

FORTE OIL PLC

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

FORTE OIL PLC

INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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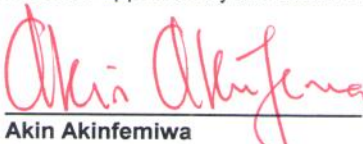
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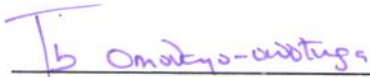
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2016

		Group		Company	
	Note	30-Sep-16 N'000	31-Dec-15 N'000	30-Sep-16 N'000	31-Dec-15 N'000
Assets					
Non-current assets					
Property, plant and equipment	14.	68,253,461	62,420,249	9,469,341	9,663,556
Investment property	15.	1,807,532	1,831,743	1,807,532	1,831,743
Intangible assets	16.	242,439	286,110	223,642	278,710
Investment in subsidiaries	17.	-	-	10,707,406	11,032,291
Deferred tax assets	18.	208,078	131,141	-	-
Long term employee benefits	24.	5,300	41,819	6,751	40,695
Total non-current assets		70,516,810	64,711,062	22,214,672	22,846,995
Current asset					
Inventories	19.	7,625,861	10,059,871	6,686,223	8,971,340
Other assets	20.	593,593	389,579	154,964	125,625
Trade and other receivables	21.	42,013,238	34,896,618	31,578,546	23,672,578
Cash and cash equivalents	22.	14,123,790	11,700,826	12,711,013	10,124,422
Total current assets		64,356,482	57,046,894	51,130,746	42,893,965
Total assets		134,873,292	121,757,956	73,345,418	65,740,960
Equity					
Share capital	23.	655,314	546,095	655,314	546,095
Share premium	23.	8,071,943	8,181,162	8,071,943	8,181,162
Other reserves	23.	(263,251)	(257,985)	(7,752)	(7,752)
Retained earnings	23.	4,562,205	6,001,847	4,945,895	5,691,196
Total equity attributable to equity holders of the Company		13,026,211	14,471,119	13,665,400	14,410,701
Treasury stock	23.	(1,388,574)	(1,388,574)	(1,388,574)	(1,388,574)
Non controlling interests	23.	31,561,446	33,198,198	-	-
Total equity		43,199,083	46,280,743	12,276,826	13,022,127
Liabilities					
Non-current liabilities					
Deferred tax liabilities	18.	423,155	73,914	354,597	-
Loans and borrowings	25.	18,008,382	13,951,682	2,317,477	2,976,673
Deferred fair value gain on loan	26.	1,135,080	1,432,781	-	-
Non-current trade and other payables	27.	397,615	400,487	397,615	400,487
Total non-current liabilities		19,964,232	15,858,864	3,069,689	3,377,160
Current liabilities					
Loans and borrowings	25.	26,095,963	13,757,807	25,706,532	12,026,413
Bank overdraft	22.	4,026,722	10,268,358	3,930,271	10,226,394
Current income tax liabilities	12.	1,704,515	967,834	1,632,580	751,179
Deferred fair value gain on loan	26.	454,032	440,855	-	-
Trade and other payables	27.	39,428,745	34,183,495	26,729,520	26,337,687
Total current liabilities		71,709,977	59,618,349	57,998,903	49,341,673
Total liabilities		91,674,209	75,477,213	61,068,592	52,718,833
Total equity and liabilities		134,873,292	121,757,956	73,345,418	65,740,960

The interim consolidated financial statements were approved by the Board of Directors on 12 October, 2016 and signed on its behalf by:


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


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


Julius B. Omodayo-Owotuga, 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 30 SEPTEMBER 2016

	Notes	Group		Company	
		30-Sep-16 N'000	30-Sep-15 N'000	30-Sep-16 N'000	30-Sep-15 N'000
Revenue	7.	121,083,284	91,615,603	110,591,561	80,070,361
Cost of sales	7.	(105,587,860)	(78,636,117)	(98,159,624)	(71,442,839)
Gross profit		15,495,424	12,979,486	12,431,937	8,627,522
Other income	8.	2,294,718	2,664,959	2,555,871	2,273,510
Distribution expenses	9.	(2,569,933)	(1,876,514)	(2,535,315)	(1,833,867)
Administrative expenses	10.	(7,353,303)	(8,187,189)	(6,027,430)	(5,257,198)
Operating profit		7,866,906	5,580,742	6,425,063	3,809,967
Net finance (cost)/income	11.	(2,233,851)	(292,715)	6,707	726,130
Profit before income tax		5,633,055	5,288,027	6,431,770	4,536,097
Income tax expense	12.	(2,836,225)	(1,003,442)	(2,793,847)	(915,125)
Profit for the period		2,796,830	4,284,585	3,637,923	3,620,972
Other Comprehensive Income:					
Items that will not be reclassified subsequently to profit or loss					
Foreign exchange translation loss		(5,266)	(497)	-	-
Items that may be reclassified subsequently to profit or loss					
Defined benefit plan actuarial loss		-	(131)	-	(131)
Total other comprehensive loss net of taxes		(5,266)	(628)	-	(131)
Total comprehensive income for the period		2,791,564	4,283,957	3,637,923	3,620,841
Total comprehensive income attributable to:					
Owners of the Company		2,958,316	3,392,473	3,637,923	3,620,841
Non controlling interests	23.	(166,752)	891,484	-	-
		2,791,564	4,283,957	3,637,923	3,620,841
Earnings per share					
Basic/diluted in (N)	13.	2.26	2.59	2.78	2.76

