Oando RC 6474

...the energy to inspire

Growth through inspired evolution

Annual Report & Accounts **2016**

www.oandoplc.com

Oando RC 6474

...the energy to inspire

Strategic report

Welcome to Oando PLC

Introduction

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

Vision

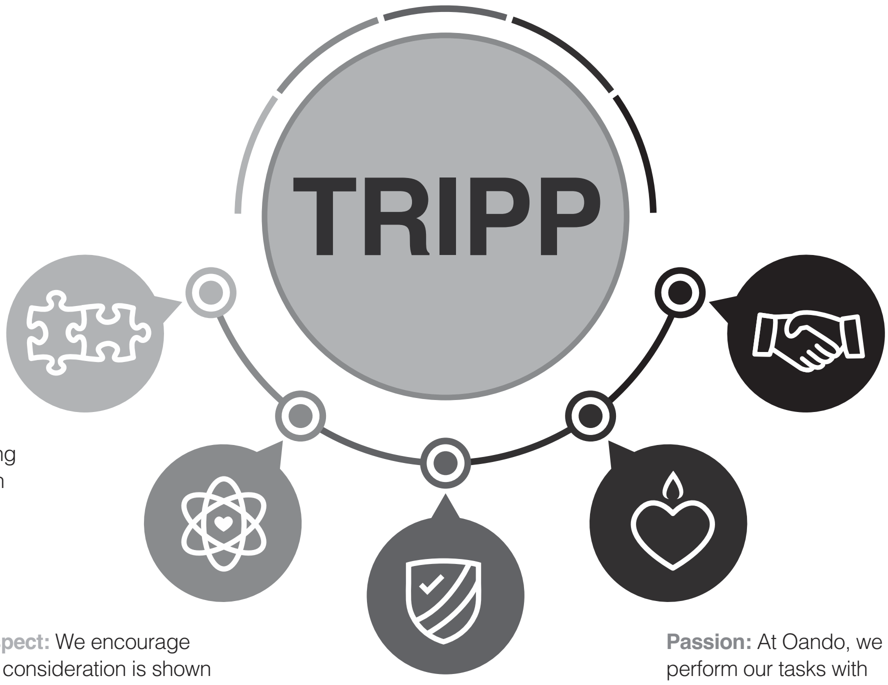
To be the premier company driven by excellence

Mission

To be the leading Integrated energy solutions provider

Our corporate culture

Oando's corporate culture is hinged on the values of Teamwork, Respect, Integrity, Passion, and Professionalism **(TRIPP)**, which embodies the 'Oando Way'.



Teamwork: Everyday, our people are driven to work together towards actualising the organisation's common goals and core values.

Respect: We encourage that consideration is shown to all colleagues. By appreciating the worth of others and valuing their contributions, productivity is improved, and a work friendly environment is created.

Integrity: Reliability, honesty, and trustworthiness are integral to all business dealings and employees' interpersonal relationships.

Passion: At Oando, we perform our tasks with enthusiasm and vigor, with an underlying zeal to always perform at an extraordinary level.

Professionalism: Proper conduct by all employees is a critical component for our achievement of business excellence.

Teamwork

Respect

Integrity

Passion

Professionalism

Directors and professional advisers

The Board oversees the management of Oando's business operations, and ensures the long-term interests of stakeholders are served. Oando's Board of Directors are drawn from different facets of the society, and are successful individuals in their various fields bringing a wealth of experience to the Company. The Board met regularly during the year to discuss, review and receive reports on the business and plans for the Group.

Directors:
HRM. Oba A. Gbadebo, CFR
Chairman, Non-Executive Director

Jubril Adewale Tinubu
Group Chief Executive

Omamofe Boyo
Deputy Group Chief Executive

Mobolaji Osunsanya
Group Executive Director

Olufemi Adeyemo
Group Executive Director - Finance

Oghogho Akpata
Non-Executive Director

Chief Sena Anthony
Non-Executive Director

Ammuna Lawan Ali
Non-Executive Director - Resigned October 3, 2016

Francesco Cuzzocrea
Non-Executive Director - Resigned February 19, 2016

Engr. Yusuf K.J N'jie
Non-Executive Director - Resigned October 31, 2016

Tanimu Yakubu
Non-Executive Director

Ike Osakwe
Non-Executive Director - Appointed July 8, 2016

Ademola Akinrele SAN
Non-Executive Director - Appointed July 8, 2016

Professional Advisers:
Olufemi Adeyemo
Group Chief Financial Officer

Ayotola Jagun
Chief Compliance Officer and Company Secretary

Ngozi Okonkwo
Chief Legal Officer

Registerd Office:
2, Ajose Adeogun Street
Victoria Island, Lagos, Nigeria

Auditors:
Ernst & Young
UBA House (10th and 13th floor), 57 Marina, Lagos, Nigeria

The Registrars & Transfer Offices:
First Registrars & Investor Services Limited
Plot 2, Abebe Village Road, Iganmu, Lagos, Nigeria

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

Bankers

- Access Bank Plc
- Access Bank UK
- Afrexim
- Bank of Montreal Canada
- Barclays Bank
- BNP
- Citibank Nigeria Ltd
- Citibank, UK
- Clarien Bank
- Diamond Bank Plc
- Ecobank Nigeria Plc
- Federated bank
- Fidelity bank Plc
- First Bank (UK)
- First Bank of Nigeria Limited
- First City Monument Bank Plc
- First City Monument Bank UK
- Guaranty Trust Bank Plc
- Heritage Bank Plc
- HSBC Bank
- Industrial and Commercial Bank of China Ltd
- ING Bank
- ING Group
- Keystone Bank Limited
- National Bank of Fujairah (NBF)
- Natixis Bank
- Rand Merchant Bank
- Societe Generale Bank
- Stanbic IBTC Bank Plc
- Standard Bank of South Africa Ltd
- Standard Chartered Bank Plc., UK
- Standard Chartered Bank(Nig.) Ltd
- Sterling Bank Plc
- Union Bank of Nigeria Plc
- United Bank for Africa Plc
- United Bank for Africa, New York
- Zenith Bank (UK) Limited
- Zenith Bank Plc

Notice of 40th annual general meeting

Ayotola Jagun
Chief Compliance Officer and Company Secretary

A copy of this notice and other information relating to the meeting can be found at www.oandoplc.com

NOTICE IS HEREBY GIVEN that the 40th (Fortieth) Annual General Meeting (the "Meeting") of Oando PLC (the "Company") will be held at The Akwa Ibom State Hall (Ibom Hall), Babangida Avenue, Uyo, Akwa Ibom State, Nigeria. on Monday September 11, 2017 at 10.00a.m. prompt for the purposes of:

1. Transacting the following ordinary business:

1.1 To receive the audited financial statements of the Company and of the Group for the year ended December 31, 2016 and the Reports of the Directors, Auditors and Audit Committee thereon;
1.2 To re-appoint Ernst & Young as Auditors and to authorise the Directors of the Company to fix their remuneration;
1.3 To re-elect the following directors who in accordance with Articles 91 and 93 of the Company's Articles of Association, retire by rotation, but are eligible and offer themselves for re-election :
- Mr. Mobolaji Osunsanya as a Director
- Mr. Tanimu Yakubu as a Director
- Mr. Oghogho Akpata as a Director

1.4 To elect members of the Statutory Audit Committee;

2. Transacting the following special business:

2.1 To consider, and if approved, to pass, with or without modification, the following ordinary resolution to fix the remuneration of the Non-Executive Directors:

"It is hereby resolved that the fees, payable quarterly in arrears remain N5,000,000 per annum for the Chairman and N4,000,000 per annum, for all other Non-Executive Directors."

Voting and Proxies

On a show of hands, every member present in person or by proxy shall have one vote, and on a poll, every member shall have one vote for each share of which he is the holder.

A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote in their stead. A proxy need not be a member of the Company.

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

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

Closure of Register of Members

The Register of Members and Transfer Books of the Company (Nigerian and South African) will be closed between Wednesday August 16, 2017 and Friday August 18, 2017 (both days inclusive) in terms of the provisions of Section 89 of the Companies and Allied Matter Act, Cap C20, Laws of the Federation of Nigeria, 2004 ("CAMA").

Nominations for the Audit Committee

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

E- Report

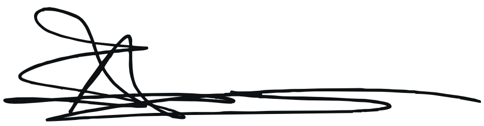
In order to improve the delivery of our Annual Report, we have inserted a detachable Form in the Annual Report and hereby request Shareholders who wish to receive the Annual Report of Oando PLC in an electronic format to complete and return the Form to the Registrars for further processing.

In addition, Annual Reports are available online for viewing and download from our website at www.oandoplc.com.

Right of Shareholders to Ask Questions

Shareholders have the right to ask questions not only at the meeting, but also in writing prior to the meeting. Such questions may be addressed to the Company Secretary and submitted to the registered office of the Company or sent by electronic mail to info@oandoplc.com, not later than 7 days before the Meeting.

Dated August 14, 2017
By the Order of the Board



Ayotola Jagun
Chief Compliance Officer and Company Secretary
FRC/2013/NBA/000000003578

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

Chairman’s statement

HRM Oba Michael A. Gbadebo, CFR
Chairman

“

As we pursue our vision to be the most respected African Oil and Gas company, we are experiencing an exciting period of development”

Dear Investor,

2016 was a very challenging year globally as several events such as the crashing commodity prices, geopolitical events and heightened uncertainty related to the U.S. presidential election amongst others impacted the global economy; creating political, economic and social tensions.

The year marked the second full year since oil prices started crashing after peaking in June 2014. Brent oil prices opened at $36.61/barrel, fell to a 14-year low of $26/barrel in January 2016 before climbing slowly to average $44/bbl for the year after OPEC reached a deal with non-OPEC producers to implement a production cut of 1.8mbpd.

The Nigerian economy contracted by 1.51% in 2016, the first annual contraction in 25 years mostly due to the fall in oil prices; declining oil production & exports; and foreign currency shortages which raised inflation to an 11-year high of 18.5% in December 2016.

Due to the tough operating environment businesses found themselves in, several operations were downsized or shut down entirely. Subsequently, unemployment rate which stood at 9.9% in 2015 quickly rose to 13.9% by Q3 2016.

The Naira was devalued twice over the course of the year; a 41% devaluation from ₦199/$1 to ₦280/$1 in June 2016 and a further devaluation from ₦290/$1 to ₦311/$1 in August 2016 while the unofficial rate climbed to record lows of ₦494/$1 in December 2016. These devaluations significantly impacted our dollar-denominated loan portfolio.

On a positive note, the Nigerian economy is expected to grow moderately by 0.8% in 2017 while a high 2016 base year will mean lower year on year inflation figures in 2017. The 2017 budget includes ₦2.24 trillion in capital expenditure, a 42% increase from ₦1.58 trillion in 2016, the infrastructure spending is expected to spur economic activity and lift the nation out of recession.
The end of the JV cash call system is also expected to result in increased investments in Nigeria’s upstream oil and gas sector, which will help in meeting the government’s daily production target of 2.2miliion barrels per day.

Executing Our Strategy

We have aligned our operations with a long term strategic view by divesting from our energy services business, midstream business and partially divesting from the downstream business as well as optimizing our balance sheet through a restructured ₦108 billion syndicated medium term loan facility.

The upstream business saw a 20% decline in production from 54,520boepd in 2015 to 43,503 boepd in 2016, due to sabotage activities which interrupted operations. A year-end independent audit of our 2P reserves saw a 5.3% increase to 469 mmboe from 445 mmboe in 2015.

Despite supply challenges from pipeline sabotage, the midstream gas and power business reported PAT growth of 7% from ₦5.7billion in 2015 to ₦6.1billion in 2016. This is despite a 7% decline in turnover from ₦32.61 billion in 2015 to ₦30.37

billion in 2016 due to volume challenges, as a result of sabotage activities, despite increase in gas price and exchange rate in 2016.

Oando Trading, the crude and refined petroleum trading subsidiary, reported revenues of N377.8 billion ($1.4billion) and PAT of N2 billion ($7.7million) as oil volumes witnessed continued growth resulting in a 106% increase in Crude Oil (13million barrels) and Refined Petroleum Products (1.3million Metric Tons).

2017 Outlook

Though oil prices continue to hover around the $50 mark, OPEC has shown the willingness to work towards a sustained production cut towards boosting oil prices. The production freeze agreement reached in November 2016 has been extended till March 2018 and indeed, talks have commenced towards further extensions or deepening of the cuts as well as exploring the possibility of bringing on-board the US producers. With the gradual decline in pipeline disruptions, increase in oil prices and efforts by the government to curb security issues in the Niger Delta, the sector is optimistic of a recovery in the near future. However, as OPEC's production freeze is being countered by rising shale production and drawdowns from record-high crude reserves, as a business we need to continue to prepare for a period of sustained low oil prices, as it is very unlikely we will see the days of $100 oil in the forseeable future.

We will focus on further reduction of our debts to create a platform for long term profitability while driving growth via our dollar denominated upstream and downstream trading businesses. Cost management will remain key to us and we will ensure disciplined execution of our highlighted corporate initiatives towards achieving long term profitability and guaranteed returns for all shareholders.

HRM Oba Michael A. Gbadebo, CFR
Chairman

Group Chief Executive's report

In Recognition of the privilege accorded to me, I hereby present your company's operational and financial performance report for 2016

Jubril Adewale Tinubu
Group Chief Executive

2016 Review

2016 was a tough year globally, as economic growth remained challenged due to a combination of factors. The year opened with oil prices crashing to $26.68 per barrel on January 20th 2016, a 14 year low, and the impact of the extended oil price downturn meant that oil companies had to continue to adjust to the lower crude oil price environment, focusing on efficient capital allocation, improved operating cost discipline and organic growth development.

The year was particularly challenging for the Nigerian oil and gas industry as Nigeria's onshore and shallow water production levels saw a 70% reduction between 2015 and 2016. The country lost about 700,000 barrels per day in 2016, an estimated loss of ₦3.8 trillion, due to a shortfall in oil production as a result of militant attacks and oil theft in the Niger Delta. Being an oil dependent economy, the production disruptions coupled with the sustained crash in oil prices drove the Nigerian economy into recession, with the country posting a 2016 GDP value of -1.5% as at year end.

As a result of the fall in export earnings, the CBN was unable to meet its local forex demand driving the parallel exchange rate at the end of the year to ₦494/$1, a 148% increase from ₦199/$1 at the start of the year.

On a positive note, in November, OPEC led by Saudi Arabia, reached a production cut agreement between itself and a number of Non-OPEC countries, towards reducing production levels by 1.8 million bpd (OPEC: 1.2mbpd and Non-OPEC: 600,000bpd) and this drove crude oil prices up to $52/barrel in December 2016 the highest levels reached since July 2015. In Nigeria, following months of attacks on key oil and gas

“

This year will see us leverage our culture of excellence and leadership”

facilities, the Niger Delta Avengers (“NDA”) announced a conditional ceasefire in August 2016 and held several rounds of talks with the Federal Government. The Ministry of Petroleum Resources finally addressed the JV cash calls challenges as agreements were signed with the IOCs towards modalities for exiting the cash call process. The NNPC reforms picked up pace and the framing of the Refineries concession plans commenced.

2016: Operational Performance

As a group coming off an impairment driven loss position in 2014 and 2015, we took a strategic decision to re-define our groups’ strategy towards increased focus on our dollar denominated businesses while partially divesting from our Naira earning businesses. Hence, at the beginning of the year we embarked on some corporate strategic initiatives geared towards achieving balance sheet optimization and ensuring we return to profitability by the end of the year. I am pleased to inform you that we have executed on all those initiatives:

- We concluded the restructuring of a ₦108billion Medium Term 5 year consolidated facility, with a 3 year moratorium on principal. The facility was provided by ten leading financial institutions in Nigeria with Access Bank Plc as the Lead Arranger;
- We divested our interest in the downstream business for a transaction value of $210million to a Consortium comprising of “Helios Investment Partners” and “The Vitol Group”;
- We completed the $115.8 million strategic midstream alliance in our Gas & Power Division with Helios Investment Partners, the leading Africa-focused private investment firm;
- We also divested from our Energy Services business via a management buyout resulting in significant deleverage of our balance sheet through the deconsolidation of a net liability of N20.8bn ($104.7 million).

In our upstream business, we achieved a 5.3% increase in our 2P Reserves estimation, from 445mmboe in 2015 to 469mmboe in 2016 as well as a 70% increase in our 2C Resources from 122mmboe to 208mmboe. In addition, Oando Energy Resources through its 81.5% held subsidiary, Equator Exploration Ltd, successfully farmed out a 65% participating interest in blocks 5 & 12 in the Democratic Republic of São Tomé and Príncipe to Kosmos Energy for a cash consideration of $14m and a carry arrangement of up to $20m on 2 wells. We also successfully completed our delisting from the Toronto Stock Exchange.

Our downstream trading operations, Oando Trading, reported a four year high trading revenue of N377.8bn ($1.4billion) and PAT of N2bn ($7.7million) as oil volumes witnessed continued growth resulting in a 106% increase in traded volumes of crude oil (13million barrels) and refined petroleum products (1.3million Metric Tons). This was driven by the structured execution of two Direct Sale Direct Purchase (DSDP) agreements with the NNPC as well as crude and product exports.

Our gas and power business concluded the sale of its Akute Independent Power Plant for a transaction price of ₦3.7bn to Viathan Engineering and also executed the sale of the 10.4MW Alausa Independent Power Plant to Elektron

Group Chief Executive's report continued

Petroleum Energy & Mining Limited for a transaction price of ₦4.6bn.

In today's macro and micro economic climate, the execution of these initiatives is indicative of our drive towards reducing the Group's existing obligations and repositioning our company towards sustained profitability. As a result, Oando PLC's debt profile which stood at US$2billion as at December 2015 witnessed a 60% reduction by December 2016, to US$812 million.

Oando Foundation

The Oando Foundation also witnessed several positive footsteps over the year impacting the Nigerian education sector, transforming lives in communities across Nigeria and contributing to the actualization of Sustainable Development. In 2016, over 16,000 out-of-school children were enrolled into Oando adopted schools, 549 scholarships were awarded to pupils, 1,608 Teachers and 107 Head Teachers/Assistants were trained across 49 adopted schools and 8 solar-powered ICT centers were developed to support technology-based education across the country. The Foundation also made strategic financial and technical partnerships with organizations such as Educate a Child (EAC) Qatar and USAID Education Crisis Response Programme (ECR) to further the push for basic education improvement.

2017 Look Ahead

Following the completion of our strategic deleveraging initiatives, we have evolved into a leaner but more focused organization with two core dollar earning entities (upstream and downstream trading operations) whilst still holding indirect interest in the downstream retail and mid-stream gas distribution operations.

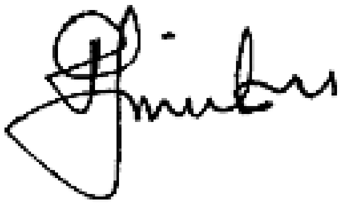
Moving forward, our focus is geared towards sustained growth via our dollar earning upstream and downstream trading businesses whilst we will continue to provide the necessary support to our new partners in the midstream and downstream business. We will continue our deleverage activities, focusing on a group wide debt reduction to ensure all outstanding debts are right sized in line with the new macro reality of the oil industry. In addition to our growth focus, profitability will be driven by focused cost and liquidity management, with significant selective oil and gas production initiatives planned for 2017.

Our expectation of production growth in the upstream business is positive. This outlook is supported by two key internally driven strategic initiatives geared towards securing revenues. The first initiative is a hands-on approach at ensuring infrastructure security within the foot print in the Niger Delta to ensure infrastructure uptime stability thereby boosting our production volumes for export. The second initiative is focused on bringing on stream existing growth opportunities within the NAOC JV via commercially viable services structures. We will also continue our efforts towards restructuring our debt facilities as well as boosting profitability through operational efficiencies and further reduction of administrative costs below $3/boe.

2017 will see us seek to aggressively further increase the downstream trading volumes while simultaneously increasing our imports into Nigeria through closer partnerships with NNPC and its affiliates as well as private off-takers. We will seek to build and develop our market intelligence towards ensuring we have real time information to aid us in taking quick and prompt decisions. As the trading business expands, we will ensure we maintain and grow the existing credit lines. Alongside our Nigeria operations we will also maintain our efforts on creating new markets in Southern and Eastern Africa leveraging our presence in the Middle East and its role as a traditional supply source for the regions. We will continue to work closely with the NNPC towards developing holistic solutions which will guarantee petroleum products supply for the nation at all times.

Closing

The past few years have had a significant impact on your company, and on behalf of your management team, I would like to thank you for your support during these challenging times. The year ahead will bring its own challenges as the prevalent economic circumstances are expected to persist through 2017 but as your management team, we assure you that our main focus will continue to be geared towards sustaining your company's profitability and ensuring adequate return for you, our esteemed shareholders. Our story has also been one of resilience, innovation and growth, and I assure you that we are fully committed towards positioning your company towards sustained growth moving forward.

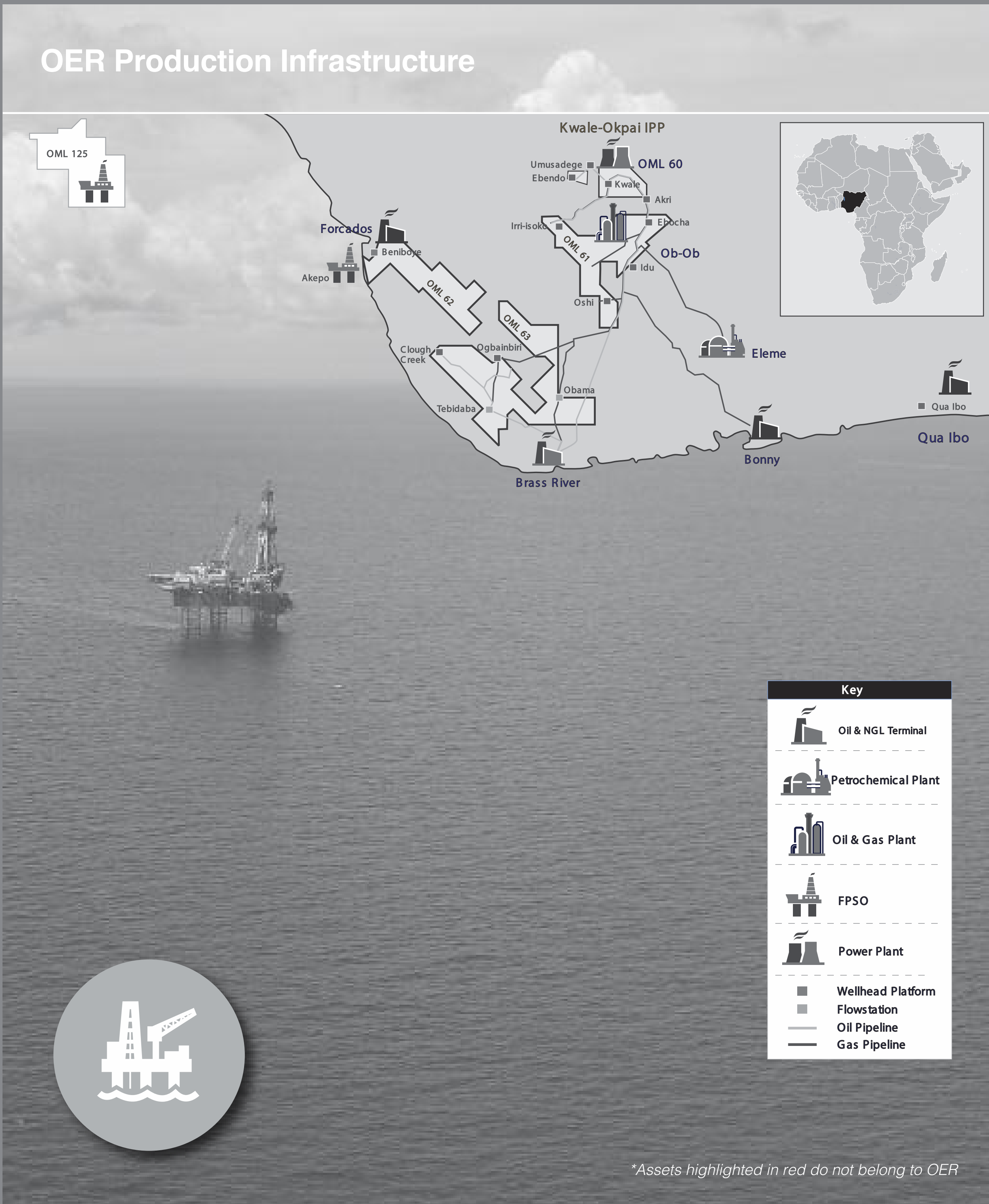


Jubril Adewale Tinubu
Group Chief Executive

Entity reports

Entity reports

Oando Energy Resources (OER)



2016 Global Oil & Gas Industry Review:

2016 commenced with pessimism and great uncertainty across the global oil and gas industry with many players adopting a survival mindset. This was highlighted by continued capital expenditure and headcount cuts across board, as supply and demand balances struggled to return to a sustained equilibrium. These fears were crystalized when oil prices reached a low of $26 per barrel in January. By April, the industry had witnessed a pool of bankruptcies and debt restructurings as industry players struggled to stay cash flow positive. Nigeria was particularly hard hit, with the Niger Delta security crisis resulting in production cuts of over 700,000 barrels per day, plunging the economy into its first recession in 20 years.

By mid-year, the global pessimism had begun to lift as falling US production narrowed the supply-demand imbalance while global crude prices found a comfort zone between $40 and $50 per barrel. The OPEC decision towards the end of the year to cut production should help accelerate the drawdown of global oil inventories, even if OPEC countries do not completely deliver on their announced production cuts.

As we enter 2017, there is a renewed sense of cautious optimism amongst industry experts that the worst is indeed over and better times do lie ahead.

Entity reports
Oando Energy Resources (OER) Continued

OML 60 - 63

Overview

The NAOC JV (20% OER WI; NAOC 20% and operator; NNPC 60%) holds OMLs 60, 61, 62 and 63, located onshore in the Niger Delta and the Licenses have an expiry date of June 14, 2027.

OML 60 is located on land, in the northern Niger Delta and covers an area of 358 km2 (88,464 acres). OML 61 is also located on land, in the northern Niger Delta and covers an area of 1,499 km2 (370,410 acres). OML 62 terrain varies eastwards from swamp to land and is located in the central Niger Delta, covering an area of 1,221 km2. OML 63 is located along the coastal swamp area of the Niger Delta and covers an area of 2,246 km2 (554,998 acres).

2016 production at OMLs 60 to 63 averaged 38,087 boe/day, consisting of 11,890 bbls/day of crude oil, 3,385 boe/day of NGLs and 136,873 mcf/day (22,812 boe/day) of natural gas, as compared to combined average production of 48,733 boe/day in 2015. The 22% daily production decrease at OMLs 60 to 63 is primarily related to sabotage activities on the Tebidaba lines and other continuing pipeline constraints at the Ebocha terminal due to fire in mid-2015 that resulted in approximately 10% of pre-incident natural gas volumes being constrained behind the pipelines due to back-pressure issues, along with additional upstream delivery constraints.

As of December 31, 2016, OER held a net share in the NAOC JV 2P reserves of 458 MMboe (comprised of 156.7 MMbbls of oil, 16.6 MMbbls of natural gas liquids and 1,710.6 Bscf of gas).

The assets of the NAOC JV also include extensive infrastructure, comprising 12 Flowstations, an oil processing centre, an oil export terminal, three gas plants (Kwale, Ob-Ob and Ogboinbiri), the Kwale-Okpai IPP, a network of approximately 1,190 km of pipelines and associated infrastructure including, roads, power stations and heliports. Some of the NAOC JV's main export pipelines are used by third parties and agreements are in place for transportation and processing

Capital Projects Expenditure:

In 2016, capital expenditure on OMLs 60 to 63 totaled $23.3 million. Capital expenditure during the period included $14.0 million spent on development of production facilities, $3.2 million on Ebocha water reinjection restoration activities, $2.4 million spent on development drilling activities and $0.7 million on exploration drilling activities. Capital spending on OMLs 60 to 63 was focused on projects that were a necessity to maintain operations and would maximize short term cash flows.

OML 56 (EBENDO)

Overview

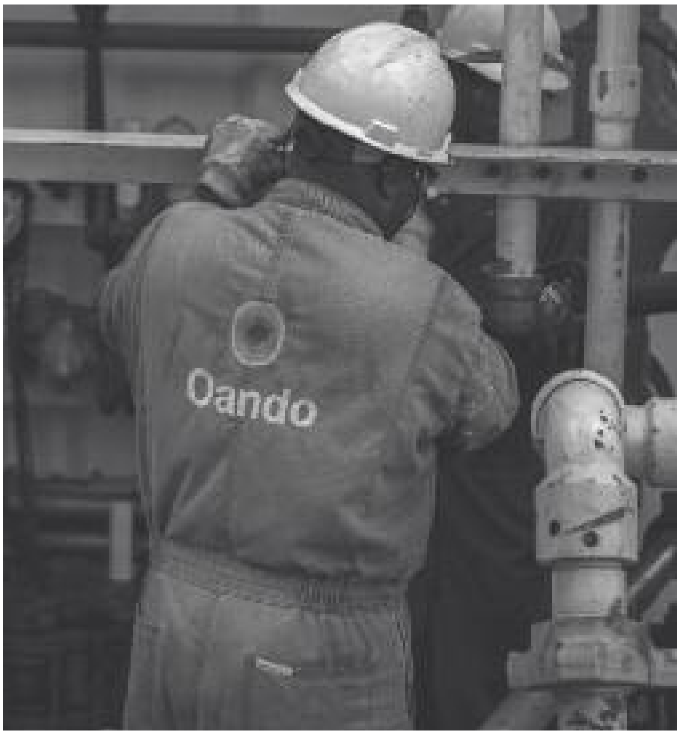
Ebendo Marginal License (45% OER WI; Energia, an indigenous company and operator, 55% WI), was carved from OML 56 in the central Niger Delta, approximately 100 km north-west of Port Harcourt. The License covers an area of 65 km2 (16,062 acres). The License includes two fields, the Ebendo field (producing), Obodeti field (undeveloped) and one prospect, Ebendo North. Ebendo operates under Marginal Field terms that benefit from advantageous fiscal terms.

Ebendo's 2016 crude oil production increased 11% to 1,879 bbls/day from 1,701 bbls/day in 2015, as a result of increased storage capacity from 20,000 to 50,000 barrels (commissioning of a 30,000 barrels storage tank in July 2016) and the completion of work over activities on Well 5 in Q1 2016.

As of December 31, 2016, the Ebendo License held net 2P reserves of 7.1 MMboe (comprised 3.8 MMbbls oil and 19.5 Bscf of gas).

Capital Projects Expenditure:

As at December 2016, OER (the "Corporation") incurred $6.3 million offset by a post –reconciliation reversal of $11.6 million carried out with the asset partner. Total capital expenditure at Ebendo were lower than the planned budget of $6.7 million. Capital expenditure included $5.5 million for capital construction (production site completion) $0.6 for construction of a larger storage tank to reduce production shut-ins and $0.2 million for other movable assets.



OML 13 (QUA IBO)

Overview

Qua Ibo (40% OER WI and technical partner; NEPN, an indigenous company, 60% WI and operator) is located onshore Nigeria, near the mouth of the Qua Iboe River, immediately adjacent to the ExxonMobil Qua Ibo Terminal. The License covers an area of 14 km2 (3,459 acres) and includes one producing field (Qua Ibo). The Qua Ibo License was acquired by OER during 2013 and it operates under Marginal Field terms that benefit from advantageous fiscal terms. Production from the Qua Ibo field began in 2015.

Qua Ibo recorded a decline in production of 16% to 651 bbl/day in 2016 compared to 772 bbl/day in 2015 as a result of force majeure declared on the Qua Ibo pipeline for about 4 months in 2016.

As of December 31, 2016, Qua Ibo License held net 2P reserves of 3.8 MMbbls of oil.

In its capacity as technical services provider, Oando Reservoir and Production Services Ltd (ORPSL) oversees, together with NEPN, the operations on Qua Ibo. ORPSL agreed to fund some of NEPN's costs on Qua Ibo until first oil, following which ORPSL will be entitled to 90% of NEPN's sales proceeds from its 60% share of crude oil production until NEPN's obligation plus a 10% fee is paid in full.

Capital Projects Expenditure:

As at December 2016, the Corporation incurred capital expenditures of $0.7 million at Qua Ibo on seismic study for the newly discovered Qua Ibo field ($0.4 million), and crude evacuation facilities for the FUN group of which OQIL is a part owner ($0.3 million). The Corporation's 2016 expenditure was in line with its planned budget spend of $0.85 million on facilities and seismic studies. Future drilling in this project area has been delayed from the Corporation's original plan as a result of the cash constraints brought on by the low commodity price environment.

OML 90 (AKEPO)

Overview

Akepo Marginal License (40% OER WI and technical partner; Sogenal, operator, 60% WI) was carved from OML 90 and located in shallow waters (<20m) of the western Niger Delta. The License covers an area of 26 km2 (6,425 acres). The License includes one undeveloped field (Akepo) and two prospects (A and B, collectively referred to as Akepo North).

Entity reports

Oando Energy Resources (OER) Continued

OML 145

Overview

OML 145 (20% OER WI; ExxonMobil operator, 80% WI) is located offshore in water depths ranging from 1000 to 1,500 m, approximately 110 km from the western Nigerian coast. OER acquired interests in OML 145 as part of the acquisition of ConocoPhillips' Nigerian business in July 2014. The License covers an area of 1,293 km2 (319,507.5 acres) and includes two undeveloped discoveries (Uge and Uge North), two single-well discoveries (Nza and Orso) and five prospects. There has been no production from OML 145 to date.

OML 122

Overview

OML 122 (12.5% gas OER WI and 5.0% oil OER WI; Peak, an indigenous company, 87.5% gas WI and 95.0% oil WI) is located in the offshore Niger Delta, 40 km from the coastline of southern Nigeria, at a water depth of between 40 m to 300 m. The License covers an area of 1,599 km2 (395,122 acres). The License includes three discoveries (Bilabri, Orobiri and Owanare). There has been no production from OML 122 to date.

OML 131

Overview

OML131 (100% OER WI; operator OER) is located offshore in water depths ranging from 500 to 1,200 m approximately 70 km from the western Nigerian coast. The License is expected to be unitized with OML 135 with a resulting unit share of 51% for OML 131. OML 131 covers an area of 1,204 km2 (301,000 acres) and includes two undeveloped discoveries (Bolia-Chota and Ebitemi) and two prospects (Pulolulu and Chota East). There has been no production from OML 131 to date.

Blocks 5 & 12, EEZ of Sao Tome & Principe (STP)

Overview

OER holds its interest in Blocks 5 and 12 through its 81.5% interest in EEL. In February 2010, in accordance with agreements signed in 2001 and 2003, the government of STP awarded OER Blocks 5 and 12, located within the country's EEZ. Block 5 has an area of 2,844 km2 and the water depth within the block ranges from 2000 to 2500 m. Existing 2D seismic data over the block were reprocessed in 2014 and interpreted to identify several prospects. In 2015, 3D seismic data was acquired over an area of 1400 km2. The processing of the newly acquired 3D seismic data was completed in December 2015 and interpretation of the 3D is currently ongoing to further mature identified prospects for exploration drilling in 2017.

In December 2015, EEL agreed to farm out 65% of its participating interest in Block 5 for $7.4 million to equalize past costs and will retain a 20% participating interest, with a 50% carry up to $9.0 million each for both Phases II and III. EEL also entered into an agreement to farm out 65% of its participating interest in Block 12, retaining a 22.5% participating interest with a carry of the first $2.0 million of OER's portion of project costs. The government of STP (through its national petroleum agency) will retain 15% and 12.5% carried interests in Blocks 5 and 12, respectively.

OPL 321 & OPL 323

Overview

OPL 321 and OPL 323 (24.5% OER WI; operator KNOC) are located adjacent to OML 125, offshore from the Nigerian coast, at a water depth of 950 m to 2,000 m. The Licenses cover a combined area of 2,147 km2 (530,535 acres). The Licenses are presently the subject of a dispute between the operator, KNOC, and the Nigerian Government. Due to this ongoing dispute, since 2008 exploration on these Licenses has not been possible and as a result, OER requested and received a refund of the aggregate signature bonus paid by OER in respect of the two Licenses ($162 million).

No wells have been drilled on the Licenses to date. The License includes five sizeable prospects (Gorilla, Lobster, Octopus and Whale (OPL 323) and Elephant (OPL 321).

