THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ CAREFULLY. IF YOU ARE IN ANY DOUBT ABOUT ITS CONTENT OR THE ACTION TO TAKE, KINDLY CONSULT YOUR STOCKBROKER, ACCOUNTANT, BANKER, SOLICITOR OR ANY OTHER PROFESSIONAL ADVISER FOR GUIDANCE IMMEDIATELY.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY THE PROSPECTIVE INVESTOR, SEE "RISK FACTORS" ON PAGE 27

SPECIAL PLACING MEMORANDUM

RC: 6474

Oando PLC

Special Placing

of

2,046,706,324 Ordinary Shares of 50 kobo each

at ₦15.00 per share

Payable in full on Application

Opening Date:	**Ddmmyyyy**
Closing Date:	**ddmmyyyy**

FINANCIAL ADVISER/LEAD ISSUING HOUSE

VETIVA CAPITAL MANAGEMENT LIMITED
RC.485600

JOINT ISSUING HOUSES

FBN Capital
RC 446599

FCMB
FCMB CAPITAL MARKETS LIMITED
RC 446561

THIS PLACING MEMORANDUM AND THE SECURITIES WHICH IT OFFERS HAVE BEEN CLEARED AND REGISTERED BY THE SECURITIES & EXCHANGE COMMISSION. IT IS A CIVIL WRONG AND A CRIMINAL OFFENCE UNDER THE INVESTMENTS AND SECURITIES ACT, NO 29 OF 2007 TO ISSUE A PLACING MEMORANDUM WHICH CONTAINS FALSE OR MISLEADING INFORMATION. CLEARANCE AND REGISTRATION OF THIS PLACING MEMORANDUM AND THE SECURITIES WHICH IT OFFERS DO NOT RELIEVE THE PARTIES FROM ANY LIABILITY ARISING UNDER THE ACT FOR FALSE AND MISLEADING STATEMENTS CONTAINED THEREIN OR FOR ANY OMISSION OF A MATERIAL FACT.

THIS PRIVATE PLACEMENT MEMORANDUM IS DATED [.]DAY, DD MM, 2013

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DISCLAIMER

The information contained in this Special Placing Memorandum has been supplied by Oando PLC ("Oando" or "the Company").

The information contained herein has been prepared to assist a potential investor in evaluating the opportunity of making an equity investment in the Company, and for no other purpose.

It is understood that the targeted recipient(s) of this Placing Memorandum will perform its/their own independent investigation and analysis of the proposed financing, based on such information, as is deemed relevant by the recipient(s). The information contained herein is not a substitute for the recipients' thorough independent investigation and analysis.

The information contained herein includes certain statements, estimates and projections provided solely by the Company with respect to its anticipated future performance. Such statements, estimates and projections reflect various assumptions by the Company concerning anticipated results, which assumptions may or may not prove to be correct. Actual results may vary materially or adversely from the projected results contained herein.

The clearance of the Placement documents by the SEC does not constitute the endorsement of the Placement by the SEC.

Abbreviation	Name/Explanation
“Company” or “Oando”	Oando PLC
“CSCS”	Central Securities Clearing System PLC
“Directors”	The members of the Board of Directors of Oando who as at the date of this document are those persons whose names are set out on page 11 of this Placement Memorandum
“DPS”	Dividend per share
“EBITDA”	Earnings Before Interest, Taxes, Depreciation and Amortization
“Exchanges”	NSE and JSE
“FGN”	Federal Government of Nigeria
“Gross Earnings”	Total earnings received for the financial reporting period/year
“IFRS”	International Financial Reporting Standards
“Issuing Houses”	Vetiva Capital Management Limited, FBN Capital Limited and FCMB Capital Markets Limited collectively.
“Joint Issuing Houses”	FBN Capital Limited and FCMB Capital Markets Limited
“JSE”	The JSE Limited (Registration Number 2005/022939/06), a public company duly registered under the laws of South Africa and licensed as an exchange under the South African Securities Services Act, No. 36 of 2004, as amended
“Lead Issuing House” or “Vetiva”	Vetiva Capital Management Limited
“LFN”	Laws of the Federation of Nigeria
“NGAAP”	Nigerian Generally Accepted Accounting Principles
“NSE”	The Nigerian Stock Exchange
“OML”	Oil Mining License
“OPL”	Oil Prospecting License
“PAT”	Profit After Tax
“PBT”	Profit Before Tax
“Placing Memorandum” or “Memorandum”	This document which is issued in accordance with the Rules and Regulations of the Commission
“Registrars”	First Registrars Nigeria Limited
“Special Placing” or “Placement”	Issue by way of special placement to a strategic investor of 2,046,706,324 ordinary shares of 50 kobo each at ₦15.00 per share
“SEC” or “the Commission”	Securities & Exchange Commission; the Nigerian Capital Markets Apex Regulator
“Working Day”	Any day other than a Saturday, Sunday or official public holiday declared by the FGN

ABRIDGED TIMETABLE

The dates given below are indicative only. The timetable has been prepared on the assumption that certain key events for the Special Placing would be achieved as stated, if not, then dates surrounding key events in the timetable may be subject to adjustments.

Date	Activity	Responsibility
[.] [.], 2013	Application list opens	Issuing Houses
[.] [.], 2013	Application list closes	Issuing Houses
[.] [.], 2013	Forward basis of allotment proposal to the SEC	Issuing Houses
[.] [.], 2013	Obtain the SEC's clearance of the basis of allotment	Issuing Houses
[.] [.], 2013	Publish basis of allotment in two (2) national dailies	Oando/Issuing Houses
[.] [.], 2013	Issue share certificate/credit CSCS account	Registrar
[.] [.], 2013	Submit Placement summary report to the SEC	Issuing Houses

This Special Placing Memorandum ("Placing Memorandum" or "the Memorandum") contains confidential information about Oando PLC ("Oando" or "the Company"), a leading integrated oil & gas company incorporated and regulated in Nigeria, and is intended mainly for the purpose of giving information to a potential strategic investor who has indicated interest in investing in the Company. The document provides relevant background and other information on the Company, with the purpose of facilitating an equity investment decision in the Company.

The information contained in this Placing Memorandum and any other document or information furnished in connection with the Special Placing is confidential and proprietary to Oando and the Issuing Houses. The potential investor, by accepting delivery of this Memorandum, undertakes not to disclose any information contained therein or to reproduce the contents of this document in any form, in whole or in part, without the prior written consent of Oando and the Issuing Houses.

This document is not a Prospectus and does not constitute an offer or an invitation to the general public to subscribe to the securities presented herein. Subscription to the shares being offered will only be made by the potential investor who has been invited to take up shares in the Company in accordance with the terms and conditions contained in the Memorandum. The potential investor, to whom the Memorandum has been addressed, is expected to scrutinize the information contained in the Memorandum independently and evaluate the securities which it offers.

An application has been made to the Council of The Nigerian Stock Exchange for the admission and listing of the shares being offered by way of this Placement.

The Directors of Oando individually and collectively accept full responsibility for the accuracy of the information contained in this Placing Memorandum. The Directors have taken reasonable care to ensure that the material facts contained herein are true and accurate in all material respects and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no material facts the omission of which would make any material statement herein misleading or untrue.

Contact Information

Further information and enquiries about this Placing should be directed to the person(s) indicated below:

Issuer

Oando PLC
7th – 10th Floor, Zenon House
2, Ajose Adeogun Street
Victoria Island
Lagos State

Financial Adviser & Lead Issuing House

Vetiva Capital Management Limited
Plot 266B, Kofo Abayomi Street
Victoria Island
Lagos

Joint Issuing Houses

FBN Capital Limited
16, Keffi Street, Off Awolowo Road
South-West Ikoyi
Lagos State

FCMB Capital Markets Limited
6th Floor, First City Plaza
44, Marina
Lagos State

Contact Persons

Oando PLC

Olufemi Adeyemo
Group Executive Director/Chief Financial Officer
Tel: +234 1 2702400
E-mail: fadeyemo@oandoplc.com

Ayotola Jagun
Chief Compliance Officer & Company Secretary
Tel: +234 1 2702400
E-mail: ajagun@oandoplc.com

Adetokunbo Akindele
Head, Investor Relations
Tel: +234 1 2702400
E-mail: aakindele@oandoplc.com

'Deen Solebo
Head, Corporate Finance
Tel: +234 1 2702400
E-mail: dsolebo@oandoplc.com

Issuing Houses

Vetiva Capital Management Limited

Yemisi Deji-Bejide
Head, Investment Banking Division
T: +234 807 209 0062
E: y.deji-bejide@vetiva.com

Debo Adeosun
Investment Banking Division
T: +234 807 209 0072
E: d.adeosun@vetiva.com

Olutade Olaegbe
Investment Banking Division
T: +234 807 209 0056
E: o.olaegbe@vetiva.com

FBN Capital Limited

Tairat Tijani
Head, Capital Markets
T: +234 805 820 5760
E: tairat.tijani@fbncapital.com

Seun Olatidoye
Capital Markets
T: +234 706 418 9847
E: oluseun.olatidoye@fbncapital.com

Okikiola Azeez
Capital Markets
T: +234703 305 7537
E: okikiola.azeez@fbncapital.com

FCMB Capital Markets Limited

Tolu Osinibi
Head, Capital Markets
T: +234 807 409 0056
E: Tolu.osinibi@firstcitygroup.com

Abimbola Kasim
Capital Markets
Tel: +234 805 747 1393
E: abimbola.kasim@firstcitygroup.com

Oloruntobi Adewoye
Capital Markets
T: +234 807 804 7575
E: oloruntobi.adewoye@firstcitygroup.com

This summary highlights information contained elsewhere in the Memorandum. It does not contain all of the information that should be considered in making an investment decision. This summary should be read together with the more detailed information, including the financial statements and related notes elsewhere in this Memorandum.

1. ISSUER: Oando PLC

2. FINANCIAL ADVISER/ LEAD ISSUING HOUSE: Vetiva Capital Management Limited

3. JOINT ISSUING HOUSES: FBN Capital Limited
FCMB Capital Markets Limited

4. STRATEGIC INVESTOR: Ocean and Oil Development Partners Limited

5. SHARE CAPITAL (AS AT THE DATE OF THE PLACING MEMORANDUM):

Authorised: ₦5,000,000,000 comprising 10,000,000,000 Ordinary Shares of 50 kobo each

Issued and fully paid: ₦3,411,177,207 comprising 6,822,354,414 Ordinary Shares of 50 kobo each

Now being issued: 2,046,706,324 ordinary shares of 50 kobo each

6. PURPOSE: The Special Placing presents an important step for Oando towards the execution of its strategic objectives through the acquisition of upstream and mid-stream assets.

7. USE OF PROCEEDS: The net proceeds of the Special Placing, estimated at ₦29,730,133,524.45, after deducting the total cost of the Placement estimated at ₦970,461,335.55 (representing 3.16% of the Placement), will be applied as follows:

UTILIZATION	AMOUNT (₦'000)	%	PERIOD
Oando, through its subsidiary, Oando Energy Resources (OER) has been selected as the preferred bidder to enter into exclusive negotiations on the sale and purchase agreement of Conoco Phillip's which comprises of: i. 20% stake in OMLs 60, 61, 62 and 63; ii. 17% stake in Brass LNG; iii. 95% stake in OML 131; and iv. 20% stake in OPL 214. Both OML 131 and OPL 214 are deep offshore assets, the remaining are part of COP's onshore portfolio. The net-proceeds of the Placing would be used to part-finance this upstream assets acquisition.	29,730,133.52	100	Immediate
Total	29,730,133.52	**100**	

8. METHOD OF ISSUE: Special Placing

9. PLACEMENT PRICE: ₦15.00 per share

10. PLACEMENT SIZE ₦30,700,594,860.00

11. MARKET CAPITALIZATION AT PLACEMENT PRICE (PRE-PLACEMENT): ₦102,335,316,210.00

12. MARKET CAPITALIZATION AT PLACEMENT PRICE(POST-PLACEMENT):	₦133,035,911,070.00
13. PAYMENT:	Payable in full on application
14. OPENING DATE:	[.]day, dd mm, 2013
15. CLOSING DATE:	[.]day, dd mm, 2013
16. STATUS:	The ordinary shares being offered under the Placement shall rank *pari passu* in all respects with the existing issued ordinary shares of the Company and shall not qualify for any dividend (or any other distribution) declared for the financial year ending 31 December, 2012.
17. QUOTATION:	The 6,822,354,414 ordinary shares of 50 kobo each in the Company's issued share capital are quoted on the daily official list of the NSE and the JSE. An application has been made to the Councils of the NSE and the JSE for admission to their respective Daily Official List of the 2,046,706,324 Ordinary Shares now being issued by way of the Special Placing.
18. E-ALLOTMENT/SHARE CERTIFICATE:	The CSCS account of potential investor will be credited not later than 15 working days from the date of allotment. The potential investor is thereby advised to state the name of its respective stockbroker and their Clearing House Number in the relevant spaces on the Application Form. If the potential investor does not provide relevant CSCS account details, the potential investor's certificate will be dispatched by registered post not later than 15 working days from the date of allotment.
19. CLAIMS AND LITIGATIONS:	The Company is, in its ordinary course of business, involved in three (3) material pending cases at the Court of Appeal. Two (2) of the cases were instituted against the Company as Respondent, while the Company instituted one (1) case as Appellant. The total monetary claim in the cases pending against the Company is approximately US$175,000.00 (One Hundred and Seventy Five Thousand Dollars only). In addition to the foregoing cases, the Company has instituted one (1) case against the Federal Board of Inland Revenue (FBIR) and one (1) case against the Federal Inland Revenue Service (FIRS) at the Tax Appeal Tribunal (TAT). The Company has also filed one (1) appeal against the FIRS at the Federal High Court and one (1) appeal against the FBIR at the Court of Appeal in connection with cases in which judgment had previously been delivered against it at the TAT and the Federal High Court, respectively. The total monetary claim in dispute in all the cases is approximately ₦891,951,479.60 (Eight Hundred and Ninety One Million, Nine Hundred and Fifty One Thousand, Four Hundred and Seventy Nine Naira and Sixty Kobo only). The Company's actual liability in the cases instituted against it will be as eventually determined by the courts upon conclusion of the matters. It is our opinion that the liability that may be incurred by the Company from the cases instituted against it should not have any material adverse effect on the Placing. The Company's directors are also of the opinion that the cases mentioned above are not likely to have any material adverse effect on the Company and/ or the Placing, and are not aware of any other pending and or threatened claims or litigation involving the Company.

20. INDEBTEDNESS	As at the date of this Memorandum, the Company had no outstanding debentures, mortgages, loans, charges or similar indebtedness or material contingent liabilities or other similar indebtedness, other than in the ordinary course of business.
21. IMPORTANT DISCLOSURE	The potential investor, Ocean and Oil Development Partners Limited, currently holds a *c.*43% equity stake in Oando PLC.
22. UNDERWRITING:	The Special Placing is not underwritten at the instance of the Issuer.

22. FINANCIAL SUMMARY:
(Extracted from the Company's five (5) year annual financial statements)

	₦'Million				
	<- - - - - - IFRS	- - - - - ->	<- - - - - -	NGAAP	- - - - - ->
	2012	**2011**[1]	**2010**	**2009**	**2008**
Turnover	673,182	571,306	378,925	336,860	339,420
Profit before taxation	17,554	13,885	24,319	13,512	10,743
Profit after taxation	10,786	2,632	14,375	10,097	8,343
Minority interest	3,142	1,071	1,103	1,008	151
Dividend	-	5,431	2,114	2,664	7,243
Share capital	1,137	1,137	905	453	452
Net assets	105,355	92,765	95,192	53,319	44,879
Total assets	515,064	405,644	325,986	315,531	287,778
Basic earnings per share (kobo)	458	126	829	1,132	922

1 *Restated*

CHAIRMAN	**HRM OBA MICHAEL ADEDOTUN GBADEBO, CFR** 2, Ajose Adeogun Street Victoria Island Lagos State
GROUP CHIEF EXECUTIVE	**MR. JUBRIL ADEWALE TINUBU** 2, Ajose Adeogun Street Victoria Island Lagos State
DEPUTY GROUP CHIEF EXECUTIVE	**MR. OMAMOFE BOYO** 2, Ajose Adeogun Street Victoria Island Lagos State
EXECUTIVE DIRECTOR/ CHIEF FINANCIAL OFFICER	**MR. OLUFEMI ADEYEMO** 2, Ajose Adeogun Street Victoria Island Lagos State
EXECUTIVE DIRECTOR	**MR. MOBOLAJI OSUNSANYA** 2, Ajose Adeogun Street Victoria Island Lagos State
DIRECTOR	**MR. OGHOGHO AKPATA** 2, Ajose Adeogun Street Victoria Island Lagos State
DIRECTOR	**MS. NANA APPIAH-KORANG** 2, Ajose Adeogun Street Victoria Island Lagos State
DIRECTOR	**CHIEF SENA ANTHONY** 2, Ajose Adeogun Street Victoria Island Lagos State
DIRECTOR	**AMMUNA LAWAN ALLI, OON** 2, Ajose Adeogun Street Victoria Island Lagos State
DIRECTOR	**ENGR. YUSUF N'JIE** 2, Ajose Adeogun Street Victoria Island Lagos State
CHIEF COMPLIANCE OFFICER & COMPANY SECRETARY	**AYOTOLA O. JAGUN (MS.)** 2, Ajose Adeogun Street Victoria Island Lagos State

www.oandoplc.com

LEAD ISSUING HOUSE	**VETIVA CAPITAL MANAGEMENT LIMITED** Plot 266B, Kofo Abayomi Street Victoria Island Lagos State
JOINT ISSUING HOUSES	**FBN CAPITAL LIMITED** 16, Keffi Street, Off Awolowo Road South-West Ikoyi, Lagos State **FCMB CAPITAL MARKETS LIMITED** 6th Floor, First City Plaza 44, Marina Lagos State
LEAD STOCKBROKER TO THE PLACING	**VETIVA SECURITIES LIMITED** Plot 266B, Kofo Abayomi Street Victoria Island Lagos State
JOINT STOCKBROKERS TO THE PLACING	**APT SECURITIES AND FUNDS LIMITED** 3rd & 5th Floors, Church House 29, Marina Lagos State **CSL STOCKBROKERS LIMITED** 4th Floor, First City Plaza 44, Marina Lagos State **CORDROS CAPITAL LIMITED** 70, Norman Williams Street Ikoyi, Lagos State **PARTNERSHIP SECURITIES LIMITED** 37, Ademola Street Off Awolowo Road South-West Ikoyi, Lagos State
AUDITORS	**PRICEWATERHOUSECOOPERS** Chartered Accountants 252E, Muri Okunola Street Victoria Island Lagos State
SOLICITORS TO THE COMPANY	**BANWO & IGHODALO** 98, Awolowo Road South West Ikoyi Lagos State
SOLICITORS TO THE PLACEMENT	**TEMPLARS** (Barristers & Solicitors) 4th Floor, The Octagon 13A, A. J. Marinho Drive Victoria Island, Lagos State
REGISTRARS IN NIGERIA TO THE PLACEMENT	**FIRST REGISTRARS NIGERIA LIMITED** Plot 2, Abebe Village Road Iganmu, Surulere Lagos State

RECEIVING BANKS	**FIRST BANK OF NIGERIA PLC** Samuel Asabia House 35, Marina Lagos State
	FIRST CITY MONUMENT BANK PLC Primrose Tower 17A, Tinubu Street Lagos State
	ZENITH BANK PLC 84, Ajose Adeogun Street Victoria Island Lagos State

The following is the text of a letter received by Vetiva Capital Management Limited from HRM Oba Michael Adedotun Gbadebo, CFR, Chairman, Board of Directors of Oando PLC:

2, Ajose Adeogun Street
Victoria Island
Lagos
www.oandoplc.com

[.]day, [ddmm], 2013

The Directors
Vetiva Capital Management Limited
Plot 266B, Kofo Abayomi Street
Victoria Island
Lagos State

And

The Directors
FBN Capital Limited
16, Keffi Street
Ikoyi
Lagos State

And

The Directors
FCMB Capital Markets Limited
6th Floor, First City Plaza
44, Marina
Lagos State

Dear Sirs,

OANDO PLC ("OANDO" OR "THE COMPANY"): SPECIAL PLACING OF 2,046,706,324 ORDINARY SHARES OF 50 KOBO EACH AT ₦15.00 PER SHARE

INTRODUCTION

On behalf of the Board of Directors of Oando, I am pleased to present to you the following information relating to the Special Placing of 2,046,706,324 ordinary shares of 50 kobo each at ₦15.00 per share, which you are making on our behalf. All necessary arrangements regarding the Special Placing have been made. The requisite approvals have been received from the Securities & Exchange Commission, The Nigerian Stock Exchange and JSE Limited for the registration and the listing of the shares now being issued. It is important to note that the shares now being issued will rank *pari passu* in all respects with the existing issued Ordinary Shares of the Company but shall not qualify for any dividend (or any other distribution) declared for the financial year ending 31 December, 2012.

Oando commenced operations in 1956 as a petroleum marketing company in Nigeria under the name ESSO West Africa Incorporated, then a subsidiary of Exxon Corporation of the USA. On 25 August, 1969, the Company was incorporated under Nigeria law as Esso Standard Nigeria Limited. In 1976, the Federal Government of Nigeria bought Exxon Corporation's interest, thereby fully indigenizing the Company, and it was subsequently re-branded Unipetrol Nigeria Limited ("Unipetrol"). The Company became a public limited liability company in 1991, when the Federal Government of Nigeria divested 60% of its shareholding to the general public, and the Company's shares were listed on the NSE in February 1992.

Oando was registered as an external company in South Africa on 1 November, 2005 and on 25 November, 2005 became the first African company to accomplish a cross-border inward listing on the JSE. In 2007, the Company undertook a corporate restructuring in which it carved out its downstream petroleum marketing business into Oando Marketing Limited, a new wholly-owned subsidiary. The Company also acquired Ocean and Oil Investment's

("OOI") entire holding in jointly-owned subsidiaries via a Scheme of Arrangement, making these companies wholly-owned subsidiaries of Oando.

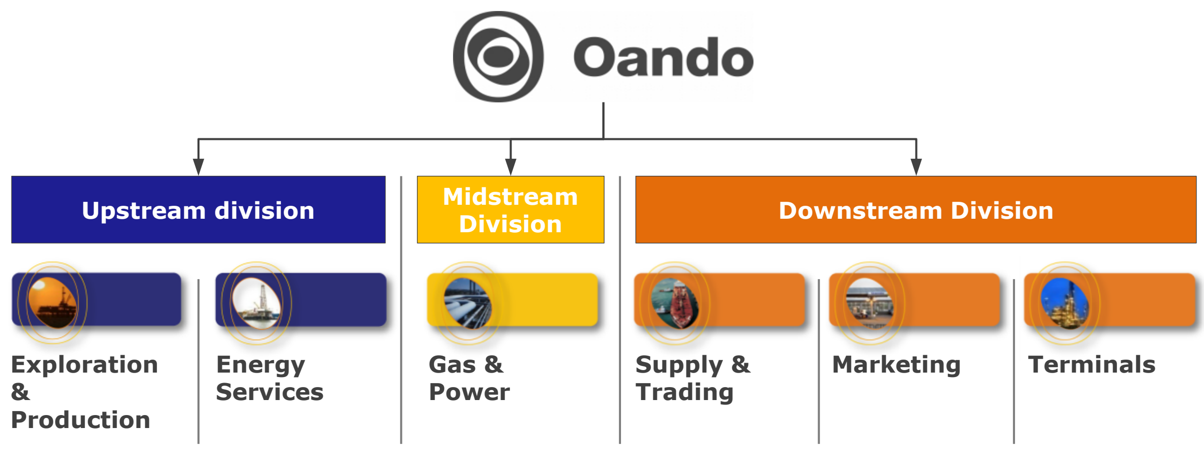
In July, 2012, Oando completed a Reverse Takeover ("RTO") involving the former Exile Resources Inc. to become Oando Energy Resources Inc. ("OER"). The RTO was preceded by the restructuring of Oando's shareholding in certain entities in the upstream exploration and production division of Oando and transferring same to Exile Resources Inc.

OANDO TODAY

Oando today is an integrated energy solutions company with operations geographically spanning several jurisdictions of Europe, North America and West Africa and primarily in Nigeria. The Company attained the status of an integrated energy solutions provider, by adding gas and power distribution, international supply, trading and energy services to its petroleum marketing business and is currently incubating exploration, production and power initiatives. It is envisioned that Oando will become a leader in the African energy sector, delivering world-class services across the African continent.

GROUP STRUCTURE

Oando's business is organised into six divisions. These divisions are: Exploration & Production and Energy Services (in the upstream sector), Gas & Power (in the midstream sector) and Marketing, Supply & Trading and Terminals & Logistics (in the downstream sector).



OVERVIEW OF SUBSIDIARY COMPANIES

Oando's business is currently located in several global jurisdictions.

1. EXPLORATION AND PRODUCTION DIVISION ("*E&P division*")

Oando, directly and indirectly through its 94.6% investment in Oando Energy Resources Inc., a TSX public listed company, currently holds varying interests in 12 licences for the exploration, development and production of oil and gas blocks located onshore on land or swamp, and offshore in shallow or deep waters, two of which are currently in production. Oando's exploration and production strategy is focused on exploring and developing oil and gas resources in Nigeria. The E&P Division recorded a total production of 1.48 mmbbls of crude oil in 2012 (or an average of 4,051 bbl/d), which was attributable to the Company's working interest in the two currently producing fields: OML125 (Abo) produced 1.28 mmbls and OML56 (Ebendo) produced 0.20 mmbls. The portfolio contains prolific 2P reserves of 16.3mmboe and 2C best estimate contingent resources of 29.6mmboe spanning producing, near term and exploration assets within the Niger Delta, Nigeria/Sao-Tome JDZ and DRSTP EEZ.

The E&P Division's mission is to deliver sustainable value to stakeholders by continually growing reserves through the exploration, development and acquisition of oil and gas resources. The E&P Division's growth has continued unabated throughout the global financial crisis due to the successful management and production of oil and gas reserves.

Positioned as an owner, operator and investor of an oil and gas asset portfolio, the E&P Division will continue to pursue further investments in selected African oil and gas producing basins that meet its strategic and financial criteria and position it for growth.

The following are the entities through which Oando directly and indirectly operates its exploration and production strategy:

Oando Exploration and Production Company Limited ("OEPL")

OEPL was incorporated on 4 April, 2006 as an oil and gas production company with three (3) assets within its portfolio of oil and gas assets. OEPL is the operator of two oil blocks, OPL 278 (60% working interest) and OPL 236 (95% working interest), and a Nigerian content partner with Nigerian Agip Exploration Limited on OPL 282 (4% working interest).

Oando Energy Resources Incorporated ("OER")

Following the Reverse Takeover of Exile Resources, Oando PLC holds 94.6% in Oando Energy resources Inc., a TSX public listed company. OER has a portfolio of oil and gas assets in Nigeria, EEZ, Zambia and Turkey. OER holds interests in 9 licences for exploration, development and production of oil and gas concessions. The portfolio of assets is at various stages of upstream operations – exploration, development and production. Two assets within its portfolio, OML 125 and Ebendo marginal field, contribute to a net production capacity currently standing at 4,750bbl/d.

OER is in the process of concluding its acquisition of ConocoPhillips Nigeria business subject to regulatory approval. This is expected to significantly boost OER's production capacity and its reserve base leading to a growth in operating margins as well as improve general operational efficiency for the Company. This is in line with OER's strategic business objectives to grow its reserves base and increase production.

2. ENERGY SERVICES DIVISION *("Energy Division")*

Oando's energy services business began operations in 2005, with its drilling rigs hire services commencing in 2009. The Energy Division is an indigenous provider of oilfield services to operators in the oil and gas industry in Nigeria. The Energy Division's business provides drilling rigs, total fluids management (drilling and completion fluids) and drill bits and engineering services. Oando's Energy Division recently expanded its capacity via the acquisition of four swamp drilling rigs, namely OES Teamwork, OES Respect, OES Integrity, and OES Passion. With these acquisitions, the Energy Division is the largest swamp drilling contractor in Nigeria.

Oando Energy Services Limited *("OES")*

OES was incorporated on 18 January, 2005 as an indigenous energy services company, and is principally engaged in the following product service lines:

- Drilling and completion fluids;
- Drill bits and drilling systems; and
- Drilling rigs services.

OES is strategically positioned as an integrated oilfield services company and consolidates all activities in the product and services supply value chain. In achieving its objectives as a world-class energy services provider, the company is strategically aligned with experienced technical partners thereby guaranteeing superior Research and Development ("R&D") and industry standard Health, Safety and Environment controls. OES commenced its rigs drilling business via the acquisition of two swamp rigs in 2007. OES later acquired further rigs making it the largest swamp rigs operator in Nigeria with three rigs which are currently in operation and a recently refurbished fourth rig.

3. GAS & POWER DIVISION *("Gas Division")*

Oando Gas & Power Limited ("OGP") is the division responsible for the development, operation and management of Oando PLC's participation in the gas and power space.

As the largest private sector gas distributor and developer of Nigeria's foremost natural gas distribution network and captive power solutions, OGP distributes and sells natural gas to industrial and commercial off-takers in Nigeria. OGP has developed over 100km natural gas pipeline network in Lagos State and another 128km traversing Akwa Ibom and Cross River States. With natural gas pipeline capacity of circa 190 million standard cubic feet per day ("mmscf/d'), OGP currently delivers gas and power solutions to over 150 customers in Nigeria.

OGP has consistently outperformed its competitors in the Nigerian gas market and is uniquely positioned to grow its captive Independent Power Projects ("IPP") off the back of its existing gas infrastructure.

The OGP-led consortium (Oando, AGIP, and NNPC) secured a concession for the development of a gas processing facility for the central franchise Area in Nigeria. When completed, the gas processing facility will help the Nigerian Gas Master Plan (NGMP) in achieving its aspirations for gas availability in the domestic market. This development will have an initial capacity to process up to 600 mmscf/d.

The following are companies operating within Oando's Gas and Power Division:

- **Oando Gas & Power Limited** *("OGPL")*

OGPL was incorporated on 7 August, 2001 for the management and implementation of natural gas and power opportunities.

- **Gaslink Nigeria Limited** *("Gaslink")*

Gaslink was incorporated on 1 December, 1988 and is the first company in Nigeria to provide retail distribution of natural gas by pipeline to customers. It is the Flagship Company and main operating arm of OGP. It presently has the combined capacity to deliver 85 mmscf/d. It currently operates a 20-year Gas Sale & Purchase Agreement ("GSPA") with the Nigerian Gas Company ("NGC"). This agreement grants Oando exclusive rights to distribute natural gas to industrial energy consumers in the Greater Lagos area. Gaslink has successfully constructed over 100km of pipeline network from the NGC city gate to cover Ikeja and the Greater Lagos areas (developed in phases) and currently has a customer base of over 140 industrial customers in Lagos.

Gaslink recently embarked on the expansion of its Greater Lagos pipeline network (Phase IV Expansion Project) which would enable more customers have access to natural gas from our distribution network.

- **East Horizon Gas Company Limited** *("EHGC")*

EHGC is a Special Purpose Vehicle ("SPV") set up to construct an 18" x 128km natural gas pipeline from NGC's flange at Ukanafun on the existing Obigbo North-ALSCON Mainline Intermediate Scrapper Trap, for the supply of natural gas to United Cement Company of Nigeria Limited ("Unicem") at its plant near Mfamosing in Cross-River State. This pipeline system has opened up supply to other customers in Calabar and the south-east corridor in general.

The gas pipeline, built under a 20 year Build-Operate-Transfer (BOT) basis, currently supplies an initial 22 mmscf/d of natural gas to Unicem under a 20 year 'take or pay' GSPA with the potential to increase off-take to about 44mmscf/d by 2016. The pipeline was commissioned in November 2011.

The pipeline has a 100 mmscf/d capacity. EHGC will leverage the pipeline to build a distribution network that will supply natural gas to other interested off-takers in the Calabar area.

- **Akute Power Limited** *("Akute")*

Akute was incorporated on 17 January, 2008 to develop and operate an Independent Power Plant (IPP) to supply electric power to the Lagos Water Corporation ("LWC"). The project involved the development of a 12.15MW IPP and the construction of a 13km gas pipeline. The commercial structure provides that Akute supplies power under a 10-year Power Purchase Agreement ("PPA") with 2 successive five (5) year extensions under a Build-Own-Operate-Transfer ("BOOT") structure. Akute started operations in February, 2010.

- **Central Horizon Gas Company** *("CHGC")*

CHGC was incorporated as an SPV to acquire, rehabilitate and expand the existing 5km natural gas distribution pipeline owned by the Rivers State Government. CHGC commenced operations in July, 2011 for an initial period of 30 years. CHGC's total operating capacity is currently c.1.5mmscf/d and its existing network covers the Trans Amadi Industrial area of Port Harcourt, Rivers State, and delivering gas to about 8 industrial customers.

4. SUPPLY & TRADING DIVISION *("Supply Division")*

The Supply Division is the leading indigenous physical trader of petroleum products in the sub-Saharan region, supplying and trading crude oil and refined petroleum products. The Supply Division trades large volume cargoes to the major oil marketers in Nigeria as well as to independent marketers. Supply Division currently procures and trades a broad range of refined petroleum products including Jet A1, LPG, Gasoline, DPK, Diesel and Low/High Pour

Fuel Oil. Supply Division is also involved in the exportation of crude oil. The Supply Division trades regulated products (i.e. PMS) under the Petroleum Subsidy Fund while deregulated products are traded under supply contracts and on a spot basis. The Supply Division also has established trade relationships with refiners, marketing and trading companies in the United States of America, Europe and the far East.

The following are companies operating within Oando's Supply and Trading Division:

Oando Supply & Trading Limited *("OS&T")*

OS&T was incorporated on 14 April, 2004 as one half of the products trading arm of the Oando Group. OS&T trades Jet A1, LPG, Gasoline, DPK, Diesel, Low/High Pour Fuel Oil, Naphtha, Base Oil and Bitumen into Nigeria.

Oando Trading Limited (Bermuda) *("Oando Trading")*

Oando Trading was incorporated on 15 July, 2004 as the other half of the products trading arm of the Oando Group. Oando Trading is involved in the trading of crude oil and refined petroleum products in international markets. Oando Trading is a recognized leader in oil trading, and maintains a presence in the world's products freight market via vessels, which are chartered on spot and time charter basis, for delivery of petroleum products to various customers worldwide. Oando Trading has positioned itself as the supplier of choice for products supplies in the West African sub region.

5. MARKETING DIVISION

Oando Marketing PLC *("Marketing Business")*

Oando's downstream petroleum Marketing Business operated as a division of Oando until late 2007 when it was carved out as a stand-alone entity via a Scheme of Arrangement and became Oando Marketing Limited, a new wholly owned subsidiary. The company was thereafter converted to a public company in August, 2010 and is currently called Oando Marketing PLC ("Oando Marketing").

The Marketing Business has continued to be the leading petroleum products marketing company in Nigeria, with one in every five litres of petroleum products being sold or distributed by Oando Marketing via its network of retail outlets and strategically located terminals spread across Nigeria. Oando Marketing also has subsidiaries in Ghana and Togo, operating over 40 service stations in both countries. Oando Marketing trades a wide range of petroleum products including Premium Motor Spirit ("PMS"), Automotive Gas Oil ("AGO"), Dual-Purpose Kerosene ("DPK"), Aviation Turbine Kerosene ("ATK"), Low Pour Fuel Oil ("LPFO"), Lubricating Oils, Greases, Bitumen, Liquefied Petroleum Gas ("LPG", commonly known as cooking gas) and Oando insecticides. Oando Marketing also has bespoke value adding solutions to meet the needs of its numerous customers including:

- **Oando Value Added Peddling ("VAP"):** A unique service which guarantees effective supply of Diesel and Lubricants to companies with multiple operational sites across Nigeria.

- **Oando e-VAP:** An electronic enabled variant of VAP where customers can make orders online for products to be delivered to their homes and offices.

- **Oando Vendor Managed Inventory:** A special customer service initiative that ensures regular supply of fuel and lubricants to the premises of the customers.

- **Oando Pay-As-U-Gas:** An innovative solution that involves on-the-spot dispensing of LPG using a pump meter into customers' cylinder.

The following are companies operating within the Marketing Division:

- **Oando Ghana Limited** *("Oando Ghana")*

Oando Ghana was incorporated on 21 November, 1991 as a subsidiary of Oando Marketing. Its scope of business covers the marketing of petroleum products, export of petroleum products, and export of lubricants to other African countries. Oando Ghana currently operates 35 retail outlets in Ghana.

- **Oando Togo Limited** *("Oando Togo")*

Oando Togo was incorporated on 21 September, 1993, having been granted a license to market all grades of petroleum products and derivatives in March, 1993. Oando Togo markets petroleum products through its 20 retail service outlets across Togo. It also engages in bulk product trade with clients in Mali, Burkina Faso and Niger Republic.

- **Oando Benin Limited** *("Oando Benin")*

Oando Benin was incorporated on 9 October, 1996 to further maximize Oando's business opportunities along the West African coast.

6. TERMINALS AND LOGISTICS DIVISION *("Terminal Division")*

Oando's entry into the terminals business completes its presence in all segments of the energy value chain. The Terminal Division has refocused on the terminal and logistics segment of the value chain, where there is greater probability of success in the near and midterm. The Terminal Division has also incorporated vehicles for these purposes and for the proposed acquisition and development of refinery projects across the country at an appropriate time.

Apapa SPM Limited ("Apapa SPM")

Apapa SPM was incorporated on 14 September, 2007 as an SPV for the development of pipeline and special mooring systems. The initial project currently under construction will consist of an island jetty capable of berthing large vessels and pipeline from the jetty to an existing onshore receiving manifold.

A 450 meter underwater pipeline will deliver the product onshore. Horizontal directional drilling will be employed to ensure maximum efficiency and minimum disruption of routine area activities. A receiving station onshore will supply power and other support infrastructure to the jetty.

The pipeline's maximum theoretical annual throughput capacity is approximately c.3 million metric tonnes. The SPM would allow users to import more cargo volumes through Apapa; thereby increasing inventory turns at their existing storage facilities. The project is currently near completion.

CORPORATE STRATEGY

Oando's corporate strategy is to create long term shareholder value through the profitable operation and expansion of its high margin value streams. In order to achieve this aim, Oando seeks to pursue growth and opportunities that exist in the Upstream and Midstream businesses. In pursuit of its objectives, Oando intends to focus on operational excellence and best in class health, safety, environment and corporate social responsibility standards, whilst pursuing growth. Oando intends to pursue its strategy across its energy value chain through the following objectives:

Growth through Acquisitions and Portfolio Development

The Company intends to pursue expansion of its oil and gas portfolio through organic and inorganic growth. The inorganic growth will be driven by the acquisition of producing and near term production assets at competitive prices from the IOC's during their divestment process of assets in the prolific Niger Delta region and the Gulf Guinea. The company will also focus on the development of its current asset portfolio to increase its organic production, through an aggressive development programme.

Increasing Energy Services potential

The Company will continue to take competitive advantage of the Nigerian Local Content Policy which requires oilfield services contracts to be offered first to competent indigenous companies. Oando intends to be positioned as the leading preferred domestic oilfield services partner and provider of high value oilfield services. The Company intends to secure a new contract for one swamp rig that is not currently under contract and also to expand its rig portfolio to include not only swamp rigs but also rigs for offshore and onshore drilling, as a step towards achieving this objective.

Expansion of the Gas and Power Business

The Company has taken preliminary steps in respect of this expansion through Akute Power Limited's execution of the 12.15 MW IPP serving Lagos State Water Corporation and securing exclusive rights to market natural gas to industrial customers in the Greater Lagos area until 2019. The Company intends to optimise its current gas and power footprint through growing market share. The Company is currently in the construction phase of its 2nd power plant the Alausa IPP, a compressed Natural Gas facility and its 3rd pipeline franchise, the Central Horizon Gas pipeline in Port Harcourt.

Continued improvement of operational efficiency of the Marketing Business

Oando intends to remain committed to its market leadership in marketing and the supply & trading of petroleum products. The Company is focusing on improving the margins of the marketing business through cost management and operational efficiency, and also intends to pursue initiatives that would see improved earnings in the coming years. In addition, the Company is currently in the process of increasing its retail outlets by up to 100 in order to spread and grow its geographical presence, market share and profitability.

BOARD OF DIRECTORS

The Company's general policies are determined by a Board of 10 Directors. The Board members are highly successful individuals with impressive track record of professional and business achievements.

HRM MICHAEL ADEDOTUN GBADEBO, CFR

HRM Michael Adedotun Gbadebo, CFR, is the Alake (King) of Egbaland in Nigeria and Chairman of the Board.

He was appointed as a Non-Executive Director of the Company on 10 April 2006. Prior to his coronation as the Alake of Egbaland in 2005, HRM had a successful career in the Nigerian Army culminating in his appointment as the Principal Staff Officer to the Chief of Staff, Supreme Headquarters from January 1984 - September 1985.

He was also awarded military honours such as the Forces Service Star and the Defence Service Medal. HRM Gbadebo obtained a Bachelor of Arts degree from the University of Ibadan, Nigeria in 1969. He graduated from the Staff College of the Nigerian Armed Forces in 1979 and has served on the board of several companies including Ocean and Oil Services Limited. HRM Gbadebo currently serves on the boards of Global Haulage Resources Limited and Dolphin Travels Limited.

MR. JUBRIL ADEWALE TINUBU

Mr. Wale Tinubu is the Group Chief Executive of Oando PLC, Africa's leading indigenous energy solutions provider listed on the Nigerian and Johannesburg Stock Exchanges. He serves on the board of various blue-chip companies as Chairman and Director. In 2007, he was named a Global Young Leader by the World Economic Forum, Geneva, in recognition of his achievements as one of the leading executive under 41.

In 2010, Mr. Tinubu won the Africa's 'Business Leader of the Year' award by the African Business Magazine and the Commonwealth Business Council on the basis of the African Oil and Gas industry. In 2011, he was awarded the 'African Business Leader of the Year' by Africa Investor. He obtained a Bachelor of Laws (LLB) from the University of Liverpool, England in 1988 and Masters of Law (LLM) from the London School of Economics, United Kingdom, in 1989 where he specialized in International Finance and Shipping.

MR. OMAMOFE BOYO

Mr. Omamofe Boyo is the Deputy Group Chief Executive of the company, having been appointed to this position in 2006. Prior to his appointment, Mr. Boyo was Executive Director, Marketing of the Company from 2000 to 2002 and the Deputy Managing Director/Chief Operating Officer from 2002 to 2006.

Mr. Boyo serves on the board of several companies in the group including Gaslink, Oando Exploration and Production Limited, Oando Marketing PLC and Oando Supply and Trading.

He is currently a director of Ocean and Oil Holdings Limited BVI, Ocean and Oil Investments Mauritius, Ocean & Oil Investment Nigeria Limited, Ocean and Oil Holdings Nigeria Limited, Indumines Limited, Midwestern Oil & Gas Limited, Quantum Voice Systems Limited, I2I Nigeria Limited and Lagos Preparatory School Limited. Prior to Mr. Boyo's appointment as Executive Director of the Company in 1999, he was an Executive Director of Ocean and Oil Services Limited from 1994 to 1999.

Mr. Boyo started his career with Chief Rotimi Williams' Chambers, a Nigerian Law firm where he specialized in shipping and oil services and worked on several joint venture transactions between the Nigerian National Petroleum

Corporation and major international oil companies. Mr. Boyo obtained a Bachelor of Laws degree from Kings College, University of London in 1989.

MR. MOBOLAJI OSUNSANYA

Mr. Mobolaji Olatunbosun Osunsanya was appointed as an Executive Director of the Company on 27 June 2007. Mr. Osunsanya has been the Chief Executive Officer of Oando Gas and Power Limited since January 2004.

Prior to his appointment as the Chief Executive Officer of Gaslink Nigeria, he was the Chief Marketing Officer - Commercial of Oando Marketing PLC. Prior to joining the Company in August 2001, Mr. Osunsanya was an Executive Director at Access Bank Plc from November 1998 to March 2001 and an Assistant General Manager at Guaranty Trust Bank Plc from 1992 to 1998. From 1988 to 1992, Mr. Osunsanya worked as a consultant with Arthur Andersen, Nigeria (now KPMG professional services) gaining experience in the banking, oil and gas and manufacturing industries.

Mr. Osunsanya obtained a Bachelors Degree in Economics from the University of Ife, Nigeria, in 1985 and a Masters degree in Economics from the University of Lagos, Nigeria, in 1987.

MR. OLUFEMI ADEYEMO

Mr. Olufemi Adeyemo was appointed as Group Executive Director on 30 July 2009 and as the Chief Financial Officer of the Company in October 2005. He is also an Independent Director of Easy Fuel Limited. Prior to joining the Company, Mr. Adeyemo was a Management Consultant at McKinsey & Co. from 1998 to 2005 and has extensive experience in strategic consulting, especially in the areas of mergers and acquisitions, operations reviews, strategy development and implementation as well as organization redesign and financial management.

Before joining McKinsey & Co., Mr. Adeyemo was the Financial Controller and Head of Operations from 1994 to 1997 at First Securities Discount House Limited, a leading investment house in Nigeria.

Mr. Adeyemo worked as an auditor with PwC from 1988 to 1992. He has been a member of the Institute of Chartered Accountants of Nigeria for 22 years. He obtained a Master of Science degree in Finance from the London Business School, UK, in 1998, a Master of Science degree in Mechanical Engineering from the University of Lagos, Nigeria, in 1988 and a Bachelor of Science in Mechanical Engineering from the University of Ibadan, Nigeria in 1987.

MS. NANA AFOAH APPIAH-KORANG

Ms. Nana Afoah Appiah-Korang was appointed as a Non-Executive Director of the Company on 11 November, 2010. She is a Director of Emerging Capital Partners (ECP) having joined in 2002. With seven funds and over US$1.8 billion under management, ECP is a leading private equity manager focused exclusively on Africa. Headquartered in Washington DC, ECP has six offices across Africa and a ten-year track record of successful investment in companies operating in over 40 countries on the continent. She is involved in deal sourcing, investment appraisal, execution and value creation. She has also played a key role in implementing exit strategies for ECP's investments in both Africa Fund I and Africa Fund II. She currently serves on the board of Continental Reinsurance Plc, the leading local reinsurer in Nigeria where she sits on the establishment and statutory audit sub-committee. Prior to joining ECP, Ms. Appiah-Korang served as an Investment Officer for ECP Global, having joined in 2002.

Before her employment with ECP Global, Ms. Appiah-Korang worked for the Real Estate Principal Investment Group of Goldman Sachs & Co. in New York between 2000 and 2002 where she executed real estate private equity transactions in the US and played an active role in the marketing of the Whitehall XII funds to potential investors in the US, Europe and Asia. Ms. Appiah-Korang graduated from Mount Holyoke College with a Bachelors degree in Mathematics and a minor in Economics in 2000

MR. OGHOGHO AKPATA

Mr. Oghogho Akpata was appointed as an Independent Non-Executive Director of the Company in November, 2010. Mr Oghogho is also the Managing Partner and Head of the Energy and Projects Group at Templars Barristers & Solicitors. Mr. Akpata possesses 20 years of experience in the transactional dispute resolution aspects of the Nigerian oil & gas sector and advises a broad range of clients including international oil companies, oil service contractors and a number of multinationals operating in Nigeria. He has been listed among the leading energy and natural resources lawyers in Nigeria by Chambers Global guide to the legal profession from 2005 to date.

Mr. Akpata obtained a Bachelors degree in Law from the University of Benin in 1990 and was called to the Nigerian Bar in 1991. Mr. Akpata is also a director of FMC Technologies Limited, BlueWater Offshore Production Systems Limited, Choice Farms Limited and was in 2006, the Director of International Bar Association Section on Energy, Environment, Natural Resources and Infrastructure Law Conference.

CHIEF SENA ANTHONY

Chief Sena Anthony was appointed as Independent Non-Executive Director of the Company in January 2010. Prior to her appointment, Chief Anthony worked with the Federal Ministry of Justice before joining the Nigerian National Petroleum Corporation ("NNPC") in 1978. She was appointed Group General Manager, Corporate Secretariat and Legal Division, as well as the Secretary to the NNPC in July 1999 and was promoted to the level of Group Executive Director on 6 May 2007.

Chief Anthony was the first female to be appointed to such a position in the NNPC. She retired in January 2009 as the Coordinator (Group Executive Director Level) Corporate Secretariat and Legal Division as well as the Secretary to the Corporation and Board of the NNPC after working for the NNPC for 31years. Chief Anthony was also a director of Napoil Limited, a crude oil and petroleum products trading company owned by NNPC, a director of Brass LNG Company and General Manager Legal and Secretary to the Board of Nigerian LGN Limited. Chief Anthony obtained a Bachelors degree in Law from the University of Lagos in 1973 and was called to the Nigerian Bar in 1974.

ENGR. YUSUF K. J N'JIE

Engr. Yusuf N'jie has worked extensively in the Oil industry for over thirty (30) years with companies like Otis Engineering Corporation, SEDCO (a drilling/pipeline company) and Texaco Overseas (Nigeria) Petroleum Company Unlimited where he also served as a member of the board of directors and from where he retired after over twenty three (23) years of service in 2000.

Engr. N'jie is currently the Managing Director/Chief Executive Officer of Optimum Petroleum Development Company and a member of the boards of various organisations. He graduated in Mechanical Engineering from the Southern Methodist University, (SMU) Dallas in 1976, is a fellow at the Nigerian Society of Engineers, and a member of the society of Petroleum Engineers.

AMMUNA LAWAN ALI, OON

Ammuna Lawan Ali, a retired Federal Permanent Secretary commenced her Civil Service career in 1977 as a Planning Officer in the Borno State Ministry of Lands and Survey, Maiduguri, where she rose to the position of Permanent Secretary. In that capacity, she served in the Ministries of Education, Women Affairs, Commerce, Industries and Tourism till 2009.

In 1995, Ammuna Lawan Ali transferred her services to the Federal Civil Service as a director and served in the Ministry of Women Affairs and Social Development and that of Finance. In January 2001, Ammuna Lawan Ali was appointed a Permanent Secretary and served in various Ministries, including those of Commerce, Petroleum Resources, Transportation, Works, Environment, Housing and Urban Development, and briefly in the office of Civil Service and the Ministry of Information and Communications. She retired from service in December 2009.

Ammuna Lawan Ali is a recipient of National Honor (OON), a member of the National Institute of Policy and Strategic Studies (NIPSS) Kuru, and obtained a BA (Hons) Degree in Public Administration from Ahmadu Bello University in 1975 and Masters Degree in Public Administration from University of Maiduguri in 1986.

KEY MANAGEMENT STAFF

The senior management team of the Company, led by the Managing Director and the Executive Directors, are responsible for the day to day management of the Company and report to the Board of Directors. In addition to the Group Chief Executive and the Executive Directors, the following are other members of the Company's executive management team:

MR. AYO AJOSE-ADEOGUN

CEO, Oando Refinery and Terminals, Chief Corporate Services Officer

Mr. Ajose-Adeogun is the Chief Corporate Services Officer and he oversees the functions of the Corporate Communications, Procurement, IT and Services Departments, as well as coordinates the relationship management function between the shared service centres and the various business entities. Mr. Ajose-Adeogun is also the CEO of Oando Refining and Terminalling. He has over 20 years of experience in engineering design and commissioning, business strategy development and IT management.

He served as a member of the Corporate Development Team at Ocean and Oil Holdings which worked on the business execution and process improvement project carried out in Oando in 2004. Prior to this, Mr. Ajose-Adeogun worked as the Business Strategy Development and IT Manager at Cadbury Nigeria PLC, where he was responsible for driving value based management throughout the organisation. He also worked at John Brown Engineers & Constructors as a Process and Project Engineer, at Marakon Associates, London as a Strategy Consultant in the United Kingdom and at Wheel Media, a new media consulting company.

He obtained a Bachelors degree and a Masters in Chemical Engineering from Imperial College London, UK, in 1990, and an MBA from London Business School, UK, in 1997. He is a qualified Chartered Engineer.

MR. BANDELE BADEJO

CEO, Oando Energy Services

Bandele Badejo is the Chief Executive Officer of Oando Energy Services Limited. Prior to joining Oando, he was the Operations Manager, Performance, for Transocean in the Gulf of Guinea Division, where he was responsible for the Safety and operations performance of 13 rigs including several 5th generation deep-water assets located in 4 countries in the Gulf of Guinea.

Bandele is a thoroughbred rig man, starting his career with Sedco Forex Schlumberger in 1988 as a Drilling Engineer Trainee. Through hard work and distinguished service, Bandele rose to Senior Management cadre having had robust industry experience as Assistant Driller, Driller, Staff Engineer, Rig Manager, Assistant Sales Manager for Europe and Africa and Rig Manager on Swamp Barges, Jack Ups and Deep-water Floaters in several international locations. He was also at various times, QHSE Manager for Nigeria and the Gulf of Guinea divisions.

Bandele is a multi-skilled professional with two and a half decades of international oilfield experience acquired during his career with Schlumberger and Transocean, the leading players in their respective sectors. He graduated in Petroleum Engineering from the University of Port-Harcourt in 1986 and is a member of the Society of Petroleum Engineers, SPE. He is also a Non-Executive Director of First Standard Ventures Nigeria Limited.

MR. PADE DUROTOYE

CEO, Oando Exploration & Production

Mr. Durotoye is the Chief Executive Officer of Oando Energy Resources Inc. and also the Chief Executive Officer of Oando Exploration & Production Limited (OEPL). Prior to this, Pade served as the MD/CEO of Ocean and Oil Holdings Group between 2006 and 2010. Whilst in Ocean and Oil, he was a core member of Oando's Group Leadership Council, and played a key part of the company's upstream diversification Strategy & Execution team. He advised on the company's efforts in the acquisition of oilfield assets and drilling rigs.

Prior to joining Ocean & Oil in 2006, he worked in Schlumberger Oilfield Services for over 19 years having joined in 1987 and held various Management roles in Field Operations, Field Operations Management, Line (Country) Management, Human Resources Management and Business Development while working and living in 8 countries in Africa, Europe and the Far East.

He obtained a B.Sc (Hons) in Electrical & Electronics Engineering from University of Ife in 1987.

MR. YOMI AWOBOKUN

CEO, Oando Marketing

Mr. Awobokun is the Chief Executive Officer, Oando Marketing, a role he assumed in 2012. Prior to this, he was the Chief Operating Officer of Oando Marketing, during which he successfully coordinated the restructuring of the Marketing business to a process driven one, with activities guided by the Groups control framework. He assumed this position in July, 2009. Abayomi began his career at the Lagos Business School where he worked between 2001 and 2004. He also worked as Area Manager, Halifax Bank of Scotland for about a year before his return to Nigeria.

Abayomi joined the Oando Marketing team in 2005 as Project Manager in the Strategy & Planning department where he developed and implemented the company's first Project Execution and Support System called the Oando Execution & Support System (OESS). In 2006, he was appointed Project Manager, charged with the implementation and integration of a US$12m Enterprise Resource Planning operating platforms which would improve efficiency and cut cost of all of Oando's processes across the Group.

In 2008, he became the Executive Assistant to the Group Chief Executive Officer and the Head Investor Relations at Oando PLC. He was also involved in coordinating the Group's efforts in assessing potential Upstream opportunities most recently the 30% farm-in interest in OML 090 "Akepo" in December 2008 by Oando PLC.

Abayomi has significant IT and project management experience with MCP, CCNA and PRINCE 2 certifications. He obtained a B.Sc in Pure & Applied Mathematics from University of Ibadan in 2001 and an M.Sc. in International Business Management from University of Surrey, Guildford, United Kingdom in 2005.

MS. AYOTOLA JAGUN

Company Secretary & Chief Compliance Officer

Ayotola Jagun is the Chief Compliance Officer and Company Secretary of Oando PLC. Prior to joining Oando, she worked as General Counsel and Corporate Secretary at Capital G Limited, a financial services Group based in Bermuda.

Ayotola is an experienced lawyer with over 18 years of experience, starting her career with Chief Rotimi Williams Chambers, working on corporate law, mergers and acquisitions, commercial law, civil litigation, and intellectual property. She has worked with other notable companies including Akzo Nobel Plc and PricewaterhouseCoopers in the United Kingdom.

She was formerly Senior Corporate, Risk & Control Manager at Citigroup in Bermuda from January 2007 to August 2008 and Legal Counsel & Assistant Company Secretary, Sara Lee UK Holdings Limited (formerly PLC) from 2002 to 2007, where she managed cross border corporate transactions, acquisitions and restructurings in different jurisdictions. Ayotola is a specialist in corporate transactions, Commercial Law, Funds law, Compliance and Corporate Governance and Risk Management. She has functioned creatively across multiple jurisdictions (Bermuda, Nigeria and United Kingdom) having garnered valuable experience working in these climes.

She obtained a Bachelor of Laws degree from the University of Central England in 1989 and obtained her LLM at Sidney Sussex College, University Of Cambridge in 1990. She was called to the Nigerian Bar in 1992 and in 2004, obtained an M.Sc. in Corporate Governance & Ethics from the Birkbeck College, University of London. Ayotola is a Barrister of the Supreme Court of Nigeria, a Solicitor of the Supreme Court of England and Wales and an Associate Member of the Institute of Chartered Secretaries and Administrators.

MRS. NGOZI OKONKWO

Chief Legal Officer, Oando PLC

Ngozi Okonkwo is the Chief Legal Officer of Oando PLC. Before assuming this role, she was Head, Legal Services of the company, responsible for legal supervisory oversight over the two upstream entities in Group, one downstream entity and all projects at the parent company level.

Prior to joining Oando, Ngozi worked with F.O Akinrele & Co. as Junior Counsel and KPMG Professional Services (previously known as Arthur Andersen) as Manager in the Tax, Regulatory and People Services unit and Head of Indirect Tax Services, providing advice and compliance services to oil & gas and independent power producing companies and provision of legal secretarial services to private oil service companies.

She obtained LLB (Hons) from The University of Nigeria, Enugu in 1997 and BL from The Nigerian Law School, Abuja in 1999. Ngozi is a member of the Nigerian Bar Association, honorary fellow of the Association of Fellows and

Legal scholars of the centre for International Legal Studies, Austria, Associate Member of the Chartered Institute of Arbitrators, United Kingdom and Associate Member of the Chartered Institute of Taxation, Nigeria.

MS. TOKUNBOH DUROSARO
Director, Oando Foundation

Ms. Tokunboh Durosaro is the Director of the Oando Foundation, a role she took up in 2011. Prior to working with the Foundation, she was the Chief Corporate Services Officer of Oando PLC between 2007 and 2010. As Chief Corporate Services Officer, she managed the performance and service delivery of the following departments: Corporate Communications, Corporate Social Responsibility, Procurement and Services Departments. She also developed and implemented the Group Shared Service Scheme.

She has over 15 years' experience in Public Relations, Advertising and Marketing in the Telecommunications, Information Technology and Oil Sector. Miss Durosaro began her career at Multichoice Nigeria Limited in 1994 where she rose to the position of Public Relations Manager. She also worked as a Sales and Marketing Executive at Dialog Corporation (UK), a provider of Internet-based information technology solutions. In 1998, she worked as an Account Manager in Nelson Bostock Communications, one of the leading technology and consumer Public Relations agencies in the UK, where she managed the business-to-business communication team for the following clients, NTL, KPNQ west, Primus Telecommunications and Bosch.

She obtained a B.Sc. in Economics from the University of Wisconsin, U.S.A in 1992.

DR. RAPHAEL AWOSEYIN
Chief Engineering & Technology Officer

He started his career in the downstream sector in 1977 with British Petroleum Nigeria Limited, the predecessor company of African Petroleum PLC. He later joined Acorn Petroleum Nigeria Limited as a Technical Manager. He left in 1984 to enter the private consultancy field and subsequently joined Shell Petroleum Development Company of Nigeria Limited ("SPDC") as an Oil and Gas Facilities Engineer. He was appointed as Head, Swamp Field Engineering in SPDC before being assigned to Petroleum Development, Oman (a company managed by SPDC), as Senior Project Engineer and subsequently Head of Interior Engineering.

He returned to SPDC in 1994 where he held various Engineering and Project positions. From 2000 to 2004, he led the SAP (ERP System) implementation for all the Shell Companies in Nigeria. He was later appointed General Manager, Gas Development in 2006, a position he held until May 2008.

Dr. Awoseyin obtained a Master's degree in Mechanical Engineering from Pacific Western University, USA, in 1993. He also obtained both a Bachelor's degree and a PhD in Mechanical Engineering from the University of Greenwich, UK, in 1977 and 1994 respectively.

THOMAS SULE
Chief Information Officer

Thomas Sule is the Chief Information Officer of Oando PLC. Prior to joining Oando in 2012, he was the Chief Operating Officer of Helios Towers Nigeria (HTN) between 2008 and 2012. He is a business executive with over seventeen years of experience in managing technology solutions development, Total Quality Management best practices and systems re-engineering from multiple industries that cuts across the Telecoms, Oil & Gas and Manufacturing. He has worked with many large technology organisations on co-development and consulting engagements.

He joined HTN from BP Energy, Canada where he served in various leadership roles; formulating strategies and governance around service delivery. Prior to BP Energy, he led the Technical Services division at Activplant Corporation, Canada between 2001 and 2005 where he served as a member of the senior leadership team implementing go-to-market strategies and developing professional services operations. Mr. Sule obtained a Masters degree in Electrical and Computer Engineering from University of Waterloo, Canada in 2001. He is a certified Project Management Professional (PMP) with a Professional Engineer designation (P.Eng) in Canada.

IMA OFULUE
Chief Human Resource Officer

Ima Ofulue is a senior Human Resources professional with over 12 years' experience working with several reputable companies. She is a seasoned practitioner with expertise across various industry segments in the United

States of America and other countries. Prior to joining the company, she worked for FMC Technologies, a leading Oil and Gas Service company with specialty in subsea technologies (between 2004 and 2010) where she managed the company's global mobility programme in addition to having direct responsibility for the delivery of domestic human resources function for the subsea division in Houston, Texas.

Ima started her career in the financial services industry in 2000, working for Northwestern Mutual Financial Network as a recruiter and ultimately transitioned into the oil and gas industry when she joined Halliburton/KBR in early 2002. While at Halliburton/KBR, Ima worked in the Middle East and Houston offices with responsibilities ranging from start-up operations, global staffing, employee relations and talent development projects before moving on to join FMC Technologies in a management role. Her training, experience, and certifications cover a broad spectrum of strategic human resources functions ranging from talent management & development, international human resources, recruitment, and compensation.

Ima is a Certified Professional in Human Resources (PHR). She obtained a Bachelor's degree in Political Science from Missouri State University in 1998 and a Master's in Business Administration (MBA) from Drake University in 2000. She is also has several compensation certifications including Certified Compensation Professional (CCP), Global Remuneration Professional (GRP) as well as extensive work experience and training within the Oil and Gas human resources space.

MR. CHIJOKE AKWUKWUMA

Chief Environment, Health, Safety, Security and Quality Officer

Mr. Chijoke Akwukwuma is the Chief Environment, Health, Safety, Security and Quality (EHSSQ) Officer of Oando PLC. He has over 15 years of diverse experience in engineering, projects, operations, quality, health, safety and environment (QHSE), strategic planning and business development in ten countries across Europe, Africa and Asia.

Prior to joining Oando, he was the Corporate Planning Manager at Transocean in Switzerland, where he was responsible for divesting non-core assets and assisted with developing the corporate strategy for the world's largest offshore driller.

He also had various line management and support responsibilities in Transocean, Seadrill and Schlumberger, including being the first Nigerian to manage a 5th generation ultra deepwater drillship, QHSE Manager of Transocean's Gulf of Guinea division, Commercial Manager for Seadrill responsible for Africa, and Project Manager responsible for the deepwater harsh environment upgrade of the Schlumberger owned Sovereign Explorer.

Chijioke is a certified Project Management Professional (PMP), member, Project Management Institute, The Institution of Engineering and Technology, and the Chartered Management Institute. He earned a Bachelor of Engineering degree (B.Eng) in Electrical and Electronics Engineering from the University of Benin in 1995 and a Master of Business Administration degree (MBA) in General Management from Heriot Watt University, United Kingdom, in 2005.

PURPOSE OF THE SPECIAL PLACING AND USE OF PROCEEDS

The Special Placing presents a critical step for Oando towards the execution of its strategic objectives through the acquisition of upstream and mid-stream assets.

The net Placement proceeds, estimated at ₦29,730,133,524.45, after deducting the total cost of the Placement, estimated at ₦970,461,335.55 (representing 3.16% of the Placement size), will be applied as follows:

UTILIZATION	DESCRIPTION	AMOUNT (₦'000)	%	PERIOD
Upstream Assets Acquisition Part-Financing	Oando, through its subsidiary, Oando Energy Resources (OER) has been selected as the preferred bidder to enter into exclusive negotiations on the sale and purchase agreement of Conoco Phillip's which comprises of: i. 20% stake in OMLs 60, 61, 62 and 63; ii. 17% stake in Brass LNG; iii. 95% stake in OML 131; and iv. 20% stake in OPL 214. Both OML 131 and OPL 214 are deep offshore assets, the remaining are part of COP's onshore portfolio.	29,730,133.52	100.00	Immediate
Total		**29,730,133.52**	**100.00**	

RISK AND MITIGATING FACTORS

Business/Company specific risks

These are risks that are unique to Oando which may hamper the Company's achievement of its business objectives. These risks include operational failure, accounting and internal control processes, lack of adequate supervision, poor management, inadequate human resources, inadequate cash flow, poor customer service etc.

- ***Mitigating Factors**: Oando periodically reviews its strategies, policies and procedures to determine their suitability for the operating environment. Changes are made if management deems it necessary. Furthermore, the Company's management and senior staff are trained professionals in relevant sectors with the necessary knowledge to implement best recommended practices.*

Industry/sector risks

The Nigerian energy industry is highly competitive. Energy solutions firms are diversifying into the provision of other energy services in order to diversify their income streams. There is a risk that the Company may not be able to compete effectively in the new operating terrain.

- ***Mitigating Factors:** Oando is a recognized brand within the industry. It has also drawn up plans towards preserving and increasing its market share. These strategies would ensure that the Company continues to remain relevant in the industry as well as to consolidate its position.*

Environmental risks

These are losses that arise due to natural occurrences in the environment. Such events include earthquakes, tsunamis, volcanic eruptions, floods and other natural hazards. Non-compliance with established environmental rules and regulations is also a threat to the Company.

- ***Mitigating Factors**: Oando has formulated disaster recovery and business continuity plans and continues to review these plans in order to address these risks and also policies to ensure compliance with all environmental rules and regulations.*

Financing risk

The banking sector has been hit by various reforms which has made banks more cautious, and has resulted in poor credit availability. The tightening stance of the Central Bank of Nigeria which has resulted in the prevailing high interest rate environment presents challenges for businesses seeking relatively short term funds. Further, the sustainability of the Sovereign Debt Note (a guarantee issued by the Federal Government of Nigeria for subsidy reimbursements), cannot be guaranteed; therefore, Oando could be faced with more stringent financing terms.

- ***Mitigating Factor:** Oando is reputed as one of the top and more credible operators in the downstream segment of the oil & gas industry, hence its ability to borrow at competitive rates.*

Government policy risk

The oil & gas Industry has been undergoing reform in recent years. Other reforms may be promulgated with unforeseen consequences. Changes in government policy or enactment of new legislations often affect businesses positively or negatively due to restrictions or new requirements.

- ***Mitigating Factor:** Oando is willing to comply with all relevant government regulations. The Company maintains a proactive stance regarding government regulations.*

Currency/exchange rate risks

By virtue of its business, Oando is exposed to currency risk which could lead to losses for the Company.

- ***Mitigating Factor:** As part of its business, Oando earns revenue in both local and foreign currency terms; thus, providing a hedge against adverse movement in currency.*

CORPORATE GOVERNANCE

Compliance with Code of Corporate Governance

Oando is dedicated to the protection and promotion of shareholders' interest, hence the Company updates and reviews its structures and processes regularly in order to implement the best business practice at all times and consequently ensure a value based performance.

The Company recognizes the importance of adopting best practice principles, its valuable contribution to long-term business prosperity and accountability to its shareholders. The Company is managed in a way that maximizes long-term shareholder value and takes into account the interests of all its stakeholders.

Oando believes that full disclosure and transparency in its business operations are in line with good corporate governance and best practice; and is implementing principles set out in the Code of Corporate Governance issued by the Securities & Exchange Commission, Nigeria; Code of Corporate Practice and Conduct contained in the 2002 King Report; and the Combined Code on Corporate Governance (2006) issued by the Financial Reporting Council, United Kingdom.

CONCLUSION

This Special Placing represents a giant stride by the Company towards growing its portfolio of Nigerian E&P assets, thereby increasing operating margin and efficiency positions for the business and ultimately improving the returns to shareholders. This will propel the Company into the top echelon of the Nigerian oil & gas industry and further consolidate its position as a leading indigenous integrated energy player. I encourage the potential strategic investor to invest in Oando, as it prepares to move into another chapter of its unprecedented evolution.

Yours faithfully,

HRM Oba Michael Adedotun Gbadebo, CFR
Chairman

pwc

4 July 2013

THE DIRECTORS
Vetiva Capital Management Limited
Plot 266B, Kofo Abayomi Street
Victoria Island
Lagos State

And

THE DIRECTORS
FBN Capital Limited
16, Keffi Street, Off Awolowo Road
South-West Ikoyi
Lagos State

And

THE DIRECTORS
FCMB Capital Markets Limited
6th Floor, First City Plaza
44, Marina
Lagos State

Dear Sirs,

CONFIRMATION OF GOING CONCERN STATUS OF OANDO PLC ("THE COMPANY")

Oando PLC is offering 2,046,706,324 ordinary shares of 50 kobo each at ₦15.00 per share via a Special Placing in order to undertake specific initiatives.

Based on our review of the results of the Company for the year ended 31 December 2012, in our role as Auditors to the Company, we confirm that nothing has come to our attention that causes us to believe that the Company will not continue as a going concern in the next 12 months from the reporting date.

Yours faithfully,

Pedro Omontuemhen
Partner

PricewaterhouseCoopers Chartered Accountants
252E Muri Okunola Street, Victoria Island, P.O. Box 2419, Lagos, Nigeria
T: +234 (1) 271 1700, F: +234 (1) 270 3108, www.pwc.com/ng

Partners: KW Aitken (British), UN Akpata, O Alakhume, D Asapokhai, C Azobu, I Ezeuko, KU Igbokwe, P Obianwa, T Ogundipe, P Omontuemhen, T Oputa, T Oyedele, AB Rahji, GI Ukpeh

STATEMENT OF FINANCIAL POSITION (IFRS)

The following is a summary of the Group's Statement of Financial Position as at December 31, 2011 and 2012.

Group Consolidated Statement of Financial Position
As of 31 December

Assets	Notes	Group 2012 N'000	Group 2011 Restated N'000
Non-current assets			
Property, plant and equipment	11	130,324,713	109,479,209
Intangible assets	12	138,853,809	119,333,366
Deferred income tax assets	13	13,424,518	9,908,773
Available-for-sale financial assets	20	1,000	1,000
Derivative financial assets	14	986,278	2,404,000
Finance lease receivables	15	3,206,008	3,663,544
Deposit for acquisition of a business	16	67,542,450	-
Non-current receivables and prepayments	17	10,618,594	1,474,428
Restricted cash	21	4,053,050	2,343,000
		369,010,420	248,607,320
Current assets			
Inventories	18	18,110,541	32,458,405
Finance lease receivables	15	450,377	498,930
Trade and other receivables	19	113,935,243	105,196,250
Available-for-sale financial assets	20	148,701	193,031
Cash and cash equivalents (excluding bank overdrafts)	21	13,408,506	18,690,529
		146,053,368	157,037,145
Total assets		**515,063,788**	**405,644,465**
Equity and Liabilities			
Equity attributable to owners of the parent			
Share capital	23	1,137,058	1,137,058
Share premium	23	49,521,186	49,521,186
Retained earnings		37,142,281	27,658,713
Other reserves	24	14,412,064	13,376,928
		102,212,589	91,693,885
Non controlling interest		3,141,939	1,071,101
Total Equity		105,354,528	92,764,986
Liabilities			
Non-current liabilities			
Borrowings	25	75,221,070	86,012,291
Deferred income tax liabilities	13	17,207,614	16,919,822
Provision for other liabilities & charges	26	3,562,670	1,486,648
Derivative financial liabilities	27	3,486,456	2,973,892
Retirement benefit obligation	28	2,802,983	2,728,970
Government Grant	29	293,941	-
		102,574,734	110,121,623
Current liabilities			
Trade and other payables	30	86,046,357	75,209,044
Current income tax liabilities	10	6,417,980	6,904,218
Dividend payable	31	651,058	651,358
Provision for other liabilities & charges	26	353,416	-
Borrowings	25	213,665,715	119,993,236
		307,134,526	202,757,856
Total liabilities		409,709,260	312,879,479
Total equity and liabilities		**515,063,788**	**405,644,465**

STATEMENT OF COMPREHENSIVE INCOME (IFRS)

The following is a summary of the Group's Statement of Comprehensive Income for the years ended, 31 December, 2011 and 2012.

Group Statement of Comprehensive Income
For the year ended 31 December

	Note	Group 2012 N'000	Group 2011 N'000 Restated
Revenue	5	673,181,997	571,305,637
Cost of sales		(591,560,191)	(505,479,079)
Gross profit		81,621,806	65,826,558
Other operating income	6	2,097,924	13,516,172
Selling and marketing costs		(7,555,800)	(7,892,079)
Administrative expenses		(42,038,153)	(52,115,328)
Operating profit	7	34,125,777	19,335,323
Finance costs	9	(20,093,243)	(12,767,211)
Finance income	9	3,521,533	7,316,985
Finance costs - net		(16,571,710)	(5,450,226)
Profit before income tax		17,554,067	13,885,097
Income tax expense	10	(6,767,750)	(11,252,759)
Profit for the year		10,786,317	2,632,338
Profit attributable to:			
Owners of the parent	22	10,424,491	2,852,634
Non-controlling interest		361,826	(220,296)
		10,786,317	2,632,338
Other comprehensive income:			
IFRIC 1 adjustment to revaluation reserve	24	(27,187)	(3,409)
Deferred tax on revaluation surplus	24	-	-
Actuarial (loss)/gains	28	(83,331)	126,040
Deferred tax on actuarial gains or losses	28	24,999	(37,812)
Fair value loss on available for sale investment	20	(45,166)	-
Deferred tax on fair value loss on available for sale investment	24	13,550	-
Currency translation differences	24	1,218,958	(773,242)
Restatements:		-	-
Translation differences on deferred taxes (net)		-	
Other comprehensive income for the year, net of taxes		1,101,823	(688,423)
Total comprehensive income for the year		11,888,140	1,943,915
Attributable to:			
- Owners of the parent		11,523,371	1,787,740
- Non-controlling interests		364,769	156,175
Total comprehensive income for the year		11,888,140	1,943,915

Earnings per share from continuing operations attributable to owners of the parent during the year:
(expressed in kobo per share)

Basic and diluted earnings per share	22	458.4	125.8

STATEMENT OF CASH FLOWS (IFRS)

Group Statement of Cash flows
For the period ended 31 December 2012

	Notes	Group 2012 N'000	Group 2011 N'000
Cash flows from operating activities			
Cash generated operations	32	52,709,406	11,037,018
Interest received	9	3,521,533	6,995,575
Interest paid	9	(16,530,258)	(26,740,081)
Income tax paid	10	(10,390,255)	(13,253,757)
Net cash from/(used in) operating activities		29,310,426	(21,961,245)
Cash flows from investing activities			
Purchases of property plant and equipment	11	(27,063,427)	(13,835,665)
Acquisition of subsidiary, net of cash acquired		790,209	-
Deposit for acquisition of a business		(67,542,450)	-
Available for sale investment		(836)	-
Acquisition of software		(782,514)	-
Purchase of intangible exploration assets		(6,170,373)	-
Payments relating to pipeline construction		(16,474,065)	(8,275,611)
Proceeds from sale of property plant and equipment		2,309,209	134,284
Cash (used in)/generated from investing activities		(114,934,247)	(21,976,992)
Cash flows from financing activities			
Proceeds from long term borrowings		18,903,590	110,980,194
Repayment of long term borrowings		(18,236,376)	(53,152,080)
Repayment of finance lease		-	(55,607)
Proceeds from issue of other term loans		-	-
Proceeds from other short term borrowings		362,923,573	-
Repayment of other short term borrowings		(304,737,782)	-
Dividend paid		-	(5,430,508)
Restricted cash		(1,710,050)	(2,343,000)
Net cash from/(used in) financing activities		57,142,955	49,998,999
Net change in cash and cash equivalents		(28,480,866)	6,060,762
Cash and cash equivalents and bank overdrafts at the beginning of the year		(6,657,138)	(12,011,680)
Exchange gains/(losses) on cash and cash equivalents		8,527	(706,220)
Cash and cash equivalents at end of the year		(35,129,477)	(6,657,138)
Cash at year end is analysed as follows:			
Cash and bank balance as above		13,408,507	18,690,529
Bank overdrafts (Note 25)		(48,537,984)	(25,347,667)
		(35,129,477)	(6,657,138)

NOTES TO THE FINANCIAL STATEMENTS (2011 - 2012)

1 General Information

Oando PLC (formerly Unipetrol Nigeria Plc) was registered by a special resolution as a result of the acquisition of the shareholding of Esso Africa Incorporated (principal shareholder of Esso Standard Nigeria Limited) by the Federal Government of Nigeria. It was partially privatised in 1991 and fully privatised in the year 2000 following the disposal of the 40% shareholding of Federal Government of Nigeria to Ocean and Oil Investments Limited and the Nigerian public. In December 2002, the Company merged with Agip Nigeria Plc following its acquisition of 60% of Agip Petrol's stake in Agip Nigeria Plc. The Company formally changed its name from Unipetrol Nigeria Plc to Oando Plc in December 2003.

Oando is listed on the Nigerian Stock Exchange. The Company has a subsidiary called Oando Marketing Limited with retail and distribution outlets in Nigeria, Ghana and Togo and other smaller markets along the West African coast. In 2010, Oando Marketing Limited, a subsidiary of Oando Plc, changed its name to Oando Marketing Plc in preparation for a divestment. As of 31 December 2012, Oando Plc retained 100% interest in Oando Marketing Plc, Oando Trading (Bermuda) and Oando Supply and Trading (Nigeria). These entities mainly supply petroleum products to marketing companies and large industrial customers.

The Group provides energy services to Exploration and Production (E&P) companies through its fully owned subsidiary, Oando Energy Services.

On October 13, 2011, Exile Resources Inc. ("Exile") and the Upstream Exploration and Production Division ("OEPD") of Oando PLC ("Oando") announced that they had entered into a definitive master agreement dated September 27, 2011 providing for the previously announced proposed acquisition by Exile of certain shareholding interests in Oando subsidiaries via a Reverse Take Over ("RTO") in respect of Oil Mining Leases ("OMLs") and Oil Prospecting Licenses ("OPLs") (the "Upstream Assets") of Oando (the "Acquisition") first announced on August 2, 2011. The Acquisition was completed on July 24, 2012, giving birth to Oando Energy Resources Inc. ("OER"); a company listed on the Toronto Stock Exchange. Immediately prior to completion of the Acquisition, Oando PLC and the Oando Exploration and Production Division first entered into a reorganization transaction (the "Oando Reorganization") with the purpose of facilitating the transfer of the OEPD interests To OER (formerly Exile).

OER effectively became the Group's main vehicle for all oil exploration and production activities. Other subsidiaries within the Group and their respective lines of business including Gas and Power, are shown in note 37.

2 Statement of Significant Accounting Policy

The principal accounting policies adopted in the preparation of these consolidated annual financial statements are set out below. These policies have been consistently applied to all the years presented.

a. **Basis of preparation**

The consolidated financial statements of Oando Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and IFRIC interpretations. These annual consolidated financial statements are presented in Naira, rounded to the nearest thousand, and prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Changes in accounting policies and disclosures

i. *New and amended standards adopted by the Group*

   There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the group.

ii. *New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2012 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)*

   The following new standards, amendments or interpretation did not have a material impact on the Group:

   - IFRS 7 (amendment) 'Financial instruments: Disclosures', on transfer of financial assets (effective 1 July 2011)
   - IFRS 1 (amendment) 'First time adoption', on hyperinflation and fixed dates (effective 1 July 2011)
   - IAS 12 (amendment) 'Income taxes', on deferred tax on investment property (effective 1 January 2012)

iii. *New standards, amendments and interpretations issued and not effective for the financial year beginning 1 January 2012 but early adopted by the Group*

There are no IFRSs or IFRIC interpretations that have been early adopted by the Group.

iv. *New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- *IAS 1, 'Presentation of Financial statements ' issued in June 2011 (effective 1 July 2012)*
  The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially classifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- *IAS 19, 'Employee benefits' was amended in June 2011 (effective 1 January 2013)*
  The impact on the Group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The amendment also requires all actuarial gains and losses to be recognised immediately in OCI. This will have a limited impact on the Group as actuarial losses/ gains are currently recognised in OCI and the Group does not have plan assets.

- *IFRS 9, 'Financial instruments', issued in November 2009 (effective 1 January 2015)*
  IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

- *IFRS 10 'Consolidated Financial Statements', issued in May 2011 (effective 1 January 2013)*
  The standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. The IFRS also sets out the accounting requirements for the preparation of consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group will apply IFRS 10 for the financial reporting period commencing on 1 January 2013.

- *IFRS 11 'Joint Arrangements', issued in May 2011 (effective 1 January 2013)*
  The standard focuses on the rights and obligations of the parties to the joint arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venturer has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group will apply IFRS 11 for the financial reporting period commencing on 1 January 2013.

- *IFRS 12, 'Disclosure of Interests in Other Entities', issued in May 2011 (effective I January 2013)*
  The standard requires an entity to disclose all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other balance sheet vehicles. The information should enable users of financial statements to evaluate:
    - the nature of, and risks associated with, its interests in other entities; and
    - the effects of those interests on its financial position, financial performance and cash flows.

  The Group will apply IFRS 12 for the financial reporting period commencing on 1 January 2013.

- *IFRS 13, 'Fair value measurement ' issued in May 2011 (effective 1 January 2013)*
  The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

- *IAS 27 (revised 2011), 'Separate financial statements' (effective 1 January 2013)*

This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

– *IAS 28 (revised 2011) 'Associates and joint ventures' (effective 1 January 2013)*
This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

There are no other IFRSs or IFRICs, including the annual improvements project of May 2012 that are not yet effective that would be expected to have a material impact on the Group.

b. **Consolidation**

i. *Subsidiaries*
Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

If the business consideration is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gain or loss arising from such re-measurement are recognised in profit or loss. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity instruments issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the fair value of any non-controlling interest over the net identifiable net assets acquired and the acquisition – date fair value of any previously held equity interest in the acquiree is recorded as goodwill. Where the difference between the consideration and fair value of any consideration is less than the fair value of the net identifiable assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly as a profit or loss.

Inter-company transactions, balances and income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii. *Changes in ownership interests in subsidiaries without change of control*
The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

iii. *Disposal of subsidiaries*
When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

iv. *Investment in subsidiaries*
In the separate financial statements Oando Plc, investments in subsidiaries is accounted for at cost.

c. **Functional currency and translation of foreign currencies**

i. *Functional and presentation currency*
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These consolidated financial statements are presented in Naira, which is the Group's functional and presentation currency.

ii. *Transactions and balances in Group entities*
Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing on the dates of the transactions or the date of valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. except when deferred in other comprehensive income as qualifying cashflow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'. Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

iii. *Consolidation of Group entities*
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position items presented, are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at a rate on the dates of the transactions) ; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

d. **Segment Reporting**

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Leadership Council (GLC).

e. **Revenue Recognition**

Revenue represents the fair value of the consideration received or receivable for sales of goods and services, in the ordinary course of the Group's activities and is stated net of value-added tax (VAT), rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below:

Sale of goods
Revenue from sales of oil, natural gas, chemicals and all other products is recognized at the fair value of consideration received or receivable, after deducting sales taxes, excise duties and similar levies, when the significant risks and rewards of ownership have been transferred.

In Exploration & Production and Gas & Power, transfer of risks and rewards generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism. For sales to refining companies, it is either when the product is placed on-board a vessel or delivered to the counterparty, depending on the contractually agreed terms. For wholesale sales of oil products and chemicals it is either at the point of delivery or the point of receipt, depending on contractual terms.

Revenue resulting from the production of oil and natural gas properties in which Oando has an interest with other producers is recognised on the basis of Oando's working interest (entitlement method). Sales between subsidiaries, is disclosed in the segment information.

Sale of services
Sales of services are recognised in the period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

i. the amount of revenue can be measured reliably;
ii. it is probable that the economic benefits associated with the transaction will flow to the entity;
iii. the stage of completion of the transaction at the reporting date can be measured reliably; and
iv. the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

In Energy Services, revenue on rig and drilling services rendered to customers is recognised in the accounting period in which the services are rendered based on the number of hours worked at agreed contractual day rates. The recognition of revenue on this basis provides useful information on the extent of service activity and performance during a period.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service concession arrangements
In Gas & Power, revenue from construction projects is recognized in accordance with IAS 11 Construction Contracts with the use of the percentage-of-completion method provided that the conditions for application are fulfilled. The percentage of completion is mainly calculated on the basis of the ratio on the balance sheet date of the output volume already delivered to the total output volume to be delivered. The percentage of completion is also calculated from the ratio of the actual costs already incurred on the balance sheet date to the planned total costs (cost-to-cost method). If the results of construction contracts cannot be reliably estimated, revenue is calculated using the zero profit method in the amount of the costs incurred and probably recoverable.

Revenue from the provision of services is recognized in accordance with the percentage of completion method – provided that the conditions for application are fulfilled. In the area of services, percentage of completion is mainly calculated using the cost-to-cost method.

In the context of concession projects, construction services provided are recognized as revenue in accordance with the percentage of completion method. In the operating phase of concession projects, the recognition of revenue from operator services depends upon whether a financial or an intangible asset is to be received as consideration for the construction services provided. If a financial asset is to be received, i.e. the operator receives a fixed payment from the client irrespective of the extent of use, revenue from the provision of operator services is recognized according to the percentage of completion method.

If an intangible asset is to be received, i.e. the operator receives payments from the users or from the client depending on use, the payments for use are recognized as revenue according to IAS 18 generally in line with the extent of use of the infrastructure by the users. If the operator receives both use-dependent and use-independent payments, revenue recognition is split in accordance with the ratio of the two types of payment.

Interest income is recognized using the effective interest method. When a loan or receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

Dividends are recognised as income in the period in which the right to receive payment is established.

f. **Property, plant and equipment**

All categories of property, plant and equipment are initially recorded at cost. Buildings, freehold land and plant & machinery are subsequently shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings and plant & machinery. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Increases in the carrying amount arising on revaluation are credited to other comprehensive income and shown as a component of other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the income statement. Revaluation surplus is recovered through disposal or use of property plant and equipment. In the event of a disposal, the whole of the revaluation surplus is transferred to retained earnings from other reserves. Otherwise, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the assets original cost is transferred from other reserves to retained earnings.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to write down their cost or revalued amounts to their residual values over their estimated useful lives as follows:

Buildings	20 – 25 years	(2 – 5%)
Plant and machinery	8 – 20 years	(5 – $12^{1/2}$%)
Equipment and motor vehicles	3 – 5 years	(20 – $33^{1/3}$%)

Where the cost of a part of an item of property, plant and equipment is significant when compared to the total cost, that part is depreciated separately based on the pattern which reflects the how economic benefits are consumed. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised within "other (losses)/gains - net" in the income statement.

Property, plant and equipment under construction is not depreciated until they are put to use.

g. **Intangible assets**

i. *Goodwill*

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the Group's interest in the fair value of the net identifiable assets acquired, liabilities and contingent liabilities assumed. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is allocated to cash-generating units (CGU's) for the purpose of impairment testing. The allocation is made to those CGU's expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Impairment losses in goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

ii. *Computer software*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives (three to five years). The amortisation period is reviewed at each balance sheet date. Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

iii. *Concession contracts*

The Group through its subsidiaries (Gaslink and East Horizon Gas Company) have concession arrangements to fund, design and construct gas pipelines on behalf of the Nigerian Gas Company (NGC). The arrangement requires the Group as the operator to construct gas pipelines on behalf of NGC (the grantor) and recover the cost incurred from a proportion of the sale of gas to customers. The arrangement is within the scope of IFRIC 12.

Under the terms of IFRIC 12, a concession operator has a twofold activity:

- a construction activity in respect of its obligations to design, build and finance a new asset that it makes available to the grantor: revenue is recognised on a stage of completion basis in accordance with IAS 11;
- an operating and maintenance activity in respect of concession assets: revenue is recognised in accordance with IAS 18.

The intangible asset model: The operator has a right to receive payments from users in consideration for the financing and construction of the infrastructure. The intangible asset model also applies whenever the concession grantor remunerates the concession operator to the extent of use of the infrastructure by users, but with no guarantees as to the amounts that will be paid to the operator.

Under this model, the right to receive payments (or other remuneration) is recognised in the concession operator's balance sheet under "Concession intangible assets". This right corresponds to the fair value of the asset under concession plus the borrowing costs capitalised during the construction phase. It is amortised over the term of the arrangement in a manner that reflects the pattern in which the asset's economic benefits are consumed by the entity, starting from the entry into service of the asset.

Refer to Note 2v for the policy on Intangible exploration assets.

h. **Impairment of non-financial assets**

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

i. **Financial instruments**

Financial Assets
The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition.

- *Financial assets at fair value through profit or loss*
  This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by directors. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the reporting date. Otherwise, they are classified as non-current. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Group does not apply hedge accounting.

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

- *Available-for-sale financial assets*
  Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless directors intend to dispose of the investment within twelve months of the reporting date.

Recognition and measurement
Purchases and sales of investments are recognised on the trade date, which is the date at which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial asset are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of equity instruments classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

Impairment of Financial assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. The Group assesses the significance of a decline in the fair value below cost relative to the specific security's volatility, and regards a decline below cost of longer than twelve months to be prolonged. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Derivative financial instruments
A derivative is a financial instrument or contract whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying'); requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and is settled at a future date.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gains or losses are recognised as finance income or expense in the profit or loss.

Embedded derivatives
Certain contracts contain both a derivative and non-derivative host component. In such cases the derivative component is termed an embedded derivative. An embedded derivative is only separated and reported at fair value with gains and losses being recognised in the profit or loss component of the statement of comprehensive income when the following requirements are met:

- where the economic characteristics and risks of the embedded derivative are not clearly and closely related to those of the host contract;
- the terms of the embedded derivative are the same as those of a stand-alone derivative; and
- the combined contract is not held for trading or designated at fair value through profit or loss.

Deferred premium
Deferred premium represents premium payable on commodity derivatives. The settlement for the obligation is distinct from the underlying derivative. Deferred premiums are recognised at amortised cost using the effective interest method. The increase during the period arising from the unwinding of discount is included in finance costs.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

j. **Accounting for leases**

The Group as lessee:
Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised at the commencement of the lease at the lower of their fair value and the estimated present value of the underlying lease payments. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine. If not, the lessee's incremental borrowing rate is used. Any initial direct cost of the lessee is added to the amount recognised as asset by the lessee.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. The interest element of the finance charge is charged to the profit or loss over the lease period so as to produce a constant rate over the lease term. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

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

The Group as lessor:
In instances where the significant portion of the risk and rewards of ownership transfers to the lessess, the group accounts for these leases as finance leases from the perspective of the lessor. When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

The method for allocating gross earnings to accounting periods is referred to a as the 'actuarial method'. The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

k. **Inventories**

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

l. **Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that debtor will enter bankruptcy and default or delinquency in payment (more than 90 days overdue), are the indicators that a trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss within administrative costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative costs in the profit or loss.

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

If collection is expected within the normal operating cycle of the Group they are classified as current, if not they are presented as Non-current assets.

m. **Payables**

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Payables are classified as current if they are due within one year or less. If not, they are presented as non-current liabilities.

n. **Share capital**

Ordinary shares are classified as equity. Share issue costs net of tax are charged to the share premium account.

o. **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, restricted cash and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

p. **Employee benefits**

i. Retirement benefit obligations

Defined contribution scheme

The Group operates a defined contribution retirement benefit schemes for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's contributions to the defined contribution plan are charged to the profit or loss in the year to which they relate.

The assets of the scheme are held in separate trustee administered funds, which are funded by contributions from both the Group and employees.

Defined benefit scheme

The Group operates a defined benefit gratuity scheme in Nigeria, where members of staff (management and senior) who have spent 3 years or more in employment are entitled to benefit payments upon retirement. The benefit payments are based on final emolument of staff and length of service. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of gratuity benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the market rates on government bonds that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Current service and interest cost are included as part of employee benefit expense in the income statement.

Past-service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period. Gains or losses on curtailment or settlement are recognised in profit or loss when the curtailment or settlement occurs.

ii. Employee share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options/ awards) of the Group. The fair value of the employee services received in exchange for the grant of the option/awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each reporting date, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to share-based payment reserve in equity.

When the options are exercised the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Share-based compensation are settled in Oando Plc's shares, in the separate or individual financial statements of the subsidiary receiving the employee services, the sharebased payments are treated as capital contribution as the subsidiary entity has no obligation to settle the share-based payment transaction.

The entity subsequently re-measures such an equity-settled share-based payment transaction only for changes in non-market vesting conditions. In the separate financial statements of Oando Plc, the transaction is recognised as an equity-settled share-based payment transaction and additional investments in the subsidiary.

iii. Other share based payment transactions

Where the Group obtains goods or services in compensation for its shares or the terms of the arrangement provide either the entity or the supplier of those goods or services with a choice of whether the Group settles the transaction in cash (or other assets) or by issuing equity instruments, such transactions are accounted as share-based payments in the Group's financial statements.

q. **Provisions**

Provisions for environmental restoration and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value is a pre-tax rate which reflects current market assessments of the time value of money and the specific risk. The increase in the provision due to the passage of time is recognised as interest expense.

Decommissioning liabilities

A provision is recognised for the decommissioning liabilities for underground tanks described in Note 4. Based on management estimation of the future cash flows required for the decommissioning of those assets, a provision is recognised and the corresponding amount added to the cost of the asset under property plant and equipment for assets measured using the cost model. For assets measured using the revaluation model, subsequent changes in the liability are recognised in revaluation reserves through OCI to the extent of any credit balances existing in the revaluation surplus reserve in respect of that asset. The present values are determined using a pre-tax rate which reflects current market assessments of the time value of money and the risks specific to the obligation. Subsequent depreciation charges of the asset are accounted for in accordance with the Company’s depreciation policy and the accretion of discount (i.e. the increase during the period in the discounted amount of provision arising from the passage of time) included in finance costs.

Estimated site restoration and abandonment costs are based on current requirements, technology and price levels and are stated at fair value, and the associated asset retirement costs are capitalized as part of the carrying amount of the related tangible fixed assets. The obligation is reflected under provisions in the statement of financial position.

r. **Current and deferred income tax**

Income tax expense is the aggregate of the charge to profit or loss in respect of current and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. Education tax is provided at 2% of assessable profits of companies operating within Nigeria. Tax is recognised in the income statement except to the extent that it relates to items recognised in OCI or equity respectively.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss, it is not accounted for. Current and deferred income tax is determined using tax rates and laws enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

s. **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. The Group has designated certain borrowings at fair value with changes in fair value recognised through P&L.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except when they are directly attributable to the acquisition, construction or production of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale. These are added to the cost of the assets, until such a time as the assets are substantially ready for their intended use or sale.

Convertible debts

On issue, the debt and equity components of convertible bonds are separated and recorded at fair value net of issue costs. The fair value of the debt component is estimated using the prevailing market interest rate for similar non-convertible debt. This amount is classified as a liability and measured on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and is recognised in equity, net of income tax effects. The carrying amount of the equity component is not re-measured in subsequent years.

On early repurchase of the convertible bond, the consideration paid is allocated to the liability and equity components at the date of transaction. The liability component at the date of transaction is determined using the prevailing market interest rate for similar non-convertible debt at the date of the transaction, with the equity component as the residual of the consideration paid and the liability component at the date of transaction. The difference between the consideration paid for the repurchase allocated to the liability component and the carrying amount of the liability at that date is recognised in profit or loss. The amount of consideration paid for the repurchase and transaction costs relating to the equity component is recognised in equity.

t. **Exceptional items**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to significance of their nature and amount.

u. **Dividend**

Dividend payable to the Company’s shareholders is recognised as a liability in the consolidated financial statements period in which they are declared (i.e. approved by the shareholders).

v. **Upstream activities**

Exploratory drilling costs are included in Intangible assets, pending determination of proved reserves. Exploration & Evaluation (E&E) costs related to each license/prospect are initially capitalized and classified as tangible or intangible based on their nature. Such exploration and evaluation costs may include costs of license acquisition, geological and geophysical surveys, seismic acquisition, exploration drilling and testing, directly attributable overheads and administrative expenses, but do not include general prospecting or evaluation costs incurred prior to having obtained the legal rights to explore an area, which are expensed directly to the income statements as they are incurred.

Exploration and evaluation assets capitalised are not depleted and are carried forward until technical feasibility and commercial viability of extracting oil is considered to be determined. This is when proven and /or probable reserves are determined to exist. Upon determination of proven and / or probable reserves, E&E assets attributable to those reserves are tested for impairment and then transferred to production oil and gas assets and are then amortised against the results of successful finds on a 'unit of production' basis. Capitalised costs are written off when it is determined that the well is dry.

Costs incurred in the production of crude oil from the Company's properties are charged to the profit or loss of the period in which they are incurred.

Tangible fixed assets related to oil and gas producing activities are depleted on a unit of production basis over the proved developed reserves of the field concerned except in the case of assets whose useful lives are shorter than the lifetime of the field, in which case the straight-line method is applied. Producible wells are not depleted until they form part of a producing field. Unit of production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods.

Rights and concessions are depleted on the unit-of-production basis over the total proved reserves of the relevant area.

Refer to note 2q for information on the provision for estimated site restoration, abandonment costs and decommissioning costs.

w. **Impairment**

All assets are reviewed whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs to sell and value in use, the latter being determined as the amount of estimated risk-adjusted discounted future cash flows. For this purpose, assets are grouped into cash-generating units based on separately identifiable and largely independent cash inflows.

Estimates of future cash flows used in the evaluation for impairment of assets related to hydrocarbon production are made using risk assessments on field and reservoir performance and include expectations about proved reserves and unproved volumes, which are then risk-weighted utilising the results from projections of geological, production, recovery and economic factors.

Exploration and evaluation assets are tested for impairment by reference to group of cash-generating units (CGU). Such CGU groupings are not larger than an operating segment. A CGU comprises of a concession with the wells within the field and its related assets as this is the lowest level at which outputs are generated for which independent cash flows can be segregated. Management makes investment decisions/allocates resources and monitors performance on a field/concession basis. Impairment testing for E&E assets is carried out on a field by field basis, which is consistent with Oando's operating segments as defined by IFRS 8.

Impairments, except those related to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed. Impairment charges and reversals are reported within depreciation, depletion and amortisation. As of the reporting date no impairment charges or reversals were recognized.

x. **Government grant**

The Group, through its subsidiary Akute Power Ltd., benefits from the Bank of Industry (BOI) Scheme where the government, through the BOI, provides finance to companies in certain industries at subsidised interest rates. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

y. **Prior year restatements**

In preparing the accounts for 2012 and as a result of a more comprehensive consideration of the Group's arrangements and policies, the directors have reconsidered and adjusted the accounting for certain matters in the prior period.

Reconciliation of IFRS previously reported at 1 January 2011 and 31 Dec 2011

Reconciliation of Comprehensive Income at 31 Dec 2011

	Restatements to previously published IFRS accounts			
	Reference to IFRS Adjustments	**IFRS previously reported N'000**	**Restatements N'000**	**IFRS restated N'000**
Continuing operations				
Turnover	b, d	572,510,374	(1,204,737)	571,305,637
Cost of sales	d	(504,735,071)	(744,008)	(505,479,079)
Gross profit		67,775,303	(1,948,745)	65,826,558
Selling and distribution costs		(7,892,079)	-	(7,892,079)
Other income	b	12,278,916	1,237,256	13,516,172
Administration expenses	b, c, d	(51,733,984)	(381,344)	(52,115,328)
Operating profit		20,428,156	(1,092,833)	19,335,323
Finance income	b, d	6,798,945	518,040	7,316,985
Finance cost	d, h	(13,543,540)	776,329	(12,767,211)
Profit before taxation		13,683,561	201,536	13,885,097
Taxation	f	(11,312,163)	59,404	(11,252,759)
Profit for the year		**2,371,398**	**260,940**	**2,632,338**
Attributable to:				
Equity holders of the parent		2,591,694	260,940	2,852,634
Non controlling interest	j	(220,296)	-	(220,296)
Other comprehensive income for the year, net of tax	j	(685,014)	(3,409)	(688,423)
Total comprehensive income for the year		1,686,384	257,531	1,943,915
Attributable to:				
Equity holders of the parent		1,530,209	257,531	1,787,740
Non controlling interest		156,175	-	156,175

	Reference to FS Notes		31 December 2010 Restatements to previously published IFRS accounts previously reported N'000	Restatements N'000	IFRS restated N'000
Non Current assets					
Property, plant and equipment	11	a - c	158,247,737	(60,355,513)	97,892,224
Intangible assets	12	a, d	24,415,078	80,445,261	104,860,339
Deferred income tax assets			6,486,391	-	6,486,391
Available-for-sale financial assets			1,000	-	1,000
Derivative financial assets	14	b,h	-	1,293,615	1,293,615
Finance lease receivables	15	b	-	4,169,287	4,169,287
Non-current receivables and prepayments	17	d	23,852,325	(22,927,217)	925,108
			213,002,531	2,625,433	215,627,964
Current assets					
Inventories			22,386,418	-	22,386,418
Finance lease receivables	15	b	-	476,314	476,314
Trade and other receivables	19	h	78,369,732	(446,142)	77,923,590
Cash and cash equivalents			12,187,072	-	12,187,072
			112,943,222	30,172	112,973,394
Total assets			325,945,753	2,655,605	328,601,358
Equity and Liabilities					
Equity attributable to owners of the parent					
Share capital		j	905,084	-	905,084
Share premium		j	49,042,111	-	49,042,111
Revaluation reserve	24	j	17,321,174	(1,612,620)	15,708,554
Foreign currency translation reserve	24	c, j	(1,140,692)	-	(1,140,692)
Retained earnings		g	25,076,820	3,076,032	28,152,852
			91,204,497	1,463,412	92,667,909
Non controlling interest			1,011,935	-	1,011,935
Total equity			92,216,432	1,463,412	93,679,844
Liabilities					
Non-current liabilities					
Borrowings			74,800,422	-	74,800,422
Deferred taxation liabilities		f	15,544,117	1,192,193	16,736,310
Provisions for other liabilities and charges			1,841,827	-	1,841,827
Derivative financial instruments	27	h	-	1,449,529	1,449,529
Retirement benefit obligations			1,407,698	-	1,407,698
			93,594,064	2,641,722	96,235,786
Current liabilities					
Trade and other payables	30	e	62,941,522	(1,449,529)	61,491,993
Current income tax liabilities			5,521,737	-	5,521,737
Dividends payable			651,358	-	651,358
Borrowings			71,020,640	-	71,020,640
			140,135,257	(1,449,529)	138,685,728
Total liabilities			233,729,321	1,192,193	234,921,514
Total equity and liabilities			325,945,753	2,655,605	328,601,358

Reconciliation of shareholders' equity as at 31 December 2011

			31 December 2011		
	Reclassifications/ Restatements to previously published IFRS accounts				
	Reference to FS Notes		**IFRS previously reported**	**Restatements**	**IFRS restated**
				N'000	**N'000**
Non Current assets					
Property, plant and equipment	11	a - c	177,982,319	(68,503,110)	109,479,209
Intangible assets	12	a, d	24,307,008	95,026,358	119,333,366
Deferred income tax assets			9,908,773	-	9,908,773
Available-for-sale financial assets			1,000	-	1,000
Derivative financial assets	14	b, h	-	2,404,000	2,404,000
Finance lease receivables	15	b	-	3,663,544	3,663,544
Non-current receivables and prepayments	17	d	32,445,200	(30,970,772)	1,474,428
Restricted cash		i	-	2,343,000	2,343,000
			244,644,300	3,963,020	248,607,320
Current assets					
Inventories			32,458,405	-	32,458,405
Finance lease receivables	15	b	-	498,930	498,930
Trade and other receivables	19	h	105,515,521	(319,271)	105,196,250
Available-for-sale financial assets			193,031	-	193,031
Cash and cash equivalents (excluding bank overdrafts)			21,033,529	(2,343,000)	18,690,529
			159,200,486	(2,163,341)	157,037,145
Total assets			403,844,786	1,799,679	405,644,465
Equity and Liabilities					
Equity attributable to owners of the parent					
Share capital		j	1,137,058	-	1,137,058
Share premium		j	49,521,186	-	49,521,186
Revaluation reserve	24	c, j	17,295,296	(1,616,029)	15,679,267
Foreign currency translation reserve	24	j	(2,302,339)	-	(2,302,339)
Other reserve	24	e	526,070	(526,070)	-
Retained earnings		g	24,321,741	3,336,972	27,658,713
			90,499,012	1,194,873	91,693,885
Non controlling interest			1,071,101	-	1,071,101
Total equity			91,570,113	1,194,873	92,764,986
Liabilities					
Non-current liabilities					
Borrowings		e	86,037,092	(24,801)	86,012,291
Deferred income tax liabilities		f	16,290,215	629,607	16,919,822
Provision for other liabilities & charges			1,486,648	-	1,486,648
Derivative financial instruments	27	h	-	2,973,892	2,973,892
Retirement benefit obligation			2,728,970	-	2,728,970
			106,542,925	3,578,698	110,121,623
Current liabilities					
Trade and other payables	30	h	78,182,936	(2,973,892)	75,209,044
Current income tax liabilities			6,904,218	-	6,904,218
Dividends payable			651,358	-	651,358
Borrowings			119,993,236	-	119,993,236
			205,731,748	(2,973,892)	202,757,856
Total liabilities			312,274,673	604,806	312,879,479
Total equity and liabilities			403,844,786	1,799,679	405,644,465

Notes to the Reconciliation
Restatements to previously published IFRS accounts

a) In the previous IFRS accounts, the Group classified both tangible and intangible exploration and evaluation assets as property, plant and equipment. The Group has changed its accounting policies and has reclassified intangible exploration and evaluation assets separately from tangible exploration and evaluation assets by reclassifying from Property, Plant and Equipment to Intangible assets on the financial statements. The effect of this adjustment is a reduction in property, plant and equipment of ₦55,183 million at 1 January 2011 (₦63,384 million at 31 December 2011) and an increase in intangible assets by the same amount.

b) The Group accounted for a gas electric fire plant constructed by Akute Power Limited (APL) , under a Build-Operate-Transfer (BOT) arrangement with the Lagos State Water Corporation (LSWC) as property, plant and equipment. However, the substance of the transaction is that the arrangement conveys a right to use a specific asset over a significant portion of the assets economic useful life. The requirements of IFRIC 4 have been applied in accounting for this asset. Consequently, this asset has been appropriately recognised as a finance lease at the present value of the minimum lease payments in accordance with the substance of the contract. At 1 January 2011, the effect of this adjustment is a reduction in property, plant and equipment of ₦3,650 million (₦3,321 million at 31 December 2011) and recognition of finance lease receivables of ₦4,646 million (₦4,162 million at 31 December 2011); with net impact of ₦996 million recognised in retained earnings. At 31 December 2011, revenue associated with the sale of electricity of ₦1.204 million was derecognised and finance income of ₦753 million was recognised in respect of the finance lease receivables. The net impact on depreciation charge for the year was a reduction of ₦298 million.

The contract includes a provision for APL to bill LSWC in addition to the power supply, differences in exchange rate fluctuations between the Naira and USD where the exchange rate exceeds the ruling rate at the contract inception date. This is an embedded derivative in line with IAS 39, this has been stripped out of the host contract and separately valued. The embedded derivative has been recognised at fair value at each reporting period. This resulted in an increase in derivative asset of ₦847 million as at 1 January 2011 (₦2,084 million at 31 December 2011). ₦1,237 million was recognised as fair value gains in other income in the income statement for 31 December 2011.

c) The Group accounted for an increase in the decommissioning obligation as a corresponding increase in the value of the decommissioning asset under property, plant and equipment. IFRIC 1 requires that any increase in the decommissioning costs for assets measured under the revaluation model be recognised as a decrease in the revaluation surplus account. As at 1 January 2011, The effect of this is a reduction in property, plant and equipment of ₦188.6 million, a reduction in the revaluation reserve account of ₦405 million and an increase of ₦216.5 million has been recorded in retained earnings.

As at 31 December 2011, the impact was a reduction in property, plant and equipment of ₦143.7million and a reduction in the revaluation reserve of ₦409million. The effect was a reduction in depreciation and as a result an increase in the income statement by N48 million and retained earnings by ₦216.5 million. In 2012, Oando Marketing PLC, a company within the Oando group carried out a 'clean up' of its asset register with a view to allocating the revaluation surplus to each asset and consequently discovered the following errors. Properties under operating lease which did not belong to the company were revalued, certain properties to which the company applied the revaluation model were not revalued and the total costs of some revalued assets were not considered to determine the revaluation surplus.

The effect of these restatements resulted in a reduction in revaluation surplus of ₦1,207 million at 1 January 2011 (₦1,207 million at 31 December 2011),and reduction in fixed assets of ₦1,334 million at 1 January 2011 (₦1,376 million in at 31 December 2011), deferred tax ₦126 million at 1 January 2011(₦126 million at 31 December 2011) and depreciation expense of ₦42 million in 31 December 2011.

d) Gaslink Nigeria Ltd. and East Horizon Gas Company Ltd (EHGC) have enteredt into arrangements with the Nigeria Gas Company (NGC) to fund, design and construct gas supply and distribution facilities to deliver gas to end users. Expenditure incurred would be recovered from the sale of gas to the customers. This was accounted for in the past as a receivable. However, the arrangement does not give Oando an unconditional right to receive cash.

The Group has applied the requirements of IFRIC 12 - Service Concession Arrangements in accounting for the service concession arrangement with Nigeria Gas Company (NGC) as an intangible asset. This led to the recognition of intangible assets representing the right to recover the cost of construction of the concession asset - gas pipeline through the sale of gas. Consequently, at 1 January 2011, the effect of the restatement was:

- A decrease in Non-current receivable of ₦22,927 million as at 1 January 2011 (₦30,971 million at 31 December 2011)
- An increase in intangible asset of ₦25,262 million at 1 January 2011 (₦43,116 million at 31 December 2011)
- An increase in retained earnings of ₦2,334 million as at 1 January 2011, an increase in cost of sales of ₦744 million and a decrease in finance income of ₦234 million.

e) At 31 December 2011, the Group recognised an equity and debt components of convertible debt at fair value in line with the principles of IFRS 2. This did not meet the grant date criteria, consequently the Group has restated the accounting by reversing the equity and measuring the debt at amortised cost. The effect of the restatement was:

- A decrease in convertible debt reserve in equity by ₦526 million
- A decrease in borrowings by ₦24.8 million
- A decrease in deferred tax liability by ₦225 million
- A decrease in interest expense by ₦776 million

f) The deferred tax implications of all the restatements have been computed using the liability method. As at 1 January 2011, the effect of computation of deferred taxes on the IFRS adjustments resulted to an increase in deferred tax liabilities of ₦1,192 million and a reduction of retained earnings by the same amount.

At 31 December 2011, the effect of computation of deferred taxes on the IFRS adjustments resulted to an increase in deferred tax liabilities of ₦629 million.

g) The impact of restatements and translation differences on retained earnings is shown below:

	At 31 December 2011 N'000	As at 1 January 2011 N'000
Retained earnings previously stated	24,321,741	25,076,820
Finance Lease (Akute)	841,836	995,789
Embedded derivative	2,084,727	847,472
Decommissioning costs	264,878	216,491
Intangible Asset - Gas pipeline	670,797	2,334,579
Impact of deferred taxes	(1,258,895)	(1,318,299)
Share based payments	-	-
Convertible debt	776,329	-
Translation differences		
Depreciation on revaluation reversal	(42,700)	-
Retained earnings restated	27,658,713	28,152,852

h) In the previous IFRS accounts, derivative liabilities were presented within creditors and accruals and derivative assets were presented as Debtors and prepayments. In the restated accounts, the group has presented derivative financial instruments separately on the statement of financial position. The impact of this adjustment is the recognition of a derivative asset of ₦446 million at 1 January 2011(₦319 million at 31December 2011) and derivative liabilities of ₦1,449 million at 1 January 2011 (₦2,974 million at 31 December 2011). At 31 December 2011, fair value gains of ₦1.2 billion have been recorded in respect of the derivative financial instruments. These derivatives have been reclassified from current asset and liabilities to be presented on the face of the statement of financial position.

i) In the previous IFRS accounts, cash held as collateral for borrowings were included in cash and cash equivalents. These did not meet the definition of cash and cash equivalent in line with IAS 7. The Group has retrospectively reclassified from cash and cash equivalent to restricted cash. The effect of the reclassification was ₦2,343 million as at 31 December 2011.

3 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on its financial and operational performance.

The Group has a risk management function that manages the financial risks relating to the Group's operations under the policies approved by the Board of Directors. The Group's liquidity, credit, foreign currency, interest rate and price risks are continuously monitored. The Board approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, and investing excess liquidity. The Group uses derivative financial instruments to manage certain risk exposures.

Market Risk

i. Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising primarily from various product sourcing activities as well as other currency exposures, mainly US Dollars. Foreign exchange risk arises when future commercial transactions and recorded assets and liabilities are denominated in a currency that is not the entity's functional currency e.g. foreign denominated loans, purchases and sales transactions etc. The Group manages their foreign exchange risk by revising cost estimates of orders based on exchange rate fluctuations, forward contracts and cross currency swaps transacted with commercial banks. The Group also apply internal hedging strategies with subsidiaries with USD functional currency.

At December 2012, if the Naira had strengthened/weakened by 12% against the US Dollar with all other variables held constant, consolidated pre-tax profit for the year would have been ₦982 million lower/higher mainly as a result of US Dollar denominated bank balances and receivables (2011: if the Naira had strengthened/weakened by 12% against the US Dollar with all other variables held constant, consolidated pre-tax profit for the year would have been ₦531million lower/higher mainly as a result of US Dollar denominated bank balances).

At December 2012, if the Naira had strengthened/weakened by 12% against the US Dollar with all other variables held constant, consolidated pre-tax profit for the year would have been N14.6 billion higher/lower mainly as a result of US Dollar denominated loan balances. (2011: if the Naira had strengthened/weakened by 12% against the US Dollar with all other variables held constant, consolidated pre-tax profit for the year would have been ₦10.2 billion higher/lower mainly as a result of US Dollar denominated trade payables and loan balances).

ii. Price risk

The Group is exposed to equity security price risk because of its investments in the marketable securities classified as available-for-sale. The shares held by the Group are traded on the Nigerian Stock Exchange (NSE). The effect of the changes in prices of equities is not material.

Fluctuations in the international prices of crude oil would have corresponding effects on the results of operations of the Group. In order to mitigate against the risk of fluctuation in international crude oil prices, the Group hedges its exposure to fluctuations in the price of the commodity by entering into hedges for minimum volumes and prices in US$ per barrel of oil.

The Group, through Oando OML 125 and 134 Limited (OML), has hedged its exposure to fluctuations in the price of oil by entering into commodity option arrangements with respect to specified yearly production volumes that set minimum floor prices. Such arrangements, which currently extend through 2013, provide that, if the price of oil falls below the floor price at the end of any given month, OML 125 and 134 Limited will be compensated for the difference, less a US$8.10/bbl. premium. In 2012, OML 125 and 134 Limited hedged 0.23mmbbls mmbbls (2011: 0.372 mmbbls) of its crude oil production, using commodity derivatives. The fair value of the derivative asset and the deferred premium payable are shown in Notes 14, and 30 respectively. Gains or losses arising from the derivative are included in finance income or cost.

The following table sets forth details of OML's commodity option arrangements:

Hedge revenue	**Unit**	**2011**	**2012**	**2013**
Volume hedged	Mmbbls	0.37	0.23	0.13
Floor Price	Us$/bbl.	80.00	75.00	75.00
Hedge cost	Us$/bbl	8.10	8.10	8.10

If the price of crude oil increase/decrease by 10%, assuming all other variables remain constant, it would have an immaterial impact on the Group.

Fair Value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group’s assets and liabilities that are measured at fair value at 31 December 2012.

Balance	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets				
Available for sale financial assets				
- Equity securities	149,701	-	-	149,701
Derivative financial assets				
- Commodity option contracts	-	23,348	-	23,348
- Embedded derivative in Akute	-	962,930	-	962,930
Total assets	**149,701**	**986,278**	**-**	**1,135,979**
Liabilities				
Derivative financial liabilities:				
- Interest rate swap	-	1,159,710	-	1,159,710
- Cross currency swap	-	1,409,651	-	1,409,651
- Share warrants	-	917,095	-	917,095
Financial liabilities at fair value through profit or loss				
Borrowing	-	1,765,507	-	1,765,507
Total liabilities	**-**	**5,251,963**	**-**	**5,251,963**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011.

Balance	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets				
Available for sale financial assets				
- Equity securities	194,031	-	-	194,031
Derivative financial assets				
- Foreign currency forward	-	135,582	-	135,582
- Commodity option contracts	-	183,691	-	183,691
- Embedded derivative in Akute	-	2,084,727	-	
Total assets	**194,031**	**2,404,000**	**-**	**513,304**
Liabilities				
Derivative financial liabilities				
- Interest rate swap	-	1,624,168	-	1,624,168
- Cross currency swap	-	1,349,724	-	1,349,724
Financial liabilities at fair value through profit or loss				
Borrowing	-	4,850,010	-	4,850,010
Total liabilities	**-**	**7,823,902**	**-**	**7,823,902**

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2012.

Balance	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets				
Available for sale financial assets				-
- Equity securities	148,865	-	-	148,865
Derivative financial assets				
- OER convertible option	-	69,645	-	69,645
Total assets	**148,865**	**69,645**	**-**	**218,510**
Liabilities				
Derivative financial liabilities				
- Cross currency swap	-	1,409,651	-	1,409,651
Financial liabilities at fair value through profit or loss				
Borrowing	-	1,765,507	-	1,765,507
Total liabilities	**-**	**3,175,158**	**-**	**3,175,158**

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2011.

Balance	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets				
Available for sale financial assets				-
- Equity securities	194,031		-	194,031
Total assets	**194,031**	**-**	**-**	**194,031**
Liabilities				
Derivative financial liabilities				
- Cross currency swap	-	1,349,724	-	1,349,724
Total liabilities	**-**	**1,349,724**	**-**	**1,349,724**

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Group, and pricing market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily of Nigerian Stock Exchange (NSE) listed instruments classified as available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Instruments included in level 2 comprise primarily of interest swaps and derivatives. Their fair values are determined based on marked to market values provided by the counterparty financial institutions.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group did not have any level 3 equity securities or debt investments as of the reporting date.

iii. *Interest rate risk*

The Group holds short term, highly liquid bank deposits at fixed interest rates. No limits are placed on the ratio of variable rate borrowing to fixed rate borrowing. The effect of an increase or decrease in interest on bank deposit by 100 point basis is not material.

The Group does not have any investments in quoted corporate bonds that are of fixed rate and carried at fair value through profit or loss. Therefore the Group is not exposed to fair value interest rate risk.

The Group has borrowings at variable rates, which expose the Group to cash flow interest rate risk. The Group regularly monitors financing options available to ensure optimum interest rates are obtained. At 31 December 2012, an increase/decrease of 100 basis points on LIBOR/MPR would have resulted in a decrease/increase in consolidated pre-tax profit of ₦2.89 billion (2011:₦2.04 billion), mainly as a result of higher/lower interest charges on variable rate borrowings.

Management enters into derivative contracts as an economic hedge against interest and foreign currency exposures. As at the reporting date, the Group had two derivatives as follows:

- a floating-to-fixed interest rate swap on a notional amount of ₦31.05 billion, based on a floating rate of three month LIBOR and a fixed rate of 2.81%.
- a cross currency swap on a notional amount of ₦19.52 billion, The Group pays based on a floating rate of three month LIBOR plus a spread of 8.69% and receives from counterparties a floating rate of the arithmetic average of 90-day NIBOR rate over a 30 day period, plus a spread of 3%.

The fair value of the derivative liabilities is included in note 27 and the related losses included in interest expense in note 9.
The effect of the changes in interest rate on short term deposits is not material.

<u>*Credit risk*</u>

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, non-current receivables and deposits with banks as well as trade and other receivables. The Group has no significant concentrations of credit risk. It has policies in place to ensure that credit limits are set for commercial customers taking into consideration the customers' financial position, past trading relationship, credit history and other factors. Sales to retail customers are made in cash. The Group has policies that limit the amount of credit exposure to any financial institution.

Management monitors the aging analysis of trade receivables on a periodic basis. The analysis of current, past due but not impaired and impaired trade receivables is as follows:

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Current	17,852,257	35,173,774	-	-
Past due but not impaired				
- by up to 30 days	4,369,623	1,103,397	-	-
- by 31 to 60 days	2,685,330	1,003,273	-	-
- later than 60 days	3,983,385	2,141,971	-	-
Total past due but not impaired	11,038,338	4,248,641	-	-
Impaired	3,243,865	4,167,572	-	-
	32,134,460	43,589,987	-	-

All receivables past due by more than 365 days are considered to be impaired, and are carried at their estimated recoverable value. Non-current receivables of ₦8.5 billion and other receivables of ₦80.7 billion (excluding impairment) are neither past due nor impaired.

For the Company, receivables are largely intercompany receivable, and are neither past due nor impaired.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

- Counter parties without external credit rating

Non current receivables	**Group 2012 N'000**	**Group 2011 N'000**	**Company 2012 N'000**	**Company 2011 N'000**
Group 2	8,466,312	-	7,345,639	33,762

Trade receivables	**Group 2012 N'000**	**Group 2011 N'000**	**Company 2012 N'000**	**Company 2011 N'000**
Group 1	126,373	50,921	-	-
Group 2	22,807,820	31,807,420	-	-
Group 3	5,758,896	6,461,369	-	-
	28,693,089	38,319,710	-	-

Other receivables	**Group 2012 N'000**	**Group 2011 N'000**	**Company 2012 N'000**	**Company 2011 N'000**
Group 2	67,031,127	43,134,645	128,553,544	97,967,725

Derivative financial instruments	**Group 2012 N'000**	**Group 2011 N'000**	**Company 2012 N'000**	**Company 2011 N'000**
Group 2	986,278	2,404,000	-	-

Definition of the ratings above:

Group 1	New customers (less than 6 months)
Group 2	existing customers (more than 6 months) with no defaults in the past
Group 3	existing customers (more than 6 months) with some defaults in the past

- Counter parties with external credit rating (Fitch rating)

Cash	**Group 2012 N'000**	**Group 2011 N'000**	**Company 2012 N'000**	**Company 2011 N'000**
AAA	294,478	-	4,903	-
AA-	1,716,590	522,489	704,378	1,539
A+	2,156,563	344,577	7,409	34,168
A-	6,268,999	-	655,400	
BBB+	3,944,858	13,827,136	423,670	2,079,743
BBB-	187,786	-	50,664	
Not rated	2,892,283	6,339,326	45,571	402,231
	17,461,557	21,033,528	1,891,995	2,517,681

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve comprising cash and cash equivalents and borrowings (notes 21 and 25 respectively) on the basis of expected cash flow.

The table below analyses the Group's financial liabilities into relevant maturity Groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Group	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	N'000	N'000	N'000	N'000	N'000
At 31 December 2012:					
Borrowing (excluding finance lease liabilities)	211,816,587	42,424,958	34,190,399	1,303,287	289,735,231
Trade and other payables	86,046,357	-	-	-	86,046,357
Derivative financial instruments - interest rate swap	1,313,016	192,438	-	-	1,505,454
At 31 December 2011:					
Borrowing (excluding finance lease liabilities)	121,778,362	8,947,761	79,205,271	16,240,583	226,171,977
Trade and other payables	75,209,044	-	-	-	75,209,044
Derivative financial instruments - interest rate swap	693,684	650,417	311,150	-	1,655,251
Deferred premium payables	470,787	305,527	192,438	-	968,752

Company	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	N'000	N'000	N'000	N'000	N'000
At 31 December 2012:					
Borrowing (excluding finance lease liabilities)	68,121,082	25,299,591	21,760,738	-	115,181,411
Trade and other payables	51,575,433	-	-	-	51,575,433
Derivative financial instruments - cross currency	62,250	1,347,401	-	-	1,409,651
Deferred premium payables	-	-	-	-	-
At 31 December 2011:					
Borrowing (excluding finance lease liabilities)	6,164,285	51,297,182	-	-	57,461,467
Trade and other payables	43,098,950	-	-	-	43,098,950
Derivative financial instruments - interest rate swap	1,349,724	-	-	-	1,349,724
Deferred premium payables	-	-	-	-	-

There is no significant concentration of liquidity risk.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may issue new capital or sell assets to reduce debt.

Various financial ratios and internal targets are assessed and reported to the Board on a quarterly basis to monitor and support the key objectives set out above. These ratios and targets include:

- Gearing ratio;
- Earnings before interest tax depreciation and amortisation (EBITDA) interest cover;
- Fixed/floating debt ratio;
- Current asset ratio;
- Interest cover.

The Group's objective is to maintain these financial ratios in excess of any debt covenant restrictions and use them as a performance measurement and hurdle rate. The failure of a covenant test could render the facilities in default and repayable on demand at the option of the lender.

Accordingly, in situations where these ratios are not met, the Group takes immediate steps to redress the potential negative impact on its financial performance. For example, in the past, the Group funded the majority of the acquisition of its upstream assets via debt, which materially increased its debt burden. However, in order to improve its financial ratios, the Group took steps to raise additional equity capital via a rights issue and to restructure its short-term debt during the year, in order to adhere to its financial management policy.

Total capital is calculated as equity plus net debt. During 2012, the Group's strategy was to maintain a gearing ratio between 50% and 75% (2011: 50% and 75%). The gearing ratios as at the end of December 2012 and 2010 were as follows:

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Total borrowings	288,886,785	206,005,527	113,881,820	57,461,467
Less: cash and cash equivalents (Note 21)	(13,408,506)	(18,690,529)	(1,891,995)	(2,517,681)
Restricted cash	(4,053,050)	(2,343,000)	(324,000)	-
Net debt	271,425,229	184,971,998	111,665,825	54,943,786
Total equity	105,354,528	92,764,986	57,785,943	52,834,666
Total capital	376,779,757	277,736,984	169,451,768	107,778,452
Gearing ratio	72%	67%	66%	51%

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

i. Fair value estimation

Financial instruments

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flows analysis, and option pricing models refined to reflect the issuer's specific circumstances. See Note 3 on details of fair value estimation methods applied by the Group.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Employee share based payments

The fair value of employee share options is determined using valuation techniques such as the binomial lattice/black scholes model. The valuation inputs, such as the volatility, dividend yield, are based on the market indices of Oando's shares.

Property, plant and equipment

Land, building and plant and machinery are carried at revalued amounts. Formal revaluations are performed every three years by independent experts for these asset classes. Appropriate indices, as determined by independent experts, are applied in the intervening periods to ensure that the assets are carried at fair value at the reporting date. Judgement is applied in the selection of such indices. Fair value is derived by applying internationally acceptable and appropriately benchmarked valuation techniques such as depreciated replacement cost or market value approach.

The depreciated replacement cost approach involves estimating the value of the property in its existing use and the gross replacement cost. For this appropriate deductions are made to allow for age, condition and economic or functional obsolescence, environmental and other factors that might result in the existing property being worth less than a new replacement.

The market value approach involves comparing the properties with identical or similar properties, for which evidence of recent transaction is available or alternatively identical or similar properties that are available in the market for sale making adequate adjustments on price information to reflect any differences in terms of actual time of the transaction, including legal, physical and economic characteristics of the properties.

The useful life of each asset group has been determined by independent experts based on the build quality, maintenance history, operational regime and other internationally recognised benchmarks relative to the assets.

ii. Defined Benefits (Gratuity)

The present value of the defined benefits obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for the benefits include appropriate discount rate. Any changes in these assumptions will impact the carrying amount of the obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related gratuity obligation.

Other key assumptions for the obligations are based in part on current market conditions. Additional information is disclosed in Note 28.

iii. Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. See Note 12 for detailed assumptions and methods used for impairment calculation.

If the estimated pre-tax discount rate applied to the discounted cash flows of the Gas and power segment had been higher by 6% (i.e. 22% instead of 15.9% the Group would have recognised an impairment against goodwill of ₦225 million (2011: Nil). For other segments (Supply and Trading, Marketing, Energy Services and Exploration & Production), no impairment would have resulted from application of discount rates higher by 45% respectively.

iv. Impairment of goodwill

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As of the reporting date, no liability in respect of pending tax issues has been recognised in the financial statements.

v. Provision for environmental restoration

The Group uses underground tanks for storage of petroleum products in its outlets. Environmental damage caused by such substances may require the Group to incur restoration costs to comply with the environmental protection regulations in the various jurisdictions in which the Group operates, and to settle any legal or constructive obligation.

Analysis and estimates are performed by the Group, together with its legal advisers, in order to determine the probability, timing and amount involved with probable required outflow of resources. Estimated restoration costs, for which disbursements are determined to be probable, are recognised as a provision in the Group's financial statements. The assumptions used for the estimates are reviewed every 3 years. The difference between the final determination of such obligation amounts and the recognised provisions are reflected in the income statement.

vi. Estimation of oil and gas reserves

Oil and gas reserves are key elements in Oando's investment decision-making process that is focused on generating value. They are also an important factor in testing for impairment. Changes in proved oil and gas reserves will also affect the standardised measure of discounted cash flows and changes in proved oil and gas reserves, particularly proved developed reserves, will affect unit-of-production depreciation charges to income.

Proved oil and gas reserves are the estimated quantities of crude oil that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Estimates of oil and gas reserves are inherently imprecise, require the application of judgement and are subject to future revision. Accordingly, financial and accounting measures (such as the standardised measure of discounted cash flows, depreciation, depletion and amortisation charges, and decommissioning and restoration provisions) that are based on proved reserves are also subject to change.

Proved reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. Proved reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured.

vii. Service concessions

The contract between Nigerian Gas Company (NGC) and Gaslink Nigeria Limited (GNL) and East Horizon Gas Company (EHGC), both for the construction of gas transmission pipelines fall within the scope of IFRIC 12. The group is of the opinion that the recovery of construction and interest costs are conditional upon sale of gas as specified in the contract and does not give the group an unconditional right to receive cash. Hence an intangible asset has been recognised at the present value of the estimated value of capital recovery and interest charges from the sale of gas over the duration of the contract.

Estimates of future cashflows for recovery of interest costs were arrived at assuming current bank interest rates applied up until the full recovery of the investment. Estimates of future cashflows for recovery of construction costs have been computed assuming production and sale of gas from the pipeline using management's best estimate of volumes. Other assumptions include exchange rate of ₦156.2/US$1 and applicable FGN bond discount rate.

viii. Akute lease

The group has accounted for the power purchase arrangement between Lagos State Government and Akute power Limited for the construction of an Electrical Power Plant as a finance lease. Hence the asset has been recognised at the present value of the estimated lease payments. The estimated lease payments were computed by making assumptions about the total annual volume of electricity delivered, discounted at the rate implicit in the contract of 17%. The group has assumed a volume of 106,725,600KWH per annum is supplied evenly over the period and exchange rate of ₦155/US$1 between 2012 till the end of the contract.

ix. Capitalisation of borrowing costs

Management exercises sound judgement when determining which assets are qualifying assets, taking into account, among other factors, the nature of the assets. An asset that normally takes more than one year to prepare for use is usually considered as a qualifying asset. Management determined that the fourth rig (Respect) and exploration and evaluation assets are qualifying assets and therefore eligible for capitalisation of borrowing cost during the year reviewed.

x. Exploration costs

Exploration costs are capitalised pending the results of evaluation and appraisal to determine the presence of commercially producible quantities of reserves. Following a positive determination, continued capitalisation is subject to further exploration or appraisal activity in that either drilling of additional exploratory wells is under way or firmly planned for the near future or other activities are being undertaken to sufficiently progress the assessing of reserves and the economic and operating viability of the project.

In making decisions about whether to continue to capitalise exploration costs, it is necessary to make judgments about the satisfaction of each of these conditions. If there is a change in one of these judgments in any period, then the related capitalised exploration costs would be expensed in that period, resulting in a charge to the income statement.

xi. Impairment of assets

For oil and gas properties with no proved reserves, the capitalisation of exploration costs and the basis for carrying those costs on the statement of financial position are explained above. For other properties, the carrying amounts of major property, plant and equipment are reviewed for possible impairment annually, while all assets are reviewed whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable. If assets are determined to be impaired the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs to sell and value in use determined as the amount of estimated discounted future cash flows. For this purpose, assets are grouped into cash-generating units based on separately identifiable and largely independent cash inflows. Impairments can also occur when decisions are taken to dispose of assets.

Impairments, except those relating to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed. Estimates of future cash flows are based on current year end prices, management estimates of future production volumes, market supply and demand and product margins. Expected future production volumes, which include both proved reserves as well as volumes that are expected to constitute proved reserves in the future, are used for impairment testing because Oando believes this to be the most appropriate indicator of expected future cash flows, used as a measure of value in use.

Estimates of future cash flows are risk-weighted to reflect expected cash flows and are consistent with those used in the Group's business plans. A discount rate based on Oando's Weighted Average Cost of Capital (WACC) is used in impairment testing. Expected cash flows are then risk-adjusted to reflect specific local circumstances or risks surrounding the cash flows. Oando reviews the discount rate to be applied on an annual basis although it has been stable in recent years. The discount rate applied in 2012 was 15% (2011: 14.5%)

Asset impairments or their reversal will impact income.

xii. Useful lives and residual value of property

The residual values, depreciation methods and useful lives of property, plant and equipment are reviewed at least on an annual basis. The review is based on the current market situation. The review of useful lives did not significantly impact depreciation. The residual value of the various classes of assets was estimated as follows:

Land and building	-	50%
Plant and machinery	-	10%
Motor vehicles	-	10%
Furniture and fittings	-	10%
Computer and IT equipment	-	10%

These estimates have been consistent with the amounts realised from previous disposals for the various asset categories.

xiii. Churchill

Acquisition of Churchill Finance C300-0462 Limited (the "company"/"Churchill") has been accounted for as a business combination on the basis of the company's assets, liabilities and processes which contribute to lower costs of operations of the Group. In particular, the company has robust strategic and operational processes for the management of its assets which include property, plant and equipment that continues to generate economic benefits for the Group. The business combination has been accounted for using the acquisition method. The acquisition method involves identifying the acquirer and determining the acquisition date. Following identification of the acquirer and determination of the acquisition date, the method deals with the recognition and measurement of the components of the business combination: assets acquired and liabilities assumed, non-controlling interest, consideration transferred and goodwill or gain on a bargain purchase.

The Group has accounted for the identifiable assets and liabilities of the company at their acquisition-date fair values. As of the acquisition date, and per the company's statement of financial position as of that date, the company did not acquire assets or liabilities which do not meet the acquisition-date fair values measurement principle. Goodwill was measured at the acquisition date as the excess of the cash consideration paid over the acquisition-date fair values of identified assets and liabilities. The goodwill arising from Churchill's business combination and the result of assessment of the goodwill have been included as part of intangibles assets in these consolidated financial statements. See Note 12.

5 Segment information

Management has determined the operating segments based on the performance reports reviewed monthly by Group Leadership Council (GLC) and these reports are used to make strategic decisions. GLC considers the businesses from a divisional perspective. Each of the division's operations may transcend different geographical locations.

The GLC assesses the performance of the operating segments by reviewing actual results against set targets on revenue, operating profit and profit after tax for each of the divisions. Expenditures incurred on joint services and infrastructure like information technology, audit, etc. are shared amongst the division using pre-agreed rates. Also, interest expenses suffered by the Corporate division on loans raised on behalf of the other divisions are transferred to the relevant division.

At 31 December 2012, the Group was organised into six operating segments:

a) Exploration and production (E&P) – involved in the exploration for and production of oil and gas through the acquisition of rights in oil blocks on the Nigerian continental shelf and deep offshore.
b) Marketing – involved in the marketing and sale of petroleum products.
c) Supply and Trading – involved in trading of refined and unrefined petroleum products.
d) Refinery and Terminals – operations yet to commence. The Group has three principal projects currently planned – the construction of 210,000 MT import terminal in Lekki, the construction of LPG storage facility at Apapa Terminal, and the construction of a marina jetty and subsea pipeline at Lagos Port.
e) Gas and power – involved in the distribution of natural gas through the subsidiaries Gaslink and Eastern Horizon. The Group also incorporated a Power company to serve in Nigeria's power sector, by providing power to industrial customers.

f) Energy services – involved in the provision of services such as drilling and completion fluids and solid control waste management; oil-well cementing and other services to upstream companies.

The segment results for the period ended 31 December, 2012 are as follows:

	Exploration & Production	Marketing	Supply & Trading	Refining & Terminals	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Total gross segment sales	20,888,108	245,554,840	590,182,784	-	58,303,953	20,450,231	7,408,179	942,788,095
Inter-segment sales	-	(141,475)	(261,770,801)	-	(334,941)	-	(7,358,881)	(269,606,098)
Sales from external customers	20,888,108	245,413,365	328,411,983	-	57,969,012	20,450,231	49,298	673,181,997
Depreciation	3,728,834	2,048,410	30,269		461,936	70,538	584,533	6,924,520
Amortisation	0	173,101	0		0	170,221	0	343,322
Operating profit/(loss)	9,580,462	7,780,219	1,932,381	132,828	14,610,394	4,060,509	(3,971,016)	34,125,777
Finance income	(87,263)	4,082	14,827	714	2,318,442	19,350	1,251,381	3,521,533
Finance cost	(3,786,104)	(837,047)	(354,378)	(7,218)	(6,065,405)	(4,669,637)	(4,373,454)	(20,093,243)
Finance cost (net)	(3,873,367)	(832,965)	(339,551)	(6,504)	(3,746,963)	(4,650,287)	(3,122,073)	(16,571,710)
Profit before income tax	5,707,095	6,947,254	1,592,830	126,324	10,863,431	(589,778)	(7,093,089)	17,554,067
Income tax expense	(5,636,974)	(1,541,017)	(1,034,323)	-	983,976	787,336	(326,748)	(6,767,750)
Profit for the year	70,121	5,406,237	558,507	126,324	11,847,407	197,558	(7,419,837)	10,786,317

The segment results for the period ended 31 December, 2011 are as follows:

	Exploration & Production	Marketing	Supply & Trading	Refining & Terminals	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Total gross segment sales	26,127,159	199,504,537	620,253,474	-	18,454,929	14,383,427	8,318,370	887,041,896
Inter-segment sales	-	(364,823)	(306,637,079)	-	(611,835)	-	(8,122,522)	(315,736,259)
Sales from external customers	26,127,159	199,139,714	313,616,395	-	17,843,094	14,383,427	195,848	571,305,637
Operating (loss)/profit	11,881,339	6,284,902	2,772,324	(382,586)	3,403,227	4,386,122	(9,010,005)	19,335,323
Finance income	-	19,681	20,150	-	5,762,524	3,280	1,511,350	7,316,985
Finance cost	(3,515,447)	(367,382)	(294,906)	-	(4,368,548)	(4,787,787)	566,859	(12,767,211)
Finance cost	(3,515,447)	(347,701)	(274,756)	-	1,393,976	(4,784,507)	2,078,209	(5,450,226)
Profit before income tax	8,365,892	5,937,201	2,497,568	(382,586)	4,797,203	(398,385)	(6,931,796)	13,885,097
Income tax expense	(7,642,647)	(2,012,426)	(447,332)	-	(1,499,694)	463,976	(114,636)	(11,252,759)
Profit for the year	723,245	3,924,775	2,050,236	(382,586)	3,297,509	65,591	(7,046,432)	2,632,338

Comparative period segment result has been restated.

Inter-segment revenue represents sales between the Marketing segment. Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Profit on inter-segment sales have been eliminated on consolidation.

Other segments included in the income statement are:

Year ended 31 December, 2012:

	Exploration & Production	Marketing	Supply & Trading	Refining & Terminals	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Depreciation	3,634,220	1,638,327	30,269	-	473,119	2,545,175	284,598	8,605,708
Amortisation of intangible assets	102,727	173,101	-	-	3,184,441	170,221	149,333	3,779,823

Year ended 31 December, 2011:

	Exploration & Production	Marketing	Supply & Trading	Refining & Terminals	Gas & Power	Energy Services	Corporate & Other	Group
Depreciation	3,395,228	1,150,001	23,586	-	69,640	1,684,884	288,033	6,611,371
Amortisation of intangible assets	582,718	-	7,437	-	685,064	-	149,393	1,424,612

The segment assets and liabilities and capital expenditure for the year ended 31 December, 2012 are as follows:

	Exploration & Production	Marketing	Supply & Trading	Refining & Terminals	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Assets	195,289,922	57,351,945	63,020,455	2,183,799	62,720,235	77,455,737	43,617,177	501,639,270
Liabilities	72,764,678	58,971,023	86,307,503	2,431,015	36,201,863	18,188,912	117,636,653	392,501,647
Capital Expenditure*	28,548,682	2,324,700	19,931	-	7,154,091	4,529,806	7,913,169	50,490,379

**Capital expenditure comprises additions to property, plant and equipment and intangible asset, excluding Goodwill.*

The segment assets and liabilities as of 31 December, 2011 and capital expenditure for the year then ended are as follows:

	Exploration & Production	Marketing	Supply & Trading	Refining & Terminals	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Assets	120,398,491	71,829,507	70,876,375	6,518,695	44,577,918	56,434,279	25,100,427	395,735,692
Liabilities	26,489,958	65,949,514	80,049,688	2,343,469	35,444,123	15,843,522	69,839,382	295,959,657
Capital Expenditure	15,287,012	2,391,734	20,462	2,329,879	8,077,013	4,660,539	5,332,668	38,099,308

Segment assets consist primarily of property, plant and equipment, intangible assets, investments, inventories, receivables and operating cash. They exclude deferred taxation.

Segment liabilities comprise operating liabilities. They exclude deferred taxation.

5.2 The Group's business segments operate in three main geographical areas. Segment information on a geographical basis for the period ended 31 December 2012 are as follows:

	Exploration & Production	Marketing	Supply & Trading	Refining & Terminals	Gas & power	Energy Services	Corporate & Other	Total
Sales	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Within Nigeria	20,677,151	233,977,828	46,936,053	-	57,969,012	20,450,231	49,299	380,059,573
Other West African countries	-	11,435,536	31,611,325		-	-	-	43,046,861
Other countries	210,958	-	249,864,605		-	-	-	250,075,562
	20,888,108	245,413,364	328,411,982	-	57,969,012	20,450,231	49,299	673,181,997
Total assets								
Within Nigeria	191,013,432	53,850,196	45,507,558	2,183,799	62,720,235	77,455,737	43,617,177	476,348,133
Other West African countries	-	3,501,749	12,742,545		-	-	-	16,244,294
Other countries	4,276,490		4,770,352		-	-	-	9,046,843
	195,289,922	57,351,945	63,020,455	2,183,799	62,720,235	77,455,737	43,617,177	501,639,270
Capital expenditure								
Within Nigeria	26,339,057	2,155,583	16,922	-	7,154,091	4,529,806	7,913,169	48,108,627
Other West African countries	-	169,117	3,009	-	-	-	-	172,126
Other countries	2,209,625	-	-	-	-	-	-	2,209,625
	28,548,682	2,324,700	19,931	-	7,154,091	4,529,806	7,913,169	50,490,379

Segment information on a geographical basis for the year ended and as at 31 December, 2011 are as follows:

	Exploration & Production	Marketing	Supply & Trading	Refining & Terminals	Gas & power	Energy Services	Corporate & Other	Total
Sales	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Within Nigeria	26,127,159	189,161,689	91,941,561	-	17,843,094	14,383,427	195,848	339,652,778
Other West African countries	-	9,978,025	-	-	-	-	-	9,978,025
Other countries	-	-	221,674,834	-	-	-	-	221,674,834
	26,127,159	199,139,714	313,616,395	-	17,843,094	14,383,427	195,848	571,305,637
Total assets								
Within Nigeria	113,891,772	62,922,841	46,732,118	6,518,695	44,577,918	56,434,279	25,100,427	356,178,049
Other West African countries	-	8,906,666	53,463	-	-	-	-	8,960,129
Other countries	6,506,719	-	24,090,794	-	-	-	-	30,597,513
	120,398,491	71,829,507	70,876,375	6,518,695	44,577,918	56,434,279	25,100,427	395,735,692
Capital expenditure								
Within Nigeria	11,936,462	2,255,173	19,931	2,329,879	8,077,013	4,660,539	5,332,668	34,611,666
Other West African countries	-	136,561	531	-	-	-	-	137,093
Other countries	3,353,959	-	-	-	-	-	-	3,353,959
	15,290,421	2,391,734	20,462	2,329,879	8,077,013	4,660,539	5,332,668	38,102,717

Sales are disclosed based on the country in which the customer is located. Total assets are allocated based on where the assets are located.

Capital expenditure is allocated based on where the assets are located.

Analysis of revenue by nature	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Sales of goods	644,649,552	562,228,516	-	-
Intra-group Dividend Income	-	-	7,358,881	8,122,502
Service concession	8,032,915	-	-	-
Revenue from Service	20,499,530	10,281,858	-	-
	673,181,997	572,510,374	7,358,881	8,122,502
Restatements:				
Reversal of revenue recognised on Akute Electric Power Plant	-	(1,204,737)	-	-
Service concession	-	-	-	-
	673,181,997	571,305,637	7,358,881	8,122,502

6 Other operating income

	2012 N'000	2011 N'000	2012 N'000	2011 N'000
Exchange gain	1,617,139	8,368,808	291,553	1,026,282
Rig income	-	1,860,072	-	-
Gas project income			-	-
Other income	480,785	2,050,036	1,499,408	214,521
	2,097,924	12,278,916	1,790,961	1,240,803
Restatements:				
Fair value gain on embedded derivative in Akute Power Limited	-	1,237,256	-	-
	2,097,924	13,516,172	1,790,961	1,240,803

7 Expenses by nature of Operating profit

The following items have been charged/(credited) in arriving at the operating profit:

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Included in cost of sales:				
Depreciation on property plant and equipment - Upstream assets	3,634,220	3,700,222	-	-
Included in selling and marketing costs				
Product transportation costs	6,249,025	6,256,350	-	-
Dealers' commission	1,306,775	1,635,729	-	-
Included in other operating income:				
Foreign exchange gain	1,617,139	8,368,808	291,553	1,026,282
Profit on disposal of property, plant and equipment	165,914	48,734	45,281	16,004
Included in administrative expenses				
Depreciation on property plant and equipment - Other (Note 11)	4,971,488	3,551,005	261,052	279,024
Amortisation of intangible assets (Note 12)	3,779,823	156,830	149,333	149,333
Foreign exchange loss	1,619,951	4,591,796	204,429	1,036,803
Provision for impairment losses of trade receivables (Note 19)	(1,343,351)	3,385,166	-	-
Employees benefit scheme (Note 8)	8,621,891	10,404,681	885,036	1,655,551
Auditors remuneration	156,178	165,028	63,833	23,112
Consultancy services	2,061,282	2,182,868	127,040	-
Repair and maintenance	2,826,259	1,308,992	33,479	49,045
Technical and management services	-	5,402,667	-	-
Impairment of property, plant and equipment (Note 11)	(190,499)	2,735,843	-	875,756
Other write offs	-	3,561,545	-	-
Fair value loss on commodity options	59,926	2,341,233	(9,718)	-
Fair value loss/(gains) on embedded derivatives	1,121,797	(1,237,256)	-	-
Rent and other hiring costs	1,205,298	652,371	27,862	10,455

8 Employees benefit expense

a) *Directors' remuneration:*

The remuneration paid to the directors of the Company was as follows:

Fees paid to non executive directors:				
Chairman	2,500	2,250	2,500	2,250
Others	20,600	18,427	12,500	9,604
	23,100	20,677	15,000	11,854
Executive directors' salaries	607,410	595,850	314,261	282,578
	630,510	616,527	329,261	294,432
Other emoluments	318,506	312,102	89,268	103,375
	949,016	928,629	418,529	397,807

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
The directors received emoluments (excluding pension contributions) in the following ranges:				
	Number	Number	Number	Number
N1,000,000 - N10,000,000	7	6	4	2
Above N10,000,000	12	24	6	14

Included in the above analysis is the highest paid director at ₦114.6 million (2011: ₦112 million).

b) *Staff costs:*

The remuneration paid to the directors of the Company was as follows:

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Wages, salaries and staff welfare cost	7,609,884	7,686,647	494,860	227,148
Staff bonus and discretionary share award	-	496,300	-	5,702
Share options granted to directors and employees	641,958	432,687	244,951	255,237
Pension costs - defined contribution scheme	74,655	163,207	75,719	305,759
Retirement benefit - defined benefit scheme (Note 28)	295,394	1,625,840	69,506	861,705
	8,621,891	10,404,681	885,036	1,655,551

Other staff costs include provision for gratuity disclosed in Note 28.

The average number of full-time persons employed by the Company during the year was as follows:

	Number	Number	Number	Number
Executive	2	4	2	3
Management staff	146	156	90	51
Senior staff	443	442	50	90
Junior staff	10	3	1	-
	601	605	143	144

Higher-paid employees of the Company, other than directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension contributions) in the following ranges:

	Number	Number	Number	Number
₦2,500,001 - ₦4,000,000	84	142	8	28
₦4,000,001 - ₦6,000,000	285	260	18	53
₦6,000,001 - ₦8,000,000	74	51	12	9
₦8,000,001 - ₦10,000,000	35	46	-	14
Above ₦10,000,000	123	106	27	40
	601	605	65	144

9 Finance (costs)/income

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Interest expense				
On bank borrowings	(23,831,043)	(24,685,197)	(5,647,399)	(1,058,746)
Capitalised to qualifying property, plant and equipment	6,122,485	11,883,692	-	-
	(17,708,558)	(12,801,505)	(5,647,399)	(1,058,746)
Interest on finance leases	-	-	-	-
Fair value loss on interest rate swaps and derivatives	(1,865,354)	(636,629)	481,017	(1,524,363)
Unwinding of discount on provisions (Note 26)	(208,545)	(95,025)	-	-
Loss on loan modification	(310,786)	-	(399,174)	(22,248)
Unwinding of discount on deferred premiums	-	(10,381)	-	-
Finance costs as previously stated	(20,093,243)	(13,543,540)	(5,565,556)	(2,605,357)
Interest income on invested borrowings	-			
Effective interest expense on convertible loans	-	776,329		
As restated	(20,093,243)	(12,767,211)	(5,565,556)	(2,605,357)
Interest income:				
Interest income on bank deposits, as previously stated	2,853,046	6,564,235	4,527,632	2,877,014
Restatement	-	-	-	-
Interest income on finance lease	668,487	752,750	-	-
Finance income, as restated	3,521,533	7,316,985	4,527,632	2,877,014
Net finance costs	(16,571,710)	(5,450,226)	(1,037,924)	271,657

10 Income tax expense

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Current income tax	9,618,070	13,249,825	304,347	290,888
Education tax	295,172	935,878	-	-
Deferred income tax (Note 13)	(3,145,492)	(2,873,539)	6,950	(300,899)
Income tax as previously stated	6,767,750	11,312,164	311,297	(10,011)
Deferred tax impact of restatements	-	(59,405)	-	-
Income tax expense	6,767,750	11,252,759	311,297	(10,011)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Profit before income tax	17,554,067	13,885,097	4,690,743	1,363,389
Tax calculated at weighted average domestic rates applicable to profits in respective countries - 64.4% (2010: 49%)	8,661,850	8,447,765	1,449,029	409,017
Minimum tax	-	89,815	-	273,200
Education tax	1,052,845	949,852	-	2,400
Tax effect of income not subject to tax	(4,251,446)	-	-	(1,151,505)
Income at a different tax rate	(1,989,376)	(3,496,693)	(1,908,886)	-
Expenses not deductible for tax purposes	484,368	4,231,881	458,247	
(Under)/over provision for deferred income tax in prior years	(200,573)	(108,403)	-	
(Under)/over provision for income tax in prior years	(141,198)		-	
Tax losses for which no deferred tax was recognised	3,129,444	1,126,515	307,470	453,436
Capital gains tax	21,836	12,027	5,436	3,441
Income tax expense	6,767,750	11,252,759	**311,296**	**(10,011)**
Current income tax liabilities				
Movement in current income tax for the year:				
At 1 January	6,904,219	5,521,737	931,754	1,064,907
Payment during the year	(10,390,255)	(12,882,172)	(475,160)	(424,041)
Charge for the year:			-	-
Income tax charge during the year	9,618,070	13,249,825	304,347	290,888
Education tax charge during the year	295,172	935,878	-	-
Exchange difference	(9,226)	78,950	-	-
At 31 December	6,417,980	6,904,218	760,941	931,754

11 Property, plant and equipment

	Upstream Asset [1]	Land & Buildings	Plant, machineries & vehicles	Fixtures, fittings & equipment	Capital work in progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January 2011						
Net book amount as previously stated	76,055,855	25,438,626	34,229,781	1,231,136	21,275,272	158,230,670
Restatement to Cost or valuation	(58,066,622)		(5,662,850)			(63,729,472)
Exchange differences	2,642	4,461	6,017	216	3,731	17,067
						-
Restatement to accumulated depreciation	2,883,157		490,802			3,373,959
Restated net book value as at 1 January 2011	20,875,032	25,443,087	29,063,750	1,231,352	21,279,003	97,892,224
Year ended 31 December 2011						
Opening net book amount	20,875,032	25,443,087	29,063,750	1,231,352	21,279,003	97,892,224.00
Decommissioning costs	(586,062)	-	3,436	-	-	(582,626)
Additions [2]	10,961,179	224,147	7,687,229	1,348,631	10,816,694	31,037,880
Transfers	-	(24,680)	758,663	(1,562)	(732,422)	(1)
Disposal	(26,085)	-	(56,388)	(1,718)	-	(84,191)
Reclassification	-	-	-	-	-	-
Impairments	(1,472,029)	-	-	-	(1,263,814)	(2,735,843)
Depreciation charge	(3,700,222)	(86,535)	(3,089,590)	(374,880)	-	(7,251,227)
Exchange difference	1,670,991	(668,153)	(1,989,536)	33,208	304,080	(649,410)
Restatements - Cost	(8,784,044)	-	(3,409)	-	-	(8,787,453)
Restatements - Depreciation	304,994	-	334,862	-	-	639,856
Restated net book amount as at 31 December 2011	19,243,754	24,887,866	32,709,017	2,235,031	30,403,541	109,479,209
At 31 December 2011 Restated						
Cost or valuation	22,638,982	24,974,401	35,463,745	2,609,911	30,403,541	116,090,580
Accumulated depreciation	(3,395,228)	(86,535)	(2,754,728)	(374,880)	-	(6,611,371)
Closing net book amount Restated	19,243,754	24,887,866	32,709,017	2,235,031	30,403,541	109,479,209
Year ended 31 December 2012						
Opening net book amount	19,243,754	24,887,866	32,709,017	2,235,031	30,403,541	109,479,209
Decommissioning costs	1,829,702	-	(27,187)	-	-	1,802,515
Additions [2]	8,020,575	655,531	5,192,763	258,964	12,935,594	27,063,427
Transfers	167,536	34,499	11,638,183	(38,302)	(11,847,449)	(45,533)
Disposal	(2,640)	(1,688,488)	(108,029)	(2,215)	(349,096)	(2,150,468)
Business acquisition	695,610	-	2,456,270	8,396	-	3,160,276
Impairments reversal	-	-	-	-	190,499	190,499
Depreciation charge	(3,634,220)	(224,391)	(4,165,729)	(581,368)	-	(8,605,708)
Exchange difference	(536,947)	(8,676)	(23,006)	(613)	(262)	(569,504)
Closing net book amount	25,783,370	23,656,341	47,672,282	1,879,893	31,332,827	130,324,713
At 31 December 20112						
Cost or valuation	32,812,818	23,967,267	54,592,739	2,836,141	31,332,827	145,541,792
Accumulated depreciation	(7,029,448)	(310,926)	(6,920,457)	(956,248)	-	(15,217,079)
Net book amount	25,783,370	23,656,341	47,672,282	1,879,893	31,332,827	130,324,713

Company

Year ended 31 December 2011

	Upstream Asset	Land & Buildings	Plant, machineries & vehicles	Fixtures, fittings & equipment	Capital work in progress	Total
Opening net book amount	-	1,687,552	359,951	235,675	8,298,486	10,581,664
Additions	-	-	142,704	190,440	4,714,709	5,047,853
Transfers	-	-	-	-	(358,119)	(358,119)
Disposal	-	-	(30,572)	-	-	(30,572)
Impairment	-	(21,604)	-	-	(854,152)	(875,756)
Depreciation charge	-	(20,077)	(159,676)	(99,271)	-	(279,024)
	-	1,645,871	312,407	326,844	11,800,924	14,086,046
At 31 December 2011						
Cost/Valuation	-	1,665,948	855,582	1,051,486	11,800,924	15,373,940
Accumulated depreciation		(20,077)	(543,175)	(724,642)	-	(1,287,894)
Net book amount	-	1,645,871	312,407	326,844	11,800,924	14,086,046

Year ended 31 December 2012

	Upstream Assets*	Land and buildings	Plant and machinery	Fixtures, fittings, and equipment	Construction in progress	Total
Opening net book amount	-	1,645,871	312,407	326,844	11,800,924	14,086,046
Additions	-	-	162,127	94,595	679,947	936,669
Transfers	-	-		(409)	(11,919,774)	(11,920,183)
Disposal	-	-	(16,487)	(1,049)	-	(17,536)
Impairment reversal					198,249	198,249
Depreciation charge	-	(20,074)	(122,847)	(118,130)	-	(261,051)
	-	1,625,797	335,200	301,851	759,346	3,022,194
At 31 December 2012						
Cost/Valuation	-	1,665,948	979,523	1,140,823	759,346	4,545,640
Accumulated depreciation		(40,151)	(644,323)	(838,972)	-	(1,523,446)
Net book amount	-	1,625,797	335,200	301,851	759,346	3,022,194

[1] *See Note 39 for details of upstream assets.*

[2] *Included in additions are interest capitalised of N6.12 billion (2011: N12.01 billion).*

Impairments[3]

OES Professionalism Rig

In prior period, management recognised an impairment loss of ₦854m on the Professionalism rig on the basis that the cost of refurbishment was higher than the realisable economic benefit. In 2012, management performed a re-assessment of the value of the rig and determined a value of ₦199 million. This amount has been written back to the income statement.

JDZ Block 2

On 14th of March 2012 Equator JDZ Nigeria Block 2 Limited exited the joint venture for the asset at JDZ Block 2. As a result of this the Group no longer has any interest in this field so all remaining asset costs associated with the block have been fully impaired in the year.

Oando Lekki Refinery

In 2011, management decided to suspend further investment in the refinery business. The recoverable amount was determined as the refund expected from the Lagos State Government in respect of the property acquired for the project. The impairment charge of ₦406 million has been recognised in these financial statements.

12 Intangible assets

Group	Asset under construction	Goodwill	Software costs	Exploration and Evaluation asset	Gas Transmission Pipeline	Total
	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January 2011						
At 1 January 2011 as previously stated						
Cost	-	24,093,505	855,150	-	-	24,948,655
Accumulated amortisation	-	-	(533,577)	-	-	(533,577)
Net book value at 1 January 2011 as previously stated	-	24,093,505	321,573	-	-	24,415,078
Restatement to cost or valuation	19,096,216	-	-	58,066,622	6,165,580	83,328,418
Restatement to accumulated amortisation and impairment	-	-	-	(2,883,157)	-	(2,883,157)
Restated Net book value at 1 January 2011	19,096,216	24,093,505	321,573	55,183,465	6,165,580	104,860,339
Year ended 31 December 2011						
Opening net book amount	19,096,216	24,093,505	321,573	55,183,465	6,165,580	104,860,339
Amortisation charge (Note 7)	-	-	(156,830)	-	-	(156,830)
Exchange differences	-	30,411	18,347		-	48,758
Restatement for 2011-Cost	7,064,837			8,784,044		15,848,881
Restatement for 2011-Accumulated amortisation		-	-	(582,718)	(685,064)	(1,267,782)
Restated closing net book amount as at 31 December 2011	26,161,053	24,123,916	183,090	63,384,791	5,480,516	119,333,366
Year ended 31 December 2011						
Restated cost	26,161,053	24,123,916	873,497	66,850,666	6,165,580	124,174,712
Restated accumulated amortisation	-	-	(690,407)	(3,465,875)	(685,064)	(4,841,346)
Restated net book amount as at 31 December 2011	26,161,053	24,123,916	183,090	63,384,791	5,480,516	119,333,366
Year ended 31 December 2012						
Opening net book amount	26,161,053	24,123,916	183,090	63,384,791	5,480,516	119,333,366
Addition	16,474,065	3,423,481	782,514	6,170,373	-	26,850,433
Business acquisition	-	-	-	116,453	-	116,453
Impairment	-	(1,298,875)	-	-	(2,367,628)	(3,666,503)
Transfer	(42,489,407)	-			42,489,407	-
Amortisation charge (Note 7)	-	-	(504,534)	(90,848)	(3,184,441)	(3,779,823)
Exchange difference	-	(163)	(105)	151		(117)
At 31 December 2012	145,711	26,248,359	460,965	69,580,920	42,417,854	138,853,809
Cost	145,711	26,248,359	1,655,906	73,137,643	46,287,359	147,474,978
Accumulated amortisation	-	-	(1,194,941)	(3,556,723)	(3,869,505)	(8,621,169)
Net book amount	145,711	26,248,359	460,965	69,580,920	42,417,854	138,853,809

Company	Software costs N'000
At 1 January 2011	
Cost	746,667
Accumulated amortisation and impairment	(448,000)
Net book value	298,667
Year ended 31 December 2011	
Opening net book amount	298,667
Amortisation charge	(149,334)
Opening net book amount	149,333
At 1 January 2012	
Cost	746,667
Accumulated amortisation and impairment	(597,334)
Net book value	149,333
Year ended 31 December 2012	
Opening net book amount	149,333
Additions	89,096
Amortisation charge	(149,333)
Opening net book amount	89,096
At 31 December 2012	
Cost	835,763
Accumulated amortisation and impairment	(746,667)
Net book value	89,096

Service Concession Arrangements (Gas Transmission Pipeline)

East Horizon Gas Company (EHGC)

EHGC entered into an arrangement with the Nigerian Gas Company Limited (NGC), a government business parastatal charged with the development and management of the Federal Government of Nigeria's natural gas reserves and interests. Under the agreement, NGC assigned its rights and obligations to provide natural gas to United Cement Company of Nigeria (UNICEM) to EHGC. EHGC was expected to build and operate a gas pipeline to deliver gas from the gas fields to UNICEM's terminals. EHGC is also at liberty to expand the connections and deliver to other customers. However, currently, UNICEM is the only off taker of the gas.

The agreement was entered into in March 2007 and shall be in force for 20 years. The total sum due to putting in place the distribution facilities shall be determined by EHGC in consultation with NGC. This amount determined shall represent capital contribution by EHGC and shall be recovered by EHGC from revenue from sale of gas over the contract period using an agreed cost recovery formula. EHGC is required to fund, design and construct the gas distribution facilities, and has a right to utilise the pipeline asset and the right of way license obtained by NGC for the generation of revenue from the use of the pipeline during the contract period. NGC is also obligated to deliver annual contract quantity of gas to EHGC and EHGC is obligated to take or pay for the quantity delivered. At the end of the contract period, the pipeline asset will be transferred to NGC.

Either party has the right to terminate the agreement by serving the other party six (6) months' notice in the event of failure to meet the first gas delivery date, major breach of the contract terms, force majeure and in the event of insolvency or bankruptcy of either party. Capital recovery of EHGC is capped at the total contract price plus interest costs incurred over the life of the contract. The maximum contract price recoverable by EHGC is determined based on periodic valuations done by NGC and as at 31 Dec 2012, the maximum contract price recoverable was capped at N30.511billion. The construction was completed in 2012 and the service concession arrangement has been classified as an intangible asset as EHGC has the right to charge the users of the pipeline over the concession period and NGC has not guaranteed payment of any shortfalls on recovery from users.

The amounts recognised in the financial statements from the concession over the period is as follows;

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000
Revenue	17,700,832	-	-
Profit	4,018,642	-	-

Gaslink Nigeria Limited (GNL)

GNL entered into an arrangement with the Nigerian Gas Company Limited (NGC), a government business parastatal charged with the development and management of the Federal Government of Nigeria's natural gas reserves and interests. Under the agreement, GNL is required to fund, design and construct gas supply and distribution facilities to deliver gas to end-users in Greater Lagos Industrial area. During the agreed period, GNL shall purchase gas from NGC and sell to its customers. The agreement was entered into in March 1999 and shall be in force for 15 years. The total sum due to putting in place the distribution facilities shall be determined by GNL in consultation with NGC. This amount determined shall represent capital contribution by GNL and shall be recovered by GNL from revenue from sale of gas over the contract period using an agreed cost recovery formula. Per the agreement, the cost recovery rate shall be 12.69% of the gas price.

GNL is required to fund, design and construct the gas distribution facilities, and has a right to utilise the pipeline asset and the right of way license obtained by NGC for the generation of revenue from the use of the pipeline during the contract period. NGC is also obligated to deliver Annual Contract Quantity of gas to GNL and GNL is obligated to take or pay for the quantity delivered. At the end of the contract period, the pipeline asset will be transferred to NGC. Either party has the right to terminate the agreement by serving the other party six (6) months' notice in the event of failure to meet the first gas delivery date, major breach of the contract terms, force majeure and in the event of insolvency or bankruptcy of either party.

Capital recovery of NGC is capped at the total contract price plus interest costs incurred over the life of the contract. The maximum contract price recoverable by NGC is determined based on periodic valuations done by NGC and as at 31 Dec 2012, the maximum contract price recoverable was capped at N3.45 billion. The service concession arrangement has been classified as an intangible asset as NGC has the right to charge the users of the pipeline over the concession period and NGC has not guaranteed payment of any shortfalls on recovery from users.

The amounts recognised in the financial statements from the concession over the period is as follows;

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000
Revenue	2,062,984	1,866,525	-
(Loss)	(822,422)	(1,663,782)	-

Impairment on intangible assets

The group recorded an impairment charge on intangible assets arising from its subsidiary, East Horizon Gas Company (EHGC). The intangible assets represent EHGC's rights to recover the cost of construction of a gas transmission pipeline from the sale of gas. As at 31 December 2012, the carrying amount of the intangible asset was higher than the recoverable amount by ₦2,367 million. This impairment charge has been recognised as part of administrative expenses in the income statement.

The recoverable amount was determined using the value in use model. This model determined the present value of the best estimates of cashflow receipts from the sale of gas from customers and reimbursements of interest costs from NGC. A discount rate of 12.23% represents the risk free rate for 17-year Nigerian Government Bond. The discount rate used in the original valuation of the intangible asset was 13.32%.

Cash flows forecasts of interest rates were obtained by extrapolation future interest costs using the contractual rate for the duration of the bank loans. The cash flows forecasts on gas sales was obtained by estimating the gas sales volume and prices from predetermined customers. The net present value of the cash flows was translated the closing exchange rate of ₦155.27/US$1.

Goodwill impairment losses

During the year, goodwill impairment loss of ₦1.3 billion was recorded in relation to the acquisition of Churchill Finance C300-0462 Limited ("Churchill"). Churchill owns an airplane. The impairment, arose as a result of the diminution in the market value of the airplane and the fact that the company had liabilities in excess of its assets. The impairment was determined on a value in use basis using pre-tax discount rates of 10% which represented the pre-tax weighted average cost of capital of the Company.

Key assumptions

In determining the recoverable amount of the CGUs management has made key assumptions to estimate the present value of future cash flows. These key assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information.

- *Operating cash flows*
  The main assumptions within forecast operating cash flow include the planned use of the plane for the Group's business and external parties. The achievement of future charter rates, hours, and the use of industry relevant external forecasts such as fuel consumption, maintenance and crew costs are based on standard aviation practices.
- *Pre-tax risk adjusted discount rates*
  Pre-tax risk adjusted discount rates are derived from risk-free rates based upon long term government bonds in the territory in which the CGU operates. A relative risk adjustment has been applied to risk-free rates to reflect the risk inherent in the CGU. The cash forecast covered five years.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to the operating segments. A segment-level summary of the goodwill allocation is presented below:

At 31 December 2010

	Exploration & Production	Marketing	Supply & Trading	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Nigeria	5,327,738	9,481,281	728,780	4,016,766	493,138	-	20,047,703
West Africa region	-	57,684		-	-	-	57,684
Other countries	1,791,221	-	2,196,897	-	-	-	3,988,118
	7,118,959	**9,538,965**	**2,925,677**	**4,016,766**	**493,138**	**-**	**24,093,505**

At 31 December 2011

	Exploration & Production	Marketing	Supply & Trading	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Nigeria	5,371,247	9,481,281	728,829	4,016,839	493,138	-	20,091,334
West Africa region	-	57,684	-	-	-	-	57,684
Other countries	1,778,025	-	2,196,873	-	-	-	3,974,898
	7,149,272	**9,538,965**	**2,925,702**	**4,016,839**	**493,138**	**-**	**24,123,916**

At 31 December 2012

	OER	OEPL	Marketing	Supply & Trading	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Nigeria	4,364,854	2,034,316	9,481,281	728,829	4,016,839	493,138	-	21,119,257
West Africa region	-		57,684	56,436	-	-	-	114,120
Other countries	1,778,025		-	2,196,873	-	-	1,040,084	5,014,982
	6,142,879	2,034,316	9,538,965	2,982,138	4,016,839	493,138	1,040,084	26,248,359

The recoverable amount of the CGU is determined based on value-in-use calculations (except for OEPL, where fair value less cost to sell method has been used). These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 5 year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates for the CGU in future as disclosed below. The growth rate does not exceed the long-term average growth rate for the respective industry in which the CGU operates.

The key assumptions used for value-in-use calculations were as follows:

At 31 December 2011

	Exploration & Production	Marketing	Supply & Trading	Gas & power	Energy Services	Corporate & Other
	N'000	N'000	N'000	N'000	N'000	N'000
Gross margin	84%	10%	3%	19%	87%	15%
Growth rate	-3%	-10%	-10%	-5%	-4%	0%
Discount rate	14.25%	15%	14.25%	14.25%	14.25%	10%

At 31 December 2012

	OER	OEPL	Marketing	Supply & Trading	Gas & power	Energy Services	Corporate & Other
Gross margin	66%	66%	11%	3%	23%	86%	34%
Growth rate	5%	5%	5%	5%	5%	5%	5%
Discount rate	15%	15%	17%	14%	13%	15%	15%

Management determined budgeted gross margins based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecast performance of the energy industry in which the CGUs operates. The discount rates used are pre-tax and reflect specific risks relating to the relevant segment and CGU.

13 Deferred income tax assets

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

		2012 N'000	2011 N'000	2010 N'000
Deferred tax liabilities				
Deferred tax liabilities - As previously reported		17,207,614	16,290,216	15,544,117
Translation differences	f, j	-		-
Intangible assets	f, d	-	201,239	700,374
Finance Lease	f, b	-	352,775	298,737
Embedded derivative	f, b	-	625,418	254,242
Revaluation surplus	f, c	-	(46,644)	(61,160)
Property, plant and equipment		-	(277,724)	-
Convertible reserve	f, i	-	(225,458)	-
Total deferred tax liabilities - as restated		**17,207,614**	**16,919,822**	**16,736,310**
Deferred tax assets				
Deferred tax assets - As previously reported		13,424,518	9,908,773	6,486,391
Translation differences	j	-		-
Property, plant and equipment		-	-	-
Total deferred tax assets - as restated		13,424,518	9,908,773	6,486,391

The analysis of deferred tax liabilities and deferred tax assets is as follows:

	2012	2011	2010
Deferred tax liabilities			
Deferred tax liability to be recovered after more than 12months	17,207,614	7,524,192	10,791,145
Deferred tax liability to be recovered within 12months	-	9,395,630	5,945,165
Total deferred tax liabilities	17,207,614	16,919,822	16,736,310
Deferred tax assets			
Deferred tax assets to be recovered after more than 12months	13,424,518	5,433,955	3,879,463
Deferred tax assets to be recovered within 12months	-	4,474,818	2,606,928
Total deferred tax assets	13,424,518	9,908,773	6,486,391
Total deferred tax liabilities (net)	3,783,096	7,011,049	10,249,919

The gross movement in deferred income tax account is as follows:

	2012	2011
At start of the year	7,011,049	10,249,919
Restatements		
(Credited)/Charge to profit and loss account (Note 10)	(3,145,492)	(2,932,944)
Charged/(Credited) to equity	(96,109)	(133,535)
(Credited)/Charge to other comprehensive income	(38,549)	37,812
Acquisition of business	204,959	-
Exchange differences	(152,762)	(210,203)
At end of year	3,783,096	7,011,049

Consolidated deferred income tax assets and liabilities, deferred income tax charge/(credit) in the income statement, in equity and other comprehensive income are attributable to the following items:

	1.1.2011	Charged/ (credited) to P/L	Charged/ (credited) to equity	Charged/ (credited) to OCI	Acquisition of business	Exchange Differences	31.12.2012
	N'000	N'000	N'000	N'000		N'000	N'000
2011							
Deferred income tax liabilities							
Property, plant and equipment:							-
- on historical cost basis	6,382,250	(1,413,538)	-	-	-	123,961	5,092,673
- on revaluation surpluses	2,683,528	14,516	-	-	-	(94,606)	2,603,438
- on acquisition of mineral interest	3,809,371	-	-	-	-	(277,724)	3,531,647
Intangible assets	700,374	(499,135)	-	-	-	-	201,239
Finance Leases	298,737	54,038	-	-	-	-	352,775
Embedded derivative	254,242	371,177	-	-	-	-	625,419
Convertible bond	-	0	-	-	-	-	-
Borrowings/other payables	1,305,917	131,900	-	-	-	-	1,437,817
Exchange gain	1,301,891	1,593,044	-	-	-	179,879	3,074,814
	16,736,310	252,002	-	-	-	(68,490)	16,919,822
Deferred income tax assets							
Provisions	(1,123,202)	(708,935)	-	-	-	(229,316)	(2,061,453)
Exchange losses	(1,234,482)	(569,324)	-	-	-	280,067	(1,523,739)
Share options and awards	(170,798)	-	(133,535)	-	-	-	(304,333)
Tax losses	(2,801,861)	(2,011,171)	-	-	-	(397,481)	(5,210,513)
Crude oil underlift	(785,555)	569,325	-	-	-	184,662	(31,568)
Available for sale financial asset	-	-	-	-	-	-	-
Retirement benefit obligation	(370,493)	(464,841)	-	37,812	-	20,355	(777,167)
Property, plant and equipment:	0	-	-	-	-	-	-
	(6,486,391)	(3,184,946)	(133,535)	37,812	-	(141,713)	(9,908,773)
Net deferred income tax liabilities	**10,249,919**	**(2,932,944)**	**(133,535)**	**37,812**	**-**	**(210,203)**	**7,011,049**

	1.1.2011	Charged/ (credited) to P/L	Charged/ (credited) to equity	Charged/ (credited) to OCI	Acquisition of business	Exchange Differences	Total
	N'000	N'000	N'000	N'000		N'000	N'000
2012							
Deferred income tax liabilities							
Property, plant and equipment:							-
- on historical cost basis	5,092,673	(110,490)	-	-	204,959	(17,792)	5,169,350
- on revaluation surpluses	2,603,438	15,762	-		-	(18,055)	2,601,145
- on acquisition of mineral interest	3,531,647	-	-	-	-	(23,829)	3,507,818
Intangible assets	201,239	246,727	-	-	-	-	447,966
Finance Leases	352,775	260,790	-	-	-	-	613,565
Embedded derivative	625,419	(336,539)	-	-	-	-	288,880
Convertible bond	-	0	-	-	-	-	-
Borrowings/other payables	1,437,817	67,615	-	-	-	(10,319)	1,495,113
Exchange gain	3,074,814	98,401	-	-	-	(17,667)	3,155,548
Financial instrument	-	(71,771)	-	-	-	-	(71,771)
							-
	16,919,822	170,495	-	-	204,959	(87,662)	17,207,614
Deferred income tax assets							
Provisions	(2,061,453)	(1,012,734)	-	(13,550)	-	12,734	(3,075,003)
Exchange losses	(1,523,739)	57,542	-	-	-	(120,616)	(1,586,813)
Share options and awards	(304,333)	-	(96,500)	-	-	1,863	(398,970)
Tax losses	(5,210,513)	(60,103)	-	-	-	32,213	(5,238,403)
Crude oil underlift	(31,568)	-	-	-	-	327	(31,241)
Retirement benefit obligation	(777,167)	(45,452)	-	(24,999)	-	4,811	(842,807)
Tax losses		(1,901,934)	-	-	-	3,568	(1,898,366)
Crude oil underlift		(353,306)	391	-	-	-	(352,915)
Retirement benefit obligation		-	-	-	-	-	-
Property, plant and equipment:	-	-	-	-	-	-	-
	(9,908,773)	(3,315,987)	(96,109)	(38,549)	-	(65,100)	(13,424,518)
Net deferred income tax liabilities	**7,011,049**	**(3,145,492)**	**(96,109)**	**(38,549)**	**204,959**	**(152,762)**	**3,783,096**

Company	**2012**	**2011**	**2010**
	N'000	**N'000**	**N'000**
Net deferred tax asset			
Net deferred tax assets - As previously reported	579,405	717,536	125,526
Deferred tax on revaluation reserve	-	-	11,500
Deferred tax on convertible bond	-	(225,397)	-
Net deferred tax asset - as restated	**579,405**	**492,139**	**137,026**
The gross movement in deferred income tax account is as follows:			
At start of the year	(492,139)	(137,026)	
(Credited)/Charge to profit and loss account (Note 10)	6,950	(300,899)	
Charged/(Credited) to equity	(73,485)	(76,571)	
(Credited)/Charge to other comprehensive income	(20,731)	22,357	
		-	
At end of year	(579,405)	(492,139)	

Consolidated deferred income tax assets and liabilities, deferred income tax charge/ (credit) in the income statement, in equity and other comprehensive income are attributable to the following items:

	1.1.2011	Charged/ (credited) to P/L	Charged/ (credited) to equity	Charged/ (credited) to OCI	Exchange Differences	Total
	N'000	N'000	N'000	N'000	N'000	N'000
2011						
Net deferred tax asset						
Property plant and equipment						-
- On historical cost basis	79,864	(7,571)	-	-	-	72,293
- On revaluation surpluses	101,061	-	-	-	-	101,061
Borrowings/Other	(96,995)	(6,674)	-	-	-	(103,669)
Exchange difference	-	-	-	-	-	-
Provisions	(10,843)	1,644	-	-	-	(9,199)
Exchange losses	13,755	(87,273)	-	-	-	(73,518)
Share options and awards	(67,815)	-	(76,571)	-	-	(144,386)
Retirement benefit	(156,053)	(201,025)	-	22,357	-	(334,721)
	(137,026)	(300,899)	(76,571)	22,357	-	(492,139)

	1.1.2012	Charged/(credited) to P/L	Charged/(credited) to equity	Charged/ (credited) to OCI	Exchange Differences	Total
	N'000	N'000	N'000	N'000	N'000	N'000
2012						
Net deferred tax asset						
Property plant and equipment						
- On historical cost basis	72,293	(131,277)	-	-	-	(58,984)
- On revaluation surpluses	101,061	-	-	-	-	101,061
Borrowings/Other	(103,669)	67,615	-	-	-	(36,054)
Exchange difference	-	98,401	-	-	-	98,401
Provisions	(9,199)	-	-	-	-	(9,199)
Financial instruments	-	-	-	(13,550)	-	(13,550)
Exchange losses	(73,518)	-	-	-	-	(73,518)
Share options and awards	(144,386)	-	(73,485)	-	-	(217,871)
Tax losses	-	-	-	-	-	-
Retirement benefit	(334,721)	(27,789)	-	(7,181)	-	(369,691)
						-
	(492,139)	6,950	(73,485)	(20,731)	-	(579,405)

14 Derivative financial assets

	Group 2012	Group 2011 Restated	Group 2010 Restated	Company 2012	Company 2011
	N'000	N'000	N'000	N'000	N'000
Derivative financial instruments – commodity option contracts	23,348	-	-	-	-
Derivative financial instruments – OER convertible options	-	-	-	69,645	-
Derivative financial instruments – foreign currency forwards	-		-	-	-
Embedded derivative in Lease	962,930	-	-	-	-
As previously reported	986,278	-	-	69,645	-
Restatement:					
Derivative financial instruments – commodity option contracts	-	183,691	446,143	-	-
Derivative financial instruments – foreign currency forwards		135,582			
Embedded derivative - Akute Finance Lease (Note 15)	-	2,084,727	847,472	-	-
	986,278	2,404,000	1,293,615	69,645	-

Commodity option contracts

The following forward purchase contracts for crude oil were outstanding at December 31, 2012:

	Volume (mmbbls)	Beginning	Ending	Forward price	Fair value
Standard Chartered Bank	0.0443	Jan. 1, 2009	Dec. 31, 2013	11,645	5,124
BNP Paribus	0.0886	Jan. 1, 2009	Dec. 31, 2013	11,645	18,224
					23,348

15 Finance lease receivables

	Group 2012	Group 2011 Restated	Group 2010 Restated	Company 2012 Restated	Company 2011 Restated
	N'000	N'000	N'000	N'000	N'000
Finance Lease Receivable (Akute Power Plant) - Current	450,377	498,930	476,314	-	-
Finance Lease Receivable (Akute Power Plant) - Non Current	3,206,008	3,663,544	4,169,287	-	-
	3,656,385	4,162,474	4,645,601	-	-

In 2008, Akute Power Limited (APL) a subsidiary of Oando Plc., entered into a Build, Own, Operate and Transfer (BOOT) arrangement with Lagos State Water Corporation (LSWC) to construct a gas – fired electric plant and deliver power to LSWC over a period of 20 years (10 years initial period with an option to extend for 2 successive terms of up to 5 years). The construction was completed in 2010 and commercial operations commenced in February 2010. The group recognised the transaction as Property, plant and equipment in the previous financial statements. The Group also recognised revenue based on actual amounts billed for electricity delivered to the customer for each period.

However, the substance of the BOOT arrangement brings it under the scope of IFRIC 4 (arrangement containing a lease) and IAS 17 (leases). Consequently, the transaction has been restated and accounted for in line with IFRIC 4 and IAS 17. The requirements of IAS 39 have also been applied in accounting for the exchange rate indexation as embedded derivatives.

The contract allows APL to bill LSWC in addition to the power supply, exchange rate fluctuations between the Naira and USD where the exchange rate exceeds the ruling rate at the contract inception date. Lease agreements in which the other party, as lessee (LSWC) is to be regarded as the economic owner of the leased assets give rise to accounts receivable in the amount of the discounted future lease payments in the books of the lessor (APL). These receivables amounted to ₦3.7 billion as of December 31, 2012. (2011: ₦4.2 billion; 2010: ₦4.6 billion) and will bear interest until their maturity dates of ₦2.3 billion (2011: N3 billion; 2010: N3.8 billion).

The receivables under the finance lease are as follows:

	Group 2012 N'000	Group 2011 Restated N'000	Group 2010 Restated N'000
Finance lease - gross receivables	4,904,510	5,989,849	7,164,424
Unearned finance income	(1,698,501)	(2,326,305)	(2,995,137)
	3,206,009	3,663,544	4,169,287
Current receivables			
Finance lease - gross receivables	1,085,339	1,174,576	1,235,878
Unearned finance income	(634,962)	(675,646)	(759,564)
	450,377	498,930	476,314
Gross receivables from finance lease			
Not later than one year	1,085,339	1,174,576	1,235,878
Later than one year and not later than five years	3,427,804	3,763,124	4,133,722
Later than five years	1,476,705	2,226,725	3,030,702
	5,989,848	7,164,425	8,400,302
Unearned future finance income on finance lease	(2,333,463)	(3,001,951)	(3,754,701)
Net investment in finance lease	3,656,385	4,162,474	4,645,601
The net investment in finance lease may be analysed as follows:			
Not later than one year	450,377	498,930	476,314
Later than one year and not later than five years	2,229,314	2,273,620	2,391,557
Later than five years	976,694	1,389,924	1,777,730
	3,656,385	4,162,474	4,645,601

16 Deposit for acquisition of a business

In December 2012, the Group entered into a share purchase & sale agreement with Conoco Phillips to acquire Conoco Phillip's Nigerian businesses for an approximate cash consideration of ₦277.9 billion (US$ 1.79 billion), net of post-closing adjustments. Upon execution of the sale and purchase agreement, the Group paid a deposit of ₦67.5 billion (US$435 million) to Conoco Phillips through its subsidiary, Oando Energy Resources Inc. (OER). See Note 34.

The Group financed the deposit through ₦32.6 billion (US$210 million) term loan from Ocean and Oil Development Partners ("OODP"), N7.7 billion (US$50 million) term, loan from Ansbury Investments Inc. ("Ansbury") and ₦27.2 billion bridge loans from local Nigerian banks. See details of borrowings and other loans in Note 25. The convertible features on the loan were not recognised because the required approvals had not been obtained as at reporting date. Therefore, did not meet the grant date definition.

In order to enable OER make the payment for the deposit, OER and Oando PLC entered into a ₦53.6 billion (US$345 million) convertible notes ("the notes") agreement in 2012. The notes which bear a coupon of 10.5% margin + Libor will convert upon receipt of a conversion notice by the notes holder. The coupon of ₦199.5 million included in OER net finance cost has been eliminated against corresponding credit in Oando PLC's books on consolidation. In addition, the principal amount of ₦53.6 billion reflected under borrowings in OER has been eliminated against the corresponding receivable in Oando PLC's books on consolidation.

The Group has recognised interest on the borrowings under finance costs in accordance with the terms of the notes agreement. If the closing of the acquisition does not occur due to a failure of OER to perform or observe its covenants or agreements under the relevant sale and purchase agreements or because of a failure to obtain all approvals and consents required by laws from any Government authority under the applicable petroleum laws of Nigeria including the Petroleum Act, Conoco Phillips has no obligation to refund the deposit to the Group.

17 Non-current receivables and prepayments

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000	Company 2012 N'000	Company 2011 N'000
Prepaid operating lease (a)	2,152,283	1,474,430	925,108	-	-
Underlift receivables (b)	8,466,312	-	-	7,345,639	-
Other non-current receivables[1]	-	30,970,770	22,927,217	-	33,762
Previously stated	10,618,595	32,445,200	23,852,325	7,345,639	33,762
Restatement:					
Reclassified to intangible assets	-	(30,970,772)	(22,927,217)		
	10,618,595	1,474,428	925,108	7,345,639	33,762

[1] *Due to change in accounting policy, this has now been recognised as intangibles. See service concession arrangements in Note 12.*

a) *Prepaid operating lease*

The balance relates to prepayments for leases of land and buildings for retail stations and offices. The prepayments are amortised to the income statement over the period of the lease. The movement in the balance during the year is as follows:

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000	Company 2012 N'000	Company 2011 N'000
At start of the year	1,474,428	925,108	1,159,479	-	-
Exchange differences	-	(6,752)	527	-	-
Additions in the year	1,186,466	805,523	165,470	-	-
Reclassifications to current	(508,611)	(249,451)	(400,368)	-	-
	2,152,283	1,474,428	925,108	-	-

b) Underlift receivables represent the Group's crude oil entitlements as a result of operations on OML 125. These balances are owed by the Nigerian National Petroleum Corporation (NNPC), the national oil corporation through which the Federal Government of Nigeria regulates and participates in the Country's petroleum industry.

The Group through OML 125 and 134 Limited is currently in a dispute with the NNPC in relation to certain liftings done by NNPC in 2008 and 2009 and which , in the view of the Group and Nigeria Agip Exploration Limited ("NAE"), the operator of the OML 125, exceeded the NNPC's entitlements. The dispute was referred to arbitration by NAE and OML 125 and 134 Limited. In October 2011, the arbitral tribunal issued an award which was in favour of NAE and OML 125 and 134 Limited.

Later in October 2011, the NNPC filed a lawsuit in the Federal High Court Abuja challenging the award and it obtained an injunction restraining further proceeding in the arbitration. The NNPC also filed an action requesting the court to retain an injunction pending final determination of the case before the Federal High Court. In response to the NNPC law suit, NAE and OML 125 and 134 Limited filed an application to discharge the injunction. The case is still pending before the Federal High Court.

Although not a party to the arbitration, proceedings described above, the Federal Inland Revenue Service ("FIRS") filed an action in the Federal High Court challenging the jurisdiction of the arbitral tribunal to determine tax disputes arising from the Production Sharing Contract (PSC) between the NNPC. NAE and OML 125 and 134 Limited. In response NAE and OML 125 and 134 Limited filed a jurisdictional challenge against the FIRS on the ground that the FIRS lacks the capacity to institute an action challenging the internal arrangement of parties to the PSC for the assessment and liability of tax.

The Group through OML 125 and 134 Limited retained the contractual rights to receive the cash flows associated with the underlift receivables.

On completion of Oando reorganisation on July 24, 2012, Oando Energy Resources ("OER") agreed and assumed a contractual obligation to pay underlift receivables amounting to ₦7.3 billion (US$47.3 million) to Oando PLC. Payment of the ₦7.3 billion by OER to Oando PLC is contingent upon the collection of the equivalent amount from NNPC. Due to uncertainty associated with the timing of the collectability and the related dispute, the receivables have been classified as non-current. Accordingly, OER recognised a long term payable in its statement of financial position. In response, Oando PLC has recognised a long term receivable in its statement of financial position. The intra-group underlift long term payable and the long term receivable in the statement of financial position of OER and Oando PLC has been eliminated on consolidation.

18 Inventories

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000	Company 2012 N'000	Company 2011 N'000
Finished goods	12,049,220	27,911,157	17,888,583	-	-
Materials	4,326,658	2,496,308	1,689,272	-	-
Goods-in-transit	885,213	1,219,723	1,931,956	-	-
Consumable materials and engineering stocks	849,450	831,217	876,607	6,733	-
	18,110,541	32,458,405	22,386,418	6,733	-

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to ₦569 billion (2011: ₦481.66 billion). There was no inventory carried at net realisable value as of the reporting date (2011: nil).

19 Trade and other receivables

	Group 2012	Group 2011 Restated	Group 2010 Restated	Company 2012	Company 2011
	N'000	N'000	N'000	N'000	N'000
Trade receivables	32,134,461	43,589,986	42,990,660	-	-
Less: provision for impairment of trade re	(3,441,372)	(5,270,276)	(2,226,627)	-	-
	28,693,089	38,319,710	40,764,033	-	-
Petroleum subsidy fund	39,043,740	20,311,393	7,189,582	-	-
Bridging claims receivables	14,456,968	9,868,780	6,677,332	-	-
Other receivables	13,530,419	12,954,472	19,197,966	63,460,525	3,930,791
Cash call from JV partners	4,582,546	1,685,718	-		
VAT input & Witholding tax receivable	7,816,670	6,394,842	-		
Amount due from related parties	-	-	-	65,093,019	94,036,934
Prepayments	6,319,060	15,680,609	4,276,268	252,501	154,149
Derivative financial instruments - commodity contracts (Note 14)	-	183,691	446,143	-	-
Derivative financial instruments - foreign currency forwards (Note 14)	-	135,582	-	-	-
Less: provision for impairment of other re	(507,249)	(19,274)	(181,591)	(19,160)	(19,160)
As previously reported	113,935,243	105,515,523	78,369,733	128,786,885	98,102,714
Restatement:					
Derivative financial instruments - commodity contracts (Note 14)	-	(183,691)	(446,143)	-	-
Derivative financial instruments - foreign currency forwards (Note 14)	-	(135,582)	-	-	-
As restated	113,935,243	105,196,250	77,923,590	128,786,885	98,102,714

Included in the Other receivables for "Company" is a loan of ₦53.6 billion (US$365m) given to OER, which has been eliminated on consolidation. The fair value of trade receivables are based on cash flows discounted using rates based on borrowing rates applicable to the various business segments of between 14.5% and 16%. Prepayments of ₦1.2 billion has been charged to the income statement.

Movement in provision for impairment of receivables for the year is as detailed below:

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
At start of the year	5,289,550	2,408,218	19,160	19,160
Provision for receivables impairment (Note 7)	(1,343,351)	3,385,166	-	-
	3,946,199	5,793,384	19,160	19,160
Receivables written off during the year as uncollectible	(4,407)	(418,928)	-	-
exchange difference	6,829	(84,906)	-	-
At end of year	3,948,621	5,289,550	19,160	19,160

20 Available-for-sale financial assets

Available-for-sale financial assets represent the company's investments in listed securities on the Nigerian Stock Exchange. The investment is carried at fair value based on current bid price at the Nigerian Stock Exchange.

The movement in the available-for-sale financial asset is as follows:

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000	Company 2012 N'000	Company 2011 N'000
At start of the year	194,031	1,000	1,000	194,031	1,000
Addition	836	193,031	-	-	193,031
Fair value loss	(45,166)	-	-	(45,166)	-
At the end of year (Re-stated)	149,701	194,031	1,000	148,865	194,031
Less: Non current portion	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Current	148,701	193,031	-	147,865	193,031

There were no disposals of AFS financial assets during the current or prior year.
Available-for-sale financial assets include the following:

	Group 2,012 N'000	Group 2,011 N'000	Group 2,010 N'000	Company 2,012 N'000	Company 2,011 N'000
Listed securities:					
Equity securities - Nigeria	148,865	194,031	-	148,865	194,031
Equity securities - Other	836	-	-	-	-
	149,701	194,031	-	148,865	194,031

Available-for-sale financial assets are denominated in the following currencies:

Nigerian Naira	149,701	194,031	-	148,865	194,031

b. *Investment in subsidiaries*

	Company 2012 N'000	**Company 2011 N'000**
Akute Power Limited	2,500	2,500
Apapa SPM Limited	19,125	19,125
East Horizon Gas Co. Limited	10,000	10,000
Gaslink Nigeria Limited[1]	7,029,869	7,004,942
Oando Energy Services Limited[1]	584,210	610,457
Oando Exploration and Production Limited[1]	3,932,524	3,928,723
Oando Gas and Power Limited	1,000	1,000
Oando Lekki Refinery Limited	2,500	2,500
Oando Marketing Limited[1]	15,780,925	15,725,491
Oando Petroleum and Development Company Limited	-	3,315,774
Oando Port Harcourt refinery Limited	2,500	2,500
Oando Properties Limited	250	250
Oando Supply and Trading Limited[1]	828,830	812,567
Oando Trading Limited Bermuda	3,435,950	2,894,333
OML 112 & 117 Limited	6,538	6,538
Oando Akepo Limited	-	2,500
Oando Terminal and Logistics Limited	2,500	2,500
Equator Exploration Limited	-	7,479,839
Oando Liberia Limited	6,538	6,538
OES Passion Limited	1,752	1,752
OES Professionalism Limited	10,000	10,000
Central Horizon Gas Company Limited	5,100	5,100
Ajah Distribution Limited	2,500	2,500
Alausa Power Limited	2,500	2,500
Gasgrid Nigeria Limited	2,500	2,500
Oando Resources Limited	2,500	2,500
Oando Petroleum Development Limited	-	2,500
Oando Logistics	-	-
0901887 BC Limited	-	-
Lekki Gardens Power Limited	2,500	2,500
Oando Wings Limited	3,000	3,000
Oando Exploration Equator Holdings Limited	1,816	1,816
Oando Servco Nig Limited	-	2,500
Oando Qua Iboe Limited	10,000	-
Oando Reservoir Limited	10,000	-
Oando Energy Resources Inc.	53,681,593	-
	85,381,520	41,867,243
Provision for diminution	(2,500)	(2,500)
	85,379,020	41,864,743

[1] Group settled share based transactions is recognised as an equity-settled share-based payment transaction and additional investments in the subsidiary.

21 Cash and cash equivalents

Available-for-sale financial assets represent the company's investments in listed securities on the Nigerian Stock Exchange. The investment is carried at fair value based on current bid price at the Nigerian Stock Exchange.

	Group 2012 N'000	Group 2011 N'000 Restated	Group 2010 N'000	Company 2012 N'000	Company 2011 N'000
Cash at bank and in hand	12,176,710	18,157,778	9,207,409	1,267,818	1,505,894
Short term deposits	1,231,797	2,875,751	2,979,663	300,177	1,011,787
As previously reported	13,408,507	21,033,529	12,187,072	1,567,995	2,517,681
Restatement:					
Restricted cash		(2,343,000)	-		-
As restated	13,408,507	18,690,529	12,187,072	1,567,995	2,517,681
Restricted cash	4,053,050	2,343,000	-	324,000	-
	17,461,557	21,033,529	12,187,072	1,891,995	2,517,681

The weighted average effective interest rate on short-term bank deposits at the year-end was 16.9% (2011:12%). These deposits have an average maturity of 30 days.

For the purposes of the cash flows statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings under current liabilities. The year-end cash and cash equivalents comprise the following:

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000	Company 2012 N'000	Company 2011 N'000
Cash and bank balance as above	13,408,507	18,690,529	12,187,072	1,567,995	2,517,681
Bank overdrafts (Note 25)	(48,537,984)	(25,347,667)	(23,615,205)	(8,602,062)	(164,285)
	(35,129,477)	(6,657,138)	(11,428,133)	(7,034,067)	2,353,396

22 Earnings per share

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

	Group 2012 N'000	Group 2011 N'000
Profit attributable to equity holders of the Company	10,424,491	2,852,634
Mineral rights acquisition costs	-	-
As restated	10,424,491	2,852,634
Weighted average number of ordinary shares in issue (thousands)		
As previously reported	2,274,118	1,810,169
Bonus issue	-	458,246
	2,274,118	2,268,415
Basic and diluted earnings per share as restated	458.4	125.8
As previously reported	-	114.3

	Restatement Note Ref	P&L Impact	EPS Impact
Basic earnings per share as previously stated			114.3
Earnings/ loss per share on restatement:			
Finance Lease	b	(153,953)	(6.8)
Embedded derivative	b	1,237,256	54.5
Decommissioning	c	48,387	2.1
Intangible Assets	d	(1,663,782)	(73.3)
Convertible debt	e	776,329	34.2
Deferred tax	f	59,404	2.6
Depreciation on revaluation reversal		(42,700)	(1.9)
		260,940	125.8

Weighted average number of shares in 2011 includes shares issued during the year.

Diluted Earnings Per share

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

	Group 2012 N'000	Group 2011 N'000
Profit attributable to equity holders of the Company	10,424,491	2,852,634
Interest expense on convertible debt net of tax	-	109,340
Profit used to determine diluted earnings per share	10,424,491	2,961,974
Weighted average number of ordinary shares in issue (thousands)	2,274,118	2,268,415
Assumed conversion of convertible debt	-	72,464
Weighted average number of ordinary shares for diluted earnings share (thousands)	2,274,118	2,340,879
Diluted earnings per share as previously reported	458.40	126.53
Restatement:		
Profit attributable to equity holders of the Company		2,852,634
Interest expense on convertible debt net of tax		-
Profit used to determine diluted earnings per share		2,852,634
Weighted average number of ordinary shares in issue (thousands)		2,268,415
Assumed conversion of convertible debt		
Weighted average number of ordinary shares for diluted earnings share (thousands)		2,268,415
Diluted earnings per share as previously reported		126.53
Effect of reversal of convertible		(0.78)
Diluted earnings per share as restated		125.8

Dividends per share

At the Annual General Meeting held on 27 July, 2012 no dividend was declared in respect of 2011 results.

23 Share capital

	Number of shares (thousands)	Ordinary shares N'000	Share premium N'000	Total N'000
At 1 January 2011	1,810,169	905,084	49,042,111	49,947,195
Staff bonus and discretionary award	11,407	5,702	479,075	484,777
Bonus Issue	452,542	226,272	-	226,272
At 31 December 2011	2,274,118	1,137,058	49,521,186	50,658,244
At 1 January 2012	2,274,118	1,137,058	49,521,186	50,658,244
At 31 December 2012	2,274,118	1,137,058	49,521,186	50,658,244

Authorised share capital

The total authorised number of ordinary shares is six (6) billion (2011: 6 billion) with a par value of 50 Kobo per share. All issued shares are fully paid.

Bonus issue of 452,542,314 ordinary shares of 50k each

At the Annual General Meeting held on 30 June, 2011, the shareholders approved a bonus share of one for every four shares held by members at the close of business on 29 April, 2011.

Staff Bonus and discretionary share award

No discretionary share award to employees was made during the year (2011: 11,406,568 shares were issued to employees at nil value).

Share options

Share options are granted to executive directors and confirmed employees. The exercise price of the granted options is equal to the weighted average market price of the shares in the 30 days preceding the date of the grant. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from the grant date, subject to the Group achieving its target growth in after tax profit; the options have a contractual option term of three years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2012		2011	
	Average exercise price (NGN per share)	Options (thousands)	Average exercise price (NGN per share)	Options (thousands)
At 1 January	106.02	38,570	109.59	40,196
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	(8,594)	-	-
Expired	66.84	(3,231)	218.00	(1,626)
At 31 December	112	26,745	106	38,570

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Grant Date	Fair value	Exercise price per share	Dividend yield	Volatility	Risk free rate	2012	2011
2 May, 2012	1 May, 2009	25.85	66.84	3.87%	58.1%	5.5%	-	5,491
2 May, 2013	1 May, 2010	42.90	111.76	3.87%	57.5%	5.5%	26,745	33,079
							26,745	38,570

24 Other reserves

Group	Revaluation reserves (thousands)	Convertible Reserve	Share based payment N'000	Currency translation reserve N'000	Total N'000
At 1 January 2011 as previously stated	17,321,174	-	-	(1,140,692)	16,180,482
Restatement	-	-	-	-	-
Revaluation of PPE	(1,333,609)	-	-	-	(1,333,609)
Tax on revaluation	126,107	-	-	-	126,107
Additional Decommissioning obligation	(405,118)	-	-	-	(405,118)
Share based payment reserve	-	-	-	-	-
Deferred tax on share based payment reserve	-		-	-	-
At 1 January 2011 as restated	15,708,554	-	-	(1,140,692)	14,567,862
Exchange difference	(25,878)	-	-	(1,161,647)	(1,187,525)
Equity component - Convertible bonds	-	751,528	-	-	751,528
Tax on convertible bond	-	(225,458)		-	(225,458)
Restatements:					
GAAP Translation differences		-	-	-	-
Additional Decommissioning obligation exchange difference)	(3,409)	-	-		(3,409)
Reversal of Equity component of convertible bond	-	(751,528)	-	-	(751,528)
Reversal of deferred taxes on convertible bond	-	225,458		-	225,458
Share based payment reserve	-	-	-	-	-
Deferred tax on share based payment reserve			-		-
At 31 December 2011 as restated	15,679,267	-	-	(2,302,339)	13,376,928
At 1 January 2012	15,679,267	-	-	(2,302,339)	13,376,928
Currency translation difference	-	-	-	1,216,015	1,216,015
Convertible bond- Equity component	-	-	-	-	-
IFRIC 1 adjustment to revaluation reserve	(27,187)	-	-	-	(27,187)
Share based payment reserve	-	-	605,293	-	605,293
Tax on value of employee services		-	96,109		96,109
Revaluation on disposal of PPE	(13,051)	-	-	-	(13,051)
Reclassification to share based payment reserve	-	-	1,078,449	-	1,078,449
Acquisition of non controlling interest in Exile				(1,920,492)	(1,920,492)
At 31 December 2012	15,639,029		1,779,851	(3,006,816)	14,412,064

Company	Revaluation reserves (thousands)	Convertible Reserve	Share based payment N'000	Currency translation reserve N'000	Total N'000
At 1 January 2011 as previously stated	1,013,047	-	-	-	1,013,047
Restatements	(115,000)	-	-	-	(115,000)
Deferred tax on revaluation surplus	11,500	-	-		11,500
At 1 January 2011 as restated	909,547	-	-	-	909,547
Share based payment reserve	-	-	-	-	-
Deferred tax on share based payment	-		-	-	-
Equity component - Convertible bond3	-	751,528	-	-	751,528
Tax on convertible bond	-	(225,458)	-	-	(225,458)
Restatements:		-	-	-	-
Reversal of Equity component of convertible bond	-	(751,528)	-	-	(751,528)
Reversal of deferred taxes on convertible bond	-	225,458	-	-	225,458
At 31 December 2011 as restated	909,547	-	-	-	909,547
At 1 January 2012	909,547	-	-	-	909,547
Share based payment reserve	-	-	319,131	-	319,131
Deferred tax on share based payment			73,485		73,485
Reclassification to share based payment reserve			973,963		
At 31 December 2012	909,547	-	1,366,579	-	2,276,126

The revaluation reserve is not available for redistribution to shareholders until realised through disposal of related assets.

25 Borrowings

	Group 2012 N'000	Group 2011 Restated N'000	Group 2010 Restated N'000	Company 2012 N'000	Company 2011 N'000
The borrowings are made up as follows:					
Non-current					
Bank loans	75,221,070	83,368,727	74,800,422	45,760,738	48,653,618
Other third party debt	-	2,668,365	-	-	2,668,365
As previously reported	75,221,070	86,037,092	74,800,422	45,760,738	51,321,983
Restatement:					
Reversal of conversion option of Other third party debt at amortised cost		(24,801)			(24,801)
As restated	75,221,070	86,012,291	74,800,422	45,760,738	51,297,182
Current					
Bank overdraft (Note 21)	48,537,984	25,347,667	23,615,205	8,602,062	164,285
Bank loans	120,924,911	94,645,569	47,352,496	15,316,200	6,000,000
Finance lease liabilities	-	-	52,939	-	-
Other third party debt	44,202,820	-	-	44,202,820	-
	213,665,715	119,993,236	71,020,640	68,121,082	6,164,285
Total borrowings	288,886,785	206,005,527	145,821,062	113,881,820	57,461,467

The borrowings include secured liabilities (bank borrowings) in a total amount of ₦51.2 billion (2011: ₦55.1 billion; 2010: ₦56.2 billion). The Group has a Trust Deed arrangement, executable by a Trustee company (First Trustees Limited) by which bank borrowings are secured. The security trust deed (STD) between Oando Plc. and the Trustee was executed in October 2009 to fulfill the security obligations of Oando Plc. with respect to its various Lenders under an Inter-creditor deed. The STD is a security pool which places a floating charge over the assets of Oando Plc. which principally comprise its stock and shares in the subsidiaries, book debts, office equipment, plant and machinery, intellectual property etc.

The Group issued convertible bond of ₦2.5 billion to Ocean and Oil Investments Limited (OOI), a related party in 2011. At 31 December 2011, the convertible bond was split according to substance into liability and equity components. However, in 2012, the Nigerian Stock Exchange (NSE) drew management's attention to the lack of notification of the NSE to the convertible notes and terms and conditions for conversion in compliance with the Post- Listing Requirements (The Green Book). The lack of notification of NSE effectively rendered the convertible bond ineffective. Consequently, the convertible bond has been restated as a borrowing at 31 December 2012. The borrowing was valued using the effective interest method at the balance sheet date. The impact of the reversal is a decrease in the carrying amount of the loan by ₦24 million. The equity component was also subsequently reversed because it did not meet the requirements for recognition. See Note 24.

Non-current borrowings are analysed as follows:

Loan type	Purpose	Tenure/ Interest rate	Security	Available facility	Drawdown/ Balance 2012	Drawdown/ Balance 2011	Drawdown/ Balance 2010
Group				N'000	N'000	N'000	N'000
Term Loan	To finance OER activities	4yrs/10.5%	Fixed and Floating charge over OML 125/134 interest and chargeable assets & Share Pledge.	9,316,200	6,987,204	8,806,400	6,110,932
Syndicated loan	Greater Lagos III gas pipeline project for Gaslink	3yrs/15%	Pledge of assets being financed; Corporate guarantee by Oando Plc.	1,157,227	-	-	275,040
Medium Term Loan	To finance OML 13 (Qua Iboe Ltd) activities	5yrs/ 8%	Pledge of assets being financed; Lien on Account; Subordinated corporate guarantee of Oando Plc.	15,527,000	3,881,750	-	-
Medium term loan	Upgrade of OES rig	3yrs/ 8%	Negative pledge of Oando Energy Services; Domiciliation of rig contract proceeds; subordinated corporate guarantee of Oando Plc.	3,105,400	3,124,000	3,514,500	-
Medium term loan	Upgrade of OES rig	3yrs/ 8%	Negative pledge of Oando Energy Services; Domiciliation of rig contract proceeds; subordinated corporate guarantee of Oando Plc.	3,493,575	1,786,813	3,204,131	-
Term Loan	Equity Finance	12mths with roll over option/ 18.25%	Corporate guarantee of Oando plc. to pay interest charges and fixed deposit of same amount	-	1,400,000	-	2,500,035
Syndicated gas project facility	UNICEM gas pipeline project by East Horizon Gas Company	3yrs/ 16.2%	Corporate guarantee of Oando Plc. and domiciliation of current account of gas sales proceeds	17,800,000	11,444,769	16,240,583	13,651,920
Term Loan	To finance CNG project	5yrs/14.5%	Corporate guarantee of Oando Plc. and CNG plant	2,200,000	1,493,486	607,306	-
Project Finance	To finance Akute IPP	7yrs/14.5%	Pledge of assets being financed; corporate guarantee of Oando Plc.	3,400,000	2,254,296	5,542,601	3,614,316
Medium Term Loan	Restructuring of Short -Long term Debt	5yrs/Nibor+1% p.a.	Mortgage on assets of Oando Plc. and some subsidiaries	60,000,000	51,225,000	55,129,228	54,998,682
Derivative_CLS	To finance OML 90 Activities	3yrs/ 6.533%	Derivative barrels of oil	-	1,765,507	4,850,010	3,441,562
Medium Term Loan	Financing Apapa SPM project	3yrs/Libor+8% p.a. subject to a minimum of 8.5% p.a.	Fixed and floating charge on assets of Oando PLC	2,329,050	2,037,919	2,343,000	-
Term Loan	Financing Apapa SPM project	15.25%, renewable annually	Lien on deposit	12,004,595	5,589,720	1,400,177	-
Convertible debt				2,652,477	-	2,643,564	-
Term Loan	Finance acquisition of retail outlets			-	491,000	-	-
Term Loan	Finance of aircraft purchase	6yrs/ 6%	Security Assignment, Share Charge	2,034,037	1,462,816	-	-
Total non current borrowings				135,019,562	94,944,281	104,281,498	84,592,487
Less current portion of non-current borrowings					(19,723,211)	(20,068,107)	(9,880,906)
				135,019,562	75,221,070	86,012,291	74,800,422

Current borrowings are analysed as follows:

Loan type	Purpose	Tenure/ Interest rate	Security	Drawdown/ Balance 2012	Drawdown/ Balance 2011	Drawdown/ Balance 2010
				N'000	N'000	N'000
Import finance facility	To purchase petroleum products for resale	30-90days	Sales proceeds of products financed	57,634,331	37,885,144	29,201,405
Other loans				42,870,200	-	-
Commercial papers	To finance products allocation from PPMC and importation of petroleum products		Stock hypothecation, cash and cheque collection from product sales	63,203,559	36,692,317	8,328,345
Other commercial papers/overdraft		30-365days, 12.5%-15.5%	Corporate guarantee/security deed	30,234,414	25,347,667	23,609,985
Total current loans				193,942,504	99,925,129	61,139,735
Current portion of non-current borrowings				19,723,211	20,068,107	9,880,906
				213,665,715	119,993,236	71,020,640

	2012	2011
Weighted average effective interest rates at the year end were:		
- Bank overdraft	16.7%	14.0%
- Bank loans	16.8%	18.0%
- Import finance facility	3.24%	2.9%
- Finance leases	17.0%	-
- Other loans	19.75%	19.75%

The carrying amounts of short-term borrowings and lease obligations for 2012 and 2011 respectively approximate to their fair value. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the Group at the reporting date.

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2012 N'000	2011 N'000	2012 N'000	2011 N'000
Bank loans	75,221,070	84,238,035	75,221,070	86,037,092

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2012 N'000	2011 N'000
Nigerian naira	189,301,793	143,628,087
US Dollar	98,809,520	62,388,311
West African CFA	775,472	-
	288,886,785	206,016,397

26 Provisions for liabilities and charges

Provisions for liabilities and charges relate to underground tanks decommissioning and oil and gas assets abandonment restoration obligation as follows:

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000	Company 2012 N'000	Company 2011 N'000
Underground tanks	802,837	790,373	661,726	-	-
Oil and gas fields	2,759,833	696,275	1,180,101	-	-
Provision for litigation	353,416	-	-	353,416	-
	3,916,086	1,486,648	1,841,827	353,416	-
Movement during the year is as follows:					
At 1 January as previously restated	1,486,648	1,841,827	1,841,827	-	-
Charged/(credited) to the Income statement					
- (Write back)/additional provisions in the year	2,178,945	(582,625)	-	-	-
- Unwinding of discount	208,545	95,025	-	-	-
- Exchange differences	41,948	132,421	-	-	-
Restated balance at 31 December	3,916,086	1,486,648	1,841,827	-	-
No amount of provisions is expected to be utilised in the next 5 years					
Analysis of total provisions					
Non current	3,562,670	1,486,648	1,841,827	-	-
Current	353,416	-	-	353,416	-
Total	3,916,086	1,486,648	1,841,827	353,416.00	-

See details of provision for litigation in Note 35

27 Derivative financial instruments

	Group 2012 N'000	Group 2011 Restated N'000	Group 2010 Restated N'000	Company 2012 N'000	Company 2011 N'000
Interest-rate swap	1,159,710	1,624,168	1,449,529	-	-
Cross currency	1,409,651	1,349,724	-	1,409,651	1,349,724
Share Warrants	917,095	-	-	-	-
	3,486,456	2,973,892	1,449,529	1,409,651	1,349,724

Share warrants

Upon closing of the reverse acquisition of Exile Resources Inc., on July 24, 2012, 11,428,552 warrants were issued as purchase consideration. The warrants are denominated in a currency (Canadian dollars –"Cdn") other than the functional currency (US dollars). The warrants are classified as financial liabilities because the exercise price is not fixed in the functional currency of OER.

The warrants are therefore required to be initially recognized at fair value and subsequently measured at fair value through profit or loss. The fair value of warrants, determined using the Black Scholes option pricing model, was US$5.9 million at December 31, 2012. The significant inputs to the model were the share price of US$1.70, exercise price of US$1.50 and US$2.00 respectively, volatility of 78%, dividend yield of US$nil, expected warrant life of 0.5 and 1.5 years respectively and a risk free rate of 0.18% and 0.22% respectively.

	Number of Warrants	**Average exercise price in Cdn per Warrant**
As at 1 January 2012	-	-
Granted	11,428,552	$1.75
Exercised	(200)	$1.50
As at 31 December 2012	11,428,352	$1.75

Warrants exercised in the year resulted in 200 shares being issued at a weighted average price of US$1.79 each. The weighted average share price at the time of exercise was US$1.50. A summary of the outstanding warrants as at December 31, 2012 is as follows:

	Expiry date	**Exercise price (Cdn)**	**Warrants outstanding**	**Fair value of Warrants ($)**	**Fair value of Warrants (NGN)**
$1.50 Warrants	July 24, 2013	$1.50	5,714,076	2,618	406,497
$2.00 Warrants	July 24, 2014	$2.00	5,714,276	3,288	510,598
			11,428,352	5,906	917,095

As at December 31, 2012, 5,714,076 (2011: nil) warrants were exercisable. The value of warrants at 31 December, 2012 was ₦917 million (2011: nil).

28 Retirement benefit obligations

Balance sheet obligations for:					
Gratuity	2,802,983	2,728,970	1,407,698	1,232,303	1,216,031
Income statement charge (Note 8):					
Gratuity	295,394	1,625,840	443,185	93,442	861,705
Other comprehensive income					
Actuarial (losses)/gains recognised in the statement of other comprehensive income in the period	(83,331)	126,040	15,313	(23,936)	74,524
Cumulative actuarial losses recognised in the statement of other comprehensive income	113,325	196,656	63,779	-	-

The gratuity scheme is unfunded

The movement in the defined benefit obligation over the year is as follows:

	Group 2012 N'000	**Group 2011 N'000**	**Company 2012 N'000**	**Company 2011 N'000**
At 1 January	2,728,970	1,407,698	1,216,031	476,893
Current service cost	90,670	464,721	22,684	183,749
Interest cost	204,724	182,943	39,716	44,358
Actuarial loss/(gains)	83,331	(126,040)	23,936	(74,524)
Exchange differences	5,621	105,740	-	-
Curtailments	-	978,176	-	633,599
Benefits paid	(310,333)	(284,268)	(70,064)	(48,044)
Transfer	-	-	-	-
Restatement		-		
At 31 December	**2,802,983**	**2,728,970**	**1,232,303**	**1,216,031**

The amount recognised in the income statements are as follows	**Group 2012 N'000**	**Group 2011 N'000**	**Company 2012 N'000**	**Company 2011 N'000**
Current service cost	90,670	464,721	22,684	183,749
Interest cost	204,724	182,943	39,716	44,358
Curtailment expense	-	978,176	-	633,599
	295,394	1,625,840	62,400	861,706

Curtailment

With effect from 1 January 2012, the Group discontinued the Scheme for management staff and increased employer's contribution in respect of their existing contribution plan under the 2004 Pension Act. Alexander Forbes Consulting Actuaries Nigeria Limited (Alexander Forbes) was engaged to determine the liability from the curtailed scheme, which was estimated at ₦2.09 billion. It should be noted that the company intends to pay the money over to a fund manager who will manage the funds on behalf of employees. Till then, the funds shall bear an interest rate equivalent to the average of the 90 day deposit rate of First Bank of Nigeria and Guaranty Trust Bank. Interest on the fund is included in the interest cost above.

	2012	**2011**
Discount rate	12.2%	14.0%
Future salary increases	12.0%	12.0%
Inflation rate	10.0%	10.0%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in Nigeria. Mortality assumptions are based on the British A49/52 ultimate table published by the institute of actuaries of England.

These tables translate into withdrawal rates as follows:

Age	**2012**	**2011**
18-29	4.5%	5.0%
30-44	6.0%	4.0%
45-49	2.5%	3.0%
50-59	2.0%	2.0%
60+	100.0%	100.0%

Sensitivity Analysis

On the assumption that the discount rate remained unchanged between the present and last valuation date, the present value of the defined obligation as at 31 December, 2012 would have been lower by ₦112.7 million.

At 31 December	**2012**	**2011**	**2010**	**2009**	**2008**
Present value of defined benefit obligation	2,802,983	2,728,970	1,125,577	864,567	599,652
Fair value plan	-	-	-	-	-
Deficit in the plan	2,802,983	2,728,970	1,125,577	864,567	599,652

29 Government Grant

Government grant relates to the below market rate loan obtained through restructuring of the loan secured for the construction of the Akute plant under the Bank of Industry loan scheme. The fair value of the grant was recognised initially on the grant date and subsequently amortised on a straight line basis over the tenure of the loan. There were no unfulfilled conditions relating to the grant as at the reporting date. The initial grant was ₦417 million of which ₦123 million was credited to income statement.

30 Trade and other payables

	Group	**Group**	**Group**	**Company**	**Company**
	2012 N'000	**2011 N'000**	**2010 N'000**	**2012 N'000**	**2011 N'000**
Trade payables - Products	25,004,423	28,116,157	25,972,909	3,150	-
Trade payables - Other vendors	21,414,653	15,859,967			
Other payables	13,867,297	6,760,629	14,939,825	5,645,254	2,502,493
Accrued expenses	17,741,090	16,093,224	8,193,044	662,221	1,427,024
Amount due to related parties	-	-	-	45,264,808	39,169,433
Bridging allowance	4,873,427	4,911,805	4,272,506	-	-
Deferred income	1,735,933	1,919,132	5,974,760	-	-
Customers security deposit	1,409,533	1,096,087	1,271,608	-	-
Deferred premiums payable on commodity contracts	-	452,043	867,341	-	-
Interest-rate swap	-	1,624,168	1,449,529	-	-
Cross currency	-	1,349,724	-	-	-
	86,046,357	78,182,936	62,941,522	51,575,433	43,098,950
Restatement:					
Interest-rate swap	-	(1,624,168)	(1,449,529)	-	-
Cross currency	-	(1,349,724)	-	-	-
	86,046,357	75,209,044	61,491,993	51,575,433	43,098,950

The carrying amounts of trade and other payables for 2012 and 2011 respectively approximate their fair values.

31 Dividend payable

Unpaid dividend	651,058	651,358	651,358	651,058	651,358

32 Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations:

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Profit before income tax	17,554,067	13,885,097	4,690,743	1,363,389
Adjustment for:				
Interest income (Note 9)	(3,521,533)	(7,316,985)	(4,527,632)	(2,877,014)
Interest expenses (Note 9)	17,708,558	12,025,175	5,647,399	1,058,746
Depreciation (Note 7)	8,605,708	6,333,647	261,052	279,024
Amortisation of intangible assets (Note 12)	3,779,823	1,424,613	149,333	149,334
Impairment of intangible assets (Note 12)	3,666,503	-	-	-
Profit on sale of property, plant and equipment	(165,914)	(48,734)	(45,281)	(16,004)
Unwinding of discount on provisions (Note9)	208,545	95,025	-	-
Unwinding of discount on deferred premiums payable (Note9)	-	10,381	-	-
Discretionary shares	-	484,777	-	484,777
Net income recognised on Gas transmission pipeline	-	1,979,886	-	-
Share based payment expense (options and swaps)	641,958	432,687	244,951	255,237
Reversal of impairment/ impairment charge	(190,499)	2,735,843	-	875,756
Net foreign exchange (gain)/loss	2,812	(1,811,342)	-	-
Fair value loss/(gains) on derivatives (options and swaps)	59,926	1,588,948	(9,718)	-
Fair value loss on interest rate swap	(471,298)	636,629	-	1,524,363
Fair value loss on convertible debt		894,068	-	22,248
Fair value loss on foreign currency forwards	135,582	-	-	-
Fair value loss on warrants	561,528	-	-	-
Loss on loan modification	310,785	-	399,174	-
Diminution in value of investment	-	-	-	-
Interest expense - Effective interest rate		-	-	-
Fair value loss on Financial instrument (OER)	457,820	-	-	-
Fair value loss/(gains) on embedded derivatives	1,121,797	(1,237,256)	-	-
Changes in working capital		-	-	-
- receivables and prepayments (current)	(8,005,275)	(23,464,989)	(62,204,040)	(35,518,948)
- non current prepayments	(8,638,077)	(502,495)	(7,311,877)	5,488
- inventories	15,411,490	(8,940,419)	(6,733)	4,361
- payables and accrued expenses	3,401,387	11,832,462	8,829,899	40,247,559
- dividend payable	(300)	-	(301)	-
- gratuity provisions	74,013	-	(7,664)	813,661
Cash generated from operations	52,709,406	11,037,018	(53,890,695)	8,671,977

33 Related Party Transactions

Ocean and Oil Investments (Nigeria) Limited (OOIL) has the largest shareholding of 10.53% at the reporting date (2011: 12.49%). The remaining 89.47% shares are widely held. OOIL is owned by Ocean and Oil Mauritius (OOM). OOM is owned by Ocean and Oil Holdings (BVI) Limited. Two of the company's directors, Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo both have significant influence over Ocean and Oil Investments (Nigeria) Limited.

Oando PLC entered into the following related parties' transaction during the year under review:

1) *Payment of ₦0.9 billion to Ocean and Oil Holdings Limited*
   Oando PLC paid ₦0.9 billion to Ocean and Oil Holdings Nigeria Limited as final settlement in respect of the terminated Technical and Management Services Agreement.

2) Prior to July 24, 2012, the Company had historically financed the operations of the E & P division. The financing arrangement ("arrangement") was recognized as intercompany transactions. Following completion of the Oando reorganization on July 24, 2012, these arrangements were cancelled and new agreements were entered into between the company and subsidiaries as follows:

   a) *Shareholder Agreements dated July 24, 2012 between Oando and Holdco 2 in respect of Oando Akepo; Oando plc. and Holdco 3 in respect of OPDC2; Oando and Oando OML 125 & 134 BVI in respect of Oando OML 125 & 134.*
      Oando owns Class A shares and Holdco 2, Holdco 3 and Oando OML 125 & 124 (the "Operating Companies") own Class B shares. Ownership of the Class A shares by Oando provides it with 60% voting rights but no rights to receive dividends or distributions from the applicable Operating Company, except on liquidation or winding up. Ownership of the Class B shares entitles the Operating Companies (each an indirectly wholly-owned subsidiary of the company) to 40% voting rights and 100% dividends and distributions. Pursuant to each of these agreements, Oando on the one hand, and the respective Operating Companies on the other hand agreed to exercise their respective ownership rights in accordance with the manner set forth in the shareholder agreements. Pursuant to the shareholder agreements, each of the Oando and the respective Operating Companies is entitled to appoint an equal number of directors to the board of Oando Akepo, OPDC2 and Oando OML 125 & 134, respectively with the Operating Company being entitled to appoint the Chairman, who has a casting vote. In addition, the applicable Operating Company has the power to compel Oando to sell its Class A shares

for nominal consideration. No amounts have been paid or are due to be paid by either party to the other, under the Shareholder Agreements.

b) *Right of First Offer Agreement ("ROFO Agreement") dated September 27, 2011, as amended, between Oando and OER*
Pursuant to the ROFO Agreement, OER has the right to make an offer to the Company in respect of certain assets owned by Oando in accordance with the terms of the ROFO Agreement. No amounts have been paid or are due to be paid under the ROFO Agreement.

c) *Referral and Non-Competition Agreement dated July 24, 2012 between Oando and OER*
Pursuant to this agreement, Oando is prohibited from competing with OER except in respect of the assets referred to in the ROFO Agreement until the later of July 25, 2014 and such time as Oando owns less than 20% of the shares of OER. Oando is also required to refer all upstream oil and gas opportunities to OER pursuant to this agreement. In addition, should Oando acquire any upstream assets between September 27, 2011 and July 24, 2012, Oando is required to offer to sell these assets to OER at a purchase price consisting of the amount paid by Oando for the assets, together with all expenses incurred by Oando to the date of the acquisition by OER, plus an administrative fee of 1.75%. The acquisition of Conoco Phillips Nigerian operation (COP) is subject to the terms of the Referral and Non-Competition Agreement and therefore, once the transaction is closed, OER will be required to pay 1.75% of the acquisition cost to Oando. As such, OER and Oando have recorded a receivable and payable of ₦1.2 billion respectively for costs incurred to date on the COP acquisition. The ₦1.2 billion has been eliminated on consolidation.

d) *Cooperation and Services Agreement dated July 24, 2012 between Oando and OER*
Pursuant to this agreement, Oando Plc agreed, until the later of July 24, 2017 and such time as Oando Plc owns less than 20% of the shares of OER to provide certain services to OER, including in respect of legal services in Nigeria, corporate secretariat and compliance services in Nigeria, corporate finance, procurement, corporate communications, internal audit and administrative services. These services are to be provided to OER on the basis of the cost to Oando Plc plus a margin of 10%. Such costs have been fully eliminated on consolidation.

e) *Transitional Services Agreement dated July 24, 2012 between Oando Servco (an indirect subsidiary of Oando) and OEPL (a direct subsidiary of Oando)*
Pursuant to this agreement, the OEPL and Oando Servco agreed that Servco would provide services to OEPL until January 24, 2014 for no more than 10% of the employees' normal working hours per month. OEPL is required to pay Servco's costs of providing such services. OEPL did not receive the services from Servco. Consequently, elimination does not arise in these consolidated financial statements.

f) Pursuant to the completion of the Oando reorganization, the cumulative amount advanced by Oando to Equator Exploration Limited ("EEL") of ₦1.1 billion (US$ 7.2 million) was classified as loan payable in EEL's books and loan receivable in Oando's books. The carrying value of the loan using effective interest method was ₦1.3 billion at the balance sheet date. This amount has been eliminated on consolidation.

3) *Loan to OER for ConocoPhillips acquisition*

OER and Oando entered into a Convertible Notes agreement in respect of a ₦53.6 billion (US$345 million) loan obtained by OER from Oando as part of the deposit for COP companies. The Convertible Notes bear a coupon of LIBOR + 10.5%. OER has accrued for the coupon amounting to ₦199.5 million as interest payable on the balance sheet rate. Oando has recognized equal amount as interest receivable on the notes. These intra-group balances have been eliminated on consolidation. See Note 16 for detail.

4) *Loan to Oando Plc by Ocean and Oil Development Partners Limited*

Ocean and Oil Development Partners Limited ("OODP") granted a loan of ₦15.5 bn (US$100 m) to Oando on December 5, 2012. OODP further granted a loan of ₦17.1 bn (US$110 m) to Oando on December 14, 2012. Both loans were granted at LIBOR + 9.5%. Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo are directors of OODP and they have significant influence over Oando. See Note 16 for the borrowings. Both loans have since been fully extinguished, subsequent to year end.

5) *Acquisition of Churchill Finance C300 – 0462 Limited*

On November 29, 2012, the Group acquired Churchill Finance C300-0462 Limited ("Churchill"), a Bermuda registered company from its single shareholder, Mr. Jubril Adewale Tinubu. The acquisition of Churchill effectively concluded the intention to acquire the company's property, plant and equipment, the aircraft, through a memorandum of understanding that was signed by Oando and Churchill in 2011. This acquisition has been accounted for as a business combination in line with the Group's accounting policies. In these consolidated statements, goodwill arising from the business combination with Churchill has been tested for impairment based on value-in-use calculations (Note 40). In addition, all intra-group transactions have been eliminated on consolidation.

6) *Loan to Oando Plc by Ansbury Investments Inc.*

Ansbury Investments Inc. ("Ansbury"), a Panama Company owns 60% of OODP. On December 2012, Ansbury granted a loan of ₦7.7 billion (US$50m) at LIBOR + 9% for a period of 180 days. Mr. Jubril Adewale Tinubu is the ultimate beneficiary of the 40% ownership of OODP. See Note 16.

7) *Acquisition of Ebony Oil and Gas Limited*

The Group acquired 80% of Ebony Oil and Gas Limited ("Ebony"), a company registered in Ghana, from the former Managing Director of Oando Supply and Trading ("OST"). OST is a subsidiary of Oando, of which Mr. Dimeji Edwards was a key management personnel during a period in 2012. See details of the acquisition in Note 40.

8) *Other related party transactions*

a. Broll Properties Services Limited received ₦35.8million (2011: Nil) for facilities management services. Mr. Jubril Adewale Tinubu has control over one of the joint interest owners of the company.
b. Noxie Limited received ₦234.1 million (2011: ₦14.9m) for supply of office equipment. A close family member of Mr. Jubril Adewale Tinubu has control over the company.
c. Olajide Oyewole & co. received ₦55.9 million (2011: ₦33.5m) for professional services rendered. A close family member of Mr. Jubril Adewale Tinubu has significant influence over the firm.
d. Lagoon Waters Limited, one of the dealers for the sale of petroleum products, purchased petroleum products worth ₦913.9 million (2011: ₦5.6m) from the Group. Lagoon Waters Limited is controlled by a close family member of Mr. Jubril Adewale Tinubu.
e. Temple Productions Limited received ₦29.9 million (2011: Nil) for advertisement services. The company is controlled by a close family member of Mr. Omamofe Boyo.
f. Transport Services Limited ("TSL") provides haulage services to a downstream company of the Group. During the year under review, TSL provided haulage services worth ₦1.8 billion (2011: ₦1.2b) to the Group. TSL is ultimately controlled by a close family member of Mr. Jubril Adewale Tinubu.
g. TSL Logistics Limited supplied products and throughput services worth ₦11.6billion (2011: ₦0.4b) to the Group. The company is ultimately controlled by a close family member of Mr. Jubril Adewale Tinubu.
h. Avante Property Asset Management Services Limited received ₦83 million (2011: ₦37m) for professional services rendered to the Group. The company is ultimately controlled by Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo.
i. K.O Tinubu & Co. provided legal services amounting to ₦2.2 million (2011: Nil). K.O Tinubu is controlled by a close family member of Mr. Jubril Adewale Tinubu.
j. Offshore Personnel Services supplied services worth ₦1.4 billion (2011:₦1.0b) to the Group. The Company's ultimate parent is Ocean and Oil Holdings Limited. Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo have significant influence over the ultimate parent.
k. Petropro Limited supplied services to the Group amounting to ₦36.3 million. The company is ultimately owned by Ocean and Oil Holdings (BVI). Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo have significant influence over Ocean and Oil Holdings (BVI).
l. Avaizon Consulting Limited provided training services worth ₦0.53 million (2011: ₦11.8 m) to the Group in 2012. Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo have significant influence over the company.
m. Templars provided legal services worth ₦21 million to the Group. Mr Oghogho Akpata, a director of Oando Plc, is a partner of Templars.

9) *Key management personnel*

Key management includes directors (executive and non-executive) and members of the Group Leadership Council. The compensation paid or payable to key management for employee services is shown below:

	2012	**2011**
	N'000	**N'000**
Salaries and other short-term employee benefits	1,024,262	716,021
Share options and management stock options	421,587	282,722
Gratuity benefits	34,597	590,905
	1,480,446	1,589,648

10) Year-end balances arising from transactions with related parties

The following receivables or payables at December 31, 2012 arose from transactions with related parties:

	Company 2012 N'000	Company 2011 N'000
Receivables from related parties:		
Oando Exploration and Production Limited	8,171,111	49,308,872
Oando Energy Services Limited	51,023,528	34,570,799
Oando Lekki Refinery Limited	375,741	2,402,167
Apapa SPM Limited	2,559,934	2,258,944
Oando Properties Limited	59,063	58,688
Gaslink Nigeria Limited	1,753,051	1,288,158
Oando Energy Resources Inc.	53,568,150	-
Equator Exploration Limited	8,466,312	-
Transport Services Limited	1,021,318	84,039
Payables to related parties:		
Oando Marketing Plc	35,126,610	21,913,879
Oando Supply and Trading Limited	349,199	4,757,781
Oando Gas and Power Limited	1,998,270	3,000,000
Oando Trading Limited	7,679,369	9,450,794
Broll Properties Services Limited	8,396	7,826
Olajide Oyewole & Co	9,637	2,174
Lagoon Waters Limited	68	121
Transport Services Limited	391,162	46,230
TSL Logistics Limited	4,170,265	84,036
Avante Property Asset Management Services Limited	1,583	1,583

34 Commitments

a) The Group had outstanding capital expenditure contracted but not provided for under property, plant and equipment amounting to ₦2.7 billion (2011: ₦1.5b) at December 31, 2012.

b) *Acquisition of Conoco Phillips Nigerian operation*

On December 20, 2012, the Group announced that it has entered into an agreement with ConocoPhillips to acquire ConocoPhillips Nigerian business for a total cash consideration of approximately ₦278.2 billion (US$1.79b) net of post-closing adjustments (the "Proposed Acquisition"). The Group has paid a deposit of ₦67.5 billion (US$435m) and is contractually obliged to pay the remaining ₦210.7 billion (US$1.36b) by September 2013 as agreed in the sale and purchase agreement. Other conditions include obtaining approval from necessary government authority, representations that Oando has satisfied in all material respect all actions, obligations and commitments that would be performed.

ConocoPhillips' Nigerian businesses consist of:

The Onshore Business

- Phillips Oil company Nigeria Limited ("POCNL"), which holds a 20% non-operating interest in OMLs 60, 61, 62 and 63 as well as related infrastructure and facilities in the Nigerian Agip Oil Company Limited ("NAOC") Joint Venture ("NAOC JV"). The other partners are the Nigerian National Petroleum Corporation ("NNPC") with a 60% interest and NAOC (20% and operator); and
- Phillips Brass Limited ("PBL") which holds a 17% shareholding interest in Brass LNG Limited, which is developing the Brass LNG project, a Greenfield project to develop a two-train, 10 million ton per year, Liquefied natural Gas ("LNG") facility in Bayelsa State, Nigeria. The other partners are NNPC (49%); Eni (17%) and Total (17%).

The Offshore Business

The offshore business comprises of Conoco Exploration and Production Nigeria Limited ("CEPNL"), which holds a 95% operating interest in OML 131. The other partner is Medal Oil (5%); and Phillips Deepwater Exploration Nigeria Limited ("PDENL"), which holds a 20% non-operating interest in OPL 214. The other partners are ExxonMobil (20% and operator), Chevron (20%), Svenska (20%), Nigeria Petroleum Development Company (15%) and Sasol (5%).

Pursuant to the Proposed Acquisition, the Group will indirectly purchase all of the issued share capital of POCNL, PBL, CEPNL and PDENL. Upon closing, the effective date of the proposed acquisition will be January 1, 2012.

The Group's other commitments through OER are:

i. OML 56
Energia Limited, operator of the Ebendo Field in OML 56, along with OPDC, drilled and completed the Ebendo-4 well during the reporting period. The well was tested from July 29, 2012 to August 28, 2012. The authorization for expenditure for the Ebendo-5 well is approximately ₦3.2billion (US$20.8m) of which the Group has a 42.75% economic interest. Ebendo wells 6 and 7 are planned for drilling in 2013. The authorization for expenditure for

these two wells is N6.5billion (US $42million) of which the Group has 42.75% economic interest.

During the reporting period, the PSC started the contract for the purchase of pipes for the Umugini pipelines, which is planned as an alternative evacuation route to the current routing through the Kwale Flow station operated by Agip. The total contract sum is approximately ₦1.4 billion (US $8.87m).

ii. OML 125
Nigeria Agip Energy ("NAE"), the operator of OML 125, together with Oando OML 125 & 134 Limited worked over the Abo-9 well during the course of the current year. Work-over operations commenced on August 2, 2012 and was completed it in December 2012. The initial authorized expenditure for this operation was approximately ₦8 billion (US $52m) but was revised upward by ₦1.55 billion (US $10m) to adjust for issues and delays surrounding rig positioning, modification work and anchor handling. The actual full cost of the work-over is yet to be obtained from the operator, but operator has indicated it could be approximately ₦21.43 billion (US$138m). The Group has a 15% interest in this project.

iii. Akepo Oilfield Project.
The Akepo Field is subject to an overriding royalty payable to Chevron Nigeria Limited ("Chevron"), on the production of petroleum and natural gas from the field. In respect of production of petroleum, the royalty ranges from 2.5% of the value of daily production up to 2,000bopd to 7.5% of the value of daily production up to 15,000 bopd. Royalty rates for petroleum production greater than 15,000 bopd per day are to be negotiated. In respect of production of natural gas, the royalty ranges from 2.5% of the value of the daily production of 20million standard cubic feet ("mmscf") to 5.0% of the value of daily production in excess of 100 mmscf. Production is also subject to royalties payable to the Government of Nigeria.

	2012 N'000	2011 N'000
Outstanding capital expenditure contracted but not provided for in property, plant and equipment	247,170,491	1,513,699
Capital expenditure approved by the Board but not yet committed property, plant and equipment	48,161,607	9,466,851
	295,332,098	10,980,550

35 Events after the reporting period

1) *Oando Qua Ibo Limited*
As previously disclosed in Note 1, pursuant to the Oando reorganization which started in 2012 and the Referral and Non-Competition Agreement date July 24, 2012 between Oando Plc and OER, OER is entitled to a right of first offer of certain interests or options acquired by Oando Plc.

Prior to the execution of the Agreement, Oando Qua Iboe Limited, the vehicle through which Oando owns interest in the Ibo field, created two classes of shares: Class A shares and Class B shares. Class A shares entitles the holder thereof (Oando Plc) to 60% of the voting rights and nil dividend rights. Class B shares entitles the holder thereof (Oando Netherlands Holdings 4 B.V) to 40% of the voting rights and 100% of the dividend rights.

On March 26, 2013, Oando Plc signed a Share Purchase Agreement with Oando Netherlands Holding 4 B.V. relating to the entire issued Class B share capital of Oando Qua Ibo Limited. The entire Class B share capital comprises of 4,000,000 shares of ₦1.00 each. Both Oando Plc and Oando Netherlands Holdings 4 B.V. agreed the consideration for the sale of the entire Class B shares as the aggregate of the (i) the expenses and (ii) the administrative fee of 1.75% and interest and fees payable in respect of indebtedness as at the completion date less indebtedness plus completion cash.

2) *Oando Rights Issue*
Oando embarked on a rights issue of 4,548,236,276 ordinary shares of 50k each at ₦12.00 per share on December 28, 2012. The offer closed on February 20, 2013. The Company has received approval for allotment proposal filed with the Securities and Exchange Commission in 2013. The amount received through the Rights was ₦54.6 billion.

3) *Settlement of a contingent liability that existed at the balance sheet date*
Oando and the Jaja Wachukwu Family entered into a deed of settlement (the "deed") on March 28, 2013 in respect of a litigation which was yet to be decided at year-end. Parties to the deed agreed final settlement of ₦700 million in favour of the Jaja Wachukwu family. Oando has provided for her share of the settlement amount of ₦353.4 million in these consolidated financial settlements.

According to the best estimate and opinion of the directors, the Group's contingent liability arising from the deed of settlement at 31 December, 2012 approximates ₦353.4 million. The amount has been reflected as an expense in the income statement and a provision in the statement of financial position (Note 26).

4) *OER loan re-financing*

On 30 May, 2013, Oando Energy Resources announced that it had entered into a Loan agreement with Oando Plc to refinance and supplement the loan extended by Oando to OER on December 20, 2012. OER and Oando also executed a deed of repayment ("Repayment Deed") permitting OER to repay amounts owing under the Loan Agreement by the issuance of common shares of OER. Oando owns 94.6% of the common shares of OER ("Shares"), on a non-diluted basis. Pursuant to the Loan Agreement, Oando provided a facility ("Facility") to OER of up to US$386 million, bearing an annual interest rate of 5%. Of the Facility, US$362 million plus accrued interest is required to be repaid by September 30, 2013 while the remainder of the Facility is required to be repaid on or before December 31, 2013.

Pursuant to the Repayment Deed, OER is permitted to elect to repay the Facility by the issuance of Shares, provided that all regulatory approvals have been obtained, at the earliest of the following events: (i) a receipt has been issued for a final prospectus ("Final Prospectus") in respect of an offering of Shares (or securities convertible into Shares at no additional cost to the subscriber thereof); (ii) completion of the proposed acquisition by OER of the Nigerian oil and gas assets of ConocoPhillips Company ("Acquisition"), as announced by OER in December 2012; and (iii) termination of the Acquisition.

36 Contingent liabilities

Guarantees to third parties

Guarantees, performance bonds, and advance payment guarantees issued in favour of Oando by commercial banks amounted to ₦62.33 billion (2011: ₦2.50b). Oando also guaranteed various loans in respect of the following subsidiaries: Gaslink Nigeria Limited (₦3b); Oando Energy Services Limited (₦5.36 billion); Oando OML 125 and 134 Limited (₦10.12b); Oando Gas and Power Limited (₦2b); Oando Trading Limited (₦18.63b); Ebony Oil and Gas Limited (₦15.53b); Oando Supply and Trading Limited (₦18.63b); Apapa SPM Limited (₦12b) and Oando Energy Resources Limited (₦3.11b).

Pending litigation

There are a number of legal suits outstanding against the Company for stated amounts of ₦5.19 billion (2011: ₦8.48 billion). On the advice of Counsel, the Board of Directors are of the opinion that no material losses are expected to arise. Therefore, no provision has been made in the financial statements.

OPL 321 and 323 Contingent Liabilities

The Company bid as part of a consortium for OPL 321 and 323. It was granted a 30% interest in the PSCs but two of its bidding partners were not included as direct participants in the PSCs. As a result, the Company granted them respectively 3% and 1% carried economic interests in recognition of their contribution to the bidding group.

During 2007, it was agreed with the bidding partners that they would surrender their carried interests in return for warrants in the Company and payments of US$4m and US$1m. The Warrant Instruments were issued immediately but it was agreed that the cash payments would be deferred. In the first instance, payment would be made within 5 days after the closing of a farm out of a 20% interest in OPL 323 to BG. However, BG terminated the farm out agreement. Under the successor obligation, the Group issued two loan notes with an aggregate value of US$5m, redeemable out of the first US$5 million of proceeds received on the occurrence of any one of the following events related to either OPL 321 or OPL 323:

- a farm out with another party,
- a sale or partial sale of the interest, and
- a sale or partial sale of the subsidiary holding the relevant PSC.

During 2010, one bidding partner successfully sued Equator in an arbitration tribunal for its ₦155.3 million. This has been paid in full. On the advice of its barrister, the Company maintains that the remaining $4m owed is not yet due and that any second arbitration hearing can be successfully defended. If none of the above events occur, it is assumed that the Company will not need to settle the US$4 million loan note and can defer payment indefinitely. The naira equivalent of the US$4 million was ₦621 million at 31 December 2012.

The above contingencies are based on the best estimates of the board.

37 Subsidiary information

Entity name	Country of incorporation	Nature of business	Investment Currency	Issued share capital	Percentage interest held
Operational subsidiaries			All figures in thousands		
Direct Shareholding					
Ajah Distribution Company Limited	Nigeria	Power Generation	Naira	2,500,000	100%
Akute Power Limited	Nigeria	Power Generation	Naira	2,500,000	100%
Alausa Power Limited	Nigeria	Power Generation	Naira	2,500,000	100%
Apapa SPM Limited	Nigeria	Offshore submarine pipeline construction	Naira	19,125.00	100%
Central Horizon Gas Company Limited	Nigeria	Gas Distribution	Naira	9,100,000	51%
East Horizon Gas Company Limited	Nigeria	Gas Distribution	Naira	10,000,000	100%
Gasgrid Nigeria Limited	Nigeria	Gas Distribution	Naira	2,500,000	100%
Gaslink Nigeria Limited	Nigeria	Gas Distribution	Naira	1,717,697,000	97.24%
Lekki Gardens Power Limited	Nigeria	Power Generation	Naira	2,500,000	100%
OES Integrity	British Virgin Islands	Provision of drilling and other services to upstream companies	USD	50,000	100%
OES Passion	Bermuda	Provision of drilling and other services to upstream companies	USD	12,000	100%
OES Professionalism Limited	Nigeria	Provision of drilling services	Naira	10,000,000	100%
OES Respect Limited	British Virgin Islands	Provision of drilling and other services to upstream companies	USD	100	100%
OES Teamwork Limited	British Virgin Islands	Provision of drilling and other services to upstream companies	USD	100	100%
Oando Benin	Benin	Marketing and sale of petroleum products	CIA	14,832,000	100%
Oando Energy Resources Inc.	Canada		CDN$		100%
Oando Energy Services Limited	Nigeria	Provision of drilling and other services upstream companies	Naira	5,000,000	100%
Oando Exploration and Production Limited	Nigeria	Exploration and Production	Naira	5,000,000	100%
Oando Gas and Power Limited	Nigeria	Gas and Power generation and distribution	Naira	1,000,000	100%
Oando Lekki Refinery Company Limited	Nigeria	Petroleum Refining	Naira	2,500,000	100%
Oando Logistics and Services Limited	United Kingdom	Provision of Logistics and other services	GBP	1	100%
Oando Marketing PLC	Nigeria	Marketing and sale of petroleum products	Naira	437,500,000	100%
Oando Port Harcourt Refinery Company Limited	Nigeria	Petroleum Refining	Naira	2,500,000	100%
Oando Properties Limited	Nigeria	Property Management Services	Naira	250,000	100%
Oando Resources Limited	Nigeria	Exploration and Production	Naira	2,500,000	100%
Oando Servco UK Limited	United Kingdom	Provision of Management Services	GBP		100%
Oando Supply and Trading Limited	Nigeria	Supply of crude oil and refined petroleum products	Naira	5,000,000	100%
Oando Terminals and Logistics	Nigeria	Storage and haulage of petroleum products	Naira	2,500,000	100%
Oando Trading Limited	Bermuda	Supply of crude oil and refined petroleum products	USD	12,000	100%
Oando Wings Development Limited	Nigeria	Real Estate Development	Naira	3,000,000	100%
Oando Ghana Limited	Ghana	Marketing and sale of petroleum products (Oando Marketing subsidiary)	Cedis	126,575,000	82.9%
Oando Togo S.A	Togo	Marketing and sale of petroleum products (Oando Marketing subsidiary)	CIA	186,288,000	75%
ORPSL	Nigeria	Exploration and Production	Naira	9,918,182	100%
Petronoir Limited	Bermuda		USD		
Indirect Shareholding					
Ebony Oil & Gas Limited	Ghana	Supply of crude oil and refined petroleum products	Naira	408,853	80%
Oando Production and Development Company Limited	Nigeria	Exploration and Production	Naira	10,000,000	100%
Oando Akepo Limited	Nigeria	Exploration and Production	Naira	2,500,001	100%
Equator Exploration Limited	British Virgin Islands	Exploration and Production	USD	67,707,210	81.5%
Oando Netherlands Holdings 1 Cooperative U.A	Netherlands	Financial holding company	Euro	18,000	100%
Oando Petroleum Development Company Limited	Nigeria	Exploration and Production	Naira	2,500,000	100%
Aqua Exploration Limited	Bahamas	Exploration and Production (100% subsidiary of EEL)	USD	100,000	81.5%
Clean Cooking Fuel Investments Limited	Nigeria	Gas Distribution (Subsidiary of Oando Marketing PLC)	Naira	7,500,000	100%
Equator Exploration Limited (Congo)	Congo	Exploration and Production (100% subsidiary of EEL)	CIA	50,000	81.5%
Equator Exploration Nigeria JDZ Block 2 Limited	Nigeria	Exploration and Production (100% subsidiary of EEL)	Naira	10,000,000	81.5%
Equator Exploration Nigeria 321 Limited	Nigeria	Exploration and Production (100% subsidiary of EEL)	Naira	10,000,000	100%
Equator Exploration Nigeria 323 Limited	Nigeria	Exploration and Production (100% subsidiary of EEL)	Naira	10,000,000	81.5%
Equator Exploration Nigeria OML 122 Limited	Nigeria	Exploration and Production (100% subsidiary of EEL)	Naira	10,000,000	81.5%
Equator Exploration OML (122) Limited	British Virgin Islands	Exploration and Production (100% subsidiary of EEL)	USD	500,000,000	81.5%
Gaslink Benin Limited	Benin	Gas Distribution (100% owned by Gaslink Nigeria Ltd)	CIA	10,000,000	100%
Gaslink Ghana Limited	Ghana	Gas distribution (100% owned by Gaslink Nigeria Ltd)	Cedis	1,000,000	100%
Gaslink Togo S.A	Togo	Gas Distribution (100% owned by Gaslink Nigeria Ltd)	CIA	10,000,000	100%
Oando Liberia	Nigeria	Marketing and sale of petroleum products (Subsidiary of Oando Marketing PLC)	USD	50,000	100%
Oando Servco Nigeria Limited	Nigeria	Provision of Management Services	Naira	2,500,000	100%
Oando Sierra Leone Limited	Sierra Leone	Marketing and sale of petroleum products (Subsidiary of Oando Marketing PLC)	Leones	10,079,000	80%
Oando OML 125 & 134 Limited	Nigeria	Exploration and Production (100% owned by Oando OML 125 & 134 BVI Limited)	Naira	2,500,001	100%
Oando OML 125 & 134 (BVI) Limited	British Virgin Islands	Exploration and Production (100% owned by Oando Exploration and Production Ltd)	USD	100,987,074	100%
Gas Network Services Limited	Nigeria	Gas Distribution (Subsidiary of Gaslink Nigeria Limited)	Naira	5,000,000	100%
Oando Netherlands Holdings 2 B.V	Netherlands	Financial holding company	Euro	18,000	100%
Oando Netherlands Holdings 3 B.V	Netherlands	Financial holding company	Euro	18,000	100%
Oando Servco Netherlands B.V	Netherlands	Financial holding company	Euro		100%

38 Financial instruments by category

GROUP

2012	Financial instruments at fair value through profit and loss N'000	Loans and receivables N'000	Available-for-sale N'000	Total N'000
Assets per statement of financial position:				
Available-for-sale financial assets	-	-	149,701	149,701
Non-current receivable (excluding operating lease)	-	8,466,312	-	8,466,312
Trade and other receivables (excluding prepayments)	-	95,216,967	-	95,216,967
Commodity options	23,348	-	-	23,348
Embedded derivative in Akute	962,930	-	-	962,930
Cash and cash equivalents	-	17,461,557	-	17,461,557
	986,278	121,144,836	149,701	122,280,815

2012	Financial instruments at fair value through profit and loss N'000	Other financial liabilities at amortised cost N'000	Total N'000
Liabilities per statement of financial position:			
Borrowings (excluding finance lease liabilities)	1,765,501	287,121,284	288,886,785
Finance lease liabilities	-	-	-
Trade and other payables (excluding derivative financial instruments, accrued expenses and deferred income	-	84,310,424	84,310,424
Interest rate swaps	1,159,710	-	1,159,710
Share Warrants	917,095	-	917,095
Deferred premiums payable	-	-	-
Cross currency interest rate swaps	1,409,651	-	1,409,651
	5,251,957	371,431,708	376,683,665

2011	Financial instruments at fair value through profit and loss N'000	Loans and receivables N'000	Available-for-sale N'000	Total N'000
Assets per statement of financial position:				
Available-for-sale financial assets	-	-	193,844	193,844
Non-current receivable (excluding operating lease)	-	-	-	-
Trade and other receivables (excluding prepayments)	-	80,947,106	-	80,947,106
Commodity options	183,691	-	-	183,691
Foreign currency forward contracts	135,582	-	-	135,582
Cash and cash equivalents	-	21,027,019	-	21,027,019
	319,273	101,974,125	193,844	102,487,242

2011	Financial instruments at fair value through profit and loss N'000	Other financial liabilities at amortised cost N'000	Total N'000
Liabilities per statement of financial position:			
Borrowings (excluding finance lease liabilities)	4,850,010	201,155,517	206,005,527
Finance lease liabilities	-	-	0
Trade and other payables (excluding derivative financial instruments, accrued expenses and deferred income	-	57,146,082	57,146,082
Interest rate swaps	1,624,168	-	1,624,168
Deferred premiums payable	-	452,043	452,043
Cross currency interest rate swaps	815,833	-	815,833
	7,290,010	258,753,642	266,043,652

2010	Financial instruments at fair value through profit and loss N'000	Loans and receivables N'000	Available-for-sale N'000	Total N'000
Assets per statement of financial position:				
Available-for-sale financial assets	-	-	1,093	1,093
Non-current receivable (excluding operating lease)	-	-	-	-
Trade and other receivables (excluding prepayments)	-	76,796,667	-	76,796,667
Commodity options	468,756	-	-	468,756
Foreign currency forward contracts	-	12,794,030	-	12,794,030
Cash and cash equivalents	-	0	0	0
	468,756	89,590,697	1,093	90,060,546

2010	Financial instruments at fair value through profit and loss N'000	Other financial liabilities at amortised cost N'000	Total N'000
Liabilities per statement of financial position:			
Borrowings (excluding finance lease liabilities)	3,615,874	153,131,763	156,747,637
Finance lease liabilities	-	55,607	55,607
Trade and other payables (excluding derivative financial instruments, accrued expenses and deferred income	-	48,996,816	48,996,816
Interest rate swaps	1,522,950	1,522,950	3,045,900
Deferred premiums payable	-	911,271	911,271
Cross currency interest rate swaps	0	0	0
	5,138,824	204,618,407	209,757,231

COMPANY

2012	Financial instruments at fair value through profit and loss N'000	Loans and receivables N'000	Available-for-sale N'000	Total N'000
Assets per statement of financial position:				
Available-for-sale financial assets	-	-	148,865	148,865
Non-current receivable (excluding operating lease)	-	7,345,639	-	7,345,639
Trade and other receivables (excluding prepayments)	-	128,786,885	-	128,786,885
Convertible options	69,645	-	-	69,645
Foreign currency forward contracts	-	-	-	-
Cash and cash equivalents	-	1,891,995	-	1,891,995
Investment in subsidiaries	-	85,379,020	-	85,379,020
	69,645	223,403,538	148,865	223,622,048

2012	Financial instruments at fair value through profit and loss N'000	Other financial liabilities at amortised cost N'000	Total N'000
Liabilities per statement of financial position:			
Borrowings (excluding finance lease liabilities)	-	113,881,820	113,881,820
Finance lease liabilities	-	-	-
Trade and other payables (excluding derivative financial instruments, accrued expenses and deferred income	-	51,575,433	51,575,433
Interest rate swaps	-	-	-
Deferred premiums payable	-	-	-
Cross currency interest rate swaps	1,409,651	-	1,409,651
	1,409,651	1,409,651	166,866,904

2011	Financial instruments at fair value through profit N'000	Loans and receivables N'000	Available-for-sale N'000	Total N'000
Assets per statement of financial position:				
Available-for-sale financial assets	-	-	194,031	194,031
Non-current receivable (excluding operating lease)	-	33,762		33,762
Trade and other receivables (excluding prepayments)	-	-	-	-
Commodity options	-	-	-	-
Foreign currency forward contracts	-	-	-	-
Cash and cash equivalents	-	2,517,681	-	2,517,681
Held to maturity investments		41,864,743		41,864,743
	-	44,416,186	194,031	44,610,217

2011	Financial instruments at fair value through profit and loss N'000	Other financial liabilities at amortised cost N'000	Total N'000
Liabilities per statement of financial position:			
Borrowings (excluding finance lease liabilities)	-	57,461,467	57,461,467
Finance lease liabilities	-	-	-
Trade and other payables (excluding derivative financial instruments, accrued expenses and deferred income	-	43,098,950	43,098,950
Interest rate swaps	-	-	-
Deferred premiums payable	-	-	-
Cross currency interest rate swaps	1,349,724	-	1,349,724
	1,349,724	100,560,417	101,910,141

39 Upstream activities

Details of upstream assets

	Mineral rights acquisition	Land and building	Expl. costs and producing wells	Production Well	Capital construction	Moveable assets	Abandonment assets	Development Cost
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	
As previously reported	44,709,678	24,085	19,755,567	4,426,203	5,948,435	411,519	780,369	-
Restatement to Cost or valuation	(44,458,879)	-	(13,587,357)	(11,100)	-	(9,287)	-	-
Exchange differences	1,553	1	686	154	207	14	27	-
Restatement to Accumulated depreciation	2,883,157	-	-	-	-	-	-	-
	3,135,510	24,085	6,168,896	4,415,257	5,948,642	402,246	780,396	-
Year ended 31 December 2011								
Opening NBV	3,135,510	24,085	6,168,896	4,415,257	5,948,642	402,246	780,396	-
Additions	4,927,173	-	2,161,185	2,298,713	1,497,340	76,753	-	-
Decommissioning cost	-	-	-	-	-	-	(586,062)	-
Disposals	-	-	-	-	-	(26,085)	-	-
Impairment	(1,472,029)	-	-	-	-	-	-	-
Depreciation charge	718,565	-	37,981	(1,512,666)	(1,828,009)	(110,934)	(127,615)	-
Exchange differences	46,984	774	198,152	141,823	191,077	12,921	201,729	-
Restatement to Accumulated depreciation	(4,090,346)		(6,024,985)	54,549	(492,402)	(470)	(100,124)	1,869,735
Restatement to Accumulated depreciation	304,995		40,949	(40,949)	-	-	64,677	
Closing net book amount	3,570,851	24,859	2,582,178	5,356,728	5,316,648	354,430	233,000	1,869,735
Year ended 31 December 2012								
Opening net book amount	3,570,851	24,859	2,582,178	5,356,728	5,316,648	354,430	233,000	1,869,735
Decommissioning costs	-	-	-	-	-	-	1,829,702	-
Additions	978,857	-	313,540	5,124,500	1,255,551	21,745	(383,697)	645,403
Business acquisition	-	-	-	-	-	-	-	695,610
Transfers	-	-	-	-	-	167,536	-	-
Disposal	-	-	-	-	-	(2,640)	-	-
Adjustments	-	-	-	-	-	-	-	-
Impairments3	-	-	-	-	-	-	-	-
Depreciation charge	(20,635)	-	(1,813)	(2,114,983)	(1,377,400)	(116,749)	(2,640)	-
Exchange difference	(292,341)	(149)	(191,831)	(34,095)	(16,664)	(1,172)	(695)	-
	4,236,732	24,710	2,702,074	8,332,150	5,178,135	423,150	1,675,670	3,210,748

1) *Impairment*
In early 2011, the operator of JDZ Block 2, Sinopec, confirmed that the 'Bomu' gas discovery, which is small for deep water, was uneconomic in current conditions and that the rest of the block had insufficient prospecting viability to justify entering the Phase 2 Exploration Period with its obligatory well. A further one year extension was granted by the JDA to end in March 2012 but, nothing occurred to change conclusions of the post Bomu 1 evaluation. During 2011, management decided to exit the exploration of JDZ Block 2, due to volumes of gas discovered which, are not in commercial quantities. The value of ₦1.5 billion has been fully written off to income statement in 2011.

2) Details of concessions

Subsidiary	License	Operator	Interest	Location	Licence	Expiration Date	Status
Oando OML 125 & 134 Ltd	OML 125	NAE	15% working interest in OML 125 & 134	Offshore	PSC	04/07/2023	Producing
Oando OML 125 & 134 Ltd	OML 134	NAE	15% working interest in OML 125 & 134	Offshore	PSC	04/07/2023	Appraisal
Oando Petroleum Development Company Ltd	OML 56	Energia/ Pillar Oil	45% participatory interest	Onshore	JV	31/01/2023	Producing
Oando Exploration And Production Ltd	OPL 236	OEPL	95% working interest	Onshore	PSC	31/03/2013	Development/ Appraisal
Oando Exploration And Production Ltd	OPL 278	OEPL	60% working interest	Onshore	PSC	31/01/2011	Exploration
Oando Akepo Limited	OML 90	Sogenal	30% participatory interest	Offshore	JV	13/03/2015	Development
OPL 282 Limited	OPL 282	NAOC	4% working interest	Onshore	PSC	31/08/2011	Exploration
Equator Exploration JDZ Block 2 Limited	JDZ Block 2	Sinopec	9% non operator participating interest	Offshore	PSC	13/03/2034	Appraisal/ Exploration
Equator Exploration (OML 122) Limited	OML 122	Peak	Finance & service agreement with operator	Offshore	PSC	13/09/2021	Development/ Appraisal
Equator Exploration Nigeria 323 Limited	OPL 323	KNOC	30% non operator participating interest	Offshore	PSC	10/03/2006	Exploration
Equator Exploration Nigeria 321 Limited	OPL 321	KNOC	30% non operator participating interest	Offshore	PSC	10/03/2006	Exploration
Aqua Exploration Limited	Allocation letter for Block 5	-	Allocation letter with rights to enter into a PSC	Offshore	PSC	-	Exploration
Aqua Exploration Limited	Allocation letter for Block 12	-	Allocation letter with rights to enter into a PSC	Offshore	PSC	-	Exploration
Equator Exploration JDZ Block 2 Limited	JDZ Block 2	Sinopec	9% non operator participating interest	Offshore	PSC	14 March 2012	Exploration
Equator Exploration (OML 122) Limited	OML 122	Peak	Finance & service agreement with operator	Offshore	Participation Agreement	No Date available	Development
Equator Exploration Nigeria 323 Limited	OPL 323	KNOC	30% non operator participating interest	Offshore	PSC	9th March 2016	Exploration
Equator Exploration Nigeria 321 Limited	OPL 321	KNOC	30% non operator participating interest	Offshore	PSC	9th March 2016	Exploration
Aqua Exploration Limited	Allocation letter for Block 5	-	Allocation letter with rights to enter into a PSC	Offshore	PSC	2020	Not signed
Aqua Exploration Limited	Allocation letter for Block 12	-	Allocation letter with rights to enter into a PSC	Offshore	PSC	2020	Not signed

40 Business combination

On 13 October, 2011 Oando and Exile Resources Inc. ("Exile") announced that they had entered into a definitive master agreement dated 27 September, 2011 that contains proposed acquisition ("the Acquisition") by Exile of certain shareholding interests in Oando subsidiaries through a Reverse Take Over ("RTO") in respect of OMLs and OPLs of Oando's upstream division. The Acquisition was completed on July 24, 2012. The transaction has been accounted for as a reverse acquisition of Exile by the Group using the principles of IFRS 3, Business Combinations, as the Group is deemed to have obtained control over the operations of Exile.

On January 1, 2012, the Group acquired 80% of the share capital of Ebony Oil and Gas Limited ("Ebony"). Ebony's business entails sourcing and distribution of petroleum products in Ghana.

On 29 November 2012, the group acquired 100% of the share capital of Churchill Finance C300-0462 Limited ("Churchill"). Churchill's asset, a Bombardier Challenger 300 aircraft is used for operational purposes by the Group.

Purchase consideration

Pursuant to the plan of arrangement (the “Arrangement”), all of the outstanding common shares of Exile were consolidated on the basis of one new common share (the “post-Consolidated Common Shares”) for every 16.28 old Common Shares then outstanding (the “Consolidation”). Exile issued 100,339,052 post-Consolidated Common Shares to Oando, resulting in Oando obtaining control over Exile. The fair value of 5,714,276 shares issued to as part of the consideration paid for Exile was $5,714,276 and the fair value was based on the published share price ($1.00) of July 30, 2012, the first trading day after the close of the acquisition.

Also pursuant to the Arrangement, two share purchase warrants of Exile for every 16.28 Common Shares of Exile held immediately prior to the Arrangement, one share purchase warrant exercisable to acquire one post Consolidated Common Share of Exile at an exercise price of Cdn$1.50 per share for a period of 12 months (the “Cdn$1.50 warrants”), and the second share purchase warrant exercisable to acquire one post Consolidated Common Share of Exile at an exercise price of Cdn$2.00 per share for a period of 24 months (together with the Cdn$1.50 warrants, the “Warrants”).

The fair value of warrants, determined using the Black Scholes valuation model, was $2.29 million. The significant inputs to the model were a share price of $1.00, at the close date, exercise price of $1.50 and $2.00 respectively, volatility of 78%, dividend yield of $nil, expected warrant life of 1 and 2 years respectively and a risk free rate of 1.14% and 0.2% respectively.

The Group paid a consideration of ($1) ₦156.2 and ₦155.27 for the acquisition of Ebony Oil & Gas and Churchill. The cash consideration represented agreement between the erstwhile owners of the 80% of Ebony and 100% of Churchill.

Net asset and liabilities acquired

The assets and liabilities acquired in all the entities consist of cash, accounts receivables, property plant and equipment, a 10% interest in the Akepo oil and gas assets and exploration and evaluation assets located in Zambia and Turkey. The fair value of the assets and liabilities acquired approximates ₦215.2 million in Exile, (₦70m) in Ebony; and (₦2,339m) in Churchill.

There were no contingent liabilities in any of the acquired entities as at the acquisition date.

The following table summarises the consideration paid for Exile, Ebony and Churchill, the fair value of assets acquired, liabilities assumed the non-controlling interest and goodwill recognised resulting as the acquisition dates:

	Exile N'000	Ebony N'000	Churchill N'000
Consideration paid:			
Cash	-	-	-
Shares issued	887,941	-	-
Warrants issued	355,803	-	-
Total considerations transferred	1,243,744	-	-

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Exile N'000	Ebony N'000	Churchill N'000
Cash and cash equivalents	6,371	771,014	12,824
Property plant and equipment	696,147	19,163	2,445,503
Intangible exploration and evaluation	116,543	-	-
Inventory	-	1,063,626	-
Trade and other receivables	9,945	2,210,969	353,399
Trade and other payables	(311,557)	(4,135,318)	(3,920,938)
Borrowings	(85,309)	-	(1,229,911)
Decommissioning liabilities	(11,965)	-	-
Deferred tax liabilities	(204,959)	-	-
Total Identifiable assets	215,216	(70,546)	(2,339,123)
Non-controlling interest	-	(14,109)	-
Goodwill	1,028,528	56,437	2,339,123
	1,243,744	-	-

The fair value of the acquired oil and gas assets, including exploration and evaluation assets is provisional pending receipt of the final valuations for those assets. The Goodwill arising from the transactions represents the expected synergies from the additional 10% interest in the Akepo oil and gas assets, increase in business arising from additional outlets from Ebony and use of the Churchill's aircraft. Goodwill arising from the business combination with Exile, Ebony and Churchill were ₦1,028 million, ₦56 million and ₦2,339 million respectively. These goodwill have been reported under intangible assets in these consolidated financial statements (Note 12).

Impairment assessments were performed on the goodwill amounts above. An impairment loss of ₦1,299 million was recorded in relation to the acquisition of Churchill Finance C300-0462 Limited. See Note 12 for the impairment loss basis.

The amounts of revenue, net of royalties, since the acquisition date included in the statement of income for the year ended December 31, 2012 was $nil, as the oil and gas properties acquired are in the development or exploration phase. It is impractical to determine the net income in the current reporting period had this transaction closed on January 1, 2012. The effect of retrospective application of IFRS policies is not determinable and requires significant estimates of the amounts and information that are not readily available to the Company.

The revenue included in the consolidated statement of comprehensive income since the acquisition of Ebony and Churchill was ₦31.6 billion and ₦48.7 million and profit/(loss) of ₦458 million and ₦17.9 million respectively.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (NGAAP)

1 Basis of preparation

The financial statements are prepared in compliance with Nigerian Statements of Accounting Standards ("SAS"). The financial statements are presented in the functional currency, Nigeria Naira (₦), rounded to the nearest thousand, and prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

2 Consolidation

(a) Subsidiaries

Subsidiaries include all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights and the Group refers to Oando and all such subsidiaries. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of the acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, after reassessment by the Group, the difference is recognised immediately in the profit and loss account any excess remaining after that reassessment.

All balances and unrealised surpluses and deficits on transactions between Group companies are eliminated. Where necessary, accounting policies for subsidiaries are changed to ensure consistency with the policies adopted by the Company. Separate disclosure (in equity) is made of Minority Interests.

(b) Associates

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The accounting policies of the associates are consistent with the policies adopted by the Group.

All subsidiaries and associates have uniform accounting period.

3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

4 Foreign currency translation

(a) Transactions and balances

Transactions in foreign currencies during the year are converted into the functional currency, Nigeria Naira, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

The functional currency of the upstream companies is the US Dollars with effect from 01 January, 2011. The US Dollar is the currency mainly influencing sales and significant portion of upstream costs.

(b) Group Companies

In accordance with the Statement of Accounting Standard (SAS 7), the financial statements of foreign entities, prior to consolidation, are translated into Naira using the Closing Rate Method as follows: (a) assets and liabilities, both monetary and non-monetary are translated at the closing rate; (b) income statement items are translated at the closing rate; (c) the exchange differences resulting from translating the opening net investment in the foreign entity at an exchange rate different from that at which it was previously reported is taken to a retained earnings.

5 Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost. Buildings and freehold land are subsequently shown at market value, based on triennial valuations by external independent valuers, less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less depreciation.

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves; all other decreases are charged to the income statement. An asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement. When revalued assets are sold, the related revaluation reserves are transferred to income statement.

Depreciation

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	%
Building	2-5
Bulk Plants, Terminal and Equipment	5-12½
Motor Vehicles	20-25
Other Assets and Equipment	5-33$^{1}/_{3}$

The rigs are depreciated according to the estimated useful lives of their components.

6 Upstream activities

Exploratory drilling costs are included in property, plant and equipment pending determination of proved reserves. Following such determination, the capitalised costs are then amortised against the results of the successful finds on a "unit-of production" basis. Capitalised costs are written off when it is determined that the well is dry. Costs incurred in the production of crude oil from the Company's properties are charged to the income statement of the period in which they are incurred.

Tangible fixed assets related to oil and gas producing activities are depleted on a unit-of-production basis over the proved developed reserves of the field concerned except in the case of assets whose useful lives are shorter than the lifetime of the field, in which case the straight-line method is applied. Producible wells are not depleted until they form part of a producing field. Rights and concessions are depleted on the unit-of-production basis over the total proved reserves of the relevant area.

Estimated site restoration and abandonment costs are based on current requirements, technology and price levels and are stated at fair value. The associated asset retirement costs are capitalized as part of the carrying amount of the related tangible fixed assets. The fair value calculation of the liability is based on the economic life of the production assets and discounted using the Company's average cost of borrowing. The obligation is reflected under provisions in the balance sheet.

7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the Group's investment in each country of operation by each primary reporting segment.

In accordance with SAS 26, goodwill is tested for impairment annually, as well as when there are indications of impairment.

(b) Computer Software

Acquired computer software licenses are capitalised on the basis of the costs to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Expenditure on internally-developed software is capitalised if it meets the criteria for capitalising development costs. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding five years).

8 Long term receivable-pipeline cost recovery

Long-term receivable in respect of pipeline cost recovery is accounted for at cost, less provision for impairment. Provision for impairment of the long-term receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

9 Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

10 Inventories

Inventories are stated at lower of cost and net realisable value. Cost includes expenditure incurred in acquiring and transporting the inventory to its present location. Cost is determined using the weighted average method for finished goods and work-in-progress, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Crude oil and gas inventories are stated at cost. Cost of production comprises field operating expenses and directly related expenditure.

11 Trade receivables

Trade receivables are stated after provisions have been made for debts considered doubtful of recovery. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the income statement.

12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

13 Borrowings

Borrowing costs are recognised as an expense in the period in which they are incurred, except when they are directly attributable to the acquisition, construction or production of a qualifying asset.

14 Taxation

Current income taxes are provided for in the financial statements in accordance with relevant taxation Acts in the country of operation.

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is not provided on temporary differences arising on investments in subsidiaries and associates, as the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Where this ceases to be the case, deferred income tax will be provided for.

15 Employee benefits

The Group operates a defined contribution pension plan in line with the provisions of the Pension Reform Act, under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Group and employees.

The Group’s contributions to the defined contribution schemes are charged to the profit and loss account in the year to which they relate.

In addition, the Group operates a defined benefit service gratuity plan. Under the plan, an employee will receive gratuity on retirement, usually dependent on one or more factors such as years of service and compensation. The past service liability, actuarial gain or loss are determined by an Actuary using the Accrued benefit cost method. Actuarial gains or losses are recognised in the profit and loss account in the year to which they relate. The Group meets past service obligations from funds set aside and invested.

16 Provisions

In accordance with SAS 23, provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money.

Decommissioning liabilities

Provision is recognised for the decommissioning liabilities for underground tanks. Based on management's estimation of the future cash flows required for the decommissioning of those assets, a provision is recognised and the corresponding amount added to the cost of the asset under property plant and equipment. The present values are determined using the Company’s average cost of borrowing. Subsequent depreciation charges of the asset are accounted for in accordance with the Group’s depreciation policy and the accretion of discount (i.e. the increase during the period in the discounted amount of provision arising from the passage of time) included in finance costs.

17 Share capital

Ordinary shares are classified as equity. Incidental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

18 Revenue recognition

Revenue comprises the fair value of the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group.

Discounts are usually negotiated with commercial customers and are sometimes given on a transaction basis or fixed per customer, subject to subsequent reviews.

Revenue is recognized as follows:

(a) Sale of petroleum products and gas

Revenue from sale of petroleum products and gas is recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Revenue from the sale of crude oil is the realised value of crude oil lifted by customers. Revenue is recognised when crude products are lifted by buyers free on board. At the point of lifting, risks and rewards are transferred to the buyer.

(b) Sale of services

Revenue from sale of services, such as freight and through-put charges, is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Interest income

Interest income is recognised on a time proportion basis using the contracted interest rate.

19 Leases

Operating leases

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

Finance leases

Leases in which ownership, risks and rewards are transferred to the lessee, who is obligated to pay such costs as insurance, maintenance and similar charges on the asset are classified as finance leases. Assets under finance lease are capitalised and depreciated over their estimated useful lives in line with the Group's policy for assets of the same class. Finance charges are allocated over the lease term.

20 Dividend distribution

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

21 Long Term Investments

Investments in quoted and unquoted securities are stated net of provision for permanent diminution in carrying amounts. A permanent diminution is deemed to have occurred when the market values of the quoted securities and management's assessments of unquoted investments are significantly below the carrying amounts over a period of six months. The amount of provision is recognised in the income statement.

22 Short Term Investments

Short term investments are valued at the lower of cost and market values. The carrying amount is determined on an item by item basis.

The amount by which costs exceed market value (unrealised loss) is charged to the income statement to the statement for the period. Realised gains and losses on disposak of short term invetment are taken to the income statement for the period of disposal.

BALANCE SHEET (NGAAP)

The following is a summary of the Group's Balance Sheet as at December 31, 2008, 2009, 2010 and 2011.

Group Balance Sheet		**2011**	**2010**	**2009**	**2008**
As of 31 December:	**NOTE**	N'000	N'000	N'000	N'000
Non-current assets					
Property, plant and equipment	2	175,455,217	152,513,387	131,713,072	89,903,189
Intangible assets	3	23,667,715	23,806,605	23,969,748	22,350,513
Long-term Investments	4	1,000	1,000	1,000	2,000
Deferred tax asset		5,553,035	3,695,549	1,943,849	1,044,162
Long term receivables	5	34,426,127	25,492,756	18,783,390	14,544,777
		239,103,094	205,509,297	176,411,059	127,844,641
Current assets					
Inventories	6	32,458,405	22,386,418	9,693,311	16,068,840
Debtors and prepayments	7	106,219,743	80,240,118	96,743,166	93,702,949
Short-term investments		193,031	-	-	-
Deferred tax asset		1,856,959	5,663,203	6,922,655	1,179,580
Bank and cash balances		21,033,529	12,187,072	25,760,410	48,981,689
		161,761,667	120,476,811	139,119,542	159,933,058
Current liabilities		400,864,761	325,986,108	315,530,601	287,777,699
Creditors and accruals	8	74,017,829	60,467,691	81,511,059	45,242,536
Dividend payable		651,358	651,358	50,123	1,249
Deferred tax liability		3,970,742	22,252	923,737	437,329
Current income tax liabilities		6,904,218	5,521,737	3,313,947	3,355,327
Convertible debt		2,500,000	-	-	-
Borrowings	9	119,993,236	71,020,640	140,473,551	142,347,242
		208,037,383	137,683,678	226,272,417	191,383,683
Net current (liabilities)/assets		(46,275,716)	(17,206,867)	(87,152,875)	(31,450,625)
Non-current liabilities					
Borrowings	9	85,591,771	76,348,834	21,247,128	41,861,113
Other non-current liabilities	10	1,088,241	1,188,783	1,168,808	934,458
Deferred tax liability		9,610,331	12,424,655	11,928,511	7,482,795
Provision for gratuity		-	-	-	-
Provision for other liabilities & charges	11	4,109,253	3,147,892	1,594,613	1,236,917
		100,399,597	93,110,164	35,939,060	51,515,283
Net Assets		92,427,781	95,192,266	53,319,124	44,878,733
Capital and reserves attributable to equity holders					
Share capital	12	1,137,058	905,084	452,542	452,442
Share premium account	13	49,521,186	49,042,111	29,735,182	29,716,870
Revaluation reserve	14	18,054,794	18,120,080	7,215,257	7,215,257
Retained earnings	15	22,548,472	26,022,475	14,908,560	7,343,127
		91,261,510	94,089,750	52,311,541	44,727,696
Minority interest		1,166,271	1,102,516	1,007,583	151,037
Total Equity		92,427,781	95,192,266	53,319,124	44,878,733

PROFIT AND LOSS ACCOUNTS (NGAAP)

The following is a summary of the Group's Profit and Loss Accounts as at December 31, 2008, 2009, 2010 and 2011.

Group Profit and Loss Account		**2011**	**2010**	**2009**	**2008**
For the year ended 31 December:		N'000	N'000	N'000	N'000
Turnover	16	586,619,034	378,925,430	336,859,678	339,420,435
Cost of sales		(518,178,147)	(324,797,391)	(301,282,506)	(299,810,537)
Gross profit		68,440,887	54,128,039	35,577,172	39,609,898
Selling and marketing costs		(7,901,252)	(7,220,296)	(7,435,802)	(7,144,126)
Administrative expenses		(42,150,326)	(22,484,703)	(18,087,443)	(17,420,675)
Interest received		2,533,121	1,468,674	3,570,953	4,548,759
Other operating income		12,456,510	4,174,589	11,713,165	1,816,444
Operating profit		33,378,940	30,066,303	25,338,045	21,410,300
Interest and similar charges		(8,825,689)	(5,747,458)	(11,825,890)	(10,667,689)
		24,553,251	24,318,845	13,512,155	10,742,611
Exceptional items	17	(9,624,853)	-	-	-
Profit before taxation		14,928,398	24,318,845	13,512,155	10,742,611
Taxation		(11,481,755)	(9,943,879)	(3,415,176)	(2,399,286)
Profit after taxation		3,446,643	14,374,966	10,096,979	8,343,325
Attributable to:					
Equity holders of the company		3,666,730	14,379,066	10,243,168	8,339,273
Pre acquisition profit		-	-	-	-
Minority interests		(220,087)	(4,100)	(146,189)	4,052
		3,446,643	14,374,966	10,096,979	8,343,325

Earnings per share for profit attributable to equity holders of the Company during the year:

Basic earnings per share (kobo)	19	162	829	1,132	922
Diluted earnings per share (kobo)		162	634	452	368

CASHFLOW STATEMENT (NGAAP)

Statement of Cash Flows	**2011**	**2010**	**2009**	**2008**
For the year ended 31 December:	N'000	N'000	N'000	N'000
Cash flows from operating activities				
Net cash flow from operating activities before changes in working capital	33,255,642	37,728,245	28,093,325	22,689,041
Net decrease/(increase) in working capital	(22,445,170)	(19,303,810)	35,698,352	(34,210,938)
Decrease/(Increase) in long term prepayments	-	-	-	-
Increase/(Decrease) in customers' security deposits	-	-	-	-
Decrease in pre-operational expenses	-	-	-	-
Income tax paid	(12,882,172)	(7,806,099)	(5,628,467)	(2,105,695)
Staff gratuity paid	-	-	-	(141,671)
Net cash (used in)/from operating activities	(2,071,700)	10,618,336	58,163,210	(13,769,263)
Cash flows from investing activities				
Purchase of property plant and equipment	(27,161,298)	(18,745,614)	(38,157,748)	(51,771,163)
Purchase of software	-	-	-	(67,957)
Investment in subsidiaries	-	-	-	-
Acquisition of subsidiary	-	-	(6,960,390)	-
Short-term investments	(193,031)	-	-	-
Payments relating to pipeline construction	(9,910,080)	(8,615,464)	(6,744,918)	(5,037,374)
Pipeline construction costs recovery	1,866,525	3,753,789	2,796,583	1,737,170
Payment to acquire exploration rights in marginal fields	-	-	-	-
Investment in exploration activities	-	-	-	-
Proceeds from sale of property plant and equipment	105,655	318,655	450,955	250,812
Signature bonus refunded	-	-	23,735,950	-
Interest received	2,533,121	1,468,674	3,570,953	4,548,759
Cash (used in)/from by investing activities	(32,759,108)	(21,819,960)	(21,308,615)	(50,339,753)
Cash flows from financing activities				
Proceeds from long term loans	36,691,445	74,748,659	20,729,492	28,136,372
Repayment of long term loans	(19,434,052)	(15,715,642)	(38,322,707)	(2,099,921)
Proceed from import finance facilities	10,533,274	9,142,843	19,318,100	-
Repayment of import finance facilities	-	-	-	(1,754,643)
Share issue expenses	-	(1,660,865)	-	(160,871)
Proceed from finance lease	-	-	-	103,899
Repayment of finance lease	(52,938)	(111,429)	(2,620)	(247,407)
Proceeds from other short term loans	62,071,494	16,486,606	-	74,575,348
Repayment of other short term loans	(33,718,041)	(93,947,807)	(50,716,463)	-
Increase/(decrease) in bank overdrafts	1,740,220	(4,878,560)	3,865,712	15,129,673
Dividend paid	(5,430,508)	(2,114,019)	(2,664,265)	(7,242,717)
Issue of shares	-	21,118,641	18,412	-
Interest paid	(8,723,631)	(5,652,290)	(11,746,003)	(10,640,046)
Net cash from/(used in) financing activities	43,677,263	(2,583,863)	(59,520,342)	95,799,687
Net change in cash and cash equivalents	8,846,457	(13,785,487)	(22,665,746)	31,690,671
Cash and cash equivalent at the beginning of the year	12,187,072	25,760,411	48,981,689	17,209,397
Exchange difference	-	212,148	(555,531)	81,621
Cash and cash equivalents at end of the year	21,033,529	12,187,072	25,760,410	48,981,689
Cash at year end is analysed as follows:				
Cash at bank and in hand	18,158,733	9,209,746	7,103,932	16,947,560
Fixed deposits	2,874,796	2,977,326	18,656,478	32,034,129
	21,033,529	12,187,072	25,760,410	48,981,689

NOTES TO THE FINANCIAL STATEMENTS (2008 – 2011)

1 The Group

The Group provides energy services to Exploration and Production (E&P) companies through its fully owned subsidiary, Oando Energy Services. The Group also operates in the E&P sector through Oando Exploration and Production Limited (100%), Oando Production and Development Company Limited (95%), Oando OML 125 & 134 Limited, Equator Exploration Limited (81.5%) and Oando Akepo Limited (100%).

2 Property, Plant and equipment

	2011 N'000	2010 N'000	2009 N'000	2008 N'000
COST:				
Upstream Assets	103,610,757	83,595,184	71,371,137	49,564,758
Land and buildings	23,209,995	23,048,299	16,590,962	14,288,812
Plant and machinery	39,983,876	36,560,375	18,972,919	2,892,384
Motor vehicle	2,218,498	2,024,274	1,738,401	1,488,403
Fixtures, fittings & equipment	4,863,602	3,546,128	3,265,723	2,585,097
Construction in progress	29,801,649	21,211,744	32,876,931	26,946,387
Total	**203,688,377**	**169,986,004**	**144,816,073**	**97,765,841**
ACCUMULATED DEPRECIATION:				
Upstream Assets	17,022,769	10,678,567	7,218,878	4,096,408
Land and buildings	773,313	203,928	1,284,809	642,522
Plant and machinery	6,266,679	2,989,633	1,731,375	755,921
Motor vehicle	1,508,600	1,280,500	1,013,932	831,407
Fixtures, fittings & equipment	2,661,799	2,319,989	1,854,007	1,536,393
	28,233,160	**17,472,617**	**13,103,001**	**7,862,652**
NET BOOK VALUE	**175,455,217**	**152,513,387**	**131,713,072**	**89,903,189**

3 Intangible Assets

	2011 N'000	2010 N'000	2009 N'000	2008 N'000
Goodwill (Note 3.1)	23,484,623	23,484,623	23,483,905	21,706,057
Software costs (Note 3.2)	183,092	321,982	485,843	644,456
Mineral rights acquisition costs (Note 3.3)	-	-	-	-
Exploration costs (Note 3.4)	-	-	-	-
	23,667,715	**23,806,605**	**23,969,748**	**22,350,513**

(3.1) Goodwill

Movement in goodwill is analysed as follows:

	2011	2010	2009	2008
Cost				
At 1 January	25,234,728	25,234,010	23,456,162	23,489,044
Additions	-	718	1,777,848	-
Write off*	-	-	-	(32,882)
At 31 December	**25,234,728**	**25,234,728**	**25,234,010**	**23,456,162**
Amortisation				
At 1 January	1,750,105	1,750,105	1,750,105	1,750,105
Net movement	-	-	-	-
At 31 December	**1,750,105**	**1,750,105**	**1,750,105**	**1,750,105**
At 31 December	**23,484,623**	**23,484,623**	**23,483,905**	**21,706,057**

In accordance with the Group's accounting policy, goodwill is not amortised but individually tested annually for impairment.

Impairment testing of goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the business segments. Impairment tests were conducted as at the balance sheet date based on value-in-use calculations. The calculations used cash flows projections based on financial forecasts covering a five year-period. The discount rate used is the pre-tax interest rate that reflects the current market assessment of the risks specific to the business segment.

Based on the impairment test, the carrying amount of goodwill is not higher that the recoverable value. Accordingly, no impairment loss has been recognised.

3.2 Software costs

In accordance with the Group's accounting policy, deferred software costs are amortised over 5years. 2011 charge of ₦157.0 million; 2010 charge of ₦162.6 million; 2009 change of ₦158.6 million; 2008 charge of ₦149.3 million have been included in other administrative expenses for the respective years.

3.3 Mineral Rights acquisition costs

Mineral rights acquisition costs are analysed as follows:

	2007
	N'000
Signature Bonus on OPL 278	3,427,903
Signature Bonus on OPL 282	56,000
25% Signature Bonus on OPL 236	1,494,506
Capitalised borrowing costs on signature bonuses	443,139
	5,421,548

All mineral rights acquisition cost were made in the name of Oando PLC to be subsequently transferred to Oando Exploration upon commencement of operation.

3.4 Exploration Costs

Exploration costs comprise expenditures related to exploration activities, including technical feasibility and commercial viability studies, as well as borrowing costs relating to OPLs 278 and 282. As at the balance sheet date, capitalised borrowing costs amounted to ₦217.2million (2006: ₦92.13million).

4 Long term Investments

	2011	2010	2009	2008
	N'000	N'000	N'000	N'000
Quoted shares				
At 1 January, 2011	10,000	10,000	10,000	10,000
Additions	-	-	-	-
Provision for dimunition in value	(9,000)	(9,000)	(9,000)	(8,000)
Balance, at end of year	1,000	1,000	1,000	2,000
Unquoted shares	-	-	-	-
At 1 January, 2011	-	-	-	-
Additions	-	-	-	-
Balance, at end of year	-	-	-	-
Total investments	**1,000**	**1,000**	**1,000**	**2,000**

5 Long term receivable

	2011	2010	2009	2008
	N'000	N'000	N'000	N'000
Long term prepayment	3,455,355	2,565,539	717,848	427,570
Pipeline Cost Recovery Account	30,970,772	22,927,217	18,065,542	14,117,207
	34,426,127	25,492,756	18,783,390	14,544,777

Pipeline Cost Recovery Account (PCRA) represents accumulated costs incurred in respect of the design, funding and construction of the pipeline infrastructure on behalf of the Nigerian Gas Company by Gaslink and East Horizon Gas Company, which are recoverable from gas sales over the duration of the Natural Gas Sale and Purchase Agreement.

The PCRA includes land and building construction costs, plant and equipment costs, work-in-progress, pipeline construction costs, project vehicle costs, interest on borrowings, bank charges and fees, pipeline insurance cost, project management and other charges relevant to the pipeline construction such as legal and professional fees. This is stated at cost less amounts recovered from gas purchases."

6 Inventories

	2011	2010	2009	2008
	N'000	N'000	N'000	N'000
Finished products	28,169,966	18,371,623	5,963,148	13,525,642
Raw materials	2,496,153	1,089,582	2,330,126	-
Materials inventory	-	599,251	486,861	-
Products-in-transit	1,385,766	1,931,583	1,293,340	2,221,187
Work-in-progress	-	-	13,853	-
Spares and other consumables	831,139	876,396	41,476	380,367
	32,883,025	22,868,435	10,128,804	16,127,196
Provision for slow moving and obsolete stocks	(424,619)	(482,017)	(435,493)	(58,356)
	32,458,405	22,386,418	9,693,311	16,068,840

7 Debtors and Prepayments

	2011	2010	2009	2008
	N'000	N'000	N'000	N'000
Trade debtors	43,322,121	43,791,730	49,775,898	24,332,464
Bridging claims receivable	10,094,924	7,044,442	14,835,883	8,896,036
Petroleum Support Fund	20,489,887	7,269,504	13,795,982	44,828,923
Deposit for import	1,922,347	9,084,041	363,346	635,087
Other debtors	19,299,571	11,150,737	16,130,450	15,153,328
Amounts due from related companies	-	-	-	-
Prepayments	16,327,849	4,309,785	3,473,955	1,223,973
As previously stated	111,456,699	82,650,239	98,375,514	95,069,811
Provision for doubtful bridging claims, trade and other receivables	(5,236,956)	(2,410,121)	(1,632,348)	(1,366,862)
	106,219,743	80,240,118	96,743,166	93,702,949

8 Creditors and Accruals

	2011	2010	2009	2008
	N'000	N'000	N'000	N'000
Trade creditors	28,371,214	25,786,570	38,014,075	27,083,287
Other creditors	28,386,778	20,636,033	29,188,023	15,119,587
Accruals	15,349,082	8,121,989	8,089,058	3,039,662
Petroleum Support Fund	-	-	-	-
Amounts due to other related companies	-	-	-	-
Deferred income	1,910,755	5,923,099	6,219,903	-
	74,017,829	60,467,691	81,511,059	45,242,536

9 Borrowings

	2011	2010	2009	2008
	N'000	N'000	N'000	N'000
Current				
Bank overdrafts	25,361,628	23,621,408	28,499,968	24,634,256
Import finance facilities	39,670,265	29,136,991	19,994,148	676,048
Finance lease obligation	-	52,938	164,367	166,987
Other short term loans	36,692,377	8,328,324	60,114,155	110,830,618
Current portion of long term loans	18,268,966	9,880,979	31,700,913	6,039,333
	119,993,236	71,020,640	140,473,551	142,347,242
Non-current				
Syndicated/other project loans	85,591,771	76,348,834	11,340,491	37,941,166
Finance lease obligation	-	-	-	164,368
Other long-term loans	-	-	9,906,637	3,755,579
	85,591,771	76,348,834	21,247,128	41,861,113

10 Other non-current liabilities

	2011	2010	2009	2008
	N'000	N'000	N'000	N'000
Customers' security deposits	1,088,241	1,188,783	1,168,808	934,458

Customer security deposits represent amounts deposited by dealers in respect of product supply, use of Oando Marketing PLC's equipment and retailing outlets. The deposits do not attract any interest and are refundable to the dealers less any amounts owed at the expiration of the dealership agreement.

11 Provision for other liabilities & charges

	2011 N'000	2010 N'000	2009 N'000	2008 N'000
Tank decommissioning/abandonment provision	1,486,695	1,841,430	1,594,613	1,236,917
Provision for gratuity	2,622,558	1,306,462	-	-
	4,109,253	3,147,892	1,594,613	1,236,917

Tank decommissioning/abandonment provision

Balance, beginning of year	1,841,431	1,594,613	1,236,917	425,279
Additions/valuation change	(516,554)	95,168	176,775	783,995
Accretion discount	102,058	144,869	79,887	27,643
Exchange difference	59,760	6,781	101,034	-
Balance, end of year	1,486,695	1,841,430	1,594,613	1,236,917

In accordance with the Group accounting policy, a provision is recognised in respect of underground tanks decommissioning obligation and upstream, at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. A corresponding amount is included under plant and machinery, and depreciated in accordance with the policy.

Provision for gratuity

	2011 N'000	2010 N'000	2009 N'000	2008 N'000
Balance, beginning of year	1,306,461	837,624	-	141,671
Provision for the year	1,600,365	610,311	-	-
Payment during the year	(284,268)	(141,474)	-	(141,671)
Balance, end of year	2,622,558	1,306,462	-	-

12 Share Capital

	2011 N'000	2010 N'000	2009 N'000	2008 N'000
Authorised:				
6,000,000,000 Ordinary shares of 50k each	3,000,000	3,000,000	-	-
2,000,000,000 Ordinary shares of 50k each	-	-	1,000,000	-
1,000,000,000 Ordinary shares of 50k each	-	-	-	500,000
Issued and fully paid:				
At beginning of the year				
1,810,169,256 Ordinary shares of 50k each	905,084	452,542	452,442	-
754,070,523 ordinary shares of 50k each	-	-	-	377,035
Additions:				
2007: 181,769,626 ordinary shares of 50k each	-	-	-	-
2008: 150,814,105 ordinary shares of 50k each - bonus	-	-	-	75,407
2010:301,694,876 Ordinary shares of 50k each - Rights issue	-	150,847	-	-
2010: 603,389,752 Ordinary shares of 50k each - Bonus issue	-	301,695	100	-
2011: 452,542,314 Ordinary shares of 50k each - Bonus issue	226,272	-	-	-
2011: 11,406,568 Ordinary shares of 50k each - Staff	5,702	-	-	-
At end of year	1,137,058	905,084	452,542	452,442

13 Share premium account

	2011 N'000	2010 N'000	2009 N'000	2008 N'000
At beginning of the year	49,042,111	29,735,182	29,716,870	29,877,741
Issue of shares	479,075	20,967,794	18,312	-
Share issue cost	-	(1,660,865)	-	(160,871)
At end of the year	49,521,186	49,042,111	29,735,182	29,716,870

14 Revaluation reserve

	2011 N'000	2010 N'000	2009 N'000	2008 N'000
At beginning of the year	18,054,794	7,215,257	7,215,257	10,652,936
Revaluation surplus during the year:				
- Land & building	-	8,003,534	-	-
- Plant & Machinery	-	2,495,726	-	-
Revaluation surplus written off	-	(217,242)	-	-
Reversal of revaluation surplus	-	-	-	(681,604)
Under/over provision for deferred taxes	-	(1,049,926)	-	-
Deferred tax	-	1,672,731	-	(2,756,075)
At end of the year	18,054,794	18,120,080	7,215,257	7,215,257

Revaluation reserve is not available for redistribution to shareholders until realised through disposal of related assets.

15 Retained Earnings

	2011 N'000	2010 N'000	2009 N'000	2008 N'000
At beginning of the year	23,945,029	14,401,178	7,343,127	6,321,140
Exchange difference	580,836	259,179	35,404	176
Bonus issues	(226,272)	(301,695)	-	-
Dividend:				
2007 final	-	-	-	(4,526,954)
2007 bonus	-	-	-	(75,407)
2008 Interim	-	-	-	(2,715,102)
2008 final	-	-	(2,713,139)	-
2009 final	-	(2,715,253)	-	-
2010 final	(5,430,508)	-	-	-
Transactions with Minority Interest	12,657	-	-	-
Profit for the year	3,666,730	14,379,066	10,243,168	8,339,273
At end of the year	22,548,472	26,022,475	14,908,560	7,343,127

Prior year adjustment relates to deferred tax adjustment on OML 125 & 134 Limited in 2010 and provision for gratuity in 2009.

16 Turnover

	2011 N'000	2010 N'000	2009 N'000	2008 N'000
Analysis by geographical region				
Within Nigeria	342,178,578	283,778,327	244,464,812	274,310,613
Other West African Countries	10,320,252	9,097,013	8,712,379	9,317,760
Others	234,120,204	86,050,090	83,682,487	55,792,062
	586,619,034	378,925,430	336,859,678	339,420,435

17 Exceptional Items

	2011 N'000	2010 N'000	2009 N'000	2008 N'000
Exceptional items consists of the following charges:				
Termination fee for Technical Services Agreement & Management Services Agreement	5,250,000	-	-	-
Rig asset write-off	851,152	-	-	-
Project costs write-off	3,523,701	-	-	-
	9,624,853	-	-	-

18 Capital commitment

	2011	2010	2009	2008
	N'000	N'000	N'000	N'000
Outstanding capital expenditure contracted but not provided for in the acc	1,513,699	740,838	86,196	1,929,920
Capital expenditure approved by the Board but not yet committed	9,466,851	12,038,630	62,918,928	23,467,250
	10,980,550	12,779,468	63,005,124	25,397,170

19 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of shares in issue during the year.

Diluted

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

	2011	2010	2009	2008
	N'000	N'000	N'000	N'000
Profit attributable to equity holders of the Company	3,666,730	14,379,066	10,243,168	8,339,273
Weighted average number of shares in issue (thousands)	2,268,415	1,734,746	904,985	904,885
Basic earnings per share (kobo)	161.64	828.89	1,131.86	922.00
Diluted earnings per share (kobo)	161.64	633.88	451.56	367.63

INCORPORATION AND SHARE CAPITAL HISTORY

Oando commenced operations in 1956 as a petroleum marketing company in Nigeria under the name ESSO West Africa Incorporated, a then subsidiary of Exxon Corporation of the USA. On 25 August 1969, the company was incorporated under Nigerian law as Esso Standard Nigeria Limited. In 1976, the Federal Government bought Exxon's interest in the Company and was consequently branded Unipetrol Nigeria Limited. The Company became a public limited company in 1991 and was listed on the NSE in February 1992. In August 2002, Unipetrol acquired a 60% stake in Agip, and both companies subsequently merged to form an enlarged Unipetrol which was re-branded Oando PLC. Oando was subsequently listed on the JSE on 25 November 2005.

Oando had an initial authorized share capital of ₦4 Million comprising 4 Million Ordinary Shares of ₦1.00 each, and an issued and fully paid-up share capital of ₦4 Million comprising of 4 Million Ordinary Shares of ₦1.00. As at the date of this Placement Memorandum, the authorized share capital of the Company is currently ₦5 billion comprising 10 Billion ordinary shares of 50 Kobo each, of which ₦3,411,177,207.00 comprising 6,822,354,414 ordinary shares of 50 kobo each have been issued and fully paid up. The changes to the Company's authorized and issued share capital since incorporation are summarized below:

Year		**Authorised (₦)**		**Issued & Fully Paid-up (₦)**	**Consideration**
Date	**Increase**	**Cumulative**	**Increase**	**Cumulative**	**Cash/Bonus**
1969	0	4,000,000	0	4,000,000	Cash
1978	3,000,000	7,000,000	2,100,000	6,100,000	Cash
1987	43,000,000	50,000,000	33,900,000	40,000,000	Cash
1991	10,000,000	60,000,000	0	40,000,000	-
1993	40,000,000	100,000,000	10,000,000	50,000,000	Bonus
1995	0	100,000,000	12,500,000	62,500,000	Cash
1998	0	100,000,000	15,625,000	78,125,000	Bonus
2001	50,000,000	150,000,000	0	78,125,000	-
2002	150,000,000	300,000,000	70,129,233	148,254,233	Bonus, Loan stock conversion and Agip share exchange
2003	0	300,000,000	14,825,423	163,079,656	Bonus
2004	0	300,000,000	40,769,914	203,849,570	Bonus
2005	0	300,000,000	82,300,879	286,150,449	Cash
2005	100,000,000	400,000,000	0	286,150,449	-
2007	100,000,000	500,000,000	90,884,813	377,035,262	Share exchange under Scheme of Arrangement
2008	0	500,000,000	75,407,052	452,442,314	Bonus
2009	0	500,000,000	100,000	452,542,314	Staff Share Scheme
2009	500,000,000	1,000,000,000	0	452,542,314	-
2010	2,000,000,000	3,000,000,000	150,847,438	603,389,752	Rights Issue
2010	0	3,000,000,000	301,694,876	905,084,628	Bonus Issue (1:2)
2011	0	3,000,000,000	226,271,157	1,131,355,785	Bonus Issue (1:4)
2011	0	3,000,000,000	5,703,284	1,137,059,069	Staff Share Scheme
2012	2,000,000,000	5,000,000,000	0	1,137,059,069	-
2013	0	5,000,000,000	2,274,118,138	3,411,177,207	Rights Issue

SHAREHOLDING STRUCTURE

As at 24 June, 2013, the 6,822,354,414 ordinary shares of 50 kobo each in the issued ordinary share capital of the Company were beneficially held as follows:

Shareholder	No. Of Ordinary Shares Held	%
Ocean and Oil Development Partners	2,933,357,320	43
Other shareholders - Individuals and Institutions	3,889,007,094	57
Total	**6,822,364,414**	**100**

No shareholder other than Ocean and Oil Development Partners Limited holds more than 5% of the issued share capital of the Company as at June 14, 2013.

DIRECTORS' BENEFICIAL INTERESTS

The interests of the Directors of Oando in the issued share capital of the Company as recorded in the Register of Members as at 24 June, 2013 and as notified by them for the purpose of Section 275 (1) of the Companies & Allied Matters Act Cap C20 LFN 2004 are as follows:

Directors	Direct Shareholding	Indirect Shareholding	Total Shareholding	Percentage Holding
HRM Oba A. Gbadebo, CFR	252,000	Nil	252,000	0.0036937
Mr. Jubril Adewale Tinubu	Nil	3,670,995	3,670,995	0.0538083
Mr. Omamofe Boyo	Nil	2,354,713	2,354,713	0.0345147
Mr. Mobolaji Osunsanya	202,491	1,890,398	2,092,889	0.0306769
Mr. Olufemi Adeyemo	75,000	1,723,898	1,798,898	0.0263677
Chief Sena Anthony	199,133	Nil	199,133	0.0029188
Mr. Oghogho Akpata	Nil	Nil	Nil	-
Ammuna Lawan Ali	Nil	Nil	Nil	-
Engr. Yusuf K. J. N'ije	Nil	Nil	Nil	-
Ms. Nana Afoah Appiah-Korang	Nil	39,434,046	39,434,046	0.5780123
Ms. Ayotola O. Jagun (Company Secretary)	Nil	100,560	100,560	0.0014740

STATUS OF UNCLAIMED DIVIDEND

As at 24 June, 2013, the value of the total amount for unclaimed dividend of Oando was ₦1,230,802,532.26 (One Billion, Two Hundred And Thirty Million, Eight Hundred And Two Thousand, Five Hundred And Thirty Two Naira, Twenty Six Kobo only). This total amount is domiciled with First Bank of Nigeria PLC (Iganmu Branch).

In addressing the issue of unclaimed/unpaid dividend, the Company publishes a schedule of unclaimed dividends in its Annual Report, circulated to all shareholders of the Company. In addition, requests for revalidation of old dividend warrants and/or non-receipt of dividends complaint are continuously forwarded to the Registrar for revalidation or re-issue as the case may be to enable shareholders receive value on their investment.

