

Integrated Energy Solutions Provider

Transforming from a downstream giant to a full value chain indigenous champion across Africa

Oando PLC

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Oando PLC is the largest **integrated energy solutions** group in sub-Saharan Africa with a primary and secondary listing on the Nigerian Stock Exchange and JSE Limited respectively.



Vision

To be the premier company driven by excellence

Mission

To be the leading Integrated energy solutions provider

2012 Turnover

N673.2bn

2012 Profit before tax

N17.6bn

2012 Profit after tax

N10.8bn

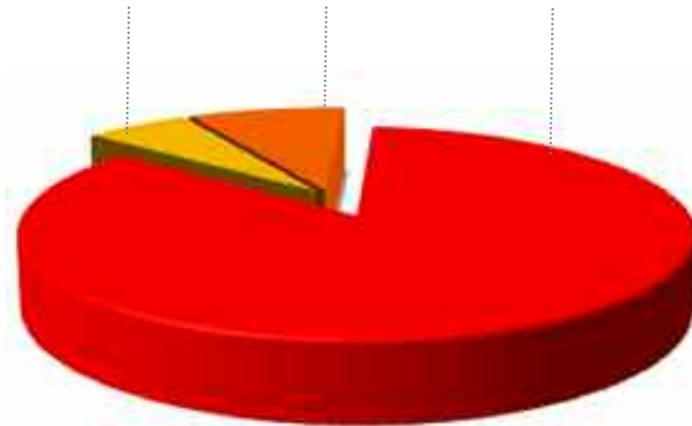
Operational Overview

We are the market leaders: Our operations are currently focused on West Africa and include upstream, midstream and downstream activities from exploration and production through distribution to marketing and supply.



Positive numbers for 2012

Upstream 6% (N41.3bn) **Midstream** 9% (N58.0bn) **Downstream** 85% (N573.9bn)

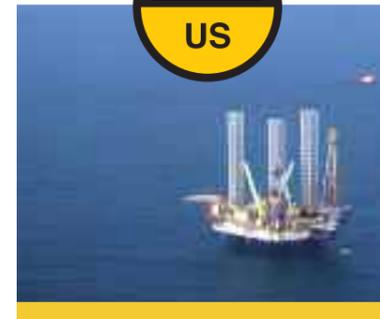


+18%
Turnover of N673.2bn
Up by 18%

Total Revenue
N673.2bn

600+
Employees

We are a real company, working with real people, to build real assets that guarantee a bright future. From our various teams, through management to the board, we have people who are committed to what they do and are passionate about transforming the fortunes of our nation.



Upstream Operations

Exploration & Production

Oando's exploration and production division has a portfolio of assets at different stages of exploration, development and production.

Energy Services

Oando provides oilfield and drilling rig services to major upstream companies operating in Nigeria through its subsidiary Oando Energy Services Ltd and operates the largest swamp rig fleet in the Niger Delta.

+2.4%
Gross Profit



Midstream Operations

Gas & Power

Oando Gas and Power Division is a developer of Nigeria's natural gas distribution network and captive power solutions. We pioneered the construction of a private sector pipeline network facilitating the distribution of natural gas to industrial and commercial consumers.

The development of our gas distribution network has positively impacted on industrial activity in the south east and south west of Nigeria.

+110%
Gross Profit



Downstream Operations

Marketing

Oando Marketing PLC is Nigeria's leading retailer of petroleum products and has a vast distribution network with over 546 retail service stations.

Supply & Trading

Oando Supply and Trading Ltd is Africa's largest independent and privately owned oil trading company involved in the large scale export and import of petroleum products and crude oil throughout Africa, Europe, Asia and the Americas.

Terminals & Logistics Limited

Oando Terminals & Logistics Limited, a subsidiary of the Oando Group manages the development of petroleum products reception terminals.

+56%
Gross Profit

Exploration & Production



Oando Energy Resources Inc. (OER): A leading Nigerian E & P Company with a portfolio consisting of oil and gas assets situated in the Gulf of Guinea. The company is listed on the Toronto Stock Exchange in Canada and has local operating capacity with partnerships with both indigenous and international oil companies.



The Local Advantage

Indigenous independent oil and gas company, with world class operations and standards. Excellent relationships exist with government bodies, regulators and International Oil Companies (IOCs). The Company is also set to benefit from favourable terms to be granted to indigenous companies that will make small projects economically viable.

Acquisition Opportunities

Current divestment of onshore assets by the IOCs, currently focusing on larger offshore opportunities and the governmental asset bid rounds, create opportunities for indigenous independents to acquire production and reserves resources.

Sustainable Value

Our mission is to deliver sustainable value to stakeholders by continually growing reserves through development of our existing portfolio and acquisition of new assets. We actively contribute to the future and development of the communities in which we operate by adhering to our robust Environmental Health and Safety Management System and ensuring operations are carried out in a safe, environmentally friendly and socially responsible manner.



4.5 kboed
current daily production

Oando Energy Resources Inc.

Market Position

- A leading indigenous player publicly listed on the Toronto Stock Exchange in Canada.

Description

- Portfolio of exploration, development and production assets located onshore and offshore Nigeria
- OER's primary task is to harness optimally the potentials of our existing portfolio, as well as acquire near-term producing assets from International Oil Companies in order to boost production and reserves.

Key Assets

- Producing Assets: Abo Field (OML 125) & Ebendo Field (OML 56)
- Near-Term Assets: Akepo Field (OML 90), Qua Iboe (OML 13), Bilabri Field (OML 122) and OML 134
- Exploration Assets: OPLs 321 & 323, EEZ Blocks 5 and 12
- OPLs 282, 236 & 278.

Energy Services



Oando Energy Services (OES): A leading provider of energy services to E&P companies in Nigeria. OES is the largest swamp drilling rig fleet operator in the Niger Delta and is focused on providing high-quality energy services and operations support including innovative technology, world class safety practices and personnel competence.

N60bn

OES has invested over N60bn in its operations



Continuous Investment

OES has invested over N60 billion in acquiring four swamp drilling rigs. OES has established itself as the leading swamp rig operator in the sector due to its unblemished track record in safety and reliability over the past 3 years with its 3 operational rigs. This is evident from the LTI (Loss Time Injury) free operations and the number of enquiries received from clients for us to provide similar services for their onshore and shallow off-shore operations.

With 3 years of successful drilling operations in the swamps under our belt and an improving track record in the sector, OES will continue to put emphasis on strict adherence to EHSSQ policies and improved service delivery as a platform to deliver value to shareholders.

Growth and Development

OES is poised to expand its range of services to meet the needs of its clients with the introduction of new service lines that complement its existing offering. To support the company's rapid growth, OES is developing an operational base within the Trans-Amadi area, a prime district in the oil-city of Port-Harcourt. This base will serve as the central point for coordinating the company's logistics and procurement activities.

Providing High Quality Services

OES is highly skilled at identifying and executing cost effective solutions that add value to our clients operations. We have built long lasting relationships with reputable local suppliers and vendors who place emphasis on service quality and delivery.

The Company is the largest swamp drilling contractor in Nigeria and over the years has positioned itself as a preferred indigenous service provider by successfully executing swamp drilling rigs services, drill bits and total fluids contracts with leading international oil companies such as Shell, Mobil and Chevron.

4 rigs
4 – Swamp Drilling Rigs

Oando Energy Services

Market Position

- Largest swamp drilling rig fleet operator in Nigeria

Description

- Team work, Passion, Integrity and Respect Swamp Drilling rigs
- Drill bits and engineering services
- Total fluid management

Key Assets

- 4 swamp rigs

Gas & Power



Oando Gas and Power (OGP): The largest private sector gas distributor and developer of captive power solutions in Nigeria. The division pioneered gas distribution in the Greater Lagos area, before expanding into Eastern Nigeria, and is now well positioned to benefit from its first mover advantage and increase its customer footprint in the near term.

233km

pipeline grid completed in Nigeria

160mmscfd

OGP's current installed pipeline grid has the capacity for over 160mmscfd per year



Oando Gas and Power

Market Position

- Number one

Description

- Gaslink Nigeria Limited, first private sector company to enter gas distribution in Nigeria
- Operating entities include Gaslink Nigeria Limited, Akute Power and East Horizon Company Limited and Central Horizon Gas Company Limited
- Gaslink Nigeria Limited,

Key Assets

- 100km gas distribution pipeline in Lagos
- 128km gas pipelines in Eastern Nigeria
- Akute captive Power Plant
- Central Horizon Gas Company;
- Compressed Natural Gas Facility; Alausa IPP

Continued Investment

OGP continues to focus on aggressively developing Nigeria's domestic natural gas infrastructure and leveraging same towards becoming a leading gas and power provider to the last-mile customers. We have made significant investments in the development of Nigeria's gas and power infrastructure with a 233km gas pipeline grid already completed with plans in place to expand the grid to 600km, in a few years.

OGP aspires to provide industrial and commercial users with access to efficient, cleaner and cheaper fuel and its aim is to replicate the success of our Lagos gas distribution network in other parts of Nigeria.

The Company continually looks to expand our horizons by developing independent power generation solutions in areas where it has existing gas infrastructure and exploration and production assets.

Strengthening its Capabilities

OGP consistently demonstrates competitive leadership in the Nigerian energy market and has leveraged the capability of its gas grid to build an independent power generation plant in Lagos and developing a Compressed Natural Gas (CNG) facility.

The power plant was commissioned to generate constant electricity to the Lagos Water Corporation, significantly increasing the supply of water to millions of residents in Lagos State. In addition, the company has been given the mandate to build a natural gas Central Processing Facility in Rivers State which will support and enhance its current operations.



OGP aspires to provide industrial and commercial users with access to efficient, cleaner and cheaper fuel and our aim is to replicate the success of our Lagos gas distribution network in other parts of Nigeria.



Supply & Trading



Oando Supply and Trading (OST): The largest indigenous importer of petroleum products in the sub-Saharan region, supplying and trading crude oil and refined petroleum products.

Over

10%

Quality-assurance and timely delivery of over 10% of Nigeria's daily petrol requirements alongside other petroleum products.



Oando Supply and Trading

Market Position

- Market leader in the importation of refined products into Nigeria.

Description

- Largest independent private sector oil trading company in Sub-Saharan Africa
- Leading supplier of refined petroleum products
- 15% market share in private Premium Motor Spirit (PMS) importation into Nigeria

Key Assets

- Experienced traders with trading desks and operations covering the globe

Overview

OST's business activities cover trading of crude and refined petroleum products to refiners and marketing companies respectively. The company procures and trades a broad range of refined petroleum products, which include Jet A1, Gasoline, Dual Purpose Kerosene, AGO, Low/High Pour Fuel Oil, Base Oil and Bitumen.

Oando Supply & Trading is strategically positioned as the leading supplier of refined petroleum products into Nigeria.

Oando's Trading Business

Oando Supply & Trading and Oando Trading Limited (Bermuda) represent the products trading arm of the Oando Group. Oando Supply & Trading is responsible for the supply of refined petroleum products into Nigeria, whilst Oando Trading Limited trades refined petroleum products and crude oil in West Africa and other international markets.

Key Strengths:

- Access to 160 million litres of physical storage in major markets
- Strong management team with over 40 years' combined trading experience
- Knowledge of local and regional market dynamics
- Access to trading lines in excess of US\$1bn
- 100% track record of delivery on all supply contracts

160mlt

Access to 160 million litres of physical storage in major markets

Marketing



Oando Marketing PLC (OMP): A fully owned subsidiary of Oando PLC and Nigeria's leading retailer of petroleum products with a vast distribution network. OMP has successfully established an unparalleled distribution footprint across Nigeria, with over 546 retail outlets around the Country. OMP also has two operational subsidiaries in Ghana and Togo with over 40 service stations.

546+

retail service stations in Nigeria, Ghana and Togo



480+

industrial customers across Nigeria

Nigeria's Leading Oil Retailer

OMP's businesses span across sales, marketing and distribution of the major 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 and Liquefied Petroleum Gas (LPG, commonly known as cooking gas). As the nation's leading oil retailer, 1 in every 5 cars is fuelled by Oando.

Oando Marketing offers tailor-made value-adding solutions to meet the needs of our numerous customers including:

Oando Value Added Peddling

A unique service that guarantees the effective supply of diesel (AGO) and lubricants to mid-sized companies with multiple operating sites across the country.

Oando Vendor-Managed Inventory

A unique customer services initiative which ensures regular fuels and lubricant supplies to the customer.

Oando Pay-As-U-Gas

An innovative solution that involves on-the-spot dispensing of LPG using a pump meter into the customer's cylinder.



Oando Marketing

Market Position

- Number one distributor of petroleum products across Nigeria

Description

- Nigeria's leading retailer of refined petroleum products

Key Assets

- Over 546 retail outlets in Nigeria, Ghana and Togo
- 8 terminals (160 million litres capacity)
- 3 aviation fuel depots
- 2 lube blending plants
- 7 LPG filling plants
- Over 1,500 trucks

Terminaling



Oando Terminals and Logistics (OTL): This division, being a downstream asset development organisation, is set to complete its first major investment as Oando leads the way in significantly reducing the cost of importing products into the Country.

4%

The demand for light fuels in Nigeria is forecast to increase at around 3-4 percent per annum through to 2020.



Overview

The organisation has completed financing and commenced construction of the pioneering Apapa Submarine Pipeline (ASP) project, a jetty in the Lagos harbour that connects to the Major Marketers' storage by a half kilometre subsea pipeline and a new 3km onshore line delivering almost 3 million tonnes a year.

OTL will maintain interest in advantaged downstream asset development projects such as Liquefied Petroleum Gas (LPG) storage and scale white fuels terminaling in the South-West. In a bid to decongest the city of Lagos. As before, these projects will seek to further enhance the sector leadership by other Group downstream entities as they leverage on the opportunities presented by the terminaling business.

The division is on the verge of yielding its first fruits whilst remaining poised to secure additional opportunities as they arise out of new insights and partnerships.

45,000

ship berthing capacity for larger vessels of up to 45,000 tonne cargoes currently restricted by shallow draft at other near proximity port facilities.



Directors and Professional Advisers	14
Notice of Annual General Meeting	16
Chairman's Report	18
Group Chief Executive's Report	21
Board of Directors	50
Report of the Directors	52
Report of the Audit Committee	78
Financial Statements	79

Directors and Professional Advisers

Oando's general policies are determined by a Board of Directors drawn from different facets of the society. The Board members are highly successful individuals in their various fields of endeavour. The board meets regularly during the year to discuss, review and receive reports on the business and plans of the Group.



Board of Directors

HRM Michael Adedotun Gbadebo, CFR
Chairman, Independent
Non-Executive Director
The Alake of Egbaland

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

Mr. Oghogho Akpata
Independent 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

Professional Advisers

Ms. Ayotola Jagun
Chief Compliance Officer &
Company Secretary

Mr. Olufemi Adeyemo
Chief Financial Officer

Mrs. Ngozi Okonkwo
Chief Legal Officer

Registered Office

2, Ajose-Adeogun Street,
Victoria Island, Lagos

Auditors

PricewaterhouseCoopers
252E, Muri Okunola Street
Victoria Island, Lagos

The Registrars & Transfer Offices:

First Registrars Nigeria Limited
Plot 2, Abebe Village Road
Iganmu, Lagos

**Computershare Investor Services
(Proprietary) Limited**, 70, Marshall Street,
Johannesburg, 2001, PO Box 61051,
Marshalltown, 2107, South Africa

Banks

- ABN Amro Bank
- Access Bank Plc
- Access Bank UK
- BNP Paribas
- Citibank Nigeria Limited
- Citibank UK
- Consolidated Discount House Limited
- Diamond Bank Plc
- Ecobank Nigeria Plc
- Fidelity Bank Plc
- First Bank of Nigeria Plc
- First City Monument Bank Plc
- Guaranty Trust Bank (UK) Limited
- Guaranty Trust Bank Plc
- Keystone Bank Limited
- Mainstreet Bank Ltd
- Natixis Bank
- Skye Bank Plc
- Stanbic IBTC Bank Plc
- Standard Bank Plc
- Standard Bank Plc UK
- Standard Chartered Bank London
- Standard Chartered Bank Nigeria Limited
- Sterling Bank Plc
- Union Bank of Nigeria Plc
- United Bank for Africa Plc
- United Bank for Africa, New York
- Unity Bank Plc
- Wema Bank
- Zenith Bank (UK) Limited
- Zenith Bank Plc



The Board members are highly successful individuals in their various fields of endeavour. The board meets regularly during the year to discuss, review and receive reports on the business and plans of the Group.



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 36th (Thirty-Sixth) Annual General Meeting of Oando PLC (the “**Company**”) will be held at The Incubator, 7/8 Chief Yusuf Abiodun Road, Oniru, Victoria Island, Lagos State, Nigeria on Thursday, the 25th day of July 2013 at 10:00 a.m. for the purpose of:

1. Transacting the following ordinary business:

- 1.1 To present the annual financial statements of the Company and of the group for the year ended 31 December 2012 and Report of Directors and Auditors thereon;
- 1.2 To receive the Report of the Audit Committee;
- 1.3 To declare a dividend of N0.75 kobo recommended by the directors of the Company;
- 1.4 To elect members of the Audit Committee;
- 1.5 To re-appoint the Auditors;
- 1.6 To authorise the Directors of the Company to fix the remuneration of the Auditors;
- 1.7 To re-elect the following Directors who in accordance with Articles 91 and 93 of the Company's Articles of Association, retire by rotation, but are eligible and offer themselves for re-election:
 - HRM Oba Michael Adedotun Gbadebo, CFR (The Alake of Egbaland)
 - Mr. Olufemi Adeyemo
 - Chief Sena Anthony

(please refer to page 50 and 51 of the Annual Report of which this notice forms part for a brief curriculum vitae of each director)

2. Transacting the following special business:

- (i) To consider, and if approved, to pass with or without modification, the following ordinary resolution to fix the remuneration of the Non-Executive directors:

“It is hereby resolved that the fees payable quarterly in arrears, be N5,000,000 per annum for the Chairman and N4,000,000 per annum for all other Non-Executive directors with effect from 1, January 2013.”

Voting and Proxies

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.

A member of the Company entitled to attend and vote at the Annual General Meeting (the “Meeting”) is entitled to appoint a proxy to attend, speak and vote instead of that member. A proxy need not be a member of the Company.

Registered holders of certificated shares and holders of dematerialised shares in their own name(s) who are unable to attend the Meeting and who wish to be represented at the Meeting, must complete and return the attached form of proxy in accordance with the instructions contained in the form of proxy so as to be received by the share registrars; First Registrars Nigeria Limited at Plot 2, Abebe Village Road, Iganmu, Lagos, Nigeria or Computershare Investor Services (Proprietary) Limited, 70, Marshall Street, Johannesburg, 2001, South Africa, PO Box 61051, Marshalltown, 2107, not less than 48 hours before the time of the Meeting.

Holders of the Company's shares in South Africa (whether certificated or dematerialised) through a nominee should timeously make the necessary arrangements with that nominee or, if applicable, Central Securities Depository Participant (“CSDP”) or broker to enable them attend and vote at the Meeting or to enable their votes in respect of their shares to be cast at the Meeting by that nominee or a proxy.

Dividend Payment

If the dividend recommended is approved and declared, dividends due to shareholders whose names appear in the Company's register of members (Nigeria and South Africa) kept in Nigeria as at the close of business on 5th July 2013 will, on the 31st of August 2013, either be electronically transferred to shareholders' bank accounts or posted to them, or will have their accounts, at their CSDP or broker credited.

Closure of Registers of Members

The Registers of Members and Transfer Books of the Company (Nigerian and South African) will be closed between the 8th July 2013 and 9th July 2013 (both days inclusive) in terms of the provisions of Section 89 of the Companies and Allied Matters Act Cap. C20 Laws of the Federation 2004 (the “**Companies Act**”).

E-Dividend

Notice is hereby given to all shareholders to open bank accounts, for the purpose of timely receipts of dividends. A detachable e-dividend form is attached to the Annual Report to enable all shareholders furnish the Registrars with particulars of their accounts as soon as possible.

E-Report

In order to improve delivery of our Annual Reports, we have inserted a detachable form to the Annual Report and hereby request shareholders who wish to receive Annual reports and other statutory reports of Oando PLC in an electronic format to complete and return the form to the Registrars or Company Secretary for further processing.

Nomination for the Audit Committee

In accordance with Section 359 (5) of the Companies Act, any member may nominate a shareholder as a member of the Audit Committee, by giving notice in writing of such nomination to the Company Secretary at least 21 days before the Meeting.

Dated this 28th day of June 2013

By the Order of the Board



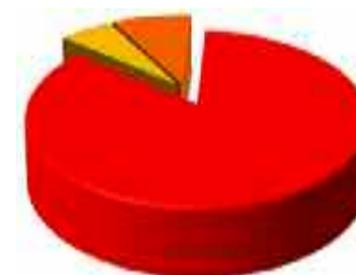
Ayotola Jagun (Ms.)
Chief Compliance Officer & Company Secretary
FRC/2013/NBA/00000003578

Registered Office
2, Ajose- Adeogun Street
Victoria Island, Lagos

Financial Highlights



Total revenues by business sector (%)



Total Revenue
N673.2bn



Upstream
6% (N41.3bn)



Midstream
9% (N58.0bn)



Downstream
85% (N573.8bn)

Turnover (N'000)

2011 571,305,637

2012 673,181,997

673,181,997

Profit after tax (N'000)

2011 2,632,338

2012 10,786,317

10,786,317

Basic earnings per 50k share (Naira)

2011 1.26

2012 4.58

4.58

Attributable to group (N'000)

2011 2,852,634

2012 10,424,491

10,424,491

7.7%

The outlook for the Nigerian economy remains promising, with forecasted growth of 7.7%.



HRM Oba Michael Adedotun Gbadebo, CFR
Chairman



Highly Esteemed Shareholders,

It is with great delight that I welcome you all to the 36th Annual General Meeting of your Company.

The global economic recovery anticipated for 2012 proved to be harder to come by than originally anticipated. A number of challenges experienced in the previous year, such as the European debt crisis remained, thereby stifling progress. Nigeria, like most emerging economies, maintained its growth path, albeit at a weaker pace than anticipated. Your Company achieved key milestones which we expect will hold it in good stead for future earnings growth and increased shareholder value.

Global Economy

The global economic recovery has proven to be more prolonged than initially anticipated due to the numerous challenges facing world economies. Such challenges include the drawn-out Eurozone crisis, diminishing demand for Chinese products, stagnation in the UK due to austerity measures, and economic sensitivity in emerging economies. The US proved to be the unlikely bright spot, however, thanks to the strengthening of its private sector. Real GDP growth for the global economy in 2012 is estimated at 2.0%.

Nigeria

Despite an impressive growth figure of 7.8%, 2012 GDP estimates for Nigeria underperformed and this was largely attributable to the dire security situation within the country. The economy of Northern Nigeria was largely affected by this as production from the agriculture sector and distribution across the region were heavily stifled. The sector was also significantly affected by floods which peaked around October, affecting several states in the process. Partial deregulation of the downstream sector, which occurred in January, increased the cost of living for most Nigerians via inflation. Full deregulation of the sector remains on the cards, but the timing of its implementation remains a mystery to all.

The oil sector continued to have a declining impact on economic growth as production levels dropped in the three quarters preceding Q3 2012 due to pipeline disruptions as well as a lack of significant investment in the industry following the uncertainty of passage of the Petroleum Industry Bill (PIB).



The fundamental drivers of oil prices continue to favour strong demand in 2013, and thus higher prices, as emerging economies are expected to lead the way in demand growth due to strong GDP growth potential, increasing populations and fast urbanization rates.

2013 Economic Outlook

The global economic outlook for 2013 remains clouded with uncertainty; however, a recent IMF report shows cautious optimism, with a GDP growth forecast of 3.5%. This moderate growth, coupled with modest investment returns, holds a downside risk of possible US recession and continued extension European economic crisis. The US economy, however, is expected to continue on its current path to recovery.

The outlook for the Nigerian economy remains promising, with a forecast growth of 7.7%. This growth rate is dependent on expectations of the passage of the Petroleum Industry Bill (PIB), improvement in power generation, and key reforms in the agriculture sector. Growth continues to be driven by the non-oil sector, which now accounts for 20% of total GDP, compared to 10% in 2003. Overall, Nigeria's GDP growth prospect is dependent on buoyant domestic demand.

The most notable progress in the Federal Government's reform programme was made in the power sector in 2012. Having reached a recent peak in power generation in December 2012, Nigerians expect a marked and sustained improvement in supply in 2013.

The Petroleum Industry Bill (PIB) is a key reform for which passage has remained elusive. The National Assembly is currently examining the latest draft submitted by the Presidency since Q3 last year, and further amendments to the draft are expected. The possibility of the bill being finally passed this year remains a hot topic for debate.

The fundamental drivers of oil prices continue to favour strong demand in 2013, and thus higher prices, as emerging economies are expected to lead the way in demand growth due to strong GDP growth potential, increasing populations and fast urbanization rates.



2013 Outlook for Oando PLC

2012 heralded the start of a new era for your Company following the successful public listing of the upstream business, Oando Energy Resources (OER), on the Toronto Stock Exchange (TSX). Over the past few years, we have stressed on our need to grow the higher margin upstream business and we are finally on the cusp of achieving this following the planned acquisition of the ConocoPhillips Nigerian companies. 2013 will witness the closure of this deal, thereby signalling our arrival as a major upstream player in Nigeria.

Our midstream business will continue to expand its pipeline network, whilst the downstream businesses grow their already leading market share positions, as well as focus on new areas such as the current LPG drive. Overall, we are confident and optimistic in what the future holds and look forward to growing shareholder value in the years ahead.

Oando e-Dividend, e-Report and e-Bonus Campaign

To ensure timely communication and reduce challenges associated with your investment, we have available an e-communication initiative where mandates and reports can be received electronically. I urge you all to leverage on the e-communication channels so that together we can reduce unclaimed dividends.

Thank you

HRM Oba Michael A. Gbadebo, CFR
Chairman



It proved to be a year of transformation, in which Oando PLC firmly placed itself at the cusp of becoming a major upstream player in Nigeria. This was realized through the public listing of Oando Energy Resources (OER) on the Toronto Stock Exchange, thus ensuring a historic status as the first indigenous Nigerian company to be listed in Toronto.

Group Chief Executive's Report

18%

increase in revenues,
reaching N673.2 billion

Mr. J. A. Tinubu
Group Chief Executive



2012 HIGHLIGHTS

A year of transformation

It is with immense pleasure that I give you the review of your company's performance in 2012. It proved to be a year of transformation, in which your Company firmly placed itself to become a major upstream player in Nigeria. This was realized through the public listing of Oando Energy Resources (OER) on the Toronto Stock Exchange, thus becoming the first Nigerian Company to be listed on the Toronto Stock Exchange.

This listing gives us the ideal avenue to raise funds required to finance our higher margin upstream business. The year ended on a positive note with OER reaching an agreement to purchase ConocoPhillips' Nigerian businesses.

Our midstream business continued to grow with the commencement of operations of our Eastern Horizon gas pipeline in January, thus boosting top and bottom line performance. Our downstream businesses understandably operated in the most challenging of environments, following subsidy probes and delays in reimbursements from the Federal Government; nonetheless, both

businesses performed remarkably well despite these challenges. Further growth was achieved with the launch of our LPG strategy, which is expected to continue in 2013. The year ended with the opening of our Rights Issue exercise, which was aimed at re-enforcing our strategy of balance sheet optimisation and upstream growth.

In 2012, the Group witnessed growth, with an impressive 18% increase in revenues, reaching N673.2 billion. With a profit before tax of N17.6 billion, and profit after tax of N10.8 billion, 2012 proved to be a significant improvement from the preceding year.





