

# **FORTE OIL PLC**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2019**

# FORTE OIL PLC

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

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# FORTE OIL PLC

## QUARTER ONE 2019 FINANCIAL HIGHLIGHTS

	<b>3 months 31-Mar-19 N'000</b>	<b>3 months 31-Mar-18 N'000 Restated</b>
<b>Continuing operations</b>		
Revenue	<b>42,556,243</b>	28,366,498
Cost of sales	<b>(39,492,470)</b>	(25,860,160)
<b>Gross profit</b>	<b><u>3,063,773</u></b>	<u>2,506,338</u>
<b>Profit before income tax from continuing operations</b>	<b>454,732</b>	(58,497)
Income tax credit/(expense)	<b>194,821</b>	(104,675)
<b>(Loss)/profit after tax from continuing operations</b>	<b><u>649,553</u></b>	<u>(163,172)</u>
Profit after tax from discontinued operations	<b>2,735,565</b>	3,126,101
<b>Total profit</b>	<b><u>3,385,118</u></b>	<u>2,962,929</u>
<hr/>		
Net assets	<b>17,073,410</b>	<b>63,568,441</b>
Retained earnings	<b>9,742,479</b>	<b>9,784,299</b>
*Proposed special dividend per share (N)	<b><u>N- 1.15</u></b>	NIL

\* The Board of Directors has approved a special dividend of N1.15 per share from the proceeds of the divestments of the subsidiaries of the company to its shareholders.

# FORTE OIL PLC

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

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

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

The Directors further accept responsibility for the maintenance of adequate accounting records as required by the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

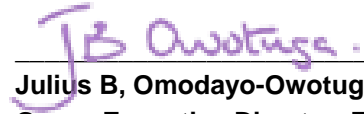
The Directors have made assessment of the company's ability to continue as a going concern and have no reason to believe that the company will not remain a going concern in the years ahead.

Signed on behalf of the Board of Directors by:



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

**Date: 30 April, 2019**



**Julius B, Omodayo-Owotuga, FCA,CFA**  
**Group Executive Director, Finance**  
**FRC/2013/ICAN/00000001995**

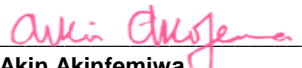
**Date: 30 April, 2019**

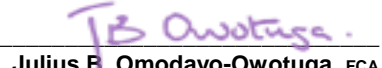
# FORTE OIL PLC

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2019

	Note	Group		Company	
		31-Mar-19 N'000	31-Dec-18 N'000	31-Mar-19 N'000	31-Dec-18 N'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13.	8,548,294	8,789,910	8,548,294	8,789,910
Investment property	14.	1,525,633	1,531,995	1,525,633	1,531,995
Intangible assets	15.	125,311	143,811	125,311	143,811
Deferred tax assets	16.	715,149	577,571	715,149	577,571
Long term employee benefits	22.	90,725	95,365	90,725	95,364
<b>Total non-current assets</b>		<b>11,005,112</b>	<b>11,138,652</b>	<b>11,005,112</b>	<b>11,138,651</b>
<b>Current assets</b>					
Inventories	17.	8,741,121	9,528,146	8,741,121	9,528,146
Trade and other receivables	18.	39,181,794	27,930,528	39,181,794	28,611,871
Cash and cash equivalents	19.	927,313	1,154,269	927,313	1,154,269
		<b>48,850,228</b>	<b>38,612,943</b>	<b>48,850,228</b>	<b>39,294,286</b>
Assets classified as held for sale	20.1.	-	91,786,005	-	10,296,796
<b>Total current assets</b>		<b>48,850,228</b>	<b>130,398,948</b>	<b>48,850,228</b>	<b>49,591,082</b>
<b>Total assets</b>		<b>59,855,340</b>	<b>141,537,600</b>	<b>59,855,340</b>	<b>60,729,733</b>
<b>Equity</b>					
Share capital	21.	655,314	655,314	655,314	655,314
Share premium	21.	8,071,943	8,071,943	8,071,943	8,071,943
Other reserves	21.	(7,752)	(7,752)	(7,752)	(7,752)
Retained earnings	21.	9,742,479	9,784,299	9,742,479	6,418,039
Reserves of disposal groups classified as held for sale	20.2.	-	(216,278)	-	-
<b>Total equity attributable to equity holders of the Company</b>		<b>18,461,984</b>	<b>18,287,526</b>	<b>18,461,984</b>	<b>15,137,544</b>
Treasury stock	21.	(1,388,574)	(1,388,574)	(1,388,574)	(1,388,574)
<b>Non controlling interests</b>	21.	-	46,669,489	-	-
<b>Total equity</b>		<b>17,073,410</b>	<b>63,568,441</b>	<b>17,073,410</b>	<b>13,748,970</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Trade and other payables	24.	375,653	375,653	375,653	375,653
Deferred tax liabilities	16.	1,352,255	1,490,741	1,352,255	1,490,741
Loans and borrowings	23.	394,294	634,369	394,294	634,369
Medium term bond	23.	5,070,483	5,041,359	5,070,483	5,041,359
<b>Total non-current liabilities</b>		<b>7,192,685</b>	<b>7,542,122</b>	<b>7,192,685</b>	<b>7,542,122</b>
<b>Current liabilities</b>					
Trade and other payables	24.	20,859,749	25,416,280	20,859,749	26,097,620
Current income tax liabilities	11.	377,460	296,217	377,460	296,217
Loans and borrowings	23.	1,469,861	1,437,094	1,469,861	1,437,094
Medium term bond	23.	2,449,169	2,134,164	2,449,169	2,134,164
Bank overdraft	19.	10,433,006	9,473,546	10,433,006	9,473,546
		<b>35,589,245</b>	<b>38,757,301</b>	<b>35,589,245</b>	<b>39,438,641</b>
Liabilities directly associated with assets classified as held for sale		-	31,669,736	-	-
<b>Total current liabilities</b>		<b>35,589,245</b>	<b>70,427,037</b>	<b>35,589,245</b>	<b>39,438,641</b>
<b>Total liabilities</b>		<b>42,781,930</b>	<b>77,969,159</b>	<b>42,781,930</b>	<b>46,980,763</b>
<b>Total equity and liabilities</b>		<b>59,855,340</b>	<b>141,537,600</b>	<b>59,855,340</b>	<b>60,729,733</b>

The interim consolidated financial statements were approved by the Board on 30 April 2019 and signed on its behalf by:

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

  
Julius E. Omodayo-Owotuga, FCA,CFA  
Group Executive Director, Finance  
FRC/2013/ICAN/00000001995

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

# FORTE OIL PLC

## INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2019

	Notes	Group		Company	
		3 months 31-Mar-19 N'000	3 months 31-Mar-18 N'000 Restated	3 months 31-Mar-19 N'000	3 months 31-Mar-18 N'000
<b>Continuing operations</b>					
Revenue	7.1.3.	42,556,243	28,366,498	42,558,140	28,366,498
Cost of sales	7.1.3.	(39,492,470)	(25,860,160)	(39,493,333)	(25,860,160)
<b>Gross profit</b>		<b>3,063,773</b>	2,506,338	<b>3,064,807</b>	2,506,338
Other income	8.	348,136	257,954	3,032,877	531,965
Distribution expenses	9.2.	(586,631)	(576,989)	(586,631)	(576,989)
Administrative expenses	9.2.	(1,719,008)	(1,630,383)	(1,729,897)	(1,634,396)
<b>Operating profit</b>		<b>1,106,270</b>	556,920	<b>3,781,156</b>	826,918
Finance income	10	198,153	231,207	198,153	246,422
Finance cost	10	(849,690)	(846,624)	(849,690)	(861,840)
Net finance cost		(651,537)	(615,417)	(651,537)	(615,418)
<b>(Loss)/profit before income tax from continuing operations</b>		<b>454,732</b>	(58,497)	<b>3,129,619</b>	211,500
Income tax expense	11.	194,821	(104,675)	194,821	(104,675)
<b>(Loss)/profit after tax from continuing operations</b>		<b>649,553</b>	(163,172)	<b>3,324,440</b>	106,825
<b>Discontinued operations</b>					
Profit after tax from discontinued operations	20.6.	2,735,565	3,126,101	-	-
<b>Profit</b>		<b>3,385,118</b>	2,962,929	<b>3,324,440</b>	106,825
<b>Other Comprehensive Income:</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Foreign exchange translation gain/(loss)		2,351	(6,839)	-	-
<b>Total other comprehensive income net of taxes</b>		<b>2,351</b>	(6,839)	-	-
<b>Total comprehensive income for the period</b>		<b>3,387,469</b>	2,956,090	<b>3,324,440</b>	106,825
Owners of the Company		174,457	533,070	3,324,440	106,825
Non controlling interests	21.	3,213,012	2,423,020	-	-
		<b>3,387,469</b>	2,956,090	<b>3,324,440</b>	106,825
<b>Total comprehensive income attributable to owners of the company arises from:</b>					
Continuing operations		649,553	(163,172)	3,324,440	106,825
Discontinued operations		(475,096)	696,242	-	-
		<b>174,457</b>	533,070	<b>3,324,440</b>	106,825
<b>Earnings per share</b>					
Basic/diluted in (N)	12.	<b>0.13</b>	0.41	<b>2.55</b>	0.08

