OANDO PLC

Annual reports and consolidated financial statements
31 December 2013

TABLE OF CONTENTS

	Page
Directors and professional advisers	3
Directors' report	4
Statement of directors' Responsibilities	7
Report of the independent Auditors	8
Consolidated and separate financial statements:	
Income statement	10
Statement of comprehensive income	11
Statement of financial position	12
Statement of changes in equity	14
Statement of cash flows	16

Note		Page
1	General information	17
2	Summary of significant accounting policies	
	(a) Basis of preparation	17
	(b) Consolidation	18
	('c) Functional currency and translation of foreign currencies	19
	(d) Segment reporting	20
	('e) Revenue recognition	20
	(f) Property, plant and equipment	21
	(g) Intangible assets	21
	(h) Impairment of non-financial assets	21
	(i) Financial instruments	22
	(j) Accounting for leases	23
	(k) Inventories	23
	(l) Receivables	23
	(m) payables	23
	(n) Share capital	23
	(0) Cash and cash equivalents	23
	(p) Employees benefits	23
	(q) Provisions	24
	('r) Current and deferred income tax	25
	(s) Borrowings	25
	(t) Exceptional items	25
	(u) Dividends	25
	(v) Upstream activities	25
	(w) Impairment	25
	(x) Government grant	26
	(y) Non-current assets held for sale	26

Note		Page
3	Financial risk management	27
4	Critical accounting estimates and judgements	31
5	Segment information	34
6	Other operating income	36
7	Expenses by nature	36
8	Employees benefits expenses	37
9	Finance costs/income	37
10	Income tax expense	38
11	Earnings per share	38
12	Property, plant and equipment	39
13	Intangible exploration assets, other intangible assets	41
14	Investments accounted for using the equity method	43
15	Deferred income tax	45
16	Derivative financial asset	47
17	Finance lease receivables	47
18	Deposit for acquisition of a business	47
19	Non-current receivables and prepayments	48
20	Inventories	49
21	Trade and other receivables	49
22	Available-for-sale financial assets	49
23	Cash and cash equivalents	50
24	Non-current assets held for sale and discontinued operations	51
25	Share capital	52
26	Other reserves	53
27	Borrowings	53
28	Provision for liabilities and charges	55
29	Derivative financial instruments	55
30	Retirement benefit obligations	56
31	Government Grant	57
32	Trade and other payables	57
33	Dividend payable	57
34	Cash generated from operations	57
35	Related party transactions	58
36	Commitments	61
37	Events after the reporting period	61
38	Contingent liabilities	62
39	Subsidiaries' information	64
40	Financial instruments by category	66
41	Upstream activities	67
42	Business combination	69
43	Reconciliation of previously published figures	70
44	Value Added Statement	71
45	Five-Year Financial Summary (2009 -	72

Directors	HRM. Oba A Gbadebo, CIR	(Chairman, Non-Executive Director)
	Mr. J A Tinubu	(Group Chief Executive)
	Mr. O. Boyo	(Deputy Group Chief Executive)
	Mr. B. Osunsanya	(Group Executive Director)
	Mr Olufemi Adeyemo	(Group Executive Director -Finance)
	Mr. Oghogho Akpata	(Non-executive Director)
	Ammuna Lawan Ali	(Non-executive Director)
	Chief Sena Anthony	(Non-executive Director)
	Ms. Nana Afoah Appiah-Korang	(Non-executive Director)
	Francesco Cuzzocrea	(Non-executive Director - Appointed 25, July 2013)
	Engr. Yusuf K J N'jie	(Non-executive Director)

Company Secretary and Chief Compliance Officer

Ayotola Jagun (Ms)

Registered Office

2 Ajose Adeogun Street
Victoria Island, Lagos

Auditors

PricewaterhouseCoopers
(Chartered Accountants)
Plot 252E Muri Okunola Street
Off Ajose-Adeogun Street
Victoria Island, Lagos

Bankers

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

The Directors submit their Report together with the audited consolidated financial statements for the year ended 31 December 2013, which disclose the state of affairs of the Group and Company.

1 PRINCIPAL ACTIVITY

The principal activity of Oando Plc ("the Company") locally and internationally is to have strategic investments in energy companies. The Company is involved in the following business activities via its subsidiary companies:

a) Marketing of petroleum products, manufacturing and blending of lubricants - Oando Marketing Plc and other petroleum products marketing companies.

b) Pipeline construction and distribution of natural gas to industrial customers - Gaslink Nigeria Limited, East Horizon Gas Company Limited, Oando Gas and Power Limited, Akute Power Limited and other gas and power companies.

c) Supply and distribution of petroleum products - Oando Supply and Trading Limited, Ebony Oil & Gas; and Oando Trading, Bermuda.

d) Energy services to upstream companies - Oando Energy Services, and other service companies.

e) Exploration and production (E & P) - Oando Energy Resources Inc., Canada, engaged in production operations and other E & P companies operating within the Gulf of Guinea.

The Company's registered address is 2 Ajose Adeogun Street Victoria Island, Lagos, Nigeria.

2 RESULTS AND DIVIDEND

The net profit for the year of N1.4 billion has been transferred to retained earnings.

	Group		Company	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
	N'000	N'000	N'000	N'000
Turnover	449,873,466	650,565,603	5,883,304	7,358,881
Profit before taxation	713,207	14,177,442	2,783,697	4,690,743
Taxation	(5,389,472)	(8,666,859)	(433,123)	(311,297)
(Loss)/profit for the year from continuing operations	(4,676,265)	5,510,583	2,350,574	4,379,446
Profit for the year from discontinued operations	6,073,191	5,275,734	-	-
Profit for the year	1,396,926	10,786,317	2,350,574	4,379,446
Profit attributable to owners of the parent	1,414,462	10,424,491	2,350,574	4,379,446

3 Dividend

The directors recommend the payment of N0.30k per share in respect of the 2013 audited consolidated financial statements to the shareholders at the next AGM. The dividend would be paid to holders of ordinary shares whose names appear in the Company's Nigerian and South African Registers of members at the close of the business on 30th September 2014. Dividend of N0.75k was declared in 2013 in respect of the 2012 financial results.

4 Directors

i. The names of the present directors and those that served during the year are listed on page 3.

ii. According to the Register of Directors' shareholding, the interests of Directors in the issued share capital of the Company for the purposes of section 275 part 1 of schedule 5 of the Companies and Allied Matters Act, are as follows:

	Direct	Indirect
HRM. Oba A. Gbadebo, CFR	262,500	Nil
Mr. J.A. Tinubu	Nil	3,670,995
Mr O. Boyo	Nil	2,354,713
Mr. B. Osunsanya	202,491	1,890,398
Mr O. Adeyemo	75,000	1,723,898
Ms. Nana Afoah Appiah-Korang	Nil	29,435,046
Chief Sena Anthony	299,133	Nil
Mr. Oghogho Akpata	Nil	Nil
Ammuna Lawan Ali	Nil	Nil
Francesco Cuzzocrea^	Nil	Nil
Engr. Yusuf K J N'jie	Nil	Nil

* Indirect shareholding in *Ocean and Oil Investments Limited (159,701,243) ^Ocean and Oil Development Partners Limited (2,967,792,366)

5 Contracts

Mr Tinubu and Mr. Boyo declared their interest in the private placement of the Company's ordinary shares in which Ocean and Oil Investments Development Partners Limited participated for the purpose of and in line with section 277 of the Companies and Allied Matters Act, and Article 115 of the Company's Articles of Association.

6 Directors' Responsibilities

The directors are responsible for the preparation of annual consolidated financial statements, which have been prepared using appropriate accounting policies, supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards issued by the International Accounting Standards Board and the requirements of the Companies and Allied Matters Act. In doing so, the directors have the responsibilities as described on page 7 of these consolidated financial statements.

7 Shareholdings

As of 31 December 2013, the range of shareholdings of the Company was as follows:

Range of Shareholding	No of Shareholders Within Range	% of Holders	No of shares Within Range	% of Shareholding
1 - 1000	166,252	61 84	61,272,263	0 90
1001 - 5000	73,322	27 27	152,753,855	2 24
5001 - 10000	11,967	4 45	85,609,529	1 25
10001 - 50000	12,605	4 69	274,713,330	4 03
50001 - 100000	2,083	0 77	149,768,442	2 20
100001 - 500000	2,024	0 75	423,581,670	6 21
500001 - 1000000	285	0 11	205,560,431	3 01
1000001 - 5000000	254	0 09	530,860,775	7 78
5000001 - 10000000	27	0 01	184,362,508	2 70
10000001 - 50000000	36	0 01	872,125,362	12 78
50000001 - 100000000	2	-	175,597,443	2 57
100000001 - 500000000	5	-	767,791,486	11 25
500000001 - 1000000000	1	-	2,938,357,320	43 07
	268,863	100	6,822,354,414	100

8 Property, Plant and Equipment

Changes in the value of property, plant and equipment (PPE) were due to revaluation surplus arising from valuation of PPE in accordance with the Company's accounting policies, additions, disposals and impairments as shown in Note 12 to these consolidated financial statements. In the opinion of the directors, the market value of the Company's property, plant and equipment is not lower than the value shown in these financial statements.

9 Donations/Charitable gifts

Description	Amount N
Gaslink scholarship for 100 students in Lagos to attend Primary and Secondary Schools	7,954,800
529 Scholarship awarded to Oando Foundation pupils to attend Secondary Schools	53,745,332
Scholarship for 26 members of the Xplicit Dance Group for Primary, Secondary and University education	5,972,900
Scholarship for Mohammed Muazu to attend the Professional Golf Association South Africa	2,541,814
Educational contribution to NorthWestern University	931,200
Establishment of ICT class at Archbishop Taylor Primary School, Lagos	5,429,974
Establishment of 2 ECCD classrooms at Archbishop Taylor Primary School, Lagos	6,043,866
Donation of furniture to 6 schools in Calabar and Akwa Ibom	16,789,500
Donation for Children's Day Celebration in 27 Schools	994,000
Renovation of Olokun Primary School, Ilasa, Lagos State	8,709,750
Renovation of Z.I. Primary School, Akute, Ogun State	7,540,000
Renovation of Government Primary School, Etim Ekpo, Akwa-ibom	1,755,600
Renovation of Normadic Primary School, Nasarawa, Cross River	2,362,802
Renovation of classroom blocks at Central Pry School, Udobo, Gamawa, Bauchi	8,339,200
Sponsorship of National Emergency Management Association 2013 summit and exhibition	200,000
Sponsorship of the 3rd international safety conference and award 2013.	110,500
Donation to Abati community town hall project, Cross Rivers State.	221,000
Donation to Nigerian Environmental Society for Annual Environmental Conference	100,000
Donation towards Nigerian Environmental Society's AGM program	200,000
EHSSQ contribution for sponsorship of Bi-Annual Nigeria Police Game	200,000
Sponsorship of National Conservation Foundation 2013 Annual Dinner Dance	160,000
	130,302,238

10 Employment and Employees

Equal Employment Opportunity

The Company pursues an equal employment opportunity policy. It does not discriminate against any person on the ground of race, religion, colour, or physical disability.

Employment of Physically Disabled Persons

The Company maintains a policy of giving fair consideration to applications from physically disabled persons, bearing in mind their respective aptitudes and abilities. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that the appropriate training is arranged.

Industrial/Employees Relation

The Company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and the various factors affecting the performance of the Company. This is achieved through management's open door policy and improved communication channels. These channels include the e-mail and intranet, the revised in-house magazine, the entrenchment of regular departmental meetings and executive management's divisional town hall meetings. The relationship between management and the house unions remains very cordial. Regular dialogue takes place at informal and formal levels.

Training and Development

The Company places great emphasis on the training and development of its staff and believes that its people are its greatest assets. Training courses are geared towards the developmental needs of staff and the improvement in their skill sets to face the increasing challenges in the industry. The Company will continue to invest in its human capital to ensure that the employees are well motivated and positioned to compete in the industry.

11. **Audit Committee**

In accordance with section 359(4) of the Companies and Allied Matters Act, the following shareholders and directors were members of the Audit Committee during the year ended 31 December 2013:

a)	Ammuna Lawan Ali, OON	Chairperson
b)	Chief Sena Anthony	Director
c)	Mr. Francesco Cuzzocrea	Director
d)	Mr. Fidelis Opia Ijoma	Shareholder
e)	Alhaji Lateef Shonubi	Shareholder
f)	Mr. Kabir Babatunde Sarumi	Shareholder

12. **Auditors**

The Company's auditor, Messrs' PricewaterhouseCoopers, has indicated its willingness to continue in office as the Company's auditor in accordance with section 357(2) of the Companies and Allied Matters Act, 2004.

Dated this 22 Day of SEPT. 2014
By Order of the Board

Ayotola Jagun (Ms.)
Chief Compliance Officer and Company Secretary
2 Ajose Adeogun Street, Victoria Island, Lagos
FRC/2013/00000003578

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.

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, six 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.

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 in compliance with section 359(4) of the Companies and Allied Matters Act. 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 the Internal Audit plan and implementation status of internal audit recommendations.

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 practice 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	Director
22 SEPTEMBER 2014	22 SEPTEMBER 2014
FRC/2013/NBA/00000003348	FRC/2013/ICAN/00000003349

pwc

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 2013 and the statements of profit or loss, 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 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

Report on other legal requirements

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

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;

iii) the company's statements of financial position and comprehensive income are in agreement with the books of account.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A 693219

Pedro Omontuemhen

Engagement Partner: Pedro Omontuemhen
FRC/2013/ICAN/00000000739
For: PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria

23 September 2014

	Note	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Continuing operations					
Revenue	5	449,873,466	650,565,603	5,883,304	7,358,881
Cost of sales		(390,584,435)	(580,664,507)	-	-
Gross profit		59,289,031	69,901,096	5,883,304	7,358,881
Other operating income	6	5,135,379	1,637,352	5,034,740	1,790,961
Selling and marketing costs		(6,478,374)	(7,555,800)	-	-
Administrative expenses		(41,396,496)	(39,557,419)	(1,686,201)	(3,421,175)
Operating profit		16,549,540	24,425,229	9,231,843	5,728,667
Finance costs	9	(21,637,777)	(13,769,320)	(14,194,497)	(5,565,556)
Finance income	9	5,804,480	3,521,533	7,746,351	4,527,632
Finance costs - net		(15,833,297)	(10,247,787)	(6,448,146)	(1,037,924)
Share of (loss) of investments accounted for using the equity method	14	(3,036)	-	-	-
Profit before income tax		713,207	14,177,442	2,783,697	4,690,743
Income tax expense	10	(5,389,472)	(8,666,859)	(433,123)	(311,297)
(Loss)/profit for the year from continuing operations		(4,676,265)	5,510,583	2,350,574	4,379,446
Profit for the year from discontinued operations	24	6,073,191	5,275,734	-	-
Profit for the year		1,396,926	10,786,317	2,350,574	4,379,446
Profit attributable to:					
Owners of the parent		1,414,462	10,424,491	2,350,574	4,379,446
Non-controlling interest		(17,536)	361,826	-	-
		1,396,926	10,786,317	2,350,574	4,379,446
Earnings per share from continuing and discontinued operations attributable to owners of the parent during the year: (expressed in kobo per share)					
Basic earnings per share	11				
From continuing operations		(75)	201		
From discontinued operations		98	206		
From profit for the year		23	407		
Diluted earnings per share	11				
From continuing operations		(75)	201		
From discontinued operations		-	-		
From profit for the year		(75)	201		

The statement of significant accounting policies and notes on pages 17 to 72 form an integral part of these consolidated financial statements.

Comparative figures have been restated for the effect of discontinued operations. See reconciliation of previously published figures in note 43.

	Note	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Profit for the year		1,396,926	10,786,317	2,350,574	4,379,446
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
IFRIC 1 adjustment to revaluation reserve	26	(2,483)	(27,187)	-	-
Gains on revaluation of property, plant and equipment	26	9,946,534	-	-	-
Deferred tax on revaluation surplus	26	(273,525)	-	-	-
Remeasurements of post employment benefit obligations	30	4,790	(83,331)	21,211	(23,936)
Deferred tax on remeasurements of post employment benefit obligations	15	329	24,999	-	7,181
		9,675,645	(85,519)	21,211	(16,755)
Items that may be subsequently reclassified to profit or loss					
Currency translation differences	26	(208,979)	1,218,958	-	-
Fair value gain/(loss) on available for sale investment	22	35,065	(45,166)	35,065	(45,166)
Deferred tax on fair value gain/(loss) on available for sale investment	15	(10,519)	13,550	(10,519)	13,550
		(184,433)	1,187,342	24,546	(31,616)
Other comprehensive income for the year, net of taxes		9,491,212	1,101,823	45,757	(48,371)
Total comprehensive income for the year		10,888,138	11,888,140	2,396,331	4,331,075
Attributable to:					
- Owners of the parent		10,893,153	11,523,371	2,396,331	4,331,075
- Non-controlling interests		(5,014)	364,769	-	-
Total comprehensive income for the year		10,888,138	11,888,140	2,396,331	4,331,075
Total comprehensive income attributable to equity shareholders arises from:					
- Continuing operations		4,819,962	6,247,637	2,396,331	4,331,075
- Discontinued operations		6,073,191	5,275,734	-	-
Total comprehensive income for the year		10,893,153	11,523,371	2,396,331	4,331,075

The statement of significant accounting policies and notes on pages 17 to 72 form an integral part of these consolidated financial statements

	Notes	Group 2013 N'000	Group 2012 N'000
Assets			
Non-current assets			
Property, plant and equipment	12	172,209,842	130,324,713
Intangible assets	13	82,232,746	138,853,809
Investments accounted for using the equity method	14	2,880,478	-
Deferred income tax assets	15	11,463,002	13,424,518
Available-for-sale financial assets	22a	14,500	1,000
Derivative financial assets	16	1,220,796	986,278
Finance lease receivables	17	6,927,207	3,206,008
Deposit for acquisition of a business	18	69,840,000	67,542,450
Non-current receivables and prepayments	19	15,412,684	10,618,594
Restricted cash	23	3,798,258	4,053,050
		365,999,513	369,010,420
Current assets			
Inventories	20	19,446,202	18,110,541
Finance lease receivables	17	782,460	450,377
Derivative financial assets	16	389,900	-
Trade and other receivables	21	143,738,804	113,935,243
Available-for-sale financial assets	22	169,430	148,701
Cash and cash equivalents (excluding bank overdrafts)	23	23,887,497	13,408,506
		188,414,313	146,053,368
Assets of disposal group classified as held for sale	24	37,483,113	-
Total assets		591,896,939	515,063,788
Equity and Liabilities			
Equity attributable to owners of the parent			
Share capital	25	3,411,177	1,137,058
Share premium	25	98,425,361	49,521,186
Retained earnings		33,937,579	37,142,281
Other reserves	26	23,217,694	14,412,064
		158,991,811	102,212,589
Non controlling interest		3,376,266	3,141,939
Total		162,368,077	105,354,528
Liabilities			
Non-current liabilities			
Borrowings	27	71,872,418	75,221,070
Deferred income tax liabilities	15	20,372,939	17,207,614
Provision for other liabilities & charges	28	5,091,069	3,562,670
Derivative financial liabilities	29	-	3,486,456
Retirement benefit obligation	30	2,468,035	2,802,983
Government Grant	31	206,643	293,941
		100,011,104	102,574,734
Current liabilities			
Trade and other payables	32	124,059,301	86,046,357
Derivative financial liabilities	29	1,527,400	-
Current income tax liabilities	10	5,643,719	6,417,980
Dividend payable	33	644,691	651,058
Provision for other liabilities & charges	28	-	353,416
Borrowings	27	183,412,635	213,665,715
		315,287,746	307,134,526
Liabilities of disposal group classified as held for sale	24	14,230,012	-
Total liabilities		429,528,862	409,709,260
Total equity and liabilities		591,896,939	515,063,788

The financial statements and notes on pages 10 to 72 were approved and authorised for issue by the Board of Directors on 22 September 2014 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 16 to 71 form an integral part of these consolidated financial statements.

Assets	Notes	Company 2013 N'000	Company 2012 N'000
Non-current assets			
Property, plant and equipment	12	925,365	3,022,194
Intangible assets	13	105,551	89,096
Investments accounted for using the equity method	14	2,716,431	-
Deferred income tax assets	15	1,292,116	579,406
Derivative financial assets	16	1,582,989	69,645
Non-current receivables and prepayments	19	20,276,423	7,345,639
Available-for-sale financial assets	22a	14,500	1,000
Investment in subsidiaries	22b	108,186,115	85,379,020
Restricted cash	23	327,107	324,000
		135,426,597	96,810,000
Current assets			
Derivative financial assets	16	4,933	-
Inventories	20	-	6,733
Trade and other receivables	21	125,966,063	128,786,885
Deferred income tax assets	15	-	-
Available-for-sale financial assets	22	169,430	147,865
Cash and cash equivalents (excluding bank overdrafts)	23	1,486,292	1,567,995
		127,626,718	130,509,478
Assets of disposal group classified as held for sale	24	10,000	-
Total assets		263,063,315	227,319,478
Equity and Liabilities			
Equity			
Share capital	25	3,411,177	1,137,058
Share premium	25	98,425,361	49,521,186
Retained earnings		2,861,024	4,520,486
Other reserves	26	1,392,189	2,276,126
Total Equity		106,089,751	57,454,856
Liabilities			
Non-current liabilities			
Borrowings	27	11,942,482	45,760,738
Derivative financial liabilities	29	-	1,409,651
Retirement benefit obligation	30	1,189,998	1,232,303
		13,132,480	48,402,692
Current liabilities			
Trade and other payables	32	109,081,976	51,575,433
Derivative financial liabilities	29	539,964	-
Current income tax liabilities	10	1,511,885	760,941
Dividend payable	33	644,691	651,058
Borrowings	27	32,062,568	68,121,082
Provision for other liabilities & charges	28	-	353,416
		143,841,084	121,461,930
Total liabilities		156,973,564	169,864,622
Total equity and liabilities		263,063,315	227,319,478

The financial statements and notes on pages 10 to 72 were approved and authorised for issue by the Board of Directors on 22 September 2014 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 17 to 72 form an integral part of these financial statements

Group	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
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 or loss 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	-	1,188,828	10,334,543	11,523,371	364,769	11,888,140
Transaction with owners						
Value of employee services	-	605,293	-	605,293	-	605,293
Tax on value of employee services	-	96,109	-	96,109	-	96,109
Reclassification to share based payment reserve (SBPR)	-	1,078,449	(1,078,449)	-	-	-
Total transactions with owners	-	1,779,851	(1,078,449)	701,402	-	701,402
Revaluation on disposal of Property, plant and equipment	-	(13,051)	13,051	-	-	-
Non controlling interest arising in business combination						
Non controlling interest arising on business combination		(1,920,492)	214,423	(1,706,069)	1,706,069	-
Total transactions with owners of the parent, recognised directly in equity	-	(1,920,492)	214,423	(1,706,069)	1,706,069	-
Balance as at 31 December 2012	50,658,244	14,412,064	37,142,281	102,212,589	3,141,939	105,354,528
Balance as at 1 January 2013	50,658,244	14,412,064	37,142,281	102,212,589	3,141,939	105,354,528
Profit/(loss) for the year	-	-	1,414,462	1,414,462	(17,536)	1,396,926
Other comprehensive income for the year	-	9,209,044	24,917	9,233,960	257,252	9,491,212
Total comprehensive income for the year	50,658,244	23,621,108	38,581,660	112,861,012	3,381,655	116,242,666
Transaction with owners						
Value of employee services	-	606,651	(606,651)	-	-	-
Tax on value of employee services	-	37,236	(37,236)	-	-	-
Proceeds from shares issued	54,578,836	-	-	54,578,836	-	54,578,836
Share issue expenses	(3,400,542)	-	-	(3,400,542)	-	(3,400,542)
Reclassification of expired SBPR	-	(105,965)	105,965	-	-	-
Deferred tax on reclassification of expired SBPR	-	(31,789)	-	(31,789)	-	(31,789)
Dividends	-	-	(5,116,766)	(5,116,766)	-	(5,116,766)
Total transaction with owners	51,178,294	506,133	(5,654,688)	46,029,739	-	46,029,739
Revaluation of Property, plant and equipment	-	(1,010,608)	1,010,608	-	-	-
Deferred tax on revaluation reserve	-	101,061	-	101,061	-	202,122
Non controlling interest arising in business combination						
Non controlling interest arising on common control transaction		-	-	-	(5,389)	(5,389)
Total transactions with owners of the parent, recognised directly in equity	51,178,294	(403,414)	(4,644,081)	46,130,800	(5,389)	46,226,472
Balance as at 31 December 2013	101,836,538	23,217,694	33,937,579	158,991,811	3,376,266	162,368,077

[1] Share capital includes ordinary shares and share premium
[2] Other reserves include revaluation surplus, currency translation reserves and share based payment reserves (SBPR). See note 26

The share based payment reserve is not distributable

The statement of significant accounting policies and notes on pages 17 to 72 form an integral part of these consolidated financial statements.