Business Review

Group Chief Executive's Report

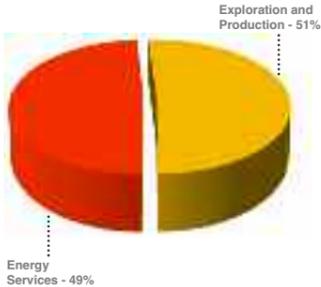


Upstream

Oando holds interests in 13 licenses for the exploration, development and production of oil and gas assets located onshore, swamp, and offshore. Our primary task is to harness optimally the potentials of our existing portfolio.

Upstream Total Revenue
N41.3bn

Total revenue by business segment



1. Exploration and Production	N20.9bn
2. Energy Services	N20.4bn

Upstream Operations

Oando Energy Services (OES)

A leading provider of energy services to E&P companies in Nigeria. OES is the largest swamp rig fleet operator in the Niger Delta and is focused on providing high-quality and operations support services incorporating innovative technology, world class safety practices and personnel competence.

Financial Highlights 2012

OES Turnover of

N20.4bn

OES EBITDA

N4.3bn

OES PAT

N198mn



Business Review

Group Chief Executive's Report



Stability in the industry due to minimal policy changes trumped delays in passing of the PIB, thus allowing operators invest and work on their assets.

There was increased confidence in the amnesty program which gave impetus to asset owners to increase their well programs in 2012. This was evident from the increased number of drilling tenders released during the year by operators such as Chevron Nigeria Limited "CNL", Nigeria Agip Oil Company "NAOC", Nigeria Petroleum Development Company "NPDC", Shell Nigeria Exploration and Production Company Limited "SNEPCo" & Shell Petroleum Development Company of Nigeria Limited "SPDC". Stability in the industry due to minimal policy changes trumped delays in passing of the PIB, thus allowing operators invest and work on their assets. However, flooding in the latter part of the year which shut down production in several platforms contributed to a fall in production from 2.1mbpd in 2011 to 2.07mbpd in 2012. Consistent reduction in attacks on assets in 2012, spurred a lot of active & previously inactive players who have been on the sidelines to start operations. As a result, all of these contributed to improved/increased work opportunity in the sector.

OESL started the year with OES Teamwork and OES Integrity in operation and despite all efforts to get the OES Passion operational in January, the post shipyard commissioning took longer than originally anticipated.

During the period, OES Integrity continued to work for NAOC and demonstrated excellent operational efficiency, achieving 96.14% uptime thus surpassing OES efficiency target of 95%. This performance is attributed to the focus placed by the newly formed performance unit on monitoring key performance indicators and recommending areas of improvement, the increased number of skilled personnel in the technical services team required to support OES growing operations and the emphasis placed on competency training for key personnel while ensuring strict adherence to laid out maintenance plans. The rig successfully drilled and worked over 4 wells during the period. This consistency in operations gave the team

an opportunity to further build on their collective experience which will further strengthen the performance of the rig crew. In line with the company's commitment to asset integrity, four new Caterpillar engines were procured to replace those which were on the rig. These new engines are expected to guarantee NAOC superior performance in 2013 when the rig is expected to drill High Pressure, High Temperature "HPHT" wells. It was indeed an impressive year of operations for OES Integrity in all areas and recording 3 years without a Lost Time Incident "LTI", was in many regards OESL's greatest achievement and in recognition of the rigs performance, NAOC extended the contract for an additional six (6) months while the ongoing tender for the replacement contract is being concluded.

OES Teamwork completed its first year of operations with NAOC in September 2012 and while the rig was on target to achieve the set 95% operational efficiency target by year end; mud pump issues which plagued the rig in December resulted in a below expectation performance of 94.14%. Nevertheless, the technical services team was once again able to ameliorate the situation by attending to the pump issue in a timely manner and the problem was rectified. While the rig had been scheduled to undergo dry docking in November, upon inspection and receipt of a waiver by the American Bureau of Shipping ("ABS") this activity was rescheduled. The responsiveness of the operational and technical teams as well as the rig's impeccable safety record of two years and 11 months without an LTI further demonstrates that OES is the leading swamp drilling contractor.

The year commenced with OES Passion still in the shipyard as the team focused on overcoming the various issues detected during the rig commissioning exercise. Further delays to the commencement of the contract were inevitable as OESL worked tirelessly to ensure that personnel and parts required to rectify issues were

93.76%

Rig average operational efficiency

Oando Energy Services (OES)

Continued



The drilling bits business maintained the momentum generated in 2011 by focusing on its existing business relationships as well as offering bespoke engineering services compared to its competition.

flowed into the country with minimal delay. These activities culminated in the commencement of the OES Passion contract with SPDC on May 14, 2012 and while the start-up of operations were less than idyllic as is common to rigs which have recently been in an extensive shipyard project; OES has no doubt further proved its caliber by drilling 2 wells and commencing a third in its seven (7) months of operations. As would have been expected with a rig out of shipyard with new crews/personnel; OES Passion struggled to attain the operational efficiency target of 95% but was able to demonstrate an upward trend as operations progressed, finally attaining 90.99% by year-end.

OES fourth rig, OES Respect arrived the Beacon Maritime shipyard in Orange, Texas on January 4th 2012 to commence its 15-year life enhancement and upgrade project. The project which was estimated to take 6 months was scheduled into two phases such that the first phase included activities required to ascertain the level of work required, including surveying the deck and enclosed spaces to determine how much steel was needed to be replaced, evaluating the condition of rig equipment to determine what items required repair or replacement and ordering of long-lead items to prevent delays to the finalization of the project. Once Phase 1 was concluded, the scope for Phase 2 was determined. This phase included all activities required for the actual refurbishment of the rig.

Delays in the completion of the project were encountered when upon inspection of the rig and its equipment by the project team, the level of repair required was determined to be more than originally anticipated. It was also decided to upgrade the rigs power and circulating systems to make the rig more competitive. In addition, some equipment which had previously been considered to be repairable was later determined not to be repairable. These findings during Phase 1 had a corresponding effect on the cost of

the refurbishment and upgrade project which consequently increased the total budget inclusive of logistics to US\$63m. With the level of work to be carried out and the quality of the equipment to be installed, OES Respect will return to Nigeria as the most state of the art rig in its class and as such there has been significant interest in the rig from prospective clients. This has resulted in a number of physical inspections being carried out in Orange where potential clients have been able to appreciate the level of work completed as well as the technical capabilities of the final rig. While the rig has been tendered for various upcoming work with Nigerian National Petroleum Company "NNPC" JV's; OES continues to aggressively market the rig to all interested parties and ensured that project update reports were circulated on a regular basis.

Decommissioning of OES Professionalism was carried out during the year and as part of the exercise, all useful equipment was stripped, transferred and stored in OES warehouse where it will be kept as a fleet spare and used to support the operational rigs. The disposal of the hull and mast is expected to take place in 2013 when the ongoing tender is concluded and the successful bidder is identified.

The drilling bits business maintained the momentum generated in 2011 by focusing on its existing business relationships as well as offering bespoke engineering services compared to its competition. Key clients during the period were Mobil Producing Nigeria "MPN", NAOC and SNEPCo while new clients such as ADDAX Petroleum Development (Nigeria) Limited, Energia Limited, Network Exploration and Production Limited and Oando Energy Resources "OER" presented new opportunities to the business line. No contracts were lost during the year and contract extensions were secured for those that expired. One key event that had a negative impact on the business was the loss of the jack-up rig KS Endeavor to fire



in January. Nevertheless, the team was able to make up for potential revenue shortfall by intensifying its efforts with all existing clients by consistently demonstrating superior quality and performance of its bits. This aggressive marketing approach led to OESL reaching its contract ceiling with MPN by the third quarter of 2012 thus affecting sales to the client in the fourth quarter of the year. Though operational challenges were few, the heavy rainy season which was witnessed mid-year severely hampered bit delivery to clients land locations thus having a negative effect on sales during the period. Nevertheless, the bits business registered a positive revenue increase over 2011.

It was a mixed year for the drilling and completion fluids business. While revenue and profit targets were surpassed, the team was unable to shake off some of the

2011 challenges. The dependence on existing partners to provide products as well as availability issues with local vendors had a negative impact on OESL's expansion initiatives. Services were provided throughout the year to SNEPCo and NAOC and as was the case with the bits business, the loss of the Chevron jack-up, KS Endeavor had the potential to adversely affect OESL's revenue but this was not the case as the team was able to secure contracts for the supply of chemicals for the relief wells drilled by Chevron as well as contracts with new clients such as Network/OER and Energia. The production chemicals business grew as a result of supply of corrosion inhibitors, scale inhibitors and calcium naphthenate inhibitors to SPDC, SNEPCo & Total while the solids control business was able to generate increased revenue through the provision of services on all of OESL's operational rigs.

2013 OUTLOOK

Our primary objective is to achieve and maintain an operational efficiency of 96% for all rigs in the fleet, through performance monitoring, maintenance planning and strict adherence to EHSSQ policy. We plan to achieve this by fully deploying and contracting all 4 rigs by Q3 2013 to major IOC's through active participation in tenders, providing regular updates on rig status and performance, holding interactive and feedback sessions with both clients and regulators.

Our trump card to dominate the swamp rig markets is to ensure quality, safe and optimal service delivery by introducing new systems and processes that will guarantee value for our clients. We will also conclude the OESL Balance Sheet Restructuring and Refinancing of the MTL/Intercompany Naira facility into US



Oando Energy Services (OES)

Continued



OES has established itself as the leading swamp rig operator in the sector due to its unblemished track record in safety and reliability over the past 3 years with its 3 operational rigs.

Furthermore, OESL will grow its Drill Bits business through increased sales to major IOCs and active marginal field operators such as Sahara Energy Limited, Neconde Energy Limited, Eland oil and gas & OER. OESL will continue to differentiate itself from competition by providing superior drilling optimization solutions through its alliance with Halliburton Drill Bits and Services.

In 2013, the Drilling Fluids and Mud Engineering business will grow and improve on the successes of 2012. OESL will significantly increase its work capacity and ability to secure large service contracts through the lease of a mud plant in Port Harcourt. This will enable us increase service and product offering, reduce dependency on current partners and position us to source directly from manufacturers, thus increasing profitability. The company will invest in mud engineering technology in order to actively participate and secure lucrative contracts. Experience gained by the solids control team on work done on our rigs as well as other installations will ensure we are able to demonstrate experience and reliability in order to distinguish ourselves from competition and deliver superior service. There will be a shift from equipment rental to outright purchase where a benefit is clearly demonstrated, this will curb some of the reliability issues and build confidence with clients.

There will be a renewed and strategic focus to engaging our regulatory stakeholders such as National Petroleum Investment Management Services "NAPIMS", Department of Petroleum Resources "DPR" & Nigerian Content Development Monitoring Board "NCDMB" through regular interactive and feedback sessions in order to ensure OESL is positioned to lead the charge of indigenous oil service providers in terms of standards, quality of service, compliance and safety.

OESL has established itself as the leading swamp rig operator in the sector due to its

unblemished track record in safety and reliability over the past 3 years with its 3 operational rigs. This is evident from the LTI free operations and the number of enquiries received from clients for us to provide similar services for their onshore and shallow off-shore operations.

Consequently, OESL is exploring opportunities of entering into the land and shallow water drilling sectors either through acquisition of new build assets from reputable rig builders or alliances with internationally recognized asset owners for joint deployment. We will continue to actively participate in tenders as well as effectively communicate with oil field operators on their plans and requirements in order to secure contracts for our services. We will also be aggressively pursuing new business lines and services to complement our current offering in line with business potential and our growth aspirations.

With 3 years of successful drilling operations in the swamp under our belt and an improving track record in the sector, OESL will continue to put emphasis on strict adherence to EHSSQ policy and improved service delivery as a platform to deliver value to shareholders.

Group Chief Executive's Report



In 2013, the Drilling Fluids and Mud Engineering business will grow and improve on the successes of 2012. OESL will significantly increase its work capacity and ability to secure large service contracts through the lease of a mud plant in Port Harcourt.



Oando Exploration & Production (OEP)

A leading Nigerian E & P company with a portfolio consisting of 10 oil and gas assets situated in the Gulf of Guinea. The Company is listed on the Toronto Stock Exchange in Canada and has local operating capacity with partnerships with both indigenous and international oil companies.

Financial Highlights 2012

OEP Turnover of
N20.9bn

OEP EBITDA
N13.3bn

OEP PAT
N70mn



2012 Review

The E&P industry bucked the global trend in 2012. Persistent unrest in the Middle East and emerging market demand helped keep crude prices above \$100/bbl for the most part of the year. A significant energy glut in the US, driven by hydraulic fracturing in addition to a slow economic recovery, depressed US gas prices but seemed to contribute more to a significant differential between Brent crude and WTI crude than to downward pressure on global crude prices. It was a busy year in the E&P industry. There were significant discoveries in provinces ranging from the North Sea, through Africa to Australia. With an average of 4 announced M&A deals per day and a record breaking aggregate transactions value. 2012 was also a busy year on the corporate side, which was driven primarily by portfolio reorganizations and a notable Chinese push.

Yet another year went by with no resolution to the uncertainty and the risk of stagnation facing Nigeria's oil industry. We continue to see onshore divestments as the major's move deeper offshore, we also witnessed during the year the divestment of a producing deep-water asset which may be a sign of the majors diversifying away from Nigeria. The PIB remains gridlocked and the timing of the next licensing round is still anyone's guess. This notwithstanding, there remains an abundance of potential opportunities for OER before, and especially after the PIB is resolved. OER will continue to adapt to the environment and exploit opportunities as they arise.

In 2012, OER sustained its aggregate production despite a natural decline in production from OML 125 and the increase in losses due to vandalism. This was achieved by successes in the ongoing drilling campaign that resulted in the first of



Oando Energy Resources Inc. (OER) is the new trading name of Exile Resources Inc (Exile) post the acquisition of certain shareholding interests in Oando PLC's upstream subsidiary in respect of Oil Mining Leases ("OMLs") and Oil Prospecting Licenses ("OPLs"). Oando Plc owns 94.6% of OER.

several imminent additional production streams as we continue to mature our E&P asset portfolio. OER also entered into a potentially transformational acquisition which is expected to close in 2013.

Looking forward to 2013, the company will build on the positive steps taken in 2012 and will continue to optimize its asset portfolio in a value-accretive manner. We anticipate further additional production streams in 2013. We also intend to continue to optimize our capital structure and free up resources to capitalize on opportunities the ongoing reforms in the industry should present upon their eventual conclusion.

Oando Energy Resources Inc (OER)

Oando Energy Resources Inc. (OER) is the new trading name of Exile Resources Inc (Exile) post the acquisition of certain shareholding interests in Oando PLC's upstream subsidiary in respect of Oil Mining Leases ("OMLs") and Oil Prospecting Licenses ("OPLs"). Oando Plc owns 94.6% of OER.

OER's current portfolio consists of interests in 11 upstream acreages:

- 7 (Nigeria)
- 2 (EEZ)
- 1 (Zambia)
- 1 (Turkey)

The portfolios of assets are at varying stages of upstream operations – exploration, development and production.

Asset profiles:

OML 125 and OML134

Oando OML 125 and OML 134 Ltd acquired a 15% participatory interest in OML's 125 and 134 in 2008. These blocks are operated by Nigeria Agip Exploration ("NAE") and are located in Nigeria's deep offshore segment with acreage size of 1,220 Km² (OML 125) and 1,187 Km² (OML 134) respectively.

Production from the Abo field within OML 125 averaged 21,000 bopd in 2012, this stood at 5% below original projections. Abo 9 gas injector well was being worked over at year end using the GSF 134 rig in order to increase gas injection into Abo-10 and 11, improve oil recovery and invariably reduce volume of gas flared on the field. 4D seismic data for Abo area was also processed and interpreted with results used in the planning of the Abo Phase 3. There are plans in 2013 to improve the reserve base of this asset by completing and working-over some of the current wells on the asset as guided by results of the interpretation of the 4D data. There are also plans to commence on the drilling and completion of the Abo Phase 3 wells (drilling of Abo 3 and 4 Sidetrack, Abo 12 and the completion of Abo 8). This will be done by getting in a new rig, the Sedco Express. NAPIMS also approved the extension of the Abo FPSO lease to December, 2013.

In OML 134, tendering and contraction for seismic processing is currently underway. Seismic processing and interpretation of the asset data will commence as soon as a competent seismic processing contractor has been identified.

Obodeti/Obodugwa Field Area (OML 56)

OPDC acquired a 45% working interest in the Ebendo field area from the government during the marginal field allocation round in 2003. This acquisition was made pursuant to a marginal field farm out agreement between NNPC, Elf Petroleum, Energia and Unipetrol Production and Development Company Limited. Further to the unitization agreement between the Group, Energia and Pillar Oil in April 2004, the combined working interest of the Group and Energia in the oil production from the Ebendo 3 well, which is located in an adjacent concession operated by Pillar Oil, is 30%. Four wells had been drilled in the Ebendo field area by Elf (now Total).

Oando Exploration & Production (OEP)

Continued



With the successful hookup of Ebendo 5, 6 & 7 wells, production from the Ebendo field is expected to go up to 10,000 bopd at the end of 2013.

In 2012 Ebendo 4 was successfully drilled as an appraisal/development well and hydrocarbon was found in eight stacked reservoirs. The Ebendo 4 was completed to produce from two reservoirs that were found in Obodugwa 1 well. The inlet manifold of the facility was upgraded to accommodate more wells and Ebendo 4 was successfully hooked up thereby increasing daily oil production to 3,663 bbls at the end of the year. Ebendo 5 was drilled to test and appraise the other six stacked reservoirs that were found in Ebendo 4. The discovery of six additional reservoirs in Ebendo 4 has increased the reserves for the field. Following the test results of the Ebendo 5 well, the well which is in the completion stage will also be completed to produce from two shallower reservoirs. Ebendo 6 & 7 will be drilled in 2013 to appraise and develop shallower reservoirs. With the successful hookup of Ebendo 5, 6 & 7 wells, production from the Ebendo field is expected to go up to 10,000 bopd at the end of 2013.

Akepo Field (OML 90)

Oando Akepo Ltd entered into a farm-in agreement with Exile, following which the Group acquired a 30% working interest in a Marginal Fields Farm-out Agreement with respect to the Akepo field - Under the JOA between the field's original concession owners, Sogenal and Exile. Sogenal is currently the operator of the field whilst Oando and Exile entered into a Financing, Technical and Management Services agreement ("FTMSA") in 2008 which provided for Oando to assume the responsibilities of Exile as Technical Partner to recover costs expended. The Akepo field is located in shallow water in the Niger Delta, on an area of 25.7 Km² within OML 90. The discovery wells on the Akepo structure (Akepo 1 and 1st) was drilled in 1993 by Chevron. The Akepo 1st well was later successfully re-entered by the SOE JV and completed two (D1 and D6) of the three identified sands in December, 2009.

Akepo is currently in the final stages of development. Engineering design for the

evacuation infrastructure (Crude Processing Facility, Well-head jacket and pipeline) was completed in 2011. Construction works commenced thereafter, due to delivery challenges with the WHJ & Flow-line contractor-facilities commissioning. Oil production is now anticipated in 2014.

Qua Ibo Field (OML 13)

Oando Qua Ibo Limited, through a farm-in agreement in 2012, acquired 40% working interest in the Qua Ibo field. The field was previously operated by SPDC. Network E & P Nigeria Limited (NEPN) was awarded a 100% interest in Qua Ibo Field under the Nigerian Government's marginal field allocation program in 2003. Mart Energy Resources signed an agreement with Network to participate in the development of the field in 2005. Mart Energy Resources decided to withdraw from the Qua Ibo field after drilling a dry well. Five wells have been drilled in the Qua Ibo field. Two of the wells were drilled by SPDC, one by Network/Mart partnership and two by Network/Oando.

Qua Ibo 4 was successfully drilled as an appraisal/development to target the shallower reservoirs in the field. The MDT results and samples collected indicate the presence of oil. Qua Ibo 3ST was drilled as a sidetrack from the existing Qua Ibo 3 well to target a deeper reservoir in an up dip position. MDT results and analysis of samples collected confirmed the presence of producible oil. Qua Ibo 5 is planned to be drilled in 2013 to target the reservoirs that has been appraised by Qua Ibo 4. Qua Ibo 4 and Qua Ibo 3ST are currently in completion stage and all the wells will be produced using production facilities in 2013.



Turkey License

Valeura/OER submitted an application for an exploration licence on May 12, 2011 on block 2600 (Valeura 50%, OER 50%), which contains the Bostanci prospect; however, it may be some time before the re-award of these licences is made.

Zambia License

OER was granted an investment license for Block 26 in northeastern Zambia. The country has remained largely under-explored with only two exploration wells drilled to date with neither reaching their intended targets.

OER is currently reviewing data including existing seismic that was acquired during the previous exploration campaign in the 1980s, and undertaking geochemical surveys to establish the potential for oil and gas in the country. In the meantime, OER has set up a local Zambian office and registered as a local company.

The Equator Assets

Oando Plc owns 81.5% of Equator Exploration Limited ("Equator"), most of which was acquired in 2009 by the conversion of loans made to Equator into shares and by the purchase of shares on the open market.

Nigeria – OPL 323 and OPL 321

Equator holds a 30% participating interest in each of deep water blocks, OPL 321 and OPL 323, awarded in the Nigerian 2005 licensing round.

During 2011, the Federal Government of Nigeria continued to appeal a high court judgment in favour of the operator, the Korean National Oil Corporation ("KNOC"). The judgment, granted in August 2009, had ruled that the government had acted unlawfully in January 2009 when it voided the allocations of OPL 321 and OPL 323 to KNOC (but not to Equator), nearly three years after the PSC's had been executed.

Despite requesting and receiving a refund of its share of the signature bonuses of US\$161.7 million in September 2009, Equator vigorously maintains its interests in the two blocks. In 2011, Oando/Equator campaigned for a settlement among the government and industry stakeholders. These efforts continue with the aim of achieving a resumption of exploration activities on these highly prospective blocks. A high quality 3D seismic survey has already been used to evaluate a number of large prospects and to select the well locations. Netherland, Sewell and Associates have independently assessed the Best Estimate of the Gross Unrisked Recoverable Oil Resources to be 1.6 billion barrels for the two blocks combined. Drilling could start on the four commitment exploration wells within two years of the resumption of operational activity.

Blocks 5 & 12, EEZ of São Tomé & Príncipe

In February 2010, in accordance with agreements signed in 2001 and 2003, the government of São Tomé & Príncipe awarded Equator Blocks 5 and 12, its first two choices from all of the blocks within the country's large Exclusive Economic Zone ("EEZ"). Negotiations of satisfactory Production Sharing Contracts ("PSCs") with the government were completed during 2011 and the agreements were signed on April 18th 2012.

During 2011, existing 2D seismic surveys were used to complete the evaluation of the blocks and identify a number of prospects. In order to manage the exposure to the risks of high cost exploration in a frontier province in ultra-deep water, the Company is considering farm outs. A number of world class oil companies have visited the data room in 2012 in order to assess the opportunity, though there have been no firm commitments from any of them to farm into the block.

Business Review

Group Chief Executive's Report

Bilabri & Owanare (OML 122)

In April 2005, Equator signed a Finance and Service Agreement with Peak Petroleum Industries Nigeria Limited ("Peak"), the lease holder of OML 122, an offshore indigenous block. In return for providing funds and supplying technical services, Equator became entitled to a share of any oil and gas production from the Bilabri and Owanare discoveries and from any discovery made by a selected exploration well.

An independent evaluation by Netherland, Sewell and Associates assesses the Gross Proved plus Probable Reserves for the Bilabri Field to be 13.2 million barrels. The estimate for Gross Proved plus Probable Contingent Gas Resources is 501 billion standard cubic feet for Bilabri and a new discovery, Owanare, combined.

Four attacks by militants, three involving the taking of hostages, forced the suspension of offshore operations a number of months before production was due to commence from Bilabri. The termination of contracts with suppliers resulted in major financial penalties to Equator. To relieve these, Equator entered into the Bilabri Settlement Agreement ("BSA") with Peak in 2007 whereby Peak assumed responsibility for existing debts and for funding the future development in exchange for Equator accepting significant reductions in its shares of oil and gas production. Peak breached this agreement and Equator was awarded US\$123 million plus interest in an arbitration tribunal in May 2008.

In 2011, Peak continued to be unable to meet its obligations under the BSA. Consequently, Oando/Equator pursued winding up proceedings against Peak in the courts of Nigeria. A court has issued a final order for the winding up of Peak and has appointed a final liquidator. Our lawyers advise that an appeal by Peak has little merit.



Oando Exploration & Production (OEP)

Continued



We are very optimistic about what 2013 holds in store for your Company. We believe 2012 has set the path for immense growth which we should begin to realize in the near future. The recently concluded Rights Issue exercise will provide the required funds for upstream growth, as well as a much needed balance sheet restructuring.



In the meantime, Oando/Equator also offered Peak a settlement in which Oando/Equator would resume the funding and operations of the Bilabri Oil Field Development in return for an increased participating interest in the oil production and for an assignment of a direct interest in Oil Mining Lease 122 with the government. The settlement negotiations broke down and Equator thereafter made an application to the Nigerian courts to wind up Peak. The court granted this application and ordered the winding up of Peak. The court also appointed a Liquidator to take over Peak's assets. Peak has filed several appeals in this regard and these matters are currently pending before the Court of Appeal.

In the event that control of the asset is regained, either through a settlement or through the winding up of Peak, Oando/Equator would resume activities on the Field Development Plan for the Bilabri Oil Field. This calls for the chartering of a Floating Production Storage & Offtake system and the completion of three sub-sea wells, two with horizontal completions.

JDZ Block 2

Equator has a 9% interest in this block, awarded in the 2004 licensing round for the Joint Development Zone between Nigeria and São Tomé & Príncipe. The 'Bomu 1' exploration well, drilled in the second half of 2009, was completed under budget and discovered dry gas in a number of formations. The Joint Development Authority ('JDA') has awarded three extensions, amounting to a total of two years, to the participants for them to complete the evaluation of the results from 'Bomu 1', including a reassessment of the prospectivity of the remainder of the block.

In early 2011, Sinopec, the operator, reported the results of the evaluation. It was confirmed that the 'Bomu' gas discovery was too small to be economic in deep water in current conditions and that the rest of the block had insufficient prospectivity to justify entering the Phase 2 Exploration Period with its obligatory well. Sinopec notified the other participants that it will not continue. By a resolution dated March 9th, 2012, the Board of Equator resolved to discontinue operations in JDZ Block 2.



95%

working interest and operatorship of OPL 236

OPL 236

OEPL was awarded this block in May 2007 and the Production Sharing Contract was signed with NNPC in February, 2008. This conferred OEPL with a 95% working interest and operatorship of the block. RFO Ventures is the local content vehicle (LCV) with a 5% participatory interest. The block is located onshore Akwa-Ibom State with a total acreage of 1,650 Km². A Global Memorandum of Understanding (GMOU) was signed with the Ukana community in August 2008.

OPL 236 is currently in the exploration stage with estimated 2C reserves of 33.6bcf (RPS report). In 2010, 2D seismic data for OPL 236 was purchased and digitized Work is ongoing on a development program aimed at harnessing the gas reserves in line with the proposed industry gas master plan and delivering the much needed clean energy for the growing energy needs of the utilities and power industry within the region.

OPL 278

In January 2006, OEPL acquired a 60% working interest pursuant to a PSC among the Group, CAMAC, Allied Energy and First Axis and the NNPC, in respect of OPL 278. OPL 278 is operated by OEPL under a JOA made between OEPL, CAMAC, Allied Energy and First Axis. OPL 278 is located offshore of Rivers State in a transition zone (swamp to shallow marine) on an area of 91.9Km². Three prospects have been identified in OPL 278, which are Ke, Prospect A and Prospect B. The blocks exploration phase was extended to January 2015 by The Federal Government of Nigeria.