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

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Notes	Group		Company	
		30-Sep-16 N'000	30-Sep-15 N'000	30-Sep-16 N'000	30-Sep-15 N'000
Cash flows from operating activities					
Profit for the period		2,796,830	4,284,585	3,637,923	3,620,841
Adjustment for:					
Depreciation of property, plant and equipment	14.	1,887,671	1,652,707	894,985	826,528
Amortization of intangible asset	16.	68,421	150,874	62,261	143,337
Depreciation of investment property	15.	24,211	65,865	24,211	65,865
Profit on disposal of property, plant and equipment		(17,647)	(1,953)	(17,647)	(1,953)
Profit on disposal of investment property		-	(523,841)	-	(523,841)
Finance income	11.	(1,275,739)	(3,103,655)	(871,315)	(2,904,042)
Interest expense	11.	3,509,590	3,396,370	864,608	2,177,912
Increase/decrease in impairment allowance for trade receivables		25,286	48,312	-	49,326
Current service cost	24.	95,022	121,003	75,741	89,114
Income tax expense	12.	2,836,225	1,003,442	2,793,847	915,125
Impairment of investment		-	-	324,885	-
Intercompany transfer		-	-	(9,401)	-
		<u>9,949,870</u>	<u>7,093,709</u>	<u>7,780,097</u>	<u>4,458,212</u>
Changes in:					
Inventories	19.	2,434,010	5,351,001	2,285,117	5,492,847
Other assets	20.	(204,014)	147,257	(29,339)	(17,399)
Trade and other receivables	21.	(7,284,774)	6,114,795	(7,905,968)	7,816,481
Trade and other payables	27.	4,311,205	(8,139,607)	456,830	(9,811,147)
Non trade payables and other creditors	27.	<u>1,049,620</u>	<u>(1,324,175)</u>	<u>70,578</u>	<u>(862,766)</u>
Cash generated from operating activities		<u>10,255,917</u>	<u>9,242,980</u>	<u>2,657,315</u>	<u>7,076,228</u>
Employee benefit paid		(13,819)	-	(745)	-
Income taxes paid	12.	<u>(1,753,524)</u>	<u>(1,117,068)</u>	<u>(1,557,849)</u>	<u>(925,845)</u>
Net cash from operating activities		<u>8,488,574</u>	<u>8,125,912</u>	<u>1,098,721</u>	<u>6,150,383</u>
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment	14,8	41,904	4,590	38,701	4,590
Proceeds from sale of investment property		-	600,000	-	600,000
Acquisition of property, plant and equipment	14.	(7,701,394)	(9,660,064)	(721,824)	(617,635)
Acquisition of intangible assets	16.	(15,205)	(7,476)	(7,193)	(7,476)
Acquisition of investment property	15	-	(60,000)	-	(60,000)
Long term employee benefit funded	24	(9,327)	(59,776)	-	(44,748)
Return on employee benefits planned assets reinvested	24	(35,357)	(25,997)	(31,651)	(25,997)
Interest received	11.	<u>1,275,739</u>	<u>3,103,655</u>	<u>871,315</u>	<u>2,904,042</u>
Net cash (used in)/generated from investing activities		<u>(6,443,640)</u>	<u>(6,105,068)</u>	<u>149,348</u>	<u>2,752,776</u>
Cash flows from financing activities					
Dividend paid to non controlling interests		(1,470,000)	-	-	-
Dividend paid		(4,521,671)	(2,730,478)	(4,521,671)	(2,730,478)
Short term loans and borrowings	25	12,338,156	(7,688,173)	13,680,119	(9,248,342)
Long term loans and borrowings	25	4,056,700	2,657,619	(659,196)	(768,193)
Deferred fair value gain on loan	26.	(284,524)	1,943,985	-	-
Interest paid	11.	<u>(3,509,590)</u>	<u>(3,396,370)</u>	<u>(864,608)</u>	<u>(2,177,912)</u>
Net cash(used in)/generated in financing activities		<u>6,609,071</u>	<u>(9,213,417)</u>	<u>7,634,644</u>	<u>(14,924,925)</u>
Net increase/(decrease) in cash and cash equivalents		<u>8,654,005</u>	<u>(7,192,573)</u>	<u>8,882,714</u>	<u>(6,021,766)</u>
Cash and cash equivalents as at 1 January	22.	1,432,469	(434,135)	(101,972)	(2,737,596)
Effect of exchange rate fluctuations		<u>10,594</u>	<u>(628)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents at 30 September	22.	<u>10,097,068</u>	<u>(7,627,336)</u>	<u>8,780,742</u>	<u>(8,759,362)</u>

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

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INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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
Balance at 31 December 2015	546,095	8,181,162	(257,985)	6,001,847	14,471,119	(1,388,574)	33,198,198	46,280,743
Changes in equity for 2016:								
Profit or loss for the period	-	-	-	2,963,582	2,963,582	-	(166,752)	2,796,830
Foreign exchange translation loss	-	-	(5,266)	-	(5,266)	-	-	(5,266)
Amount attributable to equity holders	546,095	8,181,162	(263,251)	8,965,429	17,429,435	(1,388,574)	33,031,446	49,072,307
Transactions with owners, recorded directly in equity								
Dividend	-	-	-	(4,521,671)	(4,521,671)	-	(1,470,000)	(5,991,671)
Reversal of dividends*	-	-	-	138,447	138,447	-	-	138,447
Withholding tax on dividend from a subsidiary	-	-	-	(20,000)	(20,000)	-	-	(20,000)
Bonus issue to equity holders	109,219	(109,219)	-	-	-	-	-	-
Balance at 30 September 2016	655,314	8,071,943	(263,251)	4,562,205	13,026,211	(1,388,574)	31,561,446	43,199,083

*This represents dividend declared but not paid on shares under lien with the Asset Management Corporation of Nigeria (AMCON)

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

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Attributable to equity holders - the Group

	Share capital N'000	Share premium N'000	Reserves N'000	Retained earnings N'000	Total N'000	Non - controlling interest N'000	Total equity N'000
Balance at 31 December 2014	546,095	8,181,162	(248,099)	3,958,962	12,438,121	31,896,549	44,334,670
Changes in equity for 2015:							
Profit or loss	-	-	-	3,393,101	3,393,101	891,484	4,284,585
Foreign exchange translation loss	-	-	(497)	-	(497)	-	(497)
Defined benefit plan actuarial loss	-	-	(131)	-	(131)	-	(131)
Amount attributable to equity holders	546,095	8,181,162	(248,727)	7,352,063	15,830,593	32,788,033	48,618,627
Transactions with owners, recorded directly in equity							
Dividend to equity holders	-	-	-	(2,730,478)	(2,730,478)	-	(2,730,478)
Reversal of dividends *	-	-	-	83,592	83,592	-	83,592
	-	-	-	-	-	-	-
Balance at 30 September 2015	546,095	8,181,162	(248,727)	4,705,177	13,183,708	32,788,033	45,971,741

*This represents dividend declared but not paid on shares under lien with the Asset Management Corporation of Nigeria (AMCON)

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

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INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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 2015	546,095	8,181,162	(7,752)	5,691,196	14,410,701	(1,388,574)	13,022,127
Changes in equity for 2016:							
Profit or loss for the period	-	-	-	3,637,923	3,637,923	-	3,637,923
Amount attributable to equity holders	546,095	8,181,162	(7,752)	9,329,119	18,048,624	(1,388,574)	16,660,050
Transactions with owners, recorded directly in equity							
Dividend to equity holders	-	-	-	(4,521,671)	(4,521,671)	-	(4,521,671)
Reversal of dividends*	-	-	-	138,447	138,447	-	138,447
Bonus issue to equity holders	109,219	(109,219)	-	-	-	-	-
Balance at 30 September 2016	655,314	8,071,943	(7,752)	4,945,895	13,665,400	(1,388,574)	12,276,826

*This represents dividend declared but not paid on shares under lien with the Asset Management Corporation of Nigeria (AMCON)

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

Attributable to equity holders of the Company

	Share capital N'000	Share premium N'000	Reserves N'000	Retained earnings N'000	Total equity N'000
Balance at 31 December 2014	546,095	8,181,162	(2,255)	3,346,139	12,071,141
Changes in equity for 2015:					
Profit or loss	-	-	(131)	3,620,972	3,620,841
Other comprehensive income					
Amount attributable to equity holders	546,095	8,181,162	(2,386)	6,967,110	15,691,981
Transactions with owners, recorded directly in equity					
Dividend to equity holders	-	-	-	(2,730,478)	(2,730,478)
Reversal of dividends on forfeited shares	-	-	-	83,592	83,592
Balance at 30 September 2015	546,095	8,181,162	(2,386)	4,320,225	13,045,096

FORTE OIL PLC

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

1. The Group

1.1 Reporting entity

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

1.2 Principal activities

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

2. Basis of preparation

2.1 Statement of compliance

These 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 statement for the period ended 30 September 2016, prepared in accordance with IAS 34-Interim Financial Reporting.

2.2 Functional/presentation currency

These interim 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 interim consolidated financial statements, financial information presented in Naira has been rounded to the nearest thousand.

2.3 New standards and interpretations not yet adopted

Standards and interpretations issued but not yet effective.

At the date of authorisation of these interim consolidated financial statements, the following IFRSs and amendments to IFRS that are relevant to the group and the company were issued but not effective.

2.3.1 IFRS 9, 'Financial Instruments'

A finalized version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment, Hedge Accounting and Derecognition:

- a) IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes
- b) The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets.
- c) IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.

IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 not later than the accounting period beginning on or after 1 January 2018.

2.3.2 IFRS 15, 'Revenue from contracts with customers'

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standards introduce a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, the new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The group is yet to assess IFRS 15's full impact and intends to adopt IFRS 15 not later than the accounting period beginning on or after 1 January 2018.

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

2.3.4 Disclosure initiative (Amendments to IAS 7)

The Amendments:

- require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgement when determining the exact form and content of the disclosures needed to satisfy this requirement
 - suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:
 - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses
 - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position, including those changes identified immediately above.
- Effective date: The Amendments are effective for annual periods beginning on or after 1 January 2017.

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

Amends IFRS 15 in three areas:

- a. Identification of performance obligations** – changes clarify the application of the concept of 'distinct' in this context.
 - b. Whether an entity is acting as principal or agent** – changes clarify the application of the principal of 'control' in making this determination.
 - c. Licensing** – changes assist in determining whether an entity's activities 'significantly affect' intellectual property during the period for which it has been licensed to a customer.
- The amendments also provide some transition relief for modified contracts and completed contracts.
Effective date: The Amendments are effective for annual periods beginning on or after 1 January 2018.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

2.3.6 Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12)

The Amendments are:

- a. Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use
- b. The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- c. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- d. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Effective date: The Amendments are effective for annual periods beginning on or after 1 January 2017.

2.4 Basis of measurement

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

2.5 Use of estimates and judgements

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

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

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

a) Recovery of deferred tax assets

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

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

b) Decommissioning costs

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

c) Contingencies

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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

As described at 4.4.4 below, the Group reviews the estimated useful lives of property, plant and equipment and intangible asset at the end of each reporting period. During the current period, the management determined that the useful lives of certain items of computer software and information technology equipment should be extended and shortened respectively, because the management did not foresee discontinuing the use of the computer equipment and the useful lives of the computer software was reviewed due to obsolescence and past trends.

The financial effect of this reassessment, assuming the assets held until the end of their estimated useful lives, are to decrease / increase the amortisation/depreciation expense in the current financial period respectively by the following:-

	N'000
	2016
Computer software	55,219
Information technology equipment	14,088

e) Impairment review

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

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

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

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

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

During the period, additional impairment loss to the tune of N324,885,000 was recognised in the statement of profit or loss for its investment in AP Oil and Gas Ghana Limited, due to the cost of investment in the separate financial statements greater than the recoverable value.

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 24.

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 interim financial statements incorporate the financial statements of the parent and entities controlled by the parent and its subsidiaries made up to 30 September 2016. 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 interim financial statements of subsidiaries are included in the interim 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 balance. 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.

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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 Limited. Amperion Power Distribution Limited owns 51% of Geregu Power Plc.

3.3 Transactions eliminated on consolidation

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

3.4 Non-controlling interest

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

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods 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 period in which they arise except for:

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

4.1.2 Foreign operations

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

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

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

4.2 Financial instruments

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

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

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

4.2.1 Available-for-sale financial assets

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

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

4.2.2 Trade and other receivables

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

4.2.3 Cash and cash equivalents

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

4.2.4 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 period is not considered to be material.

4.2.6 Interest-bearing borrowings

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

4.2.7 Compound instruments

At the issue date, the fair value of the liability component of a compound instrument is estimated using the market interest rate for a similar non-convertible instrument. This amount is recorded as a liability at amortised cost using the effective interest method until extinguished upon conversion or at the instrument's redemption date. The equity component is determined as the difference of the amount of the liability component from the fair value of the instrument. This is recognised in equity, net of income tax effects, and is not subsequently remeasured.

4.2.8 Impairment of financial assets

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

4.2.9 Investments in subsidiaries

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

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4.3 Share capital

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

4.4 Property, plant and equipment

4.4.1 Recognition and measurement

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

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

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

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

4.4.2 Reclassification of investment property

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

4.4.3 Subsequent costs

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

4.4.4 Depreciation

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

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

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

Land	Over lease period
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	5-8 years
Gas turbines	160,000 Equivalent Operating Hours (EOH) per plant

Depreciation methods, useful lives and residual values are reviewed at each financial period 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.

With effect from January 1 2016, the Group reassessed the useful life of the following:

Computer from 4 years to 3 years
Motor Vehicles from 4 years to 5 years

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4.4.5 De-recognition of tangible assets

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

Non-current asset held for sale

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

4.5 Investment property

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

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

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

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

Land	Over lease period
Buildings	25 years

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

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

4.6 Intangible assets

4.6.1 Intangible assets acquired separately

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

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

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

Software costs - 3 to 8 years

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

4.6.2 Intangible assets generated internally

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

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

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

4.6.3 Intangible assets recognised in a business combination

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

4.6.4 Subsequent expenditure

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

4.6.5 Amortisation

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

Computer software:	3 to 8 years
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Amortisation methods, useful lives and residual values are reviewed at each financial period end and adjusted if appropriate.

4.7 Leases

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

4.7.1 Finance leases

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

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

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

4.7.2 Operating leases

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

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

4.8 Borrowing costs

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

4.9 Taxation

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

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.

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

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

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

4.10 Inventories

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

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

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

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

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

4.11 Impairment

4.11.1 Financial assets (including loans and receivables)

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

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

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

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

4.11.2 Non-financial assets

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

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

4.12 Employee benefits

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

4.12.1 Defined benefit plan

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

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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.

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 crystalize during the period 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

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

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

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

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

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

FORTE OIL PLC

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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 period at the same time.

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

4.15 Income Recognition

4.15.1 Sale of goods and services

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

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

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

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

4.15.2 Rental income

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

4.15.3 Throughput income

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

4.16 Finance income and finance costs

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

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

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

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

4.17 Earnings per share

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

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

4.18 Segment reporting

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

FORTE OIL PLC

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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.

4.21 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 periods in which the Company recognises as expenses the related costs for which the gains are intended to compensate. Specifically, deferred fair value gain on loans whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Deferred fair value gain on loans that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period 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 period the related expenditure is incurred.

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 period. 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 period. 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.

FORTE OIL PLC

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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.

Trade and other receivables

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

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

6. Financial risk management

Overview

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 which is being followed in a consistent and systematic manner to increase value to our shareholders. Our Enterprise Risk Management framework focuses on enterprise wide risk of Forte Oil Group with the objective to protect and enhance each entity's value and by extension the Group's value.

Forte Oil Group (FO Group) - Risk Management framework

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

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

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

The Board oversees risk management through the following Committees:

Board Risk Management Committee

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

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.

FORTE OIL PLC

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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 by ensuring the groups meets the legal and regulatory requirements, thus protecting the Group from incurring operational and reputational liabilities that can affect the achievement our goals and objectives

Risk Management Committee

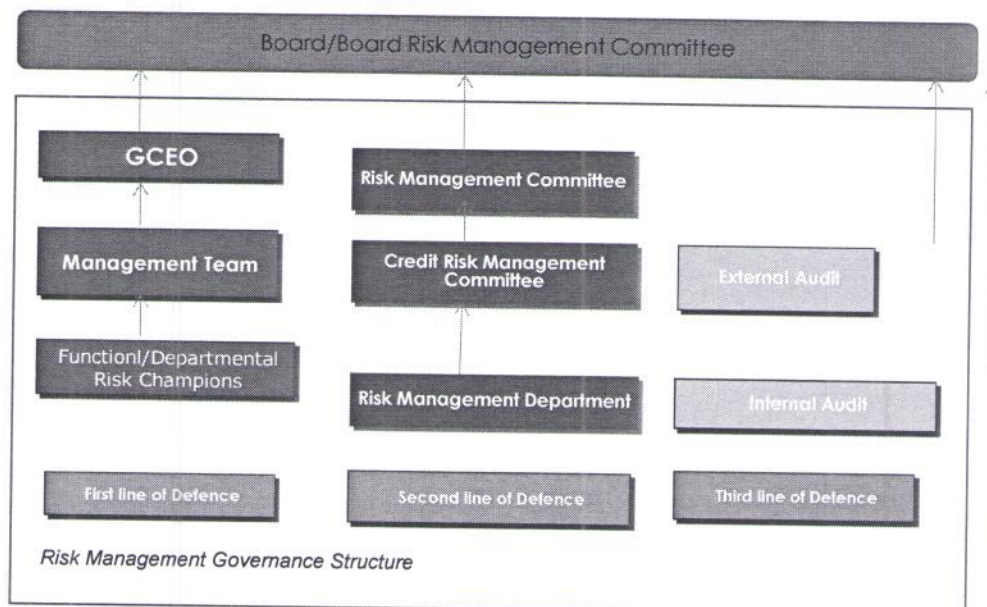
The Risk Management Committee is a Management Committee of Forte Oil Group which evaluates the risks inherent within the business and ensure that they are captured appropriately within the business risk profile. The committee monitors residual risk exposures and provides assurance as to adequacy of controls 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 assess 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 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



FO Plc Management Committees including –Risk Management & Credit Management

1st Line: Primary Risk Responsibility

- * Operational management manages the Company's risks by implementing and maintaining effective internal control procedures on a day-to-day basis.

2nd Line: Challenge and Risk Control.

- * The Risk Management department collaborates with operational management to develop and monitor processes and controls to mitigate identified risks.
- * They facilitate risk assessment sessions, develop risk management programs and alert management to emerging issues and changing risk scenarios.

3rd Line: Assurance

- * Independent assurance of the effectiveness of the risk management process and methodology

FORTE OIL PLC

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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

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

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 periodic reviews undertaken by Business Assurance and Compliance (BAC). The results of BAC reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and Executive Management of the group.

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.

FORTE OIL PLC

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

Financial Risk

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 and also request for a Bank Guarantee for customers that do not meet our credit criteria. The Group also uses publicly available financial information and customers credit history to rate its major customers. The Management Credit Committee also conducts rigorous review of all credit applications before its final approval. The GCEO & Board Risk Committee (where necessary) also approves credit request in line with FO's Credit Policy.

Trade and other receivables

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness. Credit limit are established for each customer, which represents the maximum exposure to the customer. These limits are reviewed periodically 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 28.

Allowance for impairment losses

Forte Oil Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. Please refer to Note 28 for the ageing of trade and other receivables and related impairment allowances for the Group at the reporting date.

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 Plc.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have 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.

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 period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

FORTE OIL PLC

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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

The Group uses Non-Deliverable Forwards (NDFs) to manage Foreign Exchange Risk. All transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

Foreign exchange risks are managed by maintaining foreign denominated bank accounts and maintaining letters of credit facility lines with the Group's bankers. Also interest rates are benchmarked to NIBOR (for local loans and LIBOR (for foreign loans).

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. The Group does not hedge for speculative reasons.

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

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

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

Capital Management

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

The Group manages its capital structure to achieve capital efficiency, maximise flexibility and give the appropriate level of access to debt markets at attractive cost levels. Also, The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The group does not have a defined share buy-back plan.

FORTE OIL PLC

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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

	N'000	N'000
Total liabilities	91,674,209	75,477,213
Total assets	134,873,292	121,757,956
Gearing ratio as at:	68%	62%

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

Reputational Risk

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

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

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

In the course of the year, we increase FO Plc's presence on Social Media with the appointment of a consultant that helps in managing details and contents on FO Plc in the news.

We also engage and receive feedback from our customers, vendors, dealers, transporters and investors through interaction fora organized to know how Forte Oil Group is fulfilling their expectations. We improve our performance based on the feedback obtained from our stakeholders including; include customers, investors, employees, suppliers, government, regulators, special interest and consumer groups, media and the general public.

Strategic Risk

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

The Group organizes a Strategy Review Session to deliberate on issues relating to changes in operating environment that may impact strategy execution and implementation. These include issues on product sourcing and logistics, PPPRA import allocation, delay in subsidy payments, exchange rate fluctuations and changes in crude prices which have implications for profitability, product availability and business growth.

Failure to manage this risk could have a wide-ranging impact. It could lower revenues, profitability and returns to shareholders, and severely impair our ability to meet other financial and non-financial objectives.

FORTE OIL PLC

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

The Board has ultimate responsibility for approving strategic plans, initiatives and changes to strategic direction. In addition, Forte Oil Group employs robust strategy development processes which consider the implications of economic, industrial, market, technological and customer developments and trends. Business Performance Review Meeting is carried out monthly for Strategic Business Units and Quarterly for all departments to review business performance against target.

7. Operating segment

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

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.

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:

	30-Sep-16 N'000	30-Sep-15 N'000	30-Sep-16 N'000	30-Sep-15 N'000
7.1 Revenue & Cost of Sales				
7.1.1 Revenue				
Fuels	103,501,897	76,280,793	102,401,049	75,403,694
Production chemicals	1,461,388	3,148,248	2,857	-
Lubricants and greases	8,188,612	5,161,915	8,187,655	4,666,667
Power generation	7,931,387	7,024,647	-	-
	<u>121,083,284</u>	<u>91,615,603</u>	<u>110,591,561</u>	<u>80,070,361</u>
7.1.2 Cost of sales				
Fuels (Note 7.1.3)	93,195,329	69,616,858	92,203,139	68,379,534
Production chemicals	1,023,111	2,346,741	3,505	-
Lubricants	5,953,781	3,064,879	5,952,980	3,063,305
Power generation (Note 7.1.4)	5,415,639	3,607,639	-	-
	<u>105,587,860</u>	<u>78,636,117</u>	<u>98,159,624</u>	<u>71,442,839</u>
Gross profit	<u>15,495,424</u>	<u>12,979,486</u>	<u>12,431,937</u>	<u>8,627,522</u>

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

7.1.4 Depreciation charge of N911,479,000 (September 2015: N751,147,000) 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.

FORTE OIL PLC

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Group		Company	
	30-Sep-16 N'000	30-Sep-15 N'000	30-Sep-16 N'000	30-Sep-15 N'000
8. Other income				
Investment property rental income	135,574	112,270	141,607	118,170
Throughput income (Note 8.1)	402,763	393,777	402,762	393,777
Foreign exchange gain (Note 8.2)	-	482,798	97,442	315,527
Bad debt impairment no longer required	-	3,738	-	3,738
Provisions no longer required (Note 8.3)	312,802	250,982	312,802	250,982
Sundry income (Note 8.4)	70,174	277,049	47,853	46,971
Dividend Received (Note 8.5)	-	-	180,000	-
Income from crude lifting contract (Note 8.6)	768,745	-	768,745	-
Investment income from held to maturity instruments	-	313,763	-	313,763
Freight Income (Note 8.7)	587,013	304,788	587,013	304,788
Gain on disposal of investment property	-	523,841	-	523,841
Gain on disposal of property, plant and equipment	17,647	1,953	17,647	1,953
	<u>2,294,718</u>	<u>2,664,959</u>	<u>2,555,871</u>	<u>2,273,510</u>

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

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

8.3 This represents excess accrual for freight in prior years.

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

8.5 During the period ended 30 September 2016, the company-Forte Oil Plc received N200,000,000 Dividend from Forte Upstream Services Limited, one of its subsidiaries. Amperion Power Distribution Limited also received N1,530,000,000 from its subsidiary Geregu Power Plc. These dividend incomes have been eliminated on consolidation after deducting applicable taxes.

8.6 This represents net income from crude oil lifting contract of 45,000bpd executed with the Nigerian National Petroleum Corporation (NNPC) to lift out of the total crude allocation.

8.7 This represents income earned from 100 trucks owned by Forte Oil Plc managed by TSL.

	Group		Company	
	30-Sep-16 N'000	30-Sep-15 N'000	30-Sep-16 N'000	30-Sep-15 N'000
9. Distribution expenses				
Freight cost	2,547,894	1,853,668	2,513,276	1,811,021
Sales commissions	22,039	22,846	22,039	22,846
	<u>2,569,933</u>	<u>1,876,514</u>	<u>2,535,315</u>	<u>1,833,867</u>

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

FORTE OIL PLC

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Group		Company	
	30-Sep-16 N'000	30-Sep-15 N'000	30-Sep-16 N'000	30-Sep-15 N'000
10. Administration expenses				
Personnel expenses (Note 10.1)	1,985,607	1,618,338	1,651,949	1,292,157
Depreciation and amortisation	1,068,824	1,116,888	981,457	1,035,730
Bank charge	327,052	335,668	314,406	299,186
Transport and travel costs	252,379	366,172	156,668	167,047
Repairs and maintenance	506,698	568,709	447,702	427,612
Safety security and quality control	200,602	165,431	152,997	159,435
Insurance	348,626	298,370	121,734	138,212
Internet and communication	107,387	114,626	88,185	87,951
Utilities	95,570	76,565	73,813	51,957
Professional and legal fees (Note 10.2)	637,984	463,891	299,798	171,841
Audit fees	55,168	50,405	45,675	45,675
Board and AGM expenses	99,913	42,448	99,913	42,448
Licenses, rates and fees	116,588	48,274	95,127	44,794
Public relations, promotions and advertisement	92,313	106,658	52,266	105,748
Rent and leases	890,981	749,252	805,913	681,967
Foreign exchange loss	198,522	1,532,004	-	63,666
Impairment of receivables	25,286	54,855	-	53,064
Bad and uncollectible debt	7,197	73,930	7,103	71,386
Diminution in investment (Note 10.3)	-	-	324,885	-
Shrinkage and product losses	207,577	194,155	207,547	188,701
Others expenses	129,029	210,550	100,292	128,621
	<u>7,353,303</u>	<u>8,187,189</u>	<u>6,027,430</u>	<u>5,257,198</u>
10.1 Personnel expenses				
Salaries, wages and allowances	1,150,887	1,114,328	920,607	871,351
Employee bonuses	170,000	-	170,000	-
Contributions to pension fund scheme	72,718	67,055	59,680	54,950
Gratuity and redundancy cost	89,935	117,600	74,360	85,711
Training, recruitment and canteen expenses	197,601	88,371	191,514	80,395
Medical expenses	31,760	21,041	22,707	16,284
Contract Manpower	238,342	176,746	196,441	152,587
Other personnel expenses	34,364	33,197	16,640	30,879
	<u>1,985,607</u>	<u>1,618,338</u>	<u>1,651,949</u>	<u>1,292,157</u>

10.2 Included in this cost in the current period is the professional fees incurred in respect of merger and acquisition prospects on a downstream business entity.

10.3 This relates to diminution charge on investment in AP Oil and Gas Ghana Ltd. This was eliminated on consolidation.

	Group		Company	
	30-Sep-16 N'000	30-Sep-15 N'000	30-Sep-16 N'000	30-Sep-15 N'000
11. Finance income and finance cost				
Finance income				
Interest income on bank deposits	499,661	116,120	95,280	114,614
Other interest income (Note 11.1)	420,246	2,843,536	776,035	2,789,428
Other income from government grant on loan	355,832	143,999	-	-
	<u>1,275,739</u>	<u>3,103,655</u>	<u>871,315</u>	<u>2,904,042</u>
Finance costs				
Interest expense on bank loans and overdrafts	(3,509,590)	(3,396,370)	(864,608)	(2,177,912)
Net finance costs	<u>(2,233,851)</u>	<u>(292,715)</u>	<u>6,707</u>	<u>726,130</u>

Interest income represents income earned on bank

11.1 This includes interest earned on Petroleum subsidies for 2015 and 2016 from Petroleum Product Pricing Regulatory Agency that were not received within the stipulated 45 days of the PSF scheme.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Group		Company	
	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15
	N'000	N'000	N'000	N'000
12. Taxation				
a) Income tax expense				
Income tax	2,343,477	967,355	2,296,981	810,271
Education tax	145,782	116,046	141,323	104,854
Capital Gain	946	-	946	-
	<u>2,490,205</u>	<u>1,083,401</u>	<u>2,439,250</u>	<u>915,125</u>
Deferred tax charge	346,020	(79,959)	354,597	-
Total income tax expense	<u>2,836,225</u>	<u>1,003,442</u>	<u>2,793,847</u>	<u>915,125</u>
b) Effective tax rate				
Profit for the period	2,796,830	4,284,585	3,637,923	3,620,972
Total income tax expense	2,836,225	1,003,442	2,793,847	915,125
	<u>5,633,055</u>	<u>5,288,027</u>	<u>6,431,770</u>	<u>4,536,097</u>
Profit before taxes				
Effective tax rates	50%	19%	43%	20%

The company income tax computation for the period ended 30 September 2016 was based on the provisions of the Company Income Tax Act Cap C21 LFN 2004. Amperion Power Distribution Company Ltd reported a taxable loss for the period ended and is exempted from minimum tax in its first four (4) years of commencement of business while Geregu Power Plc in line with the relevant tax laws and regulations will enjoy pioneer status considering its nature of operations. Hence, no tax estimate has been recognised for these entities in these financial statements. Geregu Power is not liable to income tax for the period under review because the company's Pioneer status incentive has been approved. Hence, it will enjoy tax holiday for the next three years with a two year extension option.

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

	Group		Company	
	Sep-16	Dec-15	Sep-16	Dec-15
	N'000	N'000	N'000	N'000
d) Movement in current tax liability balance				
Liability as at 1 January	967,834	845,611	751,179	639,847
Income tax for the period	2,490,205	1,239,291	2,439,250	1,037,177
Payments during the period	(1,753,524)	(1,117,068)	(1,557,849)	(925,845)
	<u>1,704,515</u>	<u>967,834</u>	<u>1,632,580</u>	<u>751,179</u>

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Group		Company	
	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15
	N'000	N'000	N'000	N'000
13. Earnings per share				
Profit attributable to ordinary shareholders				
Profit for the period	<u>2,963,582</u>	<u>3,393,101</u>	<u>3,637,923</u>	<u>3,620,972</u>
Profit attributable to ordinary shareholders	<u>2,963,582</u>	<u>3,393,101</u>	<u>3,637,923</u>	<u>3,620,972</u>
Weighted average number of ordinary shares				
Issued ordinary shares at 1 January *	1,092,191	1,092,191	1,092,191	1,092,191
Bonus issue	218,438	218,438	218,438	-
Weighted average number of ordinary shares	<u>1,310,629</u>	<u>1,310,629</u>	<u>1,310,629</u>	<u>1,092,191</u>
Basic/diluted earnings per share in (N)	2.26	2.59	2.78	3.32

The group's basic earnings per share of N2.26 kobo (September 2015 : N2.59kobo) is based on the profit attributable to ordinary shareholders of N2,963,582,000 (September 2015 : N3,393,101,000), and on the 1,310,629,000 (September 2015 : 1,310,629,000) ordinary shares of 50 kobo each, being the weighted average number of ordinary shares in issue during the current and preceding period.

Dilutive instruments

There were no dilutive instruments in the books of the Group as at the period end 30 September, 2016. The irredeemable convertible cumulative preference shares in the books of AP Oil and Gas Ghana Limited has been eliminated on consolidation thereby removing the dilutive instrument in the Group as at the reporting date.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

14. 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	Furniture & fittings N'000	Motor vehicles N'000	Construc- tion work in progress N'000	Total N'000
Cost							
Balance at 1 January 2016	3,017,684	2,978,133	51,806,779	43,365	3,116,992	10,833,953	71,796,906
Additions	-	70,868	392,755	10,320	241,930	6,985,521	7,701,394
Transfers	2,787	965,015	16,665,478	-	-	(17,632,789)	491
Reclassification	-	-	1,263	(1,263)	-	-	-
Reclassification to intangibles	-	-	-	-	-	(9,450)	(9,450)
Disposal	(2,835)	(20,110)	(3,358)	-	(85,299)	-	(111,602)
Translation difference	5,786	48,168	26,951	7,021	9,890	2,314	100,130
Balance at 30 September 2016	3,023,422	4,042,074	68,889,868	59,443	3,283,513	179,549	79,477,869
Depreciation							
Balance at 1 January 2016	335,164	1,044,172	7,082,221	30,090	885,010	-	9,376,657
Depreciation for the period	23,960	179,321	1,381,993	5,816	296,581	-	1,887,671
Reclassification	-	-	293	(293)	-	-	-
Disposal	(433)	(4,548)	(3,358)	-	(79,006)	-	(87,345)
Translation difference	4,258	10,502	19,326	5,433	7,906	-	47,425
Balance at 30 September 2016	362,949	1,229,447	8,480,475	41,046	1,110,491	-	11,224,408
At 1 January 2016	2,682,520	1,933,961	44,724,558	13,275	2,231,982	10,833,953	62,420,249
Balance at 30 September 2016	2,660,473	2,812,627	60,409,393	18,397	2,173,022	179,549	68,253,461

{a} Depreciation charge of N911,479,000 (September 2015 N751,147,000) for the turbines used for power generation is included in cost of sales in the statement of profit or loss and comprehensive income for the Group in line with the provisions of IFRS

{b} Depreciation charge of N976,192,000 (September 2015 N900,188,000) is included in administrative expenses in the statement of profit or loss and other comprehensive.

{c} The Group is committed to a capital project to the tune of \$94,000,000 in respect of the overhauling of three 138MW power plants in Geregu. Additional commitment to the tune of \$11,000,000 was ratified by the Board of Directors during the period. Of this amount, \$76,163,507 has been advanced for this overhaul as at the reporting date.

{d} 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 Nigeria Limited, Guaranty Trust Bank Plc and Zenith Bank Plc. The All Asset Debenture is however being perfected as at the reporting date.

{e} With effect from 01 January, 2016, the Group reassessed the useful life of its computer equipments and changed to 3 years from 4 years previously in use. The effect of this has been applied prospectively in line with the provisions of the IFRS. Monthly depreciation expense for these affected assets increased by N2,348,000

{f} No impairment charge on property, plant and equipment during the period.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

(b) Company

The movement on this account during the period was as follows:	Land N'000	Building N'000	Plant, Equipment and tanks N'000	Furniture & fittings N'000	Motor vehicles N'000	Construction work in progress N'000	Total N'000
Cost							
Balance at 1 January 2016	2,887,238	2,677,972	7,186,882	15,427	2,934,522	270,222	15,972,263
Additions	-	70,868	385,514	594	224,841	40,007	721,824
Disposal	(2,835)	(20,110)	(3,358)	-	(79,149)	-	(105,452)
Transfer	-	-	155,242	-	-	(155,242)	-
Balance at 30 September 2016	2,884,403	2,728,730	7,724,280	16,021	3,080,214	154,987	16,588,635
Depreciation and impairment losses							
Balance at 1 January 2015	325,282	1,008,482	4,186,606	7,481	780,856	-	6,308,707
Depreciation for the period	22,204	144,107	448,995	2,404	277,275	-	894,985
Disposals	(433)	(4,548)	(3,358)	-	(76,059)	-	(84,398)
Balance at 30 September 2016	347,053	1,148,041	4,632,243	9,885	982,072	-	7,119,294
Carrying amounts							
At 1 January 2015	2,561,956	1,669,490	3,000,276	7,946	2,153,666	270,222	9,663,556
Balance at 30 September 2016	2,537,350	1,580,689	3,092,037	6,136	2,098,142	154,987	9,469,341

{a} Depreciation charge of NGN894,985,000 (September 2015: N826,528,000) 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 Nigeria Limited, Guaranty Trust Bank Plc and Zenith Bank Plc. The All Asset Debenture is however being perfected as at the reporting date.

{c} With effect from 01 January, 2016, the Company reassessed the useful life of its computer equipments and changed to 3 years from 4 years previously in use. The effect of this has been applied prospectively in line with the provisions of the IFRS. Monthly depreciation expense for these affected assets increased by N2,036,139

{d} No impairment charge on property, plant and equipment during the period

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Group N'000	Company N'000
15. Investment property		
Cost		
Balance at 1 January 2016	2,546,976	2,546,976
Balance at 30 September 2016	<u>2,546,976</u>	<u>2,546,976</u>
Depreciation and impairment losses		
Balance at 1 January 2016	715,233	715,233
Depreciation for the period	24,211	24,211
Balance at 30 September 2016	<u>739,444</u>	<u>739,444</u>
Carrying amount		
At 1 January 2015	1,831,743	1,831,743
Balance at 30 September 2016	<u>1,807,532</u>	<u>1,807,532</u>

- {a} Investment property comprises of a number of commercial properties that are leased to third parties. The lease period ranges between 1 - 2 years. Investment properties are carried at cost/deemed cost. The carrying amount of investment property is separated between lease hold land and buildings. Lease hold land is amortised over the lease period while building is depreciated on a straight line basis over the estimated useful life at 4% per annum.
- {b} During the period ended 30 September 2016 the Group recognised N135,574,000 as rental income in statement of comprehensive income (September 2015 : N112,270,000) after eliminating intra-group transactions while the Company recognised N141,607,000 (September 2015 : N118,170,000).
- {c} Depreciation charge of N24,211,000 (2015 N43,528,000) 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 31 December 2015 was N7,619,827,000. The fair valuation was carried out by Jide Taiwo & Co (FRC2012/NIESV/000000254); Diya Fatimehin & Co (FRC/2013/NIESV/00000002773); Femi Ismail & Associates (FRC/2013/NIESV/00000005108); Bullnet & Enquiries Networking Services Limited (FRC/2013/NIESV/00000005548); Dele Olaiya & Associates (FRC/2013/NIESV/0000002559). These valuations indicate upward movement in the market values of these properties, hence no indication of impairment for all investment properties. Management is of the view that the fair value of these properties as at 30 September, 2016 are not materially different from the values obtained at 2015 year end.
- {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 Nigeria Limited, Guaranty Trust Bank Plc and Zenith Bank Plc. The All Asset Debenture is however being perfected as at the reporting date.
- {f} No impairment charge on investment properties during the period

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Group N'000	Company N'000
16. Intangible asset		
Cost		
Balance at 1 January	966,314	930,804
Acquisitions	15,205	7,193
Reclassification	9,450	-
Translation difference	1,573	-
Balance at 30 September 2016	992,542	937,997
Amortisation		
Balance at 1 January	680,204	652,094
Amortisation for the period	68,421	62,261
Translation difference	1,478	-
Balance at 30 September 2016	750,103	714,355
Carrying amounts		
At 1 January 2016	286,110	278,710
At 30 September 2016	242,439	223,642

- a) These relate to purchased softwares.
- b) The amortisation charge of Group N68,421,000 (2015:N100,357,000); Company N62,261,000 (2015: N95,256,000) on intangible asset is included in administrative expenses in the statement of comprehensive
- 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 Nigeria Limited, Guaranty Trust Bank Plc and Zenith Bank Plc. The All Asset Debenture is however being perfected as at the reporting date.
- d) With effect from 01 January, 2016, the Company reassessed the useful life of its SAP ERP software and changed to 8 years from 5 years previously in use. The effect of this has been applied prospectively in line with the provisions of the IFRS. Monthly depreciation expense for this affected software decreased by N9,203,195.
- {e} No impairment charge on intangible assets during the period

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Company	
	% of ownership	Amount N'000
17. Investment in subsidiaries		
Investment in subsidiaries comprise:		
30 September 2016		
Equity:		
Forte Upstream Services	100	10,000
AP Oil and Gas Ghana Limited	100	670,011
Amperion Power Distribution Limited	57	10,149,926
Irredeemable Preference Shares:		
Cummulative Convertible Preference Shares in AP Oil and Gas Ghana Ltd		424,950
Impairment allowance (Note 17.1)		11,254,887 (547,481)
Total investment in subsidiaries		10,707,406
31 December 2015		
Equity:		
AP Oilfield Services Limited	100	10,000
AP Oil and Gas Ghana Limited	100	670,011
Amperion Power Distribution Limited	57	10,149,926
Irredeemable Preference Shares:		
Cummulative Convertible Preference Shares in AP Oil and Gas Ghana Ltd		424,950
Impairment allowance (Note 17.1)		11,254,887 (222,596)
Total investment in subsidiaries		11,032,291
The interim consolidated financial statements include the financial statements of Forte Oil Plc and its subsidiaries; Forte Upstream Services (FUS) Limited, AP Oil and Gas Ghana Limited (APOG) and Amperion Power Distribution Company Limited and its subsidiary (Amperion Group) all made up to 30 September 2016.		
		Amount N'000
17.1 Impairment losses		
Impairment allowance at 31 Dec 2015		222,596
Impairment allowance during the period		324,885
Balance at 30 September 2016		547,481

During the period, additional impairment losses recognised in respect of investment in AP Oil and Gas Ghana Limited. These losses attributable to the carrying value of investment greater than the recoverable amount of the investment. The impairment loss has been included in the statement of profit or loss in the separate financial statements.

FORTE OIL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Assets		Liabilities		Net	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000	2016 N'000	2015 N'000
18. Deferred tax assets and liabilities						
18.1 The Group						
a) Recognised deferred tax assets and liabilities						
Deferred tax assets and liabilities are attributable to the following:						
Property, plant and equipment	208,078	131,141	423,155	73,914	(215,077)	57,227
	<u>208,078</u>	<u>131,141</u>	<u>423,155</u>	<u>73,914</u>	<u>(215,077)</u>	<u>57,227</u>
		Balance January-2016 N'000	Recognized in profit or loss N'000	Effect of forex fluctuations N'000	Recognized in other comprehensive income N'000	Balance September-2016 N'000
		57,227	(346,020)	73,716	-	(215,077)
		<u>57,227</u>	<u>(346,020)</u>	<u>73,716</u>	<u>-</u>	<u>(215,077)</u>
b) Movement in temporary differences during the period						
Property, plant and equipment						

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 201639

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Group		Company	
	Sep-16 N'000	Dec-15 N'000	Sep-16 N'000	Dec-15 N'000
19. Inventories				
White products	3,246,650	6,743,550	3,191,744	6,553,955
Raw and packaging materials	2,406,430	1,707,285	2,406,430	1,488,320
Semi-finished goods of lubricants	306,521	249,254	306,521	249,254
Finished goods of lubricants	830,957	712,302	781,528	679,811
Chemicals	835,303	647,480	-	-
	<u>7,625,861</u>	<u>10,059,871</u>	<u>6,686,223</u>	<u>8,971,340</u>

19.1 The gross value of the inventory is N7.6 billion (Company : N6.7 billion) with an impairment allowance of N43.7 million (Company : N29.4 million). 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 Nigeria Limited, Guaranty Trust Bank Plc and Zenith Bank Plc. The All Asset Debenture is however being perfected as at the reporting date.

	Group		Company	
	Sep-16 N'000	Dec-15 N'000	Sep-16 N'000	Dec-15 N'000
20. Other assets				
Consumables	<u>593,593</u>	<u>389,579</u>	<u>154,964</u>	<u>125,625</u>

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

	Group		Company	
	Sep-16 N'000	Dec-15 N'000	Sep-16 N'000	Dec-15 N'000
21. Trade and other receivables				
Trade receivables (Note 21.1)	16,148,103	17,733,127	3,356,313	6,672,183
Receivable from related parties (Note 28)	5,355,357	5,986,180	8,088,721	6,515,081
Prepayments	3,983,667	4,602,520	3,721,004	4,176,425
Prepaid staff expenses	439,559	293,501	412,872	289,626
Petroleum Support Fund (PSF) receivable (Note 21.2)	14,383,529	6,684,083	14,383,529	6,684,083
Petroleum Equilisation Fund (PEF) receivable	804,399	-	804,399	-
Advance payment to suppliers	2,388,028	1,308,412	2,280,067	1,297,961
Interest receivable (Note 21.3)	2,050,581	2,029,338	2,040,735	2,028,864
Transporters' scheme	1,370,018	1,370,018	1,370,018	1,370,018
Withholding tax recoverable	414,714	750,696	19,818	241,979
Other debtors	845,538	140,844	845,144	140,432
	<u>48,183,493</u>	<u>40,898,719</u>	<u>37,322,620</u>	<u>29,416,652</u>
Impairment allowance (Note 21.4)	<u>(6,170,255)</u>	<u>(6,002,101)</u>	<u>(5,744,074)</u>	<u>(5,744,074)</u>
	<u>42,013,238</u>	<u>34,896,618</u>	<u>31,578,546</u>	<u>23,672,578</u>

21.1 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).

FORTE OIL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

21.2 This balance relates to outstanding subsidy, interest on delayed payments and foreign exchange differential claims under the PSF scheme recoverable from Petroleum Products Pricing Regulatory Agency (PPPRA) on PMS imported by Forte Oil Plc.

21.3 N2.010bn of this relates to disputed balance on interest receivable from Afribank now Skye Bank. This has been fully impaired.

	Group		Company	
	Sep-16	Dec-15	Sep-16	Dec-15
	N'000	N'000	N'000	N'000
21.4 Impairment allowance				
At 1 January	6,002,101	6,030,637	5,744,074	5,767,467
Increase/(decrease) during the year	25,286	(28,536)	-	(23,393)
Effect of translation difference	142,868	-	-	-
Balance at 30 September	6,170,255	6,002,101	5,744,074	5,744,074
22. Cash and cash equivalents				
Bank balances	675,591	1,638,521	474,337	62,117
Short-term deposits (Note 22.1)	13,448,199	10,062,305	12,236,676	10,062,305
Cash and bank balances	14,123,790	11,700,826	12,711,013	10,124,422
Bank overdrafts used for cash management purposes (Note 22.2)	(4,026,722)	(10,268,358)	(3,930,271)	(10,226,394)
Cash and cash equivalents in the statement of cash flows	10,097,068	1,432,468	8,780,742	(101,972)

22.1 Short term deposits with banks represent placements with banks for periods between 0 - 180 days. Included in these are unclaimed dividends amounting to N550,826,560 (Dec 2015:N799,516,310) 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. Also included in this balance, are short term deposits of N11,685,849,440 set aside by the Bank to settle outstanding FX obligations.

22.2 This represents the overdrawn current account balances with four Nigerian banks. These facilities have an average interest rate of 19.25% and are secured by an 'all asset debenture'.

23. 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>546,095</u>	<u>655,314</u>	<u>546,095</u>
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c) Share premium	<u>8,071,943</u>	<u>8,181,162</u>	<u>8,071,943</u>	<u>8,181,162</u>
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d) Retained earnings

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

e) 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.

f) Other reserves

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

- g) 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.

h) Non-controlling interest

At 1 January

Dividend

Share of profit for the period (see note i)

Balance

Sep-16 N'000	Dec-15 N'000
33,198,198	31,896,549
(1,470,000)	-
(166,752)	1,301,649
<u>31,561,446</u>	<u>33,198,198</u>
561,531	1,749,004
(643,598)	(395,337)
(84,684)	(52,018)
<u>(166,752)</u>	<u>1,301,649</u>

- i) Bureau of Public Enterprises share of profit from Geregu Power Plc
BSG Resources Ltd share of profit/(loss) from Amperion Power Distribution Ltd
Shanghai Municipal Electricity Power Company Share of profit/(loss) from Amperion Power Distribution Ltd

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 30 September, 2016.

24. 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 2015 by KMC Actuarial 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 period.

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

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	Group		Company	
	Sep-16 N'000	Dec-15 N'000	Sep-16 N'000	Dec-15 N'000
Gratuity liability at 1 January	374,005	239,758	323,637	223,911
Charged to profit and loss	95,022	182,637	75,741	138,603
Intercompany transfer	-	-	(9,401)	-
Payment during the period	(13,819)	(48,390)	(745)	(38,877)
Gratuity liability at 30 September	455,208	374,005	389,232	323,637
Planned asset at 1 January	(415,824)	(256,122)	(364,332)	(242,492)
Additional funding during the period	(9,327)	(123,446)	-	(88,451)
Actual return on planned assets	(35,357)	(36,256)	(31,651)	(33,389)
Balance at 30 September (over)/under funded position	(5,300)	(41,819)	(6,751)	(40,695)
Expense recognised in comprehensive income				
Current service costs	95,022	162,701	75,741	122,561
Interest costs	-	10,436	-	9,001
Return on planned assets	(35,357)	(36,256)	(31,651)	(33,389)
Remeasurement (gain) /loss	-	7,583	-	5,497
	59,665	144,464	44,090	103,670

- {a} Long term employee benefit expense is recognised in administrative expenses in the statement of comprehensive income.
- {b} The actuary valuation report was signed in January 2016 by Miller Kingsley (FRC/2013/NAS/00000002392) of KMC Actuarial Services a Fellow of the 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 treasury bills and bonds are Federal Government of Nigeria securities with quoted market price in the active Nigerian bond market while the 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 yields 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.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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.

In estimating the present value of the defined benefit obligation, certain assumptions on financial environment, attrition rates of withdrawal from service and death of staff likely to be experienced were made. The significant actuarial assumptions used are summarized as follows:

a) Discount rate/average rate of return on assets	11% per annum
b) Average rate of salary increase	10% per annum
c) Inflation rate	9% per annum
d) Mortality rate	A49/52 English Life Tables

25. Loans and borrowings

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

	Group		Company	
	Sep-16 N'000	Dec-15 N'000	Sep-16 N'000	Dec-15 N'000
Non-current				
Long term borrowings (note 25.1)	<u>18,008,382</u>	13,951,682	<u>2,317,477</u>	2,976,673
	<u>18,008,382</u>	13,951,682	<u>2,317,477</u>	2,976,673
Current				
Import finance facilities (note 25.2)	<u>24,842,303</u>	11,233,994	<u>24,842,303</u>	11,233,994
Term loans (note 25.1)	<u>1,253,660</u>	2,523,813	<u>864,229</u>	792,419
	<u>26,095,963</u>	13,757,807	<u>25,706,532</u>	12,026,413
	<u>44,104,345</u>	27,709,489	<u>28,024,009</u>	15,003,086

25.1 Group N11bn (Company N2.82bn) of this relates to long term financing for the acquisition of Geregu Power Plant by Forte Oil Plc through its subsidiary Amperion Power Distribution Company Limited. Group N8.5bn (Company nil) of this also relates to the Power Intervention Loan granted to Geregu Power Plc through the Central Bank of Nigeria.

25.2 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 22)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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

26. Deferred fair value gain on loan

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	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
Deferred fair value gain on loan				
Non-current	<u>1,135,080</u>	<u>1,432,781</u>	-	-
	<u>1,135,080</u>	<u>1,432,781</u>	-	-
Current				
	<u>454,032</u>	<u>440,855</u>	-	-
	<u>454,032</u>	<u>440,855</u>	-	-
	<u>1,589,112</u>	<u>1,873,636</u>	-	-

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	Group		Company	
	Sep-16 N'000	Dec-15 N'000	Sep-16 N'000	Dec-15 N'000
27. Trade and other payables				
Current trade and other payables				
Trade payable				
NNPC accounts payable	7,685,753	2,930,039	7,685,753	2,930,039
Trade creditors	16,563,261	15,448,978	7,677,422	9,657,813
Petroleum Equilisation Fund (PEF) payable (Note 27.1)	-	1,649,804	-	1,649,804
Inventory accruals (Note 27.2)	9,847,386	6,963,963	7,150,206	5,536,441
Intercompany payable	-	-	503,395	-
Customer deposits for products	732,830	3,525,241	789,505	3,575,354
	<u>34,829,230</u>	<u>30,518,025</u>	<u>23,806,281</u>	<u>23,349,451</u>
Non-trade payables and other creditors				
Non-trade payables and other creditors (Note 27.3)	4,599,515	3,665,470	2,923,239	2,988,236
	<u>4,599,515</u>	<u>3,665,470</u>	<u>2,923,239</u>	<u>2,988,236</u>
	<u>39,428,745</u>	<u>34,183,495</u>	<u>26,729,520</u>	<u>26,337,687</u>
Non-current trade and other payables				
Refundable security deposits	397,615	400,487	397,615	400,487
	<u>397,615</u>	<u>400,487</u>	<u>397,615</u>	<u>400,487</u>

27.1 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.

27.2 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.

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

28 Other related party transactions

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

Related party	Nature of transaction	Relationship	Transaction value year ended:		Balance outstanding as at:	
			Sep-16 N'000	Dec-15 N'000	Sep-16 N'000	Dec-15 N'000
BSG Resources Ltd	Advances	Joint investor in a subsidiary	592,129	788,043	5,559,362	4,967,233
Amperion Power Company Ltd	Advances	Subsidiary	621,965	876,469	1,534,479	912,514
Geregu Power Plc	Advances	Sub subsidiary	6,332	(33)	6,359	27
Forte Upstream Services Ltd	Sales & Advances	Subsidiary	353,214	9,562	843,216	490,002
AP Oil and Gas Ghana Ltd	Sales	Subsidiary	-	-	60,878	60,878
Zenon Petroleum and Gas Limited	Rent	Related party to core investor	-	1,000,000	84,427	84,427
			<u>1,573,640</u>	<u>2,674,041</u>	<u>8,088,721</u>	<u>6,515,081</u>

a) Included as collateral for the NGN3.2bn loan from Zenith Bank is a personal guarantee of the Chairman Mr. Femi Otedola.

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