Capital Projects Expenditure on Non-producing Licences

Other asset capital expenditures of $6.0 million include $5.1 million on EEL for seismic license cost, exploration and evaluation costs on OML 145 and OML 131 ($0.2 million and $0.3 million respectively). The Corporation's initial budget of $5.7 million of other capital expenditures was slightly overrun following the farm out arrangement. These costs were netted off the considerations received from the farming out on the Corporations interests in both blocks.

The Corporation has farmed out 65% of its participating interest in Block 5 and received $11.6 million during the period to equalize past costs and will retain a 20% participating interest, with a 50% carry up to $9.0 million each for both Phases II and III. As at December 31, 2016, the Corporation has also completed the farm out of 65% of its participating interest in Block 12, retaining a 22.5% participating interest with a carry of the first $2.0 million of OER's portion of project costs. The Government of Sao Tome & Principe (through its national petroleum agency) holds 15% and 12.5% carried interests in Blocks 5 and 12, respectively. Blocks 5 and 12 are prospective offshore exploration projects in São Tomé and Príncipe within the Gulf of Guinea. The farm-out will allow for the projects to move forward with minimal capital requirements and has provided some immediate cost recovery.

Entity reports

Oando Energy Resources (OER) Continued

OPL 236

Overview

Oando Exploration and Production Limited (OEPL) was awarded this block in May 2007 and the PSC was signed with NNPC in February 2008. This conferred OEPL with a 95% working interest and operatorship of the block. RFO Ventures is the local content vehicle (LCV) with a 5% participatory interest. The block is located onshore Akwa Ibom State with a total acreage of 1,650 km2. A Global Memorandum of Understanding (GMOU) was signed with the Ukana community in August 2008.

OPL 236 is currently in the exploration stage. In 2010, 2D seismic data for OPL 236 was purchased and digitized.

OPL 278

Overview

In January 2006, OEPL acquired a 60% working interest in OPL 278. OPL 278 is operated by OEPL under a joint operating agreement ("JOA") made between OEPL, CAMAC, Allied Energy and First Axis. OPL 278 is located offshore of Rivers State in a transition zone (swamp to shallow marine) on an area of 91.9 km2. Three prospects have been identified in OPL 278, which are Ke, Prospect A and Prospect B.

OPL 282

Overview

On 8 August 2006, OEPL acquired a 4% working interest in the PSC between NAOC, Alliance Oil Producing Nigeria Limited ("AOPN") and NNPC, in respect of OPL 282 (the "OPL 282 PSC"). NAOC holds a 90% working interest in the OPL 282 PSC, while AOPN, which represents the LCV in OPL 282, holds the remaining 10% working interest. The Group holds 40% of the shares in AOPN, while ARC Oil and Gas Nigeria Limited holds the remaining 60%. OPL 282 is operated by NAOC under a JOA made between NAOC and AOPN. OPL 282 is located in a transition zone (onshore to shallow marine) in Bayelsa State, on an area of 695 km2. This block is currently in the exploration phase.

An exploratory drilling campaign in the block was kicked off with the Tinpa 1 Dir well, which spudded in Q4, 2011. Tinpa 1 was successfully drilled to a TD of 3700 MD, and it encountered the oil and associated gas in three sands, which were successfully tested and completed. Tinpa 2 was drilled and completed in Q2, 2013 but did not encounter hydrocarbon bearing sands. The well was subsequently plugged and abandoned.

Energy Services Ltd (OES)

The shareholders of Oando PLC at its 38th Annual General Meeting (AGM) held December 7, 2015 approved the divestment of its Energy Services business from the Oando Group.

Sequel to approval of the divestment by the Securities and Exchange Commission (SEC) in the first quarter of 2016, OES Energy Services Ltd (formerly known as Oando Energy Services Ltd) completed its divestment from the Oando Group by way of a Management buyout (MBO).

Prior to the divestment, the impact of the decline in oil prices and slowdown in economic momentum continued to hit OES's business activities (its rig operations and drilling and completion services business). OES Respect remained the only Rig that continued to drill for Chevron; it drilled 3 wells during the reporting period while OES Passion and OES Integrity remained on a suspended contract with Shell Petroleum Development Corporation (SPDC) and Nigerian Agip Oil Company (NAOC) respectively.


Oando

Entity reports

Oando Trading (OTD)

1.3 million

metric tonnes of refined petroleum products transacted in 2016

Overview

Oando Trading DMCC (OTD) is a supply and trading company and a fully-owned subsidiary of Oando PLC. OTD is a key participant in international oil markets, with a significant presence in the West African region, and direct access to major energy markets across Africa via its office in the United Arab Emirates.

Fortified by a diversified capital base, local and international expertise and vast global partnerships, OTD is focused on enhancing market performance and maximising value through dependable products supply and trading.

OTD's activities cover the trading and supply of Crude Oil and Petroleum Products including Premium Motor Spirit (PMS), Automotive Gas Oil (AGO), Aviation Turbine Kerosene (ATK), Naphtha, Fuel (LPFO), and Liquefied Petroleum Gas (LPG).

2016 Operating and Financial Review

Last year's trading environment was a challenging landscape, highly volatile, with some tendency for decreased prices over certain product lines due to market over-supply, as it was particularly the case in the LPG sector.

Nevertheless, 2016 was a successful year for OTD. Operational and financial results demonstrated the resilience of the business model regardless of the market environment. We were

able to capitalize on the volatility in the market place, but more importantly, we attained a global reach, with a well-diversified customer base, who were able to provide support to those relationships and build our business.
The year was also characterised by the further development of our strategic relationships in order to increase our book size and provide longevity to our business plan.

OTD was successful in introducing numerous improvements to the terms of the DSDP contract, resulting in fair pricing and better value for NNPC and increased transparency brought about by an operating structure which paired reputable international refiners with best in class indigenous Nigerian industry players, ensuring security of gasoline supplies in the country. Oando was awarded two (out of a total of seven) DSDP term contracts in a competitive tender due to its regional expertise and strategic partnerships with international refineries. In addition, Oando was also invited to participate in the DSDP pre-delivery programme alongside the original term contract presented by NNPC.

The Pipelines and Product Marketing Company (PPMC, an NNPC subsidiary) was another key relationship in Nigeria, whose further development provided OTD with opportunity to export locally refined export grade petroleum products derived from the processing of Crude Oil in the local Port Harcourt and Warri Refineries. These products (Naphtha, Fuel Oil and LPG) whilst surplus to the country's requirements are valuable feedstocks and consumables for major economies worldwide.

Lastly, OTD was the winner of the 2016 LPG tender issued by NLNG, successfully competing against some of the most renowned LPG traders worldwide. A total of 180,000 MT were performed by OTD as part of this contract, re-establishing the Company as a major trader of LPG in the region.

The above structured and well executed initiatives led to a significant increase in trading activity. Oil volumes witnessed continued growth resulting in a 106 percent increase in Crude Oil and Refined Petroleum Products combined. Physical volumes of 13 million barrels of crude oil and 1.3 million MT of refined petroleum products were transacted in the year.

In terms of financial performance, OTD delivered a sound financial performance in 2016. A highlight of the year was a sharp increase in Turnover, hitting a four-year high at USD 1.4 Billion. This was reflective of increased volumes partially offset by lower average prices. PAT, on the other hand, remained relatively flat at just under $8m. The sustained performance was largely attributable to the successful execution of innovative solutions aimed at optimizing around existing trading flows but also as a result of increased activity from the newly created, value-adding, revenue streams.

Bank Financing

As a newly established company, OTD's primary source of funding is through the banking markets. Establishing and maintaining healthy and strong relationships with our financing partners is of paramount significance. Over the course of 2016, OTD was able to cement particularly strong relationships with a select number of leading International and Nigerian banks (like ING Geneva, Natixis Paris, and UBA Lagos), offering a total of USD 450 million in structured credit lines. In spite of the challenges facing commodity markets in general, the Company's banking group remained stable without causing any disruptions to our day-to-day business. The backbone of our success is largely due to the transparency and high level of knowledge and expertise demonstrated to our banking partners over time, increasing the banks' confidence in the Company, which directly impacts the level of risk exposure Banks are willing to take on OTD and our operating environment in general.

Access to deep and constant liquidity will remain a recurring theme in 2017, and we see communication with banks, financial stakeholders and trading counterparties as instrumental to maintaining this position.

We were able to secure an additional USD 250 million of credit lines during Q1 of 2017 from the likes of Credit Suisse and Mauritius Commercial Bank, bringing the total available facilities to USD 700 million.

2017 Outlook

OTD will continue to position itself to take advantage of the opportunities for further growth in 2017, despite the political uncertainty inherent in the region, adverse macro/microeconomic forces, and the general downturn in the Nigerian economy. A number of initiatives announced after the 2016 year-end will be of particular importance in 2017.

Some of these include but are not limited to:

- Registration with major international refineries, with the aim of capturing additional revenues through greater involvement in the crude oil trading value chain. Registrations are currently being undertaken with refiners in North America and Asia to support this initiative and continue to expand our global reach.

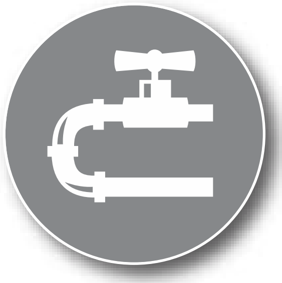
- Strategic partnership agreements with African refineries to achieve gains through effective financing structures. OTD will seek to leverage its regional know-how and finance relationships for the purchase and sale of crude and refined products from countries in the region. This effort will be based around the creation of applicable structures to circumvent the current challenges facing regional refiners around their ability to adequately securitize their product flows. This will further deepen our relationships in the region and in turn improve our trading efficiency.

- Re-establishing our West African Refined Petroleum Products business. Whilst forex pressures, made it difficult for the Company to adequately support our commercial partners within the region in 2016, we remain optimistic these constraints will ease over the course of 2017. To this end, talks are at an advanced stage with our financing partners to secure adequate credit lines to support these flows, and enable Oando act as an offshore supply partner to customers along the WAF coast.

These initiatives are geared towards protecting and growing our existing market share by improving our comparative advantage with respect to other Traders in the region.

Entity reports

Oando Gas & Power Limited (OGP)



In Oando Gas & Power (OGP), we continue to grow our gas and power footprint in Nigeria and across sub-Saharan Africa. Our strategy involves deployment of efficient solutions to address customers' needs in our chosen market by leveraging our performance-driven people and the capability of our investors.

Review of 2016

2016 was a particularly difficult year from a macroeconomic viewpoint as well as for our business. Nigeria went into recession, inflation rose to almost 20%, the official exchange rate dropped precipitously from about N200/$ to around N310/$ and almost N500/$ at the parallel market. All of these driven, in part, by the persistently low crude oil price, Nigeria's below-target oil production, low Foreign Direct Investments and unprecedented foreign exchange scarcity.

In the same period, OGP's gas supply also dropped to an all-time low due to willful destruction of upstream gas supply pipelines and facilities. However, we achieved expected performance results through our entrepreneurial and innovative spirit.

In the year under review, we concluded the divestment of Akute Power Limited and executed a Share Purchase Agreement for the sale of Alausa Power Limited. Whilst new debt capital was very challenging to procure in 2016, we were able to conclude refinancing of our power project through the CBN's Power & Aviation Sector Intervention Fund. We also further matured our Mini LNG business development opportunity in the year under review. It is noteworthy that Oando PLC concluded the divestment of its controlling interest in OGP to Helios Investment Partners, an African-focused Private Equity Fund.

OGP continued to maintain its Quality Management System Certification and compliance with the ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 Standards. In 2016, we achieved 3.1 million Man-Hours LTI Free milestone. These are testaments to our commitment to safe practices as we continue to align our business practices to global standards and provide the required safety guidelines for the people and the environments where we operate.

2016 Financial Highlights

The 2016 aggregated financial results for OG&P division shows a turnover of N29.42 billion, representing a 23% decline over previous year's result of N38.05 billion. The decline was mainly driven by gas supply challenges that resulted from destruction of pipelines and gas facilities for the most part of the year. In the same year under review, a Profit after Tax (PAT) of N6.2 billion was achieved. This figure indicates 18% increase over the comparative figure of N5.26 billion in 2015. The growth in PAT was mainly driven by deferred tax income and profit on the sale of Akute Power Limited.

Natural Gas Distribution

Gaslink Nigeria Limited (GNL), OGP's flagship company, supplied natural gas to over 168 customers through its circa 120km pipeline network in Greater Lagos Industrial Areas.

During the year under review, we achieved connection of three (3) additional customers to our existing pipeline network. We expect our completion of the Phase IV of the Greater Lagos Pipeline Expansion Project to also attract numerous customers along the pipeline expansion route from Ijora - Lagos Island - Victoria Island. We achieved 96% completion of the project in December and expect the project to be commissioned in Q1 2017.

We experienced restricted gas supply from NGC mainly due to deliberate sabotage of upstream gas supply facilities by restive militants. This resulted in reduced gas offtake by our customers thereby impacting on our targeted volume sales.
Central Horizon Gas Company (CHGC) is the special purpose vehicle incorporated to takeover, rehabilitate and expand the Trans Amadi industrial area pipeline network; it currently delivers natural gas to 13 customers within the Trans-Amadi Industrial Area in Port Harcourt.

In 2016, we recorded 66% completion on the construction of our 8.5km pipeline which is anchored by an opportunity to supply significant gas volumes to BUA Sugar Refinery. The project, which is expected to be completed by the end of Q1 2017, will increase the level of industrialization in the Port Harcourt area.

We experienced some network-wide gas outage in the pipeline in 2016. The gas outages were mainly due to supplier's pipeline maintenance programme, host communities challenges, vandalism of gas pipeline, and maintenance of Above Ground Installations (AGI).

Gas Network Services Limited (GNSL) is the project vehicle for executing our pilot Compressed Natural Gas (CNG) offering. This project enables customers outside our existing pipeline grid to access natural gas for their industrial processes and power generation.

The plant, located in the Isolo area of Lagos State, commenced commercial operations in September 2013.

Our increased marketing and distribution efforts have yielded speedy ramp-up of capacity utilization as we have been able to secure GSPA for almost 100% of our installed capacity.

The business experienced increased capacity utilization despite the challenges of low supply pressure from input gas supplies which resulted in the inability of GNSL to compress gas at optimal capacity in 2016.

Captive Power Divestment

In line with our strategy of portfolio rationalization and pursuit of power projects on a larger scale, we completed our divestment from Akute Power. Our divestment from Alausa Power is on track and we expect the process to be completed by Q1 2017.

For efficient value accretion, we will continue to rationalize our portfolio (invest, acquire & divest) and go for higher value/scale initiatives in the mid to long term. OGP's power asset expansion is projected to be driven by stand-alone participation in big scale power generation asset acquisition/development, strategic partnerships and leveraging our gas business to expand our power footprint.

Business Outlook

We look ahead into 2017 with great optimism, noting that the forecasted macro indicators will "get worse before they get better". While we remain committed to our vision "to energise Africa and create a multi-billion dollar enterprise that will provide 60% of natural gas and power needs by 2030, we are prepared to make the needed changes to position our business to scale-up aggressively, grow faster and go further in meeting our customers' needs and our shareholders' targets.

We will continue to grow our business portfolio leveraging organic growth, regional expansion, acquisitions and venture partnership opportunities.

Entity reports
Oando Marketing PLC (OMP)

Oando Marketing PLC (OMP) is a leading indigenous petroleum products marketing company in Nigeria with operations spanning across West Africa. It has an annual retail and distribution capacity of up to 2 billion liters and services over 200 industrial customers (cutting across the major sectors) in Nigeria, Togo and Ghana.

OMP's operations range from sales to marketing and to the distribution of refined petroleum products including Premium Motor Spirit (PMS), Automotive Gas Oil (AGO), Dual Purpose Kerosene (DPK), Aviation Turbine Kerosene (ATK), Low Pour Fuel Oil (LPFO), Lubricating Oils and Greases, Bitumen and Liquefied Petroleum Gas (LPG, commonly known as cooking gas).

H1 2016 Review

The year commenced on a bearish note as the circumstances driving the economic slowdown in 2015 continued to exist through 2016 leading to further contraction in the economy. These conditions include, but are not limited to:

- An increase in Inflation by close to 7 basis points from December 2015 to 16.5% in June 2016 and a GDP growth decline resulting in a 12 year low at -2.9%.
- The dearth of foreign exchange to cater for the payment of imported products and services
- Fuel shortages driven by inadequacy of foreign exchange available to petroleum marketers hence greater dependence on inland lifting from the Government.
- Persistent security challenges resulting from pipeline vandalism and kidnappings in the country.

These changes have impacted customer behaviour as seen in the declining consumption of petroleum products nationwide in the earlier parts of the year.

In spite of these challenges, OMP has remained committed to delivering value, and is constantly investing in growth sustaining initiatives to ensure the organization stays on top when we start to see a turnaround in economic conditions.

Significant 2016 half year Initiatives include:

- Expansion of our retail footprint through investments in two retail outlets in key locations in Abuja and Minna. Focus remains on increasing our investments in company owned stations within the OMP asset base.
- Continued investment through upgrades to key outlets to further harness the growth potential of our existing footprint. Upgrade of our Oworonsoki, and Orile Service stations are expected to increase annual sales at these locations by 20%.
- Grow our lubricant business to market dominance in the industry, through new product launches, promotions, and partnerships with key stakeholders. We continue to harness the potentials of auto-mechanics in Nigeria through our Oleum Academy. The program has trained over 1000 auto-mechanics and has increased the awareness of our products in regions impacted. Furthermore, OMP completed contractual agreements with three major industrial customers impacting monthly capacity by over 200,000 litres.
- Continued expansion of our Vendor Managed Inventory (VMI) business with the execution of an AGO supply agreement to Primero, the leading Bus Rapid Transport operator in Lagos State. Commencement of the construction design for a sizable VMI facility at the Primero site has begun.
- Launch of the Central Retail Information System (CRIS) to optimise information monitoring, storing and tracking at retail outlets.

Product Review

PMS: There was an increase in volumes sold in H1 2016 despite forex challenges inhibiting our ability to service our PPPRA allocations, and product shortages. H1 volumes grew by 22% over the same period in the prior year. This did not however translate to profitability growth as the product was impacted by operational constraints.

AGO: There was a decline in volumes sold in H1 2016 which was primarily as a result of forex challenges which led to product supply constraints. Volumes reduced by 68% compared to the same period in the prior year.

HHK: Refinery challenges with production, and the Company's strategic focus on other products resulted in a decline in sales. Volumes declined by 73% compared to same period in the prior year.

Other Products (Lubricant, Specialties)

Lubricant: Sales remained relatively flat on a year to year basis. Profitability declined due to forex challenges and the increasing cost of raw materials which resulted in shrinking margins, as consumers were unable to absorb the rising costs.

LPG: There was a slight decline in H1 volumes compared with same period prior year (18% decline). OMP, however, remains the market leader in this product segment with over 50% market share among Major Marketers.

ATK: Volumes sold was slightly less than 50% of same period in the prior year. Declines resulted from forex challenges inhibiting our ability to import products.

Oando Terminals and Logistics Limited (OTL)

Oando Terminals and Logistics (OTL) is the downstream infrastructure management company of the Oando Group. OTL's focus areas include:

- Monetizing the Apapa Single Point Mooring (ASPM) Jetty
- Optimizing the downstream division's existing terminal infrastructure asset to ensure maximum return on investment for our shareholders
- Identifying infrastructure gaps in the downstream sector and working with strategic partners to develop the required infrastructure to monetize identified opportunities.

H1 2016 Review

- The commencement of the construction of the 9m liter capacity PMS tank 2 in Terminal 1 which is scheduled for completion in H2 2017

Governance

Oando PLC Board of Directors

Oando's Board is comprised of highly reputable industry professionals experienced in all aspects of the industry. The Board met regularly during the year to discuss, review and receive reports on the business and plans for the Group.

HRM Oba Michael Adedotun Gbadebo, CFR

Alake (King) of Egbaland in Nigeria
Chairman

He was appointed as a Non-Executive Director of the Company on April 10, 2006. Prior to his coronation as the Alake of Egbaland in 2005, HRM Gbadebo had a successful career in the Nigerian Army culminating in his appointment as the Principal Staff Officer to the Chief of Staff, Supreme Headquarters from January 1984 to September 1985. He was also awarded military honours such as the Forces Service Star and the Defence Service Medal. He has served on the boards of several companies including Ocean and Oil Services Limited and currently serves on the boards of Global Haulage Resources Limited and Dolphin Travels Limited.

HRM Oba Gbadebo obtained a Bachelor of Arts degree from the University of Ibadan, Nigeria in 1969 and he graduated from the Staff College of the Nigerian Armed Forces in 1979.
.

Date of appointment
- 2006

Board meetings attended
- 6/6

Committee membership
- Not applicable

Independent
- Yes

Jubril Adewale Tinubu

Group Chief Executive of Oando PLC and an Executive Director

In 2007, Mr Tinubu was named 'Global Young Leader' by the World Economic Forum, Geneva, Switzerland, in recognition of his achievements as one of the leading executives under 41. In 2010, he received Africa's 'Business Leader of the Year' award from the African Business Magazine and the Commonwealth Business Council for his contributions to the development of the African oil and gas industry. In 2011, he was awarded the 'African Business Leader of the Year' by Africa Investor.

Mr Tinubu obtained a Bachelor of Laws degree from the University of Liverpool, United Kingdom in 1988 and a Master of Laws degree from the London School of Economics and Political Science, United Kingdom in 1989 where he specialised in International Finance and Shipping. He is a member of the Institute of Directors, Nigeria and the Nigerian Bar Association and he serves on the boards of various blue-chip companies as Chairman and Director.

.

Date of appointment
- 2006

Board meetings attended
- 6/6

Committee membership
- Not applicable

Independent
- Not applicable

Omamofe Boyo

Deputy Group Chief Executive of Oando PLC and an Executive Director

Prior to his appointment as Deputy Group Chief Executive in 2006, Mr Boyo held a number of senior positions at Oando PLC including Executive Director, Marketing from 2000 to 2002 and Deputy Managing Director/Chief Operating Officer from 2002 to 2006. He was also the Chief Executive Officer of Oando Supply and Trading where he spearheaded initiatives for the representation of the industry's position on the proposed changes to the trade union laws. He started his career with Chief Rotimi Williams' Chambers specialising in shipping and oil services and has worked on several joint venture transactions between the Nigerian National Petroleum Corporation and major international oil companies.

Mr. Boyo obtained a Bachelor of Laws degree from Kings College, London, United Kingdom in 1989. He is also a member of the Nigerian Bar Association and currently serves on the boards of several companies.

Date of appointment
- 2006

Board meetings attended
- 6/6

Committee membership
- Not applicable

Independent
- Not applicable

Olufemi Adeyemo

Group Chief Financial Officer of Oando PLC and an Executive Director

Mr Adeyemo has been the Group Chief Financial Officer at Oando PLC since October 2005 and was appointed as an Executive Director on the Board on July 30, 2009. He has extensive experience in strategic consulting, especially in the areas of mergers and acquisitions, operations review, strategy development and implementation as well as organisation redesign and financial management. He was an auditor with PricewaterhouseCoopers from 1988 to 1992, Financial Controller and Head of Operations at First Securities Discount House Limited (now FSDH Merchant Bank Limited) from 1994 to 1997 and Management Consultant at McKinsey & Co from 1998 to 2005.

Mr Adeyemo obtained a Bachelor of Mechanical Engineering degree from the University of Ibadan, Nigeria in 1987, a Master of Mechanical Engineering degree from the University of Lagos, Nigeria in 1988 and a Master of Finance degree from the London Business School, United Kingdom in 1998. He is a member of the Institute of Chartered Accountants of Nigeria.

Date of appointment
- 2009

Board meetings attended
- 6/6

Committee membership
- Not applicable

Independent
- Not applicable

Mobolaji Osunsanya

Chief Executive Officer of Oando Gas and Power Limited and an Executive Director

Mr. Osunsanya was appointed as an Executive Director on the Board on June 27, 2007. He held a number of senior positions within Oando PLC before his appointment as Chief Executive Officer of Oando Gas and Power Limited in January 2004. Prior to joining Oando PLC, Mr Osunsanya worked as a consultant with Arthur Andersen, Nigeria (now KPMG professional services) gaining experience in the banking, oil and gas and manufacturing industries. He was an Assistant General Manager at Guaranty Trust Bank Plc from 1992 to 1998 and an Executive Director at Access Bank Plc from November 1998 to March 2001.

Mr Osunsanya obtained a Bachelor of Economics degree from the University of Ife, Nigeria in 1985 and a Master of Economics degree from the University of Lagos, Nigeria in 1987..

Date of appointment
- 2007

Board meetings attended
- 6/6

Committee membership
- Not applicable

Independent
- Not applicable

Oghogho Akpata

Non-Executive Director

Mr Akpata is the Managing Partner and Head of the Energy and Projects Group at Templars Barristers & Solicitors. He has over 20 years of experience in transactional dispute resolution aspects of the Nigerian oil and gas industry and advises a broad range of clients including international oil companies, oil service contractors and a number of multinationals operating in Nigeria. He has been listed among the leading energy and natural resources lawyers in Nigeria by Chambers Global guide to the legal profession from 2005 to date. He is currently a director of a number of companies including FMC Technologies Limited and BlueWater Offshore Production Systems Limited.

Mr Akpata obtained a Bachelor of Laws degree from the University of Benin in 1990 and was called to the Nigerian Bar in 1991. He is also a member of the Association of International Petroleum Negotiators (AIPN), Chartered Institute of Taxation, Nigeria and the International Bar Association's Section on Energy, Environment, Natural Resources and Infrastructure Law.

Date of appointment
- November 11, 2010

Board meetings attended
- 6/6

Committee membership
- Governance and Nominations
- Risk, Environmental, Health, Safety, Security and Quality

Independent
- No

Oando PLC Board of Directors continued

Oando's Board is comprised of highly reputable industry professionals experienced in all aspects of the industry. The Board met regularly during the year to discuss, review and receive reports on the business and plans for the Group.

Ammuna Lawan Ali, OON

was an independent Non-Executive Director

Ammuna Lawan Ali is a retired Federal Permanent Secretary. She commenced her civil service career in 1977 as a Planning Officer in the Borno State Ministry of Lands and Survey, Maiduguri and has served in the Ministries of Education, Women Affairs, Commerce, Industries and Tourism. In 1995, Ammuna Lawan Ali transferred to the Federal Civil Service as a director and served in the Ministry of Women Affairs and Social Development and Ministry of Finance. She was appointed Permanent Secretary in January 2001 and served in various Ministries including Commerce, Petroleum Resources, Transportation, Works and Environment.

She retired from service in 2009. Ammuna Lawan Ali holds a Bachelor of Arts degree from Ahmadu Bello University, Zaria, Nigeria and a Master of Public Administration degree from the University of Maiduguri, Nigeria. She is a recipient of the Nigerian National Honour, Officer of the Order of the Niger (OON) and a member of the National Institute of Policy and Strategic Studies (NIPSS).

Date of appointment
- October 20, 2011

Board meetings attended
- 3/6

Committee membership
- Audit
- Governance and Nominations

Independent
- Yes

Note
- Ammuna Lawan Ali resigned from the Board on the 3rd of October 2016.

Chief Sena Anthony

An independent Non-Executive Director

Chief Sena Anthony is an Oil and Gas Law Consultant and a UK Chartered Arbitrator. She is a Fellow of the Institute of Directors, a Fellow of the Centre for Energy Petroleum and Mineral Law and Policy University of Dundee Scotland UK. She is also a member of the Distinguished Body of Benchers and a Life Bencher. She worked with the Federal Ministry of Justice for four years before joining the Nigerian National Petroleum Corporation (NNPC) in 1978 where she worked for over 30 years (ten of which she was the Group Head of Legal Division and Secretary to the Group Board of NNPC). She retired in 2009 having attained the rank of Co-ordinator Corporate Secretariat and Legal Division, the first female to attain such a position in NNPC.

Chief Anthony obtained a Bachelor of Laws Degree from the University of Lagos in 1973 and was called to the Nigeria Bar in 1974. She has also attended various training programmes including those run by the Oxford University UK and Harvard University Boston USA.

Date of appointment
- January 31, 2010.

Board meetings attended
- 6/6

Committee membership
- Audit
- Governance and Nominations (Chairperson)

Independent
- Yes

Tanimu Yakubu

An independent Non-Executive Director

Tanimu Yakubu has held key positions in both the private and public sectors in Nigeria, the most notable being the Chief Economic Adviser to the President, Commander in Chief of the Federal Republic of Nigeria, during which time he also served as a member of the National Economic Management team from 2007 – 2010. He was also appointed as the Deputy Chief of Staff to the then President, Umaru Yar-Adua in 2007. His other notable public service appointment was as the Honourable Commissioner, Ministry of Finance, Budget and Economic Planning, Katsina State from 1999 to 2002. He was Managing Director/Chief Executive Officer of the Federal Mortgage Bank from 2003 - 2007. He currently serves on the boards of The Infrastructure Bank Plc and APT Pension Funds Managers Limited. Tanimu Yakubu holds a first degree in Economics and an MBA in Finance from Wagner College Staten Island, New York, USA. He also obtained certificates in Commercial Loans to Business and Commercial Lending and Bank Management, from Omega, USA; Marketing Research from the University of Ibadan; and Housing and Infrastructure Finance from the World Bank, Fannie Mae & Wharton School of the University of Pennsylvania, USA.

Date of appointment
- June 30, 2015

Board meetings attended
- 6/6

Committee membership
- Audit
- Strategic Planning and Finance (Chairman)

Independent
- Yes

Francesco Cuzzocrea
was a Non-Executive Director

Mr Cuzzocrea is a Swiss national with over 30 years of experience in Private and Investment Banking, Finance and Portfolio Management. He started his banking career with Credit Suisse in August 1976 and held a number of senior positions in banking and securities businesses including Senior Vice President at Lehman Brothers, Milan where he was responsible for the Institutional Equities Sales Desk, and Deputy Chief Executive Officer at IBI Bank where he was in charge of the Private Banking and Asset Management Department. Mr Cuzzocrea is a founding partner and current Chairman of Albion Finance S.A. He is also a Non-Executive Director of Heritage Banking Limited, Nigeria.

Mr Cuzzocrea is a member of the Swiss Bankers Association and the Swiss Society of Financial Analyst and Portfolio Managers.

Date of appointment
- July 25, 2013

Board meetings attended
- 0/6

Committee membership
- Audit
- Strategic Planning and Finance (chairman)

Independent
- No

Note
- Mr. Cuzzocrea resigned from the Board on the 19th of February 2016.

Engr Yusuf N’jie
was an independent Non-Executive Director

Engr N’jie is the Managing Director/Chief Executive Officer at Optimum Petroleum Development Company. He has worked extensively in the oil and gas industry for over 30 years with companies like Otis Engineering Corporation and SEDCO. He spent over 20 years at Texaco Overseas (Nigeria) Petroleum Company Unlimited, initially as a Technical Advisor and subsequently as an Executive Director on the board of directors. He has held a number of senior positions and is a member of the boards of various organisations including his role as Chairman of Niya Holdings Nigeria Limited.

Engr N’jie obtained a Bachelor of Engineering degree from the Southern Methodist University in Dallas, Texas, USA. He is a fellow of the Nigerian Society of Engineers and a member of the Society of Petroleum Engineers.

Date of appointment
- October 20, 2011

Board meetings attended
- 5/6

Committee membership
- Risk, Environmental, Health, Safety, Security and Quality
- Strategic Planning and Finance

Independent
- Yes

Note
- Engr Yusuf N’jie resigned from the Board on the 31st of October, 2016.

Ike Osakwe
An independent Non-Executive Director

Ike Osakwe is a Chartered Accountant and practising Management Consultant. He holds bachelors’ and masters’ degrees in Chemistry from the University of Oxford, and is an associate Member of the Institutes of Chartered Accountants both for Nigeria, and for England and Wales. Initially trained for four years at KPMG Audit in London, Ike now serves as the Managing Director of GRID Consulting Ltd. – a company that he established in 1986 and which specializes in financial management advisory for commerce, industry, governments and NGOs.

Mr. Osakwe has over 35 years’ experience in financial, strategic and corporate planning, as well as organisational and financial management systems development, both in Nigeria and internationally. He has brought his vast experience in the dynamics of most major industrial sectors to bear in his work on corporate governance. He has held several government and board appointments and currently serves on the boards of Leadway Pensure PFA and Notore Chemical Industries. He previously served on the boards of Oando Plc. and Red Star Express Nigeria Ltd; and chaired the boards of Thomas Wyatt Nig. Plc. and UBA Trustees Ltd.

Date of appointment
- July 8, 2016

Board meetings attended
- 5/6

Committee membership
- Audit (Chairman)
- Strategic Planning and Finance

Independent
- Yes

Oando PLC Board of Directors continued

Ademola Akinrele, SAN
Non-Executive Director

Mr. Ademola Akinrele is the Managing Partner, F. O. Akinrele & Co., born Ondo State, 3rd June, 1961; Education: University College, London LL.B (Hons.) 1982; University of Cambridge, LL.M. 1984; Admitted to the Nigerian Bar 1983; Associate of Chief Rotimi Williams Chambers 1984 – 1987. Co-Editor, Nigerian Legal Practitioners Review; Former Country Correspondent, Euromoney International Financial Practice Law Files 1990; Recipient of Award of Fifteen Legal Practitioners of Distinction in Nigeria by body of Nigerian Universities and Law School Students 1990. Editorial Board – Nigerian Legal Digest 1993. Former Secretary Oxford and Cambridge club of Nigeria 1997. Married in 1998 with two daughters. Elevated to the rank of Senior Advocate of Nigeria -1999, Fellow Chartered Institute of Arbitrators-1999 Director Pier Pier Properties Limited 1999. Director Oando Plc-2000 Director Agip Plc 2001. Commodore Lagos Motor Boat Club 2002. Director Danos & Curole Marine contractors 2005. Ademola Akinrele is a commercial advocate who traverses all aspects of Commercial Law and represents a variety of national and multinational entities before Nigerian Courts and international arbitral tribunals. He was described in the Chamber Global 2008 directory for international lawyers as follows:

The “cerebral and focused” Demola Akinrele is a Senior Advocate of Nigeria (SAN) with vast experience in litigation law. A “forceful and persuasive” advocate, he has built up a reputation in aviation and maritime-related matters. One client enthused: “One of his most striking skills is his ability to combine his knowledge of the law with his extensive experience.

Date of appointment
- July 8, 2016

Board meetings attended
- 5/6

Committee membership
- Governance and Nominations
- Risk, Environmental, Health, Safety, Security and Quality (Chairman)

Independent
- No

Report of the Directors

Report of the Directors

In accordance with the provisions of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004 (“CAMA”), the Board of Directors of Oando PLC hereby present to the members of the Company the audited consolidated financial statements for the year ended December 31, 2016.

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

Legal Form

The Company commenced operations in 1956 as a petroleum-marketing company in Nigeria under the name ESSO West Africa Inc., a subsidiary of Exxon Corporation (“Exxon”), and was incorporated under Nigerian Law as Esso Standard Nigeria Limited (“Esso”) in 1969. In 1976, the Federal Government acquired Exxon’s interest in Esso; Esso was nationalised and rebranded as Unipetrol Nigeria Limited (“Unipetrol”).

A process of privatisation began in 1991 when the Federal Government divested 60% of its shareholding in Unipetrol to the public. Unipetrol’s shares were listed on the Nigerian Stock Exchange (the “NSE”) in February 1992, quoted as Unipetrol Nigeria PLC.

Under the second phase of the privatisation process, the Federal Government sold its remaining shareholding in Unipetrol. In 2000 Ocean and Oil Investments (Nigeria) Limited, the Company’s major shareholder (“OOIN”), acquired 30% in Unipetrol from the Federal Government. The residual 10% stake held by the Federal Government was sold to the public in 2001.

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

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

On 25 November 2005, the Company was listed on the main market of the Johannesburg Stock Exchange (the “JSE”) and thereby became the first African company to achieve a cross border inward listing.

In June 2007, the Company entered into a scheme of arrangement (the “Scheme”) with certain minority shareholders of Gaslink and with OOIN. Under the Scheme, the minority shareholders of

Gaslink transferred their equity holdings in Gaslink to the Company in consideration for ordinary shares in the Company. In addition, OOIN transferred its interests in Oando Supply and Trading Limited, Oando Trading (Bermuda) Limited, Oando Production and Development Company Limited, Oando Energy Services Limited and Oando Exploration and Production Company Limited to the Company in consideration for ordinary shares in the Company.