Company	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 2012	50,658,244	909,547	1,163,374	-	52,731,165	52,731,165
Profit or loss for the year	-	-	4,379,446	-	4,379,446	4,379,446
Other comprehensive income/(expense) 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
Transaction with owners:				-	-	-
Value of employee services- share option scheme		319,131		-	319,131	319,131
Tax credit relating to share option and award		73,485		-	73,485	73,485
Reclassification to share based payment reserve	-	973,963	(973,963)	-	-	-
Transactions with owners	-	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
Balance as at 1 January 2013	50,658,244	2,276,126	4,520,486	-	57,454,856	57,454,856
Profit for the year	-	-	2,350,574	-	2,350,574	2,350,574
Other comprehensive income for the year	-	-	45,757	-	45,757	45,757
Total comprehensive income for the year	50,658,244	2,276,126	6,916,817	-	59,851,187	59,851,187
Value of employee services	-	124,121	-	-	124,121	124,121
Tax on value of employee services	-	24,799	(24,799)	-	-	-
Revaluation surplus on disposal transferred to retained earnings	-	(1,010,608)	1,010,608	-	-	-
Deferred tax on revaluation surplus on disposal transferred to retained earnings	-	101,061	-	-	101,061	101,061
Proceeds from shares issued	51,178,294	-	-	-	51,178,294	51,178,294
Transfer of expired SBPR to retained earnings	-	(105,965)	57,819	-	(48,146)	(48,146)
Deferred tax on transfer of expired SBPR to retained earnings	-	(17,345)	17,345	-	-	-
Dividends	-	-	(5,116,766)	-	(5,116,766)	(5,116,766)
Total transaction with owners	51,178,294	(883,937)	(4,055,793)	-	46,238,564	46,238,564
Balance as at 31 December 2013	**101,836,538**	**1,392,189**	**2,861,024**	-	**106,089,751**	**106,089,751**

[1] Share capital includes ordinary shares and share premium
[2] Other reserves include revaluation surplus, currency translation reserves and share based payment reserves. See note 26

The share based payment reserve is not distributable

The statement of significant accounting policies and notes on pages 17 to 72 form an integral part of these consolidated financial statements

	Notes	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Cash flows from operating activities					
Cash generated from operations	34	62,077,587	52,709,406	51,587,299	(54,088,944)
Interest paid	9	(23,946,790)	(22,652,743)	(14,006,268)	(5,647,399)
Income tax paid	10	(5,242,530)	(10,390,255)	(304,348)	(475,160)
Net cash from/(used in) operating activities		32,888,267	19,666,408	37,276,683	(60,211,503)
Cash flows from investing activities					
Purchases of property plant and equipment	12	(43,902,237)	(20,940,942)	(241,602)	(936,669)
Acquisition of subsidiary, net of cash	42	-	790,209	-	-
Disposal of subsidiary, net of cash	24	1,392,902	-	1,396,800	-
Deposit for acquisition of a business	18	(2,328,000)	(67,542,450)	(22,819,675)	-
Investment in associate		-	-		-
Available for sale investment		-	(836)		-
Acquisition of software		(325,720)	(782,514)	(61,372)	(89,096)
Purchase of intangible exploration assets		(1,485,410)	(6,170,373)	-	-
Payments relating to pipeline construction		(346,363)	(16,474,065)	-	-
Acquired minority interest		-	-	-	
Proceeds from sale of property plant and equipment		1,066,367	2,309,209	16,098	62,817
Interest received	9	4,124,929	3,521,533	8,169,621	4,527,632
Net cash (used in)/from investing activities		(41,803,532)	(105,290,229)	(13,540,130)	3,564,684
Cash flows from financing activities					
Proceeds from long term borrowings		63,415,306	18,903,590	-	-
Repayment of long term borrowings		(62,875,830)	(18,236,376)	(25,996,272)	(6,000,000)
Proceed from import finance facilities		-	-		-
Proceeds from issue of shares		54,578,836	-	54,578,835	
Share issue expenses		(3,400,542)	-	(3,400,542)	
Repayment of finance lease		-	-		
Proceeds from issue of other term loans		-	-		40,370,200
Proceeds from other short term borrowings		168,723,607	362,923,573	1,826,713	13,048,871
Repayment of other short term borrowings		(181,809,004)	(304,737,782)	(44,021,826)	-
Increase/(decrease) in bank overdrafts		-	-	-	-
Dividend paid		(5,116,766)	-	(5,116,766)	-
Restricted cash		254,792	(1,710,050)	(3,107)	(324,000)
Net cash from/(used in) financing activities		33,770,400	57,142,955	(22,132,965)	47,095,071
Net change in cash and cash equivalents		24,855,135	(28,480,866)	1,603,589	(9,551,748)
Cash and cash equivalents and bank overdrafts at the beginning of the year		(35,129,477)	(6,657,138)	(7,034,067)	2,517,681
Exchange gains/(losses) on cash and cash equivalents		(56,787)	8,527	-	-
Cash and cash equivalents at end of the year		(10,331,129)	(35,129,477)	(5,430,478)	(7,034,067)
Cash at year end is analysed as follows:					
Cash and bank balance as above		23,887,497	13,408,507	1,486,292	1,567,995
Bank overdrafts (Note 27)		(34,218,626)	(48,537,984)	(6,916,770)	(8,602,062)
		(10,331,129)	(35,129,477)	(5,430,478)	(7,034,067)

The statement of significant accounting policies and notes on pages 17 to 72 form an integral part of these financial statements.

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 and the Johannesburg Stock Exchange. The Company conducts downstream business through a wholly owned subsidiary named Oando Marketing Plc. Oando Marketing Plc. has retail and distribution outlets in Nigeria, Ghana and Togo. In addition, the Company retained 100% interest in Oando Trading Bermuda (OTB) and Oando Supply & Trading (OST).

OTB 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 39.

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 IFRS Interpretations Committee(IFRIC). 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 areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in Note 4.

Changes in accounting policies and disclosures

a) New and amended standards adopted by the Group

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2013:

IAS 1, 'Presentation of Financial statements ' issued in June 2011 (effective 1 July 2012)

The main change resulting from the amendment 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 amendment does not address which items are presented in OCI.

IAS 19, 'Employee benefits' was amended in June 2011 (effective 1 January 2013)

The main changes to IAS 19 are as follows: 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). This did not significantly impact the Group as actuarial gains and losses were recognised in OCI and the Group has no plan assets.

IFRS 10 'Consolidated Financial Statements', issued in May 2011 (effective 1 January 2013)

The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. All entities that meet the definition of control under IFRS 10 have been consolidated in these financial statements.

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 arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. Management decided to implement IFRS 11 prospectively. IFRS 11 did not significantly affect the Group's joint arrangements.

IFRS 12, 'Disclosure of Interests in Other Entities', issued in May 2011 (effective I January 2013)

The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. IFRS 12 disclosures have been fully complied with in these consolidated financial statements.

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. The application of IFRS 13 did not significantly impact the measurement of assets and liabilities at fair value. However, additional disclosures for non-financial assets have been disclosed in these financial statements.

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. This has no significant impact on the Group.

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. This has no significant impact on the Group.

b) New standards, amendments and interpretations issued and not effective for the financial year beginning 1 January 2013 but early adopted by the Group

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

c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 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.

IFRS 9, 'Financial instruments', issued in November 2009 (effective 1 January 2018)

IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRIC 21, 'Levies'

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group will assess the impact in future.

IAS 36, 'Impairment of assets' (effective 1 January 2014)

This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

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 structured entities) over which the Group has power or control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the amount of the entity's return. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group considers all facts and circumstances', including the size of the Group's voting rights relative to the size and dispersion of other vote holders in the determination of control.

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 gains or losses 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 interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. 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 recognised amounts of acquiree's identifiable 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.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any controlling interest in the acquiree, and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred non-controlling interest recognised and previously held interest is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, amounts, 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 and amounts 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 that do not result in loss of control as equity transactions. For purchases from non-controlling interests, the difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, 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 Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

In the separate financial statements of the Company, Investment in associates are measured at cost less impairment.

(v) Joint arrangements

The group applies IFRS 11 to all joint arrangements as of 1 January 2012. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. The change in accounting policy is applied from 1 January 2012.

For the group's arrangements determined to be joint operations, the Group recognises in relation to its interest the following:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Transactions with other parties in the joint operations

When the Group enters into a transaction in a joint operation, such as a sale or contribution of assets, the Group recognises gains and losses resulting from such a transaction only to the extent of its interests in the joint operation.

When such transactions provide evidence of a reduction in the net realisable value of the assets to be sold or contributed to the joint operation, or of an impairment loss of those assets, those losses are recognised fully by the Group.

When the Group enters into a transaction with a joint operation in which it is a joint operator, such as a purchase of assets, the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

When such transactions provide evidence of a reduction in the net realisable value of the assets to be purchased or of an impairment loss of those assets, the Group recognises its share of those losses.

(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 is measured at 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 economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below:

(i) 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.

(ii) 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:

(a) the amount of revenue can be measured reliably;
(b) it is probable that the economic benefits associated with the transaction will flow to the entity;
(c) the stage of completion of the transaction at the reporting date can be measured reliably; and
(d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

In the Energy Services segment, 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 the period.

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

(iii) Construction contracts

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.

(iv) Service concession arrangements

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.

(v) Interest income

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 flows 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.

(vi) Dividend

Dividend income is recognised when 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 downstream 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 of property, plant & equipment 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, each year, 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 – 33⅓ %)

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 how economic benefits are consumed.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period. 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 arises from the acquisition of subsidiaries and 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 of the acquired subsidiaries and the fair value of non-controlling interest of the subsidiaries. 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. Each unit or group of units to which goodwill is allocated represents the lower level within the entity at which the goodwill is monitored for internal management purposes.

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. Any impairment is recognised immediately as an expense and is not subsequently 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. Software licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using straight line method to allocate the cost over their estimated useful lives of 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 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.

(h) Impairment of non financial assets

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

(i) Financial instruments

Financial assets classification

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 financial assets are recognised on the trade date, which is the date at which the Group commits to purchase or sell the asset Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction cost are expensed in the income statement 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 are subsequently 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 within "other (losses)/gains - net" in the period in which they arise Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payment is established Changes in the fair value of monetary and non-monetary securities 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

a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired A financial asset or group of financial assets is impaired and impairment losses are recognized only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal repayment, the probability of bankruptcy and where observable, data or information indicate there is a measurable decrease in the estimated future cash flows

For loans and receivables category, the amount of loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit loss that have been incurred) discounted at the financial assets original effective interest rate The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract

Objective subsequent decreases in impairment loss are reversed against previously recognized impairment loss in the consolidated income statement

b) Assets classified as held for sale

The Group assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired For debt securities, the Group uses the criteria referred to in a) above In the case of equity investment classified as available for sale, a significant or prolonged decline in the fair share of the security below its cost is also evidence that the assets are impaired If 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 recognized in profit or loss) is removed from equity and recognized in profit or loss Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement If in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated income statement

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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

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 in profit or loss

Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates or other variable (provided in the case of a non-financial variable that the variable is not specific to a party to the contract).

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.

(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 a as the 'actuarial method'. The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

(k) Inventories

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

(l) Receivables

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

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If collection is expected within the normal operating cycle of the Group they are classified as current, if not they are presented as Non-current assets.

(m) Payables

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

(n) Share capital

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

(o) Cash and cash equivalents

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

(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 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 an independent actuary 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.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the profit or loss.

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, including any market performance conditions(for example, an entity's share prices); 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); and including impact of any non-vesting conditions (for example, the requirement for employees to save).

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 Group issues new shares. 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 share based payments are treated as capital contribution as the subsidiary entity has no obligation to settle the share-based payment transaction.

The entity subsequently re-measures such an equity-settled share-based payment transaction only for changes in non-market vesting conditions.

In the separate financial statements of Oando Plc., the transaction is recognised as an equity-settled share-based payment transaction and additional investments in the subsidiary.

(iii) Other share based payment transactions

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

(iv) Profit-sharing and bonus plans

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

(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 Group's depreciation policy and the accretion of discount (i.e. the increase during the period in the discounted amount of provision arising from the passage of time) included in finance costs.

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. In this case, tax is also recognised in other comprehensive income or directly in 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 amount in the consolidated financial statements. 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 carried at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

The Group has designated certain borrowings at fair value with changes in fair value recognised through P&L.

Borrowing costs

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

Convertible debts

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

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

(t) **Exceptional items**

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

(u) **Dividend**

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

(v) **Upstream activities**

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

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

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

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

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

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

(w) **Impairment**

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

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

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

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at lower of carrying amount and fair value less costs to sell.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flows 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 31 December 2013, 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 N5.80 billion lower/higher mainly as a result of US Dollar denominated bank balances and receivables (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).

At 31 December 2013, 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 N27.98 billion higher/lower mainly as a result of US Dollar denominated loan balances. (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 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 2013, OML 125 and 134 Limited hedged 0.13mmbbls mmbbls (2012: 0.23 mmbbls) of its crude oil production, using commodity derivatives. The fair value of the derivative asset is shown in Notes 16. 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	2012	2013	2014
Volume hedged	Mmbbls	0.23	0.13	-
Floor Price	Us$/bbl.	75.00	75.00	-
Hedge cost	Us$/bbl	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.

The hedge was extinguished by 31 December 2013.

(iii) Cash flow and fair value 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 2013, an increase/decrease of 100 basis points on LIBOR/MPR would have resulted in a decrease/increase in consolidated pre tax profit of N1.03 billion (2012:N2.89 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 N23 billion ($150 million) , 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 29 and the related fair value 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 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Current	18,137,787	17,852,257	-	-
Past due but not impaired				
- by up to 30 days	10,170,860	4,369,623	-	-
- by 31 to 60 days	4,207,418	2,685,330	-	-
- later than 60 days	12,371,682	3,983,385	-	-
Total past due but not impaired	26,749,960	11,038,338	-	-
Impaired	4,099,800	3,243,865	-	-
	48,987,547	32,134,460	-	-

Receivables are assessed for impairment at the end of the reporting period where there is any objective evidence of impairment If any such evidence is identified, the Group measures receivables as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Impairment loss of N791 million has been recognised in profit or loss for the year.

Included in non-current receivable is underlift receivable of N11 3 billion that is past due but not impaired. Other receivables of N92 5 billion (excluding impaired receivable of N549.8 million) 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 have been assessed by reference to historical information about counterparty default rates:

Counter parties without external credit rating

Non current receivables

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Group 2	11,283,000	8,466,312	7,345,639	7,345,639

Trade receivables

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Group 1	14,282,957	126,373	-	-
Group 2	27,023,271	22,807,820	-	-
Group 3	7,681,319	9,200,268	-	-
	48,987,547	32,134,461	-	-

Other receivables

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Group 2	86,122,449	71,106,424	123,343,383	126,804,197

Derivative financial instruments

Group 2	1,610,696	986,278	1,587,922	-

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)

	Group 2013	Group 2012	Company 2013	Company 2012
Cash				
AAA	2,098,727	294,478	3,278	4,903
AA-	120,649	1,716,590	4,380	704,378
A+	10,853,134	2,156,563	52,794	7,409
A-	10,018,688	6,268,999	1,728,251	655,400
BBB+	26,548	3,944,858	-	423,670
BBB-	1,448,828	187,786	6,480	50,664
Not rated	3,119,181	2,892,283	18,216	45,571
	27,685,755	17,461,557	1,813,399	1,891,995

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors cash forecast on a periodic basis in response to liquidity requirements of the Group. This helps to ensure that the Group has sufficient cash to meeting operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 23 and 27). Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal targets.

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 2013:					
Borrowing (excluding finance lease liabilities)	183,412,635	36,275,049	34,294,082	1,303,287	255,285,053
Trade and other payables	124,059,301	-	-	-	124,059,301
Derivative financial instruments - interest rate swap	422,969	-	-	-	422,969
Derivative financial instruments - cross currency swap	-	-	-	-	-
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
Derivative financial instruments - cross currency swap	-	-	-	-	-

Company	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 2013:					
Borrowing (excluding finance lease liabilities)	32,250,797	11,942,482	-	-	44,193,279
Trade and other payables	109,081,976	-	-	-	109,081,976
Derivative financial instruments - interest rate swap	422,969	-	-	-	422,969
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

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);
– 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 Such steps include additional equity capital through rights issue and special placement during the year under review

Total capital is calculated as equity plus net debt During 2013, the Group's strategy was to maintain a gearing ratio between 50% and 75% (2012: 50% and 75%) The gearing ratios as at the end of December 2013 and 2012 were as follows:

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Total borrowings	255,285,053	288,886,785	44,005,050	113,881,820
Less: cash and cash equivalents (Note 21)	(23,887,497)	(13,408,506)	(1,486,292)	(1,891,995)
Restricted cash	(3,798,258)	(4,053,050)	(327,107)	(324,000)
Net debt	227,599,298	271,425,229	42,191,651	111,665,825
Total equity	162,368,077	105,354,528	106,089,751	57,454,856
Total capital	389,967,375	376,779,757	148,281,402	169,120,681
Gearing ratio	58%	72%	28%	66%

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 2013 See note 12 for disclosures of the Buildings, freehold land and plant & machinery that are measured at fair value and note 24 for disclosures of the disposal groups held for sale that are measured at fair value

	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets				
Available for sale financial assets				
- Equity securities	183,930	-	-	183,930
Derivative financial assets				
- Foreign currency forward	-	384,967	-	384,967
- Convertible options	-	-	-	-
- Embedded derivative in Akute	-	1,220,796	-	1,220,796
Total assets	183,930	1,605,763	-	1,789,693
Liabilities				
Derivative financial liabilities:				
- Interest rate swap	-	397,798	-	397,798
- Convertible options	-	312,573	-	312,573
- Forward contracts	-	-	-	-
- Cross currency swap	-	539,964	-	539,964
- Share warrants	-	277,065	-	277,065
Financial liabilities at fair value through profit and loss				
- Borrowing (Capped loss swap loan)	-	520,656	-	520,656
Total liabilities	-	2,048,056	-	2,048,056

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				
- Foreign currency forward	-	-	-	-
- 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 (Capped loss swap loan)	-	1,765,507	-	1,765,507
Total liabilities	-	5,251,963	-	5,251,963

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2013

	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets				
Available for sale financial assets				-
- Equity securities	183,930	-	-	183,930
Derivative financial assets				
- Convertible option	-		1,582,989	1,582,989
Total assets	183,930	-	1,582,989	1,766,919
Liabilities				
Derivative financial liabilities				
- Cross currency swap	-	539,964	-	539,964
Financial liabilities at fair value through profit or loss				
- Borrowing (Capped loss swap loan)	-	520,656	-	520,656
Total liabilities	-	1,060,620	-	1,060,620

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 (Capped loss swap loan)	-	1,765,507	-	1,765,507
Total liabilities	-	3,175,158	-	3,175,158

There were no transfers between levels 1 and 2 during the year *(a) Financial instruments in level 1*

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.

(b) Financial instruments in level 2

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.

(c) Financial instruments in level 3

The level 3 instrument comprise of option derivative on convertible loan to Oando Energy Services Ltd (OES). Oando Energy Services Limited is a private company, the business value of OES is a significant input in the fair value of financial instrument. The business value comprise of unobservable inputs such as EV multiples, illiquidity discounts, etc.

The table below presents the changes in level 3 instruments for the year ended 31 December 2013.

	Company 2013 N'000	Company 2012 N'000
At start of year	-	-
Fair value on initial recognition	3,510,306	-
Gain/loss recognised in income statement	(1,927,317)	-
At end of year	1,582,989	-

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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

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 government 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 30.

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 13 for detailed assumptions and methods used for impairment calculation.

If the estimated pre-tax discount rate applied to the discounted cash flows of the Marketing and Supply and trading division (Downstream division) had been higher by 8.5% (i.e. 25.6% instead of 17.1%), the Group would have recognised an impairment against goodwill of N1.77 billion. For other segments (Gas and Power, Energy Services and Exploration & Production), no impairment would have resulted from application of discount rates higher by 22% 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, the Group recognised N358million in respect of 2004-2009 tax assessment in these consolidated financial statement.

v Provision for environmental restoration

The Group has 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. In addition, the Group has decommissioning obligations in respect of its oil and gas interests in the Niger Delta area.

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 on a frequent basis (for example, 3 years to under-ground tanks). 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 affect the standardised measure of discounted cash flows and unit-of-production depreciation charges to the income statement.

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 contracts between Nigerian Gas Company (NGC) and Gaslink and East Horizon Gas Company for the construction of gas transmission pipelines fall within the scope of IFRIC 12. Management 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. The assessment of the present value of the estimated capital recovery requires the use of estimates and assumptions.

The 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 contracts. The volume of sales of gas over the term of the contract is the main driver for capital recovery. Estimates of future cash flows for recovery of construction costs have been based on the assumption that the sale of gas from the pipeline will approximate the total capacity of the pipeline.

Based on this assumption, the full recovery of the investment and interest costs is expected to be achieved within the contract period. The assumption that the volume of sales over the term of the contract will approximate the total capacity of the pipeline has been based on management's estimate of existing and future demand for gas in a region. The present value of the estimated capital recovery amount would be equal to the cost of capital construction (including borrowing costs capitalized during the construction period), if sales volumes approximated to 45% of total capacity. In that case, the value of the intangible asset would be N12 billion lower. (This is EHGC's sensitivity, perform for GNL to arrive at an average)

Estimates of future cash flows for recovery of interest costs were arrived at assuming current bank interest rates applied up until the full recovery of the investment.

Other assumptions include exchange rate of N155.77/ 1USD and applicable FGN bond discount rate, which does not include the specific industry and market risks

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%.