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

# FORTE OIL PLC

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019

### Attributable to equity holders - the Group

	Share capital N'000	Share premium N'000	Reserves N'000	Retained earnings N'000	Total equity attributable to equity holders of the company N'000	Reserve of disposal group held for sale N'000	Treasury shares N'000	Non - controlling interest N'000	Total equity N'000
<b>Balance at 31 December 2018</b>	<b>655,314</b>	<b>8,071,943</b>	<b>(7,752)</b>	<b>9,784,299</b>	<b>18,503,804</b>	<b>(216,278)</b>	<b>(1,388,574)</b>	<b>46,669,489</b>	<b>63,568,441</b>
<b>Changes in equity for 2019:</b>									
Profit or loss for the period	-	-	-	172,107	172,107	2,351	-	3,213,012	3,387,469
<b>Amount attributable to equity holders</b>	<b>655,314</b>	<b>8,071,943</b>	<b>(7,752)</b>	<b>9,956,406</b>	<b>18,675,911</b>	<b>(213,927)</b>	<b>(1,388,574)</b>	<b>49,882,501</b>	<b>66,955,910</b>
<b>Transactions with owners, recorded directly in equity</b>									
Elimination of other reserves attributable to discontinued operations	-	-	-	(213,927)	(213,927)	213,927	-	-	-
Elimination of Non-controlling interest at disposal of subsidiaries	-	-	-	-	-	-	-	(49,882,501)	(49,882,501)
<b>Balance at 31 March 2019</b>	<b>655,314</b>	<b>8,071,943</b>	<b>(7,752)</b>	<b>9,742,479</b>	<b>18,461,984</b>	<b>-</b>	<b>(1,388,574)</b>	<b>-</b>	<b>17,073,410</b>

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

# FORTE OIL PLC

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019

### Attributable to equity holders of the Company

	<b>Share capital</b> N'000	<b>Share premium</b> N'000	<b>Reserves</b> N'000	<b>Retained earnings</b> N'000	<b>Total</b> N'000	<b>Treasury shares</b> N'000	<b>Total equity</b> N'000
<b>Balance at 31 December 2018</b>	<b>655,314</b>	<b>8,071,943</b>	<b>(7,752)</b>	<b>6,418,039</b>	<b>15,137,544</b>	<b>(1,388,574)</b>	<b>13,748,970</b>
<b>Changes in equity for 2019:</b>							
Profit or loss for the year	-	-	-	3,324,440	3,324,440	-	3,324,440
<b>Balance at 31 March 2019</b>	<b>655,314</b>	<b>8,071,943</b>	<b>(7,752)</b>	<b>9,742,479</b>	<b>18,461,984</b>	<b>(1,388,574)</b>	<b>17,073,410</b>

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



# FORTE OIL PLC

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2018

### Attributable to equity holders - the Group

	Share capital N'000	Share premium N'000	Reserves N'000	Retained earnings N'000	Total equity attributable to equity holders of the company N'000	Treasury shares N'000	Non - controlling interest N'000	Total equity N'000
<b>Balance at 31 December 2017</b>	<b>655,314</b>	<b>8,071,943</b>	<b>(222,357)</b>	<b>4,200,191</b>	<b>12,705,091</b>	<b>(1,388,574)</b>	<b>32,017,060</b>	<b>43,333,577</b>
<b>Changes in equity for 2018:</b>								
Profit or loss for the period	-	-	-	3,767,856	3,767,856	-	8,458,566	12,226,422
Foreign exchange translation loss	-	-	4,222	-	4,222	-	-	4,222
<b>Amount attributable to equity holders</b>	<b>655,314</b>	<b>8,071,943</b>	<b>(218,135)</b>	<b>7,968,047</b>	<b>16,477,169</b>	<b>(1,388,574)</b>	<b>40,475,626</b>	<b>55,564,221</b>
<b>Transactions with owners, recorded directly in equity</b>								
Dividend	-	-	-	-	-	-	(245,000)	(245,000)
Withholding tax on dividend from a subsidiary	-	-	-	(40,000)	(40,000)	-	-	(40,000)
<b>Balance at 31 March 2018</b>	<b>655,314</b>	<b>8,071,943</b>	<b>(218,135)</b>	<b>7,928,047</b>	<b>16,437,169</b>	<b>(1,388,574)</b>	<b>40,230,626</b>	<b>55,279,221</b>

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

# FORTE OIL PLC

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2018

### Attributable to equity holders of the Company

	Share capital N'000	Share premium N'000	Reserves N'000	Retained earnings N'000	Total	Treasury shares N'000	Total equity N'000
Balance at 31 December 2017	655,314	8,071,943	(7,752)	4,543,801	13,263,306	(1,388,574)	11,874,732
<b>Changes in equity for 2018:</b>							
Profit or loss for the year	-	-	-	1,262,058	1,262,058	-	1,262,058
Balance at 31 March 2018	655,314	8,071,943	(7,752)	5,805,859	14,525,364	(1,388,574)	13,136,790

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

# FORTE OIL PLC

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

Notes	Group		Company	
	31-Mar-19 N'000	31-Mar-18 N'000 Restated	31-Mar-19 N'000	31-Mar-18 N'000
<b>Cash flows from operating activities</b>				
(Loss)/Profit for the period from continuing operations	649,553	(163,172)	3,324,440	106,825
Profit for the period from discontinued operations	2,735,565	3,119,262	-	-
	<b>3,385,118</b>	2,956,090	<b>3,324,440</b>	106,825
<b>Adjustment for:</b>				
Foreign exchange translation loss on consolidation	2,351	6,839	-	-
Depreciation of property, plant and equipment	13. 321,685	1,359,968	321,685	331,030
Depreciation & amortisation charge- discontinued operations	1,102,421	-	-	-
Depreciation of investment property	14. 6,362	6,362	6,362	6,362
Amortization of intangible asset	15. 18,500	18,724	18,500	17,798
(Loss)/Gain on disposal of subsidiaries net of cash	20.8. (1,115,271)	-	(2,674,891)	-
(Profit)/Loss on disposal of property, plant and equipment	13. (253)	(1,042)	(253)	(888)
Finance income	10. (198,153)	(533,682)	(198,153)	(246,422)
Finance cost on loans and borrowings	10. 849,690	1,747,828	849,690	861,840
Increase/(decrease) in impairment allowance for inventories	-	37,387	-	-
Current service cost	22. 24,337	31,177	24,337	24,337
Transfer of employee benefits	9,072	-	9,072	-
Income tax (credit)/expense	11. (75,091)	202,917	(194,821)	104,675
Deferred fair value gain on loan	-	(113,506)	-	-
	<b>4,330,768</b>	5,719,062	<b>1,485,969</b>	1,205,557
<b>Changes in:</b>				
Inventories	17. 832,803	(2,563,094)	787,025	(2,491,610)
Trade and other receivables	18. (3,595,667)	(6,185,644)	2,401,763	(3,809,497)
Trade and other payables	24. 445,358	3,303,985	(5,063,834)	3,492,659
Non trade payables and other creditors	24. (185,107)	958,870	(174,037)	434,525
<b>Cash generated from/(used in) operating activities</b>	<b>1,828,155</b>	1,233,179	<b>(563,114)</b>	(1,168,366)
Employee benefit paid	22. (10,882)	(17,109)	(10,882)	(16,584)
	<b>1,817,273</b>	1,216,070	<b>(573,996)</b>	(1,184,950)
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment	13.8 1,260	5,461	1,260	2,031
Acquisition of property, plant and equipment	13. (81,076)	(181,461)	(81,076)	(180,036)
Return on employee benefits planned assets	22. (17,888)	(26,905)	(17,888)	(22,806)
Interest received	10. 198,153	533,682	198,153	246,422
	<b>100,449</b>	330,777	<b>100,449</b>	45,611
<b>Net cash generated from investing activities</b>				
<b>Cash flows from financing activities</b>				
Short term loans and borrowings	23. 347,772	3,092,296	347,772	(1,367,594)
Long term loans and borrowings	23. (2,602,220)	(5,012,163)	(210,951)	(117,046)
Interest paid	10. (849,690)	(1,747,828)	(849,690)	(861,840)
	<b>(3,104,138)</b>	(3,667,695)	<b>(712,869)</b>	(2,346,480)
<b>Net cash used in financing activities</b>				
<b>Net decrease in cash and cash equivalents</b>				
Cash and cash equivalents as at 1 January	19. (8,319,277)	969,557	(8,319,276)	310,823
Effect of exchange rate fluctuations	-	7,911	-	-
	<b>(9,505,693)</b>	(1,143,380)	<b>(9,505,693)</b>	(3,174,996)
<b>Cash and cash equivalents at 31 March</b>				
<b>Cash and cash equivalents at 31 March</b>				
Included in cash and cash equivalent per statement of financial position.	(9,505,693)	310,823	(9,505,693)	(3,174,996)
Included in the assets of the disposal group	19. -	(1,454,203)	-	-
	<b>(9,505,693)</b>	(1,143,380)	<b>(9,505,693)</b>	(3,174,996)

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

# FORTE OIL PLC

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

### 1. The Group

#### 1.1 Reporting entity

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

During the period the company disposed of its subsidiaries Fuels, Upstream Services and Power segments. The company disposed AP Oil and Gas Ghana, Forte Upstream Service Limited and Amperion Power Distribution Company Limited.

#### 1.2 Principal activities

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

### 2. Basis of preparation

#### 2.1 Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRSs) as issued by the International Accounting Standard Board (IASB) and in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011. These are the Group's financial statements for the period ended 31 March 2019, prepared in accordance with IAS-34 Interim Financial Reporting has been applied.

#### 2.2 Functional/presentation currency

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

#### 2.3 New standards, interpretations and amendments adopted by the Group

##### 2.3.1 IFRS 16, 'Leases'

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

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

##### Impact on Initial Application

The group is currently assessing IFRS 16's full impact. However, the group will adopt the standard for the year ending 31 December 2019.

##### 2.3.2 Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)

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

# FORTE OIL PLC

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

The Interpretation requires an entity to:

- reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty;
- measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable);
- reassess the judgements and estimates applied if facts and circumstances change (e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires); and
- consider whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;

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

### **Impact on Initial Application**

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

### **2.3.3 IFRIC Interpretation 23 Uncertainty over Income Tax Treatments**

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

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

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

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

### **2.3.4 Prepayment Features with Negative Compensation - Amendments to IFRS 9**

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

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

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

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

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

### 2.3.5 Plan Amendment, Curtailment or Settlement - Amendments to IAS 19

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

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

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

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

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

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

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

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

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

### 2.3.7 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

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

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

The amendments:

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

### Impact on Initial Application

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

### 2.3.8 Conceptual Framework for Financial Reporting

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

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

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

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

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

For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

Impact The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event

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### 2.3.9 Definition of Material (Amendments to IAS 1 and IAS 8)

The International Accounting Standards Board (IASB) has issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves.