On July 24, 2012, the Company acquired a 94.6% stake in Exile Resources Inc., ("Exile"), a Canadian public company whose shares are listed on the Toronto Stock Exchange (the "TSX"), through a reverse takeover ("RTO") which saw the transfer of the upstream exploration and production division of the Company to Exile, now renamed Oando Energy Resources ("OER"). The Company became the first Nigerian company to have three trans-border listings – the NSE, JSE and TSX.

Following the completion of the Plan of Arrangement between Oando PLC, Oando E&P Holding Limited and Shareholders the common shares and warrants of OER were voluntarily de-listed from the Toronto Stock Exchange on May 16, 2016.

Business Review

The Company is required by CAMA to set out in the Annual Report a fair review of the business of the Group during the financial year ended December 31, 2016, the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group (the "Business Review"). The information that fulfils these requirements can be found within the Chairman's Report and the Group Chief Executive's Report.

DIRECTORS

The Board

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

Non-Executive Directors

1. HRM Oba Michael Adedotun Gbadebo, CFR (Independent)
2. Mr Oghogho Akpata
3. Ammuna Lawan Ali, OON (Independent- (Resigned October 3, 2016)
4. Chief Sena Anthony (Independent)
5. Tanimu Yakubu (Independent)
6. Mr Francesco Cuzzocrea (Resigned February 19, 2016)
7. Engr. Yusuf N'jie (Independent- (Resigned October 31, 2016)
8. Mr. Ademola Akinrele SAN (Appointed 8th July, 2016)
9. Mr. Ike Osakwe (Independent) (Appointed 8th July, 2016)

Executive Directors

10. Mr Jubril Adewale Tinubu
11. Mr Omamofe Boyo
12. Mr Olufemi Adeyemo
13. Mr Mobolaji Osunsanya

Board Composition and Independence

Oando's Board is comprised of highly reputable industry professionals experienced in various aspects of the industry.

The Board size is in line with the prescriptions of Article 78 of the Company's Articles of Association which provides that the number of directors shall not be less than 10 or more than 15.

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

Re-election of Directors

Annually, a maximum of one third of the Directors, who are longest in office since their last appointment or election, are required to retire by rotation and, if eligible, offer themselves for re-election. The Board has the power to appoint a new director and any director so appointed is subject to shareholder election at the next Annual General Meeting ("AGM").

In accordance with Section 259(1) and (2) of CAMA and Articles 91-93 of the Company's Articles of Association, the following Directors, who are longest in office since their last election are retiring by rotation and present themselves for re-election at the Company's 2016 AGM:

- Mr. Mobolaji Osunsanya
- Mr. Tanimu Yakubu
- Mr. Oghogho Akpata

Resignation of Directors

Ammuna Lawan Ali OON resigned from the Board with effect from October 3, 2016 to pursue other personal interests. While serving on the Board, Ammuna Lawan Ali was an active member of the Board and the Chairman of the Audit Committee and member of the Governance and Nominations Committee Her valuable contributions to the growth of the Company are greatly appreciated.

Engr. Yusuf N'jie resigned from the Board with effect from October 31, 2016 to pursue other personal interests. Engr. N'jie served as a member of the Risk, Environmental, Health, Safety, Security and Quality Committee and Chairman, Strategic Planning and Finance Committee. The Board places on record its gratitude to him for the contributions he made to the growth and development of the Company during his tenure.

Board Appointment Process

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

The Governance and Nominations Committee has the overall responsibility for the appointment process subject to approval by the Board. The fundamental principles of the process include: evaluation of the balance of skills on the board, prior knowledge and experience on public company boards, specific expertise requirements of the Company and fit to available candidates, and ability of the candidate to fulfil his/her duties and obligations as a Director.

Report of the Directors continued

Training and Access to Advisers

The Company has a mandatory induction programme for new directors on the Company's business and other important information that will assist them in discharging their duties effectively. The Company believes in and provides continuous training and professional education to its Directors.

A group-wide training for directors on Regulatory and Statutory Disclosures under the FRC Act and NSE Listing Rules was held on the 14th of December 2016 and was well attended.

The Board of Directors and Board Committees have the ability to retain external counsel to advice on matters, as they deem necessary.

Board Authority

The Board of Directors has the ultimate authority, responsibility and accountability for the Company. A range of decisions are specifically reserved for the Board to ensure it retains proper direction and control of the Oando Group. These are listed in the Schedule of Matters Reserved for the Board. The Board is authorised to delegate some of these functions to Executive Directors who are responsible for the day to day management of the business and/or to Committees of the Board. The Delegation of Authority Policy sets out the range of matters and financial limits on the decisions that can be taken by Executive Directors and the various Committees of the Board.

The Schedule of Matters Reserved for the Board includes (but is not limited to) the following:

- Strategy and objectives
- Business plans and budgets
- Changes in capital and corporate structure
- Accounting policies and financial reporting
- Internal controls
- Major contracts
- Capital projects
- Acquisitions and disposals
- Communications with shareholders and
- Board membership

The day-to-day operational management of the Group's activities and operations is delegated to the Group Chief Executive (GCE), who has direct responsibility. He is supported in this role by the Deputy Group Chief Executive (DGCE) and the Group Leadership Council which comprises, in addition to the GCE and DGCE, the Chief Executive Officers of operating subsidiaries, the Group Chief Financial Officer, Chief Compliance Officer and Company Secretary, Chief Human Resources Officer, Chief Legal Officer, and the Chief Strategy and Corporate Services Officer.

Board Duties and Responsibilities

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

The Company does not prohibit its Directors from serving on other boards. However, Directors should ensure that such other commitments do not create a conflict of interest situation with Oando or interfere with the discharge of their duties as a director of Oando. Directors should ensure that they do not knowingly or inadvertently divulge or use confidential or inside information about Oando in the course of their service on the boards of other companies.

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

- The Company believes that the Chairman of the Board should be a Non-Executive Director;
- To maintain an appropriate balance of interests and ensure transparency and impartiality, a number of the Directors are independent. The independent directors are those who have no material relationship with the Company beyond their directorship;
- Directors are to abstain from actions that may lead to "conflict of interest" situations; and shall comply fully with the Company's Related Party Transaction Policies.

Remuneration

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

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

The Chief Compliance Officer and Company Secretary is available to advise individual Directors on corporate governance matters.

Working Procedures

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

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

The Board, through the Chief Compliance Officer and Company Secretary, keeps detailed minutes of its meetings that adequately reflect Board discussions.

Committee Membership during the year ended December 31, 2016

Director	Audit	Governance and Nominations	Risk, Environmental, Health, Safety, Security and Quality	Strategic Planning and Finance
HRM M.A. Gbadebo, CFR	-	-	-	-
J. A. Tinubu	-	-	-	-
O. Boyo	-	-	-	-
O. Adeyemo	-	-	-	-
M. Osunsanya	-	-	-	-
O. Akpata	-	■	■	-
A. Lawan Ali, OON*	■	■	-	
S. Anthony	■	■	-	-
Tanimu Yakubu	■	-	-	■
F. Cuzzocrea*	■	-	-	■
Yusuf N'jie*	-	-	■	■
Ike Osakwe**	■	-	-	■
Ademola Akinrele SAN**	-	■	■	-

* Ammuna Lawan Ali, Francesco Cizzocrea and Enr. Yusuf N'jie all resigned during the course of the year.
** Ike Osakwe and Ademola Akinrele, appointed July 8, 2016.

Attendance at meetings during the year ended 31 December 2016

Name	Board	Audit	Governance and Nominations	Risk, Environmental, Health, Safety, Security and Quality	Strategic Planning and Finance
Executive Directors					
J. A. Tinubu	6/6	-	-	-	-
O. Boyo	6/6	-	-	-	-
O. Adeyemo	6/6	-	-	-	-
M. Osunsanya	6/6	-	-	-	-
Non-Executive Directors					
HRM M.A. Gbadebo, CFR	6/6	-	-	-	-
O. Akpata	6/6	-	3/3	3/3	-
A. Lawan Ali, OON*	3/6	4/6	2/3	-	-
S. Anthony	6/6	6/6	3/3	-	-
Tanimu Yakubu	6/6	6/6	-	3/3	4/4
F. Cuzzocrea**	-	-	-	-	-
Yusuf N'jie***	5/6	-	-	3/3	2/4
Ike Osakwe	5/6	3/6	-	-	3/4
Ademola Akinrele SAN	5/6	-	1/3	1/3	-

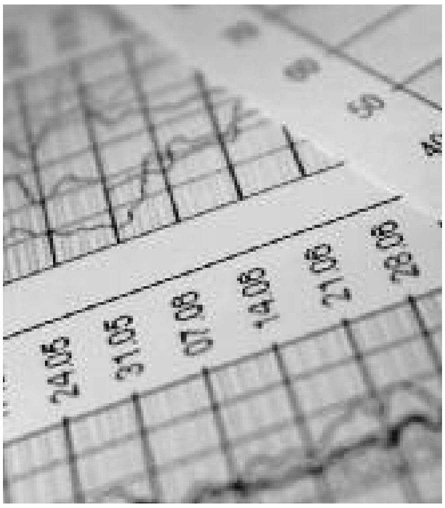
* Resigned 03 October, 2017 ** Resigned February 19, 2017
*** Resigned 31 October, 2017
Note: Mr. Ike Osakwe and Mr. Ademola Akinrele were appointed to the board July 8, 2016

Shareholder Members of the Audit Committee

T.O.Durojaiye	-	7/7	-	-	-
J. Asaolu	-	7/7	-	-	-
Matthew Akinlade*	-	2/7	-	-	-
L. Shonubi**	-	5/7	-	-	-

* Elected as a shareholder's representative of the Audit Committee at the 39th AGM held on the Tuesday, August 2, 2016.
** Resigned August 2, 2016

Report of the Directors continued



Dates of Board/Committee meetings held in 2016

Board Meetings:

- June 15, 2016
- June 3, 2016
- July 28, 2016
- August 23, 2016
- October 13, 2016
- October 28, 2016
- December 16, 2016

Audit Committee:

- March 18, 2016
- April 29, 2016
- June 3, 2016
- June 15, 2016
- July 27, 2016
- October 27, 2016
- December 1, 2016

Governance and Nominations Committee:

- March 18, 2016
- April 29, 2016
- October 25, 2016

Risk, EHSSQ Committee:

- March 18, 2016
- May 11, 2016
- October 25, 2016

Strategic Planning & Finance Committee:

- May 11, 2016
- August 3, 2016
- October 27, 2016
- December 16, 2016

Board Committees

Under the Company's Articles of Association, the Directors may appoint Committees consisting of members of the Board and such other persons as they think fit and may delegate any of their powers to such Committees. The Committees are required to use their delegated powers in conformity with the regulations laid down by the Board.

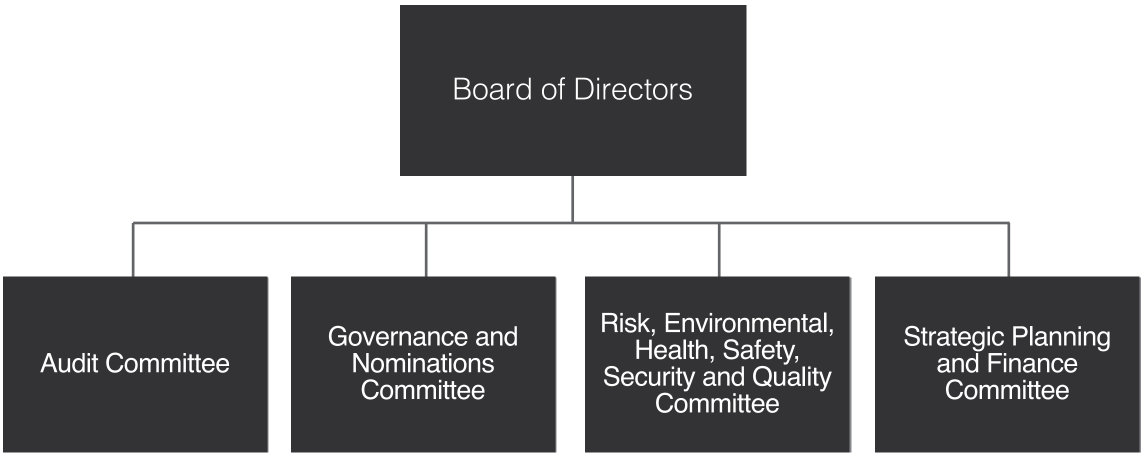
Committee members are expected to attend each Committee meeting, unless exceptional circumstances prevent them from doing so. All the Committees have terms of reference which guide the members in the execution of their duties. The Committees approve work plans in line with their respective mandates at the start of the year to guide their activities and deliberations during the course of the year.

All Committees report to the Board of Directors and provide recommendations to the Board on matters reserved for Board authorisation.

The following Committees are currently operating at Board level:

- Audit Committee
- Governance and Nominations Committee
- Risk, Environmental, Health, Safety, Security and Quality Committee
- Strategic Planning and Finance Committee

The Company's Board Committee structure is as follows:



Audit Committee (Statutory Committee with shareholder members)

The Audit Committee was established in compliance with Sections 359(3) and (4) of CAMA, which requires every public company to have an audit committee made up of not more than six members and which consists of an equal number of directors and representatives of the shareholders of the Company.

The Audit Committee is made up of six members, three Non-Executive Directors and three shareholders of the Company, who are elected each year at the Annual General Meeting.

The Audit Committee members meet at least three times a year, and the meetings are attended by appropriate executives of the Company, including the Group Chief Financial Officer, the Head of Internal Control and Audit and the Head, Risk Management and Control. In the financial year ended December 31, 2016, the Audit Committee held seven meetings.

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

The members of the 2016 Audit Committee are:

- Mr. Ike Osakwe – Chairman
  Non-Executive Director

- Chief Sena Anthony
  Non-Executive Director

- Ammuna Lawan Ali
  Non-executive Director
  (Resigned October 3, 2016)

- Mr. Tanimu Yakubu
  Non-Executive Director

- Mr Joseph Asaolu.
  Shareholder Member

- Mr. Matthew Akinlade
  Shareholder Member
  (Appointed August 2, 2016)

- Mrs. Temilade.O. Durojaiye
  Shareholder Member

- Mr. Lateef Shonubi
  (Resigned August 2, 2016)
  Shareholder Member

Curriculum Vitae of shareholder members of the Audit Committee

Mr. Joseph Asaolu
Shareholder Member

Mr. Joseph Asaolu is a chartered accountant with close to 40 years' working experience. He retired in March 2013 as the Managing Partner of Balogun Badejo & Co. (now BBC Professionals), a reputable firm of Chartered Accountants after working there from 1973 to 2013. He is currently the Managing Partner of JOA Professional Services (Chartered Accountants). He is a Fellow of the Institute of Chartered Accountants of Nigeria (FCA), Fellow of the Chartered Institute of Taxation of Nigeria (FCTI) and Associate Member of the Nigerian Institute of Management (NIM).

Mrs Temilade Funmilayo Durojaiye
Shareholder Member

Mrs. Durojaiye is a fellow of the Institute of Chartered Accountants of Nigeria and an Associate Member of the Chartered Institute of Taxation of Nigeria. She graduated from Yaba College of Technology in 1989 with a Higher National Diploma in Accountancy. She started her working career at the Nigerian Postal Services as an internal auditor in 1990. She also worked in Open Gate Finance Company and United Bank for Africa Plc for 12 years where she resigned in 2006 as the Head of the Fixed Asset Management unit in the Financial Control Division to pursue other interests.

Matthew Akinlade
Shareholder Member

Mr. Matthew Akinlade, Fellow, Chartered Institute of Management Accountants of London and Institute of Chartered Accountants of Nigeria, was born in the year 1950. After secondary school education, he studied for the Professional Examinations of the Chartered Institute of Management Accountants, London which he completed in May 1979 and was admitted to membership in 1980. He was also admitted to membership of The Institute of Chartered Accountants of Nigeria in 1982. He is an Associate, Chartered Institute of Taxation of Nigeria.

He also attended Advanced Management Programme of Lagos Business School in 1994, International Graduate School of Management (IESE) Barcelona among other management courses in Nigeria and abroad in the course of his working career which spanned over 30 years.

He worked in various accounting positions at PZ Industries Plc, Record Manufacturers of Nigeria Ltd, Nigerian Soft Drinks Company Limited and finally at CarnaudMetalbox Nigeria Plc (Now Nampak Nigeria Plc) where he retired as Finance Director in 2003. He is currently the Non-Executive Chairman of Nampak and an Independent Non-Executive Director of NCR Nigeria Plc. He was also on the Board of Creseada International Limited between August 2013 and March 2015.

Mr. Lateef Ayodeji Shonubi

Mr Lateef Ayodeji Shonubi is a Chartered Accountant. A graduate of the University of Strathclyde, Glasgow, Scotland, he is skilled in accounting, taxation and investigation. He has 41 years' experience in audit and accounting services. He is presently the Principal Partner at Ayo Shonubi & Co and a member of the Audit Committee of Flourmills Plc. He has been a member of audit committees in various public companies including a previous role as the Chairman of the Audit Committee of Guinness Nigeria Plc. He has served as a member of the Professional Examination Committee of the Institute of Chartered Accountants of Nigeria (ICAN) as well as the Finance and General Committee of ICAN. He also served as the Vice-Chairman of the Membership Committee of the Chartered Institute of Taxation of Nigeria.

He resigned at the 39th AGM held August 2, 2016.

For the curriculum vitae of the Board of Directors, including the Non-Executive Director members of the Audit Committee please see pages 32 to 36.

Report of the Directors continued

Governance and Nominations Committee

The Governance and Nominations Committee is responsible for compliance with and periodic review of the Company's corporate governance framework, the review and monitoring of policies concerning shareholder rights, conflict resolution, ethics, disclosure and transparency, evaluation and review of the Company's internal documents (organisation and process), the review and setting of the by laws of all Board Committees, and ensuring that the Company's policies, including the remuneration policy, support the successful identification, recruitment, development and retention of directors, senior executives and managers.

The members of the 2016 Governance and Nominations Committee are:

Chief Sena Anthony - Chairperson
Independent Non-Executive Director

Mr. Oghogho Akpata
Non-Executive Director

Ammuna Lawan Ali, OON
Independent Non-Executive Director
(Resigned on the 3rd of October 2016)

Mr. Ademola Akinrele SAN
Non-Executive Director

Risk, Environmental, Health, Safety, Security and Quality Committee

The Risk, Environmental, Health, Security and Safety Committee (REHSSQ) is responsible for overseeing, reviewing and recommending for approval by the Board, the policies and processes established by management designed to embed and implement the risk, environmental, health and safety and quality framework of the Company. The Committee is also responsible for ensuring the Company's compliance with international standards of risk, environmental, health and safety and quality.

The members of the 2016 Risk, Environmental, Health, Safety, Security and Quality Committee are:

Mr. Ademola Akinrele – Chairman
Non-Executive Director

Mr. Oghogho Akpata
Non-Executive Director

Engr. Yusuf N'jie
Independent Non-Executive Director
(Resigned on the 3rd of October 2016)

Strategic Planning and Finance Committee

The Strategic Planning and Finance Committee is responsible for defining the Company's strategic objectives, determining its financial and operational priorities, making recommendations to the Board regarding the Company's dividend policy and evaluating the long-term productivity of the Company's operations. The Committee was established to assist the Board in performing its guidance and oversight functions efficiently and effectively.

The members of the 2016 Strategic Planning and Finance Committee are:

Mr. Tanimu Yakubu - Chairman
Independent Non-Executive Director

Mr. Ike Osakwe
Independent Non-Executive Director

Mr. Francesco Cuzzocrea
Non- Executive Director
(Resigned February 19, 2016)

Engr. Yusuf N'jie
Non-Executive Director
(Resigned October 31, 2016)

Directors' declarations

None of the directors have:

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

Directors' shareholdings

The holdings of ordinary shares by the Directors of Oando as at December 31, 2016 being the end of Oando's immediately preceding financial year, are set out in the table below:

Director	Direct	Indirect
HRM M.A. Gbadebo, CFR	437,500	Nil
J. A. Tinubu*^	Nil	3,670,995
O. Boyo*^	Nil	2,354,713
M. Osunsanya	269,988	1,890,398
O. Adeyemo	75,000	1,723,898
O. Akpata	Nil	Nil
A. Lawan Ali, OON	Nil	Nil
S. Anthony	299,133	Nil
Tanimu Yakubu	5,997,360	Nil
F. Cuzzocrea^	Nil	Nil
Yusuf N'jie	Nil	Nil
Ike Osakwe	139,343	Nil
Demola Akinrele SAN	Nil	Nil
K. J. N'jie	Nil	Nil

Indirect shareholding in:

Ocean and Oil Investments Limited (OOIL) owns 159,701,243 (1.33%) shares in Oando PLC. Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo owns 0.97% and 0.29% respectively in Oando PLC through OOIL

^ Ocean and Oil Development Partners Limited (OODP) owns 6,734,943,086 (55.96% of the total number of shares) shares in the Company. Mr. Francesco Cuzzocrea was a director of OODP until February 19, 2017.

Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo own 22.38% and 11.19% respectively in Oando PLC through OODP.

The Company is primarily dedicated to the protection and promotion of its shareholders interests.

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

The Executive Directors stand to benefit from the Oando Employee Equity Incentive Scheme. For further details please see page 52.

Directors' interests in transactions

Some of the Directors hold directorships in other companies or are partners in firms with which Oando had material transactions during the current financial year, as summarised in note 37, page 149.

Corporate Governance Structure and Statement of Compliance

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

The Company is dedicated to the protection and promotion of shareholder interests. The Company recognises the importance of the adoption of superior management principles, its valuable contribution to sustainable business prosperity and accountability to its shareholders.

The Company observes the highest standards of transparency, accountability and good corporate governance in its operations by complying with the requirements of Nigerian and international corporate governance regulations, particularly, the Securities and Exchange Commissions' Code of Corporate Governance for Public Companies in Nigeria 2011.

Report of the Directors continued

Oando's Compliance Framework

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

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

1. **Partnering Against Corruption Initiative ("PACI") of the World Economic Forum**
   Oando joined PACI, an initiative of the World Economic Forum, in 2008 and continues to be an active member. This forum offers a risk mitigation platform to help companies design and implement effective policies and systems to prevent, detect and address corruption issues.

   The PACI Principles for Countering Corruption as revised in 2013 and launched at the 2014 World Economic Forum Annual Meeting in Davos to expand the focus beyond bribery is intended to be a guiding framework for businesses ready to assume a leading role in combating corruption in all its forms. The core aspirational principles reinforce the drive for transparency, integrity and ethical conduct amongst businesses.

2. **United Nations Global Compact ("UNGC")**
   The UNGC is a strategic policy initiative for businesses committed to aligning their operations and strategies with ten universally accepted principles covering the areas of human rights, labour, the environment and anti-corruption and reporting publicly on progress made in implementing these principles in their business operations. Oando became a signatory to the UNGC in July 2009 and is a member of the steering committee of the Local Network of the Global Compact in Nigeria. The Company continues to be an active participant in UNGC initiatives.

3. **Convention on Business Integrity ("CBi")**
   Oando is a member of the Core Group of signatories to the CBi and became its 21st member on November 16, 2009. CBi is a declaration for the maintenance of ethical conduct, competence, transparency and accountability by private sector operators. It was established to empower business transactions within Nigeria against corruption and corrupt practices.

   In 2014, CBi in partnership with the Nigerian Stock Exchange (NSE) developed a Corporate Governance Rating System (CGRS) for companies listed on the NSE. The CGRS is designed to rate companies listed on the NSE based on their corporate governance and anti-corruption culture thereby improving the overall perception of and trust in Nigeria's capital markets and business practices. Oando succesfully participated in the pilot programme for the CGRS.

Corporate Code of Business Conduct and Ethics

Our Code of Business Conduct serves to guide the actions of our Directors, Managers, Employees and third parties and it is consistent with our Company's values. The Code helps our people to do the right thing and adhere to our values in all their business and personal activities wherever we operate around the world.

Oando's Internal Policies and Processes Governing Ethics and Compliance

In order to provide guidance on Corporate Governance issues, the Company has implemented internal policies and practices which are reviewed periodically and revised as appropriate to ensure continued relevance. The Governance Office supports the business units and entities in implementing policies and monitoring compliance. The following policies and practices have been developed, approved and implemented:

- Anti-Corruption Policy
- Blacklisting Policy
- Board Appointment Process
- Corporate Code of Business Conduct and Ethics
- Delegation of Authority
- Dividend Policy
- Environmental, Health, Safety and Security Policy
- Gift and Benefits Policy
- Information Disclosure Policy
- Insider Trading Policy
- Know Your Customer Policy
- Matters Reserved for the Board
- Records Management Policy
- Related Party Transactions Policies
- Remuneration Policy
- Staff Handbook
- Supplier Code of Conduct
- Whistle Blowing Policy
- Complaint Management Policy

Whistle Blowing Hotline

The aim of this Hotline is to encourage employees and other stakeholders who have serious concerns about the Company to confidentially report unlawful and/or unethical conduct involving the Company, members of staff or directors and voice those concerns.

KPMG Professional Services manages the Whistle Blowing Hotlines and web link and ensure that all reports are kept confidential and channelled to the appropriate authorities for investigation and resolution.

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

- Visits, calls or emails to members of the Governance Office;
- Escalation of issues directly to the Chief Compliance Officer who is also the Company Secretary.

Complaint Management Policy

Oando acknowledges and values the public's right to complain about services, decisions, actions and officers. We are committed to treating complaints seriously and dealing with them promptly, fairly and genuinely. The information gained from complaints helps us improve our policies, systems and services, which in turn help us achieve our strategic priorities. The Company has developed its Complaint Management Policy in line with the Securities and Exchange Commission's Rules Relating to the Complaints Management. The Policy is available on the Company's website and a copy is included in this annual report.

The Company is committed to doing business with only reputable, honest and qualified business partners.

Due Diligence Process

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

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

The Company has licences to Thomson Reuters' World-Check Risk Screening solution, a source of intelligence on heightened risk individuals and companies covering aspects of Know Your Customer (KYC) and Anti-Money Laundering (AML). This tool augments the Company's existing policies and procedures that identify and manage financial, regulatory and reputational risks associated with doing business with new business partners, suppliers and counter parties.

The Company also has a Supplier Code of Conduct which is communicated to all vendors of the Group and sets out the standards of ethical behaviour and service quality/delivery expected of our vendors. Our Blacklisting Policy ensures that vendors who do not abide by our ethical values when conducting business with or on behalf of the Company, particularly in relation to our anti-corruption policies can be instantly blacklisted from performing services to the Group.

Anti-Corruption Initiatives

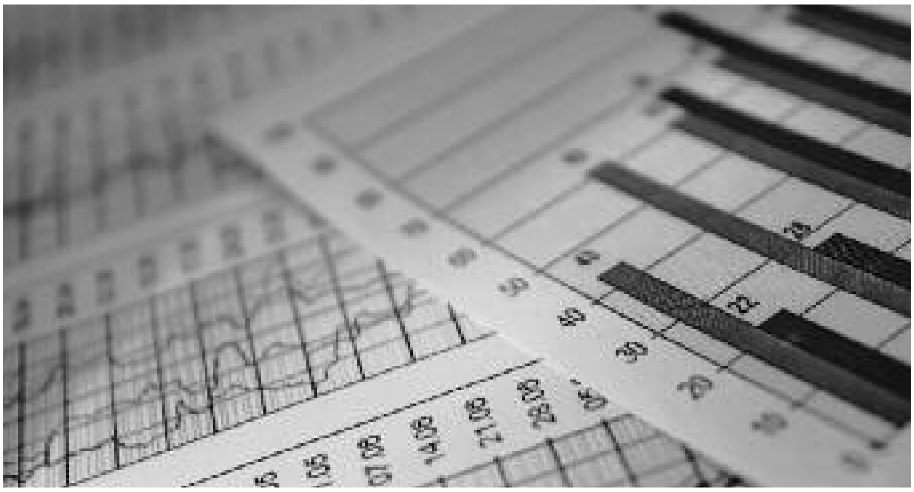
In order to fully inculcate an ethical culture in the organisation, new entrants into the Group are trained on the Company's policies and practices through a compliance on-boarding process.

Furthermore, there is an annual re-certification exercise for all directors and employees of Oando PLC and its subsidiaries which involves a refresher course on our values, governance policies and anti-corruption principles, with tests conducted online. Certificates of compliance are generated for all participants who pass the test.

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

A monthly newsletter called The "Ethics Watch" bulletin is published and circulated to all employees and business partners to educate them on different ethical and compliance issues and promotes a culture of doing the right thing even when no one is watching.

Report of the Directors continued



In line with good practice, the Company has an internal audit unit that carries out routine and random checks on the Company's operations

Internal control and risk

The Board has overall responsibility for ensuring that the Group maintains a sound system of internal controls to provide them with reasonable assurance that all information used within the business and disclosed externally by the Group is adequate and fit for purpose. These include financial, operational, compliance and risk management controls and they all work to ensure that assets are safeguarded and shareholders' investments protected.

There are limitations in any system of internal control and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss. In line with good practice, the Company has an internal audit unit that carries out routine and random checks on the Company's operations. The unit is also responsible for investigating fraud and misuse or misappropriation of the Company's assets. The unit is supervised by an experienced manager who submits regular reports on the activities of the unit to the Oando PLC Audit Committee and Risk & EHSSQ Committee.

The Company also has a risk management and internal control unit, which establishes, monitors and tests internal controls and processes to ensure that the assets of the Company are safeguarded. The Board has established clear procedures designed to provide effective internal control within the Group which include as follows:

- The communication of clear authority procedures approved by the Board which are adapted for the subsidiary companies.
- The issuance of a Group Accounting and Procedures Manual which sets out the Groups' accounting practices under IFRS, revenue recognition rules, and procurement approval processes.
- The application of a rigorous annual budgeting process which requires that all budgets are subject to approval by the Board following a detailed entity and Group strategy review.
- The occurrence of formal monthly operational evaluation by the Group Leadership Council to (i) assess the financial and operating performance; (ii) discuss the ongoing development of each business unit; and (iii) review the comparison of detailed monthly management reports against budgets, forecasts and prior years. In addition, the Group Chief Executive and Group Chief Financial Officer prepare a quarterly report for the Board on key developments, performance and issues in the business.
- Management is responsible for the identification and mitigation of major business risks affecting the Company. Each operating entity maintains internal controls and procedures appropriate to its structure and business environment, while complying with Group policies, standards and guidelines. Insurance cover is maintained to insure all major risk areas of the Group based on the scale of the risk and the availability of cover in the external market.
- The use of external professional advisers to carry out risk assessments and due diligence reviews of potential acquisitions.

Risk management organization

To assist the Board with its oversight role and decision making with regards to risks that are the Company's primary focus, we are continuously reviewing and improving the risk assessment and management framework. The Group Risk Management and Control (GRM&C) department facilitates the identification, assessment, evaluation and monitoring of controls established to mitigate any downside risk. Most of the risks are managed by respective subsidiaries with input from the Group where required.

The Oando PLC Risk, EHSSQ Board Committee have primary responsibility for reviewing the adequacy and overall effectiveness of the Company's risk management function and its implementation by management. All risk information, including risk data, the analyses of the data and risk reports prepared by the Risk Management Department are presented to the Board Committee. The Board Committee met three times during the year.

Risk management organization

The Group Risk Management and Control (GRM&C) department facilitates the identification, assessment and monitoring of risks and controls established to mitigate any risk and reveal opportunities that may impact on the Group's sustainability, ability to achieve business objectives and growth.

The key risks relating to each business segment are managed by the respective departments and subsidiaries with input from the GRM&C. The GRM&C assists the board of directors (the "Board") in the performance of its oversight role by advising the Board on the key risks facing the Group and implementing the key decisions of the Board regarding effective risk management.

Through workshops with senior management and executives, the department is able to establish key risks at the enterprise and entity levels and design effective controls to mitigate those risks.

A risk register, which is updated periodically during the year in line with current realities, assists with flagging and tracking emerging risks. The level of compliance by the businesses in the execution of control activities specified and agreed against each risk is reviewed by the internal auditors periodically. The top risks assessed as high, including stages of mitigation of the risks, are reported to the Board on a quarterly basis.

Enterprise Risk Management

Globally, the major indices that drive economic growth have been subject to increased volatility over the last three years, particularly oil prices.

Brent crude, the benchmark for crude prices continued its downward spiral in the first quarter of 2016 and stabilized at the $55 mark by the end of 2016. OPEC members agreed to curb output to 1.2 million barrels per day in order to reduce global oversupply. Nigeria was excluded from the OPEC agreement to cut supply due to the country's internal conflict which has affected its oil production

Nigeria has been experiencing production cuts as a result of the intermittent shut down of production from militant attacks on oil installations. The production cuts and further reduction in revenue arising from the drop in oil prices have affected the economy by pushing up inflation, reducing GDP and foreign reserves, giving rise to scarcity of foreign exchange and a devaluation of the Naira against global currencies.

Furthermore, up to 2016, there was no clear path to repaying huge debts owed to the Joint Ventures by the NNPC. This affected the oil companies capacity and willingness to drill additional wells.

Against this background, Oando continues to identify and assess those key risks that could impact our medium to long term goals and overall business sustainability. The top risks identified are as follows:

1. **Liquidity risk as a result of the fluctuation in oil prices**
   Liquidity presented an imminent risk to our survival in 2016. Oil prices fell to as low as $26 dollars per barrel in early 2016 and settled back at $55 per barrel at the year end. This led to a reduction in revenue from the upstream business, Oando Energy Resources in 2016.

We continued to maintain the downside protection in the upstream business through a crude oil price hedge. This remains necessary as the outlook to date still indicates that volatility may be sustained. The hedge will preserve the value of the Group's investment in the upstream business and we will continue to review the hedge for optimal benefit. Furthermore, we continue to reduce operational expenses and reprioritize work programs to reduce capital expenditure.

If prices continue to fluctuate below $50 per barrel, we may need to cut costs further in order to continue to meet our obligations to stakeholders.

The drop in crude oil prices however, presents an upside to the supply and trading business. In order to meet the country's refined products requirements, NNPC engaged in Direct Sales and Direct Purchase (DSDP) contracts with major oil traders and refiners. These contracts entail an exchange of crude oil for refined products, predominantly gasoline, whereby the trader/refiner lifts crude and delivers refined products back to NNPC. The company won DSDP contracts to supply refined petroleum products to NNPC in 2016. Falling crude oil prices has resulted in lower premiums for refined products imported in fulfilment of our DSDP contracts.

To manage the market risk exposure in the trading business, the company negotiated back to back pricing terms to mitigate downside price volatility and maintain optionality in order to take advantage of pricing disparity.

The company secured credit risk insurance on deliveries that we make to NNPC prior to lifting the crude oil. This is a cover to facilitate financing of the deliveries and manage any counterparty performance risk.

The Group's balance sheet was further restructured in 2016. We increased tenure on the short and medium term loans and completed divestment from the marketing and gas and power businesses. This allows the Group to give more focus to its higher-margin upstream business.

Report of the Directors continued

2. Niger Delta militant attacks and the risk of shut down of the joint venture assets

The threat of Niger Delta militant attacks on our upstream assets remains a top risk. Oando and NAOC, export crude oil from the Brass Terminal and Oando's upstream revenue is heavily weighted on this asset. Brass terminal is the only terminal from which the joint venture can export the quantity of crude oil it produces. Any threat to this asset and subsequent shut down, could result in zero revenue to the Joint venture and over 70% reduction in Oando's upstream revenue.

However, there has been significant engagement by the Federal Government with the militants in a bid to resolve the internal conflict.

Oando with its joint venture partners, NAOC, increased surveillance of its crude oil pipeline facilities during the year. We are continuously enhancing our environmental health, safety and security processes and procedures. Furthermore, we have deepened community engagement to ensure communities are carried along and benefit in a sustainable manner from our operational activities in their regions. We have also implemented various social intervention plans.

3. Reputational Risk

Reputational risk relates to changes in stakeholders' opinion about the value of the company, changes in perception of company's behavior (ethics), or failure to comply with standards.

To address this risk, the corporate communications unit continuously review and strengthen its stakeholder management strategy. We have a dedicated environmental, health, safety, security and quality department responsible for the prevention, management and monitoring of incidents and their impact on local communities. The Governance team have also intensified training and awareness on the company's core values of Teamwork, Respect, Integrity, Passion & Professionalism to ensure that employees integrate ethics into their day to day activities, and exemplify our core values in all their business dealings.

4. Regulation and Regulatory Risk

This is the risk that changes in legislation, fiscal and regulatory policies may threaten the Group's competitive position and capacity to conduct business efficiently. It is also the risk of reputational damage resulting from violation or non - compliance with the law.