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 the Group 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 the Group'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. The discount rate applied in 2013 was 15.18% (2012: 15%). Asset impairments or their reversal will impact income.

xii **Useful lives and residual value of property, plant and equipment**

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 - 10%
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 **Take or pay - embedded derivatives**

There is a take or pay relationship between the Nigerian Gas Company (NGC, the gas supplier), the Group and the customers. The terms of the agreements require the sales price of gas to customers to be indexed to the price of Low Pour Fuel Oil (LPFO), graduated between 60% of the ex-depot pricing of LPFO in year one and increased by 5% until year 5. The increase in gas price is capped at 80% of the LPFO price till the end of the contract. This may suggest the existence of an embedded derivative.

However in practice, gas prices are regulated in Nigeria by NGC. Periodic notices are sent to all oil and gas companies with the schedule of gas prices; Also, the portion of the sales price due to the gas supplier (in this case NGC) is advised. The Group bills customers based on this advise and pays NGC based on the regulated prices as communicated by NGC. This is the practice among market participants. Embedded derivatives that may be apparent from the contract are not recognised, as in practice both the purchase from NGC and the sales to customers are based on regulated prices.

xiv **Sale of Oando Exploration and Production Limited (OEPL)**

Management has exercised judgment in determining loss of control upon the sale of its entire shares in Oando Exploration & Production Limited (OEPL) to Green Park Management Limited during the year. The Share Purchase and Sale Agreement ("SPA") provides that all necessary approvals be obtained within 12 months of the closing date. Management is of the view that the transfer of 100% shares under the Companies and Allied Matters Act (CAMA) is a valid and effective instrument of transfer which entitles the buyer to exercise control over the company. See note 24 for detail of the sale of OEPL.

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 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 2013, the Group was organised into six operating segments:

(i) 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
(ii) Marketing – involved in the marketing and sale of petroleum products
(iii) Supply and Trading – involved in trading of refined and unrefined petroleum products.
(iv) 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.
(v) Gas and Power – involved in the distribution of natural gas through the subsidiaries Gaslink and Eastern Horizon. The Group also incorporated two power companies to serve in Nigeria's power sector, by providing power to industrial customers
(vi) 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, 2013 are as follows:

	Exploration & Production	Marketing, Refining & Terminals	Supply & Trading	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Total gross segment sales	19,764,026	227,762,377	311,267,737	25,361,113	21,708,807	7,785,497	613,649,557
Inter-segment sales	-	(12,361,037)	(143,831,296)	(537,470)	-	(7,046,288)	(163,776,091)
Sales from external customers	19,764,026	215,401,340	167,436,441	24,823,643	21,708,807	739,209	449,873,466
Operating profit/(loss)	3,710,628	4,614,118	4,374,520	6,138,564	6,143,720	(2,838,079)	22,143,471
Finance income	722,201	3,243,521	286,833	2,313,674	15,138	9,716,950	16,298,317
Finance cost	(7,765,529)	(4,276,211)	(924,547)	(1,216,648)	(7,228,121)	(16,314,490)	(37,725,546)
Finance (cost)/income, net	(7,043,328)	(1,032,690)	(637,714)	1,097,026	(7,212,983)	(6,597,540)	(21,427,229)
Share of loss in associate	-	-	-	-	-	(3,036)	(3,036)
(Loss)/profit before income tax	(3,332,700)	3,581,428	3,736,806	7,235,590	(1,069,263)	(9,438,655)	713,206
Income tax expense	(2,303,314)	(1,002,237)	(230,309)	(1,386,428)	(34,116)	(433,067)	(5,389,471)
(Loss)/profit for the year	(5,636,014)	2,579,191	3,506,497	5,849,162	(1,103,379)	(9,871,722)	(4,676,265)

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

	Exploration & Production	Marketing, Refining & Terminals	Supply & Trading	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Total gross segment sales	20,888,108	245,554,840	590,182,784	35,687,559	20,450,231	7,408,179	920,171,701
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	35,352,618	20,450,231	49,298	650,565,603
Operating profit/(loss)	11,406,191	7,913,047	4,866,959	3,084,117	4,060,509	(3,971,016)	27,359,807
Finance income	(87,263)	1,013,632	14,827	3,840,800	19,350	3,319,869	8,121,215
Finance cost	(2,790,473)	(3,506,107)	(354,378)	(7,623,273)	(1,954,313)	(5,075,036)	(21,303,580)
Finance cost , net	(2,877,736)	(2,492,475)	(339,551)	(3,782,473)	(1,934,963)	(1,755,167)	(13,182,365)
Profit before income tax	8,528,455	5,420,572	4,527,408	(698,356)	2,125,546	(5,726,183)	14,177,442
Income tax expense	(5,636,974)	(1,541,017)	(1,034,323)	983,976	(1,111,773)	(326,748)	(8,666,859)
Profit for the year	2,891,481	3,879,555	3,493,085	285,620	1,013,773	(6,052,931)	5,510,583

Reconciliation of reporting segment information

2013	Operating profit/(loss)	Finance income	Finance cost
	N'000	N'000	N'000
As reported in the segment report	22,143,471	16,298,317	(37,725,546)
Elimination of inter-segment transactions on consolidation	(5,593,931)	(10,493,837)	16,087,769
As reported in the income statement	16,549,540	5,804,480	(21,637,777)

2012	Operating profit/(loss)	Finance income	Finance cost
	N'000	N'000	N'000
As reported in the segment report	27,359,807	8,121,215	(21,303,580)
Elimination of inter-segment transactions on consolidation	(2,934,578)	(4,599,682)	7,534,260
As reported in the income statement	24,425,229	3,521,533	(13,769,320)

Inter-segment revenue represents sales between the Marketing, Refining & Terminal segment and the Supply & Trading segment. Profit on inter-segment sales have been eliminated on consolidation.

Other information included in the income statement by segment are:

Year ended 31 December, 2013:

	Exploration & Production	Marketing, Refining & Terminals	Supply & Trading	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Depreciation	4,450,778	2,048,155	34,759	98,611	3,043,554	3,284,196	12,960,053
Amortisation of intangible assets	17,426	72,274	-	3,049,708	-	44,916	3,184,325

Year ended 31 December, 2012:

	Exploration & Production	*Marketing, Refining & Terminals*	Supply & Trading	*Gas & Power*	*Energy Services*	*Corporate & Other*	*Group*
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

The segment assets and liabilities and capital expenditure for the year ended 31 December, 2013 are as follows

	Exploration & Production	Marketing, Refining & Terminals	Supply & Trading	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Assets	200,550,361	119,789,617	32,777,198	61,748,256	91,217,845	83,143,757	589,227,034
Liabilities	79,628,746	122,803,123	46,500,636	38,241,207	54,818,713	75,956,594	417,949,020
Capital Expenditure*	18,732,781	3,594,302	70,845	2,823,890	15,669,308	7,967,666	48,858,792

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

	Exploration & Production	Marketing, Refining & Terminals	Supply & Trading	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Assets	195,289,922	59,535,744	63,020,455	62,720,235	77,455,737	43,617,177	501,639,270
Liabilities	72,764,678	61,402,038	86,307,503	36,201,863	18,188,912	117,636,652	392,501,646
Capital Expenditure	28,548,682	2,324,700	19,931	7,154,091	4,529,806	7,913,169	50,490,379

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

The Group's business segments operate in three main geographical areas.
Segment information on a geographical basis for the period ended 31 December 2013 are as follows:

	Exploration & Production	Marketing, Refining & Terminals	Supply & Trading	Gas & power	Energy Services	Corporate & Other	Total
Sales	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Within Nigeria	19,764,026	203,758,637	20,369,005	24,823,642	21,708,807	739,208	291,163,326
Other West African countries	-	11,642,703	38,328,038	-	-	-	49,970,741
Other countries	0	-	108,739,398	-	-	-	108,739,398
	19,764,026	215,401,340	167,436,441	24,823,642	21,708,807	739,208	449,873,466
Total assets							
Within Nigeria	199,780,517	116,247,714	9,338,642	61,748,256	91,217,845	83,143,757	561,476,731
Other West African countries	-	3,541,903	15,250,005	-	-	-	18,791,908
Other countries	769,844		8,188,551	-	-	-	8,958,394
	200,550,361	119,789,617	32,777,198	61,748,256	91,217,845	83,143,757	589,227,034
Capital expenditure							
Within Nigeria	18,732,781	3,420,115	23,230	2,823,890	15,669,308	7,967,666	48,636,990
Other West African countries	-	174,187	42,327	-	-	-	216,514
Other countries	-	-	5,288	-	-	-	5,288
	18,732,781	3,594,302	70,845	2,823,890	15,669,308	7,967,666	48,858,792

Segment information on a geographical basis for the year ended and as at 31 December, 2012 are as follows:

	Exploration & Production	Marketing, Refining &	Supply & Trading	Gas & power	Energy Services	Corporate & Other	Total
Sales	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Within Nigeria	20,677,151	233,977,828	46,936,053	35,352,618	20,450,231	49,299	357,443,180
Other West African countries	-	11,435,536	31,611,325	-	-	-	43,046,861
Other countries	210,958	-	249,864,605	-	-	-	250,075,563
	20,888,109	245,413,364	328,411,983	35,352,618	20,450,231	49,299	650,565,604
Total assets							
Within Nigeria	191,013,432	56,033,995	45,507,558	62,720,235	77,455,737	43,617,177	476,348,134
Other West African countries	-	3,501,749	12,742,545	-	-	-	16,244,294
Other countries	4,276,490		4,770,352	-	-	-	9,046,842
	195,289,922	59,535,744	63,020,455	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	48,108,628
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

Sales are disclosed based on the country in which the customer is located. Total assets are allocated based on where the assets are located. No single customer contributes up to 10% of the Group's revenue.

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

Analysis of revenue by nature	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Sales of goods	427,405,003	622,033,158	-	-
Intra-group dividend income	-	-	5,883,304	7,358,881
Service concession	3,826,108	8,032,915	-	-
Revenue from services	18,642,355	20,499,530	-	-
	449,873,466	650,565,603	5,883,304	7,358,881

6 **Other operating income**

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Exchange gain	3,104,271	1,616,629	2,027,110	291,553
Other income	2,031,108	20,723	3,007,630	1,499,408
	5,135,379	1,637,352	5,034,740	1,790,961

Included in the other income for Company is profit on the disposal of subsidiary, Oando Exploration & Production Limited ("OEPL") of N2.28 billion. This has been presented in Group as part of "Profit for the year from discontinued operations".

7 **Expenses by nature of operating profit**

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
The following items have been charged/(credited) in arriving at the operating profit:				
Included in cost of sales:				
Inventory cost	369,546,957	569,230,394	-	-
Depreciation on property plant and equipment - OES	2,980,419	2,935,675	-	-
Included in selling and marketing costs				
Product transportation costs	5,189,573	6,249,025	-	-
Dealers' commission	1,288,801	1,306,775	-	-
Included in other operating income:				
Foreign exchange gain	3,104,271	1,617,139	2,027,110	291,553
Profit/(loss) on disposal of property, plant and equipment	280,962	158,741	662,378	45,281
Included in administrative expenses				
Depreciation on property plant and equipment - Other (Note 12)	9,979,634	5,670,033	233,405	261,051
Amortisation of intangible assets (Note 13)	3,184,325	3,779,823	44,917	149,333
Foreign exchange loss	1,541,760	1,619,951	517,553	204,429
Provision for impairment losses of trade receivables (Note 21)	791,056	(1,343,351)	-	-
Employees benefit scheme (Note 8)	9,499,057	8,621,891	521,389	677,930
Auditors remuneration	204,750	156,178	79,991	63,833
Legal & Consultancy services	3,761,019	2,061,282	312,838	127,040
Repair and maintenance	1,695,613	2,826,259	-	33,479
Impairment of property, plant and equipment/Other write offs(Note 12)	66,574	(190,499)	60,784	(198,249)
Fair value loss on commodity options	23,348	59,926	-	(9,718)
Fair value loss/(gains) on embedded derivatives	(257,866)	1,121,797	-	-
Rent and other hiring costs	1,781,392	1,205,298	1	27,862

8 Employee benefits expense

(a) Directors' remuneration:

The remuneration paid to the directors who served during the year was as follows:

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Chairman	5,556	2,500	5,556	2,500
Other non-executive	24,444	20,600	24,444	12,500
	30,000	23,100	30,000	15,000
Executive directors' salaries	523,536	607,410	287,601	314,261
	553,536	630,510	317,601	329,261
Other emoluments	600,404	318,506	469,319	89,268
	1,153,940	949,016	786,920	418,529

The directors received emoluments (excluding pension contributions) in the following ranges:

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
	Number	Number	Number	Number
N1,000,000 - N10,000,000	9	10	-	-
Above N10,000,000	21	19	11	11

Included in the above analysis is the highest paid director at N127.5 million (2012: N114.6 million).

(b) Staff costs

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Wages, salaries and staff welfare cost	8,169,654	7,609,884	265,416	494,860
Share options granted to directors and employees	606,651	641,958	82,665	244,951
Pension costs - defined contribution scheme	253,694	74,655	-	75,719
Retirement benefit - defined benefit scheme (Note 30)	469,058	295,394	173,308	62,400
	9,499,057	8,621,891	521,389	877,930

* Retirement benefit cost include provision for gratuity disclosed in Note 30

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

	Group 2013 Number	Group 2012 Number	Company 2013 Number	Company 2012 Number
Executive	2	2	2	2
Management staff	147	146	41	90
Senior staff	413	443	69	50
	562	591	112	142

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

	Number	Number	Number	Number
N2,500,001 - N4,000,000	7	84	2	28
N4,000,001 - N6,000,000	227	285	36	53
N6,000,001 - N8,000,000	147	74	22	9
N8,000,001 - N10,000,000	30	35	10	14
Above N10,000,000	151	113	42	38
	562	591	112	142

9 Finance (costs)/income

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Interest expense				
On bank borrowings	(23,946,790)	(17,507,120)	(14,006,268)	(5,647,399)
Capitalised to qualifying property, plant and equipment	2,799,062	6,122,485	-	-
	(21,147,728)	(11,384,635)	(14,006,268)	(5,647,399)
Fair value loss on interest rate swaps and derivatives	-	(1,865,354)	-	481,017
Unwinding of discount on provisions (Note 28)	(386,366)	(208,545)	-	-
Loss on loan modification	-	(310,786)	-	(399,174)
Effective interest expense on borrowing	(103,683)	-	(188,229)	
	(21,637,777)	(13,769,320)	(14,194,497)	(5,565,556)
Interest income:				
Interest income on bank deposits	4,124,929	2,853,046	2,816,504	4,527,632
Intercompany interest	-	-	5,353,117	-
Fair value gain on interest rate swaps and derivatives	1,679,551	-	(423,270)	
Interest income on finance lease	-	668,487	-	-
	5,804,480	3,521,533	7,746,351	4,527,632
Net finance costs	(15,833,297)	(10,247,787)	(6,448,146)	(1,037,924)

Borrowing costs were capitalised based on the respective actual borrowing rates. Actual borrowing rate approximate effective interest rate.

10 **Income tax expense**

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Current income tax	4,592,581	9,618,070	1,414,115	304,347
Education tax	247,924	295,172	-	-
Adjustments in respect of prior years tax	(358,823)	-	(358,823)	-
Deferred income tax (Note 15)	907,790	(1,246,383)	(622,169)	6,950
Income tax expense	5,389,472	8,666,859	433,123	311,297

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

	Group 2013	Group 2012	Company 2013	Company 2012
Profit before income tax	713,207	14,177,442	2,783,697	4,690,743
Tax calculated at weighted average domestic rates applicable to profits in respective countries - 64.4% (2012: 64.4%)	887,899	8,661,850	848,837	1,449,029
Minimum tax	617,786	-	534,285	-
Education tax	247,925	1,052,845	-	-
Tax effect of income not subject to tax	(2,604,251)	(137,551)	(2,447,525)	-
Income at a different tax rate	(49,085)	(1,989,376)	-	(1,908,886)
Expenses not deductible for tax purposes	(278,387)	484,368	(328,934)	458,247
(Under)/over provision for deferred income tax in prior years	547,903	(199,370)	-	-
(Under)/over provision for income tax in prior years	(358,823)	(141,198)	(358,823)	-
Tax losses for which no deferred tax was recognised	6,216,168	913,455	2,023,101	307,470
Capital gains tax	162,337	21,836	162,183	5,436
Income tax expense	5,389,472	8,666,859	433,124	311,296

	Group 2013	Group 2012	Company 2013	Company 2012
Current income tax liabilities				
Movement in current income tax for the year:				
At 1 January	6,417,980	6,904,219	760,941	931,754
Payment during the year	(5,242,530)	(10,390,255)	(304,348)	(475,160)
Charge for the year:			-	-
Income tax charge during the year	4,233,758	9,618,070	1,055,292	304,347
Education tax charge during the year	247,924	295,172	-	-
Exchange difference	(13,413)	(9,226)	-	-
At 31 December	5,643,719	6,417,980	1,511,885	760,941

11 **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 outstanding during the year.

	Group 2013 N'000	Group 2012 N'000
(Loss)/profit from continuing operations attributable to owners of the parent	(4,658,729)	5,148,757
Profit from discontinued operations attributable to owners of the parent	6,073,191	5,275,734
	1,414,462	10,424,491
Weighted average number of ordinary shares outstanding (thousands)		
As previously reported	2,274,118	2,274,118
Bonus element	284,265	284,265
Right issue	3,668,184	0
	6,226,566	2,558,383
Basic earnings per share		
From continuing operations	(75)	201
From discontinued operations	98	206

Weighted average number of shares outstanding at 31 December 2013 includes rights issue during the year. The weighted average number of shares outstanding at 31 December 2012 has been restated for the effects of the bonus element of the rights issue.

Shares outstanding before right issues	2,274,118,000 shares
Right issue	Two new shares for each one outstanding share (4,548,232,000 shares in total) Exercise price : N12 000 Date of right issue : 28 December, 2012 Last date of exercise right : 20 February 2013
Market price of one ordinary share immediately before last exercise date:	N14.40

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 2013 N'000	Group 2012 N'000
Profit attributable to equity holders of the Company	(4,658,729)	5,148,757
Weighted average number of ordinary shares in issue (thousands)	6,226,566	2,558,383
Diluted earnings per share	(75)	201

There was no difference in the weighted average number of ordinary shares used for basic and diluted net loss per share from continuing operation, as the effect of all potentially dilutive ordinary shares outstanding was anti dilutive. As at December 2013 there were 2,046,706,324 shares from private placement that could potentially have a dilutive impact in the future.

Dividends per share

Dividend of N0.75k was declared in 2013 in respect of the 2012 financial results

12 Property, plant and equipment

Group	Upstream Asset [1]	Land & Buildings	Plant, machineries & vehicles	Fixtures, fittings, Computer & equipment	Capital work in progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000
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	8,020,575	655,531	5,192,763	258,964	12,935,594	27,063,427
Transfer	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)
Net book amount as at 31 December 2012	25,783,370	23,656,341	47,672,282	1,879,893	31,332,827	130,324,713
At 31 December 2012						
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
Year ended 31 December 2013						
Net book amount	25,783,370	23,656,341	47,672,282	1,879,893	31,332,827	130,324,713
Decommissioning costs	1,137,078	-	4,172	-	-	1,141,250
Additions	17,176,208	1,767,241	3,556,386	701,867	23,499,597	46,701,299
Transfer to finance lease receivable	-	-	-	-	(2,084,565)	(2,084,565)
Disposal	(2,598)	(1,419,869)	(368,172)	(25,012)	(1,683,605)	(3,499,256)
Revaluation	-	5,733,999	4,210,052	-	-	9,944,051
Write off	-	(42,140)	73,300	7,376	(105,110)	(66,574)
Transfer to disposal group classified as held for sale	-	-	(7,930)	-	-	(7,930)
Depreciation charge	(4,378,893)	(2,114,683)	(6,000,591)	(464,992)	(894)	(12,960,053)
Exchange difference	(395,385)	363,088	55,840	36,011	(248,578)	(189,024)
Reclassification from intangible asset (Note 13)	2,905,931	-	-	-	-	2,905,931
Reclassification	2,676,284	(2,736,452)	3,921,955	(21,083)	(3,840,704)	-
Net book amount	44,901,995	25,207,525	53,117,294	2,114,060	46,868,968	172,209,842
At 31 December 2013						
Cost or valuation	70,223,871	27,754,261	70,265,079	5,783,661	46,869,864	220,896,736
Accumulated depreciation	(25,321,876)	(2,546,736)	(17,147,785)	(3,669,601)	(896)	(48,686,894)
Net book amount	44,901,995	25,207,525	53,117,294	2,114,060	46,868,968	172,209,842

Company

Year ended 31 December 2012

	Upstream Asset	Land & Buildings	Plant, machineries & vehicles	Fixtures, fittings & equipment	Capital work in progress	Total
Opening net book amount	-	1,645,871	312,407	326,844	11,800,924	14,086,046
Additions	-	-	162,127	94,595	679,947	936,669
Transfers	-	-		(409)	(11,919,774)	(11,920,183)
Disposal	-	-	(16,487)	(1,049)	-	(17,536)
Impairment	-	-	-	-	198,249	198,249
Depreciation charge	-	(20,074)	(122,847)	(118,130)	-	(261,051)
Closing net book amount	-	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

Year ended 31 December 2013

	Upstream Assets*	Land and buildings	Plant and machinery	Fixtures, fittings, and equipment	Construction in progress	Total
Opening net book amount	-	1,625,797	335,200	301,851	759,346	3,022,194
Additions	-	-	119,749	121,853	-	241,602
Transfers	-	-	559	-	(559)	-
Disposal	-	(1,311,526)	(27,389)	-	(705,327)	(2,044,242)
Write off	-	(7,245)	-	(79)	(53,460)	(60,784)
Depreciation charge	-	(10,192)	(107,367)	(115,846)	-	(233,405)
Closing net book amount	-	296,834	320,752	307,779	-	925,365
At 31 December 2013						
Cost/Valuation	-	258,703	596,872	1,261,094	-	2,116,669
Accumulated depreciation	-	38,131	(275,400)	(954,035)	-	(1,191,304)
Net book amount	-	296,834	321,472	307,059	-	925,365

[1]See Note 41 for details of upstream assets

i Fair Value Estimation

An independent valuation of the Group's land and buildings and downstream plant and machinery was performed by independent valuers as at 1 December 2013. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'other reserves' in shareholders equity (note 26) The following table analyses the non-financial assets 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, 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)

	Fair value measurements at 31 December 2013 using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements			
Land and buildings	-	23,287,846	-
Plant and Machinery	-	12,127,947	-

Valuation techniques

Valuation processes of the group

The group engages external, independent and qualified valuers to determine the fair value of the group's land and buildings and downstream Plant & machinery. As at 31 December 2013, the fair values of the land and buildings have been determined by Ubosi Eleh and Company. The external valuations of the level 2 Land and buildings have been performed using a sales comparison approach for land and building and depreciated replacement cost for plant and machinery. The external valuers, in discussion with the group's internal valuation team, has determined these inputs based on the size, age and condition of the assets, the state of the local economy and comparable prices in the corresponding national economy.

Land and buildings

This have been valued by the direct comparison method of valuation. This method derives its value from an open Market transactions on similar properties in the neighbourhood within a given time frame

Plant and machinery

Plant and machinery have been considered in the light of their continuous existing use and are valued by the depreciation replacement cost method. This method equates to an open market value of an asset to the estimated total cost of the item as new at the date of valuation less an allowance for depreciation to account for age, wear and tear and obsolescence. The following factors were taken into consideration in valuing the items: 1) Total economic working life of the asset in question. 2) Age and remaining life of the asset. 3) The degree of physical deterioration and obsolescence of the item. 4) Workload to which the item is subjected. 5) Frequency of maintenance and availability cum replacement of parts where applicable. 6) Current costs of the item including installation, freight and customs charge where applicable.

ii If land and buildings and downstream plant and machinery were stated on the historical cost basis, the amount would have been as follows:

	2013		2012	
	Land & Buildings	Plant, machineries & vehicles	Land & Buildings	Plant, machineries & vehicles
	N'000	N'000		
Cost	11,497,363	65,856,280	13,504,403	53,702,700
Accumulated depreciation	(2,520,392)	(18,846,647)	(528,349)	(7,710,460)
	8,976,971	47,009,633	12,976,054	45,992,239

iii Transfer to finance lease receivable

IFRIC 4 requires the recognition of lease when there is an arrangement that conveys a right to use an asset for a specific periods. The effect of applying the standards (IAS 17 and IFRIC 4) resulted in the recognition of finance lease receivables in 2013 when the power plant was completed. The corresponding effect is a reclassification from PPE to finance lease receivable

13 Intangible assets

Group	Asset under construction	Goodwill N'000	Software costs N'000	Exploration and Evaluation asset N'000	Gas Transmission Pipeline N'000	Total N'000
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)
Closing net book amount as at 31 December 2012	145,711	26,248,359	460,965	69,580,920	42,417,854	138,853,809
Year ended 31 December 2012						
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 as at 31 December 2012	145,711	26,248,359	460,965	69,580,920	42,417,854	138,853,809
Year ended 31 December 2013						
Opening net book amount	145,711	26,248,359	460,965	69,580,920	42,417,854	138,853,809
Addition	346,363	-	325,720	1,485,410	-	2,157,493
Impairment	-	(837,563)	-	-	-	(837,563)
Disposal	-	(2,034,152)	-	(14,515,295)	-	(16,549,447)
Trf to disposal group classified as held for sale	-	-	-	-	(35,271,000)	(35,271,000)
Amortisation charge (Note 7)	-	-	(146,817)	-	(3,037,508)	(3,184,325)
Reclassification to property, plant and equipment (Note 12)	-	-	-	(2,905,931)	-	(2,905,931)
Exchange difference	-	(627)	558	(30,221)	-	(30,290)
At 31 December 2013	492,074	23,376,017	640,426	53,614,883	4,109,346	82,232,746
Cost	492,074	23,376,017	1,718,196	56,538,085	11,016,359	93,140,731
Accumulated amortisation	-	-	(1,077,770)	(2,923,202)	(6,907,013)	(10,907,985)
Net book amount	492,074	23,376,017	640,426	53,614,883	4,109,346	82,232,746

Company	Software costs N'000
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
Year ended 31 December 2013	
Opening net book amount	89,096
Additions	61,372
Amortisation charge	(44,917)
Opening net book amount	105,551
At 31 December 2013	
Cost	897,135
Accumulated amortisation and impairment	(791,584)
Net book value	105,551

i Service Concession Arrangements (Gas Transmission Pipeline and Asset Under Construction)

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 it's rights and obligations to provide natural gas under a natural gas sale and purchase agreement with United Cement Company of Nigeria (UNICEM) to EHGC. EHGC is 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. 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 accruing 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 to generate 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 2013, the maximum contract price recoverable was capped at N30.511billion. The construction was completed in 2012 and the service concession arrangement has been classified as an intangible asset as EHGC has the right to charge the users of the pipeline over the concession period and NGC has not guaranteed payment of any shortfalls on recovery from users.

On 16 December 2013, the company met all the conditions for disposal group held for sale following approval by the board to dispose the company. See note 24 for details.

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 20 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 based on mutually agreed rate per molecule of gas sold.

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 is capped at the total capital expenditures plus interest costs incurred over the life of the contract. The maximum contract price recoverable by Gaslink is determined based on periodic values advised by NGC. As of 31 Dec 2013, the maximum contract price recoverable was capped at N3.45billion exclusive of interest incurred (31 December 2012: N3.45billion). The service concession arrangement has been classified as an intangible asset as Gaslink has the right to charge the users of the pipeline over the concession period. NGC has not guaranteed payment of any shortfall on recovery from users.

The amount N492 million in asset under construction relates to construction activities for greater Lagos phase IV

Impairment on intangible assets

The Group recorded an impairment charge on intangible assets arising from its subsidiary, East Horizon Gas Company (EHGC) of N2,367 million in 2012, following difficulties in achieving budgeted revenues. 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 2013, the carrying amount of the intangible asset was not higher than the recoverable amount (31 December 2012: the carrying amount was higher than the recoverable amount by N2,367 million).

The recoverable amount was determined using the value in use model. This model determined the present value of the best estimates of cash inflows receipts from the sale of gas from customers and reimbursements of interest costs from NGC. The recoverable amount of the intangible asset is its value in use and the rate applied in discounting estimated future cashflows is 12.23%. This impairment charge has been recognised as part of administrative expenses in the statement of comprehensive income.

Cash flows forecasts of interest rates were obtained by extrapolation of future interest costs using the contractual rate for the duration of the bank loans. The cash flows forecast on gas sales was obtained by estimating the gas sales volume and prices from predetermined customers.

ii **Goodwill impairment losses**

Goodwill impairment loss of N1.3 billion was recorded in relation to the acquisition of Churchill Finance C300-0462 Limited ("Churchill") in 2012. 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.

In 2013, an impairment assessment by management resulted in additional impairment of N838 million.

Key assumptions
In determining the recoverable amount of the CGU, 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 flows include the planned use of the airplane for the Group's business. 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 2012	Nigeria N'000	West Africa N'000	Other countries N'000	Total N'000
OER	-	-	6,143,168	6,143,168
OEPL	2,034,026	-	-	2,034,026
Marketing	9,481,281	57,684	-	9,538,965
Supply & Trading	728,829	56,436	2,196,873	2,982,138
Gas & power	4,016,839	-	-	4,016,839
Energy Services	493,138	-	-	493,138
Corporate & Other	-	-	1,040,084	1,040,084
	16,754,113	114,120	9,380,126	26,248,359

At 31 December 2013	Nigeria N'000	West Africa N'000	Other countries N'000	Total N'000
OER	-	-	6,142,416	6,142,416
OEPL	-	-	-	-
Marketing	9,481,281	57,684	-	9,538,965
Supply & Trading	728,829	56,436	2,196,873	2,982,138
Gas & power	4,016,839	-	-	4,016,839
Energy Services	493,138	-	-	493,138
Corporate & Other	-	-	202,521	202,521
	14,720,087	114,120	8,541,810	23,376,017

The recoverable amount of the CGU is determined based on value-in-use calculations. 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 2012	OER	Marketing	Supply & Trading	Gas & power	Energy Services	Corporate & Other
Gross margin	66%	11%	3%	23%	86%	34%
Growth rate	5%	5%	5%	5%	5%	5%
Discount rate	15%	17%	14%	13%	15%	15%

At 31 December 2013	OER	Marketing	Supply & Trading	Gas & power	Energy Services	Corporate & Other
Gross margin	76%	9%	3%	33%	49%	84%
Growth rate	7%	7%	7%	6%	6%	5%
Discount rate	13%	17%	17%	15%	16%	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 operate. The discount rates used are pre-tax and reflect specific risks relating to the relevant segment and CGU.

iii Disposal of Goodwill

Disposal relates derecognition of goodwill on Oando Exploration and Production Limited (OEPL) following the sale of the Group's investment in the company. Refer to note 24 for details.

14 Investments accounted for using the equity method

The amounts recognised in the statement of financial position are as follows:

	Group 2013 N'000	Company 2013 N'000
Associates	2,880,478	2,716,431

The amounts recognised in the income statement are as follows:

Associates	(3,036)	-

Investment in associates

Set out below is the associate of the Group as at 31 December 2013, which, in the opinion of the directors, is material to the group. The associate as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also its principal place of business.

	Place of business /country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Oando Wings Ltd	Nigeria	41%	Associate	Equity Accounting

Oando Wings Ltd is a Special Purpose Vehicle incorporated in 2011 in Nigeria to invest in real estate and to undertake, alone or jointly with other companies or persons the development of property generally for residential, commercial or any other purpose including but not limited to the development of office complexes and industrial estates. The company is a private company and therefore there is no quoted market price available for its shares. The company has an authorised share capital of ten million ordinary shares of N1 each

The company was a fully owned subsidiary of Oando Plc, until December 20, 2013, when it issued 3,710,000 ordinary shares of N1 each to RMB Westpoint. The issue of ordinary shares to RMB Westpoint Wings has now diluted Oando Plc to an "investment in associate". See note 24 for details of deemed disposal

There are no contingent liabilities relating to the group's interest in the associate.

Summarised financial information for associates

Set out below are the summarised financial information for Oando Wings Ltd which is accounted for using the equity method

Summarised balance sheet

	Group 2013 N'000
Current assets:	
Cash and cash equivalents	747,372
Other current assets (excluding cash)	(420)
Total current assets	746,952
Non-current Assets	
Investment properties	8,631,628
Non-current liabilities	
Financial liabilities	(1,865,881)
Other liabilities	(487,143)
Total non-current liabilities	(2,353,024)
Net liability	7,025,555

Summarised statement of comprehensive income

Revenue	-
Administrative expenses	(7,305)
Interest income	-
Interest expense	(99)
Profit or loss from continuing operations	(7,404)
Income tax expense	-
	(7,404)
Total comprehensive loss	(7,404)
Share of loss in associate	(3,036)

The information above reflects the amounts presented in the financial statements of the associate adjusted for differences in accounting policies between the Group and the associate.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates

	Group 2013 N'000
Summarised financial information:	
Opening net assets 1 January	2,580
Proceeds of additional issue of shares	3,710
Equity contribution by promoters	7,026,669
Loss for the period	(7,404)
Other comprehensive income	-
Foreign exchange differences	-
Closing net assets	7,025,555
Interest in associates (41%)	2,880,478
Goodwill	-
Carrying value	2,880,478

15 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.

	2013 N'000	2012 N'000
The analysis of deferred tax liabilities and deferred tax assets is as follows:		
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12months	20,372,939	17,207,614
Deferred tax liability to be recovered within 12months	-	-
Total deferred tax liabilities	20,372,939	17,207,614
Deferred tax assets		
Deferred tax assets to be recovered after more than 12months	11,463,002	13,424,518
Deferred tax assets to be recovered within 12months	-	-
Total deferred tax assets	11,463,002	13,424,518
Total deferred tax liabilities (net)	8,909,937	3,783,096
The gross movement in deferred income tax account is as follows:		
At start of the year	3,783,096	7,011,049
(Credited)/Charge to profit and loss account (Note 10)	1,833,242	(3,145,492)
Charged/(Credited) to equity	(69,273)	(96,109)
(Credited)/Charge to other comprehensive income	283,715	(38,549)
Acquisition of business	-	204,959
Transfer to held for sale	3,255,099	-
Exchange differences	(175,942)	(152,762)
At end of year	8,909,937	3,783,096

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:

2012	1.1.2012 N'000	Charged/(credited) to P/L N'000	Charged/(credited) to equity N'000	Charged/(credited) to OCI N'000	Acquisition of business	Exchange Differences N'000	31.12.2012 N'000
Deferred income tax liabilities							
Property, plant and equipment:							
- on historical cost basis	5,092,673	(110,490)	-	-	204,959	(17,792)	5,169,350
- on revaluation surpluses	2,603,438	15,762	-		-	(18,055)	2,601,145
- on acquisition of mineral interest	3,531,647	-	-	-	-	(23,829)	3,507,818
Intangible assets	201,239	246,727	-	-	-	-	447,966
Finance Leases	352,775	260,790	-	-	-	-	613,565
Embedded derivative	625,419	(336,539)	-	-	-	-	288,880
Convertible bond	-	0	-	-	-	-	-
Borrowings/other payables	1,437,817	67,615	-	-	-	(10,319)	1,495,113
Exchange gain	3,074,814	98,401	-	-	-	(17,667)	3,155,548
Financial instrument	-	(71,771)	-	-	-	-	(71,771)
	16,919,822	170,495	-	-	204,959	(87,662)	17,207,614
Deferred income tax assets							
Provisions	(2,061,453)	(1,012,734)	-	(13,550)	-	12,734	(3,075,003)
Exchange losses	(1,523,739)	57,542	-	-	-	(120,616)	(1,586,813)
Share options and awards	(304,333)	-	(96,500)	-	-	1,863	(398,970)
Tax losses	(5,210,513)	(60,103)	-	-	-	32,213	(5,238,403)
Crude oil underlift	(31,568)	-	-	-	-	327	(31,241)
Retirement benefit obligation	(777,167)	(45,452)	-	(24,999)	-	4,811	(842,807)
Tax losses		(1,901,934)	-	-	-	3,568	(1,898,366)
Crude oil underlift		(353,306)	391	-	-	-	(352,915)
	(9,908,773)	(3,315,987)	(96,109)	(38,549)	-	(65,100)	(13,424,518)
Net deferred income tax liabilities	7,011,049	(3,145,492)	(96,109)	(38,549)	204,959	(152,762)	3,783,096

	1.1.2013	Charged/(credited) to P/L	Charged/(credited) to equity	Charged/(credited) to OCI	Held for sale/Disposal of business	Exchange Differences	Total
	N'000	N'000	N'000	N'000		N'000	N'000
2013							
Deferred income tax liabilities							
Property, plant and equipment:							-
- on historical cost basis	5,169,350	2,500,653	-	-	-	(29,954)	7,640,049
- on revaluation surpluses	2,601,145	761,883	(101,061)	273,525	-	(12,895)	3,522,597
- on acquisition of mineral interest	3,507,818	-	-	-	-	(12,794)	3,495,024
Intangible assets	447,966	-	-	-	-	(1,634)	446,332
Finance Leases	613,565	0	-	-	-	(2,233)	611,332
Embedded derivative	288,880	0	-	-	-	(1,054)	287,826
Convertible bond	-	0	-	-	-	-	-
Borrowings/other payables	1,495,113	0	-	-	-	(5,453)	1,489,660
Exchange gain	3,155,548	786,564	-	-	-	(69,926)	3,872,186
Financial instrument	(71,771)	(934,446)	-	10,519	-	3,631	(992,067)
	17,207,614	3,114,654	(101,061.00)	284,044.00	0	(132,312)	20,372,939
Deferred income tax assets							
Provisions	(3,075,003)	427,563	-	-	-	(7,899)	(2,655,339)
Exchange losses	(1,586,813)	(3,076)	-	-	-	(5,799)	(1,595,688)
Share options and awards	(398,970)	(37,237)	31,788	-	11,021	(1,435)	(394,833)
Tax losses	(5,238,403)	(2,038,352)	-	-	1,084,926	(24,339)	(6,216,168)
Crude oil underlift	(31,241)	-	-	-	-	(114)	(31,355)
Retirement benefit obligation	(842,807)	369,690	-	(329)	-	(1,728)	(475,174)
Tax losses	(1,898,366)	-	-	-	2,159,152	(1,029)	259,757
Crude oil underlift	(352,915)	-	-	-	-	(1,287)	(354,202)
	(13,424,518)	(1,281,412)	31,788	(329)	3,255,099	(43,630)	(11,463,002)
Net deferred income tax liabilities	3,783,096	1,833,242	(69,273)	283,715	3,255,099	(175,942)	8,909,937

Analysis of deferred tax charge for the year	2013	2012
	N'000	N'000
- Continuing operations (Note 10)	907,790	(1,246,383)
- Discontinued operations (Note 24)	925,452	(1,899,109)
	1,833,242	(3,145,492)

Deferred tax asset relating to unutilised tax losses carried forward are recognised if it is probable that they can be offset against future taxable profits or existing temporary differences. As at 31 December 2013, deferred tax assets of N6.2 billion relating to tax losses from Oando Plc (Company) and OER were not recognised. Management is of the view that due to the structure of the companies, sufficient taxable profit may not be generated in the future to recover the deferred tax.

Company	2013	2012
	N'000	N'000
The gross movement in deferred income tax account is as follows:		
At start of the year	(579,406)	(492,139)
(Credited)/Charge to profit and loss account (Note 10)	(622,168)	6,950
Charged/(Credited) to equity	(101,061)	(73,485)
(Credited)/Charge to other comprehensive income	10,519	(20,731)
At end of year	(1,292,116)	(579,405)

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:

	1.1.2012	Charged/(credited) to P/L	Charged/(credited) to equity	Charged/(credited) to OCI	Exchange Differences	Total
	N'000	N'000	N'000	N'000	N'000	N'000
2012						
Net deferred tax asset						
Property plant and equipment						
- On historical cost basis	72,293	(131,277)	-	-	-	(58,984)
- On revaluation surpluses	101,061	-	-	-	-	101,061
Borrowings/Other	(103,669)	67,615	-	-	-	(36,054)
Exchange difference	-	98,401	-	-	-	98,401
Provisions	(9,199)	-	-	-	-	(9,199)
Financial instruments	-	-	-	(13,550)	-	(13,550)
Exchange losses	(73,518)	-	-	-	-	(73,518)
Share options and awards	(144,386)	-	(73,485)	-	-	(217,871)
Retirement benefit	(334,721)	(27,789)	-	(7,182)		(369,692)
	(492,139)	6,950	(73,485)	(20,732)	-	(579,406)

	1.1.2013	Charged/(credited) to P/L	Charged/(credited) to equity	Charged/(credited) to other comprehensive income	Exchange Differences	Total
	N'000	N'000	N'000	N'000	N'000	N'000
2013						
Net deferred tax asset						
Property plant and equipment						
- On historical cost basis	(58,984)	(90,858)	-	-	-	(149,842)
- On revaluation surpluses	101,061	-	(101,061)	-	-	-
Borrowings/Other	(36,054)	-	-	-	-	(36,054)
Exchange difference	98,401	99,541	-	-	-	197,942
Provisions	(9,199)	(58,641)	-	-	-	(67,840)
Financial instruments	(13,550)	(934,446)	-	10,519	-	(937,477)
Exchange losses	(73,518)	-	-	-	-	(73,518)
Share options and awards	(217,871)	(7,454)	-	-	-	(225,325)
Tax losses	-	-	-	-	-	-
Retirement benefit	(369,692)	369,690	-	-	-	(2)
	(579,406)	(622,168)	(101,061)	10,519	-	(1,292,116)

16 Derivative financial assets

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Commodity option contracts	-	23,348	-	-
Convertible options	-	-	1,582,989	69,645
Interest rate swap	4,933	-	4,933	-
Foreign currency forwards	384,967	-	-	-
Embedded derivative - Akute Finance Lease (i)	1,220,796	962,930	-	-
	1,610,696	986,278	1,587,922	69,645
Analysis of total derivative financial liabilities				
Non current	1,220,796	986,278	1,582,989	69,645
Current	389,900	-	4,933	-
Total	1,610,696	986,278	1,587,922	69,645

i Embedded derivative - Akute Finance Lease

Akute Power Limited Power (APL) has a Power Purchase Agreement (PPA) with the Lagos State Water Corporation (LSWC). In addition to the power supply, APL bills LSWC exchange rate fluctuations between the Naira and US Dollars, where the exchange rate exceeds the ruling rate at the contract inception date. The terms of the agreement creates a derivative financial instrument, this has been stripped out of the host contract and separately valued. The embedded derivative has been recognized at fair value at each reporting period. At 31 December 2013, the derivative was an asset and was valued at N1.22billion (2012 : N963 million).

17 Finance lease receivables

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Finance lease receivable - Current	782,480	450,377	-	-
Finance lease receivable - Non Current	6,927,207	3,206,008	-	-
	7,709,687	3,656,385	-	-

(i) 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.

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). The carrying value of the finance lease as at 31 December 2013 is N3.15 billion (2012: N3.66 billion)

(ii) The Group through its subsidiary Alausa Power Limited (APL) entered into an agreement with the Lagos State Government (LASG) to build, operate and transfer an electricity generating power plant located at Alausa, Ikeja, Lagos State, Nigeria, with up to 10MW installed capacity. Under the terms of the contract LASG will purchase 10.4MW of electricity from APL, with a committed annual demand of 4MW on a take-or-pay basis. The contract is for an initial period of 10 years from commercial operations date with an option to negotiate an extension for successive terms upon terms and conditions that shall be mutually agreed. Commercial operation commenced in October 2013.

The excess of the present value of the lease receivables over the carrying value of the asset derecognised (N995,879,434) is recognised as unearned lease premium and amortised as other operating income to profit or loss over the lease term of 10 years; N20.5 million was amortised in 2013. The carrying value of the finance lease as at 31 December 2013 is N3.06 billion (2012: Nil).

(iii) In 2013, Oando Marketing Plc (OMP) and TSL entered into agreements whereby Oando Marketing Plc funded the purchase of trucks by TSL. TSL is a multi-disciplinary enterprise offering value added supply chain Management and logistics solutions in particular, handling the supply and distribution of products from source to final delivery points including the distribution of petroleum products by means of tankers from storage depots to retails outlets.

The nature of the agreement is such that these trucks meet the specifications of the 'Group' and are made available to OMP for their exclusive use (as specified in the agreements). The carrying value of the finance lease as at 31 December 2013 is N1.49 billion (2012: Nil).

The finance lease receivables by Oando Plc amounted to N7.7 billion as of December 31, 2013. (2012: N3.7 billion) and will bear interest until their maturity dates of N6.8 billion (2012: N2.3 billion, 2011: N3 billion).

The receivables under the finance lease are as follows

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Non-current receivable				
Finance lease - gross receivables	12,382,598	4,904,509	-	-
Unearned finance income	(5,455,390)	(1,698,501)	-	-
	6,927,207	3,206,008	-	-
Current receivables				
Finance lease - gross receivables	2,145,587	1,085,339	-	-
Unearned finance income	(1,363,107)	(634,962)	-	-
	782,480	450,377	-	-
Gross receivables from finance lease				
Not later than one year	2,145,587	1,085,339	-	-
Later than one year and not later than five years	7,920,257	3,427,804	-	-
Later than five years	4,462,341	1,476,705	-	-
	14,528,184	5,989,848	-	-
Unearned future finance income on finance lease	(6,818,497)	(2,333,463)	-	-
Net investment in finance lease	7,709,687	3,656,385	-	-
The net investment in finance lease may be analysed as follows:				
Not later than one year	782,480	450,377	-	-
Later than one year and not later than five years	3,968,970	2,229,314	-	-
Later than five years	2,958,237	976,694	-	-
	7,709,687	3,656,385	-	-

18 Deposit for acquisition of a business

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
At start of the year	67,542,450	-	-	-
Additional deposit	2,328,000	67,542,450	-	-
Exchange difference	(30,450)	-		
At end of year	69,840,000	67,542,450	-	-

In December 2012, the Group entered into a share purchase and sale agreement ("SPA") with Conoco Phillips' (COP) Nigerian businesses for an approximate cash consideration of N277 9bn (US$1 79billion), net of post closing adjustments Upon execution of the SPA, the Group paid a deposit N67 5billion (US$345million) to Conoco Phillips through its subsidiary, Oando Energy Resources Inc (OER)

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

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 at that time was planned to convert upon receipt of a conversion notice by the notes holder On 6 March 2013, Ansbury Investments Inc assigned the debt of N7 7billion and related claims to OODP The Group settled the borrowings owed OODP during the year through issue of shares as part of rights issue

On 30 May 2013, Oando Plc and OER signed a Facility Agreement to refinance the US$345million and accrued interest thereon between 20 December 2012 and 30 May 2013 of approximately US$17million The facility amount was US$362million (referred to "Facility A" in the Agreement) at an interest rate of 5% per annum On 28 November 2013, Oando Plc and OER signed an amendment and restatement of facility agreement which includes US$15million additional term loan facility referred to as "Facility B" Facility B2 was paid to Conoco Phillips as additional deposit attracted interest at 5% per annum

On 16 December 2013, an amendment was made to the SPA between OER and ConocoPhillips The amendment resulted in the movement of the outside date for the transaction to 28th February 2014 from an earlier agreed date of 30 November 2013

The total deposit paid to Conoco Phillips as of 31 December 2013, was N69 8 billion (US$450 million), 31 December 2012 N67 5 billion (US$435 million)

19 Non-current receivables and prepayments

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Prepaid operating lease (Note 19a)	3,385,810	2,152,283	921,090	-
Underlift receivables (Note 19b)	11,283,000	8,466,311	7,345,639	7,345,639
Convertible loan -OES	-	-	12,009,694	-
Other non-current receivables (Note 19c) -Financing costs associated with debt yet to be issued	743,874	-	-	-
	15,412,684	10,618,594	20,276,423	7,345,639

(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:

At start of the year	2,152,283	1,474,428	-	-
Additions in the year	2,826,894	1,186,466	2,168,260	-
Reclassifications to current prepayments	(1,593,445)	(508,611)	(1,247,169)	-
Exchange differences	78	-	-	-
	3,385,810	2,152,283	921,091	-

(b) Underlift receivables

Under lift 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 NNPC is the state oil corporation through which the federal government of Nigeria regulates and participates in the Country's petroleum industry OER is currently in a dispute with the NNPC in relation to certain liftings done by the NNPC in 2008 and 2009 and which, in the view of OER and Nigeria Agip Exploration Limited ("NAE"), the operator of OML 125, exceeded the NNPC's entitlements due to a dispute between OER and the NNPC in relation to OER's tax obligations associated with oil production from OML 125 This dispute was referred to arbitration by NAE and the OER and, in October 2011, the arbitral tribunal issued an award which was in favour of NAE and the OER

Later in October 2011, NNPC filed a lawsuit in the Nigerian Federal High Court challenging the award and it obtained an injunction restraining further action 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 the OER filed an application to discharge the injunction The case is still pending before the Nigerian Federal High Court Although not a party to the arbitration proceedings described above, in October 2011, the Federal Inland Revenue Service ("FIRS") began an action in the Federal High Court challenging the jurisdiction of the arbitral tribunal to determine tax issues in the proceedings between the NNPC, NAE and the OER In response to this, in October 2011, NAE and OER filed a jurisdictional challenge against the FIRS on the ground that the FIRS lacked the ability to demonstrate sufficient connection to the matter between NNPC and NAE/OER

On February 28, 2014, the injunction obtained by the NNPC restraining the arbitration was set aside by the Court of Appeal NAE and OER have subsequently communicated the value of final award expected to the arbitration panel The award has not been granted neither has NNPC appealed the setting aside of the injunction to date

On completion of the Oando Reorganization on July 24, 2012, OER retained the contractual rights to receive the cash flows associated with N7 34 billion ($47 3 million) of the underlift receivable and also assumed a contractual obligation to pay a portion of those cash flows to the Group As part of the terms, OER has no obligation to pay amounts to Oando unless it collects the equivalent amounts from the original receivable

Since the completion of the Oando Reorganization in July 2012, the NNPC has continued to lift production volumes that exceed their entitlement This has resulted in an additional N6 19 Billion ($39 9 million) in under lift receivable at December 31, 2013

Due to the uncertainty associated with the timing of collectability and the related dispute, the Group has classified the balance as non-current on the statement of financial position

(c) Other non-current receivables

Financing costs associated with debt yet to be issued

In financing the COP Acquisition, the Group has incurred N743 9 million in raising debt financing This has been included in long term receivables and will be offset against the proceeds of the debt financing and amortized over the life of the debt when they are received

20 Inventories

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Finished goods	11,388,863	12,049,220	-	-
Materials	4,443,500	4,326,658	-	-
Goods-in-transit	2,923,403	885,213	-	-
Consumable materials and engineering stocks	690,436	849,450	-	6,733
	19,446,202	18,110,541	-	6,733

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to N369 billion (2012: N569 billion). There was no inventory carried at net realisable value as of the reporting date (2012: nil).

21 Trade and other receivables

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Trade receivables	48,987,547	32,134,461	-	-
Less: provision for impairment of trade receivables	(4,099,800)	(3,441,372)	-	-
	44,887,747	28,693,089	-	-
Petroleum subsidy fund	14,823,145	39,043,740	-	-
Bridging claims receivables	3,820,025	14,456,968	-	-
Other receivables	23,458,429	13,530,419	12,686,690	8,162,188
Convertible loan	-	-	64,558,727	53,568,150
Receivables from Greenpark Ltd	35,495,160		35,495,160	
Cash call from JV partners	9,075,534	4,582,546	-	-
VAT input & Witholding tax receivable	8,373,689	7,816,670	1,730,187	1,730,187
Amount due from related parties	-	-	10,621,966	65,093,019
Prepayments	4,354,919	6,319,060	892,493	252,501
Less: provision for impairment of other receivables	(549,844)	(507,249)	(19,160)	(19,160)
	143,738,804	113,935,243	125,966,063	128,786,885

Cash call from JV partners

The Group has a receivable balance of N9.01 billion relating to cash calls that are receivable from NEPN for development of the Qua Ibo Marginal Field. This balance is arising from the farm-in arrangement between OER and NEPN. The amount is expected to be recovered from proceeds of sale of production from OML 13. OER will receive 90% of proceeds NEPN's share of sales of crude oil from OML 13 along with its share of 40% share of the proceeds until the amount is repaid.

Convertible loan

Convertible loan in Company's separate financial statement relates to loan to OER of N62.24 billion ($401 million) and its accrued interest of N1.9 billion ($12.22 million). Also included is the sum of N427 million, being current portion of convertible loan to OES. The convertible loans have been eliminated on consolidation. Under the contract, Oando Plc has the option to convert to the subsidiary's shares at an agreed price. The instruments were split according to their features comprising of a loan measured at amortised cost and an embedded option measured at fair value through profit or loss (see note 16 for the details of the option derivatives). Also see note 35 on related party transactions.

The carrying amounts of trade and other receivables for 2013 and 2012 respectively approximate their fair values. The fair values are within level 2 of the fair value hierarchy.

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
At start of the year	3,948,621	5,289,550	19,160	19,160
Provision for receivables impairment (Note 7)	791,056	(1,343,351)	-	-
	4,739,677	3,946,199	19,160	19,160
Receivables written off during the year as uncollectible	(90,033)	(4,407)	-	-
Exchange difference	-	6,829	-	-
At end of year	4,649,644	3,948,621	19,160	19,160

22 Available-for-sale financial assets

Available-for-sale financial assets represent the Company's investments in listed securities on the Nigerian Stock Exchange. Each 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 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
At start of the year	149,701	194,031	148,865	194,031
Addition	-	836	-	-
Disposal	(836)	-	-	-
Fair value gain/(loss)	35,065	(45,166)	35,065	(45,166)
At the end of year	183,930	149,701	183,930	148,865
Less: Non current portion	(14,500)	(1,000)	(14,500)	(1,000)
Current	169,430	148,701	169,430	147,865

(b) Investment in subsidiaries

	Company 2013 N'000	Company 2012 N'000
Akute Power Limited	2,500	2,500
Apapa SPM Limited	19,125	19,125
East Horizon Gas Co Limited	-	10,000
Gaslink Nigeria Limited[1]	7,027,713	7,029,869
Oando Energy Services Limited[1]	27,361,842	584,210
Oando Exploration and Production Limited[1]	-	3,932,524
Oando Gas and Power Limited	1,000	1,000
Oando Lekki Refinery Limited	2,500	2,500
Oando Marketing Limited[1]	15,784,793	15,780,925
Oando Port Harcourt refinery Limited	2,500	2,500
Oando Properties Limited	250	250
Oando Supply and Trading Limited[1]	822,105	828,830
Oando Trading Limited Bermuda	3,435,950	3,435,950
OML 112 & 117 Limited	6,538	6,538
Oando Terminal and Logistics Limited	2,500	2,500
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
Lekki Gardens Power Limited	2,500	2,500
Oando Wings Limited	-	3,000
Oando Exploration Equator Holdings Limited	1,816	1,816
Oando Qua Iboe Limited	-	10,000
Oando Reservoir Limited	-	10,000
Oando Energy Resources Inc.	53,681,593	53,681,593
	108,188,615	85,381,520
Provision for diminution	(2,500)	(2,500)
	108,186,115	85,379,020

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

(i) Common Control Transaction - Qua Iboe And ORPSL

On July 24, 2012, Oando Plc and OER entered into a Referral and Non-Competition Agreement. Under the terms of the agreement, Oando Plc agreed that if it acquired any interest in upstream oil and gas assets between September 27, 2011 and July 24, 2012, it would provide OER with a right of first offer to acquire such interests at a purchase price to be calculated at the price paid or to be paid by Oando Plc pursuant to any written agreement it has entered into to acquire the interest, together with Oando Plc's reasonable costs and expenses relating to such acquisition and a margin of 1.75 percent.

On April 30, 2013, OER acquired the Class B shares of Oando Qua Ibo Limited ("Qua Ibo") and Oando Reservoir and Production Services Limited ("ORPSL") at the purchase price described below from Oando Plc as part of a common control transaction.

As a result of this acquisition, Qua Iboe owns 40% participating interest in the Qua Iboe Marginal Field within Oil Mining Lease 13 located onshore Nigeria. The 40% participating interest was a result of a farm-in agreement, with the previous owners of the interest. The farm-in agreement was subject to the receipt of consent of the parties to the farm-in agreement dated April 27, 2004, as well as the consent of the Government of the Federal Republic of Nigeria. Approval from the Nigerian Department of Petroleum Resources was obtained in October 2012. OER is seeking approval from the Nigerian Minister of Petroleum Resources. In the event that the consent of the Nigerian Minister of Petroleum Resources is not obtained, OER shall be entitled to certain economic interests in the Qua Iboe Marginal Field. ORPSL was assigned the role of technical partner for the Qua Iboe Marginal Field.

The purchase price for the Qua Ibo Acquisition consists of all of the documented and commercially reasonable expenses incurred by Oando Plc until April 30, 2013 plus an administrative fee of 1.75%, plus completion cash, less certain payables owing by Qua Ibo and ORPSL on such date (including a loan to Diamond Bank plc plus interest and fees).

The difference between consideration paid and the aggregate book value of the assets and liabilities of the acquired entities at the date of the transaction was recognized as a capital contribution to OER under equity in the books of OER. The cash purchase consideration has not been paid at December 31, 2013and is presented under other payables in the books of OER and other receivables in the books of Oando Plc. The payable and receivable and all associated entries have been eliminated on consolidation.

(ii) Loss of control in Oando Wings Development Ltd.

OWDL was a fully owned subsidiary of Oando Plc until December 20, 2013, when shares were issued to RMB West port. See note 14. Please see below for details of the gain on deemed disposal of the company:

	Group 2013 N'000
Fair value of Oando wings as at date of deemed disposal	7,032,959
Oando Plc's share	41%
Fair value of Oando share immediately after loss of control	2,883,513
Fair value of Oando share immediately prior to loss of control	(2,693,566)
Gain on deemed disposal	189,947

The fair value of the company at the date control was lost was based on the negotiated value of the net asset of the company between Oando Plc and RMB Westport.

(iii) Conversion of loan to equity in OES

On 31 July 2013, a loan conversion agreement was signed between Oando Plc and Oando Energy Services Ltd (OES) that granted Oando Plc an option to convert N26,778,423,927.10 of the intercompany loans to shares in OES. The conversion price of the additional 14,999,986 shares was N1,85.23 per share. The objective was to restructure and recapitalize the balance sheet of OES. The accounting implications of the transaction in the books of the company and OES have been eliminated on consolidation.

23 Cash and cash equivalents

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Cash at bank and in hand	21,367,677	12,176,710	115,726	1,267,818
Short term deposits	2,519,820	1,231,796	1,370,566	300,177
	23,887,497	13,408,506	1,486,292	1,567,995
Restricted cash	3,798,258	4,053,050	327,107	324,000
	27,685,755	17,461,556	1,813,399	1,891,995

The weighted average effective interest rate on short-term bank deposits at the year-end was 17.1% (2012:16.9%). These deposits have an average maturity of 30 days.

Restricted cash relates to cash collateral in respect of equity loan for Gaslink (N1 4 billion), OER (0 75 billion), Oando Trading Bermuda (N1 3 billion) and Oando Plc (N327 million) and is excluded from cash and cash equivalents for cash flow purposes

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 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Cash and bank balance as above	23,887,497	13,408,507	1,486,292	1,567,995
Bank overdrafts (Note 27)	(34,218,626)	(48,537,984)	(6,916,770)	(8,602,062)
	(10,331,129)	(35,129,477)	(5,430,478)	(7,034,067)

24 **Discontinued operations and disposal groups held for sale**

	Group 2013 N'000	Group 2012 N'000
Results of discontinued operations (a)	10,242,132	(4,139,431)
Disposal group held for sale (b)	(3,243,489)	7,516,056
	6,998,643	3,376,625
Taxation - Disposal group held for sale (b)	(925,452)	1,899,109
	6,073,191	5,275,734

a **Discontinued Operations**

On 20 December 2013, the Group, signed a Share Purchase and Sale Agreement ("SPA") to sell, the entire issued share capital of Oando Exploration & Production Limited ("OEPL") to Green Park Management Limited (the buyer), a Nigerian company The agreed purchase price for the entire issued share capital of OEPL was N6 4 billion (US$40 million at US$1=N155 2 on the date of the sale) The Group made a profit (disclosed below) from the sale

OEPL is an exploration company with three oil and gas assets namely OPL 236, OPL 282 and OPL 278 The buyer made a part payment of USD9 million (N1 4 billion) out of the agreed price. The Group and the buyer agreed that the balance of $31 million (N4 billion) will be paid within 12 months of the closing date In addition, both parties agreed to obtain all relevant approvals within 12 months of the closing date

In accordance with the SPA, Green Park Management Limited shall have the economic interests attributed to OEPL from closing date until all required consents have been obtained

The comparative consolidated statement of profit or loss and OCI have been restated to show the discontinued operation separately from continuing operations

Results of discontinued operations

Analysis of the result of discontinued operations, and the result recognised on the re-measurement of assets or disposal group is as follows

	Group 2013 N'000	Group 2012 N'000
Revenue	34,311	460,062
Expenses	(6,024,974)	(4,599,493)
Loss before tax of discontinued operations	(5,990,663)	(4,139,431)
Tax	-	-
Loss after tax of discontinued operations	(5,990,663)	(4,139,431)
Gain/(loss) on sale of discontinued operations	16,232,795	-
Income tax on gain/(loss) on sale of discontinued operations	-	-
	16,232,795	-
Profit/(loss) for the year from discontinued operations	10,242,132	(4,139,431)

Cash flows used in discontinued operation

Net cash used in operating activities	(4,831,221)	(3,288,378)
Net cash from investing activities	(277,187)	(94,235)
Net cash in financing activities	4,836,187	3,214,968
Net cash flows for the year	(272,221)	(167,645)

Effect of disposal on the financial position of the Group

Intangible assets	14,515,295	-
Deferred income tax assets	2,169,206	-
Available-for-sale financial assets	835	-
Inventories	13	-
Trade and other receivables	4,397,799	-
Goodwill	2,034,153	-
Trade and other payables	(33,145,994)	-
	(10,028,693)	-
Profit on disposal	16,232,795	-
	6,204,102	-
Satisfied by:		
Consideration received, satisfied in cash	1,396,800	-
Deferred consideration	4,811,200	-
Cash and cash equivalents disposed of	(3,898)	-
	6,204,102	-

b **Disposal group held for sale**

The assets and liabilities related to East Horizon Gas Company (EHGC) have been presented as held for sale following the approval of the Group's management and shareholders on 16 December 2013 to sell the company The transaction was completed in March 2014, see note 37 (xi) for details

In accordance with IFRS 5, the assets and liabilities held for sale were recognised at the carrying amount which is not higher than the fair value less cost to sell This is a non-recurring fair value which has been measured using observable inputs, being the prices for recent sales of similar businesses, and is therefore within level 2 of the fair value hierarchy The fair value has been measured by calculating the ratio of transaction price to annual revenue for the similar businesses and applying the average to EHGC Limited

Analysis of the result of discontinued operations, and the result recognised on the re-measurement of assets or disposal group is as follows

Revenue	7,111,006	22,616,394
Expenses	(10,354,495)	(15,100,338)
(Loss)/Profit before tax of discontinued operations	(3,243,489)	7,516,056
Deferred tax	(925,452)	1,899,109
(Loss)/Profit for the year from discontinued operations	(4,168,941)	9,415,165

Operating cash flows	2,768,546	9,191,359
Investing cash flows	(5,935)	(4,851)
Financing cash flows	(2,794,046)	(8,947,419)
Total cash flows	(31,435)	239,089

(i) Assets of disposal group classified as held for sale

Property, plant and equipment	7,930	-
Intangible assets	35,271,002	-
Deferred income tax assets	1,085,783	-
Inventory	306,916	-
Other current assets	811,482	-
Total assets	37,483,113	-

(ii) Liabilities of disposal group classified as held for sale

Trade and other payables	4,450,050	-
Borrowing	3,006,398	-
Non-current liabilities	6,773,564	-
Total liabilities	14,230,012	-

25 Share capital

	Number of shares (thousands)	Ordinary shares N'000	Share premium N'000	Total N'000
At 1 January 2013	2,274,118	1,137,058	49,521,186	50,658,244
Rights issue	4,548,236	2,274,119	52,304,717	54,578,836
Share issue expenses	-	-	(3,400,542)	(3,400,542)
At 31 December 2013	6,822,354	3,411,177	98,425,361	101,836,538

Authorised share capital

The total authorised number of ordinary shares is Ten (10) billion (2012: 6 billion) with a par value of 50 Kobo per share. All issued shares are fully paid.

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 received approval for allotment from the Securities and Exchange Commission on 27 May 2013. Allotment was also completed in 2013.

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:

	2013 Average exercise price (NGN per share)	Options (thousands)	2012 Average exercise price (NGN per share)	Options (thousands)
At 1 January	106.02	29,976	106.02	38,570
Forfeited		(706)	-	(8,594)
Expired		(3,231)	66.84	-
At 31 December	66.00	26,039	106.02	29,976

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

Expiry date	Grant Date	Fair value	Exercise price per share	Dividend yield	Volatility	Risk free rate	2013	2012
2 May, 2013	1 May, 2009	25.85	66.84	3.87%	58.1%	5.5%	-	3,231
2 May, 2014	1 May, 2010	42.90	111.76	3.87%	57.5%	5.5%	26,039	26,745
							26,039	29,976

The price of a unit at the expiry date was N15.30 compared to an exercise price of N111.76 above.

26 Other reserves

Group	Revaluation reserves (thousands)	Share based payment reserve N'000	Currency translation reserve N'000	Total N'000
At 1 January 2012	15,679,267	-	(2,302,339)	13,376,928
Currency translation difference	-	-	1,216,015	1,216,015
IFRIC 1 adjustment to revaluation reserve	(27,187)	-	-	(27,187)
Share based payment reserve (SBPR)	-	605,293	-	605,293
Tax on value of employee services	-	96,109	-	96,109
Reclassification to share based payment reserve	-	1,076,449	-	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
At 1 January 2013	15,639,029	1,779,851	(3,006,816)	14,412,064
Currency translation difference	-	-	(457,680)	(457,680)
Revaluation surplus on disposal transferred to retained earnings	(1,010,608)	-		(1,010,608)
Deferred tax on revaluation surplus on disposal transferred to retained earnings	101,061	-		101,061
Share based payment reserve charge	-	606,651	-	606,651
Tax on value of employee services	-	37,236	-	37,236
Transfer of expired SBPR to retained earnings	-	(105,965)	-	(105,965)
Deferred tax on transfer of expired SBPR to retained earnings	-	(31,789)	-	(31,789)
IFRIC 1 adjustment to revaluation reserve	(2,483)	-	-	(2,483)
Gains on revaluation of property, plant and equipment	9,942,732	-	-	9,942,732
Deferred tax on revaluation surplus	(273,525)	-	-	(273,525)
At 31 December 2013	24,396,206	2,285,984	(3,464,496)	23,217,694

Other reserves

Company	Revaluation reserves (thousands)	Share based payment reserve N'000	Currency translation reserve N'000	Total N'000
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		973,963
At 31 December 2012 as restated	909,547	1,366,579	-	2,276,126
At 1 January 2013	909,547	1,366,579	-	2,276,126
Revaluation surplus on disposal transferred to retained earnings	(1,010,608)			(1,010,608)
Deferred tax on revaluation surplus on disposal transferred to retained earnings	101,061			101,061
Share based payment reserve	-	124,121	-	124,121
Deferred tax on share based payment		24,799		24,799
Transfer of expired SBPR to retained earnings	-	(105,965)	-	(105,965)
Deferred tax on transfer of expired SBPR to retained earnings	-	(17,345)	-	(17,345)
At 31 December 2013	0 16	1,392,189	-	1,392,189

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

[2)] Share based payment reserve is not available for distribution to shareholders.

27 Borrowings

The borrowings are made up as follows:	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Non-current - Bank loans	71,872,418	75,221,070	11,942,482	45,760,738
Current				
Bank overdraft (Note 21)	34,218,626	48,537,984	6,916,770	8,602,062
Bank loans	146,681,886	120,924,911	22,633,675	15,316,200
Other third party debt	2,512,123	44,202,820	2,512,123	44,202,820
	183,412,635	213,665,715	32,062,568	68,121,082
Total borrowings	255,285,053	288,886,785	44,005,050	113,881,820

The borrowings include secured liabilities (bank borrowings) in a total amount of N51 2 billion (2012: 51 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.

Borrowings are analysed as follows:

Loan type Group	Purpose	Tenure/Interest rate	Security	Available facility N'000	Drawdown/ Balance 2013 N'000	Drawdown/ Balance 2012 N'000
Long term Loan	To finance OML 13 Activities	5years / 10% p.a	Domiciliation of sales proceeds of Qua Iboe and OPDC with Diamond Bank and charge over the asset	15,520,000	9,180,398	3,881,750
Long term Loan	To finance OML 125&134 Activities & COP Activities	5 years / 10.5% p.a	Domiciliation of sales proceeds of OML125 with FBN	9,312,000	15,976,978	6,987,204
Project Finance	To Finance Construction of IPP	7 years / 16.5% p.a	Debenture on fixed and floating assets of Alausa Ltd. Existing Corporate guarantee of Oando Plc	3,200,000	3,019,446	
Project Finance	To finance Akute IPP	7 years / 7% p.a	Pledge of assets being financed; corporate guarantee of Oando Plc	3,400,000	1,573,292	2,254,296
Syndicated gas project facility	UNICEM gas pipeline project by East Horizon Gas Company	3 years / 16.5% p.a	Corporate guarantee of Oando Plc and domiciliation of current account of gas sales proceeds	17,800,000	-	11,444,769
BOI	UNICEM gas pipeline project by East Horizon Gas Company	4 years / 7% p.a	Bank Guarantee (FBN)	1,400,000	-	-
Term Loan	Equity Finance	12mths with roll over option / 18.25% p.a	Corporate guarantee of Oando Plc to pay interest charges and fixed deposit of same amount	1,400,000	1,400,000	1,400,000
Term Loan	To finance CNG project	5 years / 16.5% p.a	Corporate guarantee of Oando Plc and CNG plant	2,200,000	1,846,562	1,493,486
Medium term loan	Upgrade of OES Passion rig	3 years / 8% p.a	Negative pledge of Oando Energy Services; Domiciliation of rig contract proceeds; subordinated corporate guarantee of Oando Plc	3,104,000	265,775	1,786,813
Medium Term Loan	Upgrade of OES Respect rig	3 years / 8% p.a	Corporate guarantee of Oando Plc	1,862,400	1,345,067	-
Medium Term Loan	To finance intercompany debt	5 years / 30 days LIBOR plus 9%	OES rig assets/cash flow	31,040,000	30,930,136	-
Medium term loan	Upgrade of OES rig	3 years / 8% p.a	Negative pledge of Oando Energy Services; Domiciliation of rig contract	3,105,400	-	3,124,000
Medium Term Loan	Restructuring of Short to Long Term Debt	5 years / Nibor + 1% p.a	Mortgage on assets of Oando Plc. and some subsidiaries	60,000,000	22,710,938	51,225,000
Derivative_CLS	To finance OML 90 activities	3 years / 6.533% p.a	Derivative barrels of oil	-	520,656	1,765,507
Medium Term Loan	Financing Apapa SPM Project	3 years / LIBOR + 8% p.a	Fixed and floating charge on assets	2,329,050	2,217,044	2,037,919
Term Loan	Financing Apapa SPM Project	4 years / 15.25% renewable annually	Lien on deposit	12,004,595	10,117,136	5,589,720
Term Loan	Finance of aircraft purchase	6 years / 6% p.a	Security Assignment, Share Charge	2,034,037	1,323,453	1,462,816
Term Loan	Finance acquisition of retail outlets			2,500,000.00	537,769.00	491,000
				172,211,482	102,964,650	94,944,281
Less current portion					(31,092,232)	(19,723,211)
				172,211,482	71,872,418	75,221,070

Current borrowings are analysed as follows:

Loan type	Purpose	Tenure/Interest rate	Security	Drawdown/ Balance 2013 N'000	Drawdown/ Balance 2012 N'000
Import finance	To purchase petroleum products for resale	30-90days	Sales proceeds of products financed	56,590,373	57,634,331
Other loans				2,512,123	42,870,200
Commercial papers	To finance products allocation from PPMC and importation of petroleum		Stock hypothecation, cash and cheque collection from product sales.	58,999,281	63,203,559
Other commercial papers/overdraft		30-365days, 12.5%-15.5%	Corporate guarantee/security deed	34,218,626	30,234,414
				152,320,403	193,942,504
Current portion of non-current borrowings				31,092,232	19,723,211
Total current borrowing				183,412,635	213,665,715

	2013	2012
Weighted average effective interest rates at the year end were:		
- Bank overdraft	18.0%	16.70%
- Bank loans	18.0%	16.80%
- Import finance facility	3.50%	3.24%
- Finance leases	18.5%	17.00%
- Other loans	8.75%	19.75%

The carrying amounts of short-term borrowings and lease obligations for 2013 and 2012 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 and are within level 2 of the fair value hierarchy.

The carrying amounts of borrowings for 2013 and 2012 respectively approximate their fair values. The fair values are within level 2 of the fair value hierarchy.

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

	2013 N'000	2012 N'000
Nigerian Naira	117,339,197	189,301,793
US Dollar	137,121,758	98,809,520
West African CFA	824,099	775,472
	255,285,053	288,886,785

28 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 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Underground tanks	870,150	802,837	-	-
Oil and gas fields	4,220,919	2,759,833	-	-
Provision for litigation	-	353,416	-	353,416
	5,091,069	3,916,086	-	353,416

Movement during the year is as follows:

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
At 1 January	3,916,086	1,486,648	353,416	-
Charged/(credited) to the Income statement				
- Additional provisions in the year	1,141,250	2,206,132	-	353,416
- IFRIC 1 adjustment to revaluation reserve	2,483	(27,187)	-	-
- Unwinding of discount	386,366	208,545	-	-
- Exchange differences	(1,700)	41,948	-	-
Settlement	(353,416)	-	(353,416)	
Balance at 31 December	5,091,069	3,916,086	-	353,416

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.

No amount of provisions is expected to be utilised in the next 5 years

Analysis of total provisions	Group 2013	Group 2012	Company 2013	Company 2012
Non current	5,091,069	3,562,670	-	-
Current	-	353,416	-	353,416
Total	5,091,069	3,916,086	-	353,416

29 Derivative financial liabilities

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Interest-rate swap	397,798	1,159,710	-	-
Commodity derivatives	312,573	-	-	-
Cross currency	539,964	1,409,651	539,964	1,409,651
Share warrants	277,065	917,095	-	-
	1,527,400	3,486,456	539,964	1,409,651

Analysis of total derivative financial liabilities	Group 2013	Group 2012	Company 2013	Company 2012
Non current	-	3,486,456	-	1,409,651
Current	1,527,400	-	539,964	-
Total	1,527,400	3,486,456	539,964	1,409,651

Share Warrants

Upon closing of the "Reverse Take Over" (RTO), 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 the Group. The warrants are therefore required to be initially recognized at fair value and subsequently measured at fair value through profit or loss.

On 24 July 2013, 5,713,984 of the 11,428,260 warrants expired. As of July 24, 2013, the exercise price of the warrants was higher than the share price of CAD$1.27. The liability recognized with respect to these expired warrants has been derecognised.

The fair value of remaining 5,714,276 warrants, determined using the Black Scholes option pricing model, was $1.8 million at December 31, 2013. The significant inputs to the model were the share price of $1.70 (2012: $1.70), exercise price of $2.00 (2012: $1.50), volatility of 93% (2012: 86%), dividend yield of $nil (2012: Nil), expected warrant life of 7 months and a risk free rate of 2.77% (2012: 0.22%).

	2013 Number of Warrants	2013 Average exercise price in Cdn per Warrant	2012 Number of Warrants	2012 Average exercise price in Cdn per Warrant
As at 1 January 2013	11,428,352	$1.75	-	-
Granted	-	-	11,428,552	$1.75
Exercised	(92)	$1.50	(200)	$1.50
Expired	(5,713,984)	$1.50	-	-
As at 31 December 2013	5,714,276	$2.00	11,428,352	$1.75

A summary of the outstanding warrants at December 31, 2013 is as follows:

	Expiry date	Exercise price (Cdn)	Warrants outstanding	Fair value of Warrants ($'000)	Fair value of Warrants (N'000)
$2.00 Warrants	July 24, 2014	$2.00	5,714,276	1,785	277,032

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 ($'000)	Fair value of Warrants (N'000)
$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, 2013, 5,714,276 (2012 – 5,714,076) warrants were exercisable.

For the year ended December 31, 2013, N636 million (2012 - N562 million (loss)) was recognized as a derivative gain in the income statement.

30 Retirement benefit obligations

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Balance sheet obligations for:				
Gratuity	2,468,035	2,802,983	1,189,998	1,232,303
Income statement charge (Note 8):				
Gratuity	469,058	295,394	173,308	62,400
Other comprehensive income				
Actuarial (losses)/gains recognised in the statement of other comprehensive income in the period	4,790	(83,331)	21,211	(23,936)
Cumulative actuarial losses recognised in the statement of other comprehensive income	118,115	113,325	-	-

The gratuity scheme is unfunded.

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

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
At 1 January	2,802,983	2,728,970	1,232,303	1,216,031
Current service cost	214,653	90,670	21,211	22,684
Interest cost	262,696	204,724	152,097	39,716
Remeasurements of post employment benefit obligations	(4,790)	83,331	(21,211)	23,936
Exchange differences	5,525	5,621	-	-
Curtailments	(8,291)	-	-	-
Benefits paid	(804,741)	(310,333)	(194,402)	(70,064)
At 31 December	2,468,035	2,802,983	1,189,998	1,232,303

The amount recognised in the income statements are as follows

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Current service cost	214,653	90,670	21,211	22,684
Interest cost	262,696	204,724	152,097	39,716
Curtailment gain	(8,291)	-	-	-
	469,058	295,394	173,308	62,400

Remeasurements of post employment benefit obligations

The factors that that contributed to the net actuarial gain for the year is as follows:

	Group 2013 N'000	Group 2012 N'000
Change in economic assumption	(71,556)	81,381
Salary Increase	11,824	1,878
Promotions	7,487	22,748
Membership movements	36,615	11,430
Other miscellaneous items	10,840	(34,106)
	(4,790)	83,331

Curtailment

With effect from 1 January 2012, the Group discontinued the Scheme for management staff and increased employer's contribution in respect of their existing contribution plan under the 2004 Pension Act. In 2013, the Group further discontinued the scheme for all senior staff except those in Oando Marketing Plc. Alexander Forbes Consulting Actuaries Nigeria Limited (Alexander Forbes) was engaged to determine the liability from the scheme, which was estimated at N2.5billion. The company intends to pay the money over to a fund manager who will manage the funds on behalf of employees. Till then, the liability 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 liability is included in the interest cost above.

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2013	2012
Discount rate	13.0%	12.2%
Future salary increases	12.0%	12.0%
Inflation rate	8.0%	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	2013	2012
18-29	4.5%	4.5%
30-44	6.0%	6.0%
45-49	2.5%	2.5%
50-59	2.0%	2.0%
60+	100.0%	100.0%

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

31 December 2013	Defined benefit obligation	
	Increase	Decrease
Discount rate (1% movement)	(685,102)	(732,115)
Future salary increases (1% movement)	(732,115)	(684,736)
Mortality improvement (1% movement)	(707,289)	(706,600)

At 31 December	2013	2012	2011	2010	2009
Present value of defined benefit obligation	2,468,035	2,802,983	2,728,970	1,125,577	864,567

31 Government Grant

Government grant relates to the below the market rate loan obtained through the 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 recognized initially on the grant date and subsequently amortized on a straight line basis over the tenor of the loan. There were no unfulfilled conditions relating to the grant as at the reporting date. The initial grant was N417million out of which N123 million was credited to interest expense in the statement of comprehensive income at the end of 2012. N87 million out of balance of N294 million at the beginning of the year was further credited to interest expense in 2013, leaving a balance of N207 million at 31 December 2013.

32 Trade and other payables

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Trade payables - Products	45,070,167	25,004,423	-	3,150
Trade payables - Other vendors	11,099,231	21,414,653	2,813,991	-
Other payables	26,495,911	13,867,297	2,626,068	5,645,254
Deposit for shares	17,677,781	-	17,677,781	-
Accrued expenses	18,433,978	17,741,091	410,527	662,221
Amount due to related parties	-	-	85,553,609	45,264,808
Bridging allowance	-	4,873,427	-	-
Deferred income	1,416,499	1,735,933	-	-
Customers security deposit	3,865,734	1,409,533	-	-
	124,059,301	86,046,357	109,081,976	51,575,433

The carrying amounts of trade and other payables for 2013 and 2012 respectively approximate their fair values.

The company embarked on a private placement issue of 2,046,706,324 ordinary shares of 50k each at N16.03 on December 18, 2013. The approval for allotment proposal filed with the Securities and Exchange Commission in 2013 is yet to be obtained, hence the net proceeds of N17.7 billion is classified as "deposit for shares" at an interest cost of libor + 8%. See note 35.

33 Dividend payable

Unpaid dividend	644,691	651,058	644,691	651,058

34 Cash generated from operations

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

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Profit before income tax - continuing operations	713,207	14,177,442	2,783,697	4,690,743
Profit before income tax - discontinued operations	6,998,643	3,376,625	-	-
Adjustment for:				
Interest income (Note 9)	(5,804,480)	(3,521,533)	(7,746,351)	(4,527,632)
Interest expenses (Note 9)	21,637,777	13,769,320	14,194,497	5,565,556
Depreciation (Note 7)	12,960,053	8,605,708	233,405	261,051
Amortisation of intangible assets (Note 13)	3,184,325	3,779,823	44,917	149,333
Impairment of intangible assets (Note 13)	837,563	3,666,503		-
Profit on sale of property, plant and equipment	(280,962)	(158,741)	(662,378)	(45,281)
Unwinding of discount on provisions (Note 9)	-	-	-	-
Profit on sale of subsidiary	(16,232,795)	-	(2,275,112)	-
Share based payment expense (options and swaps)	606,651	641,958	82,665	244,951
Write off of PPE	66,574	(190,499)	60,784	-
Gain on deemed disposal of subsidiary	(189,947)	-	-	-
Net foreign exchange (gain)/loss	(1,562,511)	2,812	(1,509,557)	(87,124)
Fair value loss on commodity options	23,348	59,926	-	(9,718)
Fair value (gain)/loss on embedded derivatives	(257,866)	1,121,797	-	-
Fair value (gain)/loss on warrants	(640,030)	561,528	-	-
Changes in working capital				-
- receivables and prepayments (current)	(34,324,996)	(3,725,717)	2,200,328	(61,834,147)
- non current prepayments	(4,794,090)	(8,638,077)	(12,930,784)	(7,311,877)
- inventories	(1,642,591)	15,411,490	6,733	(6,733)
- payables and accrued expenses	80,004,286	3,401,387	57,506,543	8,829,899
- dividend payable	(6,367)	(300)	(6,367)	(301)
- gratuity provisions	(334,948)	74,013	(395,721)	(7,664)
- Government grant	1,116,742	293,941	-	-
	62,077,587	52,709,406	51,587,299	(54,088,944)

35 **Related party transactions**

Ocean and Oil Development Partners Nigeria (OODP) has the largest shareholding of 43.36% at the reporting date (2012: 0.0004%). The remaining 56.64% shares are widely held. OODP is ultimately owned 40% by Delanson Services PTC Ltd (trustee for the family of Mr. Gabriele Volpi) and 60% by Liberation Management Ltd (trustee for the Group Chief Executive of Oando Plc (the "GCE")). Two directors of OODP have significant influence over Oando Plc.

The following transactions existed between Oando Plc (the "company") and related parties during the year under review:

(i) • Shareholder Agreements dated July 24, 2012 between the company and Oando Netherlands Holding 2 BV (Holdco 2) in respect of Oando Akepo Limited (Oando Akepo); the company and Oando Netherlands Holding 3 BV (Holdco 3) in respect of Oando Petroleum Development Company Limited ("OPDC2") (which owns 95% of the shares of OPDC), the company and Oando OML 125 & 134 BVI in respect of Oando OML 125&134, as well as shareholder agreements dated April 30, 2013 between the company and Oando Netherlands Holding 4 BV (Holdco 4) and Oando Netherlands Holding 5 BV (Holdco 5) in respect of Oando Qua Ibo Limited (OQIL) and Oando reservoir and Production Services Limited (ORPSL), respectively. The company owns Class A shares and each of Holdco 2, Holdco 3, Oando OML 125&134 BVI, Holdco 4 and Holdco 5 (together the "Holdco Associates") owns Class B shares, in each of Oando Akepo, OPDC2, Oando OML 125&134, OQIL and ORPSL (the "Operating Associates"), respectively. Ownership of the Class A shares by the company provides it with 60% voting rights but no rights to receive dividends or distributions from the applicable Operating Associate, except on liquidation or winding up. Ownership of the Class B shares entitles the Holdco Associates to 40% voting rights and 100% dividends and distributions, except on liquidation or winding up. Pursuant to each of these agreements, the company, on the one hand, and the respective Holdco Associates, 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 company and the respective Holdco Associate is entitled to appoint two directors to the board of Oando Akepo, OPDC2, Oando OML 125&134, OQIL and ORPSL respectively, with the Holdco Associate being entitled to appoint the Chairman, who has a casting vote. In addition, the applicable Holdco Associate has the power to compel the company 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.

(ii) • Right of First Offer Agreement ("ROFO Agreement") dated September 27, 2011, as amended, between the company and Oando Energy Resources Inc. (OER). Pursuant to the ROFO Agreement, OER has the right to make an offer to the company in respect of certain assets owned by the company in accordance with the terms of the ROFO Agreement. No amounts have been paid or are due to be paid under the ROFO Agreement as of 27 September 2013, the previously agreed termination date (2012: nil). However, on September 27, 2013, the ROFO Agreement was amended. The amendment terminates the initial ROFO agreement on the first date on which the company no longer holds, directly or indirectly, at least 20% of the issued and outstanding common shares of OER. OER owed N1.4 billion (US$9.3 million) to the company under the amended ROFO Agreement for the acquisition of OQIL and ORPSL (2012: nil). The payables and receivables have been eliminated on consolidation.

(iii) • Referral and Non-Competition Agreement dated July 24, 2012 between the company and OER: Pursuant to this agreement, the company 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 the company owns less than 20% of the shares of OER. The company is also required to refer all upstream oil and gas opportunities to OER pursuant to this agreement. In addition, in the event that the company acquired any upstream assets between September 27, 2011 and July 24, 2012, the company is required to offer to sell these assets to OER at a purchase price consisting of the amount paid by the company for the assets, together with all expenses incurred by the company to the date of the acquisition by OER, plus an administrative fee of 1.75%. OER owed N1.2 billion (US$7.6 million) to the company under this agreement in respect of the COP acquisition (2012: N1.2 billion (US$7.6 million)). The receivables and payables in the books of Oando Plc and OER respectively have been eliminated on consolidation.
In line with the Referral and Non-Competition Agreement, OER acquired the Class B Shares of Oando Qua Ibo Limited ("Qua Ibo") and Oando Reservoir and Production Services Limited ("ORPSL") from the company at the purchase price described in note 22 as part of a common control transaction on April 30, 2013. Following the acquisition, the Group retains the 40% interest in the Qua Ibo Marginal Field within OML 13 located onshore Nigeria through OER.

The farm in agreement was subject to the receipt of consent of the parties to the farm in agreement dated April 27, 2004, as well as the consent of the Government of the Federal Republic of Nigeria. Approval from the Nigerian Department of Petroleum Resources was obtained in October 2012. The Group has sought approval from the Minister of Petroleum Resources. In the event that the consent of the Nigerian Minister of Petroleum Resources is not obtained, the Group shall be entitled to certain economic interests in the Qua Ibo Marginal Field. ORPSL was assigned the role of technical partner for the Qua Ibo Marginal Field.

OER elected to apply predecessor accounting to the Qua Ibo and ORPSL Acquisition. As such, all assets and liabilities of Qua Ibo and ORPSL are incorporated at their predecessor carrying values and no fair value adjustments are required. No goodwill has arisen from the transaction.

(iv) • Cooperation and Services Agreement dated July 24, 2012 between the company and OER: Pursuant to this agreement, the company agreed, until the later of July 24, 2017 and such time as the company owns less than 20% of the shares of OER, to provide certain services to OER, including in respect of legal services in Nigeria, corporate secretarial and compliance services in Nigeria, corporate finance, procurement, corporate communications, internal audit and control, information technology, human capital management, environment, health, safety, security and quality and administrative services. These services are to be provided to OER on the basis of the cost to the company plus a margin of 10%. OER owed the company N1 billion (US$6.8 million) under this agreement in respect of the COP acquisition (2012: nil). The receivables and payables in the books of Oando Plc and OER respectively have been eliminated on consolidation.

(v) • Transitional Services Agreement dated July 24, 2012 between Oando Servco (a subsidiary of OER) and OEPL (a subsidiary of Oando Plc): Pursuant to this agreement, OEPL and Oando Servco ("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. OER through Servco was owed N1.1 billion (US$7.3 million) by OEPL under this agreement. The receivables and payables in the books of OER and OEPL respectively have been eliminated on consolidation.

(vi) • Pursuant to the completion of the Oando reorganization in July 2012, the cumulative amount advanced by Oando Plc to Equator Exploration Limited ("EEL") of N1.1billion (US$7.2 million) as of 21 December 2012 was classified as loan payable in EEL's books and loan receivable in Oando Plc's books. The carrying amount of the loan using effective interest method was N1.3billion at 31 December 2012. The amount increased to N1.5 billion (US$9.9 million) at the end of 2013 due to accrued interest for the year. The receivables and payables in the books of the company and OER respectively have been eliminated on consolidation.

(vii) • On December 20, 2012, the company extended a N53.6 billion (US$345 million) loan to OER to assist in financing the deposit required for the ConocoPhillips Nigeria companies' ("COP") acquisition. This agreement was subsequently modified by a new loan arrangement entered into on May 30, 2013 and amended on December 16, 2013. The new loan arrangement provides for three facilities - Facility A, Facility B1 and Facility B2 (and collectively, the "Oando Loan"). The details of each facility are as follows:

- Facility A is a US$362 million loan. The purpose of Facility A was to refinance the US$345 million loan (together with accrued interest of approximately US$17 million) extended by the company as part of the US$435 million paid as the deposit for the COP acquisition. The amendment provides annual interest rate of 5% and calculation of interest on a quarterly basis. Facility A was originally required to be repaid in full (plus interest) by September 30, 2013. However, this was extended first to December 31, 2013 and then subsequently to February 28, 2014. Facility B1 is a US$24 million loan and its purpose is to finance working capital requirements of OER. The annual interest rate is 5% and interest is payable on a quarterly basis. OER is entitled to elect to repay the loan by the issuance of its shares, subject to certain conditions. Facility B1 was due to be repaid by December 31, 2013, but this was subsequently extended to February 28, 2014. Facility B2 is a US$15 million loan and its purpose is required to be paid as part of the deposit for the COP acquisition. The annual interest rate is 5% and interest is calculated on a quarterly basis. OER is entitled to elect to repay the facility by the issuance of its shares, subject to certain conditions. Facility B2 agreement was signed on December 16, 2013 and it was due to be repaid by December 31, 2013, but subsequently extended to February 28, 2014. At December 31, 2013, total loan amount receivable from OER was N62.2 billion (US$401 million). The receivables and payables in the books of the company and OER respectively have been eliminated on consolidation.

- The election to repay the Oando Loan by the issuance of common shares of OER could originally be exercised no later than five business days prior to September 30, 2013 for Facility A and December 31, 2013 for Facility B1. The exercise date was first extended to December 31, 2013 for Facility A and then subsequently extended to February 28, 2014 for all three facilities. The agreements for the three facilities provided that in the event that the election by OER to repay the facilities through the issuance of common shares of OER would result in the company having an ownership interest in OER that is higher than the current ownership interest of 94.6% (on a non-diluted basis), the number of common shares of OER to be issued will be reduced so as to ensure that the company's stake in OER does not exceed such current ownership interest and the balance, if any, of amounts owing under the facilities will be payable in cash. The conversion feature represented an embedded derivative that was required to be split out from the host contract and measured at fair value through profit and loss.

(viii) • On December 24, 2013, OER signed a new US$200 million facility agreement with the company. The facility was obtained to fund further payments due to ConocoPhillips in relation to the COP acquisition. Interest on the facility is charged at 5% and the amount was to be available for draw down from December 24, 2013 to February 27, 2014. There was no facility amount drawdown at December 31, 2013.

(ix) • On December 5, 2012, OODP granted a loan of N15.5 billion (US$100m) to the company. 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%. In 2013, OODP signed an agreement with Ansbury Investments Inc. to assign the N7.7 billion (US$50 million) owed to Ansbury Investments Inc. by company at December 31, 2012, to OODP. Consequently, the total amount owed to OODP became approximately N40.3 billion (US$260 million) in 2013. N35.8 billion out of the N40.3 billion was repaid by the company to OODP during the year, leaving a balance of N4.5 billion. OODP later participated in the rights offer that was concluded during the year. The balance of N4.5 billion and accrued interest of N1.1 billion were outstanding to the credit of OODP at the reporting date.

On June 18, 2013, the company and OODP signed a Share Subscription Agreement (SSA) under a special/private placement of 2,046,706,324 ordinary shares (the subscription shares) at N15 per share. Under the agreement, OODP paid naira equivalent of US$70 million (per the SSA) as part payment for shares in advance of the special/private placement. The company and OODP agreed an interest rate of eight percent (8%) per annum on the part payment.

On December 16, 2013, the company and OODP signed a Deed of Amendment to the Share Subscription Agreement (the "Deed of Amendment"). Under this Agreement, the company and OODP agreed that the subscription price payable by OODP for the subscription shares is increased to N16.03 per share for such number that may be allotted to OODP under the terms of the Private Placement, up to a maximum total value of US$220 million.

On December 18, 2013, OODP further granted the company a loan of N48 million.

In December 2013, the company signed a Convertible Notes Purchase Agreement (the "CNPA") for N1.98 billion effective December 23, 2013. The interest rate basis for the CNPA, whose closing deadline date was January 31, 2014, was Monetary Policy Rate (MPR) plus one percent (1%) per annum (calculated on the basis of a 360 day-year and the actual number of days elapsed). A promissory was issued under the CNPA. Both parties agreed the conversion price as: (a) the special placement price of N16.03 per share of Common Stock or (b) the volume-weighted average price of an ordinary share of the company on the Nigerian Stock Exchange for the five trading days immediately preceding, but not including, the relevant conversion date. The company received the N1.98 billion on January 8, 2014.

Interest accrued on all unpaid loans at the reporting date amounted to N0.9 billion. In addition, the total amount owed to OODP at December 31, 2013 was N17.6 billion.

(x) • Apapa SPM Limited (Apapa SPM), a subsidiary of the company, and Ocean and Oil Services Limited (OOSL) (in liquidation) entered into negotiations on the acquisition of an undeveloped square plot of land approximately 5,947.76 square metres along Alapata Street in Apapa, Lagos (the "Alapata land"). The Alapata land, which was owned by OOSL, was required for pipeline construction for the business of Apapa SPM. Both parties agreed a consideration of N535 million for the acquisition. The consideration, which was approved by the board of Oando Plc., has been paid.

(xi) • During the year, and prior to the acquisition above of the Alapata land, Apapa SPM and OOHL initiated discussions on the payment of rent for use of the Alapata land by Apapa SPM for the period January 1, 2009 – December 31, 2013. As of 31 December 2013, both parties were of the opinion that the rent was worth N67 million, subject to approval by the board of Oando plc. Upon this basis, the N67 million have been accrued in these consolidated financial statements.

(xii) • The company transferred its interest in the 7,730.39 square metres of land located along the Ozumba Mbadiwe Street, Victoria Island to Oando Wings Development Limited (OWDL) during the year. ODWL was a subsidiary of Oando Plc up to December 20, 2013 after which, the Group's interest in OWDL reduced to Associate. The disposal of the land and loss of control have been accounted for as a disposal in the books of the company. See note 12 to these consolidated financial statements.

(xiii) • The company entered into an agreement with Oando Energy Services Limited (OES) to convert a portion of the intercompany payable by OES to a convertible loan. The agreement led to the issue of Convertible Notes of $100,000,000 (N15,576,000,000) at 5% coupon. The notes are convertible into Oando Energy Services Limited's ordinary shares at any time between 31 July 2013 and 31 July 2023 at the holder's options, at a rate of N 1,785 per ordinary share. The accounting implications of the transaction in the books of the issuer and holder of the Notes have been eliminated in these consolidated financial statements.

Other related party transactions include:

i. Broll Properties Services Limited received N90.8 million (2012: N35.8 million) for facilities management. The GCE has control over one of the joint interest owners of the company.

ii. Noxie Limited received N419.9 million (2012: N234.1 million) for supply of office equipment. A close family member of the GCE has control over the company.

iii. Olajide Oyewole & co. received N98.6 million (2012: N55.9 million) for professional services rendered. A close family member of the GCE has significant influence over the firm.

iv. Lagoon Waters Limited, one of the dealers for the sale of petroleum products, purchased petroleum products and liquefied petroleum gas worth N1.8 billion (2012: N913.9 million) from the Group. Lagoon Waters Limited is controlled by a close family member of the GCE.

v. Temple Productions Limited received N31.9 million (2012: N29.9 million) for advertisement services. The company is controlled by a close family member of an executive director of Oando Plc.

vi. Transport Services Limited ("TSL") provides haulage services to a downstream company of the Group. During the year under review, TSL leased vehicles and provided haulage services worth N2.5 billion (2012: N1.8 billion) to the Group. TSL is ultimately controlled by a close family member of the Deputy Group Chief Executive (DGCE).

vii. TSL Logistics Limited supplied products and throughput services worth N45.3 billion (2012: N11.6 billion) to the Group. The company is ultimately controlled by a close family member of the GCE.

viii Avante Property Asset Management Services Limited received N42 8 million (2012 N83 million) for professional services rendered to the Group The company is ultimately controlled by the GCE and DGCE

ix K O Tinubu & Co provided legal services amounting to N4.0 million (2012 N2.2 million) K O Tinubu is controlled by a close family member of the GCE

x Offshore Personnel Services supplied services worth N1 7 billion (2012 N1.4 billion) to the Group The company's ultimate parent is Ocean and Oil Holdings Limited The GCE and DGCE have significant influence over the ultimate parent

xi Avaizon Consulting Limited provided training services worth N19 9 million (2012 N0 53 million) to the Group in 2012 The GCE and DGCE have significant influence over the company

xii Templars and Associates provided legal services worth N10 million to the company (2012 N21 million) A non-executive director of the company owns 49% of Templars and Associates in addition to being a partner in the firm

xiii SCIB Nigeria and Co Ltd ("SCIB") provided insurance brokerage services worth N1 2 billion (2012 N1 0 billion) to the Group in 2012 A beneficial owner of SCIB is related to the GCE

xiv MGM Logistic Solutions Service Ltd provided rig towing service to Oando Energy Services Limited for an amount of N71 3 million (2012 nil) The company is ultimately owned 81% by the Volpi family A joint owner of OODP (a related company) is a member of the Volpi family

xv Intels West Africa Ltd provided cargo handling operations worth N137.2 million (2012: N83 4 million) to Oando Energy Services Limited Intels West Africa Ltd is owned 70% by a joint owner of OODP (a related company)

xvi West Africa Catering Nigeria Limited provided catering services worth N688 million (2012: N621 8 million) to Oando Energy Services West Africa Catering Nigeria Limited is ultimately owned 49 8% by a joint owner of OODP (a related company)

xvii Rosabon Financial Services Limited provided financial services worth N25 million (2012: N9 0 million) to the company during the year under review Rosabon Financial Services Limited is owned by a director of Gaslink Nigeria Limited

xviii Triton Aviation Limited provided management services worth N921 8 million (2012 N831 0 million) to Churchill C-300 Finance Limited, an indirect subsidiary of the company Triton Aviation Limited is owned by the GCE

xix Checklist Nig Ltd provided event planning services worth N19 million (2012 N65 9 million) to Oando Marketing Plc during the year The managing director of Checklist Nig Ltd is related to the CEO of Oando Marketing Plc., a key management personnel of the Group

xx Templegate Consultants Ltd provided architectural services worth N8 5 million (2012 nil) to Oando Marketing Plc., a subsidiary of Oando Plc during the year The managing partner of Templegate Consultants Ltd is related to the CEO of Oando Marketing Plc., a key management personnel of the Group

xxi In 2013, the company and Emerging Capital Partners (ECP) amended an existing agreement in relation to the N2 5 billion debt originally owed to Ocean and Oil Holdings Limited (OOHL) The rights and benefits attached to the debt was ultimately assigned to ECP via a Deed of Assignment dated February 24, 2012 Under the 2013 amendment, the company and ECP agreed to reduce the interest rate on the debt to 14% from 19 75% and extend the repayment date to February 2014 Interest accrued on the debt for the year ended December 31, 2013 was N451 9 million (2012 N502 million) In addition, the company paid all accrued interest for 2011 – November 2013 of N1 1 billion during the year

xxii Brick House Construction Company Ltd provided building construction services worth N168 1 million (2012 N164 million) to Oando Marketing Plc., a subsidiary of the company A key management personnel of OMP is a shareholder and director of Brick House Construction Company Ltd

xxiii Ibushe Limited provided consultancy services to Oando Marketing Plc and Oando Energy Services amounting to N353 2 million (2012: N88 1 million) during the year A key management personnel of the company owns shares in Ibushe Limited

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

	2013 N'000	2012 N'000
Salaries and other short-term employee benefits	1,345,203	1,024,262
Share options and management stock options	75,700	421,587
Gratuity benefits	3,045	34,597
	1,423,948	1,480,446

Year-end balances arising from transactions with related parties

The following receivables or payables at December 31, 2013 arose from transactions with related parties

	Company 2013 N'000	Company 2012 N'000
Receivables from related parties:		
Apapa SPM Limited	5,561,639	2,559,934
Churchill Finance Ltd	85	-
East Horizon Gas Company Ltd	3,179	-
Equator Exploration Limited	-	8,466,312
Gaslink Nigeria Limited	1,505,284	1,753,051
Oando Akute Power Limited	4,550	-
Oando Energy Resources Inc	-	53,568,150
Oando Energy Services Limited	2,040,203	51,023,528
Oando Exploration and Production Limited	8,928,512	8,171,111
Oando Foundation	152,212	-
Oando Gas and Power Limited	1,730	5,001,730
Oando Lekki Refinery Limited	375,741	375,741
Oando Properties Limited	59,063	59,063
Oando Terminal & Logistics Ltd	222,120	-
Transport Services Limited	-	1,021,318
Oando Port Harcourt Refinery	430	-
Payables to related parties:		
Avante Property Asset Management Services Limited	-	1,583
Broll Properties Services Limited	-	8,396
Lagoon Waters Limited	-	68
Oando Energy Resources Inc	15,000	-
Oando Gas and Power Limited	-	1,998,270
Oando Liberia	7,760	-
Oando Marketing Plc	54,328,129	35,126,610
Oando Supply and Trading Limited	1,291,787	349,199
Oando Trading Bermuda	7,225,266	-
Oando Trading Limited	-	7,679,369
Olajide Oyewole & Co	-	9,637
Transport Services Limited	-	391,162
TSL Logistics Limited	-	4,170,265

36 Commitments

a. The Group had outstanding capital expenditure contracted but not provided for under property, plant and equipment amounting to N5.54billion (2012: N2.7 billion) at December 31, 2012.

b. The Group's has capital expenditure authorised by the directors but not contracted for at the balance sheet date of N6.5 billion (2012: N37.34 billion)

c. The Group has capital commitments of N185 billion for the acquisition of COP.

37 Events after the reporting period

(i) Completion of Special Placement

The company completed the special placement of 2,046,706,324 Ordinary shares of 50k each in February 2014, the subscription price was N16.03 per share. Following a "no objection" approval by the Securities and Exchange Commission (SEC), the certificate to evidence allotment of the shares has been lodged into the CSCS account of the shareholder (Ocean and Oil Development Partners).

OER, a subsidiary of Oando Plc, issued additional capital of 35,070,063 common shares (the "Common shares") and 17,535,031 common share purchase warrants (the "Warrants") through a private placement on February 26, 2014 for gross proceeds of US$50,000,000 at a price of C$1.57 per unit, thereby diluting the company.

(ii) New Facility Agreement between the company and OER

The company and OER signed a new Facility Agreement and repayment deed on February 10, 2014. Under the facility agreement, the company agreed to loan up to US$1.2 billion to OER. The US$1.2 billion facility whose purpose was to fund the acquisition of Conoco Philips entities in Nigeria (COP) and certain affiliates in relation to the acquisition and general corporate purposes, include amounts previously advanced of US$401 million, was granted at an annual interest rate of 4% from the effective date of the loan documentation. In addition, OER agreed to pay a financing fee of 4% of the amount available for drawdown under the Facility Agreement, which is equal to US$48 million. The facility fee is due on the repayment date (or, if earlier, on the date all other amounts outstanding under the new Facility Agreement are repaid in full).

(iii) Reduction of OER's debt through conversion of shares

On 26 February 2014, OER exercised the conversion option on loans from Oando Plc. This resulted in the settlement of US$601 million of principal plus US$11.7 million of interest accrued to the conversion date. The exercise of the conversion was done through the issuance of 432,565,768 Common Shares of OER and 216,282,884 Common Share purchase warrants to Oando Resources Limited (ORL), a subsidiary of Oando Plc. As a result of the conversion, Oando Plc currently exercises control over 527,887,868 Common Shares.

On 9 July 2014, the company and OER agreed to a conversion of debt to equity of principal in the amount of US$168 million, interest in the approximate amount of US$2.9 million and financing fee in the amount of US$48 million outstanding under the US$1.2 billion facility agreement described above. Under the conversion, OER issued 150,075,856 units (the "Units") to ORL, a wholly-owned subsidiary of Oando Plc, as repayment of amounts outstanding under the Oando Loan for a conversion price of C$1.57 per Unit. Each Unit consists of one common share of OER (a "Common Share") and one-half of one warrant to purchase an additional Common Share at a price of C$2.00 per Common Share (each whole common share purchase warrant being a "Warrant") for a period of 24 months from July 30, 2014 on which date OER closed the acquisition of the Nigerian upstream oil and gas business of ConocoPhillips. The terms of the Units, other than the denomination of the conversion price and exercise price in United States dollars, have the same terms as the Units issued to third party investors and ORL on 26 February 2014. As a result of the Conversion, the company currently exercises control over, 677,963,723 Common Shares.

On 20 August 2014, OER further exercised the conversion option on loans from Oando Plc. This resulted in the settlement of US$98 million of principal plus US$0.32 million of interest accrued to the conversion date. The exercise of the conversion was done through the issuance of 68,144,115 Common Shares of OER and 34,072,057 Common Share purchase warrants to Oando Resources Limited (ORL), a subsidiary of Oando Plc. As a result of the conversion, Oando Plc currently exercises control over 746,107,839 Common Shares.

(iv) Nigerian Government approval of US$1.65 billion Acquisition of ConocoPhillips' Nigerian companies

On June 18, 2014, the Honourable Minister of Petroleum Resources of Nigeria granted consent to the assignment of the interests in all the licenses and leases in the ConocoPhillips Nigerian entities listed below to Oando. Consequently, Oando closed the acquisition of the Nigerian upstream oil and gas business of ConocoPhillips ("COP Acquisition") on 30 July 2014 for a total cash consideration of $1.65 billion, subject to customary adjustments.

(v) Acquisition of Medal Oil Company Limited

On July 11, 2014, the Group through OER completed the acquisition of Medal Oil Company Limited. OER satisfied the agreed purchase consideration of US$5,000,000 through the issue of 3,491,082 units of its shares, each unit consisting of one common share of the Company and one-half of one warrant to purchase an additional common share at a price of C$2.00 per common share for a period of 24 months from 30 July 2014, being the date on which OER closed the acquisition of the Nigerian upstream oil and gas business of ConocoPhillips. Medal Oil holds a 5% interest in OML 131. OER owns 100% interest in OML 131 after the completion.

(vi) Completion of acquisition of ConocoPhillips Nigerian companies

The Group through OER completed the acquisition of Nigerian upstream oil and gas businesses of ConocoPhillips for a total cash consideration of US$1.5 billion after customary adjustments plus a deferred consideration of US$33 million (the "Transaction") on July 30, 2014.

The businesses acquired are:

a) 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 joint interest owners are the Nigerian National Petroleum Corporation ("NNPC") with a 60% interest and NAOC (20% and operator).

b) The Offshore Business: Conoco Exploration and Production Nigeria Limited ("CEPNL"), which holds a 95% operating interest in OML 131 located 70 km offshore in water depths of 500m to 1,200m.; and Phillips Deepwater Exploration Nigeria Limited ("PDENL"), which holds a 20% non-operating interest in Oil Prospecting License ("OPL") 214 located 110 km offshore in water depths of 800m to 1,800m. The other joint interest owners are ExxonMobil (20% and operator), Chevron (20%), Svenska (20%), Nigerian Petroleum Development Company (15%) and Sasol (5%). In June 2014, the Honourable Minister of Petroleum Resources for Nigeria approved the conversion of OPL 214 to OML 145 for an initial period of 20 years.

On 20 June 2014, Oando assigned all of its rights, title interests and benefits under the SPA for POCNL, CEPNL and PDENL to its wholly owned subsidiary Oando Resources Limited

(vii) **$450 million senior secured facility**

The Group through OER entered into a $450 million Senior Secured Facility Agreement on January 31, 2014. The purpose of the facility is to finance the close of the COP Acquisition. The agreement consists of two facilities Facility A and Facility B.

Facility A provides for a loan amount of $181.7 million. Facility A is required to be repaid one business day subsequent to the completion of the COP Acquisition upon receipt of the funds from, or on behalf of, the COP shareholder loan. Drawdown of the loan was on 24 July 2014.

Facility B provides for a loan amount of $268.3 million. The facility can be draw down until the earlier of (i) two days before the COP acquisition closes or (ii) May 30, 2014. Drawdown on the loan was made on 24 July 2014, the loan is repayable in quarterly instalments in accordance with a repayment schedule.

Interest will be charged on the loans at LIBOR plus 8.5% per annum and interest payments are due at the end of each quarterly period. Loan B will be repaid each calendar quarter using the proceeds from sales of the Group's share of crude oil from its various operations. In addition to regular repayments, 25% of any excess cash observable from proceeds of sales of crude oil would also be applied against outstanding principal. The facility has a final maturity date of June 30, 2019.

(viii) **$350 million corporate finance facility**

The Group through OER signed an agreement with a consortium of lenders led by FBN Capital Markets Limited and FCMB Capital Markets Limited to secure a Corporate Finance Loan Facility for $350 million. The loan will be applied to fund the repayment of the existing loans of the Group as well as to finance a portion of the COP Acquisition. Interest will be charged from draw down at LIBOR plus 9.5% per annum for the first fifty-seven months of the facility, with an increase of 1% for the remaining life of the facility. Drawdown on the loan was made on 24 July 2014. The loan will be repaid quarterly using the proceeds of sales of the Group's share of crude oil from its various operations.

(ix) **$100 Million African Export Import Bank subordinated debt facility**

On June 6, 2014, Group through OER signed an agreement with African Export-Import Bank to secure a one year subordinated structured debt facility for $100 million. The loan was designated to fund a portion of the COP Acquisition. Interest is charged at LIBOR plus 7% per annum and is due semi-annually. The loan will be repaid quarterly using the proceeds of sales of OER's share of crude oil, natural gas liquids and electric power from its various operations. The full amount of the facility was drawn on 24 July 2014 to fund the final purchase consideration for the COP acquisition.

(x) **Crude oil under-lift receivable**

On February 25, 2014, the Nigerian Court of Appeal delivered judgment in favour of NAE and Oando, thereby vacating the injunction granted by the Federal High Court. In light of this development, the claimants continued with arbitration process towards final award. On July 9, 2014, the Tribunal granted the damages and costs claimed. NNPC has appealed the setting aside of the injunction to the Supreme court and also filed an application for an injunction to prevent the continuation of the Arbitration.

(xi) **Completion of EHGC sale**

On 30 March, 2014, the Group completed the sale of it's100% shares in East Horizon Gas Company (EHGC) to Seven Energy International Limited. The consideration for the sale was USD 250 million minus agreed closing net liabilities as set out in the sale and purchase agreement dated 24 December 2014.

(xii) **Standard Bank's exercise of option in Oando Wings Development Limited**

On 8 May 2014 Standard Bank Group Limited exercised its options under the "Option Agreement" by the parties dated 14 December 2011. This resulted in further dilution of the company' interest in Oando Wings Limited from 41% to 25.8%.

(xiii) **Resolutions for raising additional capital at Extra-Ordinary Meeting**

On 18 February 2014, the company held an Extra Ordinary Meeting (EGM) to approve the following resolutions:

- To raise further capital of N50 billion through an offer of right issues.
- To raise additional N200 billion capital, whether by way of public offer, private/special placement, right issue or other method.

(xiv) **Tax appeal on additional assessments for 2005 - 2007 years of assessment**

On 18 July 2014 the Tax Appeal Tribunal (The Tribunal) in the case of Oando PLC vs the Federal Inland Revenue Service (FIRS) decided against the company regarding the application of Section 19 of the Companies Income Tax Act on "excess dividends" tax. The Tribunal in its judgment dated 18 July 2014, upheld the additional assessments by the Federal Inland Revenue Service and ordered the Group to pay the additional assessments of N617 million for the 2005 - 2007 years of assessment. The Group filed an appeal against the Tribunal's decision with the Federal High Court on 18 August 2014.

(xv) **Receipt of outstanding payment for sale of subsidiary during 2013**

On 1 September 2014, the company received N2.6 billion out of the N4.8 billion outstanding at the balance sheet date from proceed of sale of subsidiary, Oando Energy and Exploration Limited.

38 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 84.2 billion (2012: NGN 62.33 billion). Oando Plc also guaranteed various loans in respect of the following subsidiaries: Gaslink Nigeria Limited (NGN3 billion); Oando Energy Services Limited (NGN 8.77 billion); Oando OML 125 and 134 Limited (NGN 9.3 billion), Oando Trading Limited (NGN 11.6 billion) ; Ebony Oil and Gas Limited (NGN 17.8 billion) ; Oando Supply and Trading Limited (NGN 10.86 billion) ; Apapa SPM Limited (NGN 12 billion); Oando Marketing Plc (NGN 3.0 billion) ; and Oando Energy Resources Limited (NGN 7.76billion).

Pending litigation

There are a number of legal suits outstanding against the Company for stated amounts of NGN4.25 billion (2012: NGN5.19 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.

Pending litigation against JV (OML 56 and OML 125/134)
The legal suits outstanding against the Joint Ventures amounted to NGN17.61 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 these consolidated and separate financial statements

OML 122 Contingent Liabilities
In September 2007, the Company transferred, under the Bilabri Settlement Agreement, 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 historical unpaid liabilities. In the event that Peak fails to meet its obligations to the projects creditors, it remains possible that the Company may be called upon to meet the debts. Therefore, a contingent liability of N3.4 billion exists at December 31, 2013 (2012 – N3.4 billion).

OPL 321 and 323 Contingent Liabilities

(i) In January 2009, the Nigerian government voided the allocation of OPL 323 and OPL 321 to the operator, Korea National Oil Company (KNOC) and allocated the blocks to the winning group of the 2005 licensing round which includes ONGC Videsh and Equator. KNOC brought a lawsuit against the government and a judgment was given in their favour. The government has appealed the judgment. In 2009, the government refunded the signature bonus paid by the Company. The Company has not recognized a liability to the government for the blocks subsequent to the refund of the signature bonus. This is due to the uncertainty surrounding the timing of the settlement of the on-going dispute as well as to the amount to be paid upon settlement. Also, there is no legal obligation to pay the signature bonus as the Company can opt in or out once the legal dispute is settled. The Company has declared its intention to continue to invest in the blocks. The Company currently carries both assets at N295 million (2012 - N295 million).

(ii) 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 those bidding partners, 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 $4 million and 1 million. The Warrants were used 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 Bilbray Gas (BG). However, BG has terminated the farm out agreement. Under the successor obligation, the Company has issued loan notes with an aggregate value of $5 million which are redeemable out of the first $5 million of proceeds received on the occurrence of any one of the following events related to OPL 321 or OPL 323:

- A farm out with another party;
- A sale or partial sale of the interests; and
- A sale or partial sale of subsidiaries holding the relevant PSCs.

During 2010, one bidding partner successfully sued the Company in an arbitration tribunal for $1 million. This has been paid in full. On the advice of legal counsel, the Company maintains that the remaining $4 million 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 $4 million loan note and can defer payment indefinitely. The above contingencies are based on the best estimates of the Board.

39 Subsidiary information

Below is a summary of the principal subsidiaries of the Group

Entity name	Country of incorporation	Nature of business	Investment Currency All figures in	Issued share capital	Percentage interest held
Operational subsidiaries					
Direct Shareholding					
Akute Power Limited	Nigeria	Power Generation	Naira	2,500,000	100%
Alausa Power Limited	Nigeria	Power Generation	Naira	2,500,000	100%
Apapa SPM Limited	Nigeria	Offshore submarine pipeline construction	Naira	19,125 00	100%
Central Horizon Gas Company Limited	Nigeria	Gas Distribution	Naira	9,100,000	51%
Gaslink Nigeria Limited	Nigeria	Gas Distribution	Naira	1,717,697,000	97 24%
OES Integrity	British Virgin Islands	Provision of drilling and other services to upstream companies	USD	50,000	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 Energy Resources Inc	Canada	Exploration and Production	CDN$		100%
Oando Energy Services Limited	Nigeria	Provision of drilling and other services upstream companies	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 Marketing PLC	Nigeria	Marketing and sale of petroleum products	Naira	437,500,000	100%
Oando Resources Limited	Nigeria	Exploration and Production	Naira	2,500,000	100%
Oando Supply and Trading Limited	Nigeria	Supply of crude oil and refined petroleum products	Naira	5,000,000	100%
Oando Terminals and Logistics	Nigeria	Storage and haulage of petroleum products	Naira	2,500,000	100%
Oando Trading Limited	Bermuda	Supply of crude oil and refined petroleum products	USD	12,000	100%
Oando Wings Development Limited	Nigeria	Real Estate Development	Naira	3,000,000	100%
Oando Ghana Limited	Ghana	Marketing and sale of petroleum products (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%
ORPSL	Nigeria	Exploration and Production	Naira	9,918,182	100%
Churchill Limited	Bermuda	Aviation	USD	1	100%
Oando Logistics and Services Limited	United Kingdom	Logistic and services	GBP	1	100%
Oando Qua Ibo Limited	Nigeria	Exploration and Production	Naira	6,000,000	94 6%
Indirect Shareholding					
Ebony Oil & Gas Limited	Ghana	Supply of crude oil and refined petroleum products		Naira	408,853
Oando Akepo Limited	Nigeria	Exploration and Production		Naira	2,500,001
Equator Exploration Limited	British Virgin Islands	Exploration and Production		USD	67,707,210
Oando Servco Nigeria Limited	Nigeria	Provision of Management Services		Naira	2,500,000
Gas Network Services Limited	Nigeria	Gas Distribution (Subsidiary of Gaslink Nigeria Limited)		Naira	5,000,000

All subsidiary undertakings are included in the consolidation The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held The parent company further does not have any shareholdings in the preference shares of subsidiary undertakings included in the group

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group

Summarised income statement

	Oando Energy Resources 2013	Oando Energy Resources 2012	Gaslink 2013	Gaslink 2012	Oando Ghana 2013	Oando Ghana 2012
Revenue	19,743,143	20,677,151	23,094,265	16,582,510	5,777,355	5,903,181
Profit before income tax	(4,223,450)	8,029,351	6,529,563	3,567,716	28,205	131,932
Taxation	(1,710,085)	(5,611,787)	(2,110,280)	(1,001,559)	(10,080)	(24,564)
Profit after taxation	(5,933,536)	2,417,564	4,419,283	2,566,157	18,125	107,368
Other comprehensive income	-	-	-		-	
Total comprehensive income	(5,933,536)	2,417,564	4,419,283	2,566,157	18,125	107,368
Non-controlling interest proportion	5.4%	5.4%	2.8%	2.8%	17.1%	17.1%
Total comprehensive income allocated to non-controlling interests	(320,411)	130,548	121,972	70,826	3,099	18,360
Dividends paid to non-controlling interests						
Summarised balance sheet						
Current						
Asset	10,389,474	6,708,937	26,700,393	22,688,014	1,047,634	1,266,281
Liabilities	(112,866,363)	(94,196,761)	(17,356,168)	(14,091,335)	(1,139,780)	(1,306,681)
Total current net assets	(102,476,889)	(87,487,823)	9,344,225	8,596,679	(92,146)	(40,400)
Non-Current						
Asset	192,414,006	159,118,734	4,805,386	3,646,445	273,722	192,688
Liabilities	(40,485,427)	(16,593,209)	(1,414,644)	(2,757,717)	-	-
Total non-current net assets	151,928,579	142,525,524	3,390,742	888,728	273,722	192,688
Net assets	49,451,691	55,037,701	12,734,967	9,485,407	181,575	152,288
Summarised cash flows						
Cash generated from operations	12,812,226	8,814,894	3,451,761	(415,238)	28,480	425,629
Interest paid	(2,399,702)	(670,930)	(778,165)	(662,904)	-	-
Income tax paid	(798,349)	(5,091,491)	(1,150,222)	(1,759,079)	(27,127)	(40,397)
Net cash generated from operating activities	9,614,174	3,052,474	1,523,374	(2,837,221)	1,353	385,232
Net cash used in investing activities	(27,040,496)	(73,356,211)	(57,945)	(97,249)	(99,444)	(113,052)
Net cash used in financing activities	18,664,662	68,321,834	265,868	(479,196)	-	-
Net (decrease)/increase in cash and cash equivalents	1,238,341	(1,981,904)	1,731,297	(3,413,667)	(98,091)	272,181
Cash, cash equivalents and bank overdrafts at beginning of year	729,130	2,711,034	(1,535,378)	1,878,289	365,343	93,147
Exchange gains/(losses) on cash and cash equivalents					4,276	15
Cash and cash equivalents at end of year	1,967,470	729,130	195,920	(1,535,378)	271,527	365,343

Summarised income statement

	CHGC 2013	CHGC 2012	Oando Togo 2013	Oando Togo 2012	Ebony 2013	Ebony 2012
Revenue	502,709	384,045	5,865,348	5,532,355	40,430,419	31,611,325
Profit before income tax	95,950	48,090	132,874	114,963	557,558	612,490
Taxation	(30,704)	(26,756)	(58,737)	(34,539)	(141,854)	(154,385)
Profit after taxation	65,246	21,335	74,138	80,424	415,703	458,105
Other comprehensive income						
Total comprehensive income	65,246	21,335	74,138	80,424	415,703	458,105
Non-controlling interest proportion	44%	44%	25%	25%	20%	20%
Total comprehensive income allocated to non-controlling interests	28,708.20	9,387.28	18,307.83	19,860.18	83,140.68	91,620.96
Dividends paid to non-controlling interests						
Summarised balance sheet						
Current						
Asset	326,420	153,391	2,201,335	1,836,408	15,256,861	12,688,904
Liabilities	(318,694)	(169,270)	(1,675,568)	(1,389,509)	(14,536,866)	(12,321,068)
Total current net assets	7,725	(15,879)	525,767	446,900	719,995	367,836
Non-Current						
Asset	113,635	68,113	252,709	203,873	51,738	19,715
Liabilities	(9,940)	(6,060)	(68,311)	(36,404)	-	-
Total non-current net assets	103,695	62,054	184,398	167,468	51,738	19,715
Net assets	111,421	46,175	710,165	614,368	771,732	387,551
Summarised cash flows						
Cash generated from operations	311,169	(55,206)	1,207	501	759,693	42,754
Interest paid			(377)	(223)	(477,641)	(6,391)
Income tax paid	(39,560)	(12,748)	(320)	(320)	(78,257)	(2,236)
Net cash generated from operating activities	271,609	(67,954)	510	(41)	203,795	34,127
Net cash used in investing activities	(97,485)	(11,663)	(476)	(244)	(42,327)	(5,106)
Net cash used in financing activities	-	-	-	-	(423,789)	1,938,135
Net (decrease)/increase in cash and cash equivalents	174,124	(79,617)	34	(285)	(262,320)	1,967,156
Cash, cash equivalents and bank overdrafts at beginning of year	15,587	95,204	(4,008)	(3,723)	2,669,899	702,743
Exchange gains/(losses) on cash and cash equivalents					-	-
Cash and cash equivalents at end of year	189,711	15,587	(3,974)	(4,008)	2,407,578	2,669,899

40 Financial instruments by category

GROUP

2013	Financial instruments at fair value through profit and loss	Loans and receivables	Available-for-sale	Total
	N'000	N'000	N'000	N'000
Assets per statement of financial position:				
Available-for-sale financial assets	-	-	183,930	183,930
Non-current receivable (excluding operating lease)	-	11,283,000	-	11,283,000
Trade and other receivables (excluding prepayments)	-	131,010,196	-	131,010,196
Interest rate swap	4,933	-	-	4,933
Foreign currency forwards	384,967	-	-	384,967
Embedded derivative in Akute	1,220,796	-	-	1,220,796
Cash and cash equivalents	-	27,685,755	-	27,685,755
	1,610,696	169,978,951	183,930	171,773,577

2013	Financial instruments at fair value through profit and loss	Other financial liabilities at amortised cost	Total
	N'000	N'000	N'000
Liabilities per statement of financial position:			
Borrowings (excluding finance lease liabilities)	520,656	254,764,397	255,285,053
Finance lease liabilities	-	-	-
Trade and other payables (excluding derivative financial instruments, accrued expenses and deferred income	-	122,642,802	122,642,802
Interest-rate swap	397,798	-	397,798
Commodity derivatives	312,573	-	312,573
Cross currency	539,964	-	539,964
Share warrants	277,065	-	277,065
	2,048,056	377,407,199	379,455,255

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

2012	Financial instruments at fair value through profit and loss	Other financial liabilities at amortised cost	Total
	N'000	N'000	N'000
Liabilities per statement of financial position:			
Borrowings (excluding finance lease liabilities)	1,765,501	287,121,284	288,886,785
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
Cross currency interest rate swaps	1,409,651	-	1,409,651
	5,251,957	371,431,708	376,683,665

COMPANY

2013	Financial instruments at fair value through profit and loss	Loans and receivables	Available-for-sale	Total
	N'000	N'000	N'000	N'000
Assets per statement of financial position:				
Available-for-sale financial assets	-	-	183,930	183,930
Non-current receivable (excluding operating lease)	-	19,355,333	-	19,355,333
Trade and other receivables (excluding prepayments)	-	123,343,383	-	123,343,383
Convertible options	1,582,989	-	-	1,582,989
Interest rate swap	4,933	-	-	4,933
Cash and cash equivalents	-	1,813,399	-	1,813,399
Investment in subsidiaries	-	108,186,115	-	108,186,115
	1,587,922	252,698,230	183,930	254,470,082

2013	Financial instruments at fair value through profit and loss	Other financial liabilities at amortised cost	Total
	N'000	N'000	N'000
Liabilities per statement of financial position:			
Borrowings (excluding finance lease liabilities)	520,656 00	43,484,394	44,005,050
Trade and other payables (excluding derivative financial instruments, accrued expenses and deferred income	-	109,081,976	109,081,976
Cross currency interest rate swaps	539,964	-	539,964
	1,060,620	1,409,651	153,626,990

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

2012	Financial instruments at fair value through profit and loss	Other financial liabilities at amortised cost	Total
	N'000	N'000	N'000
Liabilities per statement of financial position:			
Borrowings (excluding finance lease liabilities)	1,765,507	112,116,313	113,881,820
Trade and other payables (excluding derivative financial instruments, accrued expenses and deferred income	-	51,575,433	51,575,433
Cross currency interest rate swaps	1,409,651	-	1,409,651
	3,175,158	163,691,746	166,866,904

41 Upstream activities

Details of upstream assets

	Mineral rights acquisition	Land and building	Expl. costs and producing wells	Production Well	Oil and gas properties under development	Other fixed assets	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Opening NBV 1 January 2012	3,570,852	24,859	2,582,178	5,356,728	7,354,707	354,430	19,243,754
Decommissioning costs	-	-	-	-	1,829,702	-	1,829,702
Additions	978,856	-	313,540	5,124,500	1,581,934	21,745	8,020,575
Business acquisition	-	-	-	-	695,610	-	695,610
Transfers	-	-	-	-	-	167,536	167,536
Disposal	-	-	-	-	-	(2,640)	(2,640)
Adjustments	-	-	-	-	-	-	-
Impairments3	-	-	-	-	-	-	-
Depreciation charge	(20,635)	-	(1,813)	(2,114,983)	(1,380,040)	(116,749)	(3,634,220)
Exchange difference	(292,341)	(149)	(191,831)	(34,095)	(17,359)	(1,172)	(536,947)
Year ended 31 December 2012	4,236,732	24,710	2,702,074	8,332,150	**10,064,554**	**423,150**	**25,783,370**
Opening NBV 1 January 2013							
Opening net book amount	4,236,732	24,710	2,702,074	8,332,150	10,064,554	423,150	25,783,370
Decommissioning costs	-	-	-	-	1,137,078	-	1,137,078
Additions	644,097	-	258,291	7,910,381	8,239,712	123,727	17,176,208
Transfers	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	(2,598)	(2,598)
Impairments3	-	-	-	-	-	-	-
Depreciation charge	(558,746)	-	(9,021)	(2,354,834)	(1,435,338)	(20,954)	(4,378,893)
Exchange difference	(209,870)	(118)	(140,419)	(27,120)	(16,923)	(935)	(395,385)
Reclassification from intangible asset (Note	477,504	2,785	304,539	939,080	1,134,332	47,691	2,905,931
Reclassification	626,950	869	6,498,846	(3,040,978)	(1,153,813)	(255,590)	2,676,284
Year ended 31 December 2013	5,216,667	28,246	9,614,310	11,758,679	17,969,602	**314,491**	**44,901,995**

Joint arrangements

The Group participates in various upstream exploration and production (E&P) activities through joint operations with other participants in the industry Details of concessions are as follows:

Subsidiary	License	Operator/Partners	Interest	Location	Licence	Expiration Date	Status
Akepo	(OML 90)	Sogenal (Sogenal delegated certain responsibilities to Oando in Oando's capacity as the technical partner)	30% participatory interest	Offshore	Marginal field	13/03/2015	Development
Akepo		Sogenal (Sogenal delegated certain responsibilities to Oando in Oando's capacity as the technical partner)	10% participatory interest	Offshore	Marginal field	13/03/2015	Development
Ebendo / Obodeti OPDC	(OML 56)	Energia	45% participatory interest	Onshore	Marginal field	31/01/2023	Producing
Oando OML 125 & 134 Ltd	OML 125 & OML 134	NAE	15% working interest in OML 125 & 134	Offshore	PSC	4/7/2023	OML 125 producing OML 134 in appraisal
Equator Exploration Nigeria 321 Limited	OPL 321	KNOC	30% non operator participating interest	Offshore	PSC	2036 (10 years exploration period and 20 years OML	Exploration (there is litigation on the licence)
Equator Exploration Nigeria 323 Limited	OPL 323	KNOC	30% non operator participating interest	Offshore	PSC	10/3/2036 (10 years exploration period and 20	Exploration (there is litigation on the licence)
Equator Exploration (OML 122) Limited	OML 122	Peak	Finance & service agreement with operator 5% economic interest	Offshore	PSC	13/09/2021	Development/ Appraisal (there is litigation on the asset)
Oando Qua Ibo Nigeria Limited	(OML 13)	Network Exploration and Production Nigeria Limited	40% participating interest	Onshore	Marginal field	13/03/2015	Development
Equator Exploration JDZ Block 2 Limited	Block 2 (JDZ Sao Tome)	Sinopec	Equator / ONGC Videsh together own 15% contractor interest	Offshore	Exploration, development and production	2034	Exploration
Equator Exploration STP Block 5 Limited	Block 5 (EEZ Sao Tome)	Equator Exploration STP Block 5 Limited	100% contractor interest	Offshore	Exploration, development and production	17th April 2040	Exploration
Equator Exploration Limited	Block 12 (EEZ Sao Tome)	TBD	TBD	Offshore	TBD	TBD	Exploration

42 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 Licenses ("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	-
Available for sale financial assets	-	-	-
Trade and other receivables	9,945	2,210,969	353,399
Trade and other payables	(311,557)	(4,135,318)	(3,920,938)
Retirement benefit obligations	-	-	-
- Pensions	-	-	-
- Other post retirement obligations	-	-	-
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.

43 Reconciliation of previously published statement of comprehensive income

	As previously reported 2012 N'000	Discontinued operations N'000	As restated 2012 N'000
Continuing operations			
Revenue	673,181,997	(22,616,394)	650,565,603
Cost of sales	(591,560,191)	10,895,684	(580,664,507)
Gross profit	81,621,806	(11,720,710)	69,901,096
Other operating income	2,097,924	(460,572)	1,637,352
Selling and marketing costs	(7,555,800)	-	(7,555,800)
Administrative expenses	(42,038,153)	2,480,734	(39,557,419)
Operating profit	34,125,777	(9,700,548)	24,425,229
Finance costs	(20,093,243)	6,323,923	(13,769,320)
Finance income	3,521,533	-	3,521,533
Finance costs - net	(16,571,710)	6,323,923	(10,247,787)
Share of loss of investments accounted for using the equity method	-	-	-
Profit before income tax	17,554,067	(3,376,625)	14,177,442
Income tax expense	(6,767,750)	(1,899,109)	(8,666,859)
(Loss)/profit for the year from continuing operations	10,786,317	(5,275,734)	5,510,583
Discontinued operations			
Profit for the year from discontinued operations	-	5,275,734	5,275,734
Profit for the year	10,786,317	-	10,786,317
Profit attributable to:			
Owners of the parent	10,424,491	-	10,424,491
Non-controlling interest	361,826	-	361,826
	10,786,317	-	10,786,317

OANDO PLC
Annual Consolidated Financial Statements
Value Added Statement
For the year ended 31 December 2013

Group	2013 N'000	%	2012 N'000	%
Turnover	449,873,466		650,565,603	
Other Income	5,135,379		1,637,352	
Interest received	5,804,480		3,521,533	
	460,813,325	0	655,724,488	0
Bought in goods and services				
- Local purchases	(257,584,608)		(365,973,266)	
- Foreign purchases	(151,949,171)		(239,388,132)	
Value added	51,279,547	100	50,363,090	100
Distributed as follows				
Employees				
- To pay salaries and wages and other staff costs	9,499,057	19	8,621,891	17
Government				
- To pay tax	4,840,505	9	9,913,242	20
Providers of capital				
- To pay dividend	-		-	
- To pay interest on borrowings	21,637,777	42	13,769,320	27
Non-controlling interest	(5,014)	(0)	364,769	1
Maintenance and expansion of assets				
- Deferred tax	907,790	2	(1,246,383)	(2)
- Depreciation	12,960,053	25	8,605,708	17
- Retained in the business	1,439,379	3	10,334,543	21
Value distributed	51,279,547	100	50,363,090	100

Company	2013 N'000	%	2012 N'000	%
Turnover	5,883,304		7,358,881	
Other Income	5,034,740		1,790,961	
Interest received	7,746,351		4,527,632	
	18,664,395	-	13,677,474	-
Bought in goods and services				
- Local purchases	(526,827)		(2,330,565)	
- Foreign purchases	-		-	
Value added	18,137,568	100	11,346,909	100
Distributed as follows				
Employees				
- To pay salaries and wages and other staff costs	521,389	3	877,930	8
Government				
- To pay tax	1,414,115	8	304,347	3
Providers of capital				
- To pay dividend			-	-
- To pay interest on borrowings	14,194,497	78	5,565,556	49
Maintenance and expansion of assets				
- Deferred tax	(622,169)	(3)	6,950	0
- Depreciation	233,405	1	261,051	2
- Retained in the business	2,396,331	13	4,331,075	38
Value distributed	18,137,568	100	11,346,909	100

	2013 N'000	2012 N'000	2011 N'000	2010 N'000	2009 N'000
Property, plant and equipment	172,209,842	130,324,713	109,479,209	97,892,224	132,858,598
Intangible exploration assets, other intangible assets and goodwill	82,232,746	138,853,809	119,333,366	104,860,339	24,573,776
Deferred income tax assets	11,463,002	13,424,518	9,908,773	6,486,391	9,185,591
Available for sale investments	14,500	1,000	1,000	1,000	1,000
Investments accounted for using the equity method	2,880,478	-	-	-	-
Deposit for acquisition of a business	69,840,000	67,542,450	-	-	-
Other Non-Current receivables	27,358,945	18,863,930	9,884,972	6,388,010	19,216,815
Net current liabilities	(126,873,433)	(161,081,158)	(45,720,711)	(25,712,334)	(107,952,869)
Assets/(liabilities) of disposal group classified as held for sale	23,253,101				
Borrowings	(71,872,418)	(75,221,070)	(86,012,291)	(74,800,422)	(20,920,086)
Deferred income tax liabilities	(20,372,939)	(17,207,614)	(16,919,822)	(16,736,310)	(923,681)
Other Non-Current liabilities	(7,765,747)	(10,146,050)	(7,189,510)	(4,699,054)	(2,658,276)
	162,368,077	105,354,528	92,764,986	93,679,844	53,380,868
Share capital	3,411,177	1,137,058	1,137,058	905,084	522,799
Share premium	98,425,361	49,521,186	49,521,186	49,042,111	34,192,573
Retained earnings	33,937,579	37,142,281	27,658,713	28,152,852	17,640,414
Other reserves	23,217,694	14,412,064	13,376,928	14,567,862	107,453
Non controlling interest	3,376,266	3,141,939	1,071,101	1,011,935	917,629
	162,368,077	105,354,528	92,764,986	93,679,844	53,380,868
Revenue	449,873,466	650,565,603	571,305,637	378,925,430	336,859,676
Profit before income tax	713,207	14,177,442	13,885,097	24,318,845	13,512,155
Income tax expense	(5,389,472)	(8,666,859)	(11,252,759)	(9,943,879)	(3,415,176)
Profit for the year	(4,676,265)	5,510,583	2,632,338	14,374,966	10,096,979
Dividend					
Per share data					
Weighted average number of shares	6,226,566	2,558,383	2,268,415	1,734,746	904,884
Basic earnings per share (kobo)	22.72	407.46	126	829	1,132
Diluted earnings per share (kobo)	(74.82)	201.25	127	0	-
Dividends per share (kobo)	-	239	239	300	300
Net assets per share (kobo)	2,608	4,118	4,089	5,364	5,836
Dividend cover (times)	-	1.70	0.53	3	3.77