

Eterna Plc
IFRS Financial Statements for the year
ended 31 December 2014

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Directors' report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2014, which disclose the state of affairs of the company and the group.

Legal form and address

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

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

Principal activities

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

Results and dividend

The group's results for the year are set out on page 7. The profit for the year of N1.29 billion (2013: N703.2 million) has been transferred to accumulated Profit. No dividend has been recommended for the year.

The Group achieved consolidated revenue of N81.9 billion representing overall percentage decline of 16.65% compared with N98.3 billion revenue achieved in 2013.

Despite the decrease in revenue, gross profit was N3 billion, which is 4.58% increase compared to gross profit of N2.9 billion achieved in 2013.

Directors

The Directors who held office during the reporting year:

Name

Mr Mahmud Tukur (Managing Director/CEO)
 Mr Ibrahim Boyi
 Chief (Dr) Michael Ade Ojo, OON (Alternate: Otunba Femi Deru)
 Mrs. Afolake Lawal

Directors' interest in contracts

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

Directors' shareholding

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

Director		No of shares held	No of shares held
		31-Dec-2014	31-Dec-2013
Chief (Dr) Michael Ade Ojo, OON		25,645,823	25,645,823
Mrs. Afolake Lawal		962,010	962,010
Indirect Shareholding	Represented By:		
Lenux Integrated Resources Limited	Messrs Mahmud Tukur and Ibrahim Boyi	250,156,231	250,156,231
GTI Securities Limited	Mrs. Afolake Lawal	44,991,532	13,664,788
GTI Capital Limited	Mrs. Afolake Lawal	15,000,000	16,300,440
L.A PRO Shares Limited	Mrs. Afolake Lawal	17,085,000	17,500,000

Directors' report

Shareholding structure

Range	No of shareholders	No of shares	Percentage
1 - 1,000	7,692	4,624,348	0.35
1,001 - 5,000	10,935	26,511,255	2.03
5,001 - 10,000	3,121	22,903,735	1.76
10,001 - 50,000	3,797	81,325,016	6.24
50,001 - 100,000	574	41,623,095	3.19
100,001 - 500,000	472	97,365,284	7.47
500,001 - 1,000,000	37	24,864,636	1.91
1,000,001 - 5,000,000	50	115,538,560	8.86
5,000,001 - 10,000,000	9	70,328,655	5.39
10,000,001 - 1,304,144,647	16	819,060,063	62.80
Total	26,703	1,304,144,647	100.00

According to the register of members as at 31 December 2014, the following shareholders of the company held more than 5% of the issued share capital of Eterna Plc.

Shareholder	No of shares held	Percentage
Lenux Integrated Resources Limited	250,156,231	19.18
Global Energy Engineering	179,990,000	13.80
Meristem stockbrokers limited	67,000,000	5.14
Radix Capital Partners Limited	69,958,007	5.36

Research and development

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

Employment of disabled persons

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

Employee training and involvement

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

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

Health, safety and environment

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

Fixed assets

Movement in fixed assets during the year is shown in Note 12 to the financial statements. In the opinion of the Directors, the market value of the Company's properties is not less than the value shown in the financial statements.

Donations and gifts

The company made contributions to some charitable institutions and organizations during the year which amounted to N2.8 million (2013: N3.5 million).

Beneficiaries	N'000
Down Syndrome Foundation	250
Spinal Cord Injuries Association	200
LT Luka N. Agidi's Children Educational Trust Fund	500
Indian Cutural Association	100
Police Wives Association (POWA)	1,000
International Women Organisation For Charity	650
Christ Light Special Mission	100
Total	2800

Directors' report

Fuel Subsidy case

In previous years, we informed you that one of the challenges facing our company was the criminal charge by the Economic and Financial Crimes Commission (EFCC) in respect of petroleum subsidy claims and that the Nigerian Government had alleged that our Company was complicit in making false claims for petroleum subsidy.

The charge filed by the EFCC in respect of the transactions is on-going before the Lagos State High Court. Our Company remains resolute in using available legal means to resolve the issues.

Once again, we reiterate that we have not received any illegal benefits from subsidy claims and will take all necessary actions to defend the interest of our company.

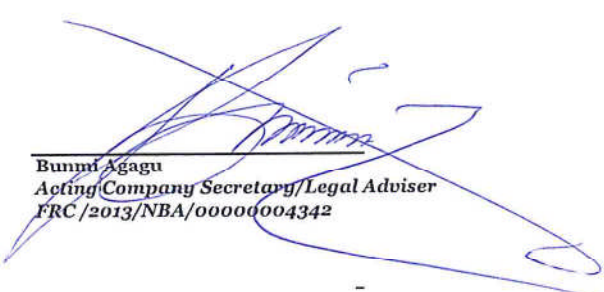
Sovereign Debt Note

Outstanding SDN payment: Stated within our receivable is outstanding N1.5 billion Sovereign Debt Notes receivable from the Ministry of Finance. This is a sovereign debt to our company in respect of subsidy claims for PMS import and we believe the Federal Government Nigeria will honour its obligation to Eterna Plc.

Auditors

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

By order of the Board



Bunmi Agagu
Acting Company Secretary/Legal Adviser
FRC/2013/NBA/00000004342

Statement of directors' responsibilities

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

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

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

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

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



Director

18 MARCH 2015



Director

18 MARCH 2015



REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ETERNA PLC

Report on the financial statements

We have audited the accompanying financial statements of Eterna Plc (the company) and its subsidiaries (together, the group). These financial statements comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the company and the group at 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

Report on other legal requirements

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

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

A handwritten signature in black ink, appearing to read 'Cyril Azobu'.

Engagement Partner: Cyril Azobu
FRC/2013/ICAN/0000000648
For: PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria



20 MARCH 2015

Consolidated statement of comprehensive income for the year ended 31 December 2014

		Group		Company	
	Note	31 December	31 December	31 December	31 December
		2014	2013	2014	2013
		N'000	N'000	N'000	N'000
Revenue	4	81,942,496	98,296,903	82,444,432	99,307,561
Cost of Sales	5	(78,925,805)	(95,412,455)	(79,545,457)	(96,689,842)
Gross profit		3,016,691	2,884,448	2,898,975	2,617,719
Selling and distribution expenses	5	(22,533)	(548,087)	(18,489)	(515,662)
General and administrative expenses	5	(1,454,810)	(783,992)	(1,370,807)	(697,528)
Other income	8	490,073	172,728	488,822	165,093
Foreign exchange gains		53,449	105,922	53,449	105,922
Other (losses/gain) - Net		72,480	(19,780)	72,480	(19,780)
Operating profit		2,155,350	1,811,239	2,124,430	1,655,764
Finance income	9	23,433	2,218	23,433	2,218
Finance cost	10	(386,717)	(744,029)	(386,042)	(743,449)
Profit before tax		1,792,066	1,069,428	1,761,821	914,533
Taxation	11	(502,501)	(366,232)	(503,023)	(320,864)
Profit for the year		1,289,565	703,196	1,258,798	593,669
Attributable to:					
– Owners of the parent		1,289,558	703,168	1,258,798	593,669
– Non-controlling interests		7	28	-	-
		1,289,565	703,196	1,258,798	593,669
Other Comprehensive Income:					
(a) Items that will not be reclassified to profit & loss					
Actuarial gains or losses	20	28,424	14,869	28,424	14,869
Tax effect of other comprehensive income		(8,527)	(4,461)	(8,527)	(4,461)
Other Comprehensive Income net of tax		19,897	10,408	19,897	10,408
(b) Items that may subsequently be reclassified to profit & loss		-	-	-	-
Total comprehensive income for the year		1,309,462	713,604	1,278,695	604,077
Attributable to:					
– Owners of the parent		1,309,455	713,576	1,278,695	604,077
– Non-controlling interests		7	28	-	-
Total comprehensive income for the year		1,309,462	713,604	1,278,695	604,077
Earnings per share:					
Basic	24	0.99	0.54		
Diluted	24	0.99	0.54		

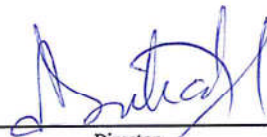
Consolidated statement of financial position as at 31 December 2014

	Note	Group		Company	
		31 December	31 December	31 December	31 December
		2014 N'000	2013 N'000	2014 N'000	2013 N'000
Non-current assets					
Property, plant and equipment	12	6,069,496	6,188,805	5,836,775	5,947,561
Prepayments	13	218,220	160,025	218,220	160,025
Other investments	14	165,000	55,000	165,000	55,000
Investment in subsidiaries	14	-	-	50,990	50,990
		<u>6,452,716</u>	<u>6,403,830</u>	<u>6,270,985</u>	<u>6,213,576</u>
Current assets					
Inventory	16	3,199,351	3,273,828	2,905,174	2,686,065
Trade and other receivables	17	6,143,631	7,866,092	6,101,462	7,513,729
Prepayments	13	98,218	109,995	98,218	109,995
Cash and bank balances	18	<u>2,672,978</u>	<u>599,399</u>	<u>2,672,975</u>	<u>599,399</u>
		<u>12,114,178</u>	<u>11,849,314</u>	<u>11,777,829</u>	<u>10,909,188</u>
Total assets		<u>18,566,894</u>	<u>18,253,144</u>	<u>18,048,814</u>	<u>17,122,764</u>
Non-current liabilities					
Borrowings	19	328,754	1,089,906	328,754	1,089,906
Deferred tax liability	15	602,178	334,136	561,990	285,357
Decommissioning liability	21	39,604	34,437	34,765	30,273
Employee benefit liability	20	40,196	66,413	40,196	66,413
Derivative liability	19	<u>362,520</u>	<u>435,000</u>	<u>362,520</u>	<u>435,000</u>
		<u>1,373,252</u>	<u>1,959,892</u>	<u>1,328,225</u>	<u>1,906,949</u>
Current liabilities					
Trade and other payables	22	6,023,108	6,168,863	6,127,093	5,629,630
Borrowings	19	1,824,314	2,146,576	1,824,314	2,146,576
Tax payable	11	<u>926,049</u>	<u>867,104</u>	<u>757,335</u>	<u>706,457</u>
		<u>8,773,471</u>	<u>9,182,543</u>	<u>8,708,742</u>	<u>8,482,663</u>
Total liabilities		<u>10,146,723</u>	<u>11,142,435</u>	<u>10,036,967</u>	<u>10,389,612</u>
Equity attributable to shareholders					
Share capital	23	652,072	652,072	652,072	652,072
Share premium	23	5,796,053	5,796,053	5,796,053	5,796,053
Retained Earnings		<u>1,971,917</u>	<u>662,462</u>	<u>1,563,722</u>	<u>285,027</u>
		<u>8,420,042</u>	<u>7,110,587</u>	<u>8,011,847</u>	<u>6,733,152</u>
Non-controlling interest		129	122	-	-
Total equity		<u>8,420,171</u>	<u>7,110,709</u>	<u>8,011,847</u>	<u>6,733,152</u>
Total equity and liabilities		<u>18,566,894</u>	<u>18,253,144</u>	<u>18,048,814</u>	<u>17,122,764</u>

The financial statements and notes on page 7-39 were approved by the board of directors on 18 MARCH 2015 and signed on its behalf by:



Director
FRC/2013/IODN/00000004443



Director
FRC/2013/IODN/00000004347

Consolidated statement of changes in equity for the year ended 31 December 2014

	Attributable to equity holders of the parent					Total Equity
	Share Capital	Share premium	Retained Earnings	Total amount attributable to equity holders	Non - controlling interest	
Balance at 1 January 2013	652,072	5,796,053	(51,113)	6,397,012	94	6,397,107
Comprehensive income						
Profit for the year	-	-	703,168	703,168	28	703,196
Other Comprehensive income						
- Actuarial gains net of tax	-	-	10,408	10,408	-	10,408
Total comprehensive income or loss	-	-	713,576	713,576	28	713,604
Transaction with owners	-	-	-	-	-	-
At 31 December 2013	652,072	5,796,053	662,462	7,110,588	122	7,110,710
Balance at 1 January 2014	652,072	5,796,053	662,462	7,110,588	122	7,110,710
Comprehensive income						
Profit for the year	-	-	1,289,558	1,289,558	7	1,289,565
Other Comprehensive income						
- Actuarial gains net of tax	-	-	19,897	19,897	-	19,897
Total comprehensive income or loss	-	-	1,309,455	1,309,455	7	1,309,462
Transaction with owners	-	-	-	-	-	-
At 31 December 2014	652,072	5,796,053	1,971,917	8,420,043	129	8,420,172

	Company			
	Share capital N'000	Share premium N'000	Retained earnings N'000	Total Equity N'000
Balance at 1 January 2013	652,072	5,796,053	(319,050)	6,129,075
Comprehensive income				
Profit for the year	-	-	593,669	593,669
Other Comprehensive income				
- Actuarial gains net of tax	-	-	10,408	10,408
Total comprehensive income or loss	-	-	604,077	604,077
Transaction with owners	-	-	-	-
At 31 December 2013	652,072	5,796,053	285,027	6,733,152
Balance at 1 January 2014	652,072	5,796,053	285,027	6,733,153
Comprehensive income				
Profit for the year	-	-	1,258,798	1,258,798
Other Comprehensive income				
- Actuarial gains net of tax	-	-	19,897	19,897
Total comprehensive income or loss	-	-	1,278,695	1,278,695
Transaction with owners	-	-	-	-
At 31 December 2014	652,072	5,796,053	1,563,722	8,011,848

Consolidated statement of cashflows for the year ended 31 December 2014

	Note	Group		Company	
		31 December 2014 N'000	31 December 2013 N'000	31 December 2014 N'000	31 December 2013 N'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Casflow generated from operating activities	28	4,102,520	4,878,259	4,084,878	4,802,786
Tax paid	11	(184,040)	(135,645)	(184,040)	(135,645)
Net cash generated from operating activities		3,918,480	4,742,614	3,900,838	4,667,141
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of property, plant and equipment		-	337	-	337
Purchase of property, plant and equipment	12	(154,117)	(206,995)	(137,154)	(132,100)
Payments for leasehold properties		(134,083)	(24,175)	(134,083)	(24,175)
Investment payment		(110,000)	-	(110,000)	-
Interest received	9	23,433	2,218	23,433	2,218
Net cash used in investing activities		(374,767)	(228,615)	(357,804)	(153,720)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings		11,087,276	13,566,446	11,087,276	13,566,447
Repayment of borrowings		(12,548,626)	(16,668,500)	(12,548,626)	(16,668,500)
Interest paid		(386,717)	(744,029)	(386,042)	(743,449)
Net cash generated from financing activities		(1,848,067)	(3,846,083)	(1,847,392)	(3,845,502)
NET CHANGE IN CASH AND CASH EQUIVALENTS		1,695,646	667,916	1,695,642	667,919
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		444,654	(223,262)	444,654	(223,265)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 2014	18	2,140,300	444,654	2,140,296	444,654

Consolidated segment information

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

a) Reportable segments

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

i) Retail and industrial

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

ii) Lubricants and chemicals

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

iii) Trading

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

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

	December 2014				December 2013			
	Retail & industrial	Lubricants & chemicals	Trading	Group	Retail & industrial	Lubricants & chemicals	Trading	Group
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Gross Revenue	24,971,924	4,089,029	54,856,060	83,917,012	9,273,018	4,980,750	86,798,210	101,051,979
Intersegment sales	(527,375)	(1,447,142)	-	(1,974,516)	(1,084,425)	(1,670,650)	-	(2,755,075)
	24,444,549	2,641,887	54,856,060	81,942,496	8,188,593	3,310,100	86,798,210	98,296,903
Operating profit before depreciation & amortisation	738,289	79,792	1,656,797	2,474,878	154,430	35,638	1,886,810	2,076,878
Depreciation & amortisation	(95,320)	(10,302)	(213,907)	(319,528)	(19,752)	(4,558)	(241,329)	(265,639)
Net finance cost	(108,373)	(11,713)	(243,198)	(363,284)	(55,159)	(12,729)	(673,923)	(741,810)
Profit before tax	534,597	57,778	1,199,692	1,792,066	79,519	18,351	971,558	1,069,428
Income tax charge	(149,903)	(16,201)	(336,397)	(502,501)	(27,232)	(6,284)	(332,716)	(366,232)
Profit after tax	384,694	41,577	863,294	1,289,565	52,287	12,066	638,842	703,196

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

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

Revenue of approximately NGN57 billion are derived from four external customers (in 2013, approximately NGN73 billion were derived from three external customers). These revenues are attributable to the Trading and Industrial segments.

b) Geographical segment

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

Notes to the consolidated financial statements

1. General information

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

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

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

2.0 Summary of significant accounting policies

2.1 Introduction to summary of accounting policies

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

2.2 Basis of preparation

The consolidated financial statements of Eterna Plc and its subsidiaries have been prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.2.1 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary are the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If acquisition or business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate. The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Notes to the consolidated financial statements

e) Joint arrangements

The group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. Eterna plc has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

2.3 Changes in Accounting Policies and Disclosures

(a) Standards and interpretations issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

The group is considering the implications of the standard, the impact on the group and the timing of its adoption by the Group.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of IFRS 15.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

Notes to the consolidated financial statements

(b) Transactions and balances

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

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measure at fair value, such as equities classified as available for sale, are included in other comprehensive income.

2.5 Trade receivables

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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

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

2.6 Borrowings

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

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

Borrowing costs

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

All other borrowing costs are expensed in the income statement.

Notes to the consolidated financial statements

2.7 Financial Assets

The Group classifies its financial assets in the following category: loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The company's loans and receivables comprise of trade and other receivables and cash and cash equivalents (see notes 16 and 17)

(i) Initial measurement

Loans and receivables are initially recognised at fair value plus transaction costs.

(ii) Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method less provision for impairment.

(iii) Impairment

The Company assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all the amounts due according to the original terms of loans and receivables. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss within administrative costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative costs in the profit or loss.

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

2.8 Revenue recognition

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

a) Sale of goods

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

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

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

2.9 Cash and cash equivalents

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

3.0 Inventory

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

2.10 Trade payables

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

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

Notes to the consolidated financial statements

2.11 Provisions

Provisions for environmental restoration (i.e. restoration and abandonment of petroleum storage facilities), restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

2.12 Environmental Restoration

The Group makes provision for the future cost of decommissioning storage tanks on a discounted basis. These costs are expected to be incurred within 30 to 50 years. The provision has been estimated using existing technology at current prices, escalated at 10.3% (2013 – 10.3%) and discounted at 12.8% (2013 – 12.8%). The economic life and the timing of the asset retirement obligation are dependent on Government legislation, commodity price and the future production profiles of the project. In addition, the estimated cash outflows are subject to inflationary and/or deflationary pressures.

A corresponding item of property, plant and equipment of an amount equivalent to the provision is also recognised. This is subsequently depreciated as part of the asset. Other than the unwinding discount on the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding item of property, plant and equipment.

2.13 Property, Plant and Equipment

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

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

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

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

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

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

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

Notes to the consolidated financial statements

2.14 Income taxation

(a) Current income tax

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

(b) Deferred income tax

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

2.15 Impairment of non-financial assets

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

2.16 Employee benefits

Defined contribution scheme

(a) Pension obligations

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

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

Defined benefit scheme

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements. Past-service costs are recognised immediately in income. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

2.17 Accounting for Leases

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

Notes to the consolidated financial statements

Lessee

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

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

Lessor

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

2.18 Dividend distribution

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

2.19 Interest Income

Interest income is recognized using the effective interest method. Interest income is accrued on short term investments based on contractual investment period.

2.20 Compound financial instruments

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

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

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

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

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

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

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

2.21 Segment reporting

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

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

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

Notes to the consolidated financial statements

3 Critical accounting estimates and judgements

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

(a) Recoverability of assets carrying amount

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

The assessment for impairment entails comparing the carrying value of the cash-generating unit with its recoverable amount, that is, value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional market supply-and-demand conditions for crude oil, natural gas and refined products.

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

(b) Asset retirement obligation

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

(c) Income taxes

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

(d) Impairment of trade receivables

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

As at 31st December 2014, the balance of the impairment loss recognised is ₦885 million (2013: ₦858 million) on the group's trade and other receivables. The assessment was carried out by management to determine the recoverability of past due receivable balances in the books. Recoverable amount has been determined based on the net present value of the estimated future cashflows using the appropriate risk adjusted discount rate. The key assumptions include the followings:

Parameters		2014 (%)	2013 (%)
Weighted average probability of default		19.2%	21.4%
Recoverable amount (as a percentage of total receivables)		80.83%	87.11%

An increase/decrease in the weighted average probability of default by 10%, all other factors remaining constant, will lead to a 1.3% (2013: 1%) increase/decrease in impairment provision for the year.

An increase/decrease in recoverable amount by 10%, all other factors remaining constant, will lead to a 8% (2013: 7.22%) increase/decrease in impairment provision for the year.

(e) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions.

The group uses the Monte Carlo simulation methodology in the valuation of the options by simulating the monthly share prices in order to calculate the relevant strike price at each contract reset date. Based on the simulated strike prices, option valuations were performed for each six-month period within the options' term to maturity. The fair values of the options were based on the average values of all the individual six-month options calculated at the year-end date.

Notes to the consolidated financial statements

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3.1 Financial risk management

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

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

(a) Liquidity risk

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

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

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

Group	Due within one year	1 - 2 year	2 - 3 years	3 - 5 years	Above 5 years
December 31, 2014					
Borrowings	1,157,434	283,882	119,382	59,691	-
Trade payables	6,023,108	-	-	-	-
Bank overdrafts	532,678	-	-	-	-
December 31, 2013					
Borrowings	1,991,831	660,859	260,449	168,598	-
Trade payables	6,168,863	-	-	-	-
Bank overdrafts	154,745	-	-	-	-
Company	Due within one year	1 - 2 year	2 - 3 years	3 - 5 years	3 - 5 years
December 31, 2014					
Borrowings	1,157,434	283,882	119,382	59,691	-
Trade payables	6,127,093	-	-	-	-
Bank overdrafts	532,678	-	-	-	-
December 31, 2013					
Borrowings	1,991,831	660,859	260,449	168,598	-
Trade payables	18,219,145	-	-	-	-
Bank overdrafts	496,771	-	-	-	-

The table below details unutilised credit facilities available to the group, as at 31st December, 2014

Description	Amount	Duration	Interest rate
Multiple credit facility	USD 220 million	25 Sept 2014 to 25 Sept 2015	Libor + 7%

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

(b) Market risk

(i) Price risk

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

(ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. The borrowings are issued at a fixed rate and expose the group to fair value interest rate risk. During the current period, the Group had borrowings denominated in Naira and Japanese Yen.

An increase/decrease in the interest rate by 10%, all other factors remaining constant, will lead to a 1% (2013: 1%) increase/decrease in the value of borrowings for the year.

(iii) Foreign exchange risk

The Group has limited exposure to foreign currency exchange risk arising primarily from the Japanese Yen denominated loan. The Japanese Yen Naira exchange rate has not seen any major fluctuations as a result management has not established any hedging mechanisms.

In December 2014, if the currency had weakened/strengthened by 10% against the Japanese Yen with other variables constant, post tax profit for the year would have been N48.6m (2013:N55.35m) higher/lower, mainly as a result of foreign exchange gains/losses on translation of the Japanese Yen denominated bond/borrowing. Similarly, the impact on equity would have been N48.60m (2013:N55.35m) higher/lower.

(c) Credit risk

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

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

Rating	2014	2013
AAA	2,104	282
AA-	3,409	7,501
A+	1,800,936	479,796
A-	793,125	77,471
BBB+	83	80
Not rated	73,905	34,269
	2,673,562	599,399

The above ratings was based on Fitch Rating.

The Group assesses the credit quality of the customers by taking into account the financial position, past experience and other factors related to that particular customer. Customer limits are set on each individual client based on past performance and sales are settled using cash. No credit limits were exceeded during the reporting period.

The analysis of the Group's trade and other receivables by performance is as follows:

Neither past due nor impaired
Past due but not impaired
Impaired

	2014	2013
Neither past due nor impaired	2,423,821	5,567,576
Past due but not impaired	1,819,019	2,557,738
Impaired	885,258	882,017
	5,128,098	9,007,331

The maturity analysis of past due but not impaired trade and other receivables is as follows:

Past due but not impaired:

- by up to 90 days
- by 90 to 180 days
- later than 180 days

Total past due but not impaired

- by up to 90 days	168,157	685,260
- by 90 to 180 days	72,067	293,683
- later than 180 days	1,578,795	1,578,795
Total past due but not impaired	1,819,019	2,557,738

3.2 Capital management

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

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

During 2014, the group's strategy which was managed from 2013 was to maintain a net debt ratio of below or within 20% to 30%. The net debt ratio as at 31 December 2014 and 31st December 2013 are as follows:

	December 2014	December 2013
Borrowings (Note 17)	2,153,068	3,236,482
Less: Cash and bank balances	(2,672,978)	(444,654)
	<u>(519,910)</u>	<u>2,791,828</u>
Equity	8,420,042	7,110,587
Net debt ratio	-7%	28%

3 Financial instruments and fair values

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

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

The following table shows the carrying values of the Group's assets and liabilities for each of these categories at December 31, 2013 and 2014.

	31 December 2014	31 December 2013
Assets		
Loans and receivables:		
Cash and bank balances	2,672,978	599,399
Trade and other receivables	6,143,631	7,921,092
	<u>8,816,610</u>	<u>8,520,491</u>
Liabilities		
Amortized cost:		
Trade and other payables	6,023,108	6,168,863
Borrowings	1,620,389	1,991,831
Bank overdrafts	532,678	154,745
	<u>8,176,175</u>	<u>8,315,439</u>
Fair value through profit and loss:		
Derivative liability	362,520	435,000

Notes to the consolidated financial statements

N'000

The following table summarizes the fair value of the Group's financial assets and liabilities at December 31, 2014 and 2013:

	31 December 2014	31 December 2013
Financial Assets		
Cash and bank balances	2,672,978	273,509
Trade and other receivables	6,143,631	25,510,024
	8,816,610	25,783,533
Financial Liabilities		
Trade and other payables	6,023,108	18,551,903
Borrowings	1,620,389	6,315,474
Bank overdrafts	532,678	496,771
Derivative liability	362,520	415,220
	8,538,695	25,779,368

Notes to the consolidated financial statements

N'000

	Group		Company	
	Dec 2014	Dec 2013	Dec 2014	Dec 2013
4 Revenue				
Fuel	24,148,672	25,546,762	24,161,629	26,612,938
Lubricants	2,641,887	1,627,387	2,630,294	1,012,542
Trading	54,856,060	69,440,042	54,842,214	69,440,042
Others	295,877	1,682,712	810,295	2,242,039
	81,942,496	98,296,903	82,444,432	99,307,561
5 Expenses by nature				
Material cost	78,520,141	94,972,125	79,139,792	96,248,992
Delivery cost	405,664	422,720	405,664	423,240
Selling & Distribution	22,533	17,610	18,489	17,610
Staff costs	523,603	469,605	506,040	421,919
Depreciation	273,425	265,639	247,941	243,497
Legal and Professional fees	53,646	78,838	56,129	71,646
Repairs and Maintenance	85,409	68,603	62,675	48,940
Marketing, gifts and donations	93,800	48,982	93,800	48,867
Amortisation	46,103	86,382	46,103	86,615
Rent, Travelling & Entertainment expenses	118,011	47,851	116,586	47,516
Insurance, medical and security expenses	32,704	52,580	32,698	49,779
Stationery and communication	43,637	36,911	42,483	36,526
Pension costs	26,007	23,503	26,007	23,691
Directors remuneration	5,381	5,000	5,381	5,000
Licence fees	8,281	21,838	4,987	16,065
Auditors' remuneration	15,636	14,636	9,545	9,545
Impairment provision	29,392	35,760	29,392	35,760
Bad Debt Written off	51,545	-	51,545	-
Gain on disposal of property, plant and equipment	-	337	-	337
Other expenses	48,230	75,614	39,496	67,487
Total cost of sales, distribution costs and administrative expenses	80,403,148	96,744,534	80,934,753	97,903,032
Expenses by function				
Cost of sales	78,925,805	95,412,455	79,545,457	96,689,842
Selling and Distribution expenses	22,533	548,087	18,489	515,662
General and Administration expenses	1,454,810	783,992	1,370,807	697,528
	80,403,148	96,744,534	80,934,753	97,903,032
6 Employees' remuneration and numbers				
	Dec 2014 Number	Dec 2013 Number	Dec 2014 Number	Dec 2013 Number
Administration	16	19	16	19
Operations	23	21	16	16
Sales and marketing	13	13	13	13
	52	53	45	48
Management	11	8	11	8
Senior	41	45	36	40
	52	53	47	48

Notes to the consolidated financial statements

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The number of employees, other than directors, who earned over N3,000,000 in the year:

	Dec 2014 Number	Dec 2013 Number	Dec 2014 Number	Dec 2013 Number
N3,000,001 - N4,000,000	8	17	8	15
N4,000,001 - N5,000,000	24	20	24	17
Above 5,000,000	20	16	15	16
	<u>52</u>	<u>53</u>	<u>47</u>	<u>48</u>

The total employee benefits expense in the year comprise the following:

Salaries and wages	400,489	112,283	383,937	106,662
Other employee costs and benefits	99,292	318,251	98,281	277,213
Retirement benefits costs	23,822	39,071	23,822	38,044
	<u>523,603</u>	<u>469,605</u>	<u>506,040</u>	<u>421,919</u>

7 Directors' remuneration	Dec 2014 N'000	Dec 2013 N'000	Dec 2014 N'000	Dec 2013 N'000
Fees for services as a director	3,000	3,250	3,000	3,250
Other emoluments as management	33,707	33,707	33,707	33,707
	<u>36,707</u>	<u>36,957</u>	<u>36,707</u>	<u>36,957</u>

The emoluments of the chairman of the board (excluding pension contributions)

	<u>-</u>	<u>250</u>	<u>-</u>	<u>250</u>
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The emoluments of the highest paid director

	<u>33,707</u>	<u>33,707</u>	<u>33,707</u>	<u>33,707</u>
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The table below shows the numbers of directors of the company whose remuneration excluding pension contributions fell within the bands stated.

	Number Dec 2014	Number Dec 2013	Number Dec 2014	Number Dec 2013
Less than N500,001	-	1	-	1
N500,001 - N3,000,000	3	3	3	3
N8,000,001 - N12,000,000	-	-	-	-
More than N12,000,000	1	1	1	1
	<u>4</u>	<u>5</u>	<u>4</u>	<u>5</u>

8 Other income

Depot storage income	76,390	76,390	14,009	76,390
Rent income	21,475	15,232	21,480	15,231
Blending Income	1,251	3,815	-	-
Trading premium	387,685	-	387,685	-
Other income	3,272	77,291	65,648	73,472
	<u>490,073</u>	<u>172,728</u>	<u>488,822</u>	<u>165,093</u>

9 Finance Income

Interest income on short-term bank deposits	23,433	2,218	23,433	2,218
	<u>23,433</u>	<u>2,218</u>	<u>23,433</u>	<u>2,218</u>

Notes to the consolidated financial statements

N'000

	Group		Company	
	Dec 2014	Dec 2013	Dec 2014	Dec 2013
10 Finance cost				
Interest expense	369,751	654,531	369,751	654,531
Interest cost on employee benefits	10,118	7,578	10,118	7,578
Accretion charge	5,168	4,490	4,493	3,910
Other bank charges	1,681	77,430	1,681	77,430
	386,717	744,029	386,042	743,449
11 Taxation				
	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Current taxes on income for the year	202,454	186,432	195,732	158,088
Education tax levy for the year	40,531	24,445	39,186	21,131
Deferred tax for the year	259,514	155,355	268,105	141,645
Total tax expense	502,501	366,232	503,023	320,864
Reconciliation of effective tax rate				
	Group			
	Dec 2014	Dec 2013		
Profit before income tax		1,792,066		1,413,128
Income tax using the domestic corporation tax rate	30.0%	537,620	30.0%	317,254
Disallowed expenses	0.2%	3,305	0.4%	5,991
Non- taxable income	-3.9%	(70,736)		
Education tax levy	2.3%	40,531	1.7%	24,445
Investment allowance	-0.5%	(8,219)	0.0%	-
Minimum Tax Effect	0.0%	-	1.3%	18,543
(Over) / under provided in prior years	0.0%	-	0.0%	-
Total income tax expense in statement of comprehensive income	28.0%	502,501	33.5%	366,232
Reconciliation of effective tax rate				
	Company			
	Dec 2014	Dec 2013		
Profit before income tax		1,761,821		1,158,104
Income tax using the domestic corporation tax rate	30.0%	528,546	30.0%	274,360
Disallowed expenses	0.3%	5,882	0.6%	6,831
Non- taxable income	-3.5%	(62,371)		
Education tax levy	2.2%	39,186	1.8%	21,131
Tax incentives	-0.5%	(8,219)		-
Minimum Tax Effect	0.0%	-	1.6%	18,543
	28.6%	503,024	34.0%	320,864
	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Opening balance	867,104	791,830	706,457	662,883
Tax paid	(184,040)	(135,645)	(184,040)	(135,645)
Income tax charge	242,986	210,919	234,918	179,219
Closing balance	926,049	867,104	757,335	706,457
Current	926,049	867,104	757,335	706,457
Non-current	-	-	-	-
	926,049	867,104	757,335	706,457

Notes to the consolidated financial statements

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12 Property, plant and equipment

Group	Capital work-in- progress	Land and buildings	Office equipment	Furniture and fittings	Motor vehicles	Plant and machinery	Total
At 1 January 2013	576,100	650,001	69,208	26,358	92,417	4,837,251	6,251,335
Additions	21,244	86,730	17,380	7,206	23,980	50,455	206,995
Disposals	-	-	-	-	(1,700)	(2,186)	(3,886)
Reclassifications/ transfers	(26,730)	26,730	-	-	-	-	-
Depreciation	-	(17,267)	(20,774)	(11,774)	(22,695)	(193,129)	(265,639)
At 31 December 2013	570,614	746,194	65,814	21,790	92,002	4,692,391	6,188,805
Cost	570,614	814,245	147,730	90,553	135,110	5,810,542	7,568,794
Accumulated depreciation	-	(68,051)	(81,916)	(68,763)	(43,108)	(1,118,151)	(1,379,989)
Net book value	570,614	746,194	65,814	21,790	92,002	4,692,391	6,188,805
At 1 January 2014	570,614	746,194	65,814	21,790	92,002	4,692,391	6,188,805
Additions	18,248	36,950	24,225	9,157	44,947	62,347	195,874
Disposals	-	-	-	-	-	-	-
Reclassifications	(20,545)	-	-	-	-	20,544	(0)
Transfers	-	(41,756)	-	-	-	-	(41,756)
Depreciation	-	(25,667)	(13,732)	(3,765)	(25,385)	(204,877)	(273,425)
At 31 December 2014	568,318	715,720	76,307	27,182	111,564	4,570,405	6,069,496
Cost	568,318	809,438	171,955	99,710	180,057	5,893,433	7,722,911
Accumulated depreciation	-	(93,718)	(95,648)	(72,528)	(68,493)	(1,323,028)	(1,653,414)
Net book value	568,318	715,720	76,307	27,182	111,564	4,570,405	6,069,496

Notes to the consolidated financial statements

							N'ooo
Property, plant and equipment							
Company	Capital work-in-progress	Land and buildings	Office equipment	Furniture and fittings	Motor vehicles	Plant and machinery	Total
At 1 January 2013	549,370	587,871	32,445	25,566	84,341	4,783,251	6,062,844
Additions	700	79,732	11,845	5,055	18,980	15,788	132,100
Disposals	-	-	-	-	(1,700)	(2,186)	(3,886)
Depreciation	-	(14,611)	(11,466)	(11,093)	(19,609)	(186,718)	(243,497)
At 31 December 2013	550,070	652,992	32,824	19,528	82,012	4,610,135	5,947,561
Cost	550,070	704,428	75,683	84,701	117,559	5,652,441	7,184,882
Accumulated depreciation	-	(51,436)	(42,859)	(65,173)	(35,547)	(1,042,306)	(1,237,321)
Net book value	550,070	652,992	32,824	19,528	82,012	4,610,135	5,947,561
At 1 January 2014	550,070	652,992	32,824	19,528	82,012	4,610,135	5,947,561
Additions	9,481	36,950	23,870	6,250	44,947	58,319	179,816
Disposals	-	-	-	-	-	-	-
Transfers	-	(42,662)	-	-	-	-	(42,662)
Depreciation	-	(23,433)	(9,852)	(3,099)	(22,505)	(189,051)	(247,941)
At 31 December 2014	559,551	623,847	46,842	22,678	104,455	4,479,402	5,836,775
Cost	559,551	698,716	99,553	90,951	162,506	5,710,760	7,322,036
Accumulated depreciation	-	(74,869)	(52,711)	(68,272)	(58,052)	(1,231,357)	(1,485,261)
Net book value	559,551	623,847	46,842	22,678	104,455	4,479,402	5,836,775

Notes to the consolidated financial statements

13 Prepayments N'ooo

	Group	
	Dec 2014	Dec 2013
Prepaid rent	264,286	176,305
Current portion of prepaid rent	(46,066)	(16,280)
Non-current portion of prepaid rent	218,220	160,025
Other short term prepayment	52,152	93,715
Current portion of long term prepayments	46,066	16,280
	98,218	109,995

	Company	
	Dec 2014	Dec 2013
Prepaid rent	264,286	176,305
Current portion of prepaid rent	(46,066)	(16,280)
Non-current portion of prepaid rent	218,220	160,025
Other short term prepayment	52,152	93,715
Current portion of long term prepayments	46,066	16,280
	98,218	109,995

Included in prepayments are some leasehold land rentals related to filling stations and tank farm land treated as operating leases.

14 Investments

	Company	
	Dec 2014	Dec 2013
Investment in subsidiaries is made up of:		
99.98% in Eterna Industries Limited	49,990	49,990
100% in Eterna Marine and Services Limited	1,000	1,000
	50,990	50,990

These investments are ultimately consolidated at group level.

	Group	
	Dec 2014	Dec 2013
Other Investments		
JUHI 2 Project	165,000	55,000
	165,000	55,000

	Company	
	Dec 2014	Dec 2013
Other Investments		
JUHI 2 Project	165,000	55,000
	165,000	55,000

This represent the equity contribution on the aviation tank farm development project (Joint User Hydrant Installation II). This is a joint venture arrangement, accounted for using the equity method.

As at 31st December 2014, the project is still under construction and the joint venture is yet to commence operation.

15 Deferred Income Tax

	Group	
	Dec 2014	Dec 2013
The analysis of deferred tax liabilities is as follows:		
Deferred tax Liabilities		
Deferred tax asset to be recovered after more than 12 months	602,178	334,136
Deferred tax asset to be recovered within 12 months	-	-
	602,178	334,136

Notes to the consolidated financial statements

N'ooo

	Company	
	Dec 2014	Dec 2013
The analysis of deferred tax liabilities is as follows:		
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	561,990	285,357
Deferred tax liability to be recovered within 12 months	-	-
	<u>561,990</u>	<u>285,357</u>
Net deferred tax liability/(asset)	<u>561,990</u>	<u>285,357</u>

	Group					
	Trade and other Receivables	Borrowings	Property, Plant & Equipment	Decommission ing Liabilities	Employee Benefits	Total
Deferred tax liabilities						
At 1 January 2013	(246,731)	(23,706)	466,365	(1,795)	(19,815)	174,318
Charged/(credited) to the income statement	(10,729)	55,483	116,263	(1,258)	(4,402)	155,357
Charged/(credited) to other comprehensive income	-	-	-	-	4,461	4,461
At 31 December 2013	(257,460)	31,777	582,628	(3,053)	(19,756)	334,136
Charged/(credited) to the income statement	(8,818)	37,779	237,121	(1,376)	(5,192)	259,514
Charged/(credited) to other comprehensive income	-	-	-	-	8,527	8,527
At 31 December 2014	(266,277)	69,556	819,749	(4,429)	(16,421)	602,178

	Company					
	Trade and other receivables	Borrowings	Property, Plant & Equipment	Decommission ing Liabilities	Employee Benefits	Total
Deferred tax liabilities						
At 1 January 2013	(246,731)	(23,706)	431,019	(1,515)	(19,815)	139,252
Charged/(credited) to the income statement	(10,729)	55,483	102,375	(1,083)	(4,402)	141,644
Charged/(credited) to other comprehensive income	-	-	-	-	4,461	4,461
At 31 December 2013	(257,460)	31,777	533,394	(2,598)	(19,756)	285,357
Charged/(credited) to the income statement	(8,818)	37,779	245,684	(1,348)	(5,192)	268,105
Charged/(credited) to other comprehensive income	-	-	-	-	8,527	8,527
At 31 December 2014	(266,277)	69,556	779,078	(3,946)	(16,421)	561,990

Notes to the consolidated financial statements

		N'ooo
		Group
	Dec 2014	Dec 2013
16 Inventory		
Raw materials	236,865	565,457
Finished goods	2,962,485	2,708,371
	<u>3,199,351</u>	<u>3,273,828</u>

The inventory transferred to cost of sales for the period 2014 is 69.3 billion (2013: 97.6 billion).

		Company
	Dec 2014	Dec 2013
Finished goods	2,905,174	2,686,065
	<u>2,905,174</u>	<u>2,686,065</u>

The inventory transferred to cost of sales for the period 2014 is 69.4 billion (2013: 97.88 billion).

Inventory is carried at the lower of cost or net realisable value. Cost is determined using weighted average method. The cost of finished goods and work in progress comprises of raw materials, importation logistics cost, direct labour, other direct costs and other production overheads. It excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

		Group
	Dec 2014	Dec 2013
17 Trade and other receivables		
Trade receivables	6,186,528	2,649,767
Due from related parties	240,000	240,000
Less: Provision for impairment of receivables	(885,258)	(858,430)
Trade receivables – net	5,541,270	2,031,337
Advance to suppliers	83,316	21,517
Tax related receivables	465,846	1,459,472
Other receivables	53,200	4,353,766
Less: Provision for impairment of other receivables	-	-
	<u>6,143,631</u>	<u>7,866,092</u>
		Company
	Dec 2014	Dec 2013
Trade receivables	6,110,191	2,602,594
Due from group companies	53,246	84,868
Due from related parties	240,000	240,000
Less: Provision for impairment of receivables	(885,028)	(858,199)
Trade receivables – net	5,518,409	2,069,263
Advance to suppliers	65,240	21,517
Tax related receivables	464,613	1,069,187
Other receivables	53,200	4,353,762
Less: Provision for impairment of other receivables	-	-
	<u>6,101,462</u>	<u>7,513,729</u>

Notes to the consolidated financial statements

	N'ooo	
	Group	
	Dec 2014	Dec 2013
Movements on the provision for impairment for trade receivables are as follows:		
Opening balance	(858,430)	(746,218)
Provision for receivables impairment	(29,392)	(112,212)
Unused amounts reversed	2,564	-
Closing balance	(885,258)	(858,430)

	Company	
	Dec 2014	Dec 2013
Movements on the provision for impairment for trade receivables are as follows:		
Opening balance	(858,200)	(745,988)
Provision for receivables impairment	(29,392)	(112,212)
Unused amounts reversed	2,564	-
Closing balance	(885,028)	(858,200)

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

18 Cash and Cash Equivalents

	Group	
	Dec 2014	Dec 2013
Cash and bank	2,672,978	599,399
Bank overdrafts	(532,678)	(154,745)
	<u>2,140,300</u>	<u>444,654</u>

	Company	
	Dec 2014	Dec 2013
Cash and bank	2,672,975	599,399
Bank overdrafts	(532,678)	(154,745)
	<u>2,140,296</u>	<u>444,654</u>

Short term investment represents short term bank deposits. For the purpose of the statements of cashflows the cash and cash equivalent balance includes bank overdraft.

Notes to the consolidated financial statements

	N'ooo
19 Borrowings	
	Group
Non-current	Dec 2014 Dec 2013
Bank borrowings	328,754 1,089,906
	<u>328,754</u> <u>1,089,906</u>
Current	Dec 2014 Dec 2013
Bank borrowings	782,153 1,543,947
Bank overdraft	532,678 154,745
Bond Instrument	509,482 447,884
	<u>1,824,314</u> <u>2,146,576</u>
	Company
Non-current	Dec 2014 Dec 2013
Bank borrowings	328,754 1,089,906
	<u>328,754</u> <u>1,089,906</u>
Current	Dec 2014 Dec 2013
Bank borrowings	782,153 1,543,947
Bank overdrafts	532,678 154,745
Bond Instrument	509,482 447,884
	<u>1,824,314</u> <u>2,146,576</u>

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

Bank borrowings classified as current are denominated in Naira. This relates to various import finance facilities (IFF) and local purchase facilities (LPF) obtained from various banks at interest rates ranging between 18% to 19% per annum with repayment period ranging from 15 to 90 days. The facilities are secured by lien on the products for resale, the Group's Petroleum Storage Depot and Aviation Tank Farm.

The bond instrument is a JPY750,000,000 zero-coupon bonds issued by Eterna Plc to Daewoo Securities (Europe) Limited on 29 November 2009. The bond yield at the time of issue was 4.75% compounded per annum and repayable in 2 equal tranches; at the end of 24 months from the date of the agreement and at the end of 32 months. The bond repayment was restructured in 2013 with rescheduled principal and yield payments. The bond is expected to be fully paid down by 31 March 2015. The bond is currently running at a yield rate of 13.5%.

The agreement also provides that Daewoo Securities (Europe) Limited has an option to subscribe in aggregate up to the Naira equivalent of JPY 750,000,000 in ordinary shares of Eterna Plc. This option is exercisable at any time between 24 November 2011 and 24 November 2029. As at 31 December 2014 this option had not been exercised by Daewoo Securities (Europe) Limited. As at 31 December 2014, the option (derivative liability) has been recognised at fair value of N362.52 million (2013: N435.00 million). The fair value of the option was determined using the Monte-Carlo simulation methodology, by simulating monthly share prices in order to calculate the relevant strike price at each reset date. Fair value changes (N72.48 million gain, 2013: N19.78 million loss) arising on the option are recognised in the statement of comprehensive income.

Non current borrowings represents a N1.5 billion facility obtained from the Sterling bank granted in June 2013 with an interest rate of 18.5% per annum. It is secured by a lien on the Group's Petroleum Storage Depot. The principal and interest are payable quarterly and is to be fully repaid in February 2016. Also included in non current borrowings is a N500 million loan obtained from Bank of Industry in February 2013 with an interest rate of 7%, principal and interest are payable quarterly and is expected to be fully repaid by June 2018.

Also see note 3.1 (notes on IFRS 7) for information regarding unutilised facility available as at 31st December 2014.

Notes to the consolidated financial statements

N'ooo

20 Employee benefits

	Group	
	Dec 2014	Dec 2013
Defined benefit obligations	40,196	66,413
Fair value of plan assets	-	-
Deficit of funded plans	40,196	66,413
Unrecognised (gains)/losses	-	-
Net Liability Recognised	40,196	66,413

The reconciliation of the defined benefit obligations as at 31st December 2014 is:

	Dec 2014	Dec 2013
Opening balance	66,413	66,045
Current service cost	13,704	14,673
Interest cost	10,118	7,578
Benefits paid	(21,615)	(7,014)
Actuarial gain	(28,424)	(14,869)
Net Liability Recognised	40,196	66,413

	Dec 2014	Dec 2013
Income statement charge for:		
Defined benefit obligation	23,822	22,251
Total amount recognised in the income statement	23,822	22,251

Actuarial gains (net of tax) recognised in the statement of other comprehensive income in the period	19,897	10,408
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Cumulative actuarial gain (net of tax) recognised in the statement of other comprehensive income	19,897	10,408
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Plan liability (Gratuity provision) for the current period is based upon independent actuarial valuation performed by Alexander Forbes Consulting Limited using the projected unit credit basis. This valuation was carried out as at 31 December 2014 (by HR Nigeria Limited in 2013). The principal assumptions, i.e., discount rates, average rate of inflation, used for the purpose of arriving at the actuarial valuation were 13% and 9% per annum in 2013 While 13% and 5% per annum were used in 2014 respectively.

The sensitivity of the gratuity liability to changes in the weighted principal assumptions as at 31 December 2014, is analysed below:

Change in assumption	Impact on gratuity liability	
	2014	2,013
Discount rate--Increase/decrease of 1.0%	Increase/decrease by N3.0m	Increase/decrease by N7.0m
Salary growth rate--Increase/decrease of 1.0%	Increase/decrease by N3.3m	Increase/decrease by N7.4m
Life expectancy--Increase/decrease of 1 year	Increase/decrease by N0.7m	Increase/decrease by N0.23m

21 Decommissioning Liability

	Group	
	Dec 2014	Dec 2013
Balance as at 1 January	34,437	29,946
Additional obligations incurred	-	-
Changes in estimated flows	-	-
Unwinding of discount due to passage of time	5,167	4,491
Balance at 31 December	39,604	34,437

Notes to the consolidated financial statements

	N'ooo	
	Company	
	Dec 2014	Dec 2013
Balance as at 1 January	30,273	26,363
Additional obligations incurred	-	-
Changes in estimated flows	-	-
Unwinding of discount due to passage of time	4,492	3,910
Balance at 31 December	<u>34,765</u>	<u>30,273</u>

The Company makes provision for the future cost of decommissioning storage tanks on a discounted basis. These costs are expected to be incurred 30 to 50 years. The provision has been estimated using existing technology at current prices, escalated at 10.3% (2013 – 10.3%) and discounted at 12.8% (2013 – 12.8%). The economic life and the timing of the asset retirement obligation are dependent on Government legislation, commodity price and the future production profiles of the project. In addition, the estimated cash outflows are subject to inflationary and/or deflationary pressures. No such assets were acquired in the year 2013 and 2014.

	Group	
	Dec 2014	Dec 2013
22 Trade and other payables		
Trade creditors	5,136,079	4,656,158
Tax related liabilities	6,046	1,132,344
Advance received	29,573	30,365
Accrued payables	418,386	198,920
Other payables	433,023	151,076
Due to Group Companies	-	-
	<u>6,023,108</u>	<u>6,168,863</u>

	Company	
	Dec 2014	Dec 2013
Trade creditors	5,115,909	4,563,665
Advance received	29,573	30,365
Accrued payables	266,765	182,435
Other payables	382,222	853,165
Due to subsidiaries	332,624	-
	<u>6,127,093</u>	<u>5,629,630</u>

23 Share capital and share premium

	Dec 2014	Dec 2013
Authorised:		
1,600,000 thousands Ordinary shares of 50k each	<u>800,000</u>	<u>800,000</u>
Issued and fully paid:		
1,304,145 thousand Ordinary shares of 50k each	<u>652,072</u>	<u>652,072</u>
Issued and fully allotted:		
1,304,145 thousand Ordinary shares of 50k each	<u>652,072</u>	<u>652,072</u>

Movements during the period:

At 1 January 2014
Capitalised during the period
Issue of new shares
At 31 December 2014

Number of shares	Ordinary shares	Share premium	Total
1,304,145	652,072	5,796,053	6,448,126
-	-	-	-
-	-	-	-
1,304,145	652,072	5,796,053	6,448,126

Notes to the consolidated financial statements

N'ooo

24 Earnings per share

(a) Basic

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

	Group	
	Dec 2014	Dec 2013
Profit for the year attributable to shareholders (in N'ooo)	1,289,565	703,196
Weighted average number of ordinary shares in issue	1,304,145	1,304,145
Basic earnings per share (in N'ooo)	0.99	0.54

(b) Diluted

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

	Dec 2014	Dec 2013
Profit for the year attributable to shareholders (in N'ooo)	1,289,565	703,196
Weighted average number of ordinary shares in issue	1,304,145	1,304,145
Adjustments for :		
- Share options	-	-
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,304,145	1,304,145
Basic earnings per share (in N'ooo)	0.99	0.54

	Company	
	2014	2013
Profit for the year attributable to shareholders (in N'ooo)	1,258,798	593,669
Weighted average number of ordinary shares in issue	1,304,145	1,304,145
Basic earnings per share (in N'ooo)	0.97	0.46

25 Contingent liabilities

Other than the litigation mentioned in our directors' report, we are not aware of any material contingent liability arising out of any suit pending against the company that has not been provided for in the financial statements for the year ended 31 December 2014 (2013 : nil).

26 Commitments

The group has a total commitment of N70,000,000 (2013:Nil) being cash call for equity contribution in Joint Hydrant User Installation II (JUHI II) payable in equal instalments from January 2015 to July 2015.

Notes to the consolidated financial statements

N'ooo

27 Related party transactions

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

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

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

Company Name:	Relationship	Dec 2014	Dec 2013
Eterna Industries Limited	Subsidiary	(332,624)	32,622
Eterna Marine and Services Limited	Subsidiary	53,246	52,246
CEC-Lenux Investments Limited		240,000	240,000
		(39,378)	324,868

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

	Dec 2014	Dec 2013
a) Transactions		
Sales		
Eterna Industries Limited	526,519	1,180,766
Purchases		
Eterna Industries Limited	1,447,142	1,725,748

b) Key management compensation

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

	Dec 2014	Dec 2013
Salaries and other short-term employee benefits	81,968	62,988
Post-employment benefits	10,931	10,895
	92,899	73,883

28 Cash (used in)/generated from operations

	Group		Company	
	Dec 2014	Dec 2013	Dec 2014	Dec 2013
Profit on ordinary activities before interest and ta	2,155,350	1,811,239	2,124,430	1,655,764
Adjustments for non-cash items:				
Depreciation	273,425	265,639	247,941	243,497
Fair value loss/(gain) on derivative liability	(72,480)	19,780	(72,480)	19,780
Amortisation of long term prepayments	46,103	71,612	46,103	71,566
Loss/(Profit) on disposals of property, plant and equipment	-	337	-	337
Unrealised foreign exchange gain	-	(105,922)	-	(105,922)
Unwinding discount on decommissioning liability	5,167	4,491	4,492	3,910
Increase in employees benefits	2,207	15,237	2,207	15,237
	2,409,773	2,082,413	2,352,693	1,904,169
Changes in working capital:				
(Increase) / decrease in inventory	74,479	(2,389,204)	(219,109)	(2,071,450)
(Increase) / decrease in debtors	1,722,460	17,572,894	1,412,267	17,564,387
(Increase) / decrease in Short term prepayment	41,563	(4,804)	41,563	(4,804)
Increase/(Decrease) in payables	(145,755)	(12,383,040)	497,464	(12,589,516)
	1,692,747	2,795,846	1,732,185	2,898,617
Casflow from operating activities	4,102,520	4,878,259	4,084,878	4,802,786

Consolidated value added statement

N'000

The consolidated statement of value added is included for the purposes of the Companies and Allied Matters Act.

	31 Dec 2014	%	31 Dec 2013	%
Group				
Turnover	81,942,496		98,296,903	
Bought in materials and services - all local	<u>(79,648,311)</u>		<u>(95,871,394)</u>	
	2,294,185		2,425,509	
Interest income	23,433		2,218	
Other income	<u>490,073</u>		<u>172,728</u>	
Value added	<u><u>2,807,691</u></u>		<u><u>2,600,455</u></u>	
Applied as follows:				
Staff salaries, wages and benefits	523,603	19	469,605	18
Maintenance of assets	85,409	3	306,986	12
Current income tax	242,986	9	210,877	8
Interest on borrowings	386,717	14	744,029	29
For future growth:				
Deferred tax	259,514	9	155,355	6
Retained earnings	<u>1,309,462</u>	47	<u>713,604</u>	27
	<u><u>2,807,691</u></u>	100	<u><u>2,600,456</u></u>	100

	31 Dec 2014	%	31 Dec 2013	%
Company				
Turnover	82,444,432		99,307,561	
Bought in materials and services - all local	<u>(80,220,213)</u>		<u>(97,092,127)</u>	
	2,224,220		2,215,434	
Interest income	23,433		2,218	
Other income	<u>488,822</u>		<u>165,093</u>	
Value added	<u><u>2,736,475</u></u>		<u><u>2,382,745</u></u>	
Applied as follows:				
Staff salaries, wages and benefits	506,040	18	421,919	18
Maintenance of assets	62,675	2	292,436	12
Current income tax	234,918	9	179,219	8
Interest on borrowings	386,042	14	743,449	31
For future growth:				
Deferred tax	268,105	10	141,645	6
Retained earnings	<u>1,278,695</u>	47	<u>604,077</u>	25
	<u><u>2,736,475</u></u>	100	<u><u>2,382,745</u></u>	100

Consolidated five-year financial summary

N'000

The consolidated five-year financial summary is included for the purposes of the Companies and Allied Matters Act.

	Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010
Financial performance					
Revenue	81,942,496	98,296,903	89,637,474	39,198,807	14,138,607
Profit/(loss) before tax	1,792,066	1,069,428	1,413,128	1,784,683	1,089,150
Taxation	(502,501)	(366,232)	(466,772)	(745,429)	(471,224)
Profit for the year	1,289,565	703,196	946,356	1,039,254	617,926
Actuarial gains or losses	28,424	14,869	5,482	27,085	-
Tax effect of actuarial gains and losses	(8,527)	(4,461)	(1,645)	(8,126)	-
Non - controlling interest	(7)	(28)	(33)	(3)	(14)
Total comprehensive income for the year	1,309,455	713,576	950,160	1,058,210	617,912
Basic earnings per share (kobo)	0.99	0.54	0.73	0.80	0.47
Diluted earnings per share (kobo)	0.99	0.54	0.73	0.80	0.47
Financial position					
Share capital	652,072	652,072	652,072	652,072	652,072
Share premium	5,796,053	5,796,053	5,796,053	5,796,053	5,796,053
Non -controlling interest	129	122	94	61	58
Retained Earnings/(Accumulated deficits)	1,971,916	662,462	(51,114)	(1,001,274)	(2,059,483)
Total equity	8,420,171	7,110,709	6,397,105	5,446,912	4,388,700
Property, plant and equipment	6,069,496	6,188,805	6,251,335	6,147,772	6,130,716
Other non-current assets	383,220	215,025	194,468	230,565	587,949
Net current (liabilities)/assets	3,340,707	2,666,772	720,164	20,785	(550,457)
Non-current liabilities	(1,373,253)	(1,959,892)	(768,862)	(952,210)	(1,779,508)
Net assets	8,420,171	7,110,709	6,397,105	5,446,912	4,388,700
Net assets per share (Naira)	6.46	5.39	4.91	4.18	3.34