Oando has presence in multiple jurisdictions (Africa, Europe, Canada and Dubai). Any changes to the laws of these countries, including tax laws could adversely affect the Group. For example, an upward review of tax rates could adversely affect our liquidity position and financial results. Non-compliance with FCPA rules, UK Bribery Act, anti-corruption laws and ethical standards could lead to legal liability, reputational damage and adversely affect the advantages derived from the current corporate structure. The company is exposed to legal liability that could result from mishaps and fatalities at the oil and gas installations. This may arise from lack of compliance with established regulations.

The Governance department ensures that we have access to specialist advice in those various jurisdictions. The department closely monitors regulatory acts in all jurisdiction where we have a presence. Oando is committed to high ethical standards and compliance with the laws of the countries in which it operates.

Existing personnel, new hires and contract staff are required to undertake a recertification exercise that commits everyone to uphold the company's code of conduct.

Our Quality Management Systems are certified to the minimum requirements of ISO 9001:2008 standard. All operations are carried out in line with the requirements of the Mineral Oil Safety Regulations (MOSR) as well as Environmental Guidelines and Standards for the Petroleum Industry (EGASPIN).

Internal Control over Financial Reporting

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

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

During the year, under the supervision of, and with the participation of the Group Chief Executive and the Group Chief Financial Officer, management conducted an evaluation of the effectiveness of its internal controls over financial reporting. Management concluded, based on its evaluation, that internal controls over financial reporting are effective to provide reasonable assurance regarding the reliability of the financial reporting framework (including its systems, processes and data) and the preparation of financial statements for external reporting purposes.

Relations with shareholders

Communications

Our shareholders play an important role in the Group's governance and their increasingly active engagement is welcomed. We seek to establish an early and effective dialogue with our shareholders regarding significant changes that affect our corporate governance. This is in addition to ongoing engagement on more routine matters.

The Company reports formally to shareholders four times a year, with the quarterly results announcement and the preliminary announcement of the full-year results. Shareholders are issued with the full-year Annual Report and Accounts. These reports are posted on the Company's website. The Company also makes other announcements from time to time, which can be found on its website.

We therefore make a conscious effort to keep investors updated on the Company's activities and keep communication lines open for constructive feedback.

The Board also recognises the importance of the internet as a means of communicating widely, quickly and cost-effectively. An investor relations section is provided on the Groups' website to facilitate communications with institutional and private investors.

The investor relations team attend numerous conferences and roadshows within and outside Nigeria with the aim of reaching out to existing and potential investors globally.

Oando PLC values the importance and role of our investors and the part they have played in the Company's progress. We therefore make a conscious effort to keep investors updated on the Company's activities and keep communication lines open for constructive feedback. We plan to continue and improve on our communications with all shareholders in 2017.

Constructive use of the Annual General Meeting (the "AGM")

The notice of meeting is sent to shareholders at least 21 working days before the AGM. The Directors encourage the participation of shareholders at the AGM, and are available, formally during the meeting and informally prior to the meeting and afterwards, for questions. The Chairperson of each Committee including the Audit Committee and Governance and Nominations Committee are available to answer questions at the AGM.

Compliance statement

The Company complied with the Nigerian Stock Exchange Listing rules and the Securities and Exchange Commission Code of Corporate Governance throughout the financial year ended 31 December, 2016.

Shareholder Range Analysis as at December 31, 2016

Register Date: December 31, 2016

Major shareholder

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

Name	Units	Percentage
Ocean and Oil Development Partners Limited	6,734,943,086	55.96%

Shareholdings

As of 31 December 2016, 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 - 1,000	167,796	61.17	61,674,897	0.51
1,001 - 5,000	73,540	26.81	154,382,449	1.28
5,001 - 10,000	12,709	4.63	91,830,523	0.76
10,001 - 50,000	14,228	5.19	314,660,156	2.61
50,001 - 100,000	2,606	0.95	188,213,393	1.56
100,001 - 500,000	2,667	0.97	552,352,773	4.59
500,001 - 1,000,000	355	0.13	253,638,850	2.11
1,000,001 - 5,000,000	333	0.12	647,041,865	5.38
5,000,001 - 10,000,000	32	0.01	213,606,712	1.77
10,000,001 - 50,000,000	24	0.01	554,867,687	4.61
50,000,001 - 100,000,000	9	-	666,410,812	5.54
100,000,001 - 12,034,618,894	7	-	8,335,938,777	69.27
	274,306	**100**	**12,034,618,894**	**100**

Report of the Directors continued

Human Capital Management (HCM) Department

The Oando Staff Equity Participation Scheme was extended for an additional one-year period by resolution of the Board dated December 31, 2016. As at 31st December, 2016 a total of 8,319,651 shares are held under the Scheme by 125 Eligible Employees.

No additional units of Shares were offered to employees under the Stock Option Plan during the 2016 period.

Environmental, Health, Safety, Security and Quality (EHSSQ)

In order to further strengthen its performance in 2016, Oando was determined in its pursuit to ensure that there were no fatalities in its operations and that the health & safety of its employees were paramount to continually deliver excellent performance to stakeholders.

In 2016, there were no employee, contractor or 3rd party fatalities, while the Fitness to Work system was strictly adhered to for tasks carried out for the period under review.

Major focus areas for the EHSSQ function included:

- Ensuring zero work-related fatalities through ownership, employee consultations and empowerment;
- Encouraging healthy lifestyles and developing healthy initiatives;
- Strengthening Environment friendly programs;
- Ensuring Asset Integrity of pipelines for the protection of the environment and sustained productivity;
- Improving emergency response capability.

2016 Key achievements:

Upstream:

- Successfully carried out two health initiatives focused on the importance of healthy living and fitness;
- Systematic engagements with JV partners through audits & inspections to evaluate key infrastructure, asset integrity requirements and develop robust programs to prevent pollution;
- Facilitated a joint Senior Management Environment & Safety workshop for one of OER's assets to provide strategic direction for improved pipeline integrity and prevention of environmental pollution;
- Facilitated and participated in events and forums that enabled Oando to shape the oil & gas industry in Nigeria. For example, the DPR's 17th Health, Safety and Environment International Biennial Conference in Nigeria;
- Best HSE performance for 2014/2015 was awarded to OES at the 2016 IADC annual HSE awards;
- OES obtained the ISO 14001 Certification award in consideration for environmental programs for sustaining the environment.

Midstream:

- Maintained Certifications for the Quality Management and Integrated Management Systems;
- Successfully carried out several key health improvement campaigns focused on healthy living.
- Provided EHSSQ coverage for the GNL customer spur line connects (13 customers connected) & ongoing GL IV and CHGC Expansion Projects achieving zero LTI in 2016.

Downstream:

- Maintained Certifications for the Quality Management and Integrated Management Systems;
- Achieved zero contamination in the various sales outlets thereby enhancing customer satisfaction;
- Received a Merit Award from the British Safety Society as a result of sustained safety programs within the business.

2016 Oando PLC Statistics:

	2014	2015	2016	Comments
Man hours	4,464,212	2,945,060	4,014,451	Increased man hours from OMP retailing activities which was not included in 2015
Fatalities	0	0	0	There were no fatalities among employees, contractors or 3rd party
Lost Time Injury	0	0	0	LTI has consistently remained at Zero for the last 3 years of reporting
Lost Time Injury Frequency	0	0	0	-
Total Recordable Incident Rate or Total Recordable Case Frequency	0.81	0.68	0.75	Increased TRIR as a result of one (1) restricted workday case (RWC). Awareness of employees and ownership mentality driven across Oando
Product Spills (Litre)	26,208	201, 129	165,724	Reduced spills as a result of reduced RTAs, driver re-training and configuration of trucks' compartments
Gas Leaks	2	2	2	-
Fire	18	5	6	Re-training and fire prevention initiatives carried during the dry season.
Hazard Identification Reporting	69,132	8,746	16,926	Increased HIR over 2015 numbers as a result of increased activities on OES

Acquisition of Own Shares

The Company did not acquire its own shares in year 2016.

Market Value of Fixed Assets

Information regarding the Groups' asset value and notes thereon are contained in Note 15 of the financial statements on page 117 of this Report. In the opinion of the Directors, the market value of the Company's properties is not lower than the value shown in the financial statements.

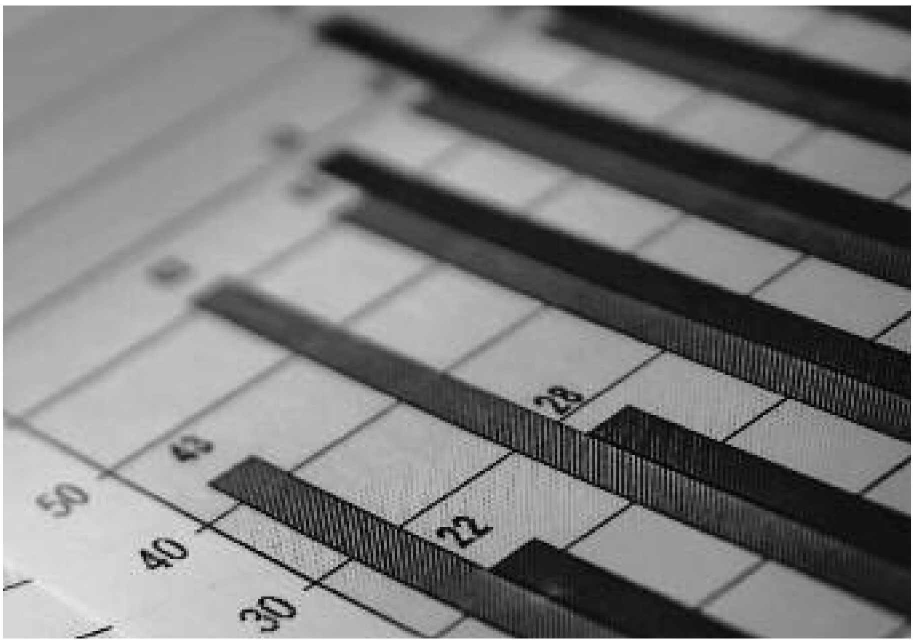
Auditors

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

By Order of the Board

Ayotola Jagun (Ms.)
Chief Compliance Officer and Company Secretary
FRC/2013/NBA/000000003578

Registered Office
2, Ajose Adeogun Street
Victoria Island, Lagos, Nigeria
FRC/2013/00000003578



Report of the Audit Committee

We have exercised our statutory functions in compliance with Section 359 (6) of the Companies and Allied Matters Act 2004 and we the members of Oando PLC Audit Committee have, on the documents and information made available to us:

a. Reviewed the scope and planning of the audit requirements and found them satisfactory
b. Reviewed the External Auditors' Management Controls Report for the year ended December 31, 2016 as well as the Management response thereto,
c. Appraised the Financial Statements for the year ended 31 December 2016 and are satisfied with the explanations provided.

We ascertain that the accounting and reporting policies of the Company for the year ended December 31, 2016 are in accordance with legal requirements and agreed ethical practices.

Dated this 30th day of March 2017

Mr. Ike Osakwe
FRC/2017/ICAN/00000016455

Ike Osakwe
Independent Non-Executive Director / Chairman

Chief Sena Anthony
Independent Non-Executive Director

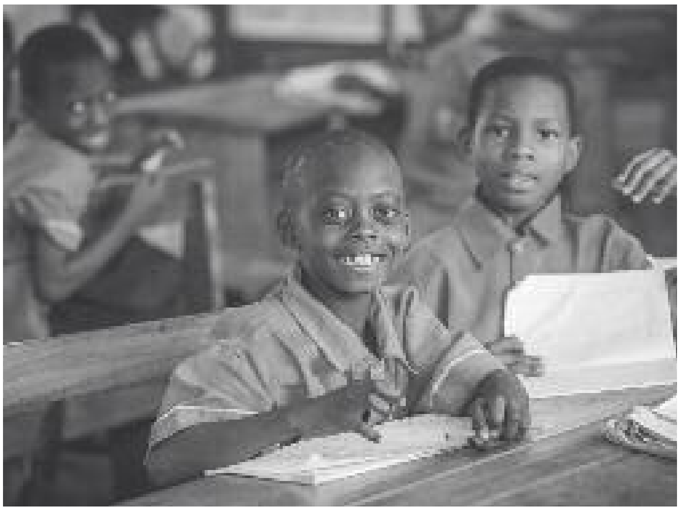
Mr Tanimu Yakubu
Non-Executive Director

Mrs. Temilade Funmilayo Durojaiye
Shareholder Member

Mr. Joseph Asaolu
Shareholder Member

Mr. Matthew Akinlade
Shareholder Member

Oando Foundation report



Background

Oando Foundation (OF) was established in 2011 by Oando Plc as an independent charity to champion sustainable development in Nigeria through improvement in the public education system. The Foundation is committed to improving access to quality basic education for all children of school age in Nigeria. The Foundation's mission is to improve the learning environment in public primary schools by holistically creating world-class basic education systems in the community.

Through the Adopt-a-School Initiative (AASI), Oando Foundation works closely with Federal, State and Local Governments to support the improvement of government-owned primary schools through the rehabilitation of school infrastructure, teacher training, upgrade of Early Childhood Care and Development Centers (ECCD), establishment of ICT centers, provision of scholarships and strengthening school governance through capacity building for Local Government Education Authority officials.

80+

Over 80 schools adopted across 23 states in Nigeria

"The Foundation's mission is to improve the learning environment in public primary schools by holistically creating world-class basic education systems in the community.

1600+

teachers trained

Review of 2016 activities

In over 7 years of existence, Oando Foundation has invested resources, time and skills to assist communities and children in need. The outcome is improved learning environments and increased enrolment. Below is a summary of our achievements in 2016:

1. School infrastructure Improvement

Public primary schools are characterized by poor learning environments and fast decaying infrastructure. In order to ensure we reach schools with the most pressing needs, we work with the State Universal Basic Education Board (SUBEB) giving consideration to school population, level of deterioration and community population.

Oando Foundation improves the quality of learning and the school environment by renovating existing structures, building new structures and ensuring access to clean water and sanitation facilities in each of our adopted schools. In line with the Foundation's renovation strategy, the following renovation work was carried out:

- Construction of a block of three classrooms at Sabon Kaura Primary School, Bauchi State
- Construction of a block of toilets at Nyibango Primary School, Adamawa State
- Construction of school perimeter fence at LEA Primary School, Babale, Jos, Plateau State
- Construction of 1 block of 3 classrooms, 1 block of 3 toilets, and provision of potable water at Randawa Primary School, Katsina State
- Construction of a block of three classrooms in LEA Primary School, Rido, Kaduna State
- Renovation of 1 block of 5 classrooms, 1 block of 3 toilets, and provision of potable water at Muslim Community Primary School, Omupo, Kwara State
- Renovation of 1 block of 3 classrooms and provision of potable water supply at Umaru Audi Primary School, Niger State
- Renovation of 1 block of 3 classrooms at Ibrahim Gusau Nizzamiyya Islamiyat Model Primary School

Oando Foundation Report continued

2. Scholarships

Oando Foundation Scholarship programme remains one of the key drivers of increased enrollment and retention of pupils in our adopted schools. The Programme supports children from relatively low income backgrounds, who have excelled in their academics to transit to and complete Secondary School whilst building a culture of excellence among children in Oando adopted schools. To date, over 1,000 pupils have benefited from the scheme. In 2016, Oando Foundation awarded 197, increasing the number of current scholars to 549.

3. Establishment of ICT centers

Our ICT Component is aimed at strengthening the utilization of the existing National ICT Curriculum and promoting ICT education in public primary schools through the establishment of solar powered ICT Centres, capacity building and support for ICT teachers, provision of ICT textbooks to aid curriculum implementation, monitoring and support. In 2016, Oando Foundation established 8 ICT Centres in Sokoto, Plateau, Kwara, Katsina, Adamawa and Bauchi States.

4. Capacity strengthening

4.1 Teacher training

The objective of Oando Foundation's teacher training programme is to improve the skills of teachers in one hundred (100) adopted schools over a period of three years (2016-2018). The programme is expected to improve teachers' skills in modern pedagogy and content knowledge in three core subjects of Mathematics, English Language and Science and Technology. It is also expected to strengthen the capacity of 100 head teachers and assistant head teachers in school management and leadership. In 2016, 1,608 teachers and 107 head teachers and assistants were trained respectively across 49 adopted schools.

4.2 School Based Management Committees (SBMCs)

Oando Foundation has identified the need to increase community involvement in education. The Foundation develops and empowers SBMCs to become effective at contributing to transformative education. Our capacity building programmes help improve the quality of education at the local level. In 2016, Oando Foundation trained over 246 SBMC members in over 16 communities. Oando foundation has partnered with the DFID Education Support System in Nigeria (ESSPIN) to roll out trainings in five states across Nigeria.

4.3 Local Government Education Authorities

The overall aim of the LGEA capacity strengthening component is to improve the availability of quality education data through improved knowledge and usage of functional Education Management Information System (EMIS) by LGEA officials. This is based on the premise that improved knowledge and usage of functional EMIS by LGEA officials will improve the availability of quality education data for planning, resource allocation and performance monitoring and evaluation at the local level. In 2016, OF completed the 1st stream training for the pilot cluster of 8 LGEA's and 3 SUBEB's covering 15 schools across 3 states in North East Nigeria.

“

Oando Foundation has vision to create a sustainable and successful educational system in Nigeria that educates and empowers children.

5. Partnerships and Advocacy:

5.1 Educate a Child, Qatar

Oando Foundation partnered with Educate a Child Qatar to enroll 60,000 children in school by 2018. As a result of participatory community assessments across the country, OF was able to garner support for Out-of School children through evidence-based advocacy in Northern Nigeria. Stakeholder engagements resulted in allocation of additional funds to schools, community mobilization of resources and enrolment of over 16,000 children in school in the 2015/2016 academic session.

5.2 USAID Education Crisis Response in Nigeria

Our advocacy efforts also gave rise to a Partnership with USAID Education Crisis Response in Nigeria to mainstream 500 internally displaced children from informal learning centers to adopted public primary schools in Adamawa and Bauchi states and support their reintegration with Education Starter kits.

5.3 Poultry Pen to Primary School Campaign

Oando Foundation mobilized support for vulnerable kids in Ogun State, Nigeria through the “Poultry Pen to Primary School Project”. The project aims to raise funds to build a befitting school for over 1000 pupils in Itori Ewekoro Primary School who currently learn in a derelict poultry. This project was made possible by the collaboration of Corporate, Individual and institutional donors, including Nigerian Celebrity Actress, Kate Henshaw and the United States Consulate in Lagos, Nigeria. The pupils will start learning in a brand new school in 2017.

Oando Foundation report continued

6. Awards

The power of individual donors combined with external support from business, government and development partners enables us to empower communities and strengthen institutions vested with the mandate of education. Our efforts to transform the basic education sector in Nigeria have been well received by communities and governments. Our interventions have given rise to various awards and prepares us for the challenges ahead.

7. Sustainability

Sustainability is at the very core of our interventions at Oando Foundation and Education remains the most potent tool in our quest to transform lives. Our accomplishments in the past year, shows us the great task that lies ahead in transforming Nigerian public schools to modern citadels of learning.

8. Schedule of 2016 Activities

Oando Foundation Adopt-A-School Scholarship Award for 549 pupils.

Newly established ICT Centres equipped with computers, projectors, printers, solar power, and furniture at 7 adopted schools:

- General Muhammed Buhari Primary School, Daura, Katsina
- Central Primary School Udubo, Bauchi
- LEA Primary School, Babale, Plateau
- Ahmed Danbaba Primary School, Sokoto
- Salihu Anka Primary School, Sokoto
- Muslim Community Primary School, Omupo, Kwara
- Gidado Primary School, Katsina
- Solar Power for ICT Centre installed at Gwadabawa Primary School, Yola, Adamawa

Teacher Training:

- 1,608 Teachers and 107 Head Teachers/Assistants trained across 49 adopted schools
- Provision of teaching and learning materials to 47 adopted schools

Infrastructure Development:

- Construction of 1 block of 6 classrooms at Local Gov't Nursery & Primary School, Jagunna Itori, Ewekoro
- Construction of 1 block of 3 classrooms, 1 block of 3 toilets, and provision of potable water supply at Randawa Primary School, Mani, Katsina
- Construction of 1 block of 3 classrooms at Sabon Kaura Primary School, Bauchi
- Renovation of 1 block of 5 classrooms, 1 block of 3 toilets, and provision of potable water supply at Muslim Community Primary School, Omupo, Kwara
- Renovation of 1 block of 3 classrooms at Ibrahim Gusau Model Primary School, Sokoto
- Renovation of 1 block of 3 classrooms and provision of potable water supply at Umaru Audu Primary School, Minna, Niger
- Construction of perimeter fence at LEA Primary School, Babale, Plateau
- Construction of 1 block of 3 classrooms at LGEA Primary School, Rido, Kaduna

Special Projects:

- Donation of Back-to-School materials to 500 IDPs to support their mainstreaming into formal learning schools
- Scholarship Award to 5 indigenous pupils of Ogun State to Nobelhouse College
- Scholarship grant to 4 university beneficiaries on the Ebola

Education Trust Fund:

- Donation of T-Shirts, fez-caps, exercise books, and straw hats towards extra-curricular activities: Interhouse Sports at Idi-Odo Primary School, Gbagada, Lagos, Ogo-Oluwa Primary School, Gbagada, Lagos, Temidire Primary School, Gbagada, Lagos, Archbishop Taylor Memorial Primary School, Victoria Island, Lagos, and Local Government Primary School, Isolo, Lagos

9. 2016 Donations and Sponsorships – Oando Foundation

Donations made to laudable causes and charitable concerns including orphanages, retirement homes, special needs schools across Nigeria, listed below:

Description	Amount (N)
Donation to gas pipeline host communities	1,512,500
Scholarship award to 5 indigenous pupils of Ogun State to Nobelhouse College	5,000,000
Donation (Generator set with installation accessories) to the Police Special Fraud Unit Building Project	17,458,613
Supply of furniture and refurbishment to Olisa Primary School, Lagos.	5,267,805
Gaslink back-to-school scholarship programme for 100 inidigent Lagos state student	14,349,472
Supply of vegetable oil & commodities to gas pipeline host communities	4,208,952
Donation in kind to Oando Foundation	97,426,346
Total	**145,223,688**

Financial statements


NOK
TOTAL
5.0
0.0
-0.6
-5.0
-4.1
-4.8
-7.2
-10.0
-15.0
-20.0

Financial Statement

Statement of Directors' responsibilities

For the year ended 31 December 2016

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:

- keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of International Financial Reporting Standards (IFRS), Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and the Financial Reporting Council of Nigeria Act, No.6, 2011;
- establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- 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 for the year. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the 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 continue as a going concern for at least twelve months from the date of this Statement.

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, five non-executive directors and four executive directors. The non-executive directors have experience and knowledge of the industry, markets, financial and/or other business information to make valuable contributions to the Company's progress. The Group Chief Executive is a separate individual from the Chairman and he implements the management strategies and policies approved by the Board. The Board 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 of the internal audit plan and implementation status of internal audit recommendations.

Systems of Internal Control

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

Code of Business Ethics

Management has communicated the principles of business ethics in the Company's Code of Business Conduct and Ethics to all 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
Mr. Jubril Adewale Tinubu
March 30 2017
FRC/2013/NBA/00000003348

Director
Mr. Olufemi Adeyemo
March 30 2017
FRC/2013/ICAN/00000003349

Report of the independent auditors

For the year ended 31 December 2016

EY
Building a better working world

Ernst & Young
10th Floor
UBA House
57, Marina
P. O. Box 2442, Marina
Lagos.

Tel: +234 (01) 631 4500
Fax: +234 (01) 463 0481
Email: Services@ng.ey.com
www.ey.com

Independent auditor's report to the members of Oando Plc
For the year ended 31 December 2016

Opinion

We have audited the consolidated and separate financial statements of Oando Plc ("the Company") and its subsidiaries (together "the group") which comprise:

Group	Company
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016	Company statement of profit or loss and other comprehensive income for the year ended 31 December 2016
Consolidated statement of financial position as at 31 December 2016	Company statement of financial position as at 31 December 2016
Consolidated statement of changes in equity for the year then ended 31 December 2016	Company statement of changes in equity for the year then ended 31 December 2016
Consolidated statement of cash flows for the year then ended 31 December 2016	Company statement of cash flows for the year then ended 31 December 2016
Related notes to the consolidated financial statements	Related notes to the company financial statements

In our opinion:

- the financial statements present fairly, in all material respects, the financial position of the group and of the company as at 31 December 2016, and of the group and company financial performance and cash flows for the year then ended;

- the financial statements of the group and company have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB); and

- the financial statements of the group and company have been prepared in accordance with the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and in compliance with the Financial Reporting Council of Nigeria Act, No. 6, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Oando Plc. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Annual Consolidated Financial Statements and Separate Financial Statement

Report of the independent auditors

For the year ended 31 December 2016 - Continued

Material Uncertainty Related to Going Concern

We draw attention to Note 45 in the financial statements, which indicates that the Company reported a comprehensive loss for the year of ₦33.9 billion (2015: loss ₦56.6 billion) and as at that date, its current asset exceeded current liabilities by ₦14.6 billion (2015: ₦32.8 billion net current liability).The Group reported a comprehensive income of ₦112.4 billion for the year ended 31 December 2016 (2015: loss ₦37.8billion) and as at that date, its current liability exceeded current assets by ₦263.8 billion (2015: ₦260.4 billion). As stated in the note, these conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company (and Group's) ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
Discontinued operations and accounting for sales/divestments During the year, the group completed the sale/ divestment of a number of entities within its Downstream and Gas & Power businesses. The sale arrangements especially as it relates to the downstream business, involved a number of complex transactions and the use of management estimate. The result from discontinued operations is based on the expected sales proceeds, including the settlement of the net debt/working capital, which has not been finalized between the buyer and Oando Plc for the downstream as at 31 December 2016. Based on an internal analysis of the net debt /working capital items, management determined a best estimate to establish an adjustment to the sales proceeds to account for the outcome of the settlement process.	We carried out the procedures listed below: • We obtained and reviewed the salient terms of the various agreements and assessed their accounting implications; • We obtained management's assessment of the accounting implications of the transactions and reviewed for appropriateness, compliance with relevant applicable financial reporting standards and in line with the terms of the signed agreements governing the transactions; • We reviewed management's use of estimates particularly as it relates to liabilities arising from purchase price adjustments in relation to the divestment of the downstream business;

Report of the independent auditors

For the year ended 31 December 2016 - Continued

Key Audit Matter	How the matter was addressed in the audit
We considered these matters to be important to our audit due to the accounting technical and financial reporting implications of the sales arrangement. Improper accounting for these transactions could result in material misstatement of the financial statements.	• We consulted with our technical experts on the reasonableness of the assumptions used in management's estimate and the appropriateness thereof in light of available facts. • We reviewed the disclosure in the financial statements to ensure adequacy and compliance with IFRS.
Impact of the estimation of the quantity of oil and gas reserves on impairment testing, depreciation, depletion and amortisation (DD&A), decommissioning provisions and the going concern assessment The estimation and measurement of oil and gas reserves impacts a number of material elements of the financial statements including DD&A, impairments and decommissioning provisions as it relates to Oando Energy Resources (OER) - a major subsidiary. There is technical uncertainty in assessing reserve quantities.	We focused on management's estimation process, including whether bias exists in the determination of reserves and resources. We carried out the following procedures: • ensured that significant movements in reserves are compliant with guidelines and policy; • ensured that additions to oil assets during the year were properly recognised and accounted for; • performed analytical review procedures on reserve revisions; • confirmed that the reserve information at year end is supported by underlying documentation and data; • performed procedures to assess the competence and objectivity of the experts involved in the estimation process to satisfy ourselves that they were appropriately qualified to carry out the volumes estimation.

Report of the independent auditors

For the year ended 31 December 2016 - Continued

The assessment of the recoverable amount of exploration and production assets As at 31 December 2016, Oando Plc (through its subsidiary -OER) recognised $1.033-billion of oil and gas properties. A sustained low oil and gas price environment could have a significant impact on the recoverable amounts of Oando Plc's oil and gas properties. In view of the generally long-lived nature of Oando Plc's assets, the most critical assumption in forecasting future cash flows is management's view on the long term oil and gas price outlook beyond the next three to four years. Other key inputs used in assessing recoverable amounts are the discount rate used, future expected production volumes and capital and operating expenditures.	Accounting standards require management to assess at each reporting date whether indicators of impairment exist. Oando Plc carried out an impairment test. We performed the following audit procedures on the impairment test: • assessed whether or not reserve movements represented an impairment trigger; • considered oil and gas forward curves and long term commodity price assumptions and whether these are indicators of impairment; • discussed with management the operational status of key assets; • separately from management, we assessed whether or not indicators of impairment exist and challenged management's assumptions in estimating future cash flows from assets.

Other Information

The directors are responsible for the other information. The other information comprises of the Report of the Directors, Audit Committee's Report, Statement of Directors' Responsibilities and Other National Disclosures, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other Information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Report of the independent auditors

For the year ended 31 December 2016 - Continued

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and in compliance with the Financial Reporting Council of Nigeria Act, No. 6, 2011, 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.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting processes.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

Annual Consolidated Financial Statements and Separate Financial Statement

Report of the independent auditors

For the year ended 31 December 2016 - Continued

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, 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 purpose of our audit;

ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;

iii) the statement of financial position and profit or loss and other comprehensive income are in agreement with the books of account; and

iv) in our opinion, the financial statements have been prepared in accordance with the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 so as to give a true and fair view of the state of affairs and financial performance.

Yemi Odutola
FRC/2012/ICAN/00000000141
For: Ernst & Young
Lagos, Nigeria

31 March 2017

Annual Consolidated and Separate Financial Statements

Statement of profit or loss

For the year ended 31 December 2016

	Notes	Group 2016 N'000	Group 2015 N'000 Represented*	Company 2016 N'000	Company 2015 N'000
Continuing operations					
Revenue	8c	455,746,734	203,431,526	4,858,182	8,452,665
Cost of sales		(426,933,813)	(156,772,429)	-	-
Gross profit		28,812,921	46,659,097	4,858,182	8,452,665
Other operating income	9	72,782,420	33,514,609	97,776,195	8,137,453
Administrative expenses		(109,252,946)	(69,770,253)	(103,131,018)	(40,569,856)
Operating (loss)/profit		(7,657,605)	10,403,453	(496,641)	(23,979,738)
Finance costs	12a	(58,313,162)	(55,083,165)	(33,260,203)	(33,465,367)
Finance income	12b	7,256,765	6,444,804	27,417	1,119,432
Finance costs - net		(51,056,397)	(48,638,361)	(33,232,786)	(32,345,935)
Share of loss of associates	17	(4,661,510)	(878,600)	-	-
Loss before income tax from continuing operations		(63,375,512)	(39,113,508)	(33,729,427)	(56,325,673)
Income tax credit/(expense)	13(a)	37,569,028	4,192,937	(146,405)	(241,499)
Loss for the year from continuing operations		(25,806,484)	(34,920,571)	(33,875,832)	(56,567,172)
Discontinued operations					
Profit/(loss) after tax for the year from discontinued operations	26	29,300,521	(14,769,306)	-	-
Profit/(loss) for the year		3,494,037	(49,689,877)	(33,875,832)	(56,567,172)
Profit/(loss) attributable to:					
Equity holders of the parent		3,124,803	(50,434,843)	- (33,875,832)	(56,567,172)
Non-controlling interest		369,234	744,966	-	-
		3,494,037	(49,689,877)	- (33,875,832)	(56,567,172)
Earnings/(loss) per share from continuing and discontinued operations attributable to ordinary equity holders of the parent during the year: (expressed in kobo per share)					
Basic and diluted earnings/(loss) per share	14				
From continuing operations		(215)	(294)		
From discontinued operations		241	(128)		
From profit/(loss) for the year		26	(422)		

The statement of significant accounting policies and notes on pages 76 to 166 form an integral part of these consolidated financial statements.

*Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 44

Annual Consolidated and Separate Financial Statement

Statement of other comprehensive income

For the year ended 31 December 2016

	Notes	Group 2016 N'000	Group 2015 N'000 Represented*	Company 2016 N'000	Company 2015 N'000
Profit/(loss) for the year		3,494,037	(49,689,877)	(33,875,832)	(56,567,172)
Other comprehensive income:					
Items that will not be reclassified to profit or loss in subsequent periods:					
IFRIC 1 adjustment to revaluation reserve	28	-	69,436	-	-
Remeasurement loss on post employment benefit obligations	32	-	(391,327)	-	-
Deferred tax on remeasurement gains on post employment benefit obligations	18	-	117,398	-	-
		-	(204,493)	-	-
Items that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on net investment in foreign operations	28	8,990,725	-	-	-
Exchange differences on translation of foreign operations		99,897,193	12,067,406	-	-
Fair value loss on available for sale financial assets	24	-	(61,707)	-	(61,707)
		108,887,918	12,005,699	-	(61,707)
Reclassification to proift or loss					
Reclassification adjustments for loss included in profit or loss	28	-	57,901	-	57,901
Other comprehensive income/(loss) for the year, net of tax		108,887,918	11,859,107	-	(3,806)
Total comprehensive income/(loss) for the year, net of tax		112,381,955	(37,830,770)	(33,875,832)	(56,570,978)
Attributable to:					
- Equity holders of the parent		86,819,326	(39,425,072)	(33,875,832)	(56,570,978)
- Non-controlling interests		25,562,629	1,594,302	-	-
Total comprehensive income/(loss) for the year, net of tax		112,381,955	(37,830,770)	(33,875,832)	(56,570,978)
Total comprehensive income/(loss) attributable to equity holders of the parent arises from:					
- Continuing operations		57,518,805	(24,655,766)	(33,875,832)	(56,570,978)
- Discontinued operations		29,300,521	(14,769,306)	-	-
		86,819,326	(39,425,072)	(33,875,832)	(56,570,978)

The statement of significant accounting policies and notes on pages 76 to 166 form an integral part of these consolidated financial statements.

*Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 44.

Annual Consolidated Financial Statements

Consolidated statement of financial position

As at 31 December 2016

Assets	**Notes**	**Group 2016 N'000**	**Group 2015 N'000 Represented***
Non-current assets			
Property, plant and equipment	15	293,541,702	223,130,072
Intangible assets	16	361,530,468	254,715,745
Investment in associates	17	10,653,425	2,530,813
Deferred tax assets	18	44,758,179	35,042,529
Derivative financial assets	19	844,438	14,591,951
Finance lease receivables	20	60,926,511	43,589,953
Non-current receivables	21	22,034,389	7,096,971
Available-for-sale financial assets	24a	2,867	5,067
Prepayments		6,292	13,811
Restricted cash	25	6,538,952	9,006,083
		800,837,223	589,722,995
Current assets			
Inventories	22	12,804,332	2,265,218
Finance lease receivables	20	-	232,328
Derivative financial assets	19	6,088,089	10,262,018
Trade and other receivables	23	107,002,077	76,422,315
Prepayments		4,263,242	940,170
Available-for-sale financial assets	24a	112,775	132,135
Cash and cash equivalents (excluding bank overdrafts)	25	10,390,585	14,985,373
		140,661,100	105,239,557
Assets of disposal group classified as held for sale	26biii	50,046,652	251,358,757
Total assets		**991,544,975**	**946,321,309**
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Share capital	27	6,017,309	6,017,309
Share premium	27	174,806,923	174,806,923
Retained loss		(152,287,138)	(199,723,265)
Other reserves	28	93,826,307	55,750,740
		122,363,401	36,851,707
Non controlling interest		69,981,178	14,042,219
Total equity		192,344,579	50,893,926
Liabilities			
Non-current liabilities			
Borrowings	29	101,639,606	55,998,437
Deferred tax liabilities	18	198,908,983	155,907,424
Provision and other liabilities	30	40,549,807	41,499,048
Retirement benefit obligations	32	1,161,705	1,487,923
		342,260,101	254,892,832
Current liabilities			
Trade and other payables	34	198,459,488	135,465,211
Borrowings	29	144,478,109	171,329,570
Derivative financial liabilities	31	199,137	5,160,802
Current income tax liabilities	13b	59,108,565	49,643,097
Dividend payable	35	1,650,277	1,650,277
Provision and other liabilities	30	525,629	2,434,105
		404,421,205	365,683,062
Liabilities of disposal group classified as held for sale	26biii	52,519,090	274,851,489
Total liabilities		799,200,396	895,427,383
Total equity and liabilities		**991,544,975**	**946,321,309**

*Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 44. The financial statements and notes on pages 69 to 166 were approved and authorised for issue by the Board of Directors on 30 March 2017 and were signed on its behalf by:

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 76 to 166 form an integral part of these consolidated financial statements.