OPL 282

On 8 August 2006, OEPL acquired a 4% working interest in the PSC between NAOC, Alliance Oil Producing Nigeria (AOPN) Limited and NNPC, in respect of OPL 282 (the "OPL 282 PSC"). NAOC holds a 90% working interest in the OPL 282 PSC, while AOPN, which represents

the local content vehicle in OPL 282, holds the remaining 10% working interest. The Group holds 40% of the shares in AOPN, while ARC Oil and Gas Nigeria Limited holds the remaining 60%. OPL 282 is operated by NAOC under a JOA made between NAOC and AOPN. OPL 282 is located in a transition zone (onshore to shallow marine) in Bayelsa State, on an area of 695 Km². This block is currently in the exploration phase. An exploratory drilling campaign in the block was kicked off with the Tinpa-1 Dir well, which spudded in the fourth quarter of 2011. Tinpa 1 was successfully drilled to a TD of 3700 MD, tested and completed. Tinpa B and C in adjoining structures are scheduled for drilling in 2013.

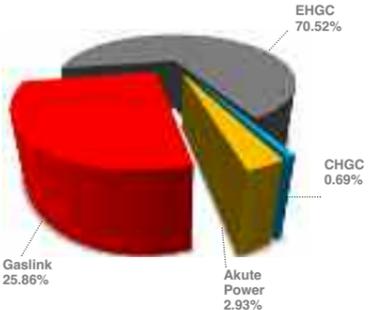


Midstream

Oando Gas and Power's business is in the distribution of natural gas and power initiatives aimed at electricity generation and distribution in Nigeria and other West African countries.

Midstream Total Revenue N58.0bn

Total revenue by business segment



1. Gaslink	N15.0bn
2. Akute Power	N1.7bn
3. CHGC	N0.4mn
4. EHGC	N40.9bn

Oando Gas & Power (OGP)

Oando Gas & Power (OGP) is the division responsible for the development, operation and management of Oando PLC's participation in the gas and power sector. We remain a value driven gas and power developer providing energy solutions to meet customers' needs in our chosen market.

Financial Highlights 2012

OGP Turnover of
N58.0bn

OGP EBITDA
N18.3bn

OGP PAT
N11.8bn



Today, there are four operational assets within the division:

- Gaslink Nigeria Limited (GNL)
- Akute Power Limited (APL)
- East Horizon Gas Company (EHGC)
- Central Horizon Gas Company (CHGC)

A number of other projects are currently being developed, some of which will become operational assets in 2013. We continue to focus on aggressively developing Nigeria's domestic natural gas infrastructure and leveraging same towards becoming a leading gas and power provider to the last-mile customers.

Review of 2012

OGP has increased its natural gas pipeline capacity to 167mmscfd and is currently delivering gas and power solutions to over 150 industrial customers.

We have achieved steady progress on the Greater Lagos Phase IV Project in Lagos, Feasibility study and Front End Engineering Design (FEED) were completed during the year under review.

This project is expected to expand our natural gas grid to Mile 2 – Okokomaiko and Ijora – Lagos Island – Victoria Island corridors.

Our Independent Power Plant, Akute Power Limited, continued to generate and supply electric power to the Lagos Water Corporation. Our renewed risk management and control system guarantees continued safe operations and optimized cashflows.

In 2012, EHGC commenced natural gas supply to the foundation customer, United Cement Company of Nigeria Limited.

OGP received a grant approval from the United States Trade Development Agency (USTDA) for its feasibility study on the development of Compressed Natural Gas infrastructure for vehicular use. This is in continuation of our efforts at ensuring that Natural gas becomes the fuel of choice for vehicles and contributing to the reduction of emissions.



In the course of the year 2012, we awarded and commenced execution of Engineering, Procurement and Construction (EPC) contracts for a new power plant (Alausa IPP project) and a pilot Compressed Natural Gas (CNG) mother station.

OGP continues to maintain its Quality Management System Certification and compliance with the ISO 9001:2008 Standard. We are resolute in our commitment to safe practices and continue to provide the required safety guidelines for people and the environment where we operate. This was demonstrated in 2012 as we ended the year with Zero lost time injury (LTI), Zero Fatality and Zero Quality System non-conformity.

Natural Gas Distribution

Gaslink Nigeria Limited (GNL) is OGP's flag-ship Company, distributing natural gas to over 140 customers in Greater Lagos Industrial Areas. During the year under review, we obtained necessary regulatory permits and approvals from the Department of Petroleum Resources (DPR) and Nigerian Gas Company (NGC) for the expansion of our existing pipeline network to other industrial and commercial axes in Lagos. Feasibility study and FEED of this Greater Lagos Phase IV project have been completed, while the Environmental Impact Assessment (EIA) of the project is currently underway.

In line with best safety practices across the world, we put in place a new gas odourisation and leak detection system, to enhance safe operations and maintenance of our over 100km gas pipeline network in Lagos State.

Sand incursion is still being experienced in some parts of our distribution network, affecting the off-take of natural gas by some of our customers. In 2012, we obtained regulatory approval from the Department of Petroleum Resources to construct a de-sanding facility that would remove sand influx in the system. Mechanical and Instrumentation works are

currently ongoing, and we expect to achieve facility commissioning by Q2, 2013.

There was no total gas outage on the pipeline in 2012. We however experienced 2 days of significant pressure reduction which affected customers' gas offtake.

It should be noted that some of our existing industrial customers, who have been unable to recover from their respective business operational challenges, could not utilize our natural gas during the year under review.

East Horizon Gas Company (EHGC) continued to supply gas to our foundation customer United Cement Company of Nigeria Limited (UNICEM) at its plant near Mfamosing in Cross-River State.

This pipeline system has already opened up natural gas demand in the Calabar environs. We are currently negotiating gas supply contracts with other new customers along the axis.

In the year under review, UNICEM commenced off-take of natural gas through the pipeline system. In order to ensure efficient operation of the business, we received CBN approval for Bank of Industry (BOI) re-financing of the existing debt capital.

We experienced 8 days of total gas outage in 2012 due to NGC's pipeline shutdown for repair works, and another 4 days of partial gas outage arising from pipeline vandalism.

We have also increased security surveillance along the Right of Way to forestall further pipeline vandalism experienced in 2012.

167mmscfd
increased in natural gas pipeline capacity

Midstream Operations

Oando Gas & Power Limited (OGP)

Continued

Central Horizon Gas Company (CHGC) was formed as a Special Purpose Vehicle to takeover, rehabilitate and expand the existing Rivers State Government's 5km gas pipeline in Trans Amadi industrial area. We currently deliver natural gas to nine (9) industrial customers in Port Harcourt.

In the coming year, we will commence the sectional replacement project and pipeline expansion to other industrial locations in Rivers State.

There was gas outage on the pipeline for approximately 29 days in 2012, mainly due to SPDC's scheduled maintenance program.

Gas Network Services Limited (GNS) is currently developing a pilot Compressed Natural Gas (CNG) plant in Lagos. This project would enable customers outside our existing pipeline grid to access the natural gas for their industrial processes and power generation. The pilot plant is being constructed in Isolo area of Lagos State. Key equipment (compressors, dryers dispensers etc.) have been procured and delivered to site and civil works are currently in progress on the site.

Power Generation

Akute Power Limited (APL), our initial Independent Power Plant has been in operation since January 4, 2012. The 12.15MW gas fired power plant has continued to deliver electric power to Lagos Water Corporation's main Water Works at Akute. The project is the first in the series of captive power projects being executed by OGP and is in line with our strategy of becoming a major player in the Nigerian Electricity Industry.

In the year under review, we recorded zero Lost Time Injury (LTI) and renewed operations and maintenance contract with our technical partner.

Alausa Power Project, our 2nd IPP is being developed to provide a dedicated electric power supply to Lagos State Government Secretariat and other government institutions in the Alausa area. Natural gas piping and hydro-test works were completed in 2012 and civil works are ongoing at site. The plant is expected to be completed and commence operations in Q3 2013.

Outlook for 2013

Oando Gas & Power will continue to grow its business portfolio and establish itself as a key player to reckon with in the gas & power sector in Nigeria. OGP's revenue target in 2013 is premised on the following:

1. Efficient and safe operation of existing assets/businesses thereby delivering on growth targets
 - East Horizon Gas Company (Calabar region in Cross River State)
 - Central Horizon Gas Company (Port Harcourt region in Rivers State)
 - Gaslink Nigeria Limited (Greater Lagos area in Lagos State)
 - Akute Power Limited



Business Review

Group Chief Executive's Report



OGP has increased its natural gas pipeline capacity to 167mmscfd and is currently delivering gas and power solutions to over 150 industrial customers

2. Completion of ongoing projects and commencement of operations of the new assets/businesses

- Alausa Power Limited (ring-fenced power plant)
- Gas Network Services Limited (compressed natural gas plant)

3. Progress on maturation of new projects:

- Award and commencement of construction of Gaslink Phase IV project
- Commence Compressed Natural Gas Plant expansion programme (Gas Network Services Limited).
- Commencement of new independent power plant development.
- Studies and Engineering Designs in respect of Central Processing Facility and Escravos Ibadan Ilorin Jeba projects.

In conclusion, 2013 offers enormous challenges and opportunities for OGP to implement its vision of being the leading and most innovative energy company in our chosen markets. While our bid in the ongoing PHCN privatization programme was not successful, we remain resolute in becoming a leading player in the gas and power sector through new product development and aggressive market expansion programmes.





546+

546+ Outlets - The leading oil marketing retailer with over 546 outlets in Nigeria and operations in Ghana, Togo, Liberia and Republic of Benin.



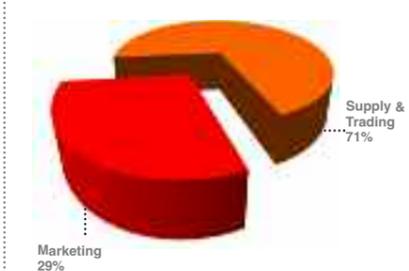
Downstream

The Group's operations in the downstream sector comprise its Marketing and Supply & Trading businesses. In addition, the Group has a Refining & Terminating business division which currently harbours a number of projects.

Downstream Total Revenue

N835.7bn

Total revenue by business segment



1. Marketing	N245.5bn
2. Supply and Trading	N590.2bn

Oando Marketing PLC (OMP)

Oando Marketing PLC (OMP) is the largest and a leading petroleum products marketing company in Nigeria with over 500 retail outlets and industrial customers across all major sectors; we also have operations in Ghana, Togo and Liberia. OMP's businesses span across sales, marketing and distribution of the major 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 and Liquefied Petroleum Gas (LPG, commonly known as cooking gas).

Financial Highlights 2012

OMP Turnover of
N245.5bn

OMP EBITDA
N9.64bn

OMP PAT
N5.4bn



Review of 2012

The downstream sector was plagued by a lot of challenges spanning political and socio-economic factors which affected our operating environment negatively. Despite these negative externalities, Oando Marketing PLC recorded positive results growing revenue and gross margins by 20% and 4% respectively. This performance was driven by our relentless commitment to excellence through hard work, innovation, integrity and operational efficiency.

In January, the Federal Government of Nigeria embarked on a partial deregulation of Premium Motor Spirit (PMS) pump price with a resultant 49% increment, which triggered national protests by the organised labour and other civil-society coalitions. These actions paralysed economic activities within the country for over a week resulting in the increase of the Average Consumer Price Index (CPI) from 10.8% in the previous year to 12.2%, reducing disposable income for fuel consumption. There was also a loss of 8 days sales due to the strike during which time economic activities were grounded to a halt.

During the course of the year, several committees and panels were also set-up to probe Nigeria's petroleum downstream sector. This stimulated a lot of uncertainty in the already shrunken PMS market with importers taking a risk-adverse stance on product importation. This coupled with delayed and reduced import allocations from the Petroleum Products Pricing Regulatory Agency (PPPRA) as well as delayed payments from the Petroleum Subsidy Fund (PSF) resulted in a general tightness in PMS supply leading to product scarcity.

Security challenges experienced particularly in the North also led to reduced economic activities. Actions of pipeline vandals on distribution networks across the country also reduced product sufficiency from Pipelines and Product Marketing Company (PPMC) and its depots nationwide.

In spite of the challenging externalities, Oando Marketing PLC made a profit after tax of N5.4 Billion.



In spite of the challenging externalities, Oando Marketing PLC made a profit after tax of N5.4bn.



Product Review:

PMS: Volumes sold were 1.5bn litres (7% below prior year) with OMP maintaining its leadership position among the Major Marketers. The decline from 2011 was as a result of supply constraints on the back of uncertainties surrounding the Petroleum Support Fund (PSF).

AGO: Volumes sold during the period were 280m litres (14% below prior year). The decline is attributable to the influx of AGO from refineries in Niger Republic affecting our end user pricing negatively. Our strategy to grow our AGO volumes center on sales through specialized channels such as Value Added Peddling (VAP), Vendor Managed Inventory (VMI) and Marine through tailored services which add significant value to our customers.

HHK: Volume of sales grew by 29% over 2011 figures to 113m litres due to improved government supply just as experienced in prior year. This presented an opportunity for OMP to aggressively acquire the product from all depots. This performance placed us in a leadership position amongst the major marketers.

Other Products (Lubricants, Specialties)

Lubricants: Volumes sold were 17m litres, a decline of 10% from 2011 volumes. Substantial volumes were lost to the subsidy strike in January and civil unrest experienced during the year (notably January and June) in Kaduna where our Lubricants production plants are sited affecting supply fulfillments of orders received in the two months affected. Our market share however still remains at 17% despite stiff competition arising from the importation of cheaper products by Independent Marketers.

There are ongoing initiatives to grow market share and margins; amongst which are the upgrade of a lubricant blending plant in Lagos which should be operational by August 2013. This plant will improve margin efficiency on products sold in the west via annual distribution cost savings of N240 million translating to more volume sales. Also, the addition of niche products with high margins into the market is being planned for 2013. Our revolving credit scheme will continue to be in place for our current and new customers. Two lubes promotions were carried out in Q3, 2012 as part of a long term strategy to improve brand awareness and steady volumes for the period.

17%

Our market share however still remains at 17% despite stiff competition arising from the importation of cheap products by Independent Marketers.

Oando Marketing PLC (OMP)

Continued



As a company, we will continue to ensure our operations are dynamic, to suit these macro-economic policy thrusts which the business environment will be challenged with.

LPG: 2012 sales were at 20,300MT, a growth of 64% from 2011. OMP remains the market leader in this product segment with over 50% market share among Major Marketers. Focus going forward will be on further improving both our forecourt and off forecourt sales through the Pay-As-U-Gas initiative, 3kg cylinder push, Bulk sales and Secondary Distribution Points channels.

ATK: Volume sold was 88m litres, a drop by 22% from 2011 volumes. This was attributable to reduced customer base as a result of challenges faced by the Aviation sector during the year, leading to an average of 12m litres lost from our affected customers. Our competitiveness in the market was also affected by the influx of cheaper material by other entrants. New initiatives to grow figures in 2013 include business expansion and specific customer targets which will provide guaranteed volumes with secure credit lines. There will also be focus on equipment upgrade and stock availability to ensure that all orders are met.

2013 Outlook:

Government policy will continue to play a significant role in our operating environment. The Petroleum Industry Bill (PIB) is also expected to be passed in 2013. As a company, we will continue to ensure our operations are dynamic, to suit these macro-economic policy thrusts which the business environment will be challenged with.

Our company will maintain its objective of being the most efficient refined products distribution company, driven by cost leadership, quality and innovation. In anticipation of fundamental structural changes to our operating environment, we will intensify our focus on growing the higher margin Lubricants and Liquefied Petroleum Gas (LPG) businesses and invest in new ventures to diversify our income streams.

A review of our key initiatives and expectations in 2013 are as follows:

- To improve our company's operating cash flows via a reduction in distribution and maintenance costs, we have decided to divest from 73 company owned dealer operated stations (CODOs) in phases. These stations are below our annual threshold of 1.8 million Litres of sale and provide no further business opportunity to our company.
- Capital expenditures focusing on key growth and maintenance spends that will form the bedrock of our success. These key spends will include the growth of our LPG footprint, Vendor Managed Inventory (VMI) footprint expansion, various facility/terminal upgrades and Retail Online Management System (ROMS) deployment – automation of retail daily sales information to enhance efficiency in decision making concerning re-order levels, sales levels, inventory management etc.
- Investments in Company-Owned Dealer Operated Stations (CODO). To improve our margin, we plan to acquire 5 new stations and upgrade 36 stations.
- Improved sales service and marketing standards by ensuring 100% training record for all attendants. We will continually strive to improve the customers experience at our forecourts, by capturing and resolving promptly all customer complaints and feedback.
- Continued investment in our LPG expansion and dominance through increase of the Oando-Pay-As-U-Gas outlets by 13 new outlets across the country, set up of additional 50 Secondary Distribution Points (SDP) in key sales areas, upgrades of our filling plants to improve efficiency, deployment of LPG car conversion kits for commercial vehicles in Lagos and Abuja as well as massive cylinder expansion through various schemes including cylinder swaps, exchanges and convenient refills.



64%

LPG 2012 sales growth

- Grow our lubricants business to market dominance among MOMAN through different initiatives including package redesign, new product launches, promotions, trainings, awareness, partnerships and commercials
- Continued development of Non-Fuel Revenue as a strategic growth area through fuel support ventures such as convenience stores, lube bays, Auto care centers, Quick Service Restaurants, car washes and branding partnerships.
- People development by ensuring every staff is trained at least twice by the end of the year. Our focus will be on core and function specific competencies and on developmental competencies for future roles in the organization.
- Increased focus on the need to work in a safe and controlled environment with emphasis laid on reporting of near misses and unsafe conditions. We will continue to invest more in educating all staff and 3rd party contractors to ensure zero fatalities through educational efforts around the hazards of their operating & physical environments.



Downstream Operations

Oando Supply & Trading (OST)

Oando Supply & Trading was incorporated in 2004 and has grown to become the leading supplier of refined petroleum products into Nigeria. With a track record of 100% delivery on all its supply contracts, consolidating its existing markets, Oando Supply & Trading has positioned itself as the supplier of choice for product supplies in the West African sub-region. The company procures and trades a broad range of refined petroleum products, which include Jet A1, Gasoline, Dual Purpose Kerosene, AGO, Low/High Pour Fuel Oil, Base Oil and Bitumen.

Financial Highlights 2012

OST Turnover of

N328.4bn

OST EBITDA

N1.96bn

OST PAT

N558.5mn



Review of 2012

2012 was a year filled with challenges and opportunities.

The fuel subsidy removal in January and resulting strike action led to a reduction in the volume of gasoline imported in Q1 and the subsequent reduction in Oando's allocation adversely impacted volumes for the rest of the year. The various probe panels set up to investigate alleged mal-practices in the subsidy regime delayed settlement of our claims against the fund and this resulted in a significant liquidity squeeze and higher interest costs to the company.

On a positive note, exchange rates were relatively stable in the period under review. Further to the company's strategy to increase contributions from other products apart from gasoline, there was a 30% increase in volumes from AGO and DPK.

Despite the success of these products and stable exchange rate, the company still leaned on gasoline to contribute a large percentage of margins. Unfavourable government activities and policies in the year however, affected the performance of PMS and it could not deliver the expected margins and volumes.



Downstream Operations

Oando Terminals & Logistics (OTL)

Oando's Terminals and Logistics Division (formerly known as the Refinery and Terminals (OR&T) division; renamed to reflect a strategic shift of the refinery plans to the long term) is set to complete its first major investment as Oando leads the way in solving the nation's long term dependence on imported petroleum products.

OTL, your downstream asset development organisation, completed financing and commenced construction of the pioneering Apapa Submarine Pipeline (ASP) project, a jetty in the Lagos harbour that connects to the Major Marketers' storage by a half kilometre subsea pipeline and a new 3km onshore line delivering almost 3 million tonnes a year – we concluded regulatory due diligence, a process that involved more steps than previously expected and are set to complete construction by the end of 2013.

As your company's balance sheet is further focused on major upstream acquisition, we will maintain interest in advantaged downstream asset development projects such as Liquefied Petroleum Gas (LPG) storage (we still carry a fully approved LPG storage project in our portfolio) and world scale white fuels terminalling in the south west that can decongest the city of Lagos. As before, these projects will seek to further enhance the sector leadership of other Group downstream entities.

In summary, the division is on the verge of yielding the first fruits of downstream infrastructure and we remain vigilant to secure new opportunities as they arise out of new insight and new partnerships.

Conclusion

We are very optimistic about what 2013 holds in store for your Company. We believe 2012 has set the path for immense growth which we should begin to realize in the near future. The recently concluded Rights Issue exercise will provide the required funds for upstream growth, as well as a much needed balance sheet restructuring. Our pending upstream acquisition, as well as other ongoing projects, points us in the right direction to bolster shareholder value for years to come.

Mr. J. A. Tinubu
Group Chief Executive
FRC/2013/NBA/0000003348

Product Review:

PMS: Gasoline still remained the major contributor to margins. The Federal Government of Nigeria at the start of the year announced full deregulation of the product which would have marked the end of subsidies under the Petroleum Subsidy Fund scheme. This was revised about 3 weeks into the year returning the subsidy scheme, although at reduced levels. These disruptions and therefore, uncertainties on government's actions were responsible for reduced activities in the 1st quarter of 2012.

Government commenced investigations of the PSF scheme in the year, with a view to sanitizing the downstream petroleum sector. Allocations for importation via PPPRA were also reduced in this period. Longer than expected delays in payment of subsidies despite the established processes of SDNs (Sovereign Debt Notes) led to high interest costs and liquidity problems. All these factors contributed to the reduced margins from this product line compared to budget.

Distillates: Profitability from distillates increased due to increased operational efficiency and contract management especially from AGO. The performance from the distillates' book was boosted by increased activities and margins from DPK, the company was able to secure more allocations through its aggressive business development activities.

Dirty Products: There was not much activity from this product line during the period under review.

Outlook for 2013

In line with the initiative to align activities in the downstream sector of Oando PLC's business for improved efficiency and service delivery, Oando Supply & Trading's main activity of bulk importation and bulk supply of petroleum products would be handled by Oando Marketing PLC (OMP) from 2013.

The company's focus would now be the provision of management and advisory services to support the importation and supply of petroleum products.

The services would be as follows:

1. Business Development: Provide information and market intelligence, identify new/viable markets and customers, relationship management.

2. Supply Chain management and operations: Supply planning and forecasting, coordination of supply activities and logistics (replenishment).

3. Legal: Contract management, legal, regulatory and insurance advisory, litigation and conflict resolution.

4. Risk and Internal control services: Advisory on market, credit and operational risks, position monitoring and reporting.

5. Finance: Trade, structured and project finance; Planning and organizing funding requirements, treasury management, financial report, regulatory advisory, MIS, performance measurement and evaluation.

Significant 2013 initiatives

- Full and effective implementation of the automation processes for trades and operations, this started in 2012. This would improve efficiency and turnaround time for business operations.
- Cost containment
- Continuous monitoring of operational processes to realize identified value and extract unanticipated ones
- Development of robust financial services and support for the entire downstream business

Oando PLC Board of Directors



Oando's general policies are determined by a Board of Directors drawn from different facets of the society. The Board members are highly successful individuals in their various fields of endeavour. The board meets regularly during the year to discuss reviews and reports on the business and plans of the Oando Group.

1. **HRM Michael Adedotun Gbadebo, CFR**
(The Alake of Egbaland)
2. **Mr. Jubril Adewale Tinubu**
3. **Mr. Omamofe Boyo**
4. **Mr. Bolaji Osunsanya**
5. **Mr. Olufemi Adeyemo**
6. **Mr. Oghogho Akpata**
7. **Ammuna Lawan Ali, OON**
8. **Chief Sena Anthony**
9. **Ms. Nana Afoah Appiah-Korang**
10. **Engr. Yusuf K.J N'jie**

1. 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 boards 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.

2. Mr. Jubril Adewale Tinubu

Jubril Adewale 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, Wale 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.

3. 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 boards of several companies in the group including Gaslink, Oando Exploration and Production Limited, Oando Marketing PLC and Oando Supply and Trading.

Mr. Boyo is currently a director of OOH, OOIM, OOIN, OOHN, Indumines Ltd, Midwestern Oil & Gas Ltd, Quantum Voice Systems Ltd, I2I Nigeria Ltd and Lagos Preparatory School Ltd. Prior to his appointment as Executive Director of the Company in 1999, Mr. Boyo 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.

4. Mr. Bolaji 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.

5. 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. Mr. Adeyemo 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 13 years. He obtained a Master of Science degree in Finance from the London Business School, UK, in 1988, 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.

6. 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. Oghogho possesses 20 years of experience in the transactional dispute resolution aspects of the Nigerian oil and gas sector and advises a broad range of clients including international oil companies, oil service contractors and a number of multinationals operating in Nigeria. Oghogho 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 Bachelor 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.

7. 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.

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 holds a BA (Hons) Degree and Masters Degree in Public Administration.

8. 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 ("the 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 31 years. 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.

9. 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). With seven funds and over \$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 subcommittee. 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 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 Bachelor's degree in Mathematics and a minor in Economics.

10. 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. He spent nine years at the Optimum Petroleum Development Company as the Managing Director/Chief Executive Officer

Engr. N'jie is currently the Chairman of Niya Holdings Nigeria Limited and a member of the boards of various organisations. He is a Mechanical Engineering graduate of the Southern Methodist University, (SMU) Dallas, a fellow at the Nigerian Society of Engineers, and a member of the society of Petroleum Engineers.

In accordance with the provisions of the Companies and Allied Matters Act, Cap C20, LFN 2004, the Directors of Oando PLC hereby presents to the members of the Company the audited consolidated financial statements for the year ending 31 December 2012

The preparation of annual financial statements is the responsibility of the Board, and it should give a true and fair view of the state of affairs of the Company.

The Directors declare that nothing has come to their attention to indicate that the Company will not remain a going concern for at least twelve months from the date of this report.

Legal Form

The Company commenced operations in 1956 as a petroleum-marketing company in Nigeria under the name ESSO West Africa Inc., a subsidiary of Exxon Corporation ("Exxon"), and was incorporated under Nigerian Law as Esso Standard Nigeria Limited ("Esso") in 1969. In 1976, the Federal Government acquired Exxon's interest in Esso; Esso was nationalised and rebranded as Unipetrol Nigeria Limited ("Unipetrol"). A process of privatisation began in 1991 when the Federal Government divested 60% of its shareholding in Unipetrol to the public. Unipetrol's shares were listed on the Nigerian Stock Exchange (the "NSE") in February 1992, quoted as Unipetrol Nigeria PLC. Under the second phase of the privatisation process, the Federal Government sold its remaining shareholding in Unipetrol. Ocean and Oil Investments (Nigeria) Limited, the Company's major shareholder ("OOIN"), in 2000, acquired 30% in Unipetrol from the Federal Government. The residual 10% stake held by the Federal Government was sold to the public in 2001.

In August 2002, Unipetrol acquired a 60% stake in Agip Nigeria Plc ("Agip") from Agip Petrol International. The remaining 40% of the shares in Agip was acquired by the Unipetrol by way of a share swap under a scheme of merger. The combined entity that resulted from the merger of Unipetrol and Agip was rebranded as Oando PLC in December 2003.

In 1999, Unipetrol had acquired a 40% stake in Gaslink Nigeria Limited ("Gaslink"); this stake was subsequently increased to 51% in 2001. The Company's Gas and Power division emerged as a result of the consolidation of Gaslink's gas distribution franchise and the Company's customer base in 2004.

