(18,581)	(2,948)
Expense recognised in comprehensive income				
Current service costs	71,578	56,646	58,402	52,771
Interest costs	15,584	-	14,306	-
Return on planned assets	(23,031)	(15,809)	(23,031)	(15,809)
Actuarial loss	222	2,255	-	2,255
	64,353	43,092	49,677	39,217

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Long term employee benefit expense is recognised in administrative expenses in the statement of comprehensive income.

The actuary valuation report was signed in January 2015 by Miller Kingsley (FRC/2013/NAS/00000002392) of KMC Actuarial Services a Fellow of the Society of Actuaries, USA.

25. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risks, see note 6.

	Group		Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
Non-current				
Long term borrowings (note 25.1)	12,253,829	14,901,078	4,302,768	7,916,178
	<u>12,253,829</u>	<u>14,901,078</u>	<u>4,302,768</u>	<u>7,916,178</u>
Current				
Term loans (note 25.1)	12,288,927	3,788,754	12,288,927	3,713,783
Finance lease liabilities	-	1,194,905	-	1,194,905
	<u>12,288,927</u>	<u>4,983,659</u>	<u>12,288,927</u>	<u>4,908,688</u>
	<u>24,542,756</u>	<u>19,884,737</u>	<u>16,591,695</u>	<u>12,824,866</u>

- 25.1 Eleven billion, two million naira N11.2bn (Company N3.3bn) of this relates to long term financing for the acquisition of Geregu Power Plant by Forte Oil Plc through its subsidiary Amperion Power Distribution Company Limited.

There is an all asset debenture security as collateral to the banks for these long term borrowings.

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The Group

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal Interest rate	Year of Maturity	2014		2013	
				Present value N'000	Carrying amount N'000	Present value N'000	Carrying amount N'000
Secured term loan	Naira	23.04%	2020	3,243,755	3,494,219	8,067,208	8,327,464
Secured term loan	USD	9.26%	2020	7,919,242	7,919,242	7,009,200	6,984,900
Secured term loan	Naira	18.83%	2017	967,261	979,965	-	-
Trade finance lines	Naira	17.50%	2015	12,117,511	12,117,511	3,302,497	3,302,497
Secured term loan	GHC	23%	2015	31,819	31,819	74,972	74,972
Term loan	Naira	16%	2014	-	-	1,194,904	1,194,904
Total interest bearing				24,279,588	24,542,756	19,648,781	19,884,737

The Company

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal Interest rate	Year of Maturity	2014		2013	
				Present value N'000	Carrying amount N'000	Present value N'000	Carrying amount N'000
Secured term loan	Naira	23.04%	2020	3,243,755	3,494,219	8,067,208	8,327,464
Secured term loan	Naira	18.83%	2017	967,261	979,965	-	-
Trade finance lines	Naira	17.50%	2015	12,117,511	12,117,511	-	-
Secured other bank loan	Naira	16%	2014	-	-	3,302,497	3,302,497
Term loan	Naira	16%	2014	-	-	1,194,905	1,194,905
Total interest bearing				16,328,527	16,591,695	12,564,610	12,824,866

The bank loans are secured by an "All Asset Debenture" on the Company's assets executed in favour of the financial institutions. The term loan to the subsidiaries are secured with a mortgage pledge on specific assets

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	Dec-14 N'000	Dec-13 N'000	Dec-14 N'000	Dec-13 N'000
26. Trade and other payables				
Current trade and other payables				
Trade payable				
NNPC accounts payable	2,093,595	3,652,507	2,093,595	3,652,507
Trade creditors	26,049,622	15,845,967	21,865,141	13,972,648
Inventory accruals (Note 26.1)	16,916,011	11,965,356	17,080,771	11,838,274
Customer deposits for products	2,341,455	273,885	2,388,572	273,885
	<u>47,400,683</u>	<u>31,737,715</u>	<u>43,428,079</u>	<u>29,737,314</u>
Non-trade payables and other creditors				
Non-trade payables and other creditors (Note 26.2)	5,114,062	1,549,290	4,029,500	1,461,973
Petroleum Equalisation Fund (PEF) payables (Note 26.3)	-	2,903,763	-	2,897,388
	<u>5,114,062</u>	<u>4,453,053</u>	<u>4,029,500</u>	<u>4,359,361</u>
	<u>52,514,745</u>	<u>36,190,768</u>	<u>47,457,579</u>	<u>34,096,675</u>
Non-current trade and other payables				
Underwriters commitment(26.4)	-	114,174	-	114,174
Technical fees	-	110,157	-	110,157
Refundable security deposits	421,839	456,380	421,839	456,380
	<u>421,839</u>	<u>680,711</u>	<u>421,839</u>	<u>680,711</u>

- 26.1** Inventory accrual accounts includes liability accrued for product and associated costs. This account holds accruals for value of goods received pending receipt of supplier's invoices.
- 26.2** This consists of transporters freight account, withholding tax liabilities, VAT, rents received in advance, PAYE, NSITF, and unclaimed dividends. Unclaimed dividends of NGN173,677,000 representing dividend payable on shares not paid for previously included in non-trade payables and other creditors was transferred to retained earnings (see statement of changes in equity).
- 26.3** This balance relates to the net of bridging allowance due to Petroleum Equalisation Fund (PEF). Bridging allowances are compulsory contributions on each litre of white product lifted, to assist the Federal Government defray costs arising from bridging claims. Bridging claims are usually set off against bridging allowances to establish the net amount due to, or from the PEF, an organ of the Federal Government responsible for managing the process.
- 26.4** This relates to the underwriting of the hybrid offer in 2008. This commitment was met fully in July 2014 and 5,120,291 units of ordinary shares had been issued to Greenwich Trust Limited the underwriter of the offer after all regulatory approval were obtained.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
27. Financial instruments				
Credit risk				
<i>Exposure to credit risk</i>				
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:				
Trade and receivables (Note 21)	53,600,153	31,485,663	45,242,378	28,012,326
Cash and cash equivalents (Note 22)	(434,136)	1,883,600	(2,737,594)	375,583
	<u>53,166,017</u>	<u>33,369,263</u>	<u>42,504,784</u>	<u>28,387,909</u>
Forex exposure				
Bank balances denominated in other currencies				
Trade and other receivables denominated in other currencies	165,702	1,773,704	145,092	502,352
	<u>165,702</u>	<u>1,773,704</u>	<u>145,092</u>	<u>502,352</u>
	Gross 2014 N'000	Impairment 2014 N'000	Gross 2013 N'000	Impairment 2013 N'000
Impairment losses				
The Group				
The aging of loans and receivables at the reporting date was:				
0-3 months	6,631,703	9,205	5,575,943	9,134
4-6 months	11,962,474	624,181	9,639,132	619,358
7-9 months	26,453,344	1,499,438	14,771,377	1,090,941
More than 9 months	14,583,270	3,897,813	7,483,248	4,264,604
	<u>59,630,790</u>	<u>6,030,637</u>	<u>37,469,700</u>	<u>5,984,037</u>

FORTE OIL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

	2014 N'000	2013 N'000
The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:		
Balance at 1 January	5,984,037	12,328,479
Impairment loss	123,592	139,578
Excess provision released	(76,992)	(866,803)
Write offs	-	(5,617,217)
Balance at 31 December	<u>6,030,637</u>	<u>5,984,037</u>

	Gross 2014 N'000	Impairment 2014 N'000	Gross 2013 N'000	Impairment 2013 N'000
The Company				
The aging of loans and receivables at the reporting date was:				
0-3 months	4,331,703	9,013	1,759,790	9,134
4-6 months	10,762,474	611,198	9,639,132	619,358
7-9 months	23,603,344	1,476,569	14,770,569	1,090,941
More than 9 months	<u>12,312,325</u>	<u>3,670,687</u>	<u>7,687,293</u>	<u>4,125,026</u>
	<u>51,009,845</u>	<u>5,767,467</u>	<u>33,856,784</u>	<u>5,844,459</u>

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

	2014 N'000	2013 N'000
Balance at 1 January	5,844,459	12,328,479
Impairment loss	-	-
Excess provision released	(76,992)	(866,803)
Write offs	-	(5,617,217)
Balance at 31 December	<u>5,767,467</u>	<u>5,844,459</u>

FORTE OIL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

28. Financial instruments (Cont'd)

Liquidity risk

The Group

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

	Carrying amount N'000	Contractual cash flows N'000	6 months or less N'000	6-12 months N'000	1-2 years N'000	2-5 years N'000	More than 5 years N'000
31-Dec-14							
Non-derivative financial liabilities							
Secured bank loans	4,399,898	7,269,307	995,576	788,152	2,710,823	2,774,757	-
Trade and other payables	52,936,584	52,936,584	47,263,271	5,251,475	421,839	-	-
Bank overdraft	16,496,305	16,767,706	16,767,706	-	-	-	-
	<u>69,432,889</u>	<u>69,704,290</u>	<u>64,030,977</u>	<u>5,251,475</u>	<u>421,839</u>	<u>-</u>	<u>-</u>
31-Dec-13							
Non-derivative financial liabilities							
Secured bank loans	18,689,832	27,860,959	4,482,555	1,242,114	4,424,667	11,561,406	6,150,217
Finance lease liabilities	1,194,905	1,314,479	657,182	657,182	-	-	-
Trade and other payables	36,871,479	36,871,479	28,952,614	7,238,154	680,711	-	-
Bank overdraft	4,906,018	5,283,411	5,283,411	-	-	-	-
	<u>61,662,234</u>	<u>71,330,328</u>	<u>39,375,762</u>	<u>9,137,450</u>	<u>5,105,378</u>	<u>11,561,406</u>	<u>6,150,217</u>

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

FORTE OIL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2014

28. Financial instruments (Cont'd)

The Company

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

	Carrying amount N'000	Contractual cash flows N'000	6 months or less N'000	6-12 months N'000	1-2 years N'000	2-5 years N'000	More than 5 years N'000
31-Dec-14							
Non-derivative financial liabilities							
Secured bank loans	4,399,898	7,269,308	995,576	788,152	2,710,823	2,774,757	-
Trade and other payables	47,879,418	47,879,418	42,711,821	4,745,758	421,839	-	-
Bank overdraft	16,496,305	16,737,706	16,737,706	-	-	-	-
	<u>68,775,621</u>	<u>71,886,432</u>	<u>60,445,103</u>	<u>5,533,910</u>	<u>3,132,662</u>	<u>2,774,757</u>	<u>-</u>
31-Dec-13							
Non-derivative financial liabilities							
Secured bank loans	11,629,961	17,929,963	4,130,919	837,910	2,563,630	6,819,389	3,578,115
Finance lease liabilities	1,194,905	-	657,182	657,182	-	-	-
Trade and other payables	34,777,386	34,777,386	27,277,340	6,819,335	680,711	-	-
Bank overdraft	4,906,018	5,283,411	5,283,411	-	-	-	-
	<u>52,508,270</u>	<u>57,990,760</u>	<u>37,348,852</u>	<u>8,314,427</u>	<u>3,244,341</u>	<u>6,819,389</u>	<u>3,578,115</u>

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

FORTE OIL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

28. Contingencies

a) Guarantees

The Company guaranteed the sum of \$45M loan by First Bank of Nigeria Plc to a subsidiary Amperion Power Distribution Company Limited in respect of the acquisition of Geregu Power Plc.

b) Pending litigation and claims

The Company is engaged in lawsuits that have arisen in the normal course of business. The contingent liabilities in respect of pending litigation and claims amounted to N46 billion as at 31 December 2014 (31 December 2013 : N917M). In the opinion of the directors, and based on independent legal advice, the Company is not expected to suffer any material loss arising from these claims. Thus, no provision has been made in these interim consolidated financial statements.

c) Financial commitments

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

29. Transactions with key management personnel

Loan to directors

No loan to directors was issued during the year ended 31 December 2014.

Directors emoluments

	2014		2013	
	Directors N'000	Chairman N'000	Directors N'000	Chairman N'000
Fee	500	750	500	750
Allowances	5,495	6,674	5,495	6,674
	<u>5,995</u>	<u>7,424</u>	<u>5,995</u>	<u>7,424</u>

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

Key management personnel and compensation

The Group has 223 employees in 2014 and 108 in 2013. The total number of employees for the company were 142 in 2014 and 85 in 2013.

Group	2014	2013
1. Group Chief Executive Officer	Akin Akinfemiwa	Akin Akinfemiwa
2. Executive Director & Group Chief Financial Officer	Julius Omodayo-Owotuga	Akin Akinfemiwa
3. Group Head Human Resources and Admin	Oludare Arinde	Oludare Arinde
4. Manager Director- AP Oil and Gas Ghana Ltd	Ukpai Okwara	Ukpai Okwara
5. Managing Director - AP Oil Fields Services Ltd	Kennet Olisa	Kennet Olisa
6. Chief Executive Officer - Geregu Power Plc	Adeyemi Adenuga	Not applicable

FORTE OIL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Transactions with key management personnel

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

	Group		Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
Key management personnel compensation comprised:				
Short-term employee benefits:				
- Salaries including allowances	188,200	141,898	141,506	115,774
	188,200	141,898	141,506	115,774
Post-employment benefits:				
- Defined contribution to compulsory pension fund scheme	11,754	6,198	10,906	5,502
Defined benefit gratuity scheme	23,193	16,100	21,444	14,471
	223,147	306,094	173,856	135,747

	The Group		The Company	
Range	2014 Number	2013 Number	2014 Number	2013 Number
Below N1,000,000	22	9	-	-
N1,000,001 - N2,000,000	16	5	-	-
N2,000,001 - N3,000,000	42	59	36	24
N3,000,001 - N4,000,000	14	12	6	8
N4,000,001 - N5,000,000	31	26	29	21
N5,000,001 - N6,000,000	37	39	35	36
N6,000,001 - N7,000,000	18	16	12	14
N7,000,001 - N8,000,000	8	10	5	1
N8,000,001 - N9,000,000	12	8	2	2
N9,000,001 - N10,000,000	3	4	1	1
N10,000,001 and above	28	55	24	18
Total	231	243	150	125

FORTE OIL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

30. Other related party transactions

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

Related party	Nature of transaction	Relationship	Transaction value year ended:		Balance outstanding as at:	
			Dec-14 N'000	Dec-13 N'000	Dec-14 N'000	Dec-13 N'000
BSG Resources Ltd	Advances	Joint investor in a subsidiary	432,101	3,747,089	4,179,190	3,747,089
Amperion Power Company Ltd	Advances	Subsidiary	36,363	-	36,363	-
Geregu Power Plc	Advances	Sub subsidiary	60	-	60	-
AP Oil Fields Services Ltd	Sales & Advances	Subsidiary	-	1,040,220	480,440	368,562
AP Oil and Gas Ghana Ltd	Sales	Subsidiary	-	-	60,878	60,878
Luzon Oil and Gas Limited	Sales	Related party to core investor	3,000,363	14,391,705	-	3,000,363
			<u>3,468,887</u>	<u>19,179,014</u>	<u>4,756,931</u>	<u>7,176,892</u>

Included as collateral for the NGN3.2bn loan from Zenith Bank is a personal guarantee of the Chairman Mr. Femi Otedola.
All outstanding balances with these related parties are priced at arm's length.

31. Events after the end of reporting date

The Company received N13.6bn from the Petroleum Product Pricing Regulatory Agency (PPPRA) in January 2015 been part payment for the receivable of N26.5bn subsidy on PMS imported in 2014. This receivable is reported in note 21.

Geregu Power Plc a sub-subsubsidiary also made additional payment of N1bn to Siemens in respect of the major overhaul of the 414MW power plant to be completed in 2015

32. Prior year corresponding balances

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

FORTE OIL PLC

CONSOLIDATED STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 31 DECEMBER 2014

	The Group				The Company			
	2014 N'000	%	2013 N'000	%	2014 N'000	%	2013 N'000	%
Turnover	170,127,978		128,027,744		156,714,840		117,541,434	
Other income	1,398,062		2,006,977		1,553,228		975,890	
Other gains	-		4,381,411		-		2,106,378	
Finance income	2,077,351		2,132,804		1,971,304		2,099,077	
	<u>173,603,391</u>		<u>136,548,936</u>		<u>160,239,372</u>		<u>122,722,779</u>	
Bought in materials and services:								
- Local	(88,389,236)		(49,186,345)		(79,876,339)		(36,501,752)	
- Imported	(72,063,997)		(76,246,079)		(70,600,690)		(76,608,797)	
Value added	<u>13,150,158</u>	<u>100</u>	<u>11,116,512</u>	<u>100</u>	<u>9,762,343</u>	<u>100</u>	<u>9,612,230</u>	<u>100</u>
APPLIED AS FOLLOWS:								
To pay employees:								
Salaries, wages and other staff costs	1,776,480	14	1,439,157	13	1,391,701	14	1,247,552	13
To pay Government:								
Taxation	1,549,681	12	1,520,153	14	1,568,530	16	1,528,098	16
To pay providers of capital:								
Interest on borrowings	4,207,792	32	1,878,310	17	3,102,519	32	1,446,586	15
Retained in the business								
Depreciation and amortisation	1,159,588	9	1,274,495	11	1,060,680	11	806,762	8
Profit transferred to reserves	4,456,617	34	5,004,397	45	2,638,913	27	4,583,232	48
	<u>13,150,158</u>	<u>100</u>	<u>11,116,512</u>	<u>100</u>	<u>9,762,343</u>	<u>100</u>	<u>9,612,230</u>	<u>100</u>

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

FORTE OIL PLC

FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 DECEMBER 2014

	The Group					The Company				
	2014 N'000	2013 N'000	2012 N'000	2011 N'000	2010 N'000	2014 N'000	2013 N'000	2012 N'000	2011 N'000	2010 N'000
Funds employed										
Share capital	546,095	539,368	539,368	489,025	489,025	546,095	539,368	539,368	489,025	489,025
Share premium	8,181,162	6,947,887	62,292,576	61,588,213	61,588,213	8,181,162	6,947,887	62,292,576	61,588,213	61,588,213
Reserves	(248,099)	(170,082)	(61,819)	6,846	-	(2,255)	(2,255)	-	-	-
Retained earnings	3,958,962	5,726,144	(55,187,283)	(56,194,790)	(36,658,581)	3,346,139	4,854,671	(55,984,400)	(56,638,862)	(37,062,637)
	<u>12,438,121</u>	<u>13,043,317</u>	<u>7,582,842</u>	<u>5,889,294</u>	<u>25,418,657</u>	<u>12,071,141</u>	<u>12,339,671</u>	<u>6,847,544</u>	<u>5,438,376</u>	<u>25,014,601</u>
Non controlling interests	31,896,549	29,305,990	-	-	-	-	-	-	-	-
Shareholder's fund	44,334,669	42,349,307	7,582,842	5,889,294	25,418,657	12,071,141	12,339,671	6,847,544	5,438,376	25,014,601
Current liabilities	82,145,588	46,650,968	32,776,345	38,214,488	41,229,882	76,882,658	44,379,529	28,701,724	36,194,129	40,594,255
Non-current liabilities	12,758,041	15,677,725	2,153,751	1,121,593	2,623,151	4,724,607	8,596,889	1,914,732	667,438	1,566,895
	<u>139,238,298</u>	<u>104,678,000</u>	<u>42,512,938</u>	<u>45,225,375</u>	<u>69,271,690</u>	<u>93,678,406</u>	<u>65,316,089</u>	<u>37,464,000</u>	<u>42,299,943</u>	<u>67,175,751</u>
Assets employed										
Non-current assets	56,801,461	55,392,940	17,793,625	15,284,076	13,507,133	23,299,680	22,112,822	17,028,648	14,281,655	12,524,944
Current assets	82,436,837	49,285,060	24,719,313	29,941,299	55,764,557	70,378,726	43,203,267	20,435,352	28,018,288	54,650,807
	<u>139,238,298</u>	<u>104,678,000</u>	<u>42,512,938</u>	<u>45,225,375</u>	<u>69,271,690</u>	<u>93,678,406</u>	<u>65,316,089</u>	<u>37,464,000</u>	<u>42,299,943</u>	<u>67,175,751</u>

	The Group				The Company			
	2014 N'000	2013 N'000	2012 N'000	2011-Restated N'000	2014 N'000	2013 N'000	2012 N'000	2011-Restated N'000
Revenue	<u>170,127,978</u>	<u>128,027,744</u>	<u>90,984,215</u>	<u>116,999,641</u>	<u>156,714,840</u>	<u>117,541,434</u>	<u>78,921,742</u>	<u>103,825,837</u>
Operating profit	<u>8,136,739</u>	<u>6,270,056</u>	<u>2,871,402</u>	<u>(18,547,509)</u>	<u>5,338,658</u>	<u>5,458,839</u>	<u>2,531,875</u>	<u>(18,701,266)</u>
Profit before income tax	<u>6,006,298</u>	<u>6,524,550</u>	<u>1,149,805</u>	<u>(19,949,954)</u>	<u>4,207,443</u>	<u>6,111,330</u>	<u>876,403</u>	<u>(20,050,163)</u>
Profit after tax	<u>4,456,617</u>	<u>5,004,397</u>	<u>1,007,507</u>	<u>(19,536,209)</u>	<u>2,638,913</u>	<u>4,583,232</u>	<u>654,461</u>	<u>(19,576,228)</u>
Basic earnings per share in (N)	2.20	4.32	0.93	19.96	4.25	4.25	0.61	(20.02)