#### Changes and reasoning behind the changes

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments:

The definition of material, an important accounting concept in IFRS Standards, helps companies decide whether information should be included in their financial statements. The updated definition amends IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are a response to findings that some companies experienced difficulties using the old definition when judging whether information was material for inclusion in the financial statements.

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

#### Three new aspects of the new definition should especially be noted:

**Obscuring.** The existing definition only focused on omitting or misstating information, however, the Board concluded that obscuring material information with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1 (IAS 1.30A).

**Could reasonably be expected to influence.** The existing definition referred to 'could influence' which the Board felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote.

**Primary users.** The existing definition referred only to 'users' which again the Board feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to

The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

### 2.4 Basis of measurement

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

### 2.5 Use of estimates and judgements

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

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

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



## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

### a) Recovery of deferred tax assets

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

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

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

### b) Decommissioning costs

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

### c) Contingencies

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

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

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

### e) Impairment review

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

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

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

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

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

### **f) Provisions for employee benefits**

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

### **g) Control over subsidiaries**

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

## **3. Basis of consolidation**

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

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

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

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

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

### **3.2 Group structure**

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

### **3.3 Transactions eliminated on consolidation**

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

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## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

### 3.4 Non-controlling interest

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

### 4. Significant accounting policies

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

#### 4.1.1 Foreign currency transactions

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

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

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

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

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

#### 4.1.2 Foreign operations

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

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

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

### 4.2 Financial assets and financial liabilities Recognition and initial measurement

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

#### Financial assets

Initial recognition and measurement of financial assets

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

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## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

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

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

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

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

### **Subsequent measurement**

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

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss (the company however has no financial instrument in this category)

### **Debt instruments**

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

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

#### **Amortised cost:**

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

#### **Fair value through other comprehensive income (FVOCI):**

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

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## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

### **Fair value through profit or loss:**

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

### **Other financial assets:**

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

### **Expected credit losses**

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

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

significant financial difficulty of the customer; or

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

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

### **Business model:**

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

### **Solely Payment of Principal and Interest (SPPI):**

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

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

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## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

### Equity instruments

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

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

### (iv) Derecognition

A financial asset is derecognised when:

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

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

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

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

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

### Financial liabilities

#### Initial recognition and measurement

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

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

#### Subsequent measurement

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

#### Loans and borrowings

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

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

# FORTE OIL PLC

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

### **Derecognition**

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

### **Offsetting of financial instruments**

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

#### **4.2.1 Trade and other receivables**

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

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

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

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

#### **4.2.4 Non-derivative financial liabilities**

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

#### **4.2.5 Trade and other payables**

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

#### **4.2.6 Loans and borrowings**

##### **4.2.6a Interest-bearing borrowings**

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

##### **4.2.6b Debt instruments**

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

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

# FORTE OIL PLC

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

### 4.2.7 Compound instruments

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

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

### 4.2.8 Investments in subsidiaries

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

### 4.3.1 Share capital

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

### 4.3.2 Dividend distribution

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

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

## 4.4 Property, plant and equipment

### 4.4.1 Recognition and measurement

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

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

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

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

### 4.4.2 Reclassification of investment property

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

### 4.4.3 Subsequent costs

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



# FORTE OIL PLC

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

### 4.4.4 Depreciation

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

Depreciation is recognized in profit or loss on a straight-line basis (except for gas turbines; for which Unit of Production Method i.e Equivalent Operating Hours (EOH) is used) over the estimated useful lives of each part of an item of property, plant and equipment which reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term in which case the assets are depreciated over the useful life.

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

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

Gas turbines - major overhaul amortised cost 41,000 Equivalent Operating Hours (EOH) per plant

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

### Non-current asset held for sale

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

### 4.5 Investment property

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

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

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

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

Land	Over lease year
Buildings	25 years

# FORTE OIL PLC

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

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

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

### 4.6 Intangible assets

#### 4.6.1 Intangible assets acquired separately

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

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

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

Software costs - 3 to 8 years

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

#### 4.6.2 Intangible assets generated internally

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

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

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

#### 4.6.3 Intangible assets recognised in a business combination

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

#### 4.6.4 Subsequent expenditure

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

#### 4.6.5 Amortisation

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

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

Computer software: 3 to 8 years

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

# FORTE OIL PLC

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

### 4.7 Leases

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

#### 4.7.1 Finance leases

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

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

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

#### 4.7.2 Operating leases

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

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

### 4.8 Borrowing costs

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

### 4.9 Taxation

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

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

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

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

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

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## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

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

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

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

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

### 4.10 Inventories

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

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

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

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

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

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

#### **Spare parts and consumables**

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

### 4.11 Impairment

#### 4.11.1 Impairment of financial assets

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

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## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

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

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

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

### 4.11.2 Non-financial assets

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

### 4.12 Employee benefits

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

#### 4.12.1 Defined benefit plan

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

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

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## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

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

### 4.12.2 Defined contribution plan

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

### 4.12.3 Pension fund scheme

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

### 4.12.4 Terminal benefit

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

### 4.12.5 Short term benefits - Profit-sharing and bonus plans

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

## 4.13 Provision, contingencies and decommissioning costs

### 4.13.1 Provisions

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

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

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

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

# FORTE OIL PLC

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

### 4.13.2 Contingent liabilities

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

### 4.13.3 Contingent assets

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

### 4.13.4 Decommissioning costs

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

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

### 4.14 Models used for impairment test, valuations, actuarial results

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

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

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

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

# FORTE OIL PLC

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

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

### ***Non-financial assets***

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

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

### **4.15 Revenue from contract with customers - Accounting policies applicable from 1 January, 2018**

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

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

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

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

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

#### **4.15.1 Revenue from energy sold and capacity charge.**

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

#### **4.15.2 Rental income**

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

#### **4.15.3 Throughput income**

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



# FORTE OIL PLC

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

### 4.16 Finance, dividend income and finance cost.

#### 4.16.1 Finance and dividend income

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

#### 4.16.2 Finance cost

Finance costs comprises interest expense on borrowings.

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

### 4.17 Earnings per share

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

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

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

### 4.18 Segment reporting

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

### 4.19 Business combinations

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

### 4.20 Transactions with non controlling interests

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

#### 4.21a Deferred fair value gain on loans

Deferred fair value gain on loans are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the gains will be received. Deferred fair value gain on loans are recognised in profit or loss on a systematic basis over the years in which the Company recognises as expenses the related costs for which the gains are intended to compensate. Specifically, deferred fair value gain on loans whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets

# FORTE OIL PLC

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Deferred fair value gain on loans that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the year in which they become receivable. The benefit of a deferred fair value gain on loans at a below-market rate of interest is treated as a deferred fair value gain on loans, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. The amount recognised as deferred fair value gain on loan is recognised in profit or loss over the year the related expenditure is incurred.

### 4.21b Petroleum subsidies

Petroleum Products Pricing Regulatory Agency (PPPRA) subsidises the cost of importation of certain refined petroleum products whose prices are regulated in the Nigerian market. The subsidies are recognised when there is reasonable assurance that they will be recovered and the Company has complied with the conditions attached to receiving the subsidy. The subsidies are recognised as a reduction to the landing cost of the subsidised petroleum product.

### 4.22 Trade and other receivables

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

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

### 4.23 Effective interest method

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

### 4.24 Offsetting financial assets and liabilities

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

### 4.25 Repurchase and reissue of share capital (Treasury shares)

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

### 4.26 Statement of cash flows

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

# FORTE OIL PLC

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

### 4.27 Related parties

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

### 4.28 Event occurring after the balance sheet date

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

Other non-adjusting event are disclosed in the notes.

## 5. Determination of fair values

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

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

## 6. Financial risk management

### Overview

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

### Forte Oil Group (FO Group) - Risk Management framework

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

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

- To ensure that all the current and future material risk exposures of FO Group are identified, assessed, quantified, appropriately mitigated and managed.
- To establish a framework for FO risk management process and to ensure group-wide implementation.
- To ensure systematic and uniform assessment of risks related with the Group's operations.
- To reduce operational surprises and losses.
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- To assure business growth with financial stability.

# FORTE OIL PLC

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

The Board oversees risk management through the following Committees:

### **Board Risk Management Committee**

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

### **Statutory Audit Committee**

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

### **Corporate Governance and Remuneration Committee**

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

### **Risk Management Committee**

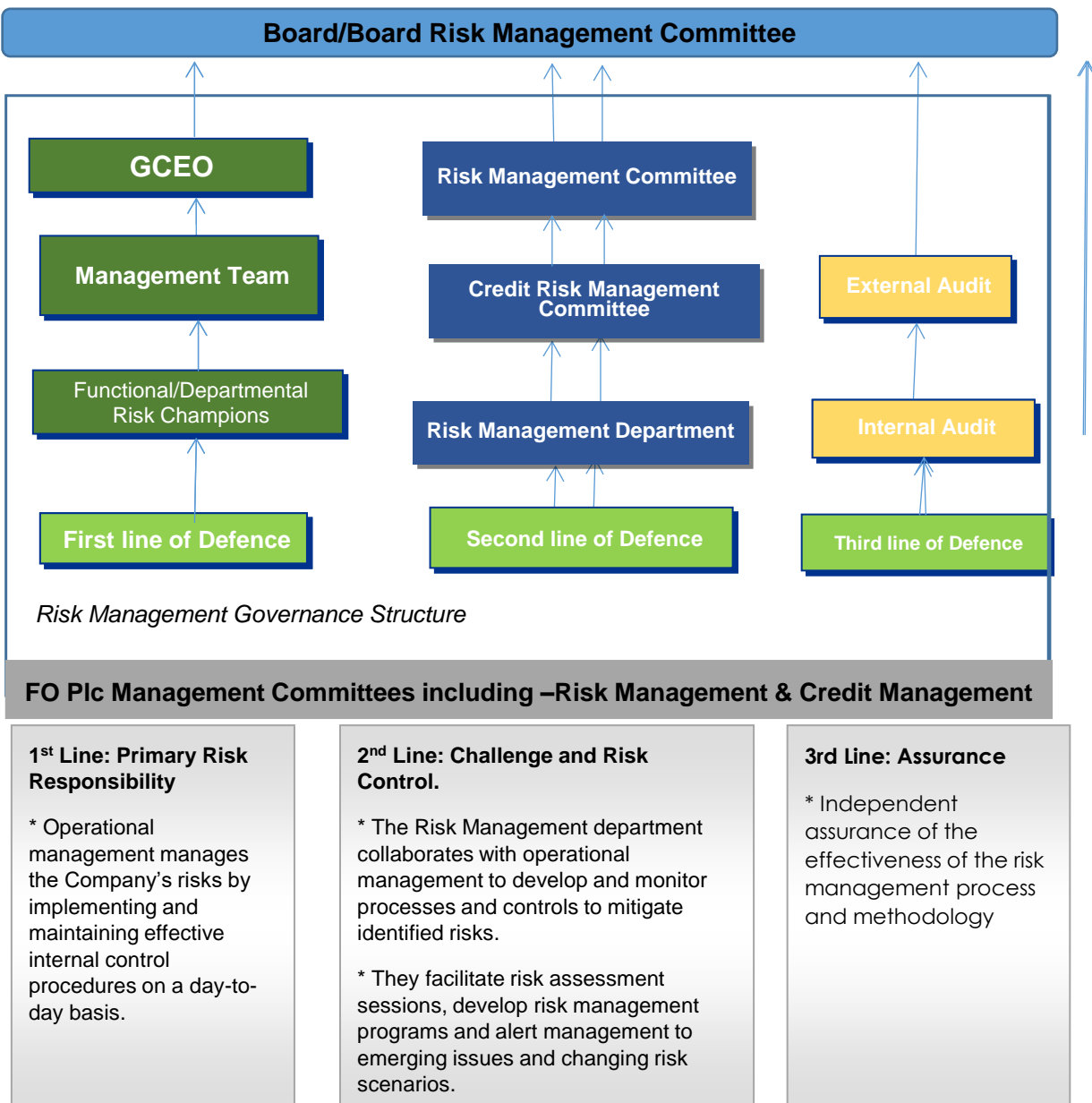
The Risk Management Committee is a Management Committee of Forte Oil Group which evaluates the risks inherent within the business and ensure that they are captured appropriately within the business risk profile. The committee monitors residual risk exposures and provides assurance as to adequacy of controls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

### **Credit Risk Management Committee**

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

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

**Risk Management Structure & Governance**



**Risk Profile**

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

**Operational Risk**

HSE Risk

**Financial Risk**

Credit risk

Liquidity risk

Market risk

Capital risk management

**Reputational Risk**

Strategic Risk

# FORTE OIL PLC

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

### Operational Risk

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

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

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

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

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

### HSE Risk

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

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

Our objective is to minimize the number of cases of occupational accidents, illnesses, damage to property and environmental degradation. 36 incidents were reported by various staff from different departments at different locations in the year 2017, while 72 incidents were reported in 2016

### Financial Risk

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

# FORTE OIL PLC

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

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

- Credit Risk
- Liquidity Risk
- Market Risk
- Foreign Exchange Risk
- Currency Risk
- Interest Rate Risk
- Other Market Risk

### **Credit Risk**

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

The Company uses other publicly available financial information and its own trading records to evaluate its major customers using the Credit Application . All credits are administered in line with FO's Credit policy.

Warning signs for default are promptly identified based on our Credit Management & Reporting tools. Mitigating actions such as reduced credit term, aggressive cash collection and downward review of credit limits are highlighted and implemented for high-risk customers based on approval by Executive Management and Management Credit Committee.

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

### **Trade and other receivables**

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

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

### **Allowance for impairment losses**

The Group establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables. Please refer to Note 26 for the ageing of trade and other receivables and related impairment allowances for the Group at the reporting date. The historical provision rates are updated with current and forward looking information

The models used for impairment is explained in note 4.14 above

### **Investments**

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

### **Guarantees**

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

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

# FORTE OIL PLC

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH, 2019

### Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable and avoidable losses or risking damage to the Group's reputation. Cash flow projection is performed by the treasury unit of FO Group Plc to anticipate the cash & liquidity requirements of the Group.

The Group has a clear focus on ensuring sufficient access to capital to finance growth and to refinance maturing debt obligations. As part of the liquidity management process, the Company has various credit arrangements with some banks and related parties which can be utilised to meet its liquidity requirements.

The Group manages its liquidity process by:

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

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

### Market Risk

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

### Foreign Exchange Risk

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

### Currency Risk

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

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

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

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

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



# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### Operating segment

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

Segment	Description
Fuels	This segment is responsible for the sale and distribution of petroleum products (white products) and Aviation Turbine Kerosene (ATK) in retail outlets and to industrial customers.
Upstream Services	This segment provides ancillary services to the Exploration & Production (E&P) sub sector of the oil and gas industry.
Lubricants and Greases	This segment manufactures and sells lubricants and greases.
Power Generation	This segment generates power.

As at 31 March 2019, the subsidiaries Forte Upstream Services, AP Oil and Gas- Ghana and Amperion Power Distribution Company Limited, which had been previously classified as held for sale at the end of June 2018, were disposed of. The operating results of these subsidiaries up until the date of disposal, have however been included in the segment details in line with the requirements of the Chief Operating Decision Maker.

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

	Group		Company	
	31-Mar-19 N'000	31-Mar-18 N'000	31-Mar-19 N'000	31-Mar-18 N'000
<b>7.1 Revenue &amp; Cost of Sales</b>				
<b>7.1.1. Revenue</b>				
Fuels	38,479,410	25,848,048	38,358,979	24,862,038
Production chemicals	323,770	387,356	-	-
Lubricants and greases	4,183,438	3,453,464	4,183,438	3,453,203
Solar system	15,723	51,257	15,723	51,257
Power generation	12,224,850	10,071,485	-	-
	<u>55,227,191</u>	<u>39,811,610</u>	<u>42,558,140</u>	<u>28,366,498</u>
<b>7.1.2. Cost of Sales</b>				
Fuels	36,381,234	23,989,519	36,267,634	23,054,762
Production chemicals	144,904	204,137	-	-
Lubricants and greases	3,207,710	2,764,220	3,207,710	2,764,024
Solar system	17,990	41,374.00	17,989	41,374
Power generation	7,253,576	6,009,502	-	-
	<u>47,005,414</u>	<u>33,008,752</u>	<u>39,493,333</u>	<u>25,860,160</u>
<b>Gross profit</b>	<u>8,221,777</u>	<u>6,802,858</u>	<u>3,064,807</u>	<u>2,506,338</u>

### 7.1.3. Reconciliation of segment information

	Group	
	31-Mar-19 N'000	31-Mar-18 N'000
<b>Revenue per segment report</b>	55,227,191	39,811,610
Reclassified as discontinued operations	(12,670,947)	(11,445,112)
As reported in the statement of profit or loss	<u>42,556,243</u>	<u>28,366,498</u>
<b>Cost of Sales per segment report</b>	47,005,414	33,008,754
Reclassified as discontinued operations	(7,512,944)	(7,148,594)
As reported in the statement of profit or loss	<u>39,492,470</u>	<u>25,860,160</u>
Gross profit	<u>3,063,772</u>	<u>2,506,338</u>

# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

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

7.1. Depreciation charge of N1,096,672,000 (March 2018 : N996,155,000) for the turbines used for power generation is included in cost of sales for the Power Generating Segment. This is recognised using Equivalent Operating Hours (EOH) of the turbines for the period.

	Group		Company	
	31-Mar-19 N'000	31-Mar-18 N'000 Restated	31-Mar-19 N'000	31-Mar-18 N'000
<b>8. Other income</b>				
Investment property rental income	49,877	34,381	59,729	38,392
Throughput income (Note 8.1)	148,568	33,189	148,568	33,189
Foreign exchange gain (Note 8.2)	-	14,595	-	14,595
Sundry income (Note 8.3)	42,462	17,053	42,462	17,053
Dividend received (Note 8.4)	-	-	-	270,000
Freight income (Note 8.5)	104,766	157,848	104,766	157,848
Gain on disposal of property, plant and equipment	2,462	888	2,462	888
Gain on disposal of subsidiary (Note 8.6)	-	-	2,674,891	-
	<b>348,136</b>	<b>257,954</b>	<b>3,032,877</b>	<b>531,965</b>

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

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

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

8.4 During the period ended 31 March 2018, the company received N270,000,000 dividend net of withholding taxes from Forte Upstream Services Limited, one of its subsidiaries This was eliminated on consolidation. The subsidiary has been disposed as as the current reporting date

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

8.6 During the period ended ended 31 March 2019, Forte Oil Plc disposed its subsidiaries, Amperion Power Distribution Company Limited (Amperion), Forte Upstream Services Limited (FUS) and AP Oil and Gas Ghana, the disposal of Amperion and FUS resulted in a gain of N1.55 billion and N1.23 billion respectively, totalling N2.78 billion. The disposal of AP Oil and Gas Ghana resulted in a loss of N108 million resulting in a net gain of N2.67 billion as presented below:

	FUS	APOG	Amperion	Total
Consideration	1,242,849	28,838	11,700,000	12,971,687
Total value of Investment in Subsidiary	(10,000)	(1,094,961)	(10,149,926)	(11,254,887)
Provision for Dimunition in value of investment	-	958,091	-	958,091
<b>Gain/(Loss) on disposal</b>	<b>1,232,849</b>	<b>(108,033)</b>	<b>1,550,074</b>	<b>2,674,891</b>

# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

	Group		Company	
	31-Mar-19 N'000	31-Mar-18 N'000 Restated	31-Mar-19 N'000	31-Mar-18 N'000
<b>9. Expenses by nature</b>				
Personnel expenses (Note 9.1)	450,199	376,150	450,199	376,151
Depreciation and amortisation	346,547	355,191	346,547	355,190
Changes in inventories of lubes, greases, solar and refined products	39,492,470	25,860,160	39,493,334	25,860,160
Distribution cost	586,631	576,989	586,631	576,989
Bank charge	38,591	83,120	38,591	83,120
Transport and travel costs	43,688	46,674	43,688	46,675
Repairs and maintenance	137,599	99,989	137,599	99,989
Safety security and quality control	36,938	40,250	36,938	40,250
Insurance	50,608	50,459	50,608	50,459
Internet and communication	32,841	22,167	32,841	22,167
Utilities	16,153	22,306	17,188	22,307
Professional and legal fees	60,932	67,019	60,932	67,019
Audit fees	8,531	13,125	8,531	13,125
Board and AGM expenses	37,116	26,367	37,116	26,367
Licenses, rates and fees	11,196	91,930	11,196	91,930
Public relations, promotions and advertisement	10,053	2,792	10,053	2,792
Rent and leases	244,950	253,586	254,802	257,597
Foreign exchange loss	7,149	-	7,149	-
Shrinkage and product losses	163,150	53,566	163,150	53,567
Loss on disposal of property, plant and equipment	2,209	-	2,209	-
Printing and stationery expenses	2,462	5,450	2,462	5,450
Director fees	950	3,850	950	3,850
Other expenses	17,148	16,391	17,148	16,391
	<b>41,798,109</b>	<b>28,067,532</b>	<b>41,809,862</b>	<b>28,071,545</b>
<b>9.1.1 Personnel expenses</b>				
Salaries, wages and allowances	377,972	332,709	292,657	256,094
Contributions to pension fund scheme	25,766	22,393	20,773	17,552
Gratuity and redundancy cost	19,450	4,272	6,449	1,531
Training, recruitment and canteen expenses	35,526	23,898	30,626	20,555
Medical expenses	14,653	10,949	11,975	8,344
Contract Manpower	93,824	85,336	80,920	71,878
Other personnel expenses	9,382	4,058	6,799	197
	<b>576,573</b>	<b>483,615</b>	<b>450,199</b>	<b>376,151</b>
Analysis of personnel cost for the year:				
- Continuing operations (Note 9)	450,199	376,150	450,199	376,151
- Discontinued operations	126,374	107,465	-	-
	<b>576,573</b>	<b>483,615</b>	<b>450,199</b>	<b>376,151</b>

# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

	Group		Company	
	31-Mar-19 N'000	31-Mar-18 N'000 Restated	31-Mar-19 N'000	31-Mar-18 N'000
<b>9.2. Expense by function</b>				
Cost of sales (Note 7.1.3)	39,492,470	25,860,160	39,493,334	25,860,160
Selling, distribution expenses	586,631	576,989	586,631	576,989
Administrative expenses	1,719,008	1,630,383	1,729,897	1,634,396
	<b>41,798,109</b>	<b>28,067,532</b>	<b>41,809,862</b>	<b>28,071,545</b>
<b>10. Finance income and finance cost</b>				
<b>Finance income</b>				
Interest income on bank deposits (Note 10.1)	24,330	32,635	24,330	32,635
Other interest income (Note 10.2)	173,823	198,572	173,823	213,787
<b>Total Finance income</b>	<b>198,153</b>	<b>231,207</b>	<b>198,153</b>	<b>246,422</b>
<b>Finance costs</b>				
Interest on medium term bond	(344,130)	(422,247)	(344,130)	(422,247)
Interest expense on bank loans and overdrafts (Note 10.1)	(505,560)	(424,377)	(505,560)	(439,593)
<b>Total Finance cost</b>	<b>(849,690)</b>	<b>(846,624)</b>	<b>(849,690)</b>	<b>(861,840)</b>
<b>Net finance costs</b>	<b>(651,537)</b>	<b>(615,417)</b>	<b>(651,537)</b>	<b>(615,418)</b>

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

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

	Group		Company	
	31-Mar-19 N'000	31-Mar-18 N'000	31-Mar-19 N'000	31-Mar-18 N'000
<b>11. Taxation</b>				
<b>a) Income tax expense</b>				
<b>Continuing operations</b>				
Income tax	73,138	101,749	73,138	101,749
Education tax	8,105	7,155	8,105	7,155
	<b>81,243</b>	<b>108,904</b>	<b>81,243</b>	<b>108,904</b>
Deferred tax (credit)/charge	<b>(276,064)</b>	<b>(4,229)</b>	<b>(276,064)</b>	<b>(4,229)</b>
<b>Total income tax (credit)/expense</b>	<b>(194,821)</b>	<b>104,675</b>	<b>(194,821)</b>	<b>104,675</b>
<b>Discontinued operations</b>				
Income tax	104,781	22,500	-	-
Education tax	-	76,082	-	-
	<b>104,781</b>	<b>98,582</b>	<b>-</b>	<b>-</b>
Deferred tax (credit)/charge	-	(341)	-	-
<b>Total income tax (credit)/expense</b>	<b>104,781</b>	<b>98,242</b>	<b>-</b>	<b>-</b>



# FORTE OIL PLC

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

### 13. Property, plant and equipment

#### a) The Group

The movement on this account during the period was as follows:	Land N'000	Building N'000	Plant, Equipment and tanks N'000	Computer equipment N'000	Furniture & fittings N'000	Motor vehicles N'000	Construc- tion work in progress N'000	Total N'000
<b>Cost</b>								
Balance at 1 January 2019	3,702,195	2,769,493	8,736,266	377,199	27,244	3,031,000	47,318	18,690,715
Additions	-	9,553	65,987	656	-	-	4,880	81,076
Disposals	(492)	(340)	(800)	-	-	(9,419)	-	(11,051)
<b>Balance at 31 March 2019</b>	<b>3,701,703</b>	<b>2,778,706</b>	<b>8,801,453</b>	<b>377,855</b>	<b>27,244</b>	<b>3,021,581</b>	<b>52,198</b>	<b>18,760,740</b>
<b>Depreciation</b>								
Balance at 1 January 2019	423,347	1,604,286	5,839,687	314,460	20,741	1,698,284	-	9,900,805
Charge for the period	10,265	52,541	156,249	8,800	739	93,091	-	321,685
Disposals	(90)	(249)	(572)	-	-	(9,133)	-	(10,044)
<b>Balance at 31 March 2019</b>	<b>433,522</b>	<b>1,656,578</b>	<b>5,995,365</b>	<b>323,260</b>	<b>21,480</b>	<b>1,782,242</b>	<b>-</b>	<b>10,212,446</b>
<b>At 1 January 2019</b>	<b>3,278,848</b>	<b>1,165,207</b>	<b>2,896,579</b>	<b>62,739</b>	<b>6,503</b>	<b>1,332,716</b>	<b>47,318</b>	<b>8,789,910</b>
<b>Balance at 31 March 2019</b>	<b>3,268,181</b>	<b>1,122,129</b>	<b>2,806,088</b>	<b>54,596</b>	<b>5,764</b>	<b>1,239,338</b>	<b>52,198</b>	<b>8,548,294</b>

- a) Included in depreciation charge of N1,447,580,000 (March 2018 : N1,359,968,000) is a charge of N1,125,894,000 (March 2018 : N1,038,283,000) attributable to discontinued operations, these have been appropriately presented in the statement of profit or loss. The balance of N321,685,000 (March 2017: N331,031,000) representing depreciation for continuing operations is reported in the administrative expenses in the statement of profit or loss.
- b) Depreciation charge for discontinued operations of N1,125,894,000 (March 2018 : N1,038,283,000) is inclusive of a charge of N1,096,672,000 (March 2018 : N996,155,000) representing depreciation for the turbines used for power generation.
- c) There is an All Asset Debenture Security on the Company - Forte Oil Plc's assets for all its loans and trade finance lines with First Bank of Nigeria Limited, Guaranty Trust Bank Plc and Zenith Bank Plc.
- d) No impairment charge on property, plant and equipment during the period.

# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### (b) Company

The movement on this account during the year was as follows:	Land N'000	Building N'000	Plant, Equipment and tanks N'000	Computer equipment N'000	Furniture & fittings N'000	Motor vehicles N'000	Construc- tion work in progress N'000	Total N'000
<b>Cost</b>								
Balance at 1 January 2019	3,702,195	2,769,493	8,736,266	377,199	27,244	3,031,000	47,318	18,690,715
Additions	-	9,553	65,987	656	-	-	4,880	81,076
Disposals	(492)	(340)	(800)	-	-	(9,419)	-	(11,051)
<b>Balance at 31 March 2019</b>	<b>3,701,703</b>	<b>2,778,706</b>	<b>8,801,453</b>	<b>377,855</b>	<b>27,244</b>	<b>3,021,581</b>	<b>52,198</b>	<b>18,760,740</b>
<b>Depreciation and impairment losses</b>								
Balance at 1 January 2019	423,347	1,604,286	5,839,687	314,460	20,741	1,698,284	-	9,900,805
Charge for the period	10,265	52,541	156,249	8,800	739	93,091	-	321,685
Disposals	(90)	(249)	(572)	-	-	(9,133)	-	(10,044)
<b>Balance at 31 March 2019</b>	<b>433,522</b>	<b>1,656,578</b>	<b>5,995,364</b>	<b>323,260</b>	<b>21,480</b>	<b>1,782,242</b>	<b>-</b>	<b>10,212,446</b>
<b>Carrying amounts</b>								
At 1 January 2019	3,278,848	1,165,207	2,896,579	62,739	6,503	1,332,716	47,318	8,789,910
<b>Balance at 31 March 2019</b>	<b>3,268,181</b>	<b>1,122,129</b>	<b>2,806,088</b>	<b>54,595</b>	<b>5,764</b>	<b>1,239,340</b>	<b>52,198</b>	<b>8,548,294</b>

- a) Depreciation charge of N 321,685,000 (March 2018 : N331,031,000) is included in administrative expenses in the statement of profit or loss and other comprehensive income.
- b) There is an All Asset Debenture Security on the Company - Forte Oil Plc's assets for all its loans and trade finance lines with First Bank of Nigeria Limited, Guaranty Trust Bank Plc and Zenith Bank Plc.
- c) No impairment charge on property, plant and equipment during the period.

# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

	<b>Group</b> 31-Mar-19 N'000	<b>Company</b> 31-Mar-19 N'000
<b>14. Investment property</b>		
<b>Cost</b>		
Balance at 1 January	2,235,584	2,235,584
<b>Balance at 31 March 2019</b>	<u>2,235,584</u>	<u>2,235,584</u>
<b>Depreciation</b>		
Balance at 1 January	703,589	703,589
Charge for the period	6,362	6,362
<b>Balance at 31 March 2019</b>	<u>709,951</u>	<u>709,951</u>
<b>Carrying amount</b>		
At 1 January	<u>1,531,995</u>	<u>1,531,995</u>
<b>At 31 March 2019</b>	<u>1,525,633</u>	<u>1,525,633</u>

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

{b} During the period ended 31 March 2019 the Group recognised N49,877,000 as rental income from continuing operations in statement of profit or loss (March 2018 : N34,381,000) after eliminating intra-group transactions while the Company recognised N59,729,000 (March 2018 : N38,392,000).

{c} Depreciation charge of N6,362,000 (2018 : N6,362,000) is included in administrative expenses in the statement of profit or loss and other comprehensive income.

{d} The fair value of the investment properties as at 30 June 2018 was N5,251,786,900. The fair valuation was carried out by Jide Taiwo & Co. (FRC2012/NIESV/000000254); Ismail & Partners (FRC/2012/NIESV/0000000245) and Dele Olaiya & Associates (FRC/2013/NIESV/00000002773). These valuations indicate upward movement in the market values of these properties compared to their carrying amounts, hence no indication of impairment for all investment properties. Directors are of the view that the fair value of these properties as at 31st March, 2019 are not materially different from the values obtained at 30th June, 2018

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

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



# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

	<b>Group</b>	<b>Company</b>
	<b>31-Mar-19</b>	<b>31-Mar-19</b>
	<b>N'000</b>	<b>N'000</b>
<b>15. Intangible assets</b>		
<b>Cost</b>		
Balance at 1 January	1,034,366	1,034,366
<b>Balance at 31 March 2019</b>	<u>1,034,366</u>	<u>1,034,366</u>
<b>Amortisation</b>		
Balance at 1 January	890,555	890,555
Charge for the period	19,425	18,500
Disposal of subsidiary	(925)	-
<b>Balance at 31 March 2019</b>	<u>909,055</u>	<u>909,055</u>
<b>Carrying amounts</b>		
At 1 January 2019	143,811	143,811
<b>Balance at 31 March 2019</b>	<u>125,311</u>	<u>125,311</u>

a) These relate to purchased softwares.

b) The amortisation charge on intangible assets of N19,425,000 ( March 2018 : N18,724,000) is made up of N925,000 ( March 2018 : N1,368,000) attributable to discontinued operations, and N18,500,000 (March 2018 : N17,798,000) attributable to continuing operations is included in administrative expenses in the statement of profit or loss.

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

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

# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

	Assets		Liabilities		Net	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000	2019 N'000	2018 N'000
<b>16. Deferred tax assets and liabilities</b>						
<b>16.1 The Group</b>						
<b>a) Recognised deferred tax assets and liabilities</b>						
Deferred tax assets and liabilities are attributable to the following:						
Property, plant and equipment	1,570,822	2,538,801	2,923,077	1,570,822	(1,352,255)	967,979
Trade receivables	520,741	382,446	-	-	520,741	382,446
Other receivables	167,190	167,190	-	-	167,190	167,190
Other liabilities	27,218	36,156	-	-	27,218	36,156
Loss carry-forwards	-	2,143,114	-	-	-	2,143,114
	<b>2,285,971</b>	<b>5,267,707</b>	<b>2,923,077</b>	<b>1,570,822</b>	<b>(637,106)</b>	<b>3,696,885</b>
<b>Reflected in the statement of financial position as follows</b>						
Continuing operations	715,149	577,571	1,352,255	1,490,741	(637,106)	(913,170)
Discontinued operations	-	4,690,137	-	80,081	-	4,610,056
	<b>715,149</b>	<b>5,267,708</b>	<b>1,352,255</b>	<b>1,570,822</b>	<b>(637,106)</b>	<b>3,696,886</b>
	<b>Balance January- 2019 N'000</b>	<b>Recognized in profit or loss N'000</b>	<b>Effect of forex flunctuations N'000</b>	<b>Recognized in other comprehensive income N'000</b>	<b>Balance March-2019 N'000</b>	
<b>b) Movement in temporary differences during the period</b>						
Property, plant and equipment	980,102	(2,332,357)	-	-	(1,352,255)	
Trade receivables	382,446	138,295	-	-	520,741	
Other receivables	167,190	-	-	-	167,190	
Other liabilities	11,645	15,573	-	-	27,218	
Loss carry-forwards	429,230	(429,230)	-	-	-	
	<b>1,970,613</b>	<b>(2,607,719)</b>	<b>-</b>	<b>-</b>	<b>(637,106)</b>	

# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### c) Analysis of deferred tax charge for the year

- Continuing operations
- Discontinued operations

31-Mar-19 N'000	31-Dec-18 N'000
276,064	(104,210)
-	1,850,958
<b>276,064</b>	<b>1,746,748</b>

### 16.2 The Company

#### a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Property, plant and equipment

Trade receivables

Other receivables

Other liabilities

Tax loss carried forward

Assets		Liabilities		Net	
2019 N'000	2018 N'000	2019 N'000	2018 N'000	2019 N'000	2018 N'000
-	-	1,352,255	1,490,741	(1,352,255)	(1,490,741)
520,741	381,771	-	-	520,741	381,771
167,190	167,190	-	-	167,190	167,190
27,218	28,610	-	-	27,218	28,610
-	-	-	-	-	-
<b>715,149</b>	<b>577,571</b>	<b>1,352,255</b>	<b>1,490,741</b>	<b>(637,106)</b>	<b>(913,170)</b>

#### b) Movement in temporary differences during the year

Property, plant and equipment

Trade receivables

Other receivables

Other liabilities

Tax loss carried forward

Balance January- 2019 N'000	Recognized in profit or loss N'000	Effect of forex flunctuations N'000	Recognized in other comprehen-sive income N'000	Balance March-2019 N'000
(1,490,741)	138,486	-	-	(1,352,255)
381,771	138,970	-	-	520,741
167,190	-	-	-	167,190
28,610	(1,392)	-	-	27,218
-	-	-	-	-
(913,170)	276,064	-	-	<b>(637,106)</b>

# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

	Group		Company	
	31-Mar-19 N'000	31-Dec-18 N'000	31-Mar-19 N'000	31-Dec-18 N'000
<b>17. Inventories</b>				
White products	4,541,852	5,762,909	4,541,852	5,762,913
Raw materials	2,589,539	1,924,552	2,589,539	1,924,552
Packaging materials	82,114	90,383	82,114	90,383
Semi-finished goods of lubricants	113,992	118,631	113,992	118,631
Finished goods of lubricants	1,130,132	1,352,825	1,130,132	1,318,366
Chemicals	-	712,622	-	-
Inventory -Solar System	104,228	123,850	104,228	123,850
Consumables (Note 17.2)	179,264	899,856	179,264	189,451
<b>Gross value</b>	<b>8,741,121</b>	<b>10,985,628</b>	<b>8,741,121</b>	<b>9,528,146</b>
Impairment allowance	-	(146,687)	-	-
Carrying amount	<b>8,741,121</b>	<b>10,838,941</b>	<b>8,741,121</b>	<b>9,528,146</b>
Continuing operations	8,741,121	9,528,146	8,741,121	9,528,146
Discontinued operations (Note 21.2)	-	1,310,795	-	-
Carrying amount	<b>8,741,121</b>	<b>10,838,941</b>	<b>8,741,121</b>	<b>9,528,146</b>

**17.1** During the period, N39,493,334,000 (March 2018 : N25,860,160,000) of inventory was sold and recognised as cost of sales in the statement of profit or loss for continuing operations.

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

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

	Group		Company	
	31-Mar-19 N'000	31-Dec-18 N'000	31-Mar-19 N'000	31-Dec-18 N'000
<b>18. Trade and other receivables</b>				
Trade receivables (Note 18.1)	3,210,985	34,706,004	3,210,985	3,293,720
Receivable from related parties (Note 25)	8,078,731	7,544,806	8,078,731	8,239,393
Prepayments	3,024,777	3,255,263	3,024,777	2,975,098
Prepaid staff expenses	425,764	485,388	425,764	372,504
Petroleum Support Fund receivable (Note 18.2)	8,719,609	8,719,609	8,719,609	8,719,609
Notes receivable (Note 18.3)	-	4,628,897	-	4,628,897
Advance payment to suppliers	4,293,604	2,025,251	4,293,604	1,802,033
Interest receivable	25,587	32,653	25,587	17,016
Withholding tax recoverable	91,048	380,074	91,048	88,834
Other debtors	13,604,794	890,136	13,604,794	767,872
	<b>41,474,899</b>	<b>62,668,081</b>	<b>41,474,899</b>	<b>30,904,976</b>
Impairment allowance (Note 18.3)	<b>(2,293,105)</b>	<b>(2,629,254)</b>	<b>(2,293,105)</b>	<b>(2,293,105)</b>
Trade and other receivables attributable to continuing operations	<b>39,181,794</b>	<b>60,038,827</b>	<b>39,181,794</b>	<b>28,611,871</b>
Continuing operations	39,181,794	27,930,528	39,181,794	28,611,871
Discontinued operations	-	32,108,299	-	-
Carrying amount	<b>39,181,794</b>	<b>60,038,827</b>	<b>39,181,794</b>	<b>28,611,871</b>

# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

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

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

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

	Group		Company	
	31-Mar-19 N'000	31-Dec-18 N'000	31-Mar-19 N'000	31-Dec-18 N'000
<b>18.4 Impairment allowance</b>				
At 1 January	2,629,254	2,189,877	2,293,105	1,829,870
Effect of retrospective adoption of New standard	-	19,291	-	19,291
Increase/(decrease) during the year- Continuing operations.	-	443,944	-	443,944
Transfer to disposal group classified as held for sale	-	(23,858)	-	-
Disposal of subsidiaries	(336,149)	-	-	-
	<u>2,293,105</u>	<u>2,629,254</u>	<u>2,293,105</u>	<u>2,293,105</u>
<b>19. Cash and cash equivalents</b>				
Bank balances	274,077	563,887	274,077	299,638
Short-term deposits (Note 19.1)	653,236	1,753,796	653,236	854,631
Cash at bank and short term deposits attributable to discontinued operations (Note 20.)	-	(1,163,414)	-	-
<b>Cash and bank balances</b>	<b>927,313</b>	<b>1,154,269</b>	<b>927,313</b>	<b>1,154,269</b>
Bank overdrafts used for cash management purposes (Note 19.2)	(10,433,006)	(9,473,546)	(10,433,006)	(9,473,546)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>(9,505,693)</b>	<b>(8,319,277)</b>	<b>(9,505,693)</b>	<b>(8,319,277)</b>

**19.1** Bank balances and short term deposits with banks represent placements with banks for period between 0 - 180 days. Included in these are unclaimed dividends amounting to N531,380,000 (Dec 2018 : N736,249,204) held in a separate bank account in accordance with the guidelines of the Security and Exchange Commission (SEC). The unclaimed dividend deposit is restricted for use by the Company.

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

### **20 Discontinued operations and disposal groups held for sale.**

The asset and liabilities of the Group's Fuel, Production Chemicals and Power Generation segments, AP Oil and Gas, Ghana, Forte Upstream Services Limited and Amperion Power Distribution Company Limited were presented as held for sale at 30 June 2018, following the approval by the Board and shareholders at the 39th Annual General Meeting held on 23 May 2018 and approval by the Securities and Exchange Commission ('SEC') to sell the entities. Analysis of the result of entities classified as discontinued operations are as shown below:

# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 20.1. Assets and Liabilities of disposal groups held for sale

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

At the reporting date, 31 March 2019, these subsidiaries have been disposed and the assets and liabilities derecognized.

Carrying values of	FUS 31-Dec-18 N'000	APOG 31-Dec-18 N'000	Amperion 31-Dec-18 N'000	Total 31-Dec-18 N'000
<b>Assets</b>				
Net book value of property, plant and equipment	271,366	88,449	52,127,573	<b>52,487,388</b>
Intangible assets	9,267	-	997	<b>10,264</b>
Deferred tax asset (Note 16)	11,295	143,400	4,535,442	<b>4,690,137</b>
Inventory (Note 17)	598,633	2,461	709,698	<b>1,310,792</b>
Trade and other receivables (Note 18)	1,090,591	717,363	30,300,343	<b>32,108,297</b>
Cash and cash equivalents (Note 19)	442,849	(79,486)	800,053	<b>1,163,416</b>
Long term employee benefits (Note 22)	14,559	-	1,152	<b>15,711</b>
<b>Total assets held for sale</b>	<b>2,438,560</b>	<b>872,187</b>	<b>88,475,258</b>	<b>91,786,005</b>
<b>Liabilities</b>				
Trade and other payables (Note 24)	(734,364)	(929,633)	(19,417,005)	<b>(21,081,002)</b>
Current income tax liabilities (Note 11)	(165,684)	10	(411,736)	<b>(577,410)</b>
Bank overdraft (Note 19)	-	-	-	<b>-</b>
Loans and borrowings (Note 23)	-	-	(9,931,243)	<b>(9,931,243)</b>
Deferred Tax liabilities (Note 16)	(80,081)	-	-	<b>(80,081)</b>
<b>Total liabilities held for sale</b>	<b>(980,130)</b>	<b>(929,624)</b>	<b>(29,759,985)</b>	<b>(31,669,738)</b>
<b>Net Assets/(Liabilities) directly associated with disposal group</b>	<b>1,458,430</b>	<b>(57,437)</b>	<b>58,715,274</b>	<b>60,116,269</b>

### Subsidiaries classified as held for sale.

#### Equity:

	Company	
	31-Mar-19 N'000	31-Dec-18 N'000
Forte Upstream Services Limited	-	10,000
AP Oil and Gas Ghana Limited	-	670,011
Amperion Power Distribution Company Limited	-	10,149,926

#### Irredeemable Preference Shares:

Cummulative Convertible Preference Shares in AP Oil and Gas Ghana Ltd	-	424,950
	-	11,254,887
Impairment allowance	-	(958,091)
	-	10,296,796

### 20.2. Amount included in accumulated OCI:

	Group	
	31-Mar-19 N'000	31-Dec-18 N'000
Other reserves (Note 21)	216,278	210,383
Foreign exchange translation gain (Note 21)	(2,351)	5,895
Elimination of other reserves attributable to discontinued operations	(213,927)	-
<b>Reserve of disposal group classified as held for sale</b>	<b>-</b>	<b>216,278</b>

# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 20.3. Sale of AP Oil and Gas Ghana

During the period under review, the Group signed a Sale and Purchase Agreement (SPA) to dispose 100% shares in AP Oil and Gas Ghana to Cobalt International Services Limited. The transaction was concluded in March 2019. As a result of the sale the Group lost control of AP Oil and Gas Ghana and have derecognized all assets and liabilities. A gain on disposal of N112 million, has been recognized in these consolidated financial statements (under profit after tax for the period from discontinued operations).

### 20.4. Sale of Forte Upstream Services Limited

During the period under review, the Group signed a Sale and Purchase Agreement (SPA) to dispose 100% shares in Forte Upstream Services Limited to Gbonka Oil and Gas Limited. The transaction was concluded in March 2019. As a result of the sale the Group lost control of Forte Upstream Services Limited and have derecognized all assets and liabilities. A loss on disposal of N286 million, has been recognized in these consolidated financial statements (under profit after tax for the period from discontinued operations).

### 20.5. Sale of Amperion Power Distribution Company Limited

During the period under review, the Group signed a Sale and Purchase Agreement (SPA) to dispose its shares in Amperion Power Distribution Company Limited to Calvados Global Services Limited. The transaction was concluded in March 2019. As a result of the sale the Group lost control of Forte Upstream Services Limited and have derecognized all assets and liabilities. A loss on disposal of N1.4 billion, has been recognized in these consolidated financial statements (under profit after tax for the period from discontinued operations).

	<b>FUS</b>	<b>APOG</b>	<b>Amperion</b>	<b>Total</b>
Consideration	1,242,849	28,838	11,700,000	<b>12,971,687</b>
Net Liability/ (Asset)	(1,528,499)	83,321	(62,966,117)	<b>(64,411,295)</b>
NCI	-	-	49,882,501	<b>49,882,501</b>
<b>(Loss)/Gain on Disposal</b>	<b>(285,650)</b>	<b>112,159</b>	<b>(1,383,616)</b>	<b>(1,557,108)</b>

	<b>FUS</b>	<b>APOG</b>	<b>Amperion</b>	<b>Total</b>
	<b>31-Mar-19</b>	<b>31-Mar-19</b>	<b>31-Mar-19</b>	<b>31-Mar-19</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Carrying values of				
<b>Assets</b>				
Net book value of property, plant and equipment	265,498	77,927	51,042,468	<b>51,385,893</b>
Intangible assets	8,584	-	754	<b>9,338</b>
Deferred tax asset (Note 16)	11,295	128,452	4,535,442	<b>4,675,189</b>
Inventory (Note 17)	535,224	2,205	727,585	<b>1,265,014</b>
Trade and other receivables (Note 18)	1,300,923	777,929	36,026,875	<b>38,105,727</b>
Cash and cash equivalents (Note 19)	111,354	(66,414)	3,790,855	<b>3,835,795</b>
Long term employee benefits (Note 22)	26,298	-	483	<b>26,781</b>
Total assets held for sale	<b>2,259,175</b>	<b>920,098</b>	<b>96,124,463</b>	<b>99,303,736</b>
<b>Liabilities</b>				
Trade and other payables (Note 24)	(484,877)	(1,003,429)	(25,101,888)	<b>(26,590,194)</b>
Current income tax liabilities (Note 11)	(165,684)	10	(516,517)	<b>(682,191)</b>
Bank overdraft (Note 19)	-	-	-	<b>-</b>
Loans and borrowings (Note 23)	(33)	-	(7,539,940)	<b>(7,539,973)</b>
Deferred Tax liabilities (Note 16)	(80,081)	-	-	<b>(80,081)</b>
Total liabilities held for sale	<b>(730,676)</b>	<b>(1,003,419)</b>	<b>(33,158,346)</b>	<b>(34,892,441)</b>
Net Assets/(Liabilities) directly associated with disposal group	<b>1,528,499</b>	<b>(83,321)</b>	<b>62,966,117</b>	<b>64,411,295</b>

# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

	31-Mar-19 N'000	31-Mar-18 N'000
<b>20.6. Results of discontinued operations</b>		
Revenue (Note 7.1.3)	12,670,947	11,445,112
Cost of sales (Note 7.1.3)	<u>(7,512,944)</u>	<u>(7,148,595)</u>
Gross profit	5,158,004	4,296,517
Other income	1,606	39,328
Administrative and Distribution expenses	<u>(570,683)</u>	<u>(512,773)</u>
Operating profit	4,588,927	3,823,072
Net finance cost	<u>(191,474)</u>	<u>(598,729)</u>
Profit before tax from discontinued operations	4,397,453	3,224,343
Income tax (Note 11)	<u>(104,781)</u>	<u>(98,241.57)</u>
<b>Profit after tax from discontinued operations</b>	4,292,672	3,126,101
Loss on sale of discontinued operations	<u>(1,557,108)</u>	<u>-</u>
(Loss)/Profit after tax for the year from discontinued operations	<u>2,735,565</u>	<u>3,126,101</u>

	<b>Group</b>		<b>Company</b>	
	31-Mar-19 N'000	31-Dec-18 N'000	31-Mar-19 N'000	31-Dec-18 N'000

### 21. Share capital and reserves

#### Ordinary shares

##### a) Authorised ordinary shares:

4,000,000,000 ordinary shares of 50k each	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
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##### b) Issued and fully paid ordinary shares of 50k each

1,310,629,267 ordinary share of 50k each	<u>655,314</u>	<u>655,314</u>	<u>655,314</u>	<u>655,314</u>
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##### c) Shares outstanding

	<b>Group</b>		<b>Company</b>	
	31-Mar-19 Units	31-Dec-18 Units	31-Mar-19 Units	31-Dec-18 Units
Issued ordinary shares at 1 January	1,310,629	1,310,629	1,310,629	1,310,629
Treasury shares	<u>(5,599)</u>	<u>(5,599)</u>	<u>(5,599)</u>	<u>(5,599)</u>
Number of ordinary shares	<u>1,305,030</u>	<u>1,305,030</u>	<u>1,305,030</u>	<u>1,305,030</u>

*\*These are in thousand units.*

##### d) Share premium

	<b>Group</b>		<b>Company</b>	
	31-Mar-19 N'000	31-Dec-18 N'000	31-Mar-19 N'000	31-Dec-18 N'000
	<u>8,071,943</u>	<u>8,071,943</u>	<u>8,071,943</u>	<u>8,071,943</u>

##### e) Other reserves

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



# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### f) Retained earnings

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

Balance at 1 January	9,784,299	7,928,047	6,418,039	5,805,859
Profit for the year	172,107	1,905,543	3,324,440	631,471
Effect of retrospective adoption of IFRS 9	-	(19,291)	-	(19,291)
Withholding tax on intercompany dividends	-	(30,000)	-	-
Disposal of reserves attributable to discontinued operations	(213,927)	-	-	-
	<u>9,742,479</u>	<u>9,784,299</u>	<u>9,742,479</u>	<u>6,418,039</u>

### g) Treasury stocks

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

### h) Non-controlling interest

	<b>31-Dec-18</b>	
	N'000	
At 1 January		40,230,626
Share of profit for the period		6,438,863
		<u>46,669,489</u>
i) Bureau of Public Enterprises share of profit from Geregu Power Plc	2,430,087	5,406,520
BSG Resources Ltd share of profit/(loss) from Amperion Power Distribution Company Ltd.	691,887	912,303
Shanghai Municipal Electricity Power Company share of profit/(loss) from Amperion Power Distribution Company Ltd.	91,038	120,040
	<u>3,213,012</u>	<u>6,438,863</u>

Bureau of Public Enterprises (BPE) has 49% equity stake in Geregu Power Plc; BSG Resources Limited and Shanghai Municipal Electricity Power Company own 38% and 5% respectively of Amperion Power Distribution Limited as at 31 March, 2019.

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

## 22. Long term employee benefits

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

# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

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

	Group		Company	
	00-Jan-00 N'000	31-Dec-18 N'000	00-Jan-00 N'000	31-Dec-18 N'000
Gratuity liability at 1 January	559,378	541,029	468,546	473,372
Current service costs	40,687	121,047	24,337	97,347
Transfer of employee service cost	-	-	9,072	-
Payment during the period	(25,881)	(102,698)	(10,882)	(102,173)
<b>Gratuity liability</b>	<b>574,184</b>	<b>559,378</b>	<b>491,073</b>	<b>468,546</b>
Planned asset at 1 January	(670,452)	(579,851)	(563,910)	(489,414)
Additional funding during the period	-	(2,250)	-	-
Actual return on planned assets	(21,237)	(88,351)	(17,888)	(74,496)
Disposal of subsidiary	26,781	15,709	-	-
	<b>(90,725)</b>	<b>(95,365)</b>	<b>(90,725)</b>	<b>(95,364)</b>
<b>Expense recognised in comprehensive income</b>				
Current service costs	40,687	121,047	24,337	97,347
Interest costs	-	-	-	-
Return on planned assets	(21,237)	(88,351)	(17,888)	(74,496)
Charged to profit or loss	<b>19,450</b>	<b>32,696</b>	<b>6,449</b>	<b>22,851</b>

- {a} Long term employee benefit expense is recognised in administrative expenses in the statement of profit or loss.
- {b} The actuary valuation report was signed by Miller Kingsley (FRC/2013/NAS/00000002392) of KMC Actuarial Services a fellow of Society of Actuaries, USA.
- {c} The planned asset is held by four fund managers : Pensions Alliance Limited (PAL); FSDH Asset Management Limited, Cardinal Stone Securities Limited, and Afriinvest Securities Limited.

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

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

### Asset volatility

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

### Interest Rate Risk

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

# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### Life Expectancy

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

### Salary Risk

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

### Changes in bond yields

A decrease in corporate bonds yield will increase plans liabilities.

### Inflation Risk

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

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

## 23. Loans and borrowings

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

	Group		Company	
	00-Jan-00 N'000	31-Dec-18 N'000	00-Jan-00 N'000	31-Dec-18 N'000
<b>Non-current</b>				
Term loans	394,294	634,369	394,294	634,369
Medium term bond (23.1)	5,070,483	5,041,359	5,070,483	5,041,359
	<b>5,464,777</b>	<b>5,675,728</b>	<b>5,464,777</b>	<b>5,675,728</b>
<b>Current</b>				
Loans and borrowings				
Term loans	900,035	861,278	900,035	861,278
Import finance facilities (note 23.2)	569,826	575,816	569,826	575,816
	<b>1,469,861</b>	<b>1,437,094</b>	<b>1,469,861</b>	<b>1,437,094</b>
Medium term bond (23.1)	2,449,169	2,134,164	2,449,169	2,134,164
	<b>9,383,807</b>	<b>9,246,986</b>	<b>9,383,807</b>	<b>9,246,986</b>

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

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

# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

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

- a** give prior notice to the Trustees of any proposed redemption and, if it shall have given Notice to the Bondholders of its intention to redeem any Bonds, duly proceed to redeem such Bonds accordingly.
- b** not (and procure that none of its Subsidiaries shall) without the consent of the Bondholders and Trustees.
- bi** incur any Indebtedness above the sumn of Five Billion Naira (N5,000,000,000.00);
- bii** dispose any of its assets above the sum of Five Billion Naira (N5,000,000,000);
- c** give to the Trustees and Bondholders a Notice prior to the acquisition of any company/business/assets where the cost of such acquisition when aggregated with the cost of any other acquisition of any company/business/assets by the Issuer during the financial year of the proposed acquisition, exceeds the total sum of Five Billion Naira (N5,000,000,000).

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

- 23.2** Import finance facilities represents short term borrowings obtained to fund letters of credits for petroleum product importation. These facilities are secured with the product financed, the Petroleum Subsidy Fund receivable on them if applicable and the Company's sinking fund account included in short term deposits (Note 20).

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

# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

	Group		Company	
	31-Mar-19 N'000	31-Dec-18 N'000	31-Mar-19 N'000	31-Dec-18 N'000
<b>24. Trade and other payables</b>				
<b>Current trade and other payables</b>				
<b>Trade payable</b>				
NNPC accounts payable	1,205,950	6,495,512	1,205,950	6,495,513
Trade creditors	5,694,695	20,009,364	5,694,695	2,850,689
Petroleum Equalisation Fund (PEF) payable (Note 24.1)	2,412,868	2,234,526	2,412,868	2,234,526
Inventory accruals (Note 24.2)	6,642,044	10,287,013	6,642,044	8,770,024
Customer deposits for products	1,988,631	2,657,270	1,988,631	2,657,270
	<b>17,944,188</b>	41,683,685	<b>17,944,188</b>	23,008,022
<b>Non-trade payables and other creditors</b>				
Non-trade payables and other creditors (Note 24.3)	2,678,820	3,013,187	2,678,820	2,862,718
Related parties payable	236,741	1,800,410	236,741	226,880
	<b>2,915,561</b>	4,813,597	<b>2,915,561</b>	3,089,598
Total Trade and other payables	<b>20,859,749</b>	46,497,282	<b>20,859,749</b>	26,097,620
Continuing operations	20,859,749	25,416,280	20,859,749	26,097,620
Discontinued operations	-	21,081,002	-	-
	<b>20,859,749</b>	46,497,282	<b>20,859,749</b>	26,097,620
<b>Non-current trade and other payables</b>				
Refundable security deposits	375,653	375,653	375,653	375,653
	<b>375,653</b>	375,653	<b>375,653</b>	375,653

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

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

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

# FORTE OIL PLC

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

### 25. Other related party transactions

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

Related Parties	Nature of Transaction	Relationship	Transaction value during the year		Balance outstanding as at 31 March	
			31-Mar-19 N'000	31-Dec-18 N'000	31-Mar-19 N'000	31-Dec-18 N'000
BSG Resources Ltd Amperion Power Distribution Company Ltd	Advances	Joint investor in a subsidiary	169,597	805,816	7,636,064	7,466,467
Geregu Power Plc	Advances	Subsidiary	(276,190)	(1,259,962)	405,151	681,341
Forte Upstream Services Ltd	Advances	Sub subsidiary	7,423	(404,566)	20,668	13,245
AP Oil and Gas Ghana Ltd	Sales & Advances	Subsidiary	(9,861)	(435,705)	(236,741)	(226,880)
Zenon Petroleum and Gas Limited	Translation difference	Subsidiary	(61,492)	-	-	61,492
	Rent	Related party to core investor	-	-	16,847	16,847
			<u>(170,523)</u>	<u>(1,294,417)</u>	<u>7,841,989</u>	<u>8,012,512</u>

a) As at the period ended 31 March 2019, Forte Oil Plc had disposed all of its subsidiaries in the Fuels, Upstream and Power business, hence transaction with these entities were no longer regarded as related party transactions, as the Company no longer has interests in any of these entities.

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