On 25 November 2005, the Company was listed on the main board of the Johannesburg Stock Exchange (the

"JSE") and thereby became the first African company to achieve a cross border inward listing.

In June 2007, the Company entered into a scheme of arrangement (the "Scheme") with certain minority shareholders of Gaslink and with OGIN. Under the Scheme, the minority shareholders of Gaslink transferred their equity holdings in Gaslink to the Company in consideration for ordinary shares in the Company. In addition, OGIN transferred its interests in Oando Supply and Trading Limited, Oando Trading (Bermuda) Limited, Oando Production and Development Company Limited, Oando Energy Services Limited and Oando Exploration and Production Company Limited to the Company in consideration for ordinary shares in the Company.

Description of Operations

Oando's business is organised into six business divisions. These divisions are:

1. Exploration and Production;
2. Energy Services
3. Gas and Power
4. Marketing
5. Supply and Trading;
6. Refining and Terminals

Business Review

The Company is required by the Companies and Allied Matters Act (2004) to set out in this report a fair review of the business of the Group during the financial year ended December 31, 2012 and of the position of the Group at the end of the year and a description of the principal risk and uncertainties facing the Group ("Business Review"). The information that fulfils these requirements can be found within the Chairman's Report and Group Chief Executive's Report.

DIRECTORS

The Board

In accordance with Section 259(1) and (2) of the Companies & Allied Matters Act (CAMA), 2004 and Articles 92 & 93 of the Company's Articles of Association, the following Directors, who are longest in office are retiring by rotation and will present themselves for re-election at this meeting:

- HRM Michael Adedotun Gbadebo, CFR
- Chief Sena Anthony
- Mr. Olufemi Adeyemo

The names of Directors who held office during the year and at the date of this report are as follows:

Non -Executive Directors

1. HRM Michael Adedotun Gbadebo, The Alake of Egbaland, CFR
2. Mr. Ogogho Akpata ‡
3. Ms. Nana Appiah-Korang
4. Chief Sena Anthony ‡
5. Ammuna Lawan Ali, CFR ‡
6. Engr. Yusuf K.J N'jie ‡

‡ Independent Non Executive

Executive Directors

7. Mr. Jubril Adewale Tinubu
8. Mr. Omamofe Boyo
9. Mr. Mobolaji Osunsanya
10. Mr. Olufemi Adeyemo

Corporate Governance & Statement of Compliance

The Company 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 sustainable business prosperity and accountability to its shareholders.



Oando is a member of the FAWG, a forum aimed at uniting corporate organisations operating in Africa in the fight against corruption and fraud in their environment.

Oando PLC observes the highest standards of transparency, accountability and good corporate governance in its operations by complying with the requirements of Nigerian and international corporate governance regulations, particularly, the SEC Code of Corporate Governance for Public Companies in Nigeria.

Oando's Compliance framework

Oando PLC's Governance Office is responsible for setting and implementing corporate governance policies for the Company and its subsidiaries. The unit also measures the company's level of compliance and periodically reviews these policies to ensure they continually align with best practice.

The company is committed to the global fight against corruption and actively participates in this fight through its membership and active participation in the following local and international organisations:

1. Partnering Against Corruption Initiative ("PACI") of the World Economic Forum:

The Company joined PACI in 2008, an initiative of the World Economic Forum, which offers a risk mitigation platform to help companies design and implement effective policies and systems to prevent, detect and address corruption issues.

2. United Nations Global Compact (UNGC):

The UN Global Compact is a strategic policy initiative for businesses committed to aligning their operations and strategies with ten universally accepted principles covering the areas of human rights, labour, environment and anti-corruption and reporting publicly on progress made in implementing these principles in their business operations.

Oando became a signatory to the Global Compact in July 2009 and has been an active participant in the Local Network of the Global Compact in Nigeria. In 2010, the company deployed a member of its staff to the UNGC office in New York to assist with strengthening the local networks.

Oando PLC is also a pioneer member of the Global Compact LEAD platform.

3. Convention on Business Integrity ("CBI"):

Oando became the 21st member to sign into the Convention on November 16, 2009. CBI is a declaration for the maintenance of ethical conduct, competence, transparency and accountability by private sector operators. It was established to empower business transactions within Nigeria against corruption and corrupt practices.

Oando is a member of the Core Group of signatories to the convention.

4. Fraud Awareness Working Group ("FAWG")

Oando is a member of the FAWG, a forum aimed at uniting corporate organisations operating in Africa in the fight against corruption and fraud in their environment.

Oando's Internal Policies and Processes Governing Ethics & Compliance

In order to provide guidance on Corporate Governance issues, the Company approved and implements the following internal policies and practices which are reviewed periodically to ensure continued relevance:

- Code of Business Conduct and Ethics
- Gift and Benefits Policy (guides on acceptable gifts and declaration process)
- Insider Trading Policy
- Dividend Policy

- Related Party Transactions Policies
- Whistle Blowing Policy
- Board Appointment Process
- Know Your Customer Policy
- Remuneration Policy
- Anti-Corruption Policy
- Blacklisting Policy
- Records Management Policy
- Information Disclosure Policy
- Oando Staff Handbook
- Environmental, Health, Safety & Security Policy

Code of Business Conduct & Ethics

The Company's Code of Business Conduct and Ethics was adopted on 18th December 2007 by Oando PLC and all its subsidiaries.

The Code is applicable to all Employees, Managers, Directors and Business Partners.

Whistle Blowing Hotline

The hotline was set up as an avenue for employees and other stakeholders to confidentially report unlawful and/or unethical conduct involving the Company, members of staff or directors.

KPMG Professional Services manages the Whistle blowing hotline and ensures that all reports are kept confidential and channeled to the appropriate authorities for investigation and resolution.

Employees are also encouraged to report grievances through any of the following channels:

- Visits, calls or emails to members of the Governance Office;
- The Compliance Helpdesk; or
- Escalation of issues through appointed Torch Bearers (employees who volunteer to assist the Governance Office in entrenching Oando's core values in the entities or business units to which they belong).

Due Diligence (DD) Process:

Oando is committed to doing business with only reputable, honest and qualified business partners. The Company, through its employees, exercises due care and takes reasonable steps and precautions, geared towards evaluating business partners' tendencies towards corruption in making selections and/or choosing whom to transact business with.

In an increasingly complex global business environment, it is crucial for us as a company to know exactly who our business partners are and the possible risks when dealing with them as the integrity of a business partner could have a huge impact on our Company's reputation.

Training on Anti - Corruption Initiatives

In order to fully inculcate an ethical culture in the organization, new entrants into the Oando group are trained on the Company's policies and practices through a compliance on-boarding process.

Furthermore, trainings are conducted annually through the annual recertification exercises for employees and directors of Oando PLC and its subsidiaries. The recertification exercise involves refresher courses on the relevant policies and anti-corruption principles, with tests conducted online. Certificates of compliance are generated for directors and employees who pass the tests.

The Company also ensures that all employees in sensitive business units such as Procurement, Legal, Finance, Sales & Marketing and Human Resources Departments are specifically trained on ways of dealing with the different ethical dilemma's that may arise in the execution of their duties.

The "Ethics Watch" bulletin is published monthly and circulated to all employees and business partners to educate them on different ethical & compliance issues.



Board of Directors' Governance Structure

The Board of Directors of the Company is responsible for setting the strategic direction for the Company and overseeing its business affairs. The Board develops and implements sustainable policies which reflect the Company's responsibility to all its stakeholders.

The affairs of the Board are tailored to the requirements of relevant corporate governance principles.

The Board's Authority

The Delegation of Authority specifies the scope of the board's authority in line with relevant regulations and best practice recommendations.

The schedule of matters reserved for the board's approval includes but is not limited to the following:

- 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.

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.

Board Composition and Independence

The Board is made up of a group of individuals from diverse academic and professional backgrounds. The Board size is in line with the prescriptions of Article 78 of Oando PLC's Articles of Association which provides that the number of directors shall not be less than 10 or more than 15.

A majority of the directors on the Board are non-executive directors of which four (4) are independent; with no material relationship with the Company except as directors. The position of the Chairman and Chief Executive Officer are vested in different individuals in accordance with governance best practice.

Re-election of Directors

Annually, maximum of one third of the Directors, who are longest in office since their last appointment are required to retire by rotation and are eligible for re-election.

Board's Duties & Responsibility

The directors act in good faith, with due care and in the best interests of the Company and all its stakeholders. Each Director is expected to attend and actively participate in all Board meetings and applicable committee meetings.

The Company does not prohibit its Directors from serving on other Boards of Directors. However, Directors should ensure that other commitments do not interfere with the discharge of their duties and shall not divulge or use confidential or insider information about the Company.

The Board adopts the following best practice principles in the discharge of its duties:

- The Company believes that the Chairman of the Board should be a Non- Executive Director.
- To maintain an appropriate 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 are to abstain from actions that may lead to "conflict of interest" situations; and shall comply fully with the Company's Policy on Related Party Transactions.

Board Appointment Process

In a bid to ensure the highest standards of corporate governance, the Company has formulated a Board Appointment Process to guide the appointment of its directors (executive and non-executive).The policy is in line with the corporate laws, rules, regulations, Code of Corporate Governance, international best practices and the Company's Memorandum and Articles of Association.

The Governance and Nominations Committee has overall responsibility for the appointment process, subject to approval of the Board.

The fundamental principles of the process include; evaluation of the balance of skills, knowledge and experience on the board, leadership needs of the Company and ability of the candidate to fulfill his/her duties and obligations as a Director.

Training and access to Advisers

In a bid to ensure the highest standards of corporate governance, the Company has formulated a Board Appointment Process to guide the appointment of its directors (executive and non-executive).The policy is in line with the corporate laws, rules, regulations, Code of Corporate Governance, international best practices and the Company's Memorandum and Articles of Association.

The Governance and Nominations Committee has overall responsibility for the appointment process, subject to approval of the Board.

The fundamental principles of the process include; evaluation of the balance of skills, knowledge and experience on the board, leadership needs of the Company and ability of the candidate to fulfill his/her duties and obligations as a Director.

Working Procedures

The Board meets at least once every quarter. Additional meetings are scheduled whenever matters arise which require the attention of the Board.

Prior to the meetings, the office of the Company Secretary circulates the agenda for the meeting along with all documents the Directors would be required to deliberate upon. This enables the directors to contribute effectively at Board meetings.

The Board of Directors, through the Company Secretary, keeps detailed minutes of its meetings that adequately reflect Board discussions.



Remuneration

The remuneration for Non-Executive Directors is competitive and comprises of an annual fee and a meeting attendance allowance. The Board of Directors, through its Remuneration Committee, periodically reviews the remuneration package for Directors which is structured in a manner that does not compromise a Director's independence.

The Company does not provide personal loans or credits to its Non-Executive Directors and publicly discloses the remuneration of each Director on an annual basis. In addition, the Company does not provide stock options to its Non-Executive Directors unless approved by shareholders at a general meeting.

The Company Secretary is available to advice individual Directors on corporate governance matters.

Report of the Directors

Continued



Director	Audit	Governance & Nominations	Risk, Environment, Health, Safety & Security	Strategic Planning & Finance
HRM Michael Adedotun Gbadebo, CFR	-	-	-	-
J. A. Tinubu	-	-	-	-
O. Boyo	-	-	-	-
M. Osunsanya	-	-	-	-
O. Adeyemo	-	-	-	-
O. Akpata	√	√	√	-
Ammuna Lawan Ali, OON	√	√	-	√
Chief Sena Anthony	√	√	-	√
Ms. Nana Afoah Appiah-Korang	-	-	√	√
Engr. K. J. N'jie	-	-	√	√

Attendance at meetings during the year ended 31 December 2012

Names	Board	Governance and Nominations	Strategic Planning & Finance	Risk, Environment, Health & Safety	Audit
Executive Directors					
JA Tinubu	5/5	-	-	-	-
O. Boyo	5/5	-	-	-	-
M. Osunsanya	5/5	-	-	-	-
O. Adeyemo	5/5	-	-	-	-

Non- Executive Directors

HRM Michael Adedotun Gbadebo, CFR	5/5	-	-	-	-
O. Akpata	5/5	4/4	-	1/1	4/4
N. A-Korang	5/5	-	3/3	1/1	-
S. Anthony	5/5	4/4	3/3	-	4/4
A Lawan -Ali	5/5	4/4	3/3	-	4/4
Y. Njie	5/5	-	3/3	1/1	-

Shareholder Members of the Audit Committee

K.B. Sarumi	-	-	-	-	4/4
L.A Shonubi*	-	-	-	-	2/2
F. O. Ijoma*	-	-	-	-	2/2

*Appointed at the 35th AGM held July 20, 2012

Dates of Board/ Committee meetings held in 2012

Board Meetings:

- 08/05/2012
- 19/07/2012
- 12/10/2012
- 24/10/2012
- 19/12/2012

Audit Committee:

- 30/04/2012
- 07/05/2012
- 18/07/2012
- 23/10/2012

Strategic Planning & Finance Committee:

- 04/04/2012
- 17/12/2012
- 18/12/2012

Governance and Nominations Committee:

- 07/06/2012
- 22/10/2012
- 15/11/2012
- 30/11/2012

Risk, EHSSQ Committee:

- 06/11/2012

Board Committees

Under the 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 in conformity with the regulations laid down by the Board.

Committee members are expected to attend each Committee meetings unless exceptional circumstances prevent them from doing so. All the Committees have terms of reference which guide the execution of their duties.

All the Committees report 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.

Strategic Planning and Finance Committee

The Strategic Planning and Finance Committee assists the Board of Directors in performing its guidance and oversight functions effectively and efficiently by specifically defining the Company's strategic objectives, determining its financial and operational priorities, making recommendations regarding the Company's dividend policy and evaluating the long-term productivity of the Company's operations.

The Strategic Planning and Finance Committee of the Company is chaired by Chief Sena Anthony.

The members of the Strategic Planning and Finance Committee are as follows:

- Chief Sena Anthony
- Ammuna Lawan Ali, OON
- Engr. Yusuf N'jie
- Ms. Nana Appiah-Korang

The Company's Board Committee structure is as follows:



Governance and Nominations Committee

The Governance and Nominations Committee is responsible for the development, monitoring and review of the company's corporate governance framework.

The members of the Governance & Nominations Committee are as follows:

- Mr. Oghogho Akpata (Chair)
- Chief Sena Anthony
- Ammuna Lawan Ali, OON

Risk, Environment Health Safety, Security and Quality Committee

The Risk, Environment Safety Security and Quality Committee is responsible for overseeing the company's enterprise risk management framework and ensuring that the company maintains the highest environmental, health, safety, security and quality standards compatible with international best practice.

The members of the Risk, Environment Health and Safety Security and Quality Committee are as follows:

- Ms. Nana Appiah-Korang (Chair)
- Mr. Oghogho Akpata
- Engr. Yusuf K.J N'jie

Statutory Committee

Audit Committee

The Audit Committee was established in compliance with Section 359(3) of the CAMA, which requires every listed company to have an audit committee. In accordance with Sections 359(3) and (4) of the CAMA, the audit committee is made up of six members, three Non-Executive Directors and three shareholders of the Company, who are elected at the Annual General Meeting.

Although the Director members' of the Audit Committee are not required to be independent, all the current members of the company's Audit Committee are independent. The Audit Committee members meet at least three times a year, and the meetings are attended by the appropriate executives of the Company, including the Group Chief Financial Officer, the Head Internal Audit and the Head Risk and Control.

The Audit Committee's duties include keeping under review the scope and results of the external audit, as well as the independence and objectivity of the auditors. The Committee also keeps under review internal financial controls, compliance with laws and regulations, the safeguarding of assets and the adequacy of the internal audit plan.

The Company's Audit Committee members are as follows:

- Mr. Oghogho Akpata
Chairman
- Chief Sena Anthony
Non-Executive Director
- Ammuna Lawan Ali
Non-Executive Director
- Mr. Kabir Babatunde Sarumi
Shareholder
- Mr. Lateef Ayodeji Shonubi
Shareholder
- Mr. Fidelis Opia Ijoma
Shareholder

Please refer to page 51 for a brief Curriculum Vitae of the Non-Executive Director members of the Audit Committee.

Mr. Kabir Babatunde Sarumi - Shareholder Member

Kabir Babatunde Sarumi holds a Bachelor of Sciences degree in Accounting from the University of Lagos, Nigeria and a Diploma in Business and Industrial Law from the same Institution. He is a member of the Nigerian Institute of Internal Auditors and has authored several business guide books and manuals. He joined Nigerian Airways Limited in 1977 as a Revenue/Expenditure Accounting Officer and retired meritoriously in 2002 as the Deputy Chief Accountant of the Company. Mr. Sarumi is currently the Managing Director and Chief Executive Officer of Kabeeer Sarumi Nigerian Company Limited.

Mr. Lateef Ayodeji Shonubi - Shareholder Member

Lateef Ayodeji Shonubi is a graduate of the University of Strathclyde, Glasgow, Scotland. He is skilled in Accounting, Taxation and Investigation. He has 41 years experience in Audit & Accounting Services. He is presently the Principal Partner at Ayo Shonubi & Co. and has been a member of Audit Committees in various public companies.

He was the former Chairman of the Audit Committee of Guinness Nigeria Plc. and a current member of Flourmills PLC Audit Committee. He has served as a member of the Professional Examination Committee of the Institute of Chartered Accountants of Nigeria as well as the Finance and General Committee of the Institute. He also served as the Vice-Chairman of the Membership Committee of the Chartered Institute of Taxation of Nigeria.

Mr. Fidelis Opia Ijoma - Shareholder Member

Fidelis Opia Ijoma joined Nigeria Airways Limited in 1976 as a Senior Communications Technician and retired after 26 years of service as the Head of Communications. He graduated from Union of Lancashire Institutes as a Radio, Television and Electronics Technician. He attended College of Science and Technology, Effurun, Warri. He has a passion for communication and is an associate of the Society for Electronic and Radio Technicians.

The committee held four meetings in the financial year ended December 31, 2012. *The Companies and Allied Matters Act, Cap C20, 2004 requires that every public company have an audit committee and stipulates that a number of shareholders equal to the director members of this committee must be members of the audit committee.*

Directors' declarations

None of the directors have:

- ever been convicted of an offence resulting from dishonesty, fraud or embezzlement;
- ever been declared bankrupt or sequestrated in any jurisdiction;
- at any time been a party to a scheme of arrangement or made any other form of compromise with their creditors;
- ever been found guilty in disciplinary proceedings by an employer or regulatory body, due to dishonest activities;
- ever been involved in any receiverships, compulsory liquidations or creditors voluntary liquidations;
- ever been barred from entry into a profession or occupation; or
- ever been convicted in any jurisdiction of any criminal offence or an offence under any Nigerian or South African legislation.



Directors' shareholdings

The holdings of ordinary shares by the Directors of Oando as at 31 December 2012 being the end of Oando's immediately preceding financial year, are set out in the table below:

Director	Direct	Indirect
HRM Michael Adedotun Gbadebo	37,500	Nil
Mr. Jubril Adewale Tinubu*	Nil	3,670,995
Mr. Omamofe Boyo*	Nil	2,354,713
Mr. Mobolaji Osunsanya	67,497	1,190,398
Mr. Olufemi Adeyemo	75,000	1,423,898
Ms. Nana Afoah Appiah-Korang	Nil	37,500,000
Chief Sena Anthony	99,711	Nil
Mr. Oghogho Akpata	Nil	Nil
Ammuna Lawan Ali	Nil	Nil
Engr. Yusuf K.J N'jie	Nil	Nil

*Indirect share holder in Ocean and Oil Investment Limited

Report of the Directors

Continued

Interests of Oando's Directors in terms of the Equity Incentive Scheme

The Executive Directors stand to benefit from the employee equity incentive scheme. See paragraph titled Staff equity participation scheme on page 75 for details of the scheme.

Directors' interests in transactions

None of the directors had a direct material interest in any transactions that were effected by Oando during:

- the current or immediately preceding financial year; or
- any preceding financial year and remain in any respect outstanding or unperformed.

However, some of the directors hold directorships in other companies or are partners in firms with which Oando had material transactions during the current financial year, as summarised below:

Ocean and Oil Holdings (Nigeria) Limited ("OOH")

OOH is a diversified principal investment holding company with an indirect controlling stake in Oando held through Ocean and Oil Investments Limited. Oando's Directors who are also Directors of OOH are Mr. Jubril Adewale Tinubu, Mr. Omamofe Boyo.

The day-to-day operational management of the Group's activities is delegated to the Group Chief Executive, who has direct responsibility for all operations and activities. He is supported in this by the Deputy Group Chief Executive and the Group Leadership Council which comprises, in addition to them, the Chief Executive Officers of the operating subsidiaries, plus the Chief Financial Officer, the Chief Human Resources Officer, the Chief Compliance Officer & Company Secretary, the Chief Legal Officer, the Chief Engineering and Technology Officer, the Chief Environment, Health, Safety, Security, Quality, State and

Community Affairs Officer and the Chief, Corporate Services Officer.

Internal control and risk

The Directors have overall responsibility for ensuring that the Group maintains a sound system of internal controls to provide them with reasonable assurance that all information used within the business and for external publication is adequate, including financial, operational and compliance control and risk management, and for ensuring that assets are safeguarded and therefore that shareholders' investment is protected.

There are limitations in any system of internal control and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

In line with good practice, the company has an Internal Audit unit that carries out routine and random checks on the company's operations, including fixed assets and stocks. The unit is also responsible for investigating frauds and misuse or misappropriation of the company's assets.

The company also has an Internal Control Unit, which lays down and tests the controls and processes to ensure that the assets of the company are safeguarded. The Unit is currently headed by a manager with vast control and process management experience.

The key procedures established by the Board, designed to provide effective internal control for the Group are:

- The Board sets out the Group authority procedures which are adopted by all the subsidiary companies.
- The issuance of a Group Accounting and Procedures Manual which sets out the Group's accounting practices, revenue recognition rules, accounting under NASB and IFRS and bid approval processes.

- The application of a rigorous annual budgeting process following a detailed entity and Group strategy review. All budgets are subject to approval at Board level.
- The Group Leadership Council is responsible for reviewing the operational results, communicating and application of Group-wide Policies and procedures and strategy on operational matters which are communicated both to the Board and down to the operating units.
- The formal monthly operational review by the Executive Directors together with the divisional management teams to assess the financial and operating performance and discuss the ongoing development of each business unit and the comparison of detailed monthly management reports against budgets, forecasts and prior years. In addition the Group Chief Executive and Chief Financial Officer prepare a quarterly report for the Board on key developments, performance and issues in the business.
- The identification and mitigation of major business risks is the responsibility of the operating company management. Each operating company maintains internal controls and procedures appropriate to its structure and business environment, whilst complying with Group policies, standards and guidelines.
- Insurance cover is maintained to insure all the major risk areas of the Group based on the scale of the risk and the availability of cover in the external market.
- The use of external professional advisers to carry out due diligence reviews of potential acquisitions.

Enterprise Risk Management Report

Introduction

As the Group advances its accelerated growth plan, the risk management approach is also evolving and improving to ensure that all foreseeable risks are well attended. The Group's overall risk management strategy is to advance the implementation of the Enterprise Risk Management (ERM) framework by improving the control environment, building a robust repertoire of risks facing the Group's business operations and lay the foundation for risk monitoring, communication, response and build a risk culture.

Risk management organisation

To assist the Board with its oversight role and decision making with regards to risks that should be the Board's primary focus, we are continuously improving the risk assessment and management framework. The Group Risk Management and Control department (GRM&C) facilitates the identification, assessment, and management of risk for each of the Group's subsidiaries. Selected senior officers from across the Group provide risk management supervision through the Group Risk Management Committee (GRMC).

The Committee, which is chaired by the Chief Financial Officer, has a primary responsibility to provide independent risk oversight; facilitate, monitor and challenge the effectiveness and integrity of the risk management processes. It reviews all the risk information, including risk data and the analyses of the data prepared by the Risk Management Department. It also approves the risk report that is presented to the Board's Risk and EHSSQ Committee. The GRM Committee met three times during the year.

Key Risk Factors of Oando Group

The following are the top ten, risks derived from an aggregation of all the risks facing the Oando Group,

1. Regulation and regulatory compliance risk

This is the risk that changes in laws and regulatory policies may threaten the Group's competitive position and capacity to efficiently conduct its business. It is also the risk of financial or reputational loss resulting from violations or non-compliance with laws and regulations.

This has become the highest risk exposure facing the Oando Group because of our operations in multiple jurisdictions and having companies listed on three Stock Exchanges. With corporate regulation becoming more stringent as governments attempt to curtail excessively risky business practices and poor internal controls, the Group is thus exposed to varying regulations, which may change from time to time.

Non-compliance with these regulations may lead to sanctions, fines and reputational damage. Furthermore, changes in regulations that affect the fundamental assumptions of our businesses (e.g. the passage of the PIB) may severely affect sustainability and necessitate far reaching changes in our business model.

The Oando Group has a dedicated compliance function that reviews existing and new regulations across the relevant jurisdictions, advising the company accordingly. Management also uses various tools and methods to monitor and ensure continued compliance to regulations.

2. Capital Availability risk

This is the risk that the Group may not be able to raise the capital required to support its growth, execute its strategies and generate adequate financial returns for its stakeholders.



Given the aggressive growth plans of the Company, we run the risk of high leverage making it difficult to provide the required corporate collateral for the various existing and proposed projects/acquisitions and investment of the subsidiaries.

In light of the above, the Group monitors its relevant financial indicators and reports regularly on these indicators to the Group Chief Financial Officer (GCFO) for necessary action through its Corporate Finance unit. The Group raises its funds from a diversified base and where possible, harmonises the tenure of funds to project requirements.

3. Process risk

This is the risk of losses resulting from non-existent, flawed, inadequate or failed internal processes.

The growth experienced by the Group presents a greater demand for reliability of information, concurrently with better performance indicators. This may also lead to rapid obsolescence of current policies, processes and procedures; and/or non-adherence to laid down policies and procedures. Therefore, the Group's business processes must continuously evolve to maintain the growth trajectory while managing the increased risk exposure that comes with growth.

The Group has invested in the documentation of business policies and procedures as well as a document management system that makes these guidelines readily available to all relevant staff. Appropriate levels of management review policies and procedures regularly to maintain continued relevance to our business demands.

Furthermore, the Standard Organisation of Nigeria (SON) and Internal Auditors conduct annual audits to confirm adherence to documented policies and procedures. Any non-compliance is highlighted and remediated.

4. People risk

This is the risk that the Group may lack the requisite skills, knowledge and experience to achieve its business objectives.

Like most corporations in the oil and gas industry, people risk is high on the list for the Oando Group. Inability to find, hire, and retain individuals with the right skills and competencies required by our businesses may prevent the achievement of our growth plans, lead to severe set-backs when a 'key staff' leaves the organisation or increase our human capital costs above the forecasted level.

The Group has implemented a human capital management strategy that continues to attract good quality candidates to fill vacant positions. Succession plans are in place for critical roles within the organisation.

5. Strategy & Business Model risk

This is the risk of current or potential impact on the Group's earnings, profitability, capital and reputation arising from the choice, communication and implementation of its business strategies.

Risks in this category include the risk of contagion – adverse impact on member companies due to the financial difficulty of another company member – resulting from the Group structure, and erosion of profitability if the Group Shared Services costs become uncompetitive. Other risks are; inability to attain the targeted better margins that underpin the Group's expansion into the upstream and midstream sectors. In response to the above risks, the Group has employed the following mitigation measures: the risk of contagion is mitigated by isolating investment vehicles in limited liability companies. Budgets across the Group are rigorously scrutinised at the annual budget sessions, this helps to keep Group Shared Services costs down.

The Strategy and Planning Committee of the Board provides another level of assurance by reviewing and challenging

the Group's short, medium and long-term strategies. Management meets periodically to review and keep strategy implementation on track. Furthermore, management's opportunity realisation process rigorously analyses opportunities to improve the chances of deriving the desired benefits from each project.