Annual Separate Financial Statements

Statement of financial position

As at 31 December 2016

Assets	**Notes**	**Company 2016 N'000**	**Company 2015 N'000 Represented***
Non-current assets			
Property, plant and equipment	15	379,819	511,583
Intangible assets	16	182,151	283,082
Investment in associates	17	15,500,552	2,716,431
Non-current receivables	21	9,711,893	-
Available-for-sale financial assets	24a	2,867	5,067
Investment in subsidiaries	24b	55,373,649	61,424,349
Prepayments		6,292	13,811
Restricted cash	25	4,682,749	241,167
		85,839,972	65,195,490
Current assets			
Trade and other receivables	23	111,398,694	206,042,583
Prepayments		3,174,809	147,313
Available-for-sale financial assets	24a	111,118	131,063
Cash and cash equivalents (excluding bank overdrafts)	25	7,752,128	1,939,965
		122,436,749	208,260,924
Non current asset held for sale	26	2,500	16,359,269
Total assets		**208,279,221**	**289,815,683**
Equity and Liabilities			
Equity attributable to equity holders			
Share capital	27	6,017,309	6,017,309
Share premium	27	174,806,923	174,806,923
Retained earnings		(168,509,605)	(134,633,774)
Total Equity		12,314,627	46,190,458
Liabilities			
Non-current liabilities			
Borrowings	29	87,320,834	1,734,773
Retirement benefit obligations	32	782,416	850,598
		88,103,250	2,585,371
Current liabilities			
Trade and other payables	34	82,408,778	141,619,762
Borrowings	29	22,556,068	88,402,429
Derivative financial liabilities	31	199,137	5,160,802
Current income tax liabilities	13b	521,455	1,772,479
Dividend payable	35	1,650,277	1,650,277
Provision and other liabilities	30	525,629	2,434,105
		107,861,344	241,039,854
Total liabilities		195,964,594	243,625,225
Total equity and liabilities		**208,279,221**	**289,815,683**

*Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 44.

The financial statements and notes on pages 69 to 166 were approved and authorised for issue by the Board of Directors on 30 March 2017 and were signed on its behalf by:

Group Chief Executive
Mr. Jubril Adewale Tinubu
FRC/2013/NBA/00000003348

Group Chief Financial Officer
Mr. Olufemi Adeyemo
FRC/2013/ICAN/00000003349

The statement of significant accounting policies and notes on pages 76 to 166 form an integral part of these financial statements.

Annual Consolidated Financial Statements

Consolidated statement of changes in equity

For the year ended 31 December 2016

Group	Share capital & Share premium N'000	Other reserves[1] 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 2015	136,096,566	45,342,918	(150,300,361)	31,139,123	12,471,648	43,610,771
(Loss)/profit for the year	-	-	(50,434,843)	(50,434,843)	744,966	(49,689,877)
Other comprehensive income/(loss) for the year	-	11,283,700	(273,929)	11,009,771	849,336	11,859,107
Total comprehensive income/(loss)	-	11,283,700	(50,708,772)	(39,425,072)	1,594,302	(37,830,770)
Transaction with owners						
Value of employee services	-	552,165	-	552,165	-	552,165
Proceeds from shares issued	48,673,155	-	-	48,673,155	-	48,673,155
Share issue expenses	(3,945,489)	-	-	(3,945,489)	-	(3,945,489)
Reclassification of revaluation reserve (Note 28) -	(1,195,687)	1,195,687	-	-	-	
Dividend paid to non-controlling interest	-	-	-	-	(165,906)	(165,906)
Total transaction with owners	44,727,666	(643,522)	1,195,687	45,279,831	(165,906)	45,113,925
Non controlling interest arising in business combination						
Change in ownership interests in subsidiaries that do not result in a loss of control	-	(232,356)	90,181	(142,175)	142,175	-
Total transactions with owners of the parent, recognised directly in equity	44,727,666	(875,878)	1,285,868	45,137,656	(23,731)	45,113,925
Balance as at 31 December 2015	180,824,232	55,750,740	(199,723,265)	36,851,707	14,042,219	50,893,926
Balance as at 1 January 2016	180,824,232	55,750,740	(199,723,265)	36,851,707	14,042,219	50,893,926
Profit for the year	-	-	3,124,803	3,124,803	369,234	3,494,037
Other comprehensive income for the year	-	83,694,523	-	83,694,523	25,193,395	108,887,918
Total comprehensive income for the year	-	83,694,523	3,124,803	86,819,326	25,562,629	112,381,955
Transaction with owners						
Value of employee services (Note 28)	-	469,829	-	469,829	-	469,829
Reclassification of revaluation reserve (Note 28)	-	(22,194,982)	22,194,982	-	-	-
Reclassification of FCTLR (Note 28)		(1,218,976)	1,218,976	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	(80,743)	(80,743)
Disposal of subsidiary	-	-	-	-	(1,056,732)	(1,056,732)
Total transaction with owners	-	(22,944,129)	23,413,958	469,829	(1,137,475)	(667,646)
Non controlling interest arising in business combination						
Change in ownership interests in subsidiaries that do not result in a loss of control	-	(22,674,826)	20,897,366	(1,777,460)	31,513,805	29,736,345
Total transactions with owners of the parent, recognised directly in equity	-	(45,618,955)	44,311,324	(1,307,631)	30,376,330	29,068,699
Balance as at 31 December 2016	180,824,232	93,826,308	(152,287,138)	122,363,402	69,981,178	192,344,580

Share capital includes ordinary shares and share premium

[1] Other reserves include revaluation surplus, currency translation reserves, available for sale reserve and share based payment reserves (SBPR). See note 28.

The statement of significant accounting policies and notes on pages 76 to 166 form an integral part of these consolidated financial statements.

Annual Separate Financial Statements

Separate statement of changes in equity

For the year ended 31 December 2016

Company	Share Capital & Share premium N'000	Other reserves[1] N'000	Retained earnings N'000	Equity holders of parent/ Total equity N'000
Balance as at 1 January 2015	136,096,566	3,806	(78,066,602)	58,033,770
Loss for the year	-	-	(56,567,172)	(56,567,172)
Other comprehensive loss for the year	-	(3,806)	-	(3,806)
Total comprehensive loss	-	(3,806)	(56,567,172)	(56,570,978)
Proceeds from shares issued	48,673,155	-	-	48,673,155
Share issue expenses	(3,945,489)			(3,945,489)
Total transaction with owners	44,727,666	-	-	44,727,666
Total transactions with owners of the parent, recognised directly in equity	44,727,666	-	-	44,727,666
Balance as at 31 December 2015	180,824,232	-	(134,633,774)	46,190,458
Balance as at 1 January 2016	180,824,232	-	(134,633,774)	46,190,458
Loss for the year	-	-	(33,875,831)	(33,875,831)
Other comprehensive income for the year	-	-	-	-
Balance as at 31 December 2016	180,824,232	-	(168,509,605)	12,314,627

[1] Other reserves include revaluation surplus, currency translation reserves, available for sale reserve and share based payment reserves. See note 28.

The statement of significant accounting policies and notes on pages 76 to 166 form an integral part of these consolidated financial statements.

Annual Consolidated and Separate Financial Statements

Consolidated and separate statement of cash flows

For the year ended 31 December 2016

	Notes	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Cash flows from operating activities					
Cash generated from operations	36	131,890,885	74,821,021	8,323,563	16,582,393
Interest paid		(51,749,555)	(58,538,460)	(31,440,709)	(33,465,367)
Income tax paid	13b	(8,360,556)	(8,938,437)	(1,397,429)	(21,189)
Net cash from/(used in) operating activities		71,780,774	7,344,124	(24,514,575)	(16,904,163)
Cash flows from investing activities					
Purchases of property plant and equipment [1]	15	(14,502,822)	(21,322,672)	(66,568)	(186,765)
Disposal of subsidiary, net of cash	26	(16,276,387)	-	14,261,979	-
Deposit received from prospective buyers of subsidiaries	30	525,629	2,434,105	525,629	2,434,105
Acquisition of software	16	(965)	(161,413)	(965)	(161,413)
Purchase of intangible exploration assets	16	(2,118,766)	(1,338,659)	-	-
Payments relating to license and pipeline construction	16	(3,750,270)	(5,989,055)	-	-
Proceeds from sale of property plant and equipment		133,356	35,156	19,771	2,205
Finance lease received			6,338,044	-	-
Proceeds from sale of intangibles	16	3,532,829	-	-	-
Proceeds on settlement of hedge	19	-	44,674,500	-	-
Interest received	12b	5,954,288	5,155,447	27,417	1,119,432
Net cash (used in)/from investing activities		(20,165,064)	23,487,409	14,767,263	3,207,564
Cash flows from financing activities					
Proceeds from long term borrowings		120,932,111	55,698,892	114,847,914	-
Repayment of long term borrowings		(42,472,435)	(86,998,746)	(33,741,366)	(17,504,658)
Proceeds from issue of shares	27	-	48,673,155	-	48,673,155
Share issue expenses	27	-	(3,945,489)	-	(3,945,489)
Proceeds from other short term borrowings		78,635,165	652,965,761	72,948,429	27,779,198
Repayment of other short term borrowings		(152,923,226)	(725,711,502)	(106,246,410)	(74,505,151)
Purchase of shares from NCI		(1,368,350)	-	-	-
Dividend paid to NCI		(80,743)	(165,906)	-	-
Restricted cash		2,467,131	5,188,280	(4,441,582)	(241,167)
Net cash from/(used in) financing activities		5,189,653	(54,295,555)	43,366,985	(19,744,112)
Net change in cash and cash equivalents		56,805,363	(23,464,022)	33,619,673	(33,440,711)
Cash and cash equivalents at the beginning of the year		(48,781,363)	(26,235,482)	(26,128,902)	(461,943)
Exchange gains/(losses) on cash and cash equivalents		2,572,469	918,141	261,357	7,773,752
Cash and cash equivalents at end of the year		10,596,470	(48,781,363)	7,752,128	(26,128,902)
Cash and cash equivalents at 31 December 2016:					
Included in cash and cash equivalents per statement of financial position	25	10,390,585	(16,034,883)	7,752,128	(26,128,902)
Included in the assets of the disposal group	26	205,885	(32,746,480)	-	-
		10,596,470	(48,781,363)	7,752,128	(26,128,902)
Cash and cash equivalent at year end is analysed as follows:					
Cash and bank balance as above		10,390,585	14,985,373	7,752,128	1,939,965
Bank overdrafts (Note 29)		-	(31,020,256)	-	(28,068,867)
		10,390,585	(16,034,883)	7,752,128	(26,128,902)

[1] Purchases of property, plant and equipment exclude capitalised interest (2016: nil; 2015: N212.4 milion)

The statement of significant accounting policies and notes on pages 76 to 166 form an integral part of these consolidated financial statements.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

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. During the year under review, the Company embarked on a reorganisation of the Group and disposed some subsidiaries in the Energy, Downstream and Gas & Power segments. The Company disposed Oando Energy Services and Akute Power Ltd effective 31 March 2016 and also target companies in the Downstream division effective 30 June 2016. It also divested its interest in the Gas and Power segment in December 2016 with the exception of Alausa Power Ltd which is currently held for sale. The Company retains its significant ownership in Oando Trading Bermuda (OTB), Oando Trading Dubai (OTD) and its upstream businesses (See note 8 for segment result).

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 (Completion date), giving birth to Oando Energy Resources Inc. (OER); a company which was listed on the Toronto Stock Exchange between the Completion date and May 2016. 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.

In 2016, OER previously quoted on Toronto Stock Exchange (TSX), notified the (TSX) of its intention to voluntarily delist from the TSX. The intention to delist from the TSX was approved at a Board meeting held on the 18th day of December, 2015.

To effect the delisting, a restructuring of the OER Group was done and a special purpose vehicle, Oando E&P Holdings Limited (Oando E&P) was set up to acquire all of the issued and outstanding shares of OER. As a result of the restructuring, shares held by the previous owners of OER (Oando PLC (93.49%), the institutional investors in OER (5.08%) and certain Key Management Personnel (1.43%) were required to be transferred to Oando E&P, in exchange for an equivalent number of shares in Oando E&P. The share for share exchange between entities in the Oando Group is considered as a business combination under common control not within the scope of IFRS 3.

Oando E&P purchased the remaining shares in OER from the remaining shareholders who did not partake in the share exchange arrangement for a cash consideration. The shareholders of the 5,733,277 shares were paid a cash consideration of US$1.20 per share in accordance with the plan of arrangement. Consequently, Oando E & P now owns 100% of the shares in OER and Oando Plc owns 77.81% shares in Oando E & P.

The shares of OER were delisted from the TSX at the close of business on Monday, May 16th 2016. Upon delisting, the requirement to file annual reports and quaterly reports to the Exchange will no longer be required.

The Company believes the objectives of the listing in the TSX was not achieved and the Company judges that the continued listing on the TSX was not economically justified.

2. 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 (IASB) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS. The annual consolidated financial statements are presented in Naira, rounded to the nearest thousand, and prepared under the historical cost convention, except for 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 management to exercise its 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 6.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

3. Changes in accounting policies and disclosures

a) New standards, amendments and interpretations adopted by the Group

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

The amendments to IFRS 11, 'Joint Arrangements',

The amendments to IFRS 11, 'Joint Arrangements', require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

The amendments to IAS 27, 'Equity method in separate financial statements'

The amendments to IAS 27, 'Equity method in separate financial statements', will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group’s consolidated financial statements. This amendment will also not have any impact in the seperate financial statement as the company has not adopted equity method in its seperate financial statement.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

b) New standards, amendments and interpretations issued and not effective for the financial year beginning 1 January 2016

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. None of these is expected to have significant effect on the consolidated financial statements of the Group, except the following set out below:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors’ interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

IFRS 2 Classification and Measurement of Share-based Payment Transactions

Amendments to IFRS 2
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classificationfrom cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

Transfers of Investment Property (Amendments to IAS 40)

Effective for annual periods beginning on or after 1 January 2018.

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2018.

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

'IFRS 9, 'Financial instruments

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories of financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual; cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is a new expected credit model that replaces the incurred loss impairment model in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit ot loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness test. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. The standard is effective for accounting periods beginning on or after 2018. Early adoption is permitted. The Group is currently still assessing the full impact of IFRS 9.

a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale with gains and losses recorded in OCI will be measured at fair value through other comprehensive income (OCI).

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not have any loan to third-parties and therefore expects the impact on trade receivbles to be minimal.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, timing, amount and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. The Group is currently still assessing the full impact of IFRS 15. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

The Group is in the business of selling oil, natural gas and other petroleum products. All products are sold in separate identified contracts with customers.

a) Sale of goods

Contracts with customers in which the sale of oil and gas products is generally expected to be the only performance obligation are not expected to have any impact on the Group's profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the product is transferred to the customer, generally on delivery of the goods.

b) Presentation and disclosure requirements

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in Group's financial statements. Many of the disclosure requirements in IFRS 15 are completely new. The Group is currently still assessing the full impact of this requirements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

conditions of a share-based payment transaction changes its classification from cash settled to equity settled.
On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

c) New and amended standards and interpretations that do not relate to the Group

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

d) Annual Improvements 2012-2014 Cycle

These improvements include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

These amendments do not have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Group.

d) Annual Improvements 2014-2016 Cycle

Following is a summary of the amendments from the 2014-2016 annual improvements cycle.

IFRS 1 First-time Adoption of International Financial Reporting Standards

Deletion of short-term exemptions for first-time adopters

- Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose.
- The amendment is effective from 1 January 2018.

IAS 28 Investments in Associates and Joint Ventures

Clarification that measuring investees at fair value through profit or loss is an investment-by investment choice

- The amendments clarifies that:
  - An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
  - If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.
- The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.

IFRS 12 Disclosure of Interests in Other Entities

Clarification of the scope of the disclosure requirements in IFRS 12

- The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.
- The amendments are effective from 1 January 2017 and must be applied retrospectively.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

4. Basis of 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.

In the separate financial statement, investment in subsidiaries is measured at cost less accumulated impairments. Investment in subsidiary is impaired when its recoverable amount is lower than its carrying value.

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

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

increased or decreased to recognise the investor's share of the change in the associate's net assets 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 statement of profit or loss.

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 statement of profit or loss.

In the separate financial statements of the Company, Investment in associates are measured at cost less impairment. Investment in associate is impaired when its recoverable amount is lower than its carrying value.

(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 and losses 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 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.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

(vi) Functional currency and translation of foreign currencies

Functional and presentation currency
These consolidated financial statements are presented in Naira, which is the Group's 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').

(vii) 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 statement of profit or loss. 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.

(viii) 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 statement of profit or loss are translated at average exchange rates where it is impracticable to translate using transaction rate. Where the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the income and expense 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.

(ix) Common Control Business Combinations

Business combinations involving entities ultimately controlled by the Oando Group are accounted for using the pooling of interest method (also known as merger accounting).

A business combination is a common control combination if:

i. The combining entities are ultimately controlled by the same party both before and after the combination and
ii. Common control is not transitory.

Under a pooling of interest- type method, the acquirer is expected to account for the combination as follows:

i. The assets and the liabilities of the acquiree are recorded at book value and not at fair value
ii. Intangible assets and contingent liabilities are recognized only to the extent that they were recognized by the acquiree in accordance with applicable IFRS (in particular IAS 38: Intangible Assets).
iii. No goodwill is recorded in the consolidated financial statement. The difference between the acquirer's cost of investment and the acquiree's equity is taken directly to equity.
iv. Any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities.
v. Any expenses of the combination are written off immediately in the statement of comprehensive income.
vi. Comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented; and
vii. Adjustments are made to achieve uniform accounting policies

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

(x) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

5. Other significant accounting policies

(a) 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).

(b) 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.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

(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

The 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.

(vii) Take or pay contracts

The Group has entered into gas sale contracts with customers, which contain take-or-pay clauses. Under these contracts, the Company makes a long term supply commitment in return for a commitment from the buyer to pay for minimum quantities, whether or not it takes delivery. These commitments contain protective (force majeure) and adjustment provisions. If a buyer has a right to get a ‘make up’ delivery at a later date, revenue recognition is deferred. If no such option exists according to the contract terms, revenue is recognised when the take-or-pay penalty is triggered.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

(c) 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 statement of profit or loss. 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 statement of profit or loss, 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 – 121/2 %)
Equipment and motor vehicles	3 – 5 years	(20 – 331/3 %)
Production wells	Unit-of-production (UOP)	

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 statement of profit or loss .

Property, plant and equipment under construction is not depreciated until they are available for use.

(d) Intangible assets

(a) Goodwill

Goodwill arises from the acquisition of subsidiaries and is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest and any interest previously held over the net identifiable assets acquired, liabilities assumed. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is allocated to cash-generating units (CGU's) for the purpose of impairment testing. The allocation is made to those CGU's expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. 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.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

(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 statement of financial position 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.

Amortisation on the intangible assets is calculated using the straight line method to write down their cost amounts to their residual values over their estimated useful life of 20 years.

(e) Impairment of non financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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.

(f) 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.

(i) 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

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

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. The Group's derivatives are categorized as FVTPL unless they are designated as hedges and hedge accounting is applied; hedge accounting has not been applied for the Group's derivatives in the periods presented.

(ii) 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.

(iii) 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.

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.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

(i) The rights to receive cash flows from the asset have expired; or
(ii) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) 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 statement of profit or loss. 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.

(ii) Assets classified as available 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.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. An impairment allowance 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.

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.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

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.

Offsetting financial instruments

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

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.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

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.

Where the convertible notes are issued in foreign currency, it gives rise to an embedded derivative which is split from the host contract (See 5fii).

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.

Derecognition

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

(g) Accounting for leases

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that right is not explicitly specified in an arrangement. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Group as a lessee

Finance leases, which transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss and other comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss and other comprehensive income on a straight line basis over the lease term.

Embedded leases

All take-or-pay contracts and concession contracts are reviewed at inception to determine whether they contain any embedded leases. If there are any embedded leases, they are assessed as either finance or operating leases and accounted for accordingly.

Group as a lessor

Leases where the Group does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

Under a finance lease substantially all the risks and rewards incindental to legal ownership are transferred to the lessee, and a lease receivable is recognized which is equal to the net investmen in the lease. The recognition of finance income shall be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

(h) 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.

(i) Share capital

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

(j) 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.

(k) 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 funded by contributions from both the Group and employees and are managed by pension fund custodians.

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. 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 in statement of profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises related restructuring costs.

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

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

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.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss.

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 6v. 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.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

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.

(m) Current income and deferred 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 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 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 income deferred 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 tax liability is settled.

Deferred 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 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 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 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.

(n) 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.

(o) 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).

(p) Upstream activities

Exploration and evaluation assets

Exploration and evaluation (E&E) assets represent expenditures incurred on exploration properties for which technical feasibility and commercial viability have not been determined. E&E costs are initially capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired, these costs include acquisition of rights to explore, exploration drilling, carrying costs of unproved properties, and any other activities relating to evaluation of technical feasibility and commercial viability of extracting oil and gas resources. The Corporation will expense items that are not directly attributable to the exploration and evaluation asset pool. Costs that are incurred prior to obtaining the legal right to explore, develop or extract resources are expensed in the statement of income (loss) as incurred. Costs that are capitalized are recorded using the cost model with which they will be carried at cost less accumulated impairment. Costs that are capitalized are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability.

Once technical feasibility and commercial viability of extracting the oil or gas is demonstrable, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within Property Plant and Equipment (PP&E) referred to as oil and gas development assets and oil and gas assets. If it is determined that commercial discovery has not been achieved, these costs are charged to expense.

Pre-license cost are expensed in the profit or loss in the period in which they occur .

Oil and gas assets

When technical feasibility and commercial viability is determinable, costs attributable to those reserves are reclassified from E&E assets to a separate category within Property Plant and Equipment (PP&E) referred to as oil and gas properties under development or oil and gas producing assets. Costs incurred subsequent to the determination of technical feasibility and

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statement of comprehensive loss as incurred.

Oil and gas assets are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Oil and gas assets are incorporated into Cash Generating Units CGU's for impairment testing.

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually.

Proved and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Refer to note "5l" and note 30 for information on the provision for estimated site restoration, abandonment costs and decommissioning costs.

(q) Impairment

The Group assesses its assets for indicators of impairments annually. 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, impairment charge of N16billion was recognised in OML 125 & 134 Ltd, which asset is reported as held for sale in these consolidated financial statements.

(r) 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 (refer to note 33)

(s) 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.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

(t) Production underlift and overlift

The Group receives lifting schedules for oil production generated by the Group's working interest in certain oil and gas properties. These lifting schedules identify the order and frequency with which each partner can lift. The amount of oil lifted by each partner at the balance sheet date may not be equal to its working interest in the field. Some partners will have taken more than their share (overlifted) and others will have taken less than their share (underlifted). The initial measurement of the overlift liability and underlift asset is at the market price of oil at the date of lifting, consistent with the measurement of the sale and purchase. Overlift balances are subsequently measured at fair value, while Underlift balances are carried at lower of carrying amount and current fair value.

(u) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. External valuers are involved for valuation of significant assets, such as available for sale financial assets, and significant liabilities. Involvement of external valuers is decided upon annually by the valuation committee after discussion with and approval by the Group's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The valuation committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Board analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Board verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Board, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the Board and the Group's external valuers present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(v) Offshore processing arrangements

An offshore processing arrangement involves the lifting of crude oil from an owner (usually government/third party) in agreed specifications and quantities for a swap for agreed yields and specifications of refined petroleum products. Under such arrangements, the owner of the crude oil may not attach monetary value to the crude oil delivered to the Group or the refined products received from the Group. Rather, the owner defines the yields and specification of refined products expected from the Group. Sometimes, the owner may request the Group to deliver specific refined products, increase quantity of certain products contrary to previously agreed quantity ratios, or make cash payments in lieu of delivery of products not required (retained products). It is also possible that the owner may request the Group to pre-deliver refined products against future

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

lifting of crude oil. Parties to offshore processing arrangements are often guided by terms and conditions codified in an Agreement/Contract. Such terms may include risk and title to crude oil and refined products, free on board or cost, insurance and freight deliveries by counterparties, obligations of counterparties, costs and basis of reimbursements, etc. Depending on the terms of an offshore processing arrangement, the Group may act as a principal or an agent.

The Group acting in the capacity of a principal

The Group acts as a principal in an offshore processing arrangement and has significant risks and rewards associated with the sale of products or rendering of services when the following conditions are met:

- it has the primary responsibility for providing the products or services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the products or services ordered or purchased by the customer;
- it has inventory risk before or after the customer order, during shipping or on return;
- it has latitude in establishing prices, either directly or indirectly, for example by providing additional products or services; and
- it bears the customer's credit risk on the receivable due from the customer.

The Group shall recognise revenue from the sale of products when all the following conditions have been satisfied:

- it has transferred to the counterparty the significant risks and rewards of ownership of the products;
- it retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the products sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The gross amount of the crude oil received by the Group under an offshore processing arrangement represents consideration for the obligation to the counterparty. Risk and rewards transfer to the counter party upon delivery of refined products. At this point, the Group determines the value of crude oil received using the market price on the date of receipt and records the value as revenue. In addition, the Group records processing fees received/receivable from the counterparty as part of revenue. The Group determines the value of refined products at cost and includes the value in cost of sales in the Statement of profit or loss. All direct costs relating to an offshore processing arrangement that are not reimbursable are included in cost of sales, where applicable, in the Statement of profit or loss. Such costs may include processing, freight, demurrage, insurance, directly attributable fees and charges, etc. All expenses, which are not directly related to an offshore processing arrangement is included as part of administrative expenses.

Where the Group lifted crude oil but delivered petroleum products subsequent to the accounting period, it does not record the value of the crude oil received as part of revenue. Rather, the Group records the value of crude oil received as deferred revenue under current liabilities.

Where the Group pre-delivered products in expectation of lifting of crude oil in future, it does not record the value in the Statement of profit or loss in order to comply with the matching concept. Rather, it will deplete cash (where actual payment was done) or increase trade payables and receivables. The Group transfers the amount recognised from trade receivables to cost of sales and recognise the value of crude oil lifted as turnover, when crude oil is eventually lifted in respect of the pre-delivery.

The Group discloses letters of credit and amounts outstanding at the reporting date under contingent liabilities in the notes to the financial statements.

The Group acting in the capacity of an agent

The Group acts as an agent in an offshore processing arrangement where the gross inflows of economic benefits include amounts collected on behalf of a third party. Such amounts do not result in increases in equity for the Group. Thus, the amounts collected on behalf of the counterparty are not revenue. Instead, revenue is the amount of commission earned for acting as an agent. Costs incurred by the Group are done on behalf of the counterparty and they are fully reimbursable.

6. Significant accounting judgements, estimates and assumptions

The preparation of the Group’s consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In particular, the Group has identified the following areas where significant judgements, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements. Changes in estimates are accounted for prospectively.Changes in estimates are accounted for prospectively.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Joint arrangements (Note 43b)

Judgement is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, including the approval of the annual capital and operating expenditure work program and budget for the joint arrangement, and the approval of chosen service providers for any major capital expenditure as required by the joint operating agreements applicable to the entity's joint arrangements. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries, as set out in Note 4(i). Judgement is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

- The structure of the joint arrangement – whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from: the legal form of the separate vehicle; the terms of the contractual arrangement; and other facts and circumstances, considered on a case by case basis. This assessment often requires significant judgement. A different conclusion about both joint control and whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

(b) The Group has recognised a liability of N16.8 billion ($55million) in respect of the adjustment to the consideration received on disposal of some of the entities in the downstream segment. This amount recognised is based on the assumption that the unrecognised contingent liability of N17.5billion ($57.4million) arising from agreed pass-through items from Ebony oil and gas, Ghana. The unrecognised amount has a significant risk of resulting in a material adjustment if the amount of N17.5billion ($57.4million) is not recoverable by Ebony oil and gas, Ghana.

(c) 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.

(d) 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 assessment 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.

(e) Offshore processing arrangements

Judgement is required in order to determine whether the Group or any of its affiliates acts as a principal or an agent in an offshore processing arrangement. In doing so, the Group considers the nature of arrangements, terms and conditions agreed to by the Group and counterparties and other relevant information. A different conclusion about the role of the Group in an offshore processing arrangement may materially impact the accounting for offshore processing arrangements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The estimates and assumptions that have significant risk of causing material adjsutment to the carrying amounts of asstes and liabilities within the next financial year are addressed below:

i Fair value estimation

Financial instruments

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

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

instruments that are substantially the same, discounted cash flows analysis, and option pricing models refined to reflect the issuer's specific circumstances. See Note 7 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.

Investment in Glover BV and Copper JV

Investment in Glover BV and Copper JV were acquired during the year under review. The values of the assets and liabilities used in determining the net asset are provisional amount appplicable under measurement period in line with IFRS 3. However, determination of the fair value will be finalised subsequently and adequate adjustment will be proposed to the net assets of these associates.

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 32.

iii Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 5e. 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 16 for detailed assumptions and methods used for impairment calculation.

If the estimated pre-tax discount rate applied to the discounted cash flows of the Trading division had been higher by 7.8% (i.e. 24.6% instead of 16.79%), the Group would have recognised an impairment against goodwill of N657million. For the Exploration & Production segment, no impairment would have resulted from application of discount rates lower than by 42.7% respectively.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

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.

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 for 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.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

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. 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 N305/USD and applicable FGN bond discount rate, which does not include the specific industry and market risks.

vii 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. 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 off 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 2016 was 21% (2015: 11.7%). Asset impairments or their reversal will impact income.

viii Useful lives and residual value of property, plant and equipment

The residual values, depreciation methods and estimated 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 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.

7. 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

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, AFS financial assets and derivative financial instruments.

(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

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

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 2016, 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 N11.27 billion lower/higher mainly as a result of US Dollar denominated bank balances and receivables (2015: 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 N1.53 billion lower/higher mainly as a result of US Dollar denominated bank balances). The Company's pre tax loss would have also been N2.29 million lower/higher mainly as a result of US Dollar denominated bank balances and receivables (2015: N1.4 million)

At 31 December 2016, 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 N30.95 billion higher/lower mainly as a result of US Dollar denominated borrowing balances. (2015: 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 N21.05 billion higher/lower mainly as a result of US Dollar denominated trade payables and loan balances.) The Company's pre tax loss would have also been N2.27 billion higher/lower mainly as a result of US Dollar denominated borrowing balances (2015: N392 million)

(ii) Price risk

Equity 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). A 10% change in the market price of the instrument would result in N11.4 million gain/loss (2015: N13.6 million), to be recognised in equity.

Commodity price risk

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 table below provides a summary of the impact of changes in crude oil prices and interest rates on income before tax, with all other variables held constant for the year ended December 31, 2016.

Instrument	Sensitivity Range	Income/(Loss) Before Tax Increase in variable N'000	Income/(Loss) Before Tax Decrease in variable N'000
Financial commodity contracts	+/- $10 per barrel change in Brent crude oil price	(3,283,823)	7,117,919

(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 arising from corporate bonds.

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 2016, an increase/decrease of 100 basis points on LIBOR/MPR would have resulted in a decrease/increase in consolidated/Company's pre tax profit/(loss) of N1.3 billion/N94.8 million (2015: N3.9 billion/N901.4 million), 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 does not have any outstanding derivatives with respect to interest and foreign currency hedge.

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

Annual Consolidated and Separate Financial Statements

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

Trade receivables	**Group 2016 N'000**	**Group 2015 N'000**	**Company 2016 N'000**	**Company 2015 N'000**
Current - Neither past due nor impaired	6,039,195	12,725,919	-	-
Past due but not impaired				
- by up to 30 days	29,575,663	40,470,117	-	-
- by 31 to 60 days	-	864,327	-	-
- later than 60 days	11,599,162	2,889,748	-	-
Total past due but not impaired	41,174,825	44,224,192	-	-
Impaired	1,450,898	2,470,923	-	-
	48,664,918	59,421,034	-	-

Other receivables	**Group 2016 N'000**	**Group 2015 N'000**	**Company 2016 N'000**	**Company 2015 N'000**
Current - Neither past due nor impaired	59,788,057	19,472,204	111,398,694	206,042,583
Impaired	15,924,891	2,928,781	51,595,951	7,248,882
	75,712,948	22,400,985	162,994,645	213,291,465
Non-current receivables				
Neither past due nor impaired	22,034,389	7,096,971	9,711,893	-
Impaired	32,681,515	21,328,754	14,418,044	9,409,546
	54,715,904	28,425,725	24,129,937	9,409,546
Derivative financial instruments				
Current - Neither past due nor impaired	6,932,527	24,853,969	-	-
Finance lease receivables				
Non-current - Neither past due nor impaired	60,926,511	43,822,281	-	-

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:

Trade receivables	**Group 2016 N'000**	**Group 2015 N'000**	**Company 2016 N'000**	**Company 2015 N'000**
Group 1	-	1,248,695	-	-
Group 2	4,701,816	7,260,469	-	-
Group 3	1,337,379	4,216,756	-	-
	6,039,195	12,725,920	-	-
Other receivables				
Group 2	59,788,057	19,472,204	111,398,694	206,042,583
Non current receivables				
Group 2	22,034,389	7,096,971	9,711,893 -	
Derivative financial instruments				
Group 2	6,932,527	24,853,969	-	-
Finance lease receivables				
Group 2	60,926,511	43,822,281	-	-

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

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury 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 25 and 29). Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal targets.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

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.

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 2016:					
Borrowing	185,473,395	18,789,541	104,177,221	-	308,440,157
Trade and other payables	197,661,239	798,249	-	-	198,459,488
Total	383,134,634	19,587,790	104,177,221	-	506,899,645
At 31 December 2015:					
Borrowing	171,329,570	29,412,852	24,233,476	34,475,430	259,451,328
Trade and other payables	135,465,211		-	-	135,465,211
Total	306,794,781	29,412,852	24,233,476	34,475,430	394,916,539

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 2016:					
Borrowing	37,197,645	15,236,572	101,547,822	-	153,982,039
Trade and other payables	82,408,778	-	-	-	82,408,778
Total	119,606,423	15,236,572	101,547,822	-	236,390,817
At 31 December 2015:					
Borrowing	88,402,429	2,181,381	-	-	90,583,810
Trade and other payables	141,619,762	-	-	-	141,619,762
Total	230,022,191	2,181,381	-	-	232,203,572

Capital risk management

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 2016, the Group's strategy was to maintain a gearing ratio between 50% and 75% (2015: 50% and 75%). The gearing ratios as at the end of December 2016 and 2015 were as follows:

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Total borrowings	246,117,715	227,328,007	109,876,902	90,137,202
Less: cash and cash equivalents (Note 25)	(10,390,585)	(14,985,373)	(7,752,128)	(1,939,965)
Restricted cash	(6,538,952)	(9,006,083)	(4,682,749)	(241,167)
Net debt	229,188,178	203,336,551	97,442,025	87,956,070
Total equity	192,344,579	50,893,926	12,314,627	46,190,458
Total capital	421,532,757	254,230,477	109,756,652	134,146,528
Gearing ratio	54%	80%	89%	66%

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

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 2016.

Financial instruments 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	115,642	-	-	115,642
Derivative financial assets				
- Commodity option contracts	-	6,932,527	-	6,932,527
Total assets	**115,642**	**6,932,527**	**-**	**7,048,169**
Liabilities				
Derivative financial liabilities:				
- Convertible options	-	-	199,137	199,137
Total liabilities	**-**	**-**	**199,137**	**199,137**

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015.

Balance	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets				
Available for sale financial assets				
- Equity securities	137,202	-	-	137,202
Derivative financial assets				
- Commodity option contracts	-	24,853,969	-	24,853,969
Total assets	**137,202**	**24,853,969**	**-**	**24,991,171**
Liabilities				
Derivative financial liabilities				
- Convertible options	-	-	5,160,802	5,160,802
Total liabilities	**-**	**-**	**5,160,802**	**5,160,802**

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2016.

Assets	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Available for sale financial assets				
- Equity securities	113,985	-	-	113,985
Total assets	**113,985**	**-**	**-**	**113,985**
Liabilities				
Derivative financial liabilities				
- Convertible options	-	-	199,137	199,137
Total liabilities	**-**	**-**	**199,137**	**199,137**

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2015.