The Company is actively promoting the e-dividend campaigns to facilitate immediate credit of the holder's bank account once dividend is declared by the company thus ensuring subsequent dividends do not become unclaimed. This is achieved by including "e-dividend mandate forms" in the annual reports distributed to shareholders to ensure mandates are updated.

INDEBTEDNESS

As at 31 December 2012, the Company had the following current and non-current borrowings in the ordinary course of business.

Non-current	**₦'000**
Bank loans	75,221,070
Other third party debt	-
Total	75,221,070

Current	**₦'000**
Bank overdraft	48,537,984
Bank loans	120,924,911
Other third party debt	44,202,820
Total	**213,665,715**

EXTRACTS FROM THE MEMORANDUM AND ARTICLES OF ASSOCIATION

MEMORANDUM OF ASSOCIATION

4. The Company is a public Company

6. The share capital of the Company is ₦5,000,000,000.00 (Five Billion Naira) divided into 10,000,000,000 (Ten Billion) ordinary shares of 50k (fifty kobo) each.

ARTICLES OF ASSOCIATION

SHARE CAPITAL AND VARIATION OF RIGHTS

4. Subject to the provisions of the Act and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any shares in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting or otherwise or on the basis that the same is, or at the option of the Company is liable, to be redeemed as the Directors determine on such terms and in such manner as they deem fit or as the Company may from time to time by ordinary resolution determine

5. Subject to the provisions of the Act, if at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the sanction of a special resolution passed at a separate General Meeting of the holders of the shares of the class. To every such separate General Meeting the provisions of these Articles relating to General Meetings shall apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll.

6. The rights conferred upon the holders of the shares of any classes issued with preferred or other rights shall not be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

7. Subject to the provisions of the Act and directions that may be imposed in these Articles or from time to time by the Company in a General Meeting, all unissued shares are under the control of the Directors who are Generally and unconditionally authorised to exercise the power to allot, grant options over or otherwise deal with or dispose of them to such persons, at such times as they think fit.

8. Pursuant to the provisions of the Act, the Company may accept such considerations, whether cash or other valuable consideration, partly cash and partly a valuable consideration other than cash, for the issuance of its shares.

9. The Company may exercise the powers of paying commission conferred by the Act provided that the rate percent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the said Act and the rate of the commission shall not exceed the rate of 10 per cent of the price at which the shares in respect whereof the same is paid are issued or an amount equal to 10 percent

of such price (as the case may be). Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

10. Except as required by law, no person shall be recognised by the Company as holding any shares upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by these articles or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holders.

TRANSFER OF SHARES

25. Subject to such of the restrictions of these Articles as may be applicable, any member may transfer all or any of his shares by instrument in writing in any usual or common form or any form approved by the Directors. The instrument of transfer of any share shall be executed by or on behalf of the transferor and in the case of partly paid shares by or on behalf of the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof.

26. No fee shall be payable in respect of any transfer lodged for registration.

27. The Directors may also decline to recognise any instrument of transfer unless:

    a. The instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

    b. The instrument of transfer is in respect of only one class of share;

28. If the Directors refuse to register a transfer they shall within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.

TRANSMISSION OF SHARES

29. In case of the death of a member the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where he was a sole holder, shall be the only persons recognised by the Company as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been held jointly by him with other persons.

30. Any person becoming entitled to a share in consequence of the death or bankruptcy of a member may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that member before his death or bankruptcy, as the case may be.

32. A person becoming entitled to a share by reason of the death or bankruptcy of the holder shall have the rights and shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to Meetings of the Company. Provided that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and the Directors may thereafter withhold payment of all dividends, bonuses or other money payable in respect of the share until the requirement of the notices have been complied with.

GENERAL MEETINGS

49. All General Meetings other than Annual General Meetings shall be Extraordinary General Meetings.

50. The Board of Directors may convene General Meetings, and on a member's requisition under the Act, shall proceed forthwith to convene an Extraordinary General Meeting upon the receipt of the requisition. If there are not sufficient Directors to call a General Meeting, any Director may convene the meeting.

51. All Annual General Meetings and Extraordinary General Meetings shall be called by at least twenty-one days' notice in writing.

52. The notice shall specify the time, the day and the place of the meeting and the General nature of the business. In the case of an Annual General Meeting, the notice shall specify the meeting as such.

PROCEEDINGS AT GENERAL MEETINGS

55. All business shall be deemed special that is transacted at an Extraordinary General Meeting, and also all business that is transacted at an Annual General Meeting with the exception of declaring a dividend, the presentation of the financial statements and the reports of the Directors and Auditors, the election of Directors in the place of those retiring, the appointment of and the fixing of the remuneration of the Auditors and the appointment of the members of the Audit committee shall be deemed special.

56. No business shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Twenty-five (25) persons or persons representing not less than one third of the voting share capital whichever is less, each person being a member or a proxy for a member or a duly appointed representative of a Company, constitute a quorum.

61. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded:

    a. by the Chairman

    b. by at least three members present in person or by proxy; or

    c. by any member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the Meeting; or

    d. by a member or members holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-third of the total sum paid up on all the shares conferring that right.

62. Unless a poll be so demanded and the demand is not withdrawn before the poll is taken a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or not carried by a particular majority or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the proceedings without proof of the number or proportion of the votes recorded in favour or against such resolution.

VOTES OF MEMBERS

66. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person or by proxy shall have one vote, and on a poll every member shall have one vote for each share of which he is the holder.

71. On a poll votes may be given either personally or by proxy.

DIRECTORS

78. Unless and until otherwise determined by the Company in General Meeting, the number of the Directors shall not be less than ten, nor more than fifteen.

POWERS AND DUTIES OF DIRECTORS

83. Subject to the provisions of the Act and these Articles and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company.

BORROWING POWERS

84. The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and assets (present or future) and uncalled capital, or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party. Provided that the amount for the time being remaining undischarged of moneys borrowed or secured by the Company and its subsidiaries (apart from temporary loans obtained from the Company's bankers in the ordinary course of business and exclusive of borrowings owing by one member of the Group to another member of the Group) shall not at any time without the previous sanction of the Company in General Meeting exceed four times the aggregate of the amount for the time being paid up on the share capital of the Company and the amount standing to the credit of the Company's reserves so however that no lender or other person dealing with the Company shall be concerned to see or enquire whether this limit is observed.

APPOINTMENT AND REMOVAL OF DIRECTORS

86. The Company may by ordinary resolution appoint another person to be a Director either to fill a casual vacancy or as an additional Director. The appointment shall take effect from the end of the meeting at which the resolution is passed.

87. Without prejudice to the provisions of the Act, the Company may by ordinary resolution:
   a. remove any Director before the expiration of his period of office notwithstanding anything in these Articles or in any agreement between the Company and such Director. Such removal shall be without prejudice to any claim such Director may have for breach of any contract of employment.

ROTATION OF DIRECTORS

94. The Company at the meeting at which a Director retires in manner aforesaid may fill the vacated office by electing a person thereto, and in default the retiring Director shall if offering himself for re-election, be deemed to have been re-elected, unless at such meeting it is expressly resolved not to fill such vacated office or unless a resolution for the re-election of such Director shall have been put to the Meeting and lost.

REMUNERATION OF DIRECTORS

97. The Directors (other than Directors holding executive office and Alternate Directors) shall be entitled to such remuneration for their services as such, as the Company may by ordinary resolution determine and, unless the resolution provides otherwise, the remuneration shall be deemed to accrue from day to day.

PROCEEDING OF DIRECTORS

104. The Directors may meet together for the dispatch of business, adjourn, and otherwise regulate their meetings, as they think fit. A Chairman may, and the Secretary at the request of the Chairman or any two Directors shall, at any time call a meeting of the Directors.

107. Questions arising at any meeting shall be decided by a majority of votes in case of an equality of votes, the Chairman shall have a second or casting vote. In the absence of the Director whom he is representing, a Director who is also an Alternate Director shall have a separate vote on behalf of his appointor in addition to his own vote.

108. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed shall be more than half of the total number of Directors at any point in time, with at least half of the number present being non-executive directors.

MANAGING DIRECTOR

118. The Directors may from time to time appoint one of their body to the office of Managing Director for such period and on such terms as they think fit and, subject to the terms of any agreement entered into in any particular case, may revoke such appointment. A Director so appointed shall not, whilst holding that office, be subject to retirement by rotation or be taken into account in determining the rotation or retirement of Directors but his appointment shall be automatically determined if he ceases from any cause to be a Director, but without prejudice to any claim which he has for breach of his contract of employment.

120. The Directors may entrust to and confer upon a Managing Director any of the powers exercisable by them (other than the powers to allot shares and make calls or to borrow except in the ordinary course of business) upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to exclusion of their own powers and may from time to time revoke, withdraw, alter or vary all or any of such powers.

ACCOUNTS

136. The Directors shall cause proper books of accounts to be kept with respect to:

   a. all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure takes place;

   b. all sales and purchases of goods by the Company; and

   c. the assets and liabilities of the Company.

   Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

CORPORATE GOVERNANCE

Compliance with Code of Corporate Governance

Oando is dedicated to the protection and promotion of shareholders' interests. The Company recognises the importance of the adoption of superior management principles, its valuable contribution to long term business prosperity and accountability to its shareholders.

The Company complies with the requirements of the Nigerian and international corporate governance standards. According to the Securities and Exchange Commission's Code of Corporate Governance for Public Companies in Nigeria (the "Code"), the composition of the Board of Directors should ensure diversity of experience without compromising compatibility, integrity, availability and independence, and it should consist of a mix of not more than 15 Executive and Non-Executive Directors headed by a Chairman. In addition, the positions of the Chairman and the Chief Executive Officer should be held by different persons, in order to avoid undue concentration of power. The Company complies with all these principles.

The Company has adopted a Code of Business Conduct & Ethics which defines the Company's mission within a corporate governance framework. The Code was approved by the Board in December 2007 and is applicable to all employees (including contract staff and third party personnel seconded to the Company), managers as well as directors and business partners of the Company. It also requires all Directors and employees to be trained and annually certified on the salient provisions of the Company's Code of Business Conduct & Ethics.

Board of Directors - Governance Structure

The Board of Directors of the Company is responsible for setting the strategic direction of the Company and for overseeing and monitoring its business affairs. The Board ensures that the Company is fully aware of its responsibility to all relevant stakeholders in the conduct of its operations. The Board is responsible for the development and implementation of sustainable policies, which reflect the company's recognition of its responsibility to all stakeholders who are affected by the Company in the performance of its operations which include customers, employees, shareholders, communities and the environment.

The Oando Board of Directors recognises the importance of best corporate governance principles, its valuable contribution to long term business prosperity and accountability to its shareholders.

The Board's Authority

The Board of Directors' scope of authority is set forth in the Company's Delegation of Authority in conformity with relevant legislation and best practice recommendations.

There is a formal schedule of matters reserved for the decision of the Board, which is reviewed regularly. This includes (inter alia):

- Strategy and objectives;
- Business plans and budgets;
- Changes in capital and corporate structure;
- Accounting policies and financial reporting;
- Internal controls;
- Major contracts;
- Capital projects;
- Acquisitions and disposals;
- Communications with shareholders; and
- Board membership.

Board's Composition and Independence

Oando's Board of directors currently comprises of 10 directors with a broad range of expertise that covers the oil sector, the Company's main business and the geographical areas. Each individual Director has experience, knowledge, qualifications, expertise and integrity necessary to effectively discharge the duties of the Board of Directors.

The Company believes that experienced Directors with diverse industry background are essential for the provision of a successful strategic direction for the Company. The composition, competencies and mix of skills are adequate for its oversight duties and the development of the corporate vision and strategy.

In line with corporate governance best practice, the Board has four independent non-executive directors and one non-independent non-executive director on its Board to maintain balance of interest and ensure transparency and impartiality. The Board of Directors through its Governance & Nominations Committee establishes which members are independent and it also recommends the appropriate size of the board. The size of the Board is predetermined by Article 78 of the Company's Articles of Association.

Board Committees

Under the Company's Articles, the Directors may appoint Committees consisting of members of the Board and such other persons as they think fit and may delegate [any of their powers] to such Committees. The Committees are required to use their delegated powers to conform to the regulations laid down by the Board. Committee members are expected to attend each Committee meeting, unless exceptional circumstances prevent them from doing so. All the Committees have terms of reference which guides them in the execution of their duties. Each Committee reports to the Board of Directors. Each Committee provides draft recommendations to the Board on matters that fall within the Board's ambit. The following Committees are currently operating at the Board level:

- Audit Committee (a Statutory Committee with shareholder members);
- Strategic Planning and Finance Committee;
- Governance and Nominations Committee; and
- Risk, Environmental, Health, Safety, Security and Quality Committee.

Re-election of Directors

A maximum of one third of the Directors, who are the longest in office since their last appointment are required to retire by rotation and are eligible for re-election.

Board Duties and Responsibilities

Directors act in good faith, with due care and in the best interests of the Company and all its shareholders – and not in the interests of any particular shareholder – on the basis of relevant information. Each Director is expected to attend all Board of Directors meetings and applicable committee meetings.

The Company does not prohibit its Directors from serving on other Boards as Directors. Directors are however, expected to ensure that other commitments do not interfere with the discharge of their duties. Directors shall not divulge or use confidential or insider information about the Company.

The Board in discharging its duties adopts the best practice principles, some of which are highlighted thus:

- The Company believes that the Chairman of the Board should be a Non-Executive Director.
- To maintain balance of interest and ensure transparency and impartiality, a number of the Directors are independent. The independent Directors are those who have no material relationship with the Company beyond their Directorship.

Directors abstain from action that may lead to conflict of interest and are to ensure they shall comply with the Company's Policy on Related Party Transactions.

SUBSIDIARIES AND ASSOCIATE COMPANIES

As at the date of this Placement memorandum, the Company had the following subsidiaries:

SUBSIDIARIES	COUNTRY OF INCORPORATION	SHAREHOLDING
Ajah Distribution Company Limited	Nigeria	100%
Akute Power Limited	Nigeria	100%
Alausa Power Limited	Nigeria	100%
Apapa SPM Limited	Nigeria	100%
Central Horizon Gas Co. Ltd	Nigeria	56%
East Horizon Gas Co. Ltd	Nigeria	100%
Gasgrid Nigeria Limited	Nigeria	100%
Gaslink Nigeria Limited	Nigeria	97.24%
Lekki Gardens Power Limited	Nigeria	100%
OES Integrity	British Virgin Islands	100%
OES Passion	Bermuda	100%
OES Professionalism Limited	Nigeria	100%
OES Respect Limited	British Virgin Islands	100%
OES Teamwork Limited	British Virgin Islands	100%
Oando Akepo Limited	Nigeria	60%
Oando Benin	Benin	94.6%
Oando Energy Resources Inc.	Canada	94.6%
Oando Energy Services Limited	Nigeria	100%
Oando Exploration & Production Limited	Nigeria	100%
Oando Gas & Power Limited	Nigeria	100%
Oando Lekki Refinery Limited	Nigeria	100%
Oando Logistics and Services Limited	United Kingdom	100%
Oando Marketing Plc	Nigeria	100%
Oando Petroleum Development Co. Ltd	Nigeria	100%
Oando Port Harcourt Refinery Limited	Nigeria	100%
Oando Properties Limited	Nigeria	100%
Oando Qua Ibo Limited	Nigeria	100%
Oando Resources Limited	Nigeria	100%
Oando Reservoir and Production Limited	Nigeria	100%
Oando Supply and Trading Limited	Nigeria	100%
Oando Terminals and Logistics	Nigeria	100%
Oando Trading Limited	Bermuda	100%
Oando Wings Development Limited	Nigeria	100%

INDIRECT SHAREHOLDING

COMPANY	COUNTRY OF INCORPORATION	SHAREHOLDING
Aqua Exploration Limited	Bahamas	81.5%
Clean Cooking Fuel Investments Ltd	Nigeria	100%
Equator Exploration Limited (Congo)	Congo	81.5%
Equator Exploration Nigeria JDZ Block 2 Limited	Nigeria	81.5%
Equator Exploration Nigeria 321 Limited	Nigeria	100%
Equator Exploration Nigeria 323 Limited	Nigeria	81.5%
Equator Exploration Nigeria OML 122 Limited	Nigeria	81.5%
Equator Exploration Ltd.	British Virgin Islands	81.5%
Equator Exploration OML (122) Limited	British Virgin Islands	81.5%

COMPANY	COUNTRY OF INCORPORATION	SHAREHOLDING
Gaslink Benin Ltd	Benin	100%
Gaslink Ghana Ltd	Ghana	100%
Gaslink Togo S.A	Togo	100%
Oando Ghana Limited	Ghana	82.9%
Oando Liberia	Liberia	100%
Oando Servco Nigeria Ltd	Nigeria	100%
Oando Sierra Leone Limited	Sierra Leone	80%
Oando Togo S.A	Togo	75%
Oando OML 125 & 134 (BVI) Limited	British Virgin Islands	100%
Oando Netherlands Holdings 1 Cooperatief U.A	Netherlands	100%
Gas Network Services limited	Nigeria	100%
Oando Netherlands Holdings 2 B.V	Netherlands	100%
Oando Netherlands Holdings 3 B.V	Netherlands	100%
Oando Servco Netherlands B.V	Netherlands	100%

CLAIMS AND LITIGATIONS

The Company is, in its ordinary course of business, involved in three (3) material pending cases at the Court of Appeal.

Two (2) of the cases were instituted against the Company as Respondent, while the Company instituted one (1) case as Appellant. The total monetary claim in the cases pending against the Company is approximately US$175,000.00 (One Hundred and Seventy Five Thousand Dollars only).

In addition to the foregoing cases, the Company has instituted one (1) case against the Federal Board of Inland Revenue (FBIR) and one (1) case against the Federal Inland Revenue Service (FIRS) at the Tax Appeal Tribunal (TAT). The Company has also filed one (1) appeal against the FIRS at the Federal High Court and one (1) appeal against the FBIR at the Court of Appeal in connection with cases in which judgment had previously been delivered against it at the TAT and the Federal High Court, respectively. The total monetary claim in dispute in all the cases is approximately ₦891,951,479.60 (Eight Hundred and Ninety One Million, Nine Hundred and Fifty One Thousand, Four Hundred and Seventy Nine Naira and Sixty Kobo only).

The Company's actual liability in the cases instituted against it will be as eventually determined by the courts upon conclusion of the matters. It is our opinion that the liability that may be incurred by the Company from the cases instituted against it should not have any material adverse effect on the Placing.

The Company's directors are also of the opinion that the cases mentioned above are not likely to have any material adverse effect on the Company and/ or the Placing, and are not aware of any other pending and or threatened claims or litigation involving the Company.

RELATIONSHIP BETWEEN THE ISSUER AND THE ISSUING HOUSES/OTHER ADVISERS

As at the date of this Memorandum, Mr. Oghogho Akpata, a Director of Oando, is also a Partner at the law firm of Templars, who are acting as Solicitors to the Special Placing. The Issuing Houses/other Advisers may also hold the ordinary shares of Oando in their proprietary position or for investment purposes.

Save as disclosed, there is no other relationship between Oando PLC and its Advisers except in the ordinary course of business.

MATERIAL CONTRACTS

The following agreements have been entered into and are considered material to this Special Placing:

1. A Vending Agreement dated [.]day, xx xxx, 2013 by which Vetiva Capital Management Limited, FBN Capital Limited and FCMB Capital Markets Limited have agreed to offer by way of a Special Placing of 2,046,706,324 Ordinary Shares of 50 kobo each at ₦15.00 per share;
2. Facility Agreement ("Facility Agreement") dated 23 June, 2011, between Oando PLC, certain subsidiaries of Oando and the Lenders, for the refinancing of an existing ₦60 billion (Sixty Billion Naira) medium term loan facility made available to Oando on 06 April, 2010;

3. Security Deed, dated 9 October, 2009, as amended by the Supplemental Security Trust Deeds, dated 28 April, 2010 and 26 June, 2011, respectively, between Oando and First Trustees Nigeria Limited, pursuant to which Oando charged its assets as security for the facility granted to it under the Facility Agreement;
4. Share Charge, dated 26 June, 2011, between Oando and First Trustees Nigeria Limited, pursuant to which Oando charged its shares in certain subsidiaries (namely; Oando Marketing PLC, Oando Supply & Trading Limited, Oando Energy Services Limited, Oando Exploration & Production Limited and Oando Gas & Power Limited) as security for the facility granted to Oando under the Facility Agreement;
5. Accounts Charge Deed, dated 26 June 2011, between Oando and First Trustees Limited, further to the Facility Agreement;
6. Amended Convertible Note Purchase Agreement (the "Agreement"), dated 14 October, 2011, between Ocean and Oil Investments Limited (the "Noteholder") and Oando, pursuant to which Oando issued Notes to the Noteholder in partial consideration of the termination of a technical services agreement (the "Technical Services Agreement") and a management services agreement (the "Management Services Agreement"), both dated 1 August, 2002, between Ocean and Oil Holdings (Nigeria) Limited and Oando;
7. Convertible Note Purchase Agreement, dated 13 February, 2012, between the Noteholder and Oando, pursuant to which Oando agreed to issue Notes in partial satisfaction of Oando's outstanding obligation to the Noteholder arising from the termination of the Technical Services Agreement and the Management Services Agreement;
8. Share Option Agreement, dated 01 September, 2011, between Oando and Ocean and Oil Holdings Limited ("OOHL"), granting OOHL the option to purchase equity in Oando in consideration for the termination of the Technical Services Agreement and the Management Services Agreement;
9. Convertible Note Purchase Agreement, dated 05 December, 2012, between Ansbury Investments Inc. (Noteholder) and Oando, for the purchase of Notes of an aggregate principal value of US$50,000,000 from Oando;
10. Addendum to Convertible Note Purchase Agreement between Ansbury Investments Inc. (the Noteholder) and Oando (Addendum No 1), dated 14 December, 2012, where the Noteholder agreed to pay the aggregate principal amount of US$50,000,000 into the Oando's account following the cancellation, upon COP's request, of the Irrevocable Standby Letters of Credit with maturity date of 17 December 2012;
11. Addendum to the Convertible Note Purchase Agreement between Ansbury Investments Inc. (the Noteholder) and Oando (Addendum No 2), dated 20 February, 2013, where the convertible promissory notes in the aggregate principal amount were cancelled and replaced with a single promissory note in the aggregate principal amount of US$50,993,418 (to cover the principal amount under the convertible promissory notes, together with accrued interest); and the Noteholder agreed to the waiver and cancellation of its conversion rights under the Convertible Note Purchase Agreement;
12. Deed of Assignment between Ansbury Investments Inc. (the Assignor) and OODP (the Assignee), dated 06 March, 2013, where the Assignor assigned to the Assignee the promissory note issued in the principal amount of US$50,993,418, the Convertible Note Purchase Agreement, the debts and claims secured under it, including all moneys due or to become due under it;
13. Facility Agreement between OER and Oando, dated 30 May, 2013, where the Company granted to OER a $362 million facility for the purpose of refinancing a $345 million facility granted to OER by Oando in accordance with a December 2012 facility agreement; and a $24 million facility for OER's general corporate purposes;
14. Deed of Repayment between OER and Oando, dated 30 May, 2013, where the parties agreed that OER may repay amounts outstanding under the 30 May, 2013 facility agreement by issuing shares in OER to the Company; and
15. Share Subscription Agreement between Oando and OODP, dated 18 June, 2013, pursuant to which OODP applied for allotment of shares of the Company at a subscription price of N15 per share in accordance with the special/private placement to be undertaken by the Company, such number of shares allotted to OODP not to exceed a maximum total value of $110 million.

Other than as stated above, the Company has not entered into any material contract except in the ordinary course of business.

DECLARATIONS

Except as otherwise disclosed in this Placing Memorandum:

1. No share of Oando is under option or agreed conditionally or unconditionally to be put under option other than it may have been agreed under the Oando Staff Equity Participation Scheme, exercisable pursuant to the Ocean & Oil Investments Limited convertible notes or pursuant to the Ocean and Oil Holdings Limited share option.

2. No commissions, discounts, brokerages or other special terms have been granted by Oando to any person in connection with the offer or sale of any share of the Company;

3. Save as disclosed herein, the Directors of Oando have not been informed of any holding representing 5% or more of the issued share capital of the Company;

4. There are no founders', management or deferred shares or any options outstanding in Oando other than it may have been agreed under the Oando Staff Equity Participation Scheme, options exercisable pursuant to the Ocean & Oil Investments Limited convertible notes or pursuant to the Ocean and Oil Holdings Limited share option;

5. There are no material service agreements between Oando or any of its Directors and employees other than in the ordinary course of business;

6. There are no long term service agreements between Oando and any of its Directors and employees except Pension Agreements;

7. No Director of the Company has had any interest, direct or indirect, in any property purchased or proposed to be purchased by the Company in the five years prior to the date of this Placement Memorandum; and

8. No Director or key management staff of the Company is or has been involved in any of the following:

   a) A petition under any bankruptcy or insolvency laws filed (and not struck out) against him/her or any partnership in which he/she is or was a partner or any company of which he/she is or was a Director or key personnel;

   b) A conviction in a criminal proceeding or is named subject of pending criminal proceedings relating to fraud or dishonesty; and

   c) The subject of any order, judgement or ruling of any court of competent jurisdiction or regulatory body relating to fraud or dishonesty, restraining him/her from acting as an investment adviser, dealer in securities, Director or employee of a financial institution and engaging in any type of business or activity.

RELATED PARTY TRANSACTIONS

During the last financial year ended 31 December, 2012, transactions were conducted between Oando and other affiliate companies. Such transactions include:

1) *Payment of ₦0.9 billion to Ocean and Oil Holdings Limited*
   Oando PLC paid ₦0.9 billion to Ocean and Oil Holdings Nigeria Limited as final settlement in respect of the terminated Technical and Management Services Agreement.

2) Prior to July 24, 2012, the Company had historically financed the operations of the E & P division. The financing arrangement ("arrangement") was recognized as intercompany transactions. Following completion of the Oando reorganization on July 24, 2012, these arrangements were cancelled and new agreements were entered into between the company and subsidiaries as follows:

   a) *Shareholder Agreements dated July 24, 2012 between Oando and Holdco 2 in respect of Oando Akepo; Oando plc. and Holdco 3 in respect of OPDC2; Oando and Oando OML 125 & 134 BVI in respect of Oando OML 125 & 134.*
   Oando owns Class A shares and Holdco 2, Holdco 3 and Oando OML 125 & 124 (the "Operating Companies") own Class B shares. Ownership of the Class A shares by Oando provides it with 60% voting rights but no rights to receive dividends or distributions from the applicable Operating Company, except on liquidation or winding up. Ownership of the Class B shares entitles the Operating Companies (each an indirectly wholly-owned subsidiary of the company) to 40% voting rights and 100% dividends and distributions. Pursuant to each of these agreements, Oando on the one hand, and the respective Operating Companies on the other hand agreed to exercise their respective ownership rights in accordance with the manner set forth in the shareholder agreements. Pursuant to the shareholder agreements, each of the Oando and the respective Operating Companies is entitled to appoint an equal number of directors to the board of Oando Akepo, OPDC2 and Oando OML 125 & 134, respectively with the Operating Company being entitled to appoint the Chairman, who has a casting vote. In addition, the applicable Operating Company has the power to compel Oando to sell its Class A shares for nominal consideration. No amounts have been paid or are due to be paid by either party to the other, under the Shareholder Agreements.

   b) *Right of First Offer Agreement ("ROFO Agreement") dated September 27, 2011, as amended, between Oando and OER*
   Pursuant to the ROFO Agreement, OER has the right to make an offer to the Company in respect of certain assets owned by Oando in accordance with the terms of the ROFO Agreement. No amounts have been paid or are due to be paid under the ROFO Agreement.

   c) *Referral and Non-Competition Agreement dated July 24, 2012 between Oando and OER*
   Pursuant to this agreement, Oando is prohibited from competing with OER except in respect of the assets referred to in the ROFO Agreement until the later of July 25, 2014 and such time as Oando

owns less than 20% of the shares of OER. Oando is also required to refer all upstream oil and gas opportunities to OER pursuant to this agreement. In addition, should Oando acquire any upstream assets between September 27, 2011 and July 24, 2012, Oando is required to offer to sell these assets to OER at a purchase price consisting of the amount paid by Oando for the assets, together with all expenses incurred by Oando to the date of the acquisition by OER, plus an administrative fee of 1.75%. The acquisition of Conoco Phillips Nigerian operation (COP) is subject to the terms of the Referral and Non-Competition Agreement and therefore, once the transaction is closed, OER will be required to pay 1.75% of the acquisition cost to Oando. As such, OER and Oando have recorded a receivable and payable of ₦1.2 billion respectively for costs incurred to date on the COP acquisition. The ₦1.2 billion has been eliminated on consolidation.

d) *Cooperation and Services Agreement dated July 24, 2012 between Oando and OER*
Pursuant to this agreement, Oando Plc agreed, until the later of July 24, 2017 and such time as Oando Plc owns less than 20% of the shares of OER to provide certain services to OER, including in respect of legal services in Nigeria, corporate secretariat and compliance services in Nigeria, corporate finance, procurement, corporate communications, internal audit and administrative services. These services are to be provided to OER on the basis of the cost to Oando Plc plus a margin of 10%. Such costs have been fully eliminated on consolidation.

e) *Transitional Services Agreement dated July 24, 2012 between Oando Servco (an indirect subsidiary of Oando) and OEPL (a direct subsidiary of Oando)*
Pursuant to this agreement, the OEPL and Oando Servco agreed that Servco would provide services to OEPL until January 24, 2014 for no more than 10% of the employees' normal working hours per month. OEPL is required to pay Servco's costs of providing such services. OEPL did not receive the services from Servco. Consequently, elimination does not arise in these consolidated financial statements.

f) Pursuant to the completion of the Oando reorganization, the cumulative amount advanced by Oando to Equator Exploration Limited ("EEL") of ₦1.1 billion (US$ 7.2 million) was classified as loan payable in EEL's books and loan receivable in Oando's books. The carrying value of the loan using effective interest method was ₦1.3 billion at the balance sheet date. This amount has been eliminated on consolidation.

3) *Loan to OER for ConocoPhillips acquisition*

OER and Oando entered into a Convertible Notes agreement in respect of a ₦53.6 billion (US$345 million) loan obtained by OER from Oando as part of the deposit for COP companies. The Convertible Notes bear a coupon of LIBOR + 10.5%. OER has accrued for the coupon amounting to ₦199.5 million as interest payable on the balance sheet rate. Oando has recognized equal amount as interest receivable on the notes. These intra-group balances have been eliminated on consolidation. See Note 16 for detail.

4) *Loan to Oando Plc by Ocean and Oil Development Partners Limited*

Ocean and Oil Development Partners Limited ("OODP") granted a loan of ₦15.5 bn (US$100 m) to Oando on December 5, 2012. OODP further granted a loan of ₦17.1 bn (US$110 m) to Oando on December 14, 2012. Both loans were granted at LIBOR + 9.5%. Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo are directors of OODP and they have significant influence over Oando. See Note 16 for the borrowings. Both loans have since been fully extinguished, subsequent to year end.

5) *Acquisition of Churchill Finance C300 – 0462 Limited*

On November 29, 2012, the Group acquired Churchill Finance C300-0462 Limited ("Churchill"), a Bermuda registered company from its single shareholder, Mr. Jubril Adewale Tinubu. The acquisition of Churchill effectively concluded the intention to acquire the company's property, plant and equipment, the aircraft, through a memorandum of understanding that was signed by Oando and Churchill in 2011. This acquisition has been accounted for as a business combination in line with the Group's accounting policies. In these consolidated statements, goodwill arising from the business combination with Churchill has been tested for impairment based on value-in-use calculations (Note 40). In addition, all intra-group transactions have been eliminated on consolidation.

6) *Loan to Oando Plc by Ansbury Investments Inc.*

Ansbury Investments Inc. ("Ansbury"), a Panama Company owns 60% of OODP. On December 2012, Ansbury granted a loan of ₦7.7 billion (US$50m) at LIBOR + 9% for a period of 180 days. Mr. Jubril Adewale Tinubu is the ultimate beneficiary of the 40% ownership of OODP. See Note 16.

7) *Acquisition of Ebony Oil and Gas Limited*

The Group acquired 80% of Ebony Oil and Gas Limited ("Ebony"), a company registered in Ghana, from the former Managing Director of Oando Supply and Trading ("OST"). OST is a subsidiary of Oando, of which Mr. Dimeji Edwards was a key management personnel during a period in 2012. See details of the acquisition in Note 40.

8) *Other related party transactions*

a. Broll Properties Services Limited received ₦35.8million (2011: Nil) for facilities management services. Mr. Jubril Adewale Tinubu has control over one of the joint interest owners of the company.
b. Noxie Limited received ₦234.1 million (2011: ₦14.9m) for supply of office equipment. A close family member of Mr. Jubril Adewale Tinubu has control over the company.
c. Olajide Oyewole & co. received ₦55.9 million (2011: ₦33.5m) for professional services rendered. A close family member of Mr. Jubril Adewale Tinubu has significant influence over the firm.
d. Lagoon Waters Limited, one of the dealers for the sale of petroleum products, purchased petroleum products worth ₦913.9 million (2011: ₦5.6m) from the Group. Lagoon Waters Limited is controlled by a close family member of Mr. Jubril Adewale Tinubu.
e. Temple Productions Limited received ₦29.9 million (2011: Nil) for advertisement services. The company is controlled by a close family member of Mr. Omamofe Boyo.
f. Transport Services Limited ("TSL") provides haulage services to a downstream company of the Group. During the year under review, TSL provided haulage services worth ₦1.8 billion (2011: ₦1.2b) to the Group. TSL is ultimately controlled by a close family member of Mr. Jubril Adewale Tinubu.
g. TSL Logistics Limited supplied products and throughput services worth ₦11.6billion (2011: ₦0.4b) to the Group. The company is ultimately controlled by a close family member of Mr. Jubril Adewale Tinubu.
h. Avante Property Asset Management Services Limited received ₦83 million (2011: ₦37m) for professional services rendered to the Group. The company is ultimately controlled by Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo.
i. K.O Tinubu & Co. provided legal services amounting to ₦2.2 million (2011: Nil). K.O Tinubu is controlled by a close family member of Mr. Jubril Adewale Tinubu.
j. Offshore Personnel Services supplied services worth ₦1.4 billion (2011:₦1.0b) to the Group. The Company's ultimate parent is Ocean and Oil Holdings Limited. Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo have significant influence over the ultimate parent.
k. Petropro Limited supplied services to the Group amounting to ₦36.3 million. The company is ultimately owned by Ocean and Oil Holdings (BVI). Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo have significant influence over Ocean and Oil Holdings (BVI).
l. Avaizon Consulting Limited provided training services worth ₦0.53 million (2011: ₦11.8 m) to the Group in 2012. Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo have significant influence over the company.
m. Templars provided legal services worth ₦21 million to the Group. Mr Oghogho Akpata, a director of Oando Plc, is a partner of Templars.

9) *Key management personnel*

Key management includes directors (executive and non-executive) and members of the Group Leadership Council. The compensation paid or payable to key management for employee services is shown below:

	2012	**2011**
	N'000	**N'000**
Salaries and other short-term employee benefits	1,024,262	716,021
Share options and management stock options	421,587	282,722
Gratuity benefits	34,597	590,905
	1,480,446	1,589,648

10) *Year-end balances arising from transactions with related parties*

The following receivables or payables at December 31, 2012 arose from transactions with related parties:

	Company 2012 N'000	Company 2011 N'000
Receivables from related parties:		
Oando Exploration and Production Limited	8,171,111	49,308,872
Oando Energy Services Limited	51,023,528	34,570,799
Oando Lekki Refinery Limited	375,741	2,402,167
Apapa SPM Limited	2,559,934	2,258,944
Oando Properties Limited	59,063	58,688
Gaslink Nigeria Limited	1,753,051	1,288,158
Oando Energy Resources Inc.	53,568,150	-
Equator Exploration Limited	8,466,312	-
Transport Services Limited	1,021,318	84,039
Payables to related parties:		
Oando Marketing Plc	35,126,610	21,913,879
Oando Supply and Trading Limited	349,199	4,757,781
Oando Gas and Power Limited	1,998,270	3,000,000
Oando Trading Limited	7,679,369	9,450,794
Broll Properties Services Limited	8,396	7,826
Olajide Oyewole & Co	9,637	2,174
Lagoon Waters Limited	68	121
Transport Services Limited	391,162	46,230
TSL Logistics Limited	4,170,265	84,036
Avante Property Asset Management Services Limited	1,583	1,583

RESEARCH AND DEVELOPMENT

Whilst Oando continues to adopt best practices in its operational processes, the Company did not make any research and development capital expenditure over the last three (3) years.

MERGERS AND ACQUISITIONS

As part of its growth strategy, Oando continues to explore merger and acquisition opportunities. As at the date of this Memorandum, Oando, through its subsidiary, OER, is in the process of concluding its acquisition of ConocoPhillips Nigeria business subject to receiving regulatory approval. The Acquisition is in line with the Company's growth strategy of value creation by acquiring near-term assets in order to significantly boost production and reserves base.

CONSENTS

The following have given and not withdrawn their written consents to the issue of this Memorandum with their names and reports (where applicable) included in the form and context in which they appear:

ROLE	NAME
Directors of the Company	HRM Michael Adedotun Gbadebo (CFR) *(Chairman)*
	Mr. Jubril Adewale Tinubu *(Group Chief Executive)*
	Mr. Omamofe Boyo *(Deputy Group Chief Executive)*
	Mr. Mobolaji Osunsanya *(Group Executive Director)*
	Mr. Olufemi Adeyemo *(Group Executive Director/Chief Financial Officer)*
	Mr. Oghogho Akpata *(Non-executive Director)*
	Ms. Nana Appiah-Korang *(Non-executive Director)*
	Chief Sena Anthony *(Independent Non-executive Director)*
	Ammuna Lawan Ali (OON) *(Independent Non-executive Director)*
	Engr. Yusuf N'jie *(Independent Non-executive Director)*
Group Company Secretary/Chief Compliance Officer	Ayotola O. Jagun (Ms.)
Lead Issuing House	Vetiva Capital Management Limited
Joint Issuing Houses	FBN Capital Limited FCMB Capital Markets Limited
Lead Stockbroker	Vetiva Securities Limited
Joint Stockbrokers	APT Securities and Funds Limited CSL Stockbrokers Limited Cordros Capital Limited Partnership Securities Limited
Solicitors to the Company	Banwo & Ighodalo
Solicitors to the Placing	Templars
Auditors	PricewaterhouseCoopers
Registrars	First Registrars Nigeria Limited
Receiving Banks	First Bank of Nigeria PLC First City Monument Bank PLC Zenith Bank PLC

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the offices of Vetiva Capital Management Limited, FBN Capital Limited and FCMB Capital Markets Limited during normal business hours on any weekday (except public holidays), from [.]day, xx xxx, 2013 until [.]day, xx xxxx, 2013.

a) Certificate of Incorporation of the Company;
b) Memorandum and Articles of Association of the Company;
c) The Company's most recent Form CAC 7 (particulars of Directors and any changes therein);
d) The Company's most recent Form CAC 2 (Statement of Share Capital and Returns of Allotment of Shares);
e) Special Placing Memorandum issued in respect of the Placing;
f) Shareholders' Resolution authorizing the Placing, which was passed at the meeting of 24 June, 2013;
g) Resolution of the Board of Directors recommending the Placing, which was passed at the meeting of Friday, 03 May, 2013;
h) Audited financial statements of the Company for each of the five years ended 31 December, 2012;
i) List of Claims and Litigations referred to on page 121;
j) Material Contracts referred to on page 121;
k) The written consents referred to on page 127;
l) A letter dated [.]day, xx xxx, 2013 from the SEC approving the Placing;
m) A letter dated [.]day, xx xxx, 2013 from The NSE approving the Placing; and
n) A letter from JSE Limited approving the Placing.

The process for participating in this Special Placing for Oando's ordinary shares involves the following key steps as discussed below:

Application for shares

- Only the potential strategic investor for whom this Placement Memorandum has been prepared and to whom it is now addressed will apply for shares through the Issuing Houses.
- Application for the shares must be made in accordance with the instructions set out at the back of the Application form. Care must be taken to follow these instructions.
- The Application List for the shares will be open to the potential strategic investor from [.]day, dd mmm, 2013 till [.]day, dd mmm, 2013. The number of shares for which the application is being made and the value of payment, to be made through the e-payment mode, should be entered in the boxes provided.
- Each applicant should sign the form, with name and address written in full and any daytime telephone numbers(s) should also be indicated in the boxes provided. The applicant should also affix its seal and state its Incorporation (RC) number if applicable.

Application List Opens xxxxx xxx xx, 2013	**Oando PLC** RC 6474	Application List Closes xxxxx xxx xx, 2013

OANDO PLC
Special Placing of
2, 046, 706, 324 ORDINARY SHARES OF 50K EACH
AT ₦15.00 PER SHARE
Payable in full on Application

FINANCIAL ADVISER/LEAD ISSUING HOUSE

VETIVA
RC 485600

JOINT ISSUING HOUSES

FBN Capital
RC 446599

FCMB
RC 446561

Applications must be made in accordance with the instructions set out on the back of this application form. Care must be taken to follow these instructions as applications that do not comply may be rejected. If you are in any doubt, please consult your Stockbroker, Accountant, Banker, Solicitor or any other professional adviser for guidance.

DECLARATION

- ☐ I/We am/are 18 years of age or over
- ☐ I/We authorise you to send a share certificate and /or cheque for any amount overpaid by Registered post to the address given below and to procure registration in my/our name as the such holder(s)of number of units or such smaller number, as aforesaid.
- ☐ I/We attach the amount payable in full on application for the number of shares in the OANDO PLC at ₦15.00 per share.
- ☐ I/We agree to accept the same or any smaller number of shares in respect of which allotment may be made upon the terms of the Prospectus and subject to the Memoradum and Articles of OANDO PLC.
- ☐ **I/We declare that I/we have read a copy of the Prospectus for the Placing Memorandum Xxx xx, 20xx prepared by the Issuing Houses on behalf of OANDO PLC.**

GUIDE TO APPLICATION	Amount Payable
Number of shares applied for xxx minimum	Nxxxx.00
Subsequent multiples ofxxxx	Nxxxx.00

Date (DD/MM/YYYY) __ __ / __ __ / 2 0 1 3

CONTROL NO: (Registrar's use only)

Number of Shares Applied for:

Value of shares applied for / Amount Paid ₦ .

1. INDIVIDUAL / CORPORATE APPLICANT PLEASE COMPLETE IN BLOCK LETTERS

Surname / Company's Name Title: ☐ Mr. ☐ Mrs. ☐ Miss ☐ Others

Other Names (for individual applicant only)

Full Postal Address/Street Address

City/Town

State

Land Phone Number

Mobile (GSM) Phone Number

Email Address

Next of Kin

CHN NO (CLEARING HOUSE NUMBER) C

NAME OF YOUR STOCKBROKER

2. JOINT APPLICANT

Surname Title : ☐ Mr. ☐ Mrs. ☐ Miss

Other Names

3. Bank details (for E-Dividend):

Name of Bank

Branch Code

Account No:

Signature or Thumbprint	Signature or Thumbprint Stamp of Receiving Agent	Company Seal & Incorporation Number (Corporate Applicant) First Registrars 9208426247

1. The application must be made only on the accompanying Application Form.
2. The Application List for the shares will be open to the potential strategic investor from ddmmyyyy to ddmmyyyy.
3. The number of shares for which the application is being made and the value of the e-payment made should be entered in the boxes provided.
4. The Application form when completed should be lodged with First Registrars Nigeria Limited and the evidence of making payment via e-payment should be presented.
5. The Application form, being from a corporate body, must bear the corporate body's seal and be completed under the hand of a duly authorised official or representative.

Application Form

OANDO PLC