6. Liquidity risk

This is the inability of the Group to meet its financial obligations in a timely and cost-effective manner.

High intercompany and subsidy receivables; revenue shortfall; unfavourable changes in interest rates, payment terms and sourcing contracts with bankers and suppliers; and poor working capital management may result in an inability to meet financial obligations in a timely and cost-effective manner. Furthermore, failure to abide by loan covenants and investor requirements may lead to difficulty with obtaining working capital.

Our liquidity risk management strategy seeks to maintain adequate cash and marketable securities availability to meet requirements as they fall due. Committed credit facilities available to the Group enable it to take advantage of emergent opportunities, while the Group Treasury function monitors loan covenants and investor requirements continually to ensure strict adherence and continuous availability of liquidity.

7. Macroeconomic risk

This is the risk that changes in national and international economic factors (such as interest rates, exchange rates, commodity prices, inflation, systemic financial crisis etc.) will negatively affect the Group's investments, profitability and sustainability.

The upstream and midstream division, are faced with commodity price fluctuation over which the Company has little influence.

The downstream division is faced with exchange rate fluctuations because imported petroleum products are mainly US Dollar denominated while revenue is earned in the local currencies. Seemingly small adverse movements in exchange rates may lead to huge losses in the downstream business, especially in the regulated markets such as PMS sales where margins are fixed and NGN/USD exchange rate volatile, with prolonged delays by government on receivables.

In order to mitigate the risk of fluctuations in international crude oil prices, the Group, hedges its exposure by entering into commodity option arrangements with respect to the specified yearly production volumes that set minimum floor prices in USD per barrel of oil.

The Group Corporate Finance and Group Treasury Departments monitor relevant macroeconomic indices and advise operational departments on the ways to manage exposures.

8. Project Selection and Planning risk

This is the risk of financial loss or unfulfilled promise arising from a project's misalignment with the Group's objectives or failure of projects to meet their planned objectives.

Ineffective planning and scheduling of time, cost and resources may lead to project time and cost overruns and damaged reputation from unfulfilled promises to stakeholders.

To mitigate this risk, a very experienced management team with the relevant technical expertise, have the responsibility of managing the maturation of projects to ensure that the Group derives the anticipated value from the project. Where necessary, consultants are engaged to assist in the planning and execution of critical projects.



The Group Corporate Finance and Group Treasury Departments monitor relevant macroeconomic indices and advise operational departments on the ways to manage exposures.

9. Business continuity and Disaster Recovery risk

The risk that the Group will be unable to sustain critical operations, provide essential products and services over an extended period, or recover operating costs because of a major natural disaster, negligent, criminal or terrorist acts. Nigeria, which hosts most of the Group's business operations in the year under review, has experienced natural and man-made disasters. These include floods, oil tank explosions, cyber-attacks, terrorist attacks, and piracy on high seas.

Although the disasters did not have a significant impact on the Group's operations, there is a heightened level of awareness of the risk to business continuity. There is a business continuity and disaster recovery policy in place. Staff members have been trained to implement this policy and the effectiveness of the policy is tested periodically and reviewed as necessary.

In addition, appropriate insurance policies are taken up on all key assets to mitigate loss.

10. Legal and Contract Management risk

This is the risk that the Group's transactions, contractual agreements and specific strategies and activities are not enforceable under applicable laws leading to significant disruption of the Group's operations or reputational damage to the Group. It is also the risk associated with the formulation, agreement, management and closure of contractual relationships in order to adequately protect and optimise the value of the Group.

There is a risk that contracts may be ineffective, unenforceable or contain unfavourable terms and expose the Group's entities to litigation and excessive liability.

To mitigate this risk, experienced attorneys review each contract against set parameters to ensure that all key terms are



satisfactory. Furthermore, authority to bind any of the Group's companies in a contract is reserved to senior management staff while very high value contracts have to be approved by the Board of Directors, in line with the Delegation of Authority policy.

In addition, penalties for default and guarantees are built into contracts to protect the companies' interest.

Internal Control over Financial Reporting for 2012

The Management of Oando PLC and its consolidated subsidiaries (together known as the Oando Group) is responsible for establishing and maintaining adequate internal controls over financial reporting. Our internal control over financial reporting is a process designed under the supervision of the Group Chief Executive and Group Chief Financial Officer to give reasonable assurance regarding the reliability of Financial Reporting and preparation of the Group's consolidated financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRS).

Management believes these controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of financial statements.

Under the supervision and with the participation of Group Chief Executive and the Group Chief Financial Officer, management conducted an evaluation of the effectiveness of its internal controls over financial reporting. Management concluded, based on its evaluation, that internal controls over financial reporting are effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes.



Relations with shareholders

Communications

The Board considers effective communication with its investors, whether institutional, private or employee shareholders, to be of uttermost importance.

The Company reports formally to shareholders four times a year, with the quarterly results announcement and the preliminary announcement of the full-year results. Shareholders are issued with the full-year Report and Accounts. These reports are posted on the website.

The Company also makes other announcements from time to time, which can be found on the website.

Members of the Group Leadership Council (GLC) meet institutional investors on a regular basis, providing an opportunity to discuss, in the context of publicly available information, the progress of the business. Institutional investors and analysts are also invited to attend briefings by the Company following the announcements of the full- and quarterly results. Copies of the presentations given at these briefings are also posted on the website.

Oando PLC hosted quarterly conference calls in 2012, giving investors an opportunity to interact with senior management and ask any questions they have with regards to the running of the business. The investor relations team also attended numerous conferences and organized roadshows within and outside Nigeria in an attempt to reach out to existing and potential investors globally.

Oando PLC values the importance and role our investors have played in the company's progress and therefore makes a conscious effort to keep them updated on the company's activities and also get constructive feedback. We plan to continue in this light in 2013.

Constructive use of the Annual General Meeting

The notice of meeting is sent to shareholders at least 21 working days before the AGM. The Directors encourage the participation of shareholders at the AGM, and are available, both formally during the meeting and informally afterwards, for questions. The Chairmen of the Audit and Governance and Nomination Committees are all available to answer questions at the AGM.

Compliance statement

The Company has complied with the SEC Code of Corporate Governance throughout the financial year ended 31 December 2012.

Late submission of Audited Accounts to the Nigerian Stock Exchange for the year ended 31 December 2012 were filed after due date. The sum N600,000 was paid as penalty.

Shareholder Range Analysis as at December 31, 2012

Register date: 31 December 2012 (Nigerian share register)
Issued Share Capital: 2,274,118,138 shares

SHAREHOLDER SPREAD	No of Holders	% of Holders	No of Shares	% Holding
1 - 1000	168,537	63.92	61,969,121	2.72
1,001 - 5,000	72,559	27.52	148,824,650	6.54
5,001 - 10,000	0,431	3.96	73,929,569	3.25
10,001 - 50,000	9,566	3.63	200,489,664	8.82
50,001 - 100,000	1,210	0.46	85,890,371	3.78
100,001 - 500,000	1,043	0.40	206,671,090	9.09
500,001 - 1,000,000	131	0.05	91,469,899	4.02
1,000,001 - 5,000,000	131	0.05	261,642,514	11.51
5,000,001 - 10,000,000	18	0.01	136,502,169	6.00
10,000,001 - 50,000,000	22	0.01	543,649,602	23.91
50,000,001 or more	4	0.00	463,079,489	20.36
Total	263,652	100	2,274,118,138	100

SHAREHOLDER SPREAD	No of Holders	% of Holders	No of Shares	% Holding
Banks/Insurance	188	0.07	25,155,209	1.11
Brokers	245	0.09	77,437,123	3.41
Endowment Funds	175	0.07	4,718,520	0.21
Individuals	259,451	98.41	748,549,344	32.92
Investment Companies	396	0.15	59,104,238	2.60
Medical Aid Schemes	5	0.00	26,281	0.00
Mutual Funds	75	0.03	72,726,572	3.20
Nominees/Trust Companies	1,185	0.45	277,709,991	12.21
Other Corporations	370	0.14	35,862,158	1.58
Pension Funds	143	0.05	428,831,265	18.86
Private Companies	1,410	0.53	497,425,769	21.87
Public Companies	9	0.00	46,571,668	2.05
Total	263,652	100	2,274,118,138	100

Major shareholder

According to the register of members, the following shareholder of the Company hold more than 5% of the issued ordinary share capital; of the Company.

Name	Units	Percentage %
Ocean & Oil Investments Limited	239,416,962	10.53



Introducing



Fast • Safe • Convenient

No Hassles!
No Registration!



Cashless fuel retailing

Now you can purchase fuel at select Oando retail stations in Lagos with your ATM card.

All employees are enjoined to participate in the pilot exercise taking place in the following stations

Marina | Maryland | Lekki Stillwater | Awolowo I & II

More Stations to be rolled out soon!!!

Email us on your experience on ops@oando.com

Your feedback is highly valued.



www.oandomarketing.com

Corporate Social Responsibility Report (CSR)



Over the years, Oando PLC has made a significant impact in the oil and gas industry, especially in the downstream sector, and has grown from one entity to seven. Through this transition our interest has matured from core business operations to include issues relating to Corporate Social Responsibility.

Report of the Directors

Continued

Corporate Social Responsibility Report (CSR): Our 2012 CSR report elaborates our interventions as well as our undaunting commitment to building and strengthening human capital in our host communities through education and continuous local engagement to ensure the sustainability of our interventions.



Scholarships

Oando as part of its set agenda of promoting and ensuring that children enroll, stay in school and transit to higher levels of learning and to relieve the financial burden of the less privileged children in the society who have either dropped out of school or would otherwise have limited opportunities to gain access to higher levels of education.

The beneficiaries were:

- 100 indigent children from communities where Gaslink operates in Lagos sponsored under the Back-to-School Scholarship programme.
- 38 members of the Xplicit Dance Group; an entertainment enterprise made up of mostly orphans and indigent children who were awarded tuition fees and provided with computer equipment. 28 of the beneficiaries are currently in University, 7 in secondary schools and 3 in primary school.

Sustainable Community Development Programme

Oando has continued to provide social amenities as well as improved the lives of its host communities. Through our Joint Venture Partnerships, we contributed to the:

- Construction of a 1km stretch of road in Obodugwa, Delta State
- Renovation of 2 dilapidated primary school blocks in Obodugwa.
- Construction and commissioning of an ultra-modern market at Ebendo
- Construction of a mini-housing estate with potable water in Obodugwa
- Construction of three (3) classroom office building at Umusam Ogbe school
- Construction of three apartment buildings with borehole and electricity
- Facilitation of an educational remedial program
- Elders welfare program
- Procurement of two Hilux trucks for transportation purposes (trucks already leased to Energia)

- Construction of 12m x 18km earth road from Obodugwa to Ogume
- Procurement of an 18 seater Mini-bus for Obodugwa community

Economic Empowerment

All Oando business units have an economic impact in their areas of operation. The Group also encourages our joint venture partners and contractors to fill suitable positions from host communities and donate towards the empowerment of host communities. In 2012, 7,120 skilled and semi-skilled workers were meaningfully engaged within our host communities.

Employee Volunteer Programme

To support our commitment to changing lives, Oando Foundation launched its Employee Volunteer Programme, tagged 'Inspired Hands', as part of activities to commemorate the annual United Nations Volunteers Day on December 5, 2012. The skill-based volunteer programme provides a structured platform for employees to give time and talent to create positive change and uplift the local communities they live and work in. Currently, over 100 employees have signed up. Each employee is expected to volunteer in the following areas: Teaching Assistance, Mentorship, Donations, Librarians, Advocacy and Fundraising.

Oando Foundation

The Group has continued to support Oando Foundation as an independent charity established to spearhead projects across Nigeria in order to achieve access to universal basic education and economic empowerment. The Group is committed to funding the Foundation through annual donations of 1% of its Profit Before Tax. The Group will also support the Foundation with in-kind donations to cover administrative and operational costs.

The Foundation recorded the following achievements in 2012:

- Achieved an average 35% savings in the renovation of three (3) Pilot schools by revising our renovation strategy from direct contractor engagement to Community Based Renovation (CBR) to save cost, garner community ownership and enhance sustainability. CBR involves working directly with the local community through the School Based Management Committees and Local government to engage local artisans.
- Awarded scholarships to two hundred and twenty five (225) pupils from Oando's adopted schools. The scholarship will sponsor the awardees through secondary education based on their performance.
- Established partnerships with five (5) non-governmental organization's to effectively implement and administer the Oando Scholars Programme across eight (8) states in Nigeria.
- Launched Employee Volunteer Programme on World Volunteer Day.
- Appointed Chairman and Board of Trustees for Oando Foundation Nigeria
- Appointed Board of Trustees for Oando Foundation registered in the UK

Outlook for 2013:

In the coming year, we will continue to keep ourselves abreast with current trends and best practices in Corporate Social Responsibility globally to ensure that our beneficiaries partake in projects that will impact their lives positively for years to come.

We will further support the Oando Foundation in achieving its target of the adoption of 100 schools by 2015. The Foundation will adopt 24 new schools next year and roll out plans to build the capacity of all teachers, establish ICT centres and Early Childhood Care Development classes, train Local Government Education Officials, Mentor School Based Management Committees and provide all adopted schools with Teaching and Learning Aids.

2012 Donations and Sponsorships

The group donated to laudable causes and charitable concerns including orphanages, retirement homes, special needs schools, across Nigeria, listed below:

S/N	DESCRIPTION	AMOUNT (N)
1	Adopt-A-School -Scholarship award to selected schools' pupils	35,646,985
2	Drugs & Medical support to Congo bomb blast victims	7,153,795
3	Donation of AGO to Heritage Homes	563,050
4	Donation of AGO to Little Saints Orphanage	563,050
5	Donation towards Children's Day Celebration	772,800
6	Donations of AGO and PMS to the Lagos State Security Trust Fund	33,814,000
7	Sponsorship of Mohammed Muazu at the Professional Golf Association South Africa	8,147,830
8	Renovation of classrooms in Gidado Primary School , Katsina State	11,271,563
9	Construction of classrooms in Daura Primary School, Katsina State.	11,861,808
10	Renovation of classrooms Government Primary School, Etim Ekpo, Akwa Ibom	11,851,875
11	Construction of classrooms in Government Primary School Ikot Essien, Ukanafun, Akwa Ibom	16,162,820
12	Construction of classrooms in Government School, Oruk Anam, Akwa Ibom	16,098,087
13	Community Christmas Donations	3,373,036
14	Event sponsorship to Ministry of energy and mineral resources	1,100,000
15	Donation of vehicle to Ijaw Youth Council transportation scheme	1,600,000
16	Rumorolu Youth Association	100,000
17	Federal Road Safety Corps, Eleme District	150,000
18	Donations to Ikoyi Club 1938	7,205,603
19	National Association of Nigerian Students.	5,000,000
20	The Nigerian Stock Exchange - Sponsorship of quiz competition	500,000
21	Department of Petroleum Resources	500,000
TOTAL		173,436,302



Oando has continued to provide social amenities as well as improved the lives of its host communities.



We have made significant progress in organically developing talent and creating a pipeline of technically competent individuals, while keeping attrition rate at 10%.

Developments & Initiatives of the Human Capital Management Department

Our Human Capital Management (HCM) team continuously focuses on maintaining and strengthening the performance of the organization, as well as attracting high potential professionals. In 2012, the HCM department focused mainly on broadening, consolidating and institutionalizing existing initiatives and processes with particular emphasis on improving talent acquisition architecture, performance management culture and strengthening leadership capability through talent development.

Talent Acquisition and Attrition Management

The strategic priorities of the department with regards to recruitment and selection have been determined in line with the Company's strategic plan. Hence, the department took a proactive approach to identifying the right talent for the future. A total of one hundred and three (103) full time employees were employed into the organization in 2012.

The Oando Graduate Trainee (GT) Program, initiated in 2008, continues to attract the very best of young minds from across various disciplines. In 2012, we were again able to attract twelve (12) young professionals (trainees) to the GT program after an extensive and thorough process to select the best candidates. All successful trainees have been fully integrated into the Company as full term permanent employees.

In addition; the HCM department launched the Rig Trainee Program. The program is designed to be an intensive 36-month process which will give trainees on-the-job and classroom training. As part of the program, the trainees will work offshore alongside rig crew members to gain hands-on experience. There are currently 16 trainees on the program.

We have made significant progress in organically developing talent and creating a pipeline of technically competent individuals, while keeping attrition rate at 10%.

Talent Management and People Development

High on our priority list in the year 2012 was talent development. This was achieved through the implementation of competency-centric approach to learning and development, enhancement of our performance management process and increasing employee capabilities through structured development programs.

Equally, The OMP training school which commenced activities in 2011 recorded a total of 30 in-house workshops in the year 2012. The objective of the training school was to have a state of the art training facility where we would conduct various in-house training for employees and business partners in line with our 70:20:10 Talent Management Model, which aims to conduct job specific training that would address specific competency gaps in the downstream sector. The Training School is located near the Trade Fair Complex in Lagos.

Performance Management

The Human Capital Management team devoted substantial effort to realize optimal performance management of employees by measuring and monitoring employees' performance. Based on this, a variety of strategic tools were developed to improve individual performance as well as to drive ultimate organizational performance. We monitored employee performance against set objectives through quantifiable assessments over the course of the year. Objectives were drawn from the set corporate goals for the year and appraisals were carried out in July (First Half 2012) and January 2013 (Second Half 2013).



In the coming year, we will continue to keep ourselves abreast with current trends and best practices in Corporate Social Responsibility globally to ensure that our beneficiaries partake in projects that will impact their lives positively for years to come.





The Company also continued to maintain her reputation as an employer of choice as salary reviews were implemented with employees receiving a pay rise based on performance as well as to help cushion the effects of inflation in the economy.



Oando Competency Framework

In 2011, the HCM team began the review and revamp of the Oando competency framework with a shift in focus from specific/unique job roles to a job family approach across the organization. The implementation of this framework began in 2012. Creating a competency framework is an effective method to assess, maintain, and monitor the knowledge, skills, and attributes of people in the organization.

The framework will allow the Company to measure its current competency levels to ensure that our employees have the requisite skills to add value to the business. It will also help our managers make informed decisions about talent recruitment, retention, and succession strategies. By identifying the specific technical and behavioral skills needed for each role, HCM can plan and budget ahead for the training and development needs of Oando employees. The increased level of understanding and linkage between individual roles and organizational performance makes the effort well worth it.

Remuneration, Benefits and Employee Welfare

During the course of the year, a salary survey was carried out in March to confirm our competitiveness within our market and in line with our corporate reward strategy.

The Company also continued to maintain her reputation as an employer of choice as salary reviews were implemented with employees receiving a pay rise based on performance as well as to help cushion the effects of inflation in the economy. To provide our employees with a robust and comprehensive health care cover as well as health education, the department carried out a total of 5 awareness sessions in 2012 to educate employees on various healthcare topics. These sessions were facilitated by Expatcare.

Workforce Optimization

The HCM department has championed the process of workforce optimization by realigning the duties and priorities of job roles. We seek methods to improve the efficiency and effectiveness of our

operations by the integration of monitoring, workforce management and performance management. This process comprises a procedures but has one common goal — maximum efficiency and effectiveness of employee performance.

Oando Employee Equity Incentive Scheme (OEEIS)

The year ended 31st December 2012 was the second year of Cycle 3 of the Oando Employee Equity Participation Scheme which commenced in January 2011. To date, a total of 11,606,569 shares have been listed on the Nigerian Stock Exchange under the Scheme.

No additional units were offered to employees under the Stock Option Plan during the period.

Environment, Health, Safety, Security and Quality

Oando has continued to demonstrate tremendous improvement in its capacity to carry out all its operations without adversely affecting the safety and health of our stakeholders, and with minimal impact to the environment.

This report provides an overview on the Environment, Health, Safety and Security, Quality and Community Affairs activities of Oando PLC and its subsidiaries.

Our goal is to have zero fatalities and reduce the frequency and severity of incidents in our facilities. We manage environment, health and safety (EHS) risks across the Company by entrenching a strong positive EHS culture in all our employees and contractors. Also, processes and standard operating procedures are in place and continue to be developed to guide everyone on the safest way to do work. Job Hazard Analysis must be developed before any major work is carried out to identify the hazard associated with the job, assess the risks and put in place all necessary controls and barriers. Regular inspections are conducted to ensure the controls and

barriers meet Oando standards and are in place at all times. If an incident does occur, we act swiftly to minimize the impact and ensure that all incidents are investigated enabling us learn from them to prevent future recurrence.

During the year, the Oando Incident Review Panel was constituted to review major and high potential incidents to ensure that incident investigations are thoroughly carried out, required lessons are learned and incorporated into our management system across the Group. The Panel consists of members of Oando Group Leadership Council.

Oando continuously strives for superior EHS performance upon the tripod of;

- Ensuring the integrity of our assets
- Putting in place an EHS management system that helps the organization recognize hazards and manage risk
- Developing a strong positive EHS leadership culture.

We are delighted that the results of this strategy are beginning to yield the desired results and will redouble our efforts along these lines in the coming year.

Some 2012 key achievements to note include the following:

- Organized and managed a successful EHSSQ/SCA Week, which extended to Oando Togo and Ghana facilities with the theme 'You see it, you own it', promoting EHS responsibility and accountability among everyone in the organisation.
- Online deployment of some training courses to improve service delivery. In the process, compliance was improved and training costs reduced.
- Modified and enhanced staff medical checks in line with our wellness drive.
- Commenced odorization of distributed natural gas in GNL, thereby reducing our risk exposures across the entire pipeline network.



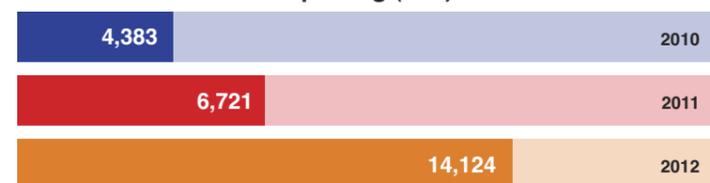
- Carried out the re-certification of the Quality Management System to ISO 9001:2008 standards.
- Obtained provisional EIA approval from the Federal Ministry of Environment for Alausa Independent Power Plants and CNG projects.
- Completed & commissioned the fire hydrant project at AGI, Ikeja.
- A comprehensive truck audit exercise was carried out for all third party trucks to ascertain their safety compliance based on pre-determined criteria. Trucks that failed to meet the minimum acceptable criteria were deleted from our truck database. Re-orientation of truck drivers and aggressive truck inspections were additional tools employed to reduce accidents. Oando Training School offered free training and medical examination to all truck drivers.
- Maintained an LTI free operation for all 3 Rigs in the Niger Delta.
- Conducted EHS-MS Audits, Management Facility Inspection and follow up audits.
- A shift in focus from concentrating on lagging EHS indicators to leading/predictive EHS indicators
- Operations were conducted in 2012 without any major security or community related incidents
- The 14 life saving rules were cascaded across the organization.

There were 3 fatalities associated with our operations in 2012 compared with 15 fatalities in 2011 with fewer man-hours. While celebrating our improved EHS performance, we are deeply saddened by these losses and will continue to strive towards achieving our target of zero fatalities in our operations.

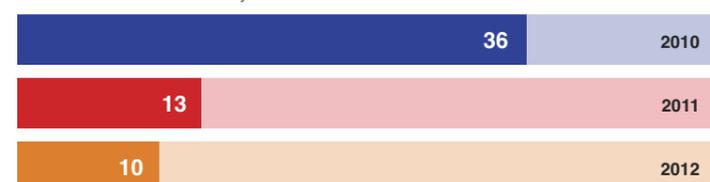
OANDO PLC EHS 2012 Performance Review

The figures below illustrate the Oando PLC EHS Performance for 2012

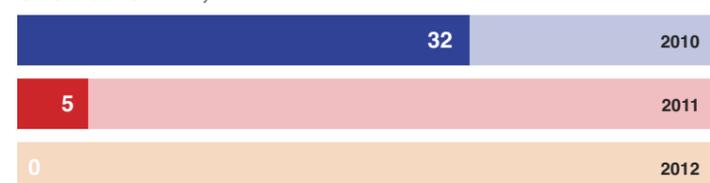
Hazard Identification Reporting (HIR)



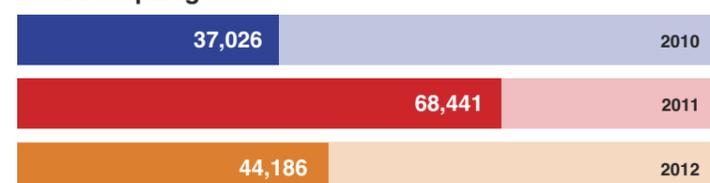
Fire Incidents - Yearly



Gas Leaks - Yearly



Product Spillage - Product Volume



Acquisition of Own Shares

The Company did not acquire its own shares in year 2012.

Market Value of Property, Plant and Equipment

Information regarding the Group's asset value and notes thereon are contained in Note 11 of the financial statements on page 120 of this Report. In the opinion of the Directors, the market value of the Company's properties is not lower than the value shown in the financial consolidated statements.

Auditors

PricewaterhouseCoopers, have indicated their willingness to continue in office as the Company's auditors in accordance with Section 357(2) of the Companies and Allied Matters Act, 2004.

By Order of the Board.



Ayotola Jagun (Ms.)
Chief Compliance Officer &
Company Secretary
FRC/2013/NBA/00000003578

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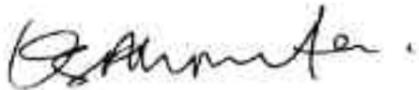
Report of the Audit Committee

Report of the audit committee

In compliance with section 359 (6) of the Companies and Allied Matters Act 2004, we the members of Oando PLC Audit Committee have, on the documents and information made available to us:

- a. Reviewed the scope and planning of the audit requirements
- b. Reviewed the external Auditors' Management Controls Report for the year ended December 31, 2012 as well as the Management response thereto, and can ascertain that accounting and reporting policies of the Company for the year ended December 31, 2012 are in accordance with legal requirements and agreed ethical practices.

Dated this 20th of June 2013



Oghogho Akpata
Chairman, Audit Committee

Chief Sena Anthony	-	Director
Ammuna Lawan Ali	-	Director
Mr. Kabir.B. Sarunmi	-	Shareholder
Mr. Lateef Ayodeji Shonubi	-	Shareholder
Mr. Fidelis Opia Ijoma	-	Shareholder

Financial statement 31 December 2012



Statement of Directors Responsibilities	80
Report of the Independent Auditors	81
Profit and Loss Account	82
Balance Sheet	84-85
Statement of Cash Flows	88
Statement of Significant Accounting Policies	89
Notes to the Financial Statements	89 - 164
Statement of Value Added	164
Five-year Financial Summary	165
Statement of Unclaimed / Returned Dividend Warrants	166



i. Responsibilities in respect of the financial statements

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

- (a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act;
- (b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- (c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, and are consistently applied.

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

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

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

ii. Responsibilities in respect of Corporate Governance

"The Company is committed to the principles and implementation of good corporate governance. The Company recognises the valuable contribution that it makes to long-term business prosperity and to ensuring accountability to its shareholders. The Company is managed in a way that maximises long term shareholder value and takes into account the interests of all of its stakeholders.

The Company believes that full disclosure and transparency in its operations are in the interests of good governance. As indicated in the statement of responsibilities of directors and notes to the accounts the business adopts standard accounting practices and ensures sound internal controls to facilitate the reliability of the financial statements."

iii. The Board of Directors

"The Board is responsible for setting the Company's strategic direction, for leading and controlling the Company and for monitoring activities of the executive management. The Board presents a balanced and understandable assessment of the Company's progress and prospects.

The Board consists of the Chairman, five non-executive directors and four executive directors. The non-executive directors have experience and knowledge of the industry, markets, financial and/or other business information to make a valuable contribution to the Company's progress. The Managing Director is a separate individual from the Chairman and he implements the management strategies and policies adopted by the Board. They meet at least four times a year."

iv. The Audit Committee

The Audit Committee (the "Committee") is made up of six members - three directors (all of whom are non-executive) and three shareholders. The Committee members meet at least thrice a year.

The Committee's duties include keeping under review the scope and results of the external audit, as well as the independence and objectivity of the auditors. The Committee also keeps under review the risk and controls over financial reporting, compliance with laws and regulations and the safeguarding of assets. In addition, the Committee reviews the adequacy of the Internal Audit plan and implementation status of Internal Audit recommendations.

v. Systems of Internal Control

"Oando Plc has well-established internal control system for identifying, managing and monitoring risks. The Risk and Controls Management and Internal Audit functions have reporting responsibilities to the Audit Committee. Both functions have appropriately trained personnel and undergo training on current business and best practices issues.

Code of Business Ethics

Management has communicated the principles of business ethics in the Company's Code of Business Conduct and Ethics to its employees in the discharge of their duties. This Code sets the professionalism and integrity required for business operations which covers compliance with laws, conflicts of interest, environmental issues, reliability of financial reporting, bribery and strict adherence to the principles so as to eliminate the potential for illegal practices.

Director
20th of June 2013
FRC/2013/ICAN/00000003349

Director
20th June 2013
FRC/2013/NBA/00000003348

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF OANDO PLC

Report on the financial statements

We have audited the accompanying financial statements of Oando Plc (the company) and its subsidiaries (together, the group). These financial statements comprise the statement of financial position as at 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the company and the group at 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

Report on other legal requirements

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

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

PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria
FRC/2013/ICAN/00000000739



28 June 2013

N'000

	Note	Group 2012 N'000	Group 2011 N'000 Restated	Company 2012 N'000	Company 2011 N'000 Restated
Revenue	5	673,181,997	571,305,637	7,358,881	8,122,502
Cost of sales		(591,560,191)	(505,479,079)	-	-
Gross profit		81,621,806	65,826,558	7,358,881	8,122,502
Other operating income	6	2,097,924	13,516,172	1,790,961	1,240,803
Selling and marketing costs		(7,555,800)	(7,892,079)	-	-
Administrative expenses		(42,038,153)	(52,115,328)	(3,421,175)	(8,271,573)
Operating profit	7	34,125,777	19,335,323	5,728,667	1,091,732
Finance costs	9	(20,093,243)	(12,767,211)	(5,565,556)	(2,605,357)
Finance income	9	3,521,533	7,316,985	4,527,632	2,877,014
Finance costs - net		(16,571,710)	(5,450,226)	(1,037,924)	271,657
Profit before income tax		17,554,067	13,885,097	4,690,743	1,363,389
Income tax expense	10	(6,767,750)	(11,252,759)	(311,297)	10,011
Profit for the year		10,786,317	2,632,338	4,379,446	1,373,400
Profit attributable to:					
Owners of the parent	22	10,424,491	2,852,634	4,379,446	1,373,400
Non-controlling interest		361,826	(220,296)	-	-
		10,786,317	2,632,338	4,379,446	1,373,400

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

	Note	2012	2011
Basic and diluted earnings per share	22	458.4	125.8

The statement of significant accounting policies and notes on pages 89 to 163 form an integral part of these consolidated financial statements.

N'000

	Note	Group 2012 N'000	Group 2011 N'000 Restated	Company 2012 N'000	Company 2011 N'000 Restated
Profit for the year		10,786,317	2,632,338	4,379,446	1,373,400
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	(23,936)	74,524
Deferred tax on actuarial gains or losses	28	24,999	(37,812)	7,181	(22,357)
Fair value loss on available for sale investment	20	(45,166)	-	(45,166)	-
Deferred tax on fair value loss on available for sale investment	24	13,550	-	13,550	-
Currency translation differences	24	1,218,958	(773,242)	-	-
Other comprehensive income for the year, net of taxes		1,101,823	(688,423)	(48,371)	52,167
Total comprehensive income for the year		11,888,140	1,943,915	4,331,075	1,425,567
Attributable to:					
- Owners of the parent		11,523,371	1,787,740	4,331,075	1,425,567
- Non-controlling interests		364,769	156,175	-	-
Total comprehensive income for the year		11,888,140	1,943,915	4,331,075	1,425,567

The statement of significant accounting policies and notes on pages 89 to 163 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

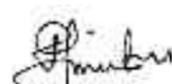
As at 31 December 2012

N'000

Assets	Notes	Group 2012 N'000	Group 2011 Restated N'000	Group 2010 Restated N'000
Non-current assets				
Property, plant and equipment	11	130,324,713	109,479,209	97,892,224
Intangible assets	12	138,853,809	119,333,366	104,860,339
Deferred income tax assets	13	13,424,518	9,908,773	6,486,391
Available-for-sale financial assets	20	1,000	1,000	1,000
Derivative financial assets	14	986,278	2,404,000	1,293,615
Finance lease receivables	15	3,206,008	3,663,544	4,169,287
Deposit for acquisition of a business	16	67,542,450	-	-
Non-current receivables and prepayments	17	10,618,594	1,474,428	925,108
Restricted cash	21	4,053,050	2,343,000	-
		369,010,420	248,607,320	215,627,964
Current assets				
Inventories	18	18,110,541	32,458,405	22,386,418
Finance lease receivables	15	450,377	498,930	476,314
Trade and other receivables	19	113,935,243	105,196,250	77,923,590
Available-for-sale financial assets	20	148,701	193,031	-
Cash and cash equivalents (excluding bank overdrafts)	21	13,408,506	18,690,529	12,187,072
		146,053,368	157,037,145	112,973,394
Total assets		515,063,788	405,644,465	328,601,358
Equity and Liabilities				
Equity attributable to owners of the parent				
Share capital	23	1,137,058	1,137,058	905,084
Share premium	23	49,521,186	49,521,186	49,042,111
Retained earnings		37,142,281	27,658,713	28,152,852
Other reserves	24	14,412,064	13,376,928	14,567,862
		102,212,589	91,693,885	92,667,909
Non controlling interest		3,141,939	1,071,101	1,011,935
Total Equity		105,354,528	92,764,986	93,679,844
Liabilities				
Non-current liabilities				
Borrowings	25	75,221,070	86,012,291	74,800,422
Deferred income tax liabilities	13	17,207,614	16,919,822	16,736,310
Provision for other liabilities & charges	26	3,562,670	1,486,648	1,841,827
Derivative financial liabilities	27	3,486,456	2,973,892	1,449,529
Retirement benefit obligation	28	2,802,983	2,728,970	1,407,698
Government Grant	29	293,941	-	-
		102,574,734	110,121,623	96,235,786
Current liabilities				
Trade and other payables	30	86,046,357	75,209,044	61,491,993
Current income tax liabilities	10	6,417,980	6,904,218	5,521,737
Dividend payable	31	651,058	651,358	651,358
Provision for other liabilities & charges	26	353,416	-	-
Borrowings	25	213,665,715	119,993,236	71,020,640
		307,134,526	202,757,856	138,685,728
Total liabilities		409,709,260	312,879,479	234,921,514
Total equity and liabilities		515,063,788	405,644,465	328,601,358

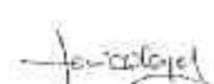
The financial statements and notes on pages 82 to 163 were approved by the Board of Directors on 20th June 2013 and were signed on its behalf by:

DIRECTORS:



Group Chief Executive

FRC/2013/NBA00000003348



Group Chief Financial Officer

FRC/2013/ICAN/00000003349

Consolidated statement of financial position

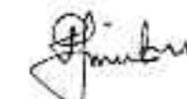
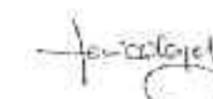
As at 31 December 2012

N'000

Assets	Notes	Company 2012 N'000	Company 2011 N'000	Company 2010 N'000
Non-current assets				
Property, plant and equipment	11	3,022,194	14,086,046	10,581,664
Intangible assets	12	89,096	149,333	298,667
Deferred income tax assets	13	579,406	492,139	137,026
Available-for-sale financial assets	20	1,000	1,000	1,000
Investment in subsidiaries	20	85,379,020	41,864,743	41,507,589
Derivative financial assets	14	69,645	-	-
Non-current receivables and prepayments	17	7,345,639	33,762	39,250
Restricted cash	21	324,000	-	-
		96,810,000	56,627,023	52,565,196
Current assets				
Inventories	18	6,733	-	4,361
Trade and other receivables	19	128,786,885	98,102,714	63,849,831
Available-for-sale financial assets	20	147,865	193,031	-
Cash and cash equivalents (excluding bank overdrafts)	21	1,567,995	2,517,681	815,762
		130,509,478	100,813,426	64,669,954
Total assets		227,319,478	157,440,449	117,235,150
Equity and Liabilities				
Equity attributable to owners of the parent				
Share capital	23	1,137,058	1,137,058	905,084
Share premium	23	49,521,186	49,521,186	49,042,111
Retained earnings		4,520,486	1,163,374	4,882,648
Other reserves	24	2,276,126	909,547	909,547
Total Equity		57,454,856	52,731,165	55,739,390
Liabilities				
Non-current liabilities				
Borrowings	25	45,760,738	51,297,182	48,934,604
Derivative financial liabilities	27	1,409,651	1,349,724	1,449,529
Retirement benefit obligation	28	1,232,303	1,216,031	476,893
		48,402,692	53,862,937	50,861,026
Current liabilities				
Trade and other payables	30	51,575,433	43,098,950	2,851,391
Current income tax liabilities		760,941	931,754	1,064,907
Dividend payable		651,058	651,358	651,358
Borrowings	25	68,121,082	6,164,285	6,067,078
Provision for other liabilities & charges	26	353,416	-	-
		121,461,930	50,846,347	10,634,734
Total liabilities		169,864,622	104,709,284	61,495,760
Total equity and liabilities		227,319,478	157,440,449	117,235,150

The financial statements and notes on pages 82 to 163 were approved by the Board of Directors on 20th June 2013 and were signed on its behalf by:

DIRECTORS:


Group Chief Executive
FRC/2013/NBA/00000003348

Group Chief Financial Officer
FRC/2013/ICAN/00000003349

The statement of significant accounting policies and notes on pages 89 to 163 form an integral part of these financial statements.

**Consolidated statement of changes in equity
(Attributable to owners of the parents)**

For the year ended 31 December 2012

N'000

Group	Notes	Share Capital N'000	Other reserves N'000	Retained earnings N'000	Equity holders of parent N'000	Non controlling interest N'000	Total equity N'000
1 January 2011 (As previously reported)		49,947,195	16,180,482	25,076,820	91,204,497	1,011,935	92,216,432
Restatements (note 2y)		-	(1,612,620)	3,076,032	1,463,412	-	1,463,412
Restated balance as at 1 January 2011		49,947,195	14,567,862	28,152,852	92,667,909	1,011,935	93,679,844
Profit or loss for the year (As previously reported)		-	-	2,591,694	2,591,694	(220,296)	2,371,398
Restatements (note 2y)		-	-	260,940	260,940	-	260,940
Restated profit or loss for the year		-	-	2,852,634	2,852,634	(220,296)	2,632,338
Other comprehensive income/(expense) for the year as previously stated		-	(1,187,525)	126,040	(1,061,485)	376,471	(685,014)
Translation differences (note 2y)		-	(3,409)	-	(3,409)	-	(3,409)
Restatement (note 2y)		-	-	-	-	-	-
Restated other comprehensive income for the year		-	(1,190,934)	126,040	(1,064,894)	376,471	(688,423)
Restated total comprehensive income		-	(1,190,934)	2,978,674	1,787,740	156,175	1,943,915
Transaction with owners, as previously stated							
Value of employee services- share option scheme		-	-	445,170	445,170	-	445,170
Tax credit relating to share option and award		-	-	133,535	133,535	-	133,535
Value of employee services- staff discretionary award	484,777	-	-	-	484,777	-	484,777
Equity component - Convertible bonds		-	751,528	-	751,528	-	751,528
Tax on convertible bond		-	(225,459)	-	(225,459)	-	(225,459)
Bonus issue	226,272	-	-	(226,272)	-	-	-
Dividends:- Final for 2010		-	-	(5,430,805)	(5,430,805)	-	(5,430,805)
Transactions with NCI		-	-	12,657	12,657	(156,176)	(143,519)
Restatements:		-	-	-	-	-	-
Reversal of Equity component of convertible bond		-	(751,528)	-	(751,528)	-	(751,528)
Reversal of deferred taxes on convertible bond		-	225,459	-	225,459	-	225,459
Total contributions by and distributions to owners of the parent, recognised directly in equity.	711,049	-	-	(5,065,715)	(4,354,666)	(156,176)	(4,510,842)
Translation difference		-	-	1,592,902	1,592,902	59,167	1,652,069
Restated balance as at 31 December 2011		50,658,244	13,376,928	27,658,713	91,693,885	1,071,101	92,764,986
Balance as at 1 January 2012		50,658,244	13,376,928	27,658,713	91,693,885	1,071,101	92,764,986
Profit for the year		-	-	10,424,491	10,424,491	361,826	10,786,317
Other comprehensive income for the year		-	1,188,828	(89,948)	1,098,880	2,943	1,101,823
Total comprehensive income for the year		50,658,244	14,565,756	37,993,256	103,217,256	1,435,870	104,653,126
Transaction with owners							
Value of employee services	24	-	605,293	-	605,293	-	605,293
Tax on value of employee services	13	-	96,109	-	96,109	-	96,109
Reclassification to share based payment reserve		-	1,078,449	(1,078,449)	-	-	-
Revaluation on disposal of PPE		-	(13,051)	13,051	-	-	-
Total contributions by and distributions to owners of the parent, recognised directly in equity.		-	1,766,800	(1,065,398)	701,402	-	701,402
Non controlling interest arising in business combination							
Non-controlling interest arising from business combination		-	-	(1,920,492)	214,423	(1,706,069)	1,706,069
Total transactions with owners of the parent, recognised directly in equity		-	(153,692)	(850,975)	(1,004,667)	1,706,069	701,402
Balance as at 31 December 2012		50,658,244	14,412,064	37,142,281	102,212,589	3,141,939	105,354,528

¹ Share capital includes ordinary shares and share premium² Other reserves include revaluation surplus, currency translation reserves and share based payment reserves. See note 24.

The share based payment reserve is not distributable.

The statement of significant accounting policies and notes on pages 89 to 163 form an integral part of these consolidated financial statements.

**Consolidated statement of changes in equity
(Attributable to owners of the parents)**

For the year ended 31 December 2012

N'000

Company	Notes	Share Capital N'000	Other reserves N'000	Retained earnings N'000	Non controlling interest N'000	Equity holders of parent N'000	Total equity N'000
Balance as at 1 January 2011 (as previously reported)		49,947,195	1,013,047	4,882,648	-	55,842,890	55,842,890
Restatements(note 2y)		-	(115,000)	-	-	(115,000)	(115,000)
Deferred tax on revaluation surplus		-	11,500	-	-	11,500	11,500
Restated balance as at 1 January 2011		49,947,195	909,547	4,882,648	-	55,739,390	55,739,390
Profit or loss for the year (as previously reported)		-	-	1,373,401	-	1,373,401	1,373,401
Restated profit or loss for the year		-	-	1,373,401	-	1,373,401	1,373,401
Other comprehensive income/(expense) for the year		-	-	52,167	-	52,167	52,167
Other comprehensive income/(expense)							
Restated total comprehensive income for the year		49,947,195	909,547	6,308,216	-	57,164,958	57,164,958
Transaction with owners		-	-	-	-	-	-
Value of employee services- share option scheme		-	-	435,367	-	435,367	435,367
Tax credit relating to share option and award		-	-	76,571	-	76,571	76,571
Value of employee services- staff discretionary award	484,777	-	-	-	-	484,777	484,777
Bonus issue	226,272	-	-	(226,272)	-	-	-
Dividends:- Final for 2010		-	-	(5,430,508)	-	(5,430,508)	(5,430,508)
Total contributions by and distributions to owners of the parent, recognised directly in equity	711,049	-	-	(5,144,842)	-	(4,433,793)	(4,433,793)
Restated balance as at 31 December 2011		50,658,244	909,547	1,163,374	-	52,731,165	52,731,165
Balance as at 1 January 2012		50,658,244	909,547	1,163,374	-	52,731,165	52,731,165
Profit for the year		-	-	4,379,446	-	4,379,446	4,379,446
Other comprehensive income for the year		-	-	(48,371)	-	(48,371)	(48,371)
Total comprehensive income for the year		50,658,244	909,547	5,494,449	-	57,062,240	57,062,240
Value of employee services		-	319,131	-	-	319,131	319,131
Tax credit relating to share option scheme		-	73,485	-	-	73,485	73,485
Reclassification to share based payment reserve		-	973,963	(973,963)	-	-	-
Dividends		-	-	-	-	-	-
Total contributions by and distributions to owners of the parent, recognised directly in equity		-	1,366,579	(973,963)	-	392,616	392,616
Balance as at 31 December 2012		50,658,244	2,276,126	4,520,486	-	57,454,856	57,454,856

¹ Share capital includes ordinary shares and share premium² Other reserves include revaluation surplus, currency translation reserves and share based payment reserves. See Note 24.

The share based payment reserve is not distributable.

The statement of significant accounting policies and notes on pages 89 to 163 form an integral part of these consolidated financial statements.

		N'000			
	Notes	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Cash flows from operating activities					
Cash generated operations	32	52,709,406	11,037,018	(53,890,695)	8,671,977
Interest received	9	3,521,533	6,995,575	4,527,632	2,877,014
Interest paid	9	(16,530,258)	(26,740,081)	(5,647,399)	(1,058,746)
Income tax paid	10	(10,390,255)	(13,253,757)	(475,160)	(424,041)
Net cash from/(used in) operating activities		29,310,426	(21,961,245)	(55,485,622)	10,066,204
Cash flows from investing activities					
Purchases of property plant and equipment	11	(27,063,427)	(13,835,665)	(1,134,918)	(5,047,853)
Acquisition of subsidiary, net of cash acquired		790,209	-	-	-
Deposit for acquisition of a business		(67,542,450)	-	-	(177,023)
Available for sale investment		(836)	-	-	(193,013)
Acquisition of software		(782,514)	-	(89,096)	-
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	62,817	46,575
Cash (used in) investing activities		(114,934,247)	(21,976,992)	(1,161,197)	(5,371,314)
Cash flows from financing activities					
Proceeds from long term borrowings		18,903,590	110,980,194	-	4,500,000
Repayment of long term borrowings		(18,236,376)	(53,152,080)	(6,000,000)	(4,659,670)
Repayment of finance lease		-	(55,607)	-	-
Proceeds from issue of other term loans		-	-	40,370,200	2,500,000
Proceeds from other short term borrowings		362,923,573	-	13,048,871	17,267,348
Repayment of other short term borrowings		(304,737,782)	-	-	(17,334,426)
Dividend paid		-	(5,430,508)	-	(5,430,508)
Restricted cash		(1,710,050)	(2,343,000)	(324,000)	-
Net cash from financing activities		57,142,955	49,998,999	47,095,071	(3,157,256)
Net change in cash and cash equivalents		(28,480,866)	6,060,762	(9,551,748)	1,537,634
Cash and cash equivalents and bank overdrafts at the beginning of the year		(6,657,138)	(12,011,680)	2,517,681	815,762
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)	(7,034,067)	2,353,396
Cash at year end is analysed as follows:					
Cash and bank balance as above		13,408,507	18,690,529	1,567,995	2,517,681
Bank overdrafts (Note 25)		(48,537,984)	(25,347,667)	(8,602,062)	(164,285)
		(35,129,477)	(6,657,138)	(7,034,067)	2,353,396

The statement of significant accounting policies and notes on pages 89 to 163 form an integral part of these consolidated financial statements.
Non cash investing transaction during the year include the acquisition of Exile through an issue of equity by OER. See details in Note 40.

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 Plc (the Company) 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. Summary of significant accounting policies

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

a) 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.

b) 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)

c) 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.

d) 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 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 1 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, as 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:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- 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 can not 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 – 50 years	(2 – 5%)
Plant and machinery	8 – 20 years	(5 – 12½ %)
Equipment and motor vehicles	3 – 5 years	(20 – 33½ %)

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

(a) 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.

(b) Computer software

Acquired computer software licences 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.

(c) 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.

(a) 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.

(b) 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.

(c) 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 lessees, 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 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 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.

(iv) 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 sharebased 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 or 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. Producing 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 provide 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 comprehensive income at 31 Dec 2011

	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

Reconciliation of IFRS previously reported at January 2011 and 31 December 2011

Restatements to previously published IFRS accounts - 31 December 2010

N'000

	Reference to FS Notes	Reference to IFRS Adjustments	IFRS 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					
Deferred taxation liabilities		f	74,800,422	-	74,800,422
Provisions for other liabilities and charges			15,544,117	1,192,193	16,736,310
Derivative financial instruments	27	h	1,841,827	-	1,841,827
Retirement benefit obligations			-	1,449,529	1,449,529
			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 IFRS previously reported at January 2011 and 31 December 2011

Reclassifications/ Restatements to previously published IFRS accounts - 31 December 2011

N'000

	Reference to FS Notes	Reference to IFRS Adjustments	IFRS previously reported N'000	Restatements N'000	IFRS restated 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					
Finance lease receivables	15	b	32,458,405	-	32,458,405
Trade and other receivables	19	h	-	498,930	498,930
Available-for-sale financial assets			105,515,521	(319,271)	105,196,250
Cash and cash equivalents (excluding bank overdrafts)			193,031	-	193,031
			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 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 N55,183million at 1 January 2011 (N63,384million 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 N3,650million (N3,321million at 31 December 2011) and recognition of finance lease receivables of N4,646million (N4,162million at 31 December 2011); with net impact of N996 million recognised in retained earnings. At 31 December 2011, revenue associated with the sale of electricity of N1,204million was derecognised and finance income of N753million was recognised in respect of the finance lease receivables. The net impact on depreciation charge for the year was a reduction of N298million.

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 N847 million as at 1 January 2011 (N2,084 million at 31 December 2011). N 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 N188.6million, a reduction in the revaluation reserve account of N405 million and an increase of N216.5 million has been recorded in retained earnings.

As at 31 December 2011, the impact was a reduction in property, plant and equipment of N143.7million and a reduction in the revaluation reserve of N409million. The effect was a reduction in depreciation and as a result an increase in the income statement by N48 million and retained earnings by N216.5 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 N1,207 million at 1 January 2011 (N1,207 million at 31 December 2011), and reduction in fixed assets of 1,334 million at 1 January 2011 (N1,376 million in at 31 December 2011), deferred tax N126 million at 1 January 2011 (N126 million at 31 December 2011) and depreciation expense of N42 million in 31 December 2011.

- (d) Gaslink Nigeria Ltd. and East Horizon Gas Company Ltd (EHGC) have entered 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 N22,927 million as at 1 January 2011 (N30,971 million at 31 December 2011)
- An increase in intangible asset of N25,262 million at 1 January 2011 (N43,116 million at 31 December 2011)
- An increase in retained earnings of N2,334 million as at 1 January 2011, an increase in cost of sales of N744 million and a decrease in finance income of N234 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 N526 million
- A decrease in borrowings by N24.8 million
- A decrease in deferred tax liability by N225 million
- A decrease in interest expense by N776 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 N1,192 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 N629 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
	Reference		N'000
Retained earnings previously stated		24,321,741	25,076,820
Finance Lease (Akute)	(b)	841,836	995,789
Embedded derivative	(b)	2,084,727	847,472
Decommissioning costs	(c)	264,878	216,491
Intangible Asset - Gas pipeline	(d)	670,797	2,334,579
Impact of deferred taxes	(f)	(1,258,895)	(1,318,299)
Share based payments	(h)	-	-
Convertible debt	(e)	776,329	-
Translation differences	(j)	-	-
Depreciation on revaluation reversal	(c)	(42,700)	-
Retained earnings restated			27,658,713
28,152,852			

Reclassifications to previous IFRS accounts

- (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 N446 million at 1 January 2011 (N319 million at 31 December 2011) and derivative liabilities of N1,449million at 1 January 2011 (N2,974million at 31 December 2011). At 31 December 2011, fair value gains of N1.2billion 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 N2,343 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 N982 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 N531million 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 N10.2 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	-	2,084,727
Total assets	194,031	2,404,000	-	2,598,031
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 N2.89 billion (2011:N2.04 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 N31.05 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 N19.52 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.

Credit risk

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 N8.5 billion and other receivables of N80.7 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 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 N'000	Between 1 and 2 years N'000	Between 2 and 5 years N'000	Over 5 years N'000	Total 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					
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
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

There are 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, is based on the market indices of Oando Plc.'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 N225 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 Income taxes

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.

Furthermore, estimates of proved reserves only include volumes for which access to market is assured with reasonable certainty. All proved reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. Changes in the technical maturity of hydrocarbon reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions.

In general, estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As a field goes into production, the amount of proved reserves will be subject to future revision once additional information becomes available through, for example, the drilling of additional wells or the observation of long-term reservoir performance under producing conditions. As those fields are further developed, new information may lead to revisions.

Changes to Oando's estimates of proved reserves, particularly proved developed reserves, also affect the amount of depreciation, depletion and amortisation recorded in the consolidated financial statements for property, plant and equipment related to hydrocarbon production activities. These changes can for example be the result of production and revisions of reserves. A reduction in proved developed reserves will increase the rate of depreciation, depletion and amortisation charges (assuming constant production) and reduce income.

Although the possibility exists for changes in reserves to have a critical effect on depreciation, depletion and amortisation charges and, therefore, income, it is expected that in the normal course of business the diversity of the Oando portfolio will constrain the likelihood of this occurring.

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 N156.2/ 1USD and applicable FGN bond discount rate.

viii Akute lease

The group has accounted for the power purchase arrangement between Lagos State Govt 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 N155/1 USD 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 were 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:

- 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.
- Marketing – involved in the marketing and sale of petroleum products.
- Supply and Trading – involved in trading of refined and unrefined petroleum products.
- 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.
- 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.
- 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 N'000	Marketing N'000	Supply & Trading N'000	Refining & Terminals N'000	Gas & power N'000	Energy Services N'000	Corporate and Other N'000	Total 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
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 N'000	Marketing N'000	Supply & Trading N'000	Refining & Terminals N'000	Gas & power N'000	Energy Services N'000	Corporate and Other N'000	Total 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

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

	Exploration & Production N'000	Marketing N'000	Supply & Trading N'000	Refining & Terminals N'000	Gas & power N'000	Energy Services N'000	Corporate and Other N'000	Total N'000
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 N'000	Marketing N'000	Supply & Trading N'000	Refining & Terminals N'000	Gas & power N'000	Energy Services N'000	Corporate and Other N'000	Total 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 N'000	Marketing N'000	Supply & Trading N'000	Refining & Terminals N'000	Gas & power N'000	Energy Services N'000	Corporate and Other N'000	Total N'000
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 N'000	Marketing N'000	Supply & Trading N'000	Refining & Terminals N'000	Gas & power N'000	Energy Services N'000	Corporate and Other N'000	Total 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

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

	Exploration & Production N'000	Marketing N'000	Supply & Trading N'000	Refining & Terminals N'000	Gas & power N'000	Energy Services N'000	Corporate and Other N'000	Total 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.

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

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 N'000	Marketing N'000	Supply & Trading N'000	Refining & Terminals N'000	Gas & power N'000	Energy Services N'000	Corporate and Other N'000	Total N'000
Sales								
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 N'000	Marketing N'000	Supply & Trading N'000	Refining & Terminals N'000	Gas & power N'000	Energy Services N'000	Corporate and Other N'000	Total N'000
Sales								
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

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Exchange gain	1,617,139	8,368,808	291,553	1,026,282
Rig income	-	1,860,072	-	-
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

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
The following items have been charged/(credited) in arriving at the operating profit:				
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

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
(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:				
	Numbers	Numbers	Numbers	Numbers
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 N114.6 million (2011: N112 million).

(b) Staff costs

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:	Numbers	Numbers	Numbers	Numbers
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:

	Numbers	Numbers	Numbers	Numbers
N2,500,001 - N4,000,000	84	142	8	28
N4,000,001 - N6,000,000	285	260	18	53
N6,000,001 - N8,000,000	74	51	12	9
N8,000,001 - N10,000,000	35	46	-	14
Above N10,000,000	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)
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

Borrowing costs were capitalised based on the respective actual borrowing rates

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

	17,554,067	13,885,097	4,690,743	1,363,389
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:

	6,904,219	5,521,737	931,754	1,064,907
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 N'000	Land & Buildings N'000	Plant, machineries & vehicles N'000	Fixtures, fitting & equipment N'000	Capital work in progress N'000	Total 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
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

11. Property, plant and equipment - cont'd

	Upstream asset N'000	Land & buildings N'000	Plant, machineries & vehicles N'000	Fixtures, fitting & equipment N'000	Capital work in progress N'000	Total N'000
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 2011

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

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

	Upstream asset N'000	Land & buildings N'000	Plant & machineries N'000	Fixtures, fitting & equipment N'000	Construction in progress N'000	Total N'000
Year ended 31 December 2012						
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 N854m 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 N199 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 N 406 million has been recognised in these financial statements.

12. Intangible assets

	Asset under construction	Goodwill N'000	Software costs N'000	Exploration and evaluation asset N'000	Gas transmission Pipeline N'000	Total N'000
Group						
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

12. Intangible assets - cont

	Software cost N'000
Company	
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 licence 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 N30.51 billion. 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 licence 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 N2,367 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% representing 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 N155.27/USD.

Goodwill impairment losses

During the year, goodwill impairment loss of N1.3 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 N'000	Marketing N'000	Supply & Trading N'000	Gas & Power N'000	Energy Services N'000	Corporate & Other N'000	Total 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	0	24,093,505

At 31 December 2011

	Exploration & Production N'000	Marketing N'000	Supply & Trading N'000	Gas & Power N'000	Energy Services N'000	Corporate & Other N'000	Total 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	0	24,123,916

At 31 December 2012

	OER N'000	OEPL N'000	Marketing N'000	Supply & Trading N'000	Gas & Power N'000	Energy Services N'000	Corporate & Other N'000	Total 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 N'000	Marketing N'000	Supply & Trading N'000	Gas & power N'000	Energy Services N'000	Corporate & Other 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 N'000	OEPL N'000	Marketing N'000	Supply & Trading N'000	Gas & power N'000	Energy Services N'000	Corporate & Other N'000
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
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
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 N'000	2011 N'000	2010 N'000
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 N'000	2011 N'000	2010 N'000
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 N'000	Charged/ (credited) to P/L N'000	Charged/ (credited) to equity N'000	Charged/ (credited) to OCI N'000	Acquisition of business N'000	Exchange Differences N'000	31.12.2012 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

	1.1.2011 N'000	Charged/ (credited) to P/L N'000	Charged/ (credited) to equity N'000	Charged/ (credited) to OCI N'000	Acquisition of business N'000	Exchange Differences N'000	31.12.2012 N'000
2012 (cont'd)							
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)
	(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

2012

Deferred income tax liabilities

	2012 N'000	2011 N'000	2010 N'000
Property, plant and equipment:			
- on historical cost basis	5,092,673	(110,490)	-
- on revaluation surpluses	2,603,438	15,762	-
- on acquisition of mineral interest	3,531,647	-	-
Intangible assets	201,239	246,727	-
Finance Leases	352,775	260,790	-
Embedded derivative	625,419	(336,539)	-
Convertible bond	-	0	-
Borrowings/other payables	1,437,817	67,615	-
Exchange gain	3,074,814	98,401	-
Financial instrument	-	(71,771)	-
	16,919,822	170,495	-
			204,959
			(87,662)
			17,207,614

Deferred income tax assets

	2012 N'000	2011 N'000	2010 N'000
Provisions	(2,061,453)	(1,012,734)	(13,550)
Exchange losses	(1,523,739)	57,542	-
Share options and awards	(304,333)	-	(96,500)
Tax losses	(5,210,513)	(60,103)	-
Crude oil underlift	(31,568)	-	-
Retirement benefit obligation	(777,167)	(45,452)	(24,999)
Tax losses	-	(1,901,934)	-
Crude oil underlift	-	(353,306)	391
Retirement benefit obligation	-	-	-
Property, plant and equipment:			
	(9,908,773)	(3,315,987)	(96,109)
			(38,549)
Net deferred income tax liabilities	7,011,049	(3,145,492)	(96,109)
			(38,549)
			204,959
			(152,762)
			3,783,096

Company

Net deferred tax asset

	2012 N'000	2011 N'000	2010 N'000
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:

	2012 N'000	2011 N'000	2010 N'000
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 N'000	Charged/ (credited) to P/L N'000	Charged/ (credited) to equity N'000	Charged/ (credited) to OCI N'000	Exchange Differences N'000	Total 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 N'000	Charged/ (credited) to P/L N'000	Charged/ (credited) to equity N'000	Charged/ (credited) to OCI N'000	Exchange Differences N'000	Total 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 N'000	Group 2011 Restated N'000	Group 2010 Restated N'000	Company 2012 N'000	Company 2011 N'000
Derivative financial instruments – commodity option contracts	23,348	-	-	-	-
Derivative financial instruments – OER convertible options	-	-	-	69,645	-
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 Paribas	0.0886	Jan. 1, 2009	Dec. 31, 2013	11,645	18,224
					23,348

15. Finance lease receivables

	Group 2012 N'000	Group 2011 Restated N'000	Group 2010 Restated N'000	Company 2012 Restated N'000	Company 2011 Restated 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 has 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 N3.7 billion as of December 31, 2012. (2011: N4.2 billion; 2010: N4.6 billion) and will bear interest until their maturity dates of N2.3 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 N277.9 billion (US\$ 1.79 billion), net of post closing adjustments. Upon execution of the sale and purchase agreement, the Group paid a deposit of N67.5 billion (\$435 million) to Conoco Phillips through its subsidiary, Oando Energy Resources Inc. (OER). See Note 34.

The Group financed the deposit through N32.6 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 N27.2 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 N53.6 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 N199.5 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 N53.6 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:

	2012	2011	2010	2012	2011
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 prepayments	(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 N7.3 billion (US\$47.3 million) to Oando PLC. Payment of the N7.3 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 N569 billion (2011: N481.66 billion). There was no inventory carried at net realisable value as of the reporting date (2011: nil).

19. Trade and other receivables

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000	Company 2012 N'000	Company 2011 N'000
Trade receivables	32,134,461	43,589,986	42,990,660	-	-
Less: provision for impairment of trade receivables	(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 & Withholding 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 receivables	(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 N53.6 billion (\$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 N1.2 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 2012 N'000	Group 2011 N'000	Group 2010 N'000	Company 2012 N'000	Company 2011 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:

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000	Company 2012 N'000	Company 2011 N'000
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

(b) Investment in subsidiaries - cont'd

	Company 2012 N'000	Company 2011 N'000
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

	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	
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

1 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 year's 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 Average exercise price (NGN per share)	2012 Options (thousands)	2011 Average exercise price (NGN per share)	2011 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 per price 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

	Revaluation reserves (thousands)	Convertible Reserve N'000	Share based payment reserve N'000	Currency translation reserve N'000	Total N'000
Group					
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:					
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
Other reserves					
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	-	-	-	67,816
At 1 January 2011 as restated	909,547	-	-	-	909,547
Share based payment reserve	-	-	-	-	-
Deferred tax on share based payment	-	-	-	-	-
Equity component - Convertible bond ³	-	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

¹⁾ 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 N51.2 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 fulfil 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 N2.5 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 N24 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 N'000	Drawdown/ Balance 2012 N'000	Drawdown/ Balance 2011 N'000	Drawdown/ Balance 2010 N'000
Group							
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 HorizonGas 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 N'000	Drawdown/ Balance 2011 N'000	Drawdown/ Balance 2010 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:

	2012 N'000	2011 N'000	Carrying amounts 2012 N'000	Fair values 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	-

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 \$5.9 million at December 31, 2012. The significant inputs to the model were the share price of \$1.70, exercise price of \$1.50 and \$2.00 respectively, volatility of 78%, dividend yield of \$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 \$1.79 each. The weighted average share price at the time of exercise was \$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 N917 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
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Income statement charge (Note 8):

Gratuity	295,394	1,625,840	443,185	93,442	861,705
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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
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Cumulative actuarial losses recognised in the statement of other comprehensive income	113,325	196,656	63,779	-	-
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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	-	-
Curtailements	-	978,176	-	633,599
Benefits paid	(310,333)	(284,268)	(70,064)	(48,044)
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
Curtailement expense	-	978,176	-	633,599
	295,394	1,625,840	62,400	861,706

Curtailement

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 N2.09billion. 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 N112.7 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 N417 million of which N123 million was credited to income statement.

30. Trade and other payables

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000	Company 2012 N'000	Company 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

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000	Company 2012 N'000	Company 2011 N'000
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	-
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. (the company) entered into the following related parties' transaction during the year under review:

1. Payment of N0.9billion to Ocean and Oil Holdings Limited
Oando plc. paid N0.9billion 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 plc. and Holdco 2 in respect of Oando Akepo; Oando plc. and Holdco 3 in respect of OPDC2; Oando plc. and Oando OML 125 & 134 BVI in respect of Oando OML 125 & 134. Oando plc. 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 plc. 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 plc. 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 plc. 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 plc. 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 Plc. and Oando Energy Resources (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 Plc. 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 Plc and OER. Pursuant to this agreement, Oando Plc 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 Plc owns less than 20% of the shares of OER. Oando Plc is also required to refer all upstream oil and gas opportunities to OER pursuant to this agreement. In addition, should Oando Plc acquire any upstream assets between September 27, 2011 and July 24, 2012, Oando Plc is required to offer to sell these assets to OER at a purchase price consisting of the amount paid by Oando Plc for the assets, together with all expenses incurred by Oando Plc 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 Plc. As such, OER and Oando Plc have recorded a receivable and payable of N1.2billion respectively for costs incurred to date on the COP acquisition. The N1.2billion has been eliminated on consolidation.
- d) Cooperation and Services Agreement dated July 24, 2012 between Oando Plc 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 Plc) and OEPL (a direct subsidiary of Oando Plc). 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 Plc to Equator Exploration Limited (EEL) of N1.1billion (US\$ 7.2 million) was classified as loan payable in EEL's books and loan receivable in Oando Plc's books. The carrying value of the loan using effective interest method was N1.3billion at the balance sheet date. This amount has been eliminated on consolidation.
- 3) Loan to OER for ConocoPhillips acquisition. OER and Oando Plc entered into a Convertible Notes agreement in respect of a N53.6 billion (US\$345million) loan obtained by OER from Oando Plc 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 N199.5 million as interest payable on the balance sheet rate. Oando Plc 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 N15.5bn (US\$100m) to Oando Plc on December 5, 2012. OODP further granted a loan of N17.1bn (US\$110m) to Oando Plc 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 Plc. 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 Plc 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 N7.7billion (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 Plc, 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
- Broll Properties Services Limited received N35.8million (2011: Nil) for facilities management services. Mr. Jubril Adewale Tinubu has control over one of the joint interest owners of the company.
 - Noxie Limited received N234.1million (2011:N14.9m) for supply of office equipment. A close family member of Mr. Jubril Adewale Tinubu has control over the company.
 - Olajide Oyewole & co. received N55.9million (2011: N33.5million) for professional services rendered. A close family member of Jubril Adewale Tinubu has significant influence over the firm.
 - Lagoon Waters Limited, one of the dealers for the sale of petroleum products, purchased petroleum products worth N913.9million (2011:N5.6million) from the Group. Lagoon Waters Limited is controlled by a close family member of Mr. Jubril Adewale Tinubu.
 - Temple Productions Limited received 29.9million (2011: Nil) for advertisement services. The company is controlled by a close family member of Mr. Omamofe Boyo.
 - Transport Services Limited (TSL) provides haulage services to a downstream company of the Group. During the year under review, TSL provided haulage services worth N1.8billion (2011: N1.2billion) to the Group. TSL is ultimately controlled by a close family member of Mr. Jubril Adewale Tinubu.
 - TSL Logistics Limited supplied products and throughput services worth N11.6billion (2011: 0.4billion) to the Group. The company is ultimately controlled by a close family member of Mr. Jubril Adewale Tinubu.
 - Avante Property Asset Management Services Limited received N83m (2011: N37million) for professional services rendered to the Group. The company is ultimately controlled by Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo.
 - K.O Tinubu & Co. provided legal services amounting to N2.2million (2011: Nil). K.O Tinubu is controlled by a close family member of Mr. Jubril Adewale Tinubu.
 - Offshore Personnel Services supplied services worth N1.4billion (2011:N1.0billion) 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.
 - Petropro Limited supplied services to the Group amounting to N36.3million. 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).
 - Avaizon Consulting Limited provided training services worth N0.53million (2011:N11.8 million) to the Group in 2012. Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo have significant influence over the company.
 - Templars provided legal services worth N21 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 N'000	2011 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:

	2012 N'000	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	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 N2.7billion (2011: N1.5billion) 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 N278.2billion (US \$1.79billion) net of post closing adjustments (the Proposed Acquisition). The Group has paid a deposit of N67.5billion (US \$ 435million) and is contractually obliged to pay the remaining N210.7billion (US \$1.36billion) 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 Oil Mining Leases (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.

c. 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 N3.2billion (US \$20.8million) 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 N1.4billion (US \$8.87million).

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 in December 2012. The initial authorized expenditure for this operation was approximately N8billion (US \$52million) but was revised upward by N1.55billion (US \$10million) 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 N21.43billion (US \$138million). 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 N1.00

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 Plc embarked on a rights issue of 4,548,236,276 ordinary shares of 50k each at N12.00 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 N54.6 billion.

3. Settlement of a contingent liability that existed at the balance sheet date

Oando Plc 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 N700million in favour of the Jaja Wachukwu family. Oando Plc has provided for her share of the settlement amount of N353.4million 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 N353.4 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\$386,000,000, bearing an annual interest rate of 5%. Of the Facility, US\$362,000,000 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 Plc by commercial banks amounted to NGN 62.33 billion (2011: NGN 2.50 billion). Oando Plc also guaranteed various loans in respect of the following subsidiaries: Gaslink Nigeria Limited (NGN3 billion); Oando Energy Services Limited (NGN 5.36 billion); Oando OML 125 and 134 Limited (NGN 10.12 billion); Oando Gas and Power Limited (NGN 2 billion); Oando Trading Limited (NGN 18.63 billion); Ebony Oil and Gas Limited (NGN 15.53 billion); Oando Supply and Trading Limited (NGN 18.63 billion); Apapa SPM Limited (NGN 12 billion) and Oando Energy Resources Limited (NGN 3.11 billion).

Pending litigation

There are a number of legal suits outstanding against the Company for stated amounts of NGN5.19 billion (2011: NGN8.48 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.

OML 122 Contingent Liabilities

In September 2007, the Group transferred, under the Bilabri Settlement Agreement ('BSA'), the full responsibility for completing the OML 122 'Bilabri' development to Peak Petroleum Industries (Nigeria) Limited ('Peak') who specifically assumed responsibility for the project's future funding and its historic unpaid liabilities. Now that Peak is being wound up, it is possible that a subsidiary of the Group may be called upon to meet some or all of the debts. Therefore a contingent liability of NGN3.4billion (2011: NGN 3.4 billion) exists in this regard.

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\$5m 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 N155.3million. 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 \$4m loan note and can defer payment indefinitely. The naira equivalent of the \$4m was N621 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 All figures in thousands	Issued share capital	Percentage interest held
Operational subsidiaries					
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	19,125,000	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	Exploration and Production	CDN\$	106,053,328	94.6%
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	1	94.6%
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 (Subsidiary of Oando Marketing PLC)	Cedis	126,575,000	82.9%
Oando Togo S.A	Togo	Marketing and sale of petroleum products (Subsidiary of Oando Marketing PLC)	CIA	186,288,000	75%
Oando Reservoir and Production Limited	Nigeria	Exploration and Production	Naira	9,918,182	100%
PETRONOIR LIMITED	Bermuda		USD		

37. Subsidiary information - cont

Entity name Operational subsidiaries	Country of incorporation	Nature of business	Investment Currency All figures in thousands	Issued share capital	Percentage interest held
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	95%
Oando Akepo Limited	Nigeria	Exploration and Production	Naira	2,500,001	94.6%
Equator Exploration Limited	British Virgin Islands	Exploration and Production	USD	67,707,210	77.1%
Oando Netherlands Holdings 1 Cooperative U.A	Netherlands	Financial holding company	Euro	18,000	94.6%
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	77.1%
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	77.1%
Equator Exploration Nigeria JDZ Block 2 Limited	Nigeria	Exploration and Production (100% subsidiary of EEL)	Naira	10,000,000	77.1%
Equator Exploration Nigeria 321 Limited	Nigeria	Exploration and Production (100% subsidiary of EEL)	Naira	10,000,000	77.1%
Equator Exploration Nigeria 323 Limited	Nigeria	Exploration and Production (100% subsidiary of EEL)	Naira	10,000,000	77.1%
Equator Exploration Nigeria OML 122 Limited	Nigeria	Exploration and Production (100% subsidiary of EEL)	Naira	10,000,000	77.1%
Equator Exploration OML (122) Limited	British Virgin Islands	Exploration and Production (100% subsidiary of EEL)	USD	500,000,000	77.1%
Gaslink Benin Limited	Benin	Gas Distribution (100% owned by Gaslink Nigeria Limited)	CIA	10,000,000	100%
Gaslink Ghana Limited	Ghana	Gas distribution (100% owned by Gaslink Nigeria Limited)	Cedis	1,000,000	100%
Gaslink Togo S.A	Togo	Gas Distribution (100% owned by Gaslink Nigeria Limited)	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	94.6%
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	94.6%
Oando OML 125 & 134 (BVI) Limited	British Virgin Islands	Exploration and Production (100% owned by Oando Exploration and Production Limited)	USD	100,987,074	94.6%
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	94.6%
Oando Netherlands Holdings 3 B.V	Netherlands	Financial holding company	Euro	18,000	94.6%
Oando Servco Netherlands B.V	Netherlands	Financial holding company	Euro	18,000	94.6%

38. Financial instruments by category

GROUP	Financial instruments at fair value through profit and loss N'000	Loans and receivables N'000	Available for sale N'000	Total N'000
2012				
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
2011				
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	
2012				
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				
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	

	Financial instruments at fair value through profit and loss N'000	Loans and receivables N'000	Available for sale N'000	Total N'000
2010				
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

	Financial instruments at fair value through profit and loss N'000	Other financial liabilities at amortised cost N'000	Total N'000
2010			
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

	Financial instruments at fair value through profit and loss N'000	receivables N'000	Loans and for sale N'000	Available Total N'000
2012				
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

	Financial instruments at fair value through profit and loss N'000	Other financial liabilities at amortised cost N'000	Total N'000
2012			
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

	Financial instruments at fair value through profit and loss N'000	Loans and receivables N'000	Available for sale N'000	Total N'000
2011				
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

	Financial instruments at fair value through profit and loss N'000	Other financial liabilities at amortised cost N'000	Total N'000
2011			
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 N'000	Land and building N'000	Expl. costs and producing wells N'000	Production Well N'000	Capital construction N'000	Moveable assets N'000	Abandonment assets N'000	Development Cost	Total
As previously reported	44,709,678	24,085	19,755,567	4,426,203	5,948,435	411,519	780,369	-	76,055,856
Restatement to Cost or valuation	(44,458,879)	-	(13,587,357)	(11,100)	-	(9,287)	-	-	(58,066,622)
Exchange differences	1,553	1	686	154	207	14	27	-	2,642
Restatement to:									
Accumulated depreciation	2,883,157	-	-	-	-	-	-	-	2,883,157
	3,135,510	24,085	6,168,896	4,415,257	5,948,642	402,246	780,396	-	20,875,033
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	-	20,875,033
Additions	4,927,173	-	2,161,185	2,298,713	1,497,340	76,753	-	-	10,961,163
Decommissioning cost	-	-	-	-	-	-	(586,062)	-	(586,062)
Disposals	-	-	-	-	-	(26,085)	-	-	(26,085)
Impairment	(1,472,029)	-	-	-	-	-	-	-	(1,472,029)
Depreciation charge	718,565	-	37,981	(1,512,666)	(1,828,009)	(110,934)	(127,615)	-	(2,822,677)
Exchange differences	46,984	774	198,152	141,823	191,077	12,921	201,729	-	793,460
Restatement to:									
Accumulated depreciation	(4,090,346)	-	(6,024,985)	54,549	(492,402)	(470)	(100,124)	1,869,735	(8,784,044)
Restatement to									
Accumulated depreciation	304,995	-	40,949	(40,949)	-	-	64,677	-	369,671
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	19,308,431
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	19,308,431
Decommissioning costs	-	-	-	-	-	-	1,829,702	-	1,829,702
Additions	978,857	-	313,540	5,124,500	1,255,551	21,745	(383,697)	645,403	7,955,899
Business acquisition	-	-	-	-	-	-	-	695,610	695,610
Transfers	-	-	-	-	-	167,536	-	-	167,536
Disposal	-	-	-	-	-	(2,640)	-	-	(2,640)
Depreciation charge	(20,635)	-	(1,813)	(2,114,983)	(1,377,400)	(116,749)	(2,640)	-	(3,634,220)
Exchange difference	(292,341)	(149)	(191,831)	(34,095)	(16,664)	(1,172)	(695)	-	(536,947)
	4,236,732	24,710	2,702,074	8,332,150	5,178,135	423,150	1,675,670	3,210,748	25,783,370

39.1 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 N1.5billion has been fully written off to income statement in 2011.

39.2 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	PSC0	4/07/2023	Producing
Oando OML 125 & 134 Ltd	OML 134	NAE	15% working interest in OML 125 & 134	Offshore	PSC0	4/07/2023	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	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 /3/ 2012	Exploration
Equator Exploration (OML 122) Limited	OML 122		PeakFinance & service agreement with operator	Offshore	Participation Agreement	-	Development
Equator Exploration Nigeria 323 Limited	OPL 323	KNOC	30% non operator participating interest	Offshore	PSC	9/3/ 2016	Exploration
Equator Exploration Nigeria 321 Limited	OPL 321	KNOC	30% non operator participating interest	Offshore	PSC	9/3/2016	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 PLC ("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 Oil Mining Leases (OMLs) and Oil Prospecting Licences (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 Plc, resulting in Oando Plc 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) N156.2 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 N215.2 million in Exile, (N70m) in Ebony; and (N2,339 m) 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:			
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 N1,028 million, N56 million and N2,339 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 N1,299 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 N31.6 billion and N48.7 million and profit/(loss) of N458 million and N17.9 million respectively.

Appendix 1

Reconciliation of NGAAP as reported for statutory purposes as at 31 Dec 2011 to IFRS

Reconciliation of Comprehensive Income as at 31 Dec 2011

	Reference to IFRS Adjustments	Effect of transition to IFRS		IFRS restated N'000
		NGAAP N'000	IFRS Adjustment N'000	
Continuing operations				
Turnover	q	586,619,034	(15,313,397)	571,305,637
Cost of sales	q	(518,178,147)	12,699,068	(505,479,079)
Gross profit		68,440,887	(2,614,329)	65,826,558
Selling and distribution costs	q	(7,901,252)	9,173	(7,892,079)
Administration expenses	t,q	(42,150,326)	(9,965,002)	(52,115,328)
Operating profit		18,389,309	(12,570,158)	5,819,151
Other income	k,q	12,456,510	1,059,662	13,516,172
Finance income	q	2,533,121	4,783,864	7,316,985
Finance cost	n,q	(8,825,689)	(3,941,522)	(12,767,211)
Net operating profit		24,553,251	(10,668,154)	13,885,097
Exceptional items	t	(9,624,853)	9,624,853	-
Profit before taxation		14,928,398	(1,043,301)	13,885,097
Taxation	j	(11,481,755)	228,996	(11,252,759)
Profit for the year		3,446,643	(814,305)	2,632,338
Attributable to:				
Equity holders of the parent		3,666,730	(814,096)	2,852,634
Non controlling interest	w	(220,087)	(209)	(220,296)
Other comprehensive income for the year, net of tax	r	-	(688,423)	(688,423)
Total comprehensive income for the year		3,446,643	(1,502,728)	1,943,915
Attributable to:				
Equity holders of the parent		3,666,730	(1,878,990)	1,787,740
Non controlling interest		(220,087)	376,262	156,175

Appendix 1

Prior year restatements

Reconciliation of NGAAP to IFRS as at 1 January 2011 and 31 Dec 2011 to IFRS

Reconciliation of shareholders' equity as at 1 January 2011

	Effect of transition to IFRS		
	NGAAP N'000	IFRS Adjustment N'000	IFRS restated N'000
Non Current assets			
Property, plant and equipment	156,285,722	(58,393,498)	97,892,224
Intangible assets	23,806,605	81,053,734	104,860,339
Available-for-sale financial assets	1,000	-	1,000
Deferred income tax assets	3,695,549	2,790,842	6,486,391
Derivative financial assets	-	1,293,615	1,293,615
Finance lease receivables	-	4,169,287	4,169,287
Non-current receivables and prepayments	25,492,756	(24,567,648)	925,108
Restricted cash	-	-	-
	209,281,632	6,346,332	215,627,964
Current assets			
Inventories	22,386,418	-	22,386,418
Finance lease receivables	-	476,314	476,314
Trade and other receivables	80,167,579	(2,243,989)	77,923,590
Deferred tax asset	-	-	-
Available-for-sale financial assets	-	-	-
Cash and cash equivalents (excluding bank overdrafts)	12,187,072	-	12,187,072
	114,741,069	(1,767,675)	112,973,394
Total assets	324,022,701	4,578,657	328,601,358
Equity and Liabilities			
Equity attributable to owners of the parent			
Share capital	905,084	-	905,084
Share premium	49,042,111	-	49,042,111
Revaluation reserve	18,054,794	(2,346,240)	15,708,554
Foreign currency translation reserve	-	(1,140,692)	(1,140,692)
Other reserve	-	-	-
Retained earnings	23,945,029	4,207,823	28,152,852
	91,947,018	720,891	92,667,909
Non controlling interest	1,102,516	(90,581)	1,011,935
Total equity	93,049,534	630,310	93,679,844
Liabilities			
Non-current liabilities			
Borrowings	76,348,834	(1,548,412)	74,800,422
Deferred income tax liabilities	12,417,400	4,318,910	16,736,310
Provision for other liabilities & charges	4,336,678	(2,494,851)	1,841,827
Derivative financial instruments	-	1,449,529	1,449,529
Retirement benefit obligation	-	1,407,698	1,407,698
	93,102,912	3,132,874	96,235,786
Current liabilities			
Trade and other payables	60,467,691	1,675,660	62,143,351
Dividends payable	651,358	(651,358)	-
Other short term payable	-	-	-
Deferred tax liability	208,829	(208,829)	-
Current income tax liabilities	5,521,737	-	5,521,737
Borrowings	71,020,640	-	71,020,640
Convertible debt	-	-	-
	137,870,255	815,473	138,685,728
Total liabilities	230,973,167	3,948,347	234,921,514
Total equity and liabilities	324,022,701	4,578,657	328,601,358

Appendix 1

Reconciliation of NGAAP to IFRS as at 1 January 2011 and 31 Dec 2011 to IFRS

Reconciliation of shareholders' equity as at 31 December 2011

	Effect of transition to IFRS		
	NGAAP N'000	IFRS Adjustment N'000	IFRS restated N'000
Non Current assets			
Property, plant and equipment	175,455,217	(65,976,008)	109,479,209
Intangible assets	23,667,715	95,665,651	119,333,366
Available-for-sale financial assets	1,000	-	1,000
Deferred income tax assets	5,553,035	4,355,738	9,908,773
Derivative financial assets	-	2,404,000	2,404,000
Finance lease receivables	-	3,663,544	3,663,544
Non-current receivables and prepayments	34,426,127	(32,951,699)	1,474,428
Restricted cash	-	2,343,000	2,343,000
	239,103,094	9,504,226	248,607,320
Current assets			
Inventories	32,458,405	-	32,458,405
Finance lease receivables	-	498,930	498,930
Trade and other receivables	106,219,744	(1,023,494)	105,196,250
Deferred tax asset	1,856,959	(1,856,959)	-
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
	161,761,668	(4,724,523)	157,037,145
Total assets	400,864,762	4,779,703	405,644,465
Equity and Liabilities			
Equity attributable to owners of the parent			
Share capital	1,137,058	-	1,137,058
Share premium	49,521,186	-	49,521,186
Revaluation reserve	18,054,794	(2,375,527)	15,679,267
Foreign currency translation reserve	-	(2,302,339)	(2,302,339)
Other reserve	-	-	-
Retained earnings	22,548,472	5,110,241	27,658,713
	91,261,510	432,375	91,693,885
Non controlling interest	1,166,271	(95,170)	1,071,101
Total equity	92,427,781	337,205	92,764,986
Liabilities			
Non-current liabilities			
Borrowings	85,591,771	420,520	86,012,291
Deferred income tax liabilities	9,610,331	7,309,491	16,919,822
Retirement benefit obligation	2,622,606	106,364	2,728,970
Derivative financial instruments	-	2,973,892	2,973,892
Provision for other liabilities & charges	1,486,648	-	1,486,648
	99,311,356	10,810,267	110,121,623
Current liabilities			
Trade and other payables	75,106,071	102,973	75,209,044
Dividends payable	651,358	-	651,358
Other short term payable	-	-	-
Deferred tax liability	3,970,742	(3,970,742)	-
Current income tax liabilities	6,904,218	-	6,904,218
Borrowings	119,993,236	-	119,993,236
Convertible debt	2,500,000	(2,500,000)	-
	209,125,625	(6,367,769)	202,757,856
Total liabilities	308,436,981	4,442,498	312,879,479
Total equity and liabilities	400,864,762	4,779,703	405,644,465

Notes to Reconciliation

Restatements to previously published NGAP accounts

Notes to Reconciliation**Restatements to previously published NGAP accounts**

- a. IFRS requires that the residual values, useful lives and depreciation method of property, plant and equipment be reviewed at each reporting period. Items of property, plant and equipment with significant components and with different useful lives and residual values are required to be disaggregated (componentised) for the purpose of depreciation. Componentisation is not required under the Nigerian GAAP. The revision of residual values, useful lives and componentisation led to an increase in the value of property, plant and equipment of N2,912million at 1 January 2011 (N4,164million at 31 December 2011).
- b. The Group capitalised the costs of improvements on Oando Plc Head Office building, which is in use under the terms of an operating lease agreement, as property, plant and equipment. Under IFRS, such improvements are recognised as part of the cost of the operating lease and amortised over the life of the lease. The effect of this adjustment is a reduction in property plant and equipment by N174.8million and an increase in prepaid operating leases by the same amount at 1 January 2011 (N183.6million at 31 December 2011).
- c. IFRS requires that borrowing costs on qualifying assets be capitalised as part of the cost of the asset. The effect of measuring the loan at the amortised cost resulted in additional interest capitalised on the qualifying assets. This requirement led to an increase in property, plant and equipment by N133.8million at 1 January 2011 (N690.1million at 31 December 2011).
- d. The Group acquired 15% stake in two oil and gas fields- OMLs 125 and 134 from Shell Petroleum Development Company (SPDC) in 2008. The fields are operated under a Production Sharing Contract (PSC) with the Nigeria Agip Exploration Company (NAE) and Nigerian National Petroleum Company (NNPC) as partners. Under Nigerian GAAP, the mineral rights on acquisition was determined as the excess of consideration paid over the carrying value of the assets acquired. The acquisition accounting excluded deferred tax implications. Consequently, a revision was made to the carrying amount of the OMLs at acquisition date and the value of the mineral rights capitalised as part of property plant and equipment has been recomputed now taking the deferred taxes into consideration. The impact of the revision has resulted to an increase in mineral rights within Upstream Assets of N3,031 million as at 1 January 2011 (a decrease in mineral rights in PPE of N588 million as at 31 December 2011). Deferred tax assets reduced by N 4,793 million as at 1 January 2011 (increased by N813 million as at 31 December 2011). The net impact in retained earnings was a reduction by N 1,763 million as at 1 January 2011 (and an increase by N710 million as at 31 December 2011). The impact on profits was a reduction of N485 million as at 31 December 2011.
- e. The Group classified both tangible and intangible exploration and evaluation assets as property, plant and equipment. IFRS requires that intangible exploration and evaluation assets should be presented separately from tangible exploration and evaluation assets on the financial statements. There is no requirement to separate tangible and intangible exploration and evaluation assets under the Nigerian GAAP. The effect of this adjustment is a reduction in property, plant and equipment of N55,183million at 1 January 2011 (N63,384million at 31 December 2011) and an increase in intangible assets by the same amount.
- f. The Group accounted for a gas electric fire plant constructed by Akute Power Limited, under a Build-Operate-Transfer (BOT) arrangement with the Lagos State government as property, plant and equipment. 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 N3,650million (N3,321million at 31 December 2011) and recognition of finance lease receivables of N4,646million (N4,162million at 31 December 2011); with net impact of N996 million recognised in retained earnings. At 31 December 2011, revenue of N1.204million was derecognised and finance income of N753million was recognised in respect of the finance lease receivables. The net impact on depreciation charge for the year was a reduction of N298million

The embedded derivative implied by the contract has been recognised at fair value at each reporting period. This resulted in an increase in derivative value of N847 million as at 1 January 2011 (N2,084 million at 31 December 2011). N 1,237 million was recognised as fair value gains in the income statement for 31 December 2011.

- g. 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 N188.6million, a reduction in the revaluation reserve account of N405million and the net impact of N221million has been recorded in retained earnings.

As at 31 December 2011, the impact was a reduction in property, plant and equipment of N143.7million and a reduction in the revaluation reserve of N409million. The depreciation charge for the year reduced by N 48 million with a balance of N221million recorded in retained earnings

- h. IFRS requires that goodwill acquired in a business combination be allocated to each of the acquirer's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the business combination. Such goodwill should be tested for impairment at the end of each reporting period and should not be amortised. Allocation of goodwill is not required under NGAAP. Goodwill had also previously been amortised. The impact of these errors is an increase in intangible assets of N608million at 1 January 2011 (N639 million at 31 December 2011).

The Group has applied the requirements of IFRIC 12 - Service Concession Arrangements in accounting for the service concession arrangement with Nigeria Gas Company (NGC). 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, long term receivable (otherwise referred to as the Pipeline Cost Recovery Account) of N22,927million (N30,971million at 31 December 2011) previously recorded under NGAAP was derecognised and intangible asset of N6,166 million at 1 January 2011 (N5,481 million at 31 December 2011) was recognised at fair value. The income statement impact of these journals as at 31 December 2011 were additional revenue of N1,867million and an increase in cost of sales of N2,845million in 2011. There was also a decrease in finance income of N4,267 million and a corresponding decrease in finance costs of the same amount as at 31 December 2011

Intangible assets work-in-progress representing the value of for pipelines under construction of N19,096million and N26,161million have been recognised at 1 January 2011 and 31 December 2011 respectively.

- j. The deferred tax implications of all the IFRS adjustments 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 assets of N 2,791 million; an increase in deferred tax liabilities of N4,445million. Deferred tax is presented as non-current under IFRS. Deferred tax assets and liabilities previously disclosed under current assets have been reclassified to non current.

At 31 December 2011, the effect of computation of deferred taxes on the IFRS adjustments resulted to an increase in deferred tax assets of N 4,356 million and an increase in deferred tax liabilities of N7,713 million. The net impact is a reduction in tax expense of N 228 million and retained earnings by N3,128million

- k. IFRS requires derivative financial instruments to be measured at fair value when a reporting entity becomes a party to the contract. Under NGAAP there is no requirement for the recognition or measurement of derivative financial instruments. The impact of this adjustment is the recognition of a derivative asset of N1,294million at 1 January 2011(N2,404million at 31December 2011) and derivative liabilities of N1,449million at 1 January 2011 (N2,974million at 31 December 2011). At 31 December 2011, fair value gains of N1.6billion have been recorded in the income statement in respect of the derivative financial instruments.
- l. IFRS requires that receivables and payables aged over 12 months be classified as long-term and the effect of time value of money be considered in accounting for long-term receivables and payables. Hence these receivables and payables are discounted and the unwinding of such discounts are recognised in the income statement as finance income and expense as appropriate. The impact of discounting the receivables and payables as at 1 January 2011 was a decrease of N932million and N1,031million respectively (a decrease of N377million and N1,301 million in receivable and payables respectively at 31 December 2011). The impact on retained earnings of discounting trade receivables as at 1 January 2011 and 31 December 2011 are N422 million and N566 million respectively. The impact on retained earnings of discounting trade payables as at 1 January 2011 and 31 December 2011 are N541 million and N569 million respectively.

The unwinding of the discount is recognised over the life of the contract under IFRS. Dividend payables has also been presented and other payables under IFRS.

- m. Prepaid fees on long-term loans that were accounted for as a prepayment and amortised over the life of the loan, have been recognised as part of the carrying amount of the borrowing under IFRS. Under IFRS, transaction fees are included as part of the amortised cost of the loan. At 1 January 2011, the impact of this adjustment is a decrease in short-term prepayment of N574million (N609million at 31 December 2011) and a decrease in long-term prepayments of N1,815million (N2,165million at 31 December 2011) and a corresponding increase in borrowings of the same amount in the respective years.
- n. IFRS requires financial liabilities carried at amortised cost to be measured using the effective interest method. The effect of applying the effective interest rate method resulted in a reduction in borrowings by N487million at 1 January 2011 (31 December 2011: N671million). The corresponding effect was recorded as finance costs in the income statement resulting in increased finance costs of N90million at 31 December 2011.
- o. IFRS requires the defined benefit obligation to be measured in line with the provisions of IAS 19 - Employee benefits. The measurement, which was performed by Alexander Forbes Consulting Actuaries Nigerian Limited, has resulted in an increase in the Group's defined benefit obligation of N101.2million at 1 January 2011 (N106.4million at 31 December 2011). Retirement benefit obligations have also been reclassified from provisions and other liabilities and presented separately on the statement of financial position.

- p. Deferred taxes on revaluation gains have been re-measured appropriately under IFRS using the liability method. Under NGAAP the deferred taxes were measured using the income statement method. The effect of this adjustment is a net reduction in revaluation reserve of N733million at 1 January 2011 (N770million at 31 December 2011).
- q. Under NGAAP, income statement of foreign subsidiaries are translated using the closing rate and translation gains and losses are recognised in retained earnings. Under IFRS, income statement is translated at the average rate and translation gains/losses on consolidation of foreign subsidiaries are recognised in the foreign currency translation reserve in equity. The impact of translation differences on the income statement has been shown as an effect of transition to IFRS in the reconciliation of comprehensive income as at 31 Dec 2011
- The effect of translation of other components of equity: revaluation reserves, other reserves and retained earnings upon translation from the previous presentation currency of the previously reported IFRS financial statements (USD) to Naira has also been recorded in the foreign currency translation reserve. The effect of these adjustments is a the foreign currency translation reserve of N1,140 million at 1 January 2011 (N2,302million at 31 December 2011).
- r. IFRS requires items of income and expense (including reclassification adjustments and the associated deferred taxes) that are not recognised in profit or loss as required or permitted by other IFRSs to be recognised in other comprehensive income. These adjustments led to the recognition of N688 million in respect of actuarial gains/ losses, revaluation adjustments to property plant and equipments and currency translation differences as other comprehensive income as at 31 December 2011. These had been charged to the income statement under NGAAP.
- s. Pre-exploration expenses are not permitted under IFRS 6. These were capitalised as other assets under Nigerian GAAP and have now been written off under IFRS. The effect of this adjustment is a reduction in other assets of N738million at 1 January 2011 (N37million at 31 December 2011).
- t. Exceptional items are not described as such under IFRS. The exceptional item of N9.9 billion disclosed under NGAAP has been recognised as part of administrative expenses
- u. The group issued a convertible bond of N2.5billion to Ocean and Oil Investments Limited (OOI), a related party in 2011. This was accounted for as a payable in the NGAAP accounts. In IFRS financial statements, the convertible instrument has been recorded as a borrowing at the fair value of the liability component. No equity component was recorded because it did not meet the requirements for recognition. At 31 December 2011, This adjustment led to an increase in interest expense of N144 million and a corresponding increase in borrowings by the same amount.

v Retained Earnings
Reconciliation of NGAAP retained earnings to IFRS (restated)

	Reference	31-Dec-11 N'000	1-Jan-11 N'000
Retained earnings as reported under Nigerian GAAP		22,548,472	23,945,029
Residual values & componentisation	(a)	(3,762,799)	(2,529,268)
Borrowing costs capitalised	(c)	-	-
Decommissioning costs	(g)	440,785	383,918
Finance Lease	(f)	841,836	995,789
		-	-
Convertible	0	1,696,201	-
Intangible assets	(i)	670,797	2,334,579
Impairment and amortisation of goodwill	(h)	(639,293)	(608,474)
AFS reserve write off		(8,801)	(8,376)
-Gas transmission pipeline	(i)	-	-
Project major costs write off		37,386	738,129
Derivative financial instruments	(k)	4,786,561	3,186,312
		-	-
Discounting on trade receivables	(l)	565,545	442,272
Pre-exploration costs previously capitalised	(s)	-	-
Discounting on trade payables	(l)	(568,704)	(541,288)
Defined benefit obligation and actuarial gains		(344,300)	(327,702)
Deferred premiums payable	(l)	-	-
		-	-
Amortised cost on borrowings	(n)	1,223,139	238,324
Impact of deferred taxes	(j), (p)	(416,168)	(651,504)
Retirement benefit obligation	(o)	-	-
share options and deferred taxes in equity	(k)	265,686	(170,798)
		(2,087,299)	(1,346,768)
Currency translation differences	(q)	2,452,368	2,072,677
Depreciation on revaluation reversal		(42,700)	-
Retained earnings as reported under IFRS		27,658,713	28,152,852

	2012 N'000	%	2011 N'000	%
GROUP				
Turnover	6731,181,997		571,305,637	
Other Income	2,097,924		13,516,172	
Interest received	3,521,533		7,316,985	
	678,801,454	-	592,138,794	
Bought in goods and services				
- Local purchases	(334,371,598)		(309,071,464)	
- Foreign purchases	(288,453,123)		(239,388,132)	
Value added	55,976,732	100	43,679,198	100
Distributed as follows				
Employees				
- To pay salaries and wages and other staff costs	8,621,891	15	10,404,681	24
Government				
- To pay tax	9,913,242	18	14,185,703	32
Providers of capital				
- To pay dividend	-	-	-	-
- To pay interest on borrowings	20,093,243	36	12,767,211	29
Non-controlling interest	364,769	1	156,175	-
Maintenance and expansion of assets				
- Deferred tax	(3,145,492)	(6)	(2,873,539)	(7)
- Depreciation	8,605,708	15	7,251,227	17
- Retained in the business	11,523,371	21	1,787,740	4
Value distributed	55,976,732	100	43,679,198	100

	2012 N'000	%	2011 N'000	%
COMPANY				
Turnover	7,358,881		8,122,502	
Other Income	1,790,961		1,240,803	
Interest received	4,527,632		2,877,014	
	13,677,474		12,240,319	
Bought in goods and services				
- Local purchases	(2,323,459)		(854,323)	
- Foreign purchases	-		-	
Value added	11,354,015	100	11,385,996	100
Distributed as follows				
Employees				
- To pay salaries and wages and other staff costs	885,036	8	1,655,551	15
Government				
- To pay tax	304,347	3	290,888	3
Providers of capital				
- To pay dividend	-	-	5,430,508	48
- To pay interest on borrowings	5,565,556	49	2,605,357	23
Maintenance and expansion of assets				
- Deferred tax	6,950	-	(300,899)	(3)
- Depreciation	261,051	2	279,024	2
- Retained in the business	4,331,075	38	1,425,567	13
Value distributed	11,354,015	100	11,385,996	100

	2012 N'000	2011 N'000	2010 N'000	2009 N'000	2008 N'000
Property, plant and equipment	130,324,713	109,479,209	97,892,224	132,858,598	90,673,687
Intangible exploration assets, other intangible assets and goodwill	138,853,809	119,333,366	104,860,339	24,573,776	22,885,957
Deferred income tax assets	13,424,518	9,908,773	6,486,391	9,185,591	2,440,841
Available for sale investments	1,000	1,000	1,000	1,000	2,615
Deposit for acquisition of a business	67,542,450	-	-	-	-
Restricted Cash	4,053,050	2,343,000	-	-	-
Other non-current receivables	18,863,930	9,884,972	6,388,010	19,216,815	14,928,512
Net current liabilities	(161,081,158)	(45,720,711)	(25,712,334)	(107,952,869)	(33,665,772)
Borrowings	(75,221,070)	(86,012,291)	(74,800,422)	(20,920,086)	(41,691,468)
Deferred income tax liabilities	(17,207,614)	(16,919,822)	(16,736,310)	(923,681)	(9,274,359)
Other Non-Current liabilities	(10,146,050)	(7,189,510)	(4,699,054)	(2,658,276)	(1,960,596)
	105,354,528	92,764,986	93,679,844	53,380,868	44,339,417
Share capital	1,137,058	1,137,058	905,084	522,799	462,986
Share premium	49,521,186	49,521,186	49,042,111	34,192,573	30,272,940
Retained earnings	37,142,281	27,658,713	28,152,852	17,640,414	8,179,066
Other reserves	14,412,064	13,376,928	14,567,862	107,453	5,209,080
Non controlling interest	3,141,939	1,071,101	1,011,935	917,629	215,345
	105,354,528	92,764,986	93,679,844	53,380,868	44,339,417
Revenue	673,181,997	571,305,637	378,925,430	336,859,678	339,420,435
Profit before income tax	17,554,067	13,885,097	24,318,845	13,512,155	10,742,611
Income tax expense	(6,767,750)	(11,252,759)	(9,943,879)	(3,415,176)	(2,399,286)
Profit for the year	10,786,317	2,632,338	14,374,966	10,096,979	8,343,325
Dividend					
Per share data					
Weighted average number of shares	2,274,118	2,268,415	1,734,746	904,884	904,884
Basic earnings per share (kobo)	458.40	125.75	829	1,132	922
Diluted earnings per share (kobo)	458.40	126.53	-	-	-
Dividends per share (kobo)	-	239	300	300	600
Net assets per share (kobo)	4,633	4,089	5,364	5,836	4,960
Dividend cover (times)	-	0.53	2.76	3.77	1.54

Statement of Unclaimed/Returned Dividend Warrants Share Capital History

For the year ended 31 December 2012

Oando Plc - Unclaimed dividend as at 31st December 2012

Payment Number	Balance as at 31 December 2012	Payable Date
17	396,450,055.59	30, May 2008
18	287,133,181.30	30, Sep 2008
19	28,363,913.50	3, Aug 2009
20	275,136,294.40	31, Aug 2010
21	661,208,679.65	30, Aug 2011
	1,648,292,124.44	

Oando Plc – Share Capital History

Year Date	Authorized (N) Increase	Cumulative	Issue and fully Paid-up (N) Increase	Cumulative	Consideration 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	90,884,814	377,035,262	Share Exchange under Scheme of Arrangement
2008	0	500,000,000	75,407,052	452,442,314	Bonus issue
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	-
2009	0	0	0	452,542,314	-
2010	0	0	0	905,084,628	-
2010	2,000,000,000	3,000,000,000	301,694,876	1,508,474,380	Right Issue
2010	0	0	150,847,438	1,810,169,256	Bonus Issue
2011	0	0	226,271,157	2,262,711,570	Bonus Issue
2011	0	0	5,703,284	2,274,118,138	Staff Equity Scheme
2012	2,000,000,000	5,000,000,000	0	2,274,118,138	-

PROXY FORM



The 36th (Thirty-sixth) Annual General Meeting of Oando PLC (the “Company”) will be held at the The Incubator, 7/8, Chief Yusuf Abiodun Road, Oniru, Victoria Island, Lagos State, Nigeria on Thursday, the 25th day of July 2013 at 10:00 a.m. (the “Meeting”)

I/WE*of

.....being a member/members of Oando PLC and holders of

shares, hereby appoint**or failing him/her, the Chairman of the Meeting as my/our proxy to act and vote for me/us on my/our behalf at the Meeting of the Company to be held on Thursday the 25th day of July, 2013, which will be held for the purposes of considering and, if deemed fit, passing with or without modification, the resolution to be proposed at the Meeting and at each adjournment of same and to vote for or against the resolution in accordance with the following instructions:

NOTE

A member who is unable to attend the Annual General Meeting is entitled by law to vote by proxy. The proxy form has been prepared to enable you exercise your right in case you cannot personally attend the Meeting.

The proxy form **should not** be completed if you will be attending the Meeting. If you are unable to attend the Meeting, read the following instructions carefully:

- Write your name in BLOCK CAPITALS on the proxy form where marked*
- Write the name of your proxy where marked**, and ensure that the proxy form is dated and signed by you. The Common Seal must be affixed on the proxy form if executed by a corporation.

S/N	Proposed resolution	For	Against
1	To receive the Report of the Audit Committee;		
2	To declare the dividend recommended by the directors of the Company;		
3	To elect members of the Audit Committee;		
4	To re-appoint the Auditors;		
5	To authorise the directors of the Company to fix the remuneration of the Auditors;		
6	To re-elect HRM Oba M. Gbadebo CFR, (The Alake of Egbaland) as director;		
7	To re-elect Mr. Mr. Olufemi Adeyemo as director;		
8	To re-elect Chief Sena Anthony as director;		
9	To consider, and if approved, to pass with or without modification, the following ordinary resolution to fix the remuneration of the Non-Executive directors: "It is hereby resolved that the fees payable quarterly in arrears, be ₦5,000,000 per annum for the Chairman and ₦4,000,000 per annum for all other Non-Executive directors with effect from 1, January 2013."		

Registered holders of certificated shares and holders of dematerialised shares in their own name(s) who are unable to attend the Meeting and who wish to be represented at the Meeting, must complete and return the attached form of proxy in accordance with the instructions contained in the form of proxy so as to be received by the share registrars, First Registrars Nigeria Limited at Plot 2, Abebe Village Road, Iganmu, Lagos, Nigeria or Computershare Investor Services (Proprietary) Limited, 70, Marshall Street, Johannesburg, 2001, South Africa, PO Box 61051, Marshalltown, 2107, not less than 48 hours before the date of the Meeting.

Holders of the Company's shares in South Africa (whether certificated or dematerialised) through a nominee should timeously make the necessary arrangements with that nominee or, if applicable, Central Securities Depository Participant (“CSDP”) or their broker to enable them to attend and vote at the Meeting or to enable their votes in respect of their shares to be cast at the Meeting by that nominee or a proxy.

Signature:

Dated thisday of2013



ADMISSION CARD

**THE 36TH (THIRTY-SIXTH) ANNUAL GENERAL MEETING TO BE HELD AT THE INCUBATOR,
7/8, CHIEF YUSUF ABIODUN ROAD, ONIRU, VICTORIA ISLAND,
LAGOS STATE, NIGERIA**

On Thursday July 25, 2013 at 10.00 a.m

NAME OF SHAREHOLDER

SIGNATURE OF PERSON ATTENDING

NOTE: The Shareholder or his/her proxy must produce this admission card in order to be
Admitted at the meeting.

Please affix postage stamp

First Registrars Nigeria Limited
Plot 2, Abebe Village Road,
Iganmu, Lagos,

or

Computershare Investor Services (Proprietary) Limited,
70 Marshall Street,
Johannesburg, 2001, South Africa
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2, Ajose Adeogun Street , Victoria Island
Lagos, Nigeria
Tel: 234-1-2601290-9; 2702400
E-mail: info@oandopl.com
Website: www.oandopl.com

ABUJA AREA OFFICE

Plot 252,
Central Business District
Opp. NNPC Towers
Federal Capital Territory
Abuja, Nigeria
Tel: 234-9-5235458-9

OANDO TRADING

Thistle House
4, Burnaby Street,
Hamilton HM 11
Bermuda
Tel: 441295 1443
Fax: 441 295 9216

OANDO SUPPLY AND TRADING

(10th Floor)
2, Ajose Adeogun Street , Victoria Island
Lagos, Nigeria
Tel: 234-1-2704400
Fax: 234-1 – 2696758

GASLINK

(5th Floor)
2, Ajose Adeogun Street , Victoria Island
Lagos, Nigeria
Tel: 234-1-2702794-5
Fax: 234-1-2713403
E-mail: info@gaslink.org
Website: www.gaslink.org

OANDO GAS & POWER

(5th Floor)
2, Ajose Adeogun Street , Victoria Island
Lagos, Nigeria
Tel: 234-1-2702794-5
Fax: 234-1-2713403

OANDO ENERGY SERVICES

(7th Floor)
2, Ajose Adeogun Street , Victoria Island
Lagos, Nigeria
Tel: 234-1-2622311-4
Fax: 234-1-2622311

OANDO EXPLORATION AND PRODUCTION

(7th Floor)
2, Ajose Adeogun Street , Victoria Island
Lagos, Nigeria
Tel: 234-1-2601293-5, 4619882
Fax: 234-1-2625467

WEST AFRICAN OPERATIONS

OANDO BENIN REPUBLIC
OIBP 1093 Recette Principale Cotonou
Tel: 299-313679

OANDO GHANA

B35 Augustino Neto Road
Airport Residential Area
Accra, Ghana
Tel: 233-21-761196, 761520

OANDO (TOGO) S.A.

142, Rue 42 Enface De L'Hotel
Sakarawa Ablogame
Lome, Togo
Tel: 228-227-59-46, 227-04-22

PLANTS/TERMINALS

APAPA TERMINAL

Terminal Office
Kayode Street
Marine Beach
Apapa, Lagos
Tel: 234-1-5870218

LAGOS AVIATION TERMINAL

Oando Aviation
Muritala Mohammed Local Airport
Opposite Aero contractors
Ikeja, Lagos
Nigeria
Tel: 234-1-4975888

ABUJA AVIATION TERMINAL

Oando Aviation
Behind Julius Berger Yard
Nnamdi Azikwe International Airport
Abuja

BITUMEN PLANT

C/O Oando Div. Office
Reclamation Road
Port Harcourt
Rivers State
Nigeria
Tel: 234-84-234516

LUBRICANT BLENDING PLANT

Rido Village
Off Kachia Road
PMB 2110
Kaduna State
Nigeria
Tel: 234-62-516128, 236282

ONNE TANK TERMINAL

Onne Terminal, Oando Plc
Onne-NPA (flt) Road
Onne Oil and Gas Free Zone
Port Harcourt, Nigeria
Tel: 234-84-579940

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