Balance		Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets					
Available for sale financial assets					
- Equity securities		136,130	-	-	136,130
Total assets		**136,130**	**-**	**-**	**136,130**
Liabilities					
Derivative financial liabilities					
- Convertible options	-	-	5,160,802		5,160,802
Total liabilities	**-**	**-**	**5,160,802**		**5,160,802**

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

Financial instruments not measured at fair value but for which fair values are disclosed

Group	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets				
31 December 2016				
Finance lease receivable	-	-	43,884,459	43,884,459
31 December 2015				
Finance lease receivable	-	-	42,340,289	42,340,289
Liabilities				
31 December 2016				
Borrowings	-	-	214,716,750	214,716,750
31 December 2015				
Borrowings	-	-	166,055,465	166,055,465

Company Liabilities	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
31 December 2016				
Borrowings	-	-	135,071,964	135,071,964
31 December 2015				
Borrowings	-	-	55,968,111	55,968,111

The fair value of borrowings and finance lease receivables is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. The own non-performance risk for borrowings as at 31 December 2016 and 2015 has been considered in the determination of the fair value. For receivables, the models incorporate various inputs including the credit quality of counterparties. In addition to being sensitive to a reasonably possible change in the forecast cash flows or the discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates. The individual credit worthiness of the customers have been considered in the valuation. The discount rate used for finance lease receivables and borrowing are 21.0% (2015: 17.0%) and 21% (2015: 21%) respectively.

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 unadjusted 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. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity.

Specific valuation techniques used to value financial instruments include:

- The fair value of commodity contracts are calculated based on observable inputs which include forward prices of crude oil.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

(c) *Financial instruments in level 3*

The level 3 instrument comprise of convertible notes to Ocean and Oil Development Partners (OODP). Ocean and Oil Development Partners is a private company, whose business values are a significant input in the fair value of the financial instruments. Option derivative on the convertible loan notes were valued using the Goldman Sachs model. The business value comprise of unobservable inputs such as risk freee rate, volatility, credit spread, dividend yield, etc.

OODP exercised her option of conversion during the financial year and a total of 128,413,672 shares were issued in exchange for $154,096,406 convertible loan notes. See note 37 for the details.

The table below presents the changes in level 3 instruments for the year ended 31 December 2016.

Convertible option - Derivative asset	Company 2016 N'000	Company 2015 N'000
At 1 January	-	1,662,948
(Loss)/gain recognised in statement of profit or loss	-	(1,662,948)
At 31 December	-	-

Convertible option - Derivative liability	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
At 1 January	5,160,802	3,608,768	5,160,802	3,608,768
(Gain)/loss recognised in statement of profit or loss	(4,961,665)	1,261,282	(4,979,874)	1,261,282
Exchange difference	-	290,752	-	290,752
At 31 December	199,137	5,160,802	180,928	5,160,802

The fair value changes on the instruments were recognized in other operating income and other expenses respectively.

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2016 and 2015 are as shown below:

2016	Valuation technique	Significant unobservable inputs	Weighted average	Sensitivity of the input to fair value	
Convertible option - Derivative asset	Goldman Sachs model	Volatility	65.0%	1% decrease in volatility would result in a decrease in the fair value by N.2.3 million.	1% increase in volatility would result in an increase in the fair value by N2.1million.
		Dividend yield	1.86%	1% decrease in dividend yield would result in an increase in fair value by N805,927.	1% increase in dividend yield would result in a decrease in fair value by NN795,192.

2015	Valuation technique	Significant unobservable inputs	Weighted average	Sensitivity of the input to fair value	
Convertible option - Derivative liability	Goldman Sachs model	Volatility	62.0%	1% decrease in volatility would result in a decrease in the fair value by N16.53million	1% increase in volatility would result in an increase in the fair value by N16.55million.
		Dividend yield	2.0%	1% decrease in dividend yield would result in an increase in fair value by N16.49million.	1% increase in dividend yield would result in a decrease in fair value by N15.82million

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

8 Segment information

The Group Leadership Council (GLC) is the group's chief operating decision-maker. 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 division. Interest expenses suffered by the Corporate division on loans raised on behalf of the other divisions and similar operating expenses are transferred to the relevant divisions. Transactions between operating segments are on arm's length basis in a manner similar to transactions with third parties.

The Group was re-organised following the sale of target entities in the marketing, refining and terminals segment, Gas and Power segment (excluding Alausa Power Ltd) and Energy Services Segment. The Group discontinued the Energy Services segment, marketing, refining and terminals segment and gas and power segment (excluding Alausa Power Ltd) effective 31 March 2016, 30 June 2016, 31st December respectively. At 31 December, the Group has three operating segments namely:

(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) Supply and Trading – involved in trading of crude refined and unrefined petroleum products.

(iii) Corporate and others

In 2016, some of the business entities that form Gas & Power, Energy Eervices and Marketing, Refining & Terminals operating segments were disposed of. However, management has decided to present financial information for these segments both in 2016 & 2015 because this is consistent with the information presented to the Chief Operating Decision Maker till the end of 2016.

a) The segment results for the period ended 31 December, 2016 are as follows:

	Exploration & Production N'000	Marketing, Refining & Terminals** N'000	Supply & Trading** N'000	Gas & power** N'000	Energy Services** N'000	Corporate & Other N'000	Total N'000
Total gross segment revenue	77,276,507	60,421,036	400,593,329	30,368,847	1,993,084	9,692,643	580,345,446
Inter-segment revenue	-	(1,795,503)	(345,743)	-	-	(9,007,578)	(11,148,824)
Revenue from external customers	77,276,507	58,625,533	400,247,586	30,368,847	1,993,084	685,065	569,196,622
Operating (loss)/profit	(19,651,127)	(8,178,817)	318,576	6,516,164	(221,423)	42,430,249	21,213,622
Finance cost	(24,950,360)	(96,672)	(216,131)	(1,754,050)	(919,594)	(33,319,410)	(61,256,217)
Finance income	7,229,244	2,206,033	330,480	2,093,583	4,621	27,521	11,891,482
Finance (cost)/income, net	(17,721,116)	2,109,361	114,349	339,533	(914,973)	(33,291,889)	(49,364,735)
Share of loss in associate	-	-	-	-	-	(4,661,509)	(4,661,509)
(Loss)/profit before income tax	(37,372,243)	(6,069,456)	432,925	6,855,696	(1,136,396)	4,476,850	(32,812,624)
Income tax credit/(expense)	37,719,977	(254,069)	(228,196)	(780,102)	-	(150,949)	36,306,661
Profit/(loss) for the year	347,734	(6,323,525)	204,729	6,075,594	(1,136,396)	4,325,901	3,494,037

**Discontinued operations (excluding Oando Trading Bermuda, Oando Trading Dubai, Alausa Power Ltd)

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

The segment results for the period ended 31 December, 2015 are as follows:

	Exploration & Production N'000	Marketing, Refining & Terminals** N'000	Supply & Trading** N'000	Gas & power** N'000	Energy Services** N'000	Corporate & Other N'000	Total N'000
Total gross segment revenue	89,688,292	153,852,919	180,861,401	33,562,524	6,663,911	12,033,391	476,662,438
Inter-segment revenue	-	(14,709,469)	(67,349,500)	(957,490)	-	(11,905,227)	(94,921,686)
Revenue from external customers	89,688,292	139,143,450	113,511,901	32,605,034	6,663,911	128,164	381,740,752
Operating profit/(loss)	17,279,491	(6,847,248)	4,117,543	6,988,628	(11,902,460)	(8,988,963)	646,991
Finance cost	(35,591,311)	(765,021)	(556,497)	(1,509,360)	(5,197,284)	(33,841,951)	(77,461,424)
Finance income	19,740,613	1,590,956	1,095,017	3,055,601	12,802	1,061,146	26,556,135
Finance (cost)/income, net	(15,850,698)	825,935	538,520	1,546,241	(5,184,482)	(32,780,805)	(50,905,289)
Share of loss in associate	-	-	-	-	-	(878,600)	(878,600)
Profit/(loss) before income tax	1,428,793	(6,021,313)	4,656,063	8,534,869	(17,086,942)	(42,648,368)	(51,136,898)
Income tax credit/(expense)	4,558,291	789,607	(663,813)	(2,860,784)	(10,927)	(365,353)	1,447,021
Profit/(loss) for the year	5,987,084	(5,231,706)	3,992,250	5,674,085	(17,097,869)	(43,013,721)	(49,689,877)

**Discontinued operations (excluding Oando Trading Bermuda, Oando Trading Dubai, Alausa Power Ltd)

(b) Reconciliation of reporting segment information

2016	Revenue N'000	Operating Profit/(Loss) N'000	Finance Income N'000	Finance Cost N'000	(Loss)/Profit Before Tax N'000	Income Tax expense N'000
As reported in the segment report	580,345,446	21,213,622	11,891,482	(61,256,217)	32,812,623	36,306,661
Elimination of inter-segment transactions on consolidation	(11,148,824)	-	-	-	-	-
Reclassfied as discontinued operations	(113,449,888)	(28,871,227)	(4,634,717)	2,943,055	30,562,890	1,262,367
As reported in the statement of profit or loss	455,746,734	(7,657,605)	7,256,765	(58,313,162)	(63,375,512)	37,569,028

2015	Revenue N'000	Operating Profit/(Loss) N'000	Finance Income N'000	Finance Cost N'000	(Loss)/Profit Before Tax N'000	Income Tax expense N'000
As reported in the segment report	476,662,438	646,991	26,556,135	(77,461,424)	(51,136,898)	1,447,021
Elimination of inter-segment transactions on consolidation	(94,921,686)	(5,289,512)	(16,996,385)	15,907,973	(6,377,925)	-
Reclassfied as discontinued operations	(178,309,226)	15,045,974	(3,114,946)	6,470,286	18,401,315	2,745,916
As reported in the statement of profit or loss	203,431,526	10,403,453	6,444,804	(55,083,165)	(39,113,508)	4,192,937

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

Year ended 31 December, 2016:

	Exploration & Production N'000	Marketing, Refining & Terminals** N'000	Supply & Trading** N'000	Gas & power** N'000	Energy Services** N'000	Corporate & Other N'000	Total N'000
Depreciation (Note 10)*	16,053,168	-	7,063	89,366	556,478	1,355,941	18,062,016
Amortisation of intangible assets (Note 10)*	144,631	-	-	354,864	-	101,896	601,391
Impairment of assets*	16,340,997	195,778	223,652	797,564	-	13,560,105	31,118,096

Year ended 31 December, 2015:

	Exploration & Production N'000	Marketing, Refining & Terminals** N'000	Supply & Trading** N'000	Gas & power** N'000	Energy Services** N'000	Corporate & Other N'000	Group N'000
Depreciation (Note 15)*	25,629,032	3,741,948	39,607	169,357	1,227,063	1,180,905	31,987,912
Amortisation of intangible assets (Note 16)*	130,237	190,538	-	720,086	-	41,248	1,082,109
Impairment of assets*	11,850,273	1,131,920	-	322,244	5,548	57,901	13,367,886

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

Depreciation, amortisation and impairments presented above represents both continuing and discontinued operations.

The segment assets and liabilities and capital expenditure for the year ended 31 December, 2016 are as follows:

	Exploration & Production N'000	Marketing, Refining & Terminals** N'000	Supply & Trading** N'000	Gas & power** N'000	Energy Services** N'000	Corporate & Other N'000	Total N'000
Assets	842,709,368	-	43,499,621	5,548,312	-	113,115,972	1,004,873,273
Investment in an associate	-	-	-	-	-	10,653,425	10,653,425
Liabilities	536,062,352	8,434	43,133,196	4,841,423	-	215,154,991	799,200,396
Capital Expenditure*	11,171,375	-	3,511	4,790,201	-	67,170	16,032,257

The segment assets and liabilities as of 31 December, 2015 and capital expenditure for the year then ended are as follows:

	Exploration & Production N'000	Marketing, Refining & Terminals** N'000	Supply & Trading** N'000	Gas & power** N'000	Energy Services** N'000	Corporate & Other N'000	Total N'000
Assets	607,787,030	122,518,903	77,467,647	35,096,858	44,662,380	58,788,491	946,321,309
Investment in an associate	-	-	-	-	-	2,530,813	2,530,813
Liabilities	400,823,600	143,472,540	81,628,632	33,896,617	59,904,665	175,701,330	895,427,384
Capital Expenditure	17,470,869	2,149,199	109,394	6,923,208	678,746	1,692,803	29,024,219

*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 2016 are as follows:

	Exploration & Production N'000	Marketing, Refining & Terminals** N'000	Supply & Trading** N'000	Gas & power** N'000	Energy Services** N'000	Corporate & Other N'000	Total N'000
Revenue							
Within Nigeria	77,276,507	55,217,046	-	30,368,847	1,993,084	685,062	165,540,546
Other West African countries	-	3,408,487	22,462,424	-	-	-	25,870,911
Other countries	-	-	377,785,165	-	-	-	377,785,165
	77,276,507	58,625,533	400,247,589	30,368,847	1,993,084	685,062	569,196,622
Total assets							
Within Nigeria	841,766,184			5,548,312	-	113,115,972	960,430,468
Other West African countries	-	-	103,276	-	-	-	103,276
Other countries	943,184	-	43,396,345	-	-	-	44,339,529
	842,709,368	-	43,499,621	5,548,312	-	113,115,972	1,004,873,273
Capital expenditure							
Within Nigeria	11,171,375	-	3,511	4,790,201	-	67,170	16,032,257
Other West African countries	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-
	11,171,375	-	3,511	4,790,201	-	67,170	16,032,257

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

Segment information on a geographical basis for the year ended and as at 31 December, 2015 are as follows:

	Exploration & Production N'000	Marketing, Refining & Terminals** N'000	Supply & Trading** N'000	Gas & power** N'000	Energy Services** N'000	Corporate & Other N'000	Total N'000
Revenue							
Within Nigeria	89,688,292	132,236,547	10,417,976	32,605,034	6,663,911	128,163	271,739,923
Other West African countries	-	6,906,903	55,356,996	-	-	-	62,263,899
Other countries	-	-	47,736,930	-	-	-	47,736,930
	89,688,292	139,143,450	113,511,902	32,605,034	6,663,911	128,163	381,740,752
Total assets							
Within Nigeria	606,506,251	119,510,941	11,605,262	35,096,858	44,662,380	58,788,491	876,170,183
Other West African countries	-	3,007,962	25,015,944	-	-	-	28,023,906
Other countries	1,280,779	-	40,846,441	-	-	-	42,127,220
	607,787,030	122,518,903	77,467,647	35,096,858	44,662,380	58,788,491	946,321,309
Capital expenditure							
Within Nigeria	17,470,869	1,999,382	-	6,923,208	678,746	1,692,053	28,764,258
Other West African countries	-	149,817	93,214	-	-	-	243,031
Other countries	-	-	16,180	-	-	750	16,930
	17,470,869	2,149,199	109,394	6,923,208	678,746	1,692,803	29,024,219

Revenue 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.

(c) Analysis of revenue by nature

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Sales of goods	450,402,100	199,449,822	-	-
Intra-group dividend income	-	-	4,858,182	8,452,665
Revenue from services	5,344,634	3,981,704	-	-
	455,746,734	203,431,526	4,858,182	8,452,665

9 Other operating income

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Foreign exchange gain	25,401,322	11,739,828	16,321,893	7,640,723
Fair value (loss)/gain on commodity options and derivative liability	(4,814,773)	21,746,375	4,961,665	-
Sundry income	52,195,871	28,406	76,492,637	496,730
	72,782,420	33,514,609	97,776,195	8,137,453

During the year, the Group realised a net derivative loss of N9.8 billion (2015 - gain of N21.7 billion) and derivative gain of N4.96 billion in the consolidated and separate statement of profit or loss on commodity contracts and convertible options respectively. See note 19 for further details of fair value (loss)/gain on the financial commodity contract. The Group and Company sundry income is largely made up of gain on sale of Premium Motor Spirit (PMS) to Oando Marketing Limited, fair value gain on convertible options, brokerage income, consent fee refund, gain on disposal of subsidiaries and other direct charges to customers.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

10 Expenses by nature of operating profit

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

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Included in cost of sales:				
Inventory cost	350,348,613	100,841,499	-	-
Included in selling and marketing costs				
Product transportation costs	-	-	-	-
Included in other operating income:				
Foreign exchange gain (note 9)	25,401,322	11,739,828	16,321,893	7,640,723
Profit on disposal of property, plant and equipment	-	(27)	-	-
Fair value (loss)/gain on commodity options and derivative liability (Note 9)	(4,814,773)	21,746,375	4,961,665	-
Included in administrative expenses				
Depletion/depreciation on property plant and equipment - Other* (Note 15)	17,416,172	26,815,028	175,281	343,953
Amortisation of intangible assets (Note 16)	246,527	171,486	101,896	41,249
Foreign exchange loss	31,555,669	12,276,023	43,378,797	10,278,332
Employees benefit scheme (Note 11)	6,205,073	6,164,587	715,881	1,514,235
Auditors remuneration	418,118	453,218	99,750	90,001
Legal & consultancy services	13,896,489	2,651,321	7,517,626	332,268
Repair and maintenance	4,571,953	2,923,440	24,610	9,216
Impairment of property, plant and equipment - Net (Note 15)	16,001,499	22,251,286	-	-
Reversal of impairments (Note 15)	-	(16,314,631)	-	-
Impairment of intangible assets (Note 16)	-	2,791,116	-	-
Impairment losses of non-current receivables (Note 21)	-	3,083,744	-	-
Impairment losses of trade and other receivables (Note 23)	13,877,458	38,758	50,332,803	5,202,992
Impairment losses on available for sale asset (Note 24)	22,145	57,901	22,145	57,901
Impairment on investment (Note 24)	-	-	-	19,664,290
Loss on disposal of property, plant and equipment	40,559	-	3,280	136,919
Rent and other hiring costs	1,175,402	791,096	25,348	7,556

*The following items have been charged/(credited) in arriving at the loss from discontinued operations:

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Amortisation of intangible assets (Note 16)	354,864	910,623	-	-
Depletion/depreciation on property plant and equipment - Other*	645,844	5,172,884	-	-
Impairment losses of trade and other receivables	1,216,994	1,459,712	-	-
Employees benefit scheme (Note 11)	3,272,530	7,009,829	-	-

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

11 Employee benefits expense

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
(a) Directors' remuneration:				
The remuneration paid to the directors who served during the year was as follows:				
Chairman fees	5,556	5,556	5,556	5,556
Other non-executive fees	293,999	334,424	26,667	26,667
	299,555	339,980	32,223	32,223
Executive directors' salaries	776,607	960,772	451,676	467,196
	1,076,162	1,300,752	483,899	499,419
Other emoluments	857,289	484,832	243,235	187,884
	1,933,451	1,785,584	727,134	687,303

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

	Number	Number	Number	Number
N1,000,000 - N10,000,000	5	5	-	-
Above N10,000,000	27	28	13	11

Included in the above analysis is the highest paid director at N322 million (2015: N225 million).

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
(b) Staff costs				
Wages, salaries and staff welfare cost	8,446,669	9,934,863	631,710	43,720
Staff bonus and discretionary share award	-	1,065,230	-	1,065,230
Share options granted to directors and employees	469,829	905,006	-	352,841
Pension costs - defined contribution scheme	587,629	786,846	43,464	-
Retirement benefit - defined benefit scheme (Note 32)	(26,524)	482,471	40,707	52,444
	9,477,603	13,174,416	715,881	1,514,235
Analysis of staff cost for the year:				
- Continuing operations (Note 10)	6,205,073	6,164,587	715,881	1,514,235
- Discontinued operations (Note 10)	3,272,530	7,009,829	-	-
	9,477,603	13,174,416	715,811	1,514,235

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

	Group 2016 Number	Group 2015 Number	Company 2016 Number	Company 2015 Number
Executive	2	2	2	2
Management staff	82	139	23	15
Senior staff	103	336	34	28
	187	477	59	45

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

	2016 Number	2015 Number	2016 Number	2015 Number
N2,500,001 - N4,000,000	2	16	-	1
N4,000,001 - N6,000,000	12	74	5	5
N6,000,001 - N8,000,000	33	132	11	13
N8,000,001 - N10,000,000	29	79	13	6
Above N10,000,000	111	176	30	20
	187	477	59	45

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

12 Finance costs, net

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
(a) Finance Cost:				
On bank borrowings	(48,806,500)	(53,064,202)	(33,260,203)	(33,465,367)
Capitalised to qualifying property, plant and equipment	-	49,038	-	-
	(48,806,500)	(53,015,164)	(33,260,203)	(33,465,367)
Unwinding of discount on provisions	(9,506,662)	(2,068,001)	-	-
Total finance cost	(58,313,162)	(55,083,165)	(33,260,203)	(33,465,367)
(b) Finance income:				
Interest income on bank deposits	1,319,571	2,023,813	27,417	2,893
Intercompany interest	-	-	-	1,116,539
Interest income on finance lease	5,937,194	4,420,991	-	-
Total finance income	7,256,765	6,444,804	27,417	1,119,432
Net finance costs	(51,056,397)	(48,638,361)	(33,232,786)	(32,345,935)

No borrowing costs were capitalised in 2016 (2015: 14.2%). Actual borrowing rate approximate effective interest rate.

13 Income tax expense

Analysis of income tax charge for the year:

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Continuing operations				
Current income tax	854,707	7,895,478	-	-
Minimum tax	144,664	245,140	144,663	241,499
Capital gains Tax	1,742	-	1,742	-
Education tax	40,831	484,926	-	-
Adjustments in respect of prior years tax	(5,045,293)	-	-	-
	(4,003,349)	8,625,544	146,405	241,499
Deferred income tax (Note 18):				
Deferred income tax (credit)/expense for the year	(33,565,679)	(12,818,481)	-	-
Income tax (credit)/expense	(37,569,028)	(4,192,937)	146,405	241,499
Discontinued operations				
Current income tax	2,248,103	3,636,387	-	-
Education tax	118,387	186,965	-	-
Adjustments in respect of prior years tax	-	-		
	2,366,490	3,823,352	-	-
Deferred income tax (Note 18):				
Deferred income tax for the year	(1,104,122)	(1,077,436)	-	-
Income tax expense	1,262,368	2,745,916	-	-

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 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Loss before income tax	(63,375,512)	(39,113,508)	(33,729,427)	(56,325,673)
Tax calculated at Nigeria's domestic rates applicable to profits in respective countries - 30% (2015: 30%)	(19,012,654)	(11,734,052)	(10,118,828)	(16,897,702)
Minimum tax	144,664	245,140	144,663	241,499
Education tax	40,831	484,926	-	-
Capital gains Tax	1,742	-	1,742	-
Tax effect of income not subject to tax	(37,160,951)	(1,326,741)	(14,601,465)	(2,535,800)
Effect of associate tax	1,398,453	263,580	-	-
Effect of tax rate diferential	(24,180,665)	(19,236,755)	-	-
Expenses not deductible for tax purposes	16,874,332	9,793,383	15,368,685	3,803,047
Over-provisions for income tax	(5,045,293)	-	-	-
Tax losses for which no deferred tax was recognised	9,351,608	17,317,582	9,351,608	15,630,455
Impact of unutilised tax credits carried forward	20,018,905	-	-	-
Income tax (credit)/expense	(37,569,028)	(4,192,937)	146,405	241,499
Effective tax rate	59%	11%	0%	0%

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
(b) Current income tax liabilities				
Movement in current income tax for the year:				
At 1 January	49,643,097	44,963,118	1,772,479	1,552,169
Payment during the year	(8,039,319)	(8,938,437)	(1,397,429)	(21,189)
Disposal of subsdiaries	(2,742,239)	-	-	-
Charge for the year:				
Income tax charge during the year - Continuing operations	(4,044,180)	8,140,618	146,405	241,499
Income tax charge during the year - Discontinued operations	1,765,838	3,636,387	-	-
Education tax charge during the year- Continuing operations	40,831	484,926	-	-
Education tax charge during the year - Discontinued operations	118,387	186,965	-	-
Exchange difference	22,366,150	2,946,499	-	-
Transfer to disposal group classified as held for sale	-	(1,776,979)	-	-
At 31 December	59,108,565	49,643,097	521,455	1,772,479

14 Earnings per share and dividend 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 2016 N'000	Group 2015 N'000
Loss from continuing operations attributable to equity holders of the parent	(25,825,897)	(35,119,921)
Profit/(loss) from discontinued operations attributable to equity holders of the parent	28,950,700	(15,314,922)
	3,124,803	(50,434,843)
Weighted average number of ordinary shares outstanding (thousands) :		
Opening balance	12,034,618	9,084,686
Bonus element	-	486,991
Right issue	-	2,368,473
	12,034,618	11,940,150
Basic/Diluted earnings/loss per share (expressed in kobo per share)		
From continuing operations	(215)	(294)
From discontinued operations	241	(128)
	26	(422)

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. However, the effect of all potentially dilutive Ordinary Shares outstanding (396,793,587,174 shares) was anti dilutive in 2016 and 2015.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

15 Property, plant and equipment

	Upstream Asset [1] N'000	Land & Buildings N'000	Plant, machineries & vehicles N'000	Fixtures, fittings, Computer & equipment N'000	Capital work in progress N'000	Total N'000
Group						
At 1 January 2015						
Cost or valuation	277,284,616	27,452,825	59,598,835	11,211,466	50,906,372	426,454,114
Accumulated depreciation	(63,073,299)	(1,360,809)	(21,065,980)	(6,447,137)	(20,464,682)	(112,411,907)
Net book amount	214,211,317	26,092,016	38,532,855	4,764,329	30,441,690	314,042,207
Year ended 31 December 2015						
Opening net book amount	214,211,317	26,092,016	38,532,855	4,764,329	30,441,690	314,042,207
Decommissioning cost/Remeasurement of estimate	34,689,587	-	6,412	-	-	34,695,999
Additions	16,091,108	1,046,397	1,422,633	722,901	2,252,053	21,535,092
Transfer to intangibles*	-	-	(216,440)	-	-	(216,440)
Transfers from Capital work in progress	-	-	11,047,020	-	(11,047,020)	-
Trf to disposal group classified as held for sale	(38,794,132)	(25,599,417)	(38,104,511)	(2,034,519)	(21,016,481)	(125,549,060)
Disposal	-	(150,251)	(151,969)	(38,230)	-	(340,450)
Impairment - Continuing operations (Note 10)	(22,251,286)	-	-	-	-	(22,251,286)
Reversal of impairments (Note 10)	16,314,631					16,314,631
Depletion/Depreciation charge - Continuing operations (Note 10)	(25,502,065)	(5,354)	(298,380)	(1,009,229)	-	(26,815,028)
Depletion/Depreciation charge - Discontinued operations - (Note 10)	-	(371,048)	(3,985,586)	(816,250)	-	(5,172,884)
Exchange difference	16,224,600	(10,894)	625,556	48,960	(931)	16,887,291
Net book amount at 31 December 2015	210,983,760	1,001,449	8,877,590	1,637,962	629,311	223,130,072
At 31 December 2015						
Cost or valuation	267,972,158	1,018,205	11,613,799	4,004,686	629,311	285,238,159
Accumulated depreciation	(56,988,398)	(16,756)	(2,736,209)	(2,366,724)	-	(62,108,087)
Net book amount	210,983,760	1,001,449	8,877,590	1,637,962	629,311	223,130,072

*N216 million which relates to items of intangibles previously classfied as property, plant and equipment is now being reclassfied to intangible asset.

	Upstream Asset [1] N'000	Land & Buildings N'000	Plant, machineries & vehicles N'000	Fixtures, fittings, Computer & equipment N'000	Capital work in progress N'000	Total N'000
Year ended 31 December 2016						
Opening net book amount	210,983,760	1,001,449	8,877,590	1,637,962	629,311	223,130,072
Decommissioning costs	(32,525,818)	-	-	-	-	(32,525,818)
Additions	9,221,077	-	104,988	102,657	920,559	10,349,281
Transfer/reclassification from WIP	-	(349,097)		422,995	(73,899)	(1)
Disposal of subsidiary	-	(648,680)	(1,459,679)	(1,068,465)	(1,252,062)	(4,428,886)
Trf to disposal group classified as held for sale	-	-	-	(965)	-	(965)
Disposal of PPE	-	-	578,424	(52,108)	-	526,316
Depletion/Depreciation charge - Continuing operations (Note 10)	(15,849,715)	-	(820,329)	(746,128)	-	(17,416,172)
Depletion/Depreciation charge - Discontinued operations	-	(3,672)	(45,570)	(40,103)	-	(89,345)
Exchange difference	109,703,257		3,982,998	310,965		113,997,220
Net book amount at 31 December 2016	281,532,561	-	11,218,422	566,810	223,909	293,541,702
At 31 December 2016						
Cost or valuation	387,303,188	380	16,162,458	3,655,017	223,909	407,344,952
Accumulated depreciation	(105,770,627)	(380)	(4,944,036)	(3,088,207)	-	(113,803,250)
Net book amount	281,532,561	-	11,218,422	566,810	223,909	293,541,702

Annual Consolidated and Separate Financial Statements

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

	Land & Buildings N'000	Plant & machineries N'000	Fixtures, fittings computer & equipment, motor vehicles N'000	Total N'000
Company				
At 1 January 2015				
Cost or valuation	257,003	136,608	1,936,547	2,330,158
Accumulated depreciation	(133,042)	(81,685)	(1,296,243)	(1,510,970)
Net book amount	123,961	54,923	640,304	819,188
Year ended 31 December 2015				
Opening net book amount	123,961	54,923	640,304	819,188
Additions	-	17,634	169,131	186,765
Transfers*	-	-	(11,293)	(11,293)
Disposal	(123,961)	-	(15,163)	(139,124)
Depreciation charge	-	(17,465)	(326,488)	(343,953)
Closing net book amount	-	55,092	456,491	511,583
At 31 December 2015				
Cost/Valuation	-	154,241	1,305,000	1,459,241
Accumulated depreciation	-	(99,149)	(848,509)	(947,658)
Net book amount	-	55,092	456,491	511,583
Year ended 31 December 2016				
Opening net book amount	-	55,092	456,491	511,583
Additions	-	-	66,568	66,568
Disposal	-	-	(23,051)	(23,051)
Depreciation charge	-	(11,680)	(163,601)	(175,281)
Closing net book amount	-	43,412	336,407	379,819
At 31 December 2016				
Cost/Valuation	-	154,241	1,316,467	1,470,708
Accumulated depreciation	-	(110,829)	(980,060)	(1,090,889)
Net book amount	-	43,412	336,407	379,819

(1) See Note 43(a) for details of upstream assets.

*Transfers represent PPE transferred to other entities within the Group.

i Capital work in progress

Capital work in progress mainly comprises of Gas and Powers' tubeskids and pipeline acquisition/construction costs which has been disposed in 2016. No interest was capitalised (2015: N212 million).

ii Impairment loss

In December 2015, OER signed a Sale and Purchase agreement with Nigerian Agip Exploration Limited NAE for the sale of its non-operated interests in OMLs 125 & 134 for $5.5 million in cash and an agreement to transfer $84.5 million in cash call liabilities due to the joint operations to the buyer. As a result of this, the associated assets and liabilities have been classified as held for sale as at December 31, 2016. The transaction is expected to be completed in 2017 subject to the receipt of consent from the Minister of Petroleum. The carrying amount of the property, plant and equipment was in excess of the agreed amount as at December 31, 2016 and as such an impairment loss of N16 billion ($61.1 million) has been recognized in the statement of profit or loss under adminstrative expenses.

This is a non-recurring fair value measurement.

On June 28th, 2015 there was a fire involving two crude storage tanks at the Ebocha flow station in Rivers State, Nigeria; a third tank collapsed after suffering structural damage due to the fire outbreak. The facility is a part of the Nigerian Agip Oil Company Limited Joint Venture (NAOC JV) in which the Corporation holds a 20% interest. As a result of the incident, $6.7 million was recognized as reduction of the remaining book value relating to the Corporation’s share of the infrastructure and facilities damaged. As the net book value of the specific assets damaged in the fire was not available and the nature and extent of the damage is still unknown. Management determined that there was no indication of impairment of the cash generating unit in which the incident occurred; only the specific assets damaged were derecognized.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

As at September 30, 2015 the carrying amount of the OML 125 cash generating unit in property, plant and equipment was reduced to its recoverable amount of N20.5 billion ($103.0 million) through the recognition of an impairment loss of N17 billion ($86.3 million). The impairment was triggered by declining oil prices and internal data indicating worse than expected long-term economic performance. The recoverable amount was determined based on the asset's fair value less costs of disposal using a discounted cash flow technique and categorized in Level 3 of the fair value hierarchy. Key assumptions included crude oil prices. and the discount rate of 12%. Reserves as at September 30, 2015 were based on internal estimates.

As December 31, 2015 the carrying amount of the Corporation's Interest in Qua Ibo cash generating unit has been reduced to its recoverable amount of N6.9 billion ($34.6 million) through the recognition of impairment loss of N3.92 billion ($7.3 million). The impairment was triggered by declining oil prices and internal data indicating worse than expected long-term economic performance. The recoverable amount was determined based on the asset's fair value less costs of disposal using a discounted cash flow technique and categorized in Level 3 of the fair value hierarchy. Key assumptions included crude oil prices and the discount rate of 12%.

As at December 31, 2015, the Group recorded an impairment reversal of N16.3 billion ($82.8 million) as a result of a change in estimate of the fair value less cost to sell of the asset based on the terms of a signed sale and purchase agreement. Based on this arrangement, the recoverable amount of the OML 125 cash generating unit was determined to be N37 billion ($185.8 million). No other impairments or impairment reversals were recorded for PP&E as a result of impairment testing in 2015. The recoverable amount was determined based on the asset's fair value less costs of disposal using a discounted cash flow technique and categorized in Level 3 of the fair value hierarchy. Key assumptions included crude oil prices and the discount rate of 12%.

The total impairments recognised of N22.3 billion and reversal of impairments of N16.3 billion affected the upstream asset class in 2015.

iii See note 29 for PPE pledged as security.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

16 Intangible assets

	Asset under construction	Goodwill N'000	Software costs N'000	Exploration and Evaluation asset N'000	Licence for gas transmission pipeline N'000	Total N'000
Group						
At 1 January 2015						
Cost or valuation	1,968,622	210,999,211	2,693,520	106,333,556	11,016,359	333,011,268
Accumulated depreciation	-	(696,030)	(1,365,693)	(77,652,454)	(7,591,907)	(87,306,084)
Net book amount	1,968,622	210,303,181	1,327,827	28,681,102	3,424,452	245,705,184
Year ended 31 December 2015						
Opening net book amount	1,968,622	210,303,181	1,327,827	28,681,102	3,424,452	245,705,184
Addition	5,989,055	-	161,413	1,338,659	-	7,489,127
Impairment - Continuing operations (Note 10)	-	-	-	(2,791,116)	-	(2,791,116)
Write off	-	-	(120,987)	-	-	(120,987)
Amortisation charge - Continuing operations (Note 10)	-	-	(171,486)	-	-	(171,486)
Amortisation charge - Discontinued operations (Note 10)	-	-	(207,392)	-	(703,231)	(910,623)
Trf from property, plant and equipment*	-	-	19,950	-	196,490	216,440
Trf to disposal group classified as held for sale	-	(10,354,840)	(493,300)	(623,788)	-	(11,471,928)
Exchange difference	-	14,560,007	24,994	2,186,133	-	16,771,134
Closing net book amount as at 31 December 2015	7,957,677	214,508,348	541,019	28,790,990	2,917,711	254,715,745

*N216 million which relates to items of intangibles previously classfied as property, plant and equipment is now being reclassfied to intangible asset.

	Asset under construction	Goodwill N'000	Software costs N'000	Exploration and Evaluation asset N'000	Licence for gas transmission pipeline N'000	Total N'000
Year ended 31 December 2015						
Cost	7,957,677	215,204,378	1,647,837	49,692,354	11,222,341	285,724,587
Accumulated amortisation and impairment	-	(696,030)	(1,106,818)	(20,901,364)	(8,304,630)	(31,008,842)
Net book amount as at 31 December 2015	7,957,677	214,508,348	541,019	28,790,990	2,917,711	254,715,745
Year ended 31 December 2016						
Opening net book amount	7,957,677	214,508,348	541,019	28,790,990	2,917,711	254,715,745
Addition	3,737,154	-	965	1,931,741	13,116	5,682,976
Amortisation charge - Continuing operations (Note 10)	-	-	(246,527)	-	-	(246,527)
Amortisation charge - Discontinued operations (Note 10)	-	-	(8,095)	-	(346,769)	(354,864)
Disposal during the year	-	-	-	(3,532,829)	-	(3,532,829)
Disposal of subsidiary	(11,694,831)	(4,016,812)	(33,337)	-	(2,584,058)	(18,329,038)
Exchange difference	-	108,178,658	91,527	15,324,820	-	123,595,005
Closing net book amount as at 31 December 2016	-	318,670,194	345,552	42,514,722	-	361,530,468
Cost	-	319,366,225	1,776,534	74,541,429	-	395,684,188
Accumulated amortisation and impairment	-	(696,031)	(1,430,982)	(32,026,707)	-	(34,153,720)
Net book amount as at 31 December 2016	-	318,670,194	345,552	42,514,722	-	361,530,468

	Software costs N'000
Company	
At 1 January 2015	
Cost	976,228
Accumulated amortisation and impairment	(813,310)
Net book amount	162,918
Year ended 31 December 2015	
Opening net book amount	162,918
Additions	161,413
Amortisation charge	(41,249)
Closing net book amount	283,082
At 31 December 2015	
Cost	1,137,641
Accumulated amortisation and impairment	(854,559)
Net book value	283,082
Year ended 31 December 2016	
Opening net book amount	283,082
Additions	965
Amortisation charge	(101,896)
Closing net book amount	182,151
At 31 December 2016	
Cost	1,138,606
Accumulated amortisation and impairment	(956,455)
Net book value	182,151

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

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

Asset under construction - 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 finance costs incurred over the life of the contract. 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.

Asset under Construction represent construction of a gas pipelines for Greater Lagos Industrial area phase IV. GNL was disposed in 2016 (see note 26aii). The carrying amount of the facility on the disposal date was N11.7 billion (2015: N7.9 billion).

ii Impairment on intangible assets

a Exploration and evaluation asset impairment losses

The above exploration and evaluation assets represent expenditure arising from the exploration and evaluation of oil and gas interests. The costs relate to oil and gas properties primarily located in Nigeria and São Tomé and Príncipe STP. The technical feasibility and commercial viability of extracting oil and gas has not yet been determined in relation to the above properties, and therefore, they remain classified as exploration and evaluation assets at December 31, 2016.

On February 19, 2016 the Corporation through its subsidiary, Equator Exploration Limited Equator, executed a Production Sharing Contract with the National Petroleum Agency of-STP ANP-STP for an 87.5% participating interest in Block 12. The Corporation subsequently farmed out 65% participating interest and transferred operatorship in Blocks 5 and 12 to Kosmos Energy Sao Tome and Principe. After completion of both farm-outs, the Corporation now holds 20% and 22.5% in Blocks 5 and 12 respectively. The farm-out arrangements with Kosmos have been accounted for by recognizing only the cash payments received without recognizing any consideration in respect of the value of the work to be performed by the farmee. The carrying value of the remaining interest after the farm-out is the previous cost of the full interest in both Blocks 5 and 12 reduced by the amount of cash consideration received for entering the agreement. The effect is that there was no gain recognized on the disposal as the cash consideration received did exceed the carrying value of the entire asset held.

Key assumptions in the determination of cash flows from reserves include crude oil, natural gas and natural gas liquids NGL prices, loss factors and the discount rate. Reserves as at December 31, 2016 have been evaluated by independent qualified reserves evaluators. The table below summarizes the forecasted prices used to determine cash flows from crude oil reserves and resources which is based on the futures market forward curve for Brent.

Year	2017	2018	2019	2020	2021	2022	2023
Dated Brent (US$/barrel)	58.0	58.1	58.3	58.4	58.5	61.7	65.2
NGL (US$/barrel)	11.3	11.3	11.3	11.3	11.3	11.5	11.7
Natural gas (US$/mcf)	1.6	1.6	1.6	1.6	1.6	1.7	1.7

Year	2024	2025	2026	2027	2028	2029	Beyond
Dated Brent (US$/barrel)	68.8	72.6	76.6	80.8	85.3	90.0	+2%
NGL (US$/barrel)	11.9	12.1	12.3	12.5	12.8	13.0	+2%
Natural gas (US$/mcf)	1.8	1.9	2.0	2.1	2.2	2.3	+2%

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

Crude oil loss factors applied ranged from 15% on an annual basis to end of field life and for the first five years depending on the field. The discount rate applied was 12%. For exploration and evaluation assets, the Corporation used $0.86/boe as the implied value/boe on 2C unrisked contingent resources based on comparable market transactions and consideration of forward price declines.

Management determined that exploration and evaluation assets are qualifying assets and therefore eligible for capitalisation of borrowing cost. However, no borrowing cost was capitalised during the year reviewed. The assessment above did not lead to any impairment loss.

b Goodwill impairment losses

No goodwill impairment was recognised in 2016 (2015: nil).

Impairment tests for goodwill

Key assumptions

In determining the recoverable amount of a 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.

Cashflows

The cashflow projections are from financial budgets approved by senior management covering a 5year period.

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.

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 2015	Nigeria N'000	Other Countries N'000	Total N'000
OER	208,294,672	-	208,294,672
Oando Trading Bermuda (OTB)	-	2,196,864	2,196,864
Gas & power	4,016,812	-	4,016,812
	212,311,484	**2,196,864**	**214,508,348**

At 31 December 2016	Nigeria N'000	Other Countries N'000	Total N'000
OER	316,473,330	-	316,473,330
Oando Trading Bermuda (OTB)	-	2,196,864	2,196,864
	316,473,330	**2,196,864**	**318,670,194**

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 2015	OER	Marketing	Oando Trading Bermuda	Gas & power	Energy Services	Corporate & Other
Growth rate	9.2%	6.6%	6.6%	7.9%	-5.1%	N/A
Discount rate	17.4%	17.2%	17.2%	17.2%	19.7%	N/A

At 31 December 2016	OER	Marketing	Oando Trading Bermuda	Gas & power	Energy Services	Corporate & Other
Growth rate	13.7%	0.0%	7.9%	0.0%	0.0%	N/A
Discount rate	20.3%	0.0%	16.8%	0.0%	0.0%	N/A

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.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

17 Investment in associate accounted for using the equity method

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

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Investment in Associates	10,653,425	2,530,813	15,500,552	2,716,431
The amounts recognised in the statement of profit or loss are as follows:				
Share of loss	(4,661,510)	(878,600)	-	-

Investment in associates

Set out below are the associates of the Group at 31 December 2016, which, in the opinion of the directors, are material to the Group. The associates have share capital consisting solely of Ordinary Shares, which are held directly by the Group. The countries of incorporation or registration of the associates are also their principal places of business.

2016

	Place of Business	Place of business /country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Oando Wings Development Limited (OWDL)	Nigeria	Nigeria	25.8%	Associate	Equity Accounting
Copper BV	Netherlands	Netherlands	40.0%	Associate	Equity Accounting
Glover BV	Netherlands	Netherlands	30.0%	Associate	Equity Accounting

2015

	Place of Business	Place of business /country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Oando Wings Development Limited	Nigeria	Nigeria	25.8%	Associate	Equity Accounting

Oando Wings Development Limited 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 diluted Oando Plc's interest to 41% and OWDL was subsequently accounted for as investment in associate. On May 8, 2014, Standard Bank Group International Limited (SBGI) exercised its option and an additional 3,710,000 ordinary shares of N1 each was taken up by SBGI. As a result, Oando Plc's interest (investment in associate) was further diluted to 25.8%.

Oando Plc acquired two new associates namely Copper BV (40%) and Glover BV (30%) on 01 July 2016 and 31st December 2016 respectively by virtue of the shares received through the share exchange as part of the consideration for the sale of targeted companies in the Marketing, Refining and Terminals, and Gas & Power segments. The fair value of the interest received were N10.44billion & N2.34billion respectively which was taken as the carrying value of the associate. The Associate Companies have been equity accounted for in the consolidated financial statement.

Oando Plc exerts significant influence over these entities. The Group has representatives on the board of Directors and is involved in management decisions taken by the entities.

Annual Consolidated and Separate Financial Statements

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

Summarised financial information for the associate

Set out below are the summarised financial information for Oando Wings Development Limited

2015 **Summarised statement of financial position**	**OWDL** **2015** **N'000**
Current assets	
Cash and cash equivalents	690,298
Total current assets	690,298
Non-current Assets	
Investment properties	24,610,591
Other non-current assets	272,033
Total current assets	24,882,624
Non-current liabilities	
Financial liabilities	(10,668,822)
Other liabilities	(1,361,340)
Total non-current liabilities	(12,030,162)
Net asset/equity	13,542,760
Summarised statement of comprehensive income	
Revenue	-
Administrative expenses	(86,185)
Other expenses	(2,989,119)
Interest expense	(330,122)
Loss from continuing operations	(3,405,426)
Income tax expense	-
	(3,405,426)
Total comprehensive loss	(3,405,426)
Share of loss in associate	(878,600)

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

	OWDL **2015** **N'000**
Share of net asset	3,494,032
Equity contribution by promoters	(963,219)
Carrying value of the associate	2,530,813
Carrying value:	
As at beginning of the year	3,409,413
Share of associate loss	(878,600)
Investment in associates	-
As at end of the year	**2,530,813**

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

Summarised financial information for the associate

Set out below are the summarised financial information for the associates.

2016 Summarised statement of financial position	Glover BV 2016 N'000	Copper JV 2016 N'000	OWDL 2016 N'000
Total current assets	24,029,743	90,005,500	726,274
Total non-current assets	49,342,278	98,747,490	54,489,810
Total current liabilities	(38,321,312)	(87,230,000)	(1,699,119)
Total non-current liabilities	(27,236,972)	(88,236,500)	(26,190,180)
Net asset/equity	7,813,737	13,286,490	27,326,785

Summarised statement of comprehensive income

Revenue	-	127,217,993	226,639
(Loss)/profit after tax	-	(12,813,512)	1,798,043
Total comprehensive (loss)/income	-	(12,813,512)	1,798,043
Share of (loss)/profit in associate	-	(5,125,406)	463,895

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

	Glover BV 2016 N'000	Copper JV 2016 N'000	OWDL 2016 N'000	TOTAL 2016 N'000
	30%	40%	26%	
Share of net asset	2,344,121	5,314,596	7,050,311	14,709,028
Equity contribution by promoters	-	-	(4,055,602)	(4,055,602)
Carrying value of the associate	**2,344,121**	**5,314,596**	**2,994,708**	**10,653,425**
Carrying value:				
As at beginning of the year	-	-	2,530,813	2,530,813
Investment in associates	2,344,121	10,440,002	-	12,784,123
Share of (loss)/profit in associate	-	(5,125,406)	463,895	(4,661,511)
As at end of the year	**2,344,121**	**5,314,596**	**2,994,708**	**10,653,425**

The associate had no capital commitments at 31 December 2016 (2015: N5.52 billion)

Goodwill on acquisition of associates	**Glover BV N'000**	**Copper JV N'000**
FV of consideration	2,344,121	10,440,000
FV of 30%/40% of net asset	-2,344,121	(10,440,000)
Goodwill	-	-

No dividend was received from the associates in the year under review.

The Group does not have any significant restrictions such as borrowing or any regulatory restrictions that impede the ability of the associates to transfer funds in form of dividend or cash to the Group.

Company Investment in associates	**2016 N'000**	**2015 N'000**
Oando Netherlands Holdings 3 Cooperative U.A	2,344,121	-
Oando Netherlands Holdings 2 Cooperative U.A	10,440,002	-
Oando Wings	2,716,431	2,716,431
TOTAL	**15,500,554**	**2,716,431**

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

18 Deferred income tax liabilities and 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.

	Group 2016 N'000	Group 2015 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	198,908,983	155,451,886
Deferred tax liability to be recovered within 12months	-	455,538
Total deferred tax liabilities	198,908,983	155,907,424
Deferred tax assets		
Deferred tax assets to be recovered after more than 12months	3,107,035	77,901
Deferred tax assets to be recovered within 12months	41,651,144	34,964,628
Total deferred tax assets	44,758,179	35,042,529
Total deferred tax liabilities (net)	154,150,804	120,864,895
The gross movement in deferred income tax account is as follows:		
At start of the year	120,864,895	136,399,065
Credited to profit or loss (Note 13)	(27,226,161)	(13,895,917)
Disposal of business	684,206	-
Credited to other comprehensive income	-	(117,398)
Transfer to held for sale (Note 26)	-	(11,705,851)
Exchange differences	59,827,864	10,184,996
At end of year	154,150,804	120,864,895

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:

	1.1.2015 N'000	Charged/ (credited) to P/L N'000	Charged/ (credited) to OCI N'000	Held for Sale N'000	Exchange Differences N'000	31.12.2015 N'000
2015						
Deferred income tax liabilities						
Property, plant and equipment and Exploration and evaluation assets:	131,101,801	15,543,159	-	(13,081,036)	10,130,676	143,694,600
Finance Leases	10,701,307	221,657	-	-	834,322	11,757,286
Embedded derivative	407,993	196,811	-	(604,804)	-	-
Borrowings/other payables	(23,149)	(46,766)	-	69,915	-	-
Financial instruments	544,436	(82,985)	-	(5,913)	-	455,538
Inventory	5,995,142	(5,995,142)	-	-	-	-
	148,727,530	9,836,734	-	(13,621,838)	10,964,998	155,907,424
Deferred income tax assets						
Provisions	(10,986,420)	(24,887,241)	-	1,540,084	(756,912)	(35,090,489)
Tax losses	(985,316)	1,008,273	-	-	(22,957)	-
Retirement benefit obligation	(253,363)	120,865	(117,398)	375,903	(146)	125,861
Financial instruments	(103,366)	25,452	-	-	13	(77,901)
	(12,328,465)	(23,732,651)	(117,398)	1,915,987	(780,002)	(35,042,529)
Net deferred income tax liabilities	**136,399,065**	**(13,895,917)**	**(117,398)**	**(11,705,851)**	**10,184,996**	**120,864,895**

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

	1.1.2016 N'000	Charged/ (credited) to P/L N'000	Charged/ (credited) to OCI N'000	Held for Sale N'000	Exchange Differences N'000	31.12.2016 N'000
2016						
Deferred income tax liabilities						
Property, plant and equipment and Exploration and evaluation assets:	143,694,600	(33,808,953)	(67,695)	-	70,903,576	180,721,528
Intangible assets	-	(377,491)	377,491	-	-	-
Finance Leases	11,757,286	147,788	-	-	6,282,381	18,187,455
Financial instruments	455,538	-	(455,538)	-	-	-
	155,907,424	(34,038,656)	(145,742)	-	77,185,957	198,908,983
Deferred income tax assets						
Provisions	(35,090,489)	9,589,156	741,391	-	(16,921,158)	(41,681,100)
Tax losses	-	(2,669,351)	-	-	(437,684)	(3,107,035)
Retirement benefit obligation	125,861	(96,802)	-	-	897	29,956
Financial instruments	(77,901)	(10,508)	88,557	-	(148)	-
	(35,042,529)	6,812,495	829,948	-	(17,358,093)	(44,758,179)
Net deferred income tax liabilities	**120,864,895**	**(27,226,161)**	**684,206**	**-**	**59,827,864**	**154,150,804**

Analysis of deferred tax charge for the year:

	2016 N'000	2015 N'000
- Continuing operations (Note 13)	(33,565,679)	(12,818,481)
- Discontinued operations (Note 13)	(1,104,122)	(1,077,436)
	(34,669,801)	**(13,895,917)**

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 2016, the Group had unused tax losses of N221.6 billion (2015: N189.5 billion) relating to tax losses from Oando Plc (Company), and OER which 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 nearest future to recover the deferred tax. The tax losses can be carried forward indefinitely. The subsidiaries does not have any unrecognised deffered tax liability.

At 31 December 2016, there was no recognised deferred tax liability (2015: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associate or joint venture. The Group has determined that undistributed profits of its subsidiaries, joint venture or associate will not be distributed in the foreseeable future.

The temporary differences associated with investments in the Group's subsidiaries and associates, for which a deferred tax liability has not been recognised in the periods presented, aggregate to N42.7 billion (2015: deferred tax asset N3.1 billion).

Company

The company has unused tax losses of N117.8 billion (2015: N30.2 billion) for which no deferred tax was recognised. There was no time limit within which the tax assets could be utilised.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

19 Derivative financial assets

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company6 2015 N'000
Commodity option contracts (i)	6,932,527	24,853,969	-	-
	6,932,527	24,853,969	-	-
Analysis of total derivative financial assets				
Non current	844,438	14,591,951	-	-
Current	6,088,089	10,262,018	-	-
Total	6,932,527	24,853,969	-	-

i Commodity option contracts

The table below summarizes the details of the financial commodity contracts in place as at December 31, 2016 as a result of these arrangements:

Position	Remaining term	Price/Unit[1] Fixed ($)	Strike ($)	Premium	Volume* (bbl/d)	Fair value =N=
- Fixed sell, purchased call[3]	Jan 2017 to July 2017	65.00	75.00	-	5,333	2,790,445
- Purchased put[3]	Jan 2017 to July 2017	-	75.00	10.00	2,667	1,395,252
- Purchased put[4]	Feb 2017 to Jan 2019[5]	-	75 - 85	14.84 - 14.83	1590	2,746,830
Total					9,590	6,932,527

[1] Based on the weighted average price/unit for the remainder of contract..
[2] Premiums are deferred and payable monthly and settled net of fixed and strike cash flows.
[3] Financial commodities contract associated with the Senior Secured Facility.
[4] Financial commodities contract associated with the Corporate Finance Loan Facility.
[5] Remaining term excludes January 2017.
[*] Average volume over the remaining life of the contract.

The effect of the hedges associated with the Senior Secured Facility is to fix the price of oil that the Group receives, on the specific volumes at $65/bbl until the benchmark price of dated Brent crude oil reaches $75/bbl; when dated Brent crude oil price exceeds $75/bbl the Group will receive the incremental price above $75/bbl. These hedges account for 8,000 bbl/day. The effect of the hedges associated with the Corporate Finance Loan Facility is to fix the price of oil that the Group receives, on the specific volumes at an average price of $65/bbl until the benchmark price of dated Brent crude oil reaches the cap price (which ranges from $75/bbl to $85/bbl); when dated Brent crude oil price exceeds the cap price the Group will receive the incremental price above cap price. These hedges account for an average of 1,590 bbl/day.

Derivatives, including financial commodity contracts, are initially recognized at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value with the resulting gains or losses recognized as income or expense in the statement of comprehensive loss in the period. The fair value of the commodity contracts as at December 31, 2016 was N6.9 billion ($22.7 million). Included in the net fair value gains on financial commodity contracts for the year ended December 31, 2016 is a loss of N26.8 billion ($102.1 million), from the aforementioned early settlement and reset arrangements (2015 - $34.9 million) and N16.98 billion ($64.8 million) of net unrealized gains.

The fair value of commodity contracts are calculated based on observable inputs which include forward prices of crude oil.

ii Convertible options

The table below presents the changes in level 3 instruments for the year ended 31 December 2016.

	Company 2016 N'000	Company 2015 N'000
At start of year	-	1,662,948
Gain/loss recognised in statement of profit or loss	-	(1,662,948)
At end of year	-	-

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

20 Finance lease receivables

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Finance lease receivable - Current	-	232,328	-	-
Finance lease receivable - Non Current	60,926,511	43,589,953	-	-
	60,926,511	43,822,281	-	-

(1) As a result of COP Acquisition, the Group through OER became a party to a power purchase agreement which is accounted for as a finance lease. The Group, as a party to the NAOC/POCNL/NNPC JV entered into a power purchase agreement with Power Holding Company of Nigeria (now Nigerian Bulk Electricity Trading NBET) in 2001. The agreement is to develop, finance, construct, own maintain and operate as a joint operations an upstream gas project. The gas project is located at Kwale for the production of electric power (the Kwale-Okpai Independent Power Plant or Kwale IPP). The gas plant utilizes fuel source from the natural gas reserves in jointly operated oil fields operated by Nigeria Agip Oil Company Limited (NAOC). The agreement will continue in full force and effect for 20 years from the Commercial operations date with the option of renewal of 5 years. At the end of the 25th year, PHCN shall have the option to purchase the Kwale IPP at a fair price determined by an expert. PHCN will pay a contracted sum to the Joint operations partners throughout the tenure for capacity and for the purchase of electricity from the plant. The residual value has been estimated to be $164.7 million. The lease payments grow over time but are lower than the interest income for the first five years and as such all the finance lease receivable has been considered as non-current.

The residual value has been estimated to be N50.2 billion ($164.7million). The lease payments grow over time but are lower than the interest income for the first five years and as such all the finance lease receivable has been considered as non-current.

The finance lease receivables by the Group amounted to N60.9 billion as at December 31, 2016 (2015: N43.8 billion) and will bear interest until their maturity dates of N89.9 billion (2015: N68.1 billion). The increase is attributable to exchange difference. The fair value of the lease receivable as at 31 December 2016 is N43.9 billion (2015: N42.34 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 (N1.3 billion) is recognised as unearned lease premium and amortised as other operating income to profit or loss over the lease term of 10 years; N141 million was amortised in 2016 (2015: N132 million). The carrying value of the finance lease at 31 December 2016 is N4.20 billion (2015: N4.43 billion). This has been disclosed as part of held for sale in 2016.

The receivables under the finance leases are as follows:

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Non-current receivable				
Finance lease - gross receivables	150,807,015	110,689,722	-	-
Unearned finance income	(89,880,504)	(67,099,769)	-	-
	60,926,511	43,589,953	-	-
Current receivables				
Finance lease - gross receivables	-	1,185,440	-	-
Unearned finance income	-	(953,112)	-	-
	-	232,328	-	-
Gross receivables from finance lease				
Not later than one year	6,496,532	4,624,629	-	-
Later than one year and not later than five years	35,003,021	21,002,192	-	-
Later than five years	109,307,462	86,248,341	-	-
	150,807,015	111,875,162	-	-
Unearned future finance income on finance lease	(89,880,504)	(68,052,881)	-	-
Net investment in finance lease	60,926,511	43,822,281	-	-

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

21 Non-current receivables

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Underlift receivables (Note 21a)	22,173,422	14,470,884	14,418,044	9,409,546
Other non-current receivables (Note 21b)	32,542,482	13,954,841	9,711,893	-
	54,715,904	28,425,725	24,129,937	9,409,546
Less: Allowance for impairment of non-current receivables	(32,681,515)	(21,328,754)	(14,418,044)	(9,409,546)
	22,034,389	7,096,971	9,711,893	-

Movement in allowance for impairment of non-current receivables for the year is as detailed below:

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
At start of the year	21,328,754	16,910,081	9,409,546	8,735,439
Allowance for receivables impairment - Continuing operations (Note 10)	-	3,083,744	-	-
Exchange difference	11,352,761	1,334,929	5,008,498	674,107
At end of year	32,681,515	21,328,754	14,418,044	9,409,546

(a) 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 N22.17billion (2015: 14.47 billion; $72.7 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 Plc unless it collects the equivalent amounts from the original receivable.

The Group has made full provision for the recievables due to the uncertainty associated with the timing of collectability and the related dispute. The incease in the underlift receivables is as a result of exchange rate differential, which also impacted on the translated accumulated provisions amount.

(b) Other non-current receivable

Other non-current receivables include a joint venture receivable of N12.3 billion ($40.4 million), which represents the maximum credit risk exposure on this instrument. As at December 30, 2015 the carrying amount of the joint venture receivable related to the Corporation's Interest in Qua Ibo has been reduced to its recoverable amount through the recognition of an impairment loss of N3.08 billion ($15.6 million). Also included is N9.7billion receivable from Glover BV. The recoverable amount has been determined using a discounted cash flow technique and categorized in Level 3 of the fair value hierarchy. Key assumptions include crude oil prices and the discount rate of 15%.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

22 Inventories

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Finished goods	1,321,893	1,181,186	-	-
Materials	797,857	694,670	-	-
Products-in-transit	10,684,582	-	-	-
Consumables and engineering stock	-	389,362	-	-
	12,804,332	2,265,218	-	-

The cost of inventories recognised as an expense (written down to NRV) and included in 'cost of sales' was nil (2015: N24.8 billion). There was no inventory carried at net realisable value as of the reporting date (2015: nil).

23 Trade and other receivables

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Trade receivables	48,664,918	59,421,034	-	-
Less: Allowance for impairment of trade receivables	(1,450,898)	(2,470,923)	-	-
	47,214,020	56,950,111	-	-
Other receivables	64,135,790	10,920,378	16,249,243	18,658,396
Witholding tax receivable	11,577,121	11,395,310	2,817,245	2,877,289
Deposit for import	37	85,297	-	-
Amount due from related parties (Note 37)	-	-	143,928,157	191,755,780
Less: Allowance for impairment of other receivables	(15,924,891)	(2,928,781)	(51,595,951)	(7,248,882)
	107,002,077	76,422,315	111,398,694	206,042,583

Other receivables relates to cash call advances to joint operations partners of N18.7 billion ($61.3 million), COP consent refund of N7.6 billion ($24.8 million) and N854 million ($2.8 million) relates to amounts due from bankers on realized portion of commodity contracts.

The carrying amounts of trade and other receivables for 2016 and 2015 respectively approximate their fair values due to their short term nature. The fair values are within level 2 of the fair value hierarchy.

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

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
As previously stated:				
At start of the year	5,399,704	8,530,438	7,248,882	2,045,890
Allowance for receivables impairment - Continuing operations (Note 10)	13,877,458	38,758	50,332,803	5,202,992
Allowance for receivables impairment - Discontinued operations	780,561	1,459,712	-	-
Reclassification to allowance for impairment[1]	-	152,701	-	-
Receivables written off during the year as uncollectible	(782,743)	(107,440)	(5,985,734)	-
Disposal of subsidiary	(2,347,205)	-	-	-
Exchange difference	771,638	80,055	-	-
Transfer to disposal group classified as held for sale	(323,623)	(4,754,520)	-	-
At end of year	17,375,790	5,399,704	51,595,951	7,248,882

[1]Reclassification to allowance for impairment - Represents allowance for impairment previously mapped directly to trade receivables now reclassified to allowance for impairment.

Trade & other receivables are non-interest bearing and are normally settled within one year. The carrying amounts of trade and other receivables for 2016 and 2015 respectively approximate their fair values.

Annual Consolidated and Separate Financial Statements

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

24 Available-for-sale financial assets & investment in subsidiaries

(a) Available-for-sale financial assets represent the Company's investments in listed securities on the Nigerian Stock Exchange, and they all relates to equity instruments. 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 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
At start of the year	137,202	198,831	136,130	197,837
Impairment loss	(22,145)	(61,707)	(22,145)	(61,707)
Exchange difference	585	78	-	-
At the end of year	115,642	137,202	113,985	136,130

Impairment loss represents a significant and prolonged decline in fair value.

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Analysis of available-for-sale financial asset				
Non current	2,867	5,067	2,867	5,067
Current	112,775	132,135	111,118	131,063
Total	115,642	137,202	113,985	136,130

(b) Investment in subsidiaries (Cost)

	Company 2016 N'000	Company 2015 N'000
Gaslink Nigeria Limited	-	6,950,847
Oando Exploration and Production Limited	3,895,788	3,896,152
Oando Gas and Power Limited	-	1,000
Oando Lekki Refinery Limited	-	2,500
Oando Port Harcourt refinery Limited	-	2,500
Oando Properties Limited	-	250
Oando Benin	3,997	-
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
Oando Netherlands Holdings 2 Cooperative U.A	-	-
Oando Netherlands Holdings 3 Cooperative U.A	-	-
OES Passion Limited	1,752	1,752
OES Professionalism Limited	10,000	10,000
Central Horizon Gas Company Limited	-	5,100
Ajah Distribution Limited	-	2,500
Alausa Power Limited	-	2,500
Gasgrid Nigeria Limited	-	2,500
Oando Resources Limited	2,500	2,500
Trading DMCC	917,717	2,717
Oando Oil Limited	5,100	5,100
Lekki Gardens Power Limited	-	2,500
Oando Exploration Equator Holdings Limited	1,816	1,816
XRS 1 Limited	18	18
Oando Energy Resources Inc.	50,997,513	50,997,514
	59,287,727	65,341,292
Allowance for impairment	(3,914,078)	(3,916,943)
	55,373,649	61,424,349

	Company 2016 N'000	Company 2015 N'000
Movement in allowance for impairment of investments for the year is as detailed below:		
At start of the year	3,916,943	31,227,574
Impairment on investment (Note 10)	-	19,664,290
Liquidated subsidiaries	(2,865)	-
Transfer to non current asset classified as held for sale	-	(46,974,921)
At end of year	3,914,078	3,916,943

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

25 Cash and cash equivalents (excluding bank overdrafts)

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Cash at bank and in hand	10,390,585	14,985,373	7,752,128	1,939,965
Restricted cash	6,538,952	9,006,083	4,682,749	241,167
	16,929,537	23,991,456	12,434,877	2,181,132

The weighted average effective interest rate on short-term bank deposits at the year-end was 7% (2015: 9.2%). These deposits have an average maturity of 30 days. The management assessed that the fair value of cash and short term deposits approximates their carrying amounts.

Restricted cash relates to cash collateral and is excluded from cash and cash equivalents for cash flow purposes.

For the purposes of the statement of cash flows, 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 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Cash and bank balance as above	10,390,585	14,985,373	7,752,128	1,939,965
Bank overdrafts (Note 29)	-	(31,020,256)	-	(28,068,867)
	10,390,585	(16,034,883)	7,752,128	(26,128,902)

26 Discontinued operations and disposal groups held for sale

The assets and liabilities of some target companies of the marketing, refining and terminals and Supply & Trading segments, Oando Energy Services Limited and Akute Power Limited were presented as held for sale at 31 December 2015, following the approval of the Group's management and shareholders at the 37th Annual General Meeting (AGM) on 27 October 2014 and approval by the Securities and Exchange Commission (SEC) to sell the entities. Analysis of the result of entities classified as discontinued operations and held for sale are as shown below:

(a) Subsidiaries disposed and presented as discontinued operations

i. Sale of Marketing, refining and terminals and Supply & Trading Companies

On 30 June 2016, the Group concluded the sale of some selected down stream entities. Oando entered into a Share Purchase Agreement (SPA) with a consortium comprising of Helios Investors Partners (''Helios) and The Vitol Group (''Vitol'') to sell some of its equity interests in some selected Oando downstream companies in return for consideration. In order to complete the sale transaction, the purchaser, Vitol, entered into a partnership with Helios to form HV Investments II (''HV II''). HV II is owned 50% each by both Vitol & Helios. HVII and Oando Netherlands (''herein Oando Coop.''), created a company called Copper JV Co.

Copper JV Co thereafter acquired 100% of the voting interests in Oando Plc's shareholding interests in some of its selected marketing and supply & trading companies. Copper JV is owned 60% by HV II and 40% by Oando Netherlands Holdings 2 Cooperative U.A. Oando Plc owns 100% of Oando Netherlands Holdings 2 Cooperative U.A. As a result of the sale, Oando Plc now owns 40% of voting, legal and economic rights in Copper JV Co (who owns 100% of the select downstream entities sold by Oando plc).

The companies sold by Oando Plc and acquired by Copper JV Co are: Oando Marketing Ltd (''Formerly OMP'') and its subsidiaries (Oando Togo, Oando Ghana and Clean Cooking Fuels Ltd); Oando Supply and Trading Ltd (''OST''); Apapa SPM Limited (''ASPM''); Oando Trippmart Limited (''OTL'') and Ebony Oil and Gas Limited – (''EOGL'').

As a result of the sale, the Group lost control in the entities sold, but exerts significant influence over Copper JV. The Group accounted for its 40% interest in Copper JV as an investment in Associate under IAS 28. The initial carrying value of the Associate was determined as the fair value of interest retained of N10.44billion.

A (loss)/gain on disposal of (N11.3billion) and N3.8billion, have been recognized in the consolidated financial statement (under profit after tax for the year from discontinued operations) and separate financial statement respectively.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

ii. Sale of Gas & Power entities

On 13 September 2016, the Group signed a Sale & Purchase Agreement (SPA) to dispose 100% shares in Oando Gas and Power Limited (OGP) to Glover BV a Special Purpose Vehicle owned by Helios. The transaction was concluded in December 2016.

Prior to the sale, the Group restructured/reorganized the shares of the target sale companies. As a result of the restructuring, shares of the target subsidiaries (Gaslink Nigeria Limited, Central Horizon Gas Company, Highlands LNG Limited, Gasgrid Nigeria Limited, Ajah Distribution Limited, Transit Nigeria Limited, Lekki Gardens Power Limited) previously held by Oando Plc were transferred to OGP through a group restructuring. Consequently, OGP became the parent company, and Oando Plc, the ultimate parent of all the target subsidiaries to be sold. However, as at year end, the OGP was sold and the receivable from the restructuring was settled by Helios the buyer of OGP and realised by the Group.

Consideration received by Oando for the sale of shares includes cash (N14.26bn), deferred consideration (N3.15bn), issue of loan note (N9.7billion) and share consideration in Glover BV valued at N2.34billion. Following the share consideration, Oando plc now has 30% shares in Glover BV through Oando Holdco 3, a wholly owned subsidiary of Oando Plc.

As a result of the sale, the Group lost control in OGP, but however exerts significant influence over Glover BV. The Group accounted for its 30% interest in Glover BV as an investment in Associate under IAS 28. The initial carrying value of the Associate was determined as the fair value of shares transferred to Oando plc through Oando Holdco 3. The fair value of the associate was N2.34billion.

A gain on disposal of N22billion and N28.5billion, have been recognized in the consolidated financial statement (under profit after tax for the year from discontinued operations) and separate financial statement respectively.

The comparative consolidated statement of profit or loss and OCI have been represented to show the discontinued operation separately from continuing operations (Note 44).

iii. Sale of Akute Power

On 30th October 2015, the Group signed a Sale and Purchase Agreement (SPA) for the disposal of 100% of its equity interest in Akute Power Limited to Viathan Engineering Limited. As a result of the reorganization of the Gas & Power enities prior to the finalization of the sale, Akute Power Limited was transfered to OGP which was owned 100% by Oando Plc, through a share exchange agreement. The transaction was concluded on 11 March 2016 after fulfilment of all closing conditions and obligations prior to that date of sale of OGP.

As a result of the sale, the Group lost control in Akute Power and have derecognized all assets and liabilities. A loss on disposal of N1.52billion, have been recognized in these audited consolidated financial statements (under profit after tax for the year from discontinued operations).

iv. Sale of Oando Energy Services

On 31 December 2015, a Share Purchase and Sale Agreement (SPA) to sell the entire issued share capital of Oando Energy Services Limited (OES) to OES Integrated Services Limited (the buyer), a Nigerian company, under a Management Buy-out (MBO) arrangement was signed. A no objection consent was obtained by SEC on 31 March 2016. Oando Energy Services was in a net liability position of N20.92billion and was disposed for a consideration of $1. Consequently the Group lost control and derecognized assets & liabilities of the entity.

A gain/(loss) on disposal of N21.4billion and (N46.97billion), have been recognized in the consolidated financial statement and separate financial statement respectively.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

	Oando Energy Services N'000	Akute Power Limited N'000	Marketing, refining & terminals & Supply & Training segment N'000	Gas & Power N'000	Total N'000
Consideration	-	1,819,769	32,943,233	28,478,817	63,241,819
Net liability/(asset)	21,437,371	(3,344,531)	(44,361,197)	(2,845,922)	(29,114,279)
Goodwill	-	-	(1,354,317)	(4,016,812)	(5,371,129)
NCI	-	-	1,458,632	401,900	1,860,532
Gain/(loss) on disposal*	21,437,371	(1,524,762)	(11,313,649)	22,017,983	30,616,943

*The gain/(loss) on disposal of subsidiaries has been presented as part of profit/(loss) from discontinued operations in the statement of profit or loss.

(b) Liquidation of subsidiaries

During the year under review, the Company employed the services of Mr. Olajide Oyewole to voluntarily liquidate 3 dormant entities namely Oando Port-Harcourt Refinery Limited, Oando Lekki Refinery Limited and Oando Property Limited. The liquidation process which commenced sometime ago, was successfully completed. Consequently, the companies have been dissolved. The liquidation was as a result of dormancy for several years. All creditors/payables have been duly settled and assets realized with the exception of the amount due to the parent company, Oando Plc.

Consequently, the investment in the subsidiaries have been written off in the separate financial statement and a loss of N5.2 million recognized in the statement of profit or loss being the carrying value of the investments before liquidation. Also the net receivable of N435million due from the the entities have also been written off.

As a result of cessation of business, control was lost and the subsidiaries are excluded from these consolidated financial statements. A gain on deemed disposal of N420.38million and loss of N5.25 million was recognized in the consolidated (under profit after tax for the year from discontinued operations) and separate statement of profit or loss. The gain on disposal arose due to the net liability position of Oando Lekki Refinery and Oando Property Limited from amount payable to Oando Plc.

Summarized financial statement

	Oando Port Harcourt Refinery N'000	Oando Lekki Refinery N'000	Oando Property Limited N'000	Total N'000
Asset	2,500	-	13,100	15,600
Liabilities	-	(376)	(374)	(750)
Net asset/(liability)	2,500	(376)	12,726	14,850
Share capital	(2,500)	(2,500)	(250)	(5,250)
Retained earnings	-	2,876	(12,476)	(9,600)
Net (asset)/liability	(2,500)	376	(12,726)	(14,850)
Gain on deemed disposal				
Fair value of consideration received	-	-	-	-
Fair value of interest retained	-	-	-	-
Non controlling interest	-	-	-	-
	-	-	-	-
Net (asset)/liability	(2,500)	376	(12,726)	(14,850)
Goodwill	-	-	-	-
(Loss)/gain on deemed disposal	(2,500)	376	(12,726)	(14,850)

Annual Consolidated and Separate Financial Statements

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

Effect of disposal and liquidation on the financial position of the Group	**Group 2016 N'000**	**Group 2015 N'000**
Assets:		
Property, plant and equipment (Note 15)	92,289,457	-
Intangible assets (Note 16)	29,197,157	-
Inventories	18,844,888	-
Trade and other receivables	192,155,786	-
Held to maturity (Long-term) investments	24,903,458	-
Finance lease receivables	2,109,108	-
Derivative financial assets	1,991,561	-
Non-current prepayment	2,690,021	-
Prepayment	6,069,929	-
Liabilities:		
Total borrowing	(174,314,001)	-
Government grant (Note 33)	(17,499)	-
Dividend payable	(1,404,490)	-
Current income tax liabilities	(4,958,075)	-
Deferred income tax liabilities (Note 18)	(664,106)	-
Retirement benefit obligation	(1,822,681)	-
Other non-current liabilities	(3,152,216)	-
Provision for other liabilities & charges	(900,087)	-
Trade and other payables	(180,876,087)	-
	2,142,123	-
Profit on disposal	30,602,093	-
Effect of disposal and liquidation on the financial position of the Group	32,744,216	-
Satisfied by:		
Consideration received, satisfied in cash (less cost to sell)	16,081,748	-
Share exchange	12,784,121	-
Purchase price adjustment	(17,736,444)	
Net intercompany payable net off	34,371,784	-
Non-controlling interest (NCI)	1,860,532	-
Deferred consideration	17,740,610	-
Cash and cash equivalents disposed of	(32,358,135)	-
	32,744,216	-

(c) Subsidiaries classified as held for sale

i. Planned sale of OML 125 & 134

In December 2015, the Group signed a Sale and Purchase Agreement (SPA), with Nigerian Agip Exploration Limited ‚NAE' for the sale of its non-operated interests in OMLs 125 and 134. As a result of this, the associated assets and liabilities were classified as held for sale as at December 31, 2015. The transaction was expected to be completed in 2016 subject to the receipt of consent from the Lenders and Minister of Petroleum Resources in Nigeria. As at 31 December 2016, the consent of the lenders have been secured, while the Group is still pursuing the approval from the Minister of Petroleum Resources which is required to finalize the transactions.

As at date, the Group has a firm purchase commitment from NAE as the SPA has been signed, and is confident the consent from the minister will be obtained in 2017 to conclude the transaction. The Group still classifies OML 125 &134 as held for sale because it has been assessed in line with IFRS 5 and all criteria are still met.

The carrying amount of the property, plant and equipment was in excess of the agreed amount as at December 31, 2016 and as such an impairment loss of N16 billion ($61.1 million) has been recognized in the statement of profit or loss under adminstrative expenses. As part of the arrangement with NAE, the Group retains its rights to the N22.2billion ($72.7million) award for amounts overlifted by NNPC (See Note 21) and has therefore not been included in the disposal group.

(d) Subsidiaries classified as held for sale and presented as discontinued operations

ii. Alausa Power Limited

On 28th September 2016, the board of Oando Plc passed a resolution to dispose 100% of the issued shares of Alausa Power Ltd.

In accordance with IFRS 5, the assets and liabilities held for sale were recognised at the carrying amount, which is lower 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 sale of similar businesses.

Analysis of the result of assets and liabilities from the subsidiaries classified as held for sale after re-measurement of assets from the disposal group is as follows:

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

iii Assets of disposal group classified as held for sale

	Company 2016 N'000	Company 2015 N'000
Property, plant and equipment (Note 15)	41,934,577	125,549,060
Intangible assets (Note 16)	1,142,841	11,471,928
Derivative financial instruments	-	2,016,012
Finance lease receivables	4,201,638	2,193,901
Other non-current assets	-	2,644,029
Deferred tax assets (Note 18)	106,409	1,915,987
Inventory	62,455	12,894,119
Non-current receivables	-	237,903
Trade and other receivables	2,301,937	69,500,871
Prepayments	90,910	2,501,277
Restricted cash	-	-
Cash and cash equivalents (excluding bank overdrafts)	205,885	20,433,670
Total assets	**50,046,652**	**251,358,757**

	Company 2016 N'000	Company 2015 N'000
Liabilities of disposal group classified as held for sale		
Trade and other payables	31,384,984	77,315,146
Current income tax liabilities (Note 13)	66,276	1,776,979
Bank overdraft	-	53,180,150
Borrowing	1,628,127	119,309,001
Retirement benefit obligation (Note 32)	-	1,516,526
Provision for other liabilities & charges (Note 30)	11,715,403	8,099,800
Deferred tax liabilities (Note 18)	7,274,866	13,621,838
Government Grant (Note 33)	449,434	32,049
Total liabilities	**52,519,090**	**274,851,489**

Subsidiaries classified as held for sale

	Company 2016 N'000	Company 2015 N'000
Investment in subsidiaries		
Akute Power Limited	-	2,500
Alausa Power Ltd	2,500	-
Apapa SPM Limited	-	19,125
Oando Marketing Limited	-	15,573,050
Oando Supply and Trading Limited	-	764,594
	2,500	16,359,269

See note 44 for representation of 2015 balances for disposal group classfied as held for sale.

(e) Subsidiary previously held for sale now reclassified as continuing operations

i. Oando Trading Bermuda

The Group changed its plan to dispose a subsidiary, Oando Trading Bermuda (OTB) in 2016 previously classified as held for sale in the statement of financial position and discontinued operations in the consolidated statement of profit or loss for the year ended 31 December 2015.

This has been reclassified from held for sale to normal assets and liabilities of the Group represented as part of continuing operations in 2016. The change in plan to sell which occurred in 2016, was at the instance of the buyer, who wanted to prevent competition between OTB and its existing trading company.

The non-current assets of OTB have been measured at its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale.

The change in plan has led to an additional loss of N1.47billion and profit of N1.63billion in the profit or loss from continuing operations for the year ended 31 December 2016 and 31 December 2015 respectively.

The comparative consolidated statement of profit or loss have been represented to show OTB as part of continuing operations (see note 44).

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

(f) 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:

	Company 2016 N'000	Company 2015 N'000
Revenue	113,449,888	178,309,226
Expenses	(113,489,093)	(190,332,616)
Loss before income tax from discontinued operations	(39,205)	(12,023,390)
Income tax expense (Note 13a)*	(1,262,367)	(2,745,916)
Loss after tax from discontinued operations	(1,301,572)	(14,769,306)
Gain on sale of discontinued operations	30,602,093	-
	30,602,093	-
Profit after tax for the year from discontinued operations	29,300,521	(14,769,306)

*Income tax expense represents income, education and changes in deferred tax.

Cash flows (used in)/from discontinued operations

Net cash (used in)/from operating activities	(4,724,907)	21,326,635
Net cash used in investing activities	(137,561)	(3,959,218)
Net cash from/(used in) financing activities	4,421,723	(20,709,410)
Net cash flows for the year	(440,745)	(3,341,993)

27 Share capital & share premium

	Number of Shares (Thousands)	Ordinary Shares N'000	Share Premium N'000	Total N'000
At 1 January 2015	9,084,685	4,542,343	131,554,223	136,096,566
Rights issue	2,949,933	1,474,966	47,198,189	48,673,155
Share issue expenses	-	-	(3,945,489)	(3,945,489)
At 31 December 2015	12,034,618	6,017,309	174,806,923	180,824,232
At 1 January 2016	12,034,618	6,017,309	174,806,923	180,824,232
At 31 December 2016	12,034,618	6,017,309	174,806,923	180,824,232

Authorised share capital

The total authorised number of Ordinary shares is fifteen (15) billion (2015: 15 billion) with a par value of 50 Kobo per share. All issued shares are fully paid.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

28 Other reserves

	Revaluation[1] reserves (thousands)	Share based[2] payment reserve N'000	Currency[3] translation reserve N'000	Available for Sale Reserve N'000	Total N'000
At 1 January 2015	23,318,183	1,113,017	20,907,912	3,806	45,342,918
Exchange difference on translation of foreign operations	(5,438)	85,468	11,138,040	-	11,218,070
Change in ownership interests in subsidiaries that do not result in a loss of control	-	(129,980)	(102,376)	-	(232,356)
Share based payment reserve charge	-	552,165	-	-	552,165
IFRIC 1 adjustment to revaluation reserve	69,436	-	-	-	69,436
Deferred tax on transfer of expired SBPR to retained earnings	-	-	-	-	-
Reclassification of revaluation reserve	(1,195,687)	-	-	-	(1,195,687)
Impairment on available for sale financial assets	-	-	-	57,901	57,901
Fair value (loss)/gain on available for sale financial assets	-	-	-	(61,707)	(61,707)
At 31 December 2015	22,186,494	1,620,670	31,943,576	-	55,750,740
At 1 January 2016	22,186,494	1,620,670	31,943,576	-	55,750,740
Exchange difference on translation of foreign operations	8,488	-	74,695,310	-	74,703,798
Exchange differences on net investment in foreign operations	-	-	8,990,725		8,990,725
Change in ownership interests in subsidiaries that do not result in a loss of control	-	-	(22,674,826)	-	(22,674,826)
Value of employee services	-	469,829	-	-	469,829
Reclassification of FCTLR to retained earnings*	-	-	(1,218,976)	-	(1,218,976)
Reclassification of revaluation reserve to retained earnings*	(22,194,982)	-	-	-	(22,194,982)
At 31 December 2016	-	2,090,499	91,735,809	-	93,826,307

*In line with IFRS 10, items previously recognised in OCI have been transferred to retained earnings upon disposal of subsidiary.

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 decrease/increase in the decommissioning costs for assets measured under the revaluation model be recognised as an increase/decrease in the revaluation surplus account. There was an increase in the re-measurement of the decommissioning obligation estimate during the year. The subsidiary with the revaluation reserve was disposed in 2016, hence there was no IFRIC 1 adjustment (2015: N69.4 million).

	Share based[2] payment reserve N'000	Available for Sale Reserve N'000	Total N'000
Company			
At 1 January 2015	-	3,806	3,806
Impairment on available for sale financial assets	-	57,901	57,901
Fair value (loss)/gain on available for sale financial assets	-	(61,707)	(61,707)
At 31 December 2015	-	-	-

Revaluation reserve(1)

The revaluation reserve is used to recognise revaluation increase (surplus) on property, plant and equipment. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit. Revaluation reserve is not available for redistribution to shareholders until realised through disposal of related assets.

Share based payment reserve(2)

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Share based payment reserve is not available for distribution to shareholders. As a result of the delisting from the TSX in 2016, all outstanding stock options became fully vested.

Share options issued to employees and officers of OER as compensation for services received had different strike prices and vesting periods. As these options were accounted for as equity settled share based payments, a share based payment reserve had been created in OER's books until the time of vesting per the share option contract held with the employee.

However as a result of the delisting from TSX, there was an accelerated vesting of all outstanding options granted to the employees. As such some options were in-the-money (7,410,000 units) and others were out-of-the-money (1,600,000 units) at transaction date. All option holders with exercise price (converted to US$ at close date) less than the offer price of US$1.20 were to get the difference in value between the converted exercise price and the offer price. These category of option holders are deemed to be in-the-money and an estimated settlement obligation of $2.2 million has been recorded in the books of OER. The remaining option holders are not in-the-money and are not entitled to any payments.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

Oando E&P through a side agreement, issued its own common shares to employees of OER whose options were in-the-money whilst share options that were out-of-the-money were cancelled. OER has accounted for acceleration of vesting of the options-in-the money by adjusting the expenses and share based reserve using the fair value of the total number of shares accelerated.

OER also granted 2,747,829 performance share units (PSU) to certain employees in May 2015.The PSUs were subject to a performance condition based on the ranking of OER's total shareholder return which shall be measured over a period of three financial years.

This, also being accounted for as equity settled share based payment, had a share based payment reserve in the books of OER pending the expiry of the three year period vesting date. As a result of delisting of OER and sale of all shares to Oando E & P, all PSUs were accelerated and made to vest at transaction date. OER recorded an accelerated expense of $1.7 million with respect to the PSUs for the three months ended June 30, 2016. The PSU holders signed support agreements in which they would receive shares of the purchaser in exchange for their fully vested PSUs.

Currency translation reserve(3)

The translation reserve comprises all foreign currency difference arising from the translation of the financial statements of foreign operations, as well as intercompany balances arising from net investment in foreign operations.

29 Borrowings

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
The borrowings are made up as follows:				
(a) Non-current - Bank loans	101,639,606	55,998,437	87,320,834	1,734,773
(b) Current				
Bank overdraft (Note 29)	-	31,020,256	-	28,068,867
Bank loans	142,516,317	103,071,282	20,594,276	23,095,530
Convertible note	1,961,792	36,468,954	1,961,792	36,468,954
Other third party debt	-	769,078	-	769,078
	144,478,109	171,329,570	22,556,068	88,402,429
Total borrowings	246,117,715	227,328,007	109,876,902	90,137,202

The 2015 borrowings above include secured bank borrowings amounting to N23.4 billion. Oando Plc (the borrower) by a security trust deed (STD) dated 9 October 2009 and amendments in 2010 (Supplemental Security Trust Deed), 2011 (Second Supplemental Security Trust Deed), and 2014 (Third Supplemental Security Trust Deed), created Security over its assets in favour of FBN Trustees Limited (Security Trustee and formerly known as First Trustees Nigeria Limited). In 2016, as part of the company's corporate strategic objective of divesting 51% of its voting rights and 60% of its economic interest in the downstream segment, it absorbed the outstanding debts of these subsidiaries into its global debt portfolio and restructured outstanding obligations under the Existing Facilities into a medium term loan. In furtherance of the above the then existing MTL and other short term lenders of the disposed subsidiaries agreed to refinance the Existing Facilities up to the sum of N108 billion. The STD creates a first ranking fixed and floating charges over plant, machinery, vehicles, computers, office and other equipment, all book and other debts, accounts receivables, all stock, shares, bonds, notes or loan capital, all copyrights, patents, licences, trademarks, etc., for and on behalf of the Lender.

Medium Term Loan

One of the conditions precedent for the sale of the target companies of the downstream segment (included under Marketing, Refining & Terminals and Supply & Trading) to Helios Vitol to happen, was for Oando Marketing Limited (OML) formerly Oando Marketing Plc to be debt free, and Oando Plc to assume all external non-trading debts (i.e. debts taken by OML on behalf of Oando Plc and transferred to Oando Plc through intercompany account) of OML before the sale completion date. This was achieved through a Deed of assumption of debts, with the backing of the external lenders. A total of N74 billion debt was transferred from OML to Oando Plc. In addition. the external lenders restructured Oando Plc's existing loans of N34 billion and the N74 billion to a new medium-term loan facility of N108 billion with Access bank as the lead arranger. The tenure of the initial loan which ranged from overdraft to term loans was extended to 5 years. Floating interest rates were converted to a fixed rate at 15%.

At the date of restructuring, all USD loans were converted at the prevailing market rate of N290 to USD. The rate, was conditioned on the fact that the banks would be able to source for equivalent dollar amounts in the open market. Where these rates are not obtainable in the market, the banks have a window to transfer any exchange loss to Oando Plc. The restructuring amounted to a significant modification thereby resulting in extinguishment of the previous medim term loan. The extinguishment has been accounted for in line with IAS 39.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

The various sources of the loan and amounts recognised in OML and Oando Plc. are as detailed below.

Bank	Tenure	OML (N'bn)	Oando Plc (N'bn)	Restructured balance (N'bn)
Access	5 years	25.30	3.00	28.30
Diamond	5 years	0.02	0.92	0.94
Ecobank	5 years	16.57	-	16.57
FBN	5 years	0.26	0.91	1.17
Fidelity	5 years	12.23	-	12.23
Keystone	5 years	3.71	-	3.71
Stanbic	5 years	4.98	0.80	5.78
Union bank	5 years	8.07		8.07
Zenith	5 years	2.90	12.77	15.67
FCMB	5 years	-	12.82	12.82
UBA	5 years	-	3.07	3.07
Total		**74.04**	**34.29**	**108.33**

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

(c) Non-current borrowings are analysed as follows:

Loan type	Purpose	Tenure/Interest rate	Security	Available facility N'000	Drawdown/ Balance 2016 N'000	Drawdown/ Balance 2015 N'000
Group						
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	-	2,521,485
Corporate finance facility	Acquisition of the COP Assets	6 years / 9.5% + Libor p.a	COP Activities	64,676,500	-	43,953,968
RBL	Acquisition of the COP Assets	5 years / 8.5% + Libor p.a	COP Assets	83,155,500	-	54,946,965
Term Loan	Syndicated/other project loans	12mths with roll over option / 17% p.a.	Sale of gas to the end users for distribution to all lending banks and comprehensive insurance of all Gaslinks assets.	5,000,000	-	4,539,768
Term Loan	To finance CNG Project	5 years / 16.5% p.a.	Corporate guarantee of Oando Plc and CNG plant	2,200,000	-	984,254
Medium Term Loan	Restructuring of Short to Long Term Debt	5 years / 15%	Mortgage on assets of Oando Plc. and some subsidiaries	108,320,834	87,320,834	6,214,286
Term Loan	Medium term borrowing/Augmentat-	18 months/ 12.5%+Libor		12,200,000	9,747,592	9,960,000
ion of working capital						
Term Loan	Finance of aircraft purchase	7 years / 5.23% p.a.	Security Assignment, Share Charge	7,741,609	5,824,833	4,389,991
				286,494,443	102,893,259	127,510,717
Less current Portion				-	(1,253,653)	(71,512,280)
Total non-current borrowing (See a above)				286,494,443	101,639,606	55,998,437
Company						
Medium Term Loan	Restructuring of Short to Long	5 years / 15%	Mortgage on assets of Oando Plc. and some subsidiaries	108,320,834	87,320,834	6,214,286
Less current portion				-	-	(4,479,513)
Total non-current borrowing (See a above)				108,320,834	87,320,834	1,734,773

Loan type	Purpose	Tenure/Interest rate	Security	Balance 2016 N'000	Balance 2015 N'000
Import finance Facility	Purchase of petroleum products for resale	30-90days	Sales proceeds of products financed	6,182,367	13,736,954
Other Loans				1,910,962	769,078
Convertible Note	Conversion of loans to shares upon maturity			1,961,792	36,468,954
Corporate Finance Facility	Acquisition of COP assets	6 years / 9.5% + Libor p.a.	Oando Legacy assets	65,512,780	-
RBL	Acquisition of COP assets	5 years / 8.5% +3 mnths Libor p.a.	COP Assets	47,062,279	-
Bridge Facility	Refinanced from ODS Sale by a Medium Term Loan in June 2016	15%	MTL Security package	11,110,082	-
Asset Acquistion Finance	Conoco Phillips asset acquisition	LIBOR +10.5%		6,482,314	-
Working Capital Finance	Working Capital Finance	NIBOR +1.5%		3,001,880	-
Commercial Papers	To finance products allocation from PPMC and importation of petroleum products		Stock hypothecation, cash and cheque collection from product sales.		17,822,048
Bank Overdraft		30-90 days	Corporate guarantee/security deed	-	31,020,256
				143,224,456	99,817,290
Current portion of non-current borrowings				1,253,653	71,512,280
Total non-current borrowing (See a above)				144,478,109	171,329,570

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

				2016 N'000	2015 N'000
Company					
Bridge Facility	Refinanced from ODS Sale by a Medium Loan in June 2016	15%	MTL Security package	11,110,082	2,225,559
Other loans				-	769,078
Convertible note	Conversion of loans to shares upon maturity			1,961,792	36,468,954
Asset Acquistion Finance	Conoco Phillips asset acquisition	LIBOR +10.5%		6,482,314	-
Working Capital Finance	Working Capital Finance	NIBOR + 1.5%		3,001,880	-
Commercial papers	To finance products allocation from PPMC and importation of petroleum products		Stock hypothecation, cash and cheque collection from product sales.	-	16,390,457
Bank overdraft		30-90days, 12.5% -15.5%	Corporate guarantee/security deed	-	28,068,867
				22,556,068	83,922,915
Current portion of non-current borrowings				-	4,479,514
Total current borrowing (See b above)				22,556,068	88,402,429

Convertible loan notes

In 2014, the Company entered into agreements with Ocean and Oil Development Partners Limited (OODP) and Offshore Personnel Services Limited (OPSL) converting funds received. The Company also offered the Lenders (Holders) the right to opt for conversion of the loans balances to its own issued shares upon maturity (period subsequent to year end).

The average conversion price was the lower of:

a. Proposed right issue or private/public placement per share of common stock to be concluded by December 2014, or
b. The volume-weighted average price (VWAP) of an ordinary share of the Company on the Nigerian Stock Exchange for the five (5) trading days immediately preceeding, but not including, the relevant conversion closing date.

Table below shows details of the Convertible Notes outstanding at the end of the year:

Instrument Issue date	Instrument value	Interest Rates	Clean Bond value (amortised cost) =N='000 2016	Clean Bond value (amortisedl Value) =N='000 2015
Jan-14	=N=6.48 billion/=N=1.98 billion	MPR + 1	1,961,792	6,616,795
Jan-14	$50 million	8	-	9,950,720
Jul-14	$100 million	Libor + 8	-	19,901,440
			1,961,792	**36,468,955**

Weighted average effective interest rates at the year end were:

	2016	2015
- Bank overdraft	21.0%	21.0%
- Bank loans	18.5%	12.0%
- Import finance facility	5.06%	9.86%
- Other loans	13.00%	11.29%

Fair values are based on cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the Group at the reporting date. Set out below is a comparison of the carrying amounts and fair values of the Company's borrowings that are carried in the financial statements.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

	Carrying amounts 2016	2015	Fair values 2016	2015
Group	**N'000**	**N'000**	**N'000**	**N'000**
Bank loans	246,117,715	227,328,007	214,716,750	166,055,465

Company	**Carrying amounts 2016 N'000**	**2015 N'000**	**Fair values 2016 N'000**	**2015 N'000**
Bank loans	109,876,902	90,137,202	135,071,964	55,968,111

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

	Group 2016 N'000	**Group 2015 N'000**	**Company 2016 N'000**	**Company 2015 N'000**
Nigerian Naira	96,643,661	97,312,710	96,643,661	70,534,232
US Dollar	149,474,054	130,015,297	13,233,241	19,602,970
	246,117,715	227,328,007	109,876,902	90,137,202

30 Provisions for liabilities

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

	Group 2016 N'000	**Group 2015 N'000**	**Company 2016 N'000**	**Company 2015 N'000**
Oil and gas fields provision	40,549,807	41,499,048	-	-
Other liabilities	525,629	2,434,105	525,629	2,434,105
	41,075,436	43,933,153	525,629	2,434,105

The decommissioning provision represent the present value of decommissioning cost relating to oil & gas assets. These provisions have been created based on internal estimates, and the estimates are reviewed regularly to take account of material changes to the assumptions.

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. The key assumption upon which the carrying amount of the decommissioning obligation is based is a discount rates ranging from 15.73% to 19.75% (2015: 15.2% to 18.0%) and an inflation rate of 12.9% (2015: 8% to 12%). These obligations are expected to be settled over the next two to thirty-four years.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

	Company 2016 N'000	Company 2015 N'000
Movement during the year is as follows:		
At 1 January		
- Opening balance	41,499,048	11,923,304
Charged/(credited) to the statement of profit or loss		
- (Reduction)/additional provisions on tank decommissioning in the year	(32,525,818)	34,695,999
- IFRIC 1 adjustment to revaluation reserve	-	(69,436)
- Unwinding of discount	8,151,034	2,068,001
- Unwinding of discount (discontinued operations)	-	87,686
- Exchange differences	23,425,543	871,983
Change in estimate	-	23,375
Settlement	-	(2,064)
Transfer to disposal group classified as held for sale	-	(8,099,800)
Balance at 31 December	40,549,807	41,499,048

Other liabilities in 2016 relates to bid deposits received on the sale of Alausa (2015: bid deposits received on the sale of Akute). This has been classfied as current as the sale is expected to be finalised in 2017.

N'000	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015
Movement in other liabilities during the year is as follows:				
At 1 January	2,434,105	-	2,434,105	-
Additions	525,629	2,434,105	525,629	2,434,105
Settlement	(2,434,105)	-	(2,434,105)	-
	525,629	2,434,105	525,629	2,434,105

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Analysis of total provisions and other liabilities				
Non current	40,549,807	41,499,048	-	-
Current	525,629	2,434,105	525,629	2,434,105
Total	41,075,436	43,933,153	525,629	2,434,105

31 Derivative financial liabilities

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Convertible options (Note 29)	199,137	5,160,802	199,137	5,160,802
Analysis of total derivative financial liabilities				
Non current	-	-	-	-
Current	199,137	5,160,802	199,137	5,160,802
Total	199,137	5,160,802	199,137	5,160,802

Fair value gain of N4.96 billion (2015: N1.52 billion) was recognised on the convertible option in the statement of profit or loss for the year. Details of convertible loan notes have been disclosed in note 29.

32 Retirement benefit obligations

		Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
(a)	**Statement of financial position obligations for:**				
	Gratuity	1,161,705	1,487,923	782,416	850,598
(b)	**Statement of profit or loss charge (Note 11b):**				
	Gratuity	(26,524)	482,471	40,707	52,444
(c)	**Other comprehensive income**				
	Remeasurement losses recognised in the statement of other comprehensive income in the period	-	(391,327)	-	-

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

The gratuity scheme is unfunded.

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

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
At 1 January:	N'000	N'000	N'000	N'000
Opening balance: Contiuing operations	1,487,923	2,903,344	850,598	1,032,786
Current service cost	-	366,723	-	-
Interest cost	216,165	115,748	56,221	52,444
Remeasurements (gain)/loss of post employment benefit obligations	-	391,327	-	-
Exchange differences	(61,773)	28,919	-	-
Benefits paid	(141,529)	(801,611)	(39,021)	(232,289)
Disposal	(323,567)	-	-	-
Write back*	(15,514)	-	(15,514)	-
Transfer	-	-	(69,868)	(2,343)
Transfer to disposal group classified as held for sale (Note 26)	-	(1,516,527)	-	-
At 31 December	**1,161,705**	**1,487,923**	**782,416**	**850,598**

Transfers relates to liabilities of employees transferrred to other entities within the group.

(d) The amount recognised in the statement of profit or loss are as follows

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Current service cost	-	366,723	-	-
Write back*	(15,514)	-	(15,514)	-
Interest cost	216,165	115,748	56,221	52,444
Exchange difference	(227,175)	-	-	-
	(26,524)	482,471	40,707	52,444

*Write back represents reversal of excess provision on exited staff's liability.

Remeasurements of post employment benefit obligations

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

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Change in demographic assumptions	-	104,633	-	-
Changes in financial assumptions	-	286,694	-	-
	-	391,327	-	-

Description of the plan

The normal retirement age is the age at which a staff member completes 30 years of service or reaches the age of 60, whichever comes first. The gratuity benefits are payable to staff members with at least 3 years' service. The gratuity benefit is calculated as follows:

- Less than 10 years of service: 8.33% of qualifying gross salary per annum for each year of service; and
- More than 10 years of service: once the annual qualifying gross salary.

The qualifying gross salary for employees consists of basic salary, transport, lunch, utility and housing allowances.

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 2014 Pension Act. In 2013, the Group further discontinued the scheme for all senior staff except those in Oando Marketing Ltd (OML). Alexander Forbes Consulting Actuaries Nigeria Limited (Alexander Forbes) was engaged to determine the liability from the scheme, which was estimated at N979 million. The Group 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. However, OML was disposed in 2016.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

The following were the principal actuarial assumptions at the last curtailment date for Oando Marketing Ltd (expressed as weighted averages).

	2015
Discount rate	16.0%
Future salary increases	12.0%
Inflation rate	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
18-29	5.0%
30-44	6.0%
45-49	3.0%
50-59	2.0%
60+	100.0%

Sensitivity Analysis

The sensitivity analyses below were determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

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.

	Defined benefit obligation	
31 December 2015	Increase N'000	Decrease N'000
Discount rate (1% movement)	(80,478)	94,804
Future salary increases (1% movement)	(448)	491

The maturity profile of the Retired Benefit Obligation is as detailed below:

	2015 N'000
Within the next 12 months	37,899
Between 2 and 5 years	190,575
Between 5 and 10 years	324,389
Beyond 10 years	3,458,668

The weighted average duration of the defined benefit obligtion is 13.9 years (2015: 13.9 years)

33 Government grant

Government grant relates to 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 N298 million was credited to interest expense in the statement of profit or loss at the end of 2014. N87 million out of balance of N119 million at the beginning of the year was further credited to interest expense in 2015, leaving a balance of N32 million at 31 December 2015. However, the balance was reclassified as non-current liabilities held for sale in line with IFRS 5 in 2015 and subsequently disposed in 2016.

	Group 2016	Group 2015
At 1 January	-	119,346
Credit to profit or loss	-	(87,297)
Transfer to disposal group classified as held for sale	-	(32,049)
At 31 December	-	-

Annual Consolidated and Separate Financial Statements

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

34 Trade and other payables

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Trade payables - Products	86,717,711	70,041,686	3,210,296	3,480,262
Trade payables - Other vendors	8,187,185	13,076,308	-	-
Other payables	50,390,334	27,459,158	30,036,718	29,205,204
Accrued expenses	53,164,258	10,419,664	5,285,818	3,924,112
Amount due to related parties	-	-	43,875,946	105,010,184
Deferred income	-	14,468,395	-	-
	198,459,488	135,465,211	82,408,778	141,619,762

Other payables relates to unpaid WHT, VAT, PAYE unpaid cash calls and outstanding royalties.

Trade & other payables are non-interest bearing and are normally settled within one year. The carrying amounts of trade and other payables for 2016 and 2015 respectively approximate their fair values.

Deferred income

IFRIC 4 requires the recognition of lease when there is an arrangement that conveys a right to use an asset for a specific period. The effect of applying the standards (IAS 17 and IFRIC 4) resulted in the recognition of finance lease receivable in 2014 when the power plant was completed. The corresponding effect resulted in derecognition of plant and machinery capitalised. The excess of the present value of the lease receivable over the carrying value of the asset derecognized of N1.3 billion is recognised as unearned lease premium and amortised as other operating income to the profit or loss account over the lease term of 10 years; N141 million was amortised in 2016 (2015: N132 million). Akute was disposed in 2016, while Alausa has been classified as held for sale.

35 Dividend payable

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Unpaid dividend	1,650,277	1,650,277	1,650,277	1,650,277

36 Cash generated from operations

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

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Loss before income tax - continuing operations	(63,375,512)	(39,113,508)	(33,729,427)	(56,325,673)
Profit/(loss) before income tax - discontinued operations	30,562,888	(12,023,390)	-	-
Adjustment for:				
Interest income (Note 12)	(7,256,765)	(6,444,804)	(27,417)	(1,119,432)
Interest expenses (Note 12)	58,313,162	55,083,165	33,260,203	33,465,367
Interest income - Discontinued operations	(4,634,717)	(5,754,376)	-	-
Interest expenses - Discontinued operations	2,943,055	8,021,304	-	-
Depreciation (Note 10)	18,062,016	31,987,912	175,281	343,953
Amortisation of intangible assets (Note 10)	601,391	1,082,109	101,896	41,249
Impairment of intangible assets (Note 16)	-	2,791,116	-	-
Impairment of property, plant and equipment (Note 10)	16,001,499	5,936,655	-	-
Impairment losses on available for sale asset (Note 24a)	22,145	57,901	22,145	57,901
Impairment allowance on non-current receivables (Note 21)	-	3,083,744	-	-
Impairment allowance on current receivables (Note 23)	15,094,452	1,498,470	50,332,803	5,202,992
Impairment allowance on investment (Note 24b)		-	-	19,664,290
Share of loss of an associate	4,661,510	878,600	-	-
Loss/(profit) on sale of property, plant and equipment (Note 10)	40,559	305,294	3,280	136,919
Unwinding of discount on provisions (Note 30)	9,506,662	2,155,687	-	-
Loss/(profit) on sale of investments	-	-	(57,166,653)	-
Loss/(profit) on sale of subsidiary (Note 26)	(30,602,093)	-	-	-
Share based payment expense (options and swaps)	469,829	-	-	-

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

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

	Group 2016 N'000	Group 2015 N'000	Company 2016 N'000	Company 2015 N'000
Write off of intangible asset and property, plant and equipment (Note 15, 16)	-	120,987	-	11,293
Net foreign exchange loss/(gain)	12,801,175	(12,432,563)	(261,357)	-
Fair value loss on commodity options (Note 9)	9,776,438	(10,288,542)	-	-
Fair value (gain)/loss on embedded derivatives (Note 19)	-	107,935	-	-
Fair value (gain)/loss on convertible options (Note 9, 31)	(4,961,665)	1,552,034	(4,961,665)	3,214,982
Fair value (gain)/loss on available for sale assets		-	-	-
Changes in working capital				
Receivables and prepayments (current)	(87,067,988)	(13,481,624)	110,566,136	(21,010,958)
Non current prepayments	(7,030,012)	(3,403,724)	7,519	14,738,484
Inventories	(16,552,338)	11,811,487	-	-
Payables and accrued expenses	174,100,373	51,275,757	(87,496,894)	18,343,628
Dividend payable	-	(414)	-	(414)
Gratuity provisions	(192,862)	902,717	(29,161)	50,101
Gratuity benefit paid	172,799	(801,611)	(39,021)	(232,289)
Provision and other liabilties	-	-	(2,434,105)	-
Government grant	434,884	(87,297)	-	-
	131,890,885	74,821,021	8,323,563	16,582,393

37 Related party transactions

Ocean and Oil Development Partners Limited (OODP) has the shareholding of 55.96% at 31 December 2016 (2015: 55.96%). The remaining 44.04% shares are widely held. OODP is ultimately owned 40% by the family of Mr. Gabriele Volpi, 40% by the Group Chief Executive and 20% by the Deputy Chief Executive of the Company.

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 Oando PLC and Oando Netherlands Holding 2 BV (Holdco 2) in respect of Oando Akepo Limited (Oando Akepo); Oando PLC 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); Oando PLC and Oando OML 125 & 134 BVI in respect of Oando OML 125&134. Shareholder agreements dated April 30, 2013 between Oando PLC 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. Shareholder agreements dated July 31, 2014 between Oando PLC and Oando OPL 214 Holding BV (Holdco 214), Oando OML 131 Holding BV (Holdco 131), Phillips Deepwater Exploration Nigeria Limited (PDENL – name subsequently changed to Oando Deepwater Exploration Limited), and Conoco Exploration and Production Nigeria Limited (CEPNL – name subsequently changed to Oando 131 Limited), respectively Oando PLC owns Class A shares and each of Holdco 2, Holdco 3, Oando OML 125&134 BVI, Holdco 4, Holdco 5, Holdco 214, and Holdco 131 (together the Holdco Associates) owns Class B shares, in each of Oando Akepo, OPDC2, Oando OML 125&134, OQIL, ORPSL, POCNL, PDENL, and CEPNL (the Operating Associates), respectively. Ownership of the Class A shares by Oando PLC provides it with 60% voting rights but no rights to receive dividends or distributions from the applicable Operating Associate, except on liquidation or winding up. Ownership of the Class B shares entitles the Holdco Associates (each an indirectly wholly-owned subsidiary of the Corporation) to 40% voting rights and 100% dividends and distributions, except on liquidation or winding up. Pursuant to each of these agreements, Oando PLC, 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 Oando PLC and the respective Holdco Associate is entitled to appoint two directors to the board of Oando Akepo, OPDC2, Oando OML 125&134, OQIL, ORPSL, POCNL, PDENL, and CEPNL 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 Oando PLC to sell its Class A shares for nominal consideration. The shareholder agreements in respect of most of the Operating Associates are filed on www.sedar.com under Oando Energy Resources Inc.. No amounts have been paid or are due to be paid by either party to the other under the shareholder agreements.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

(ii) Right of First Offer Agreement (ROFO Agreement) dated September 27, 2011, as amended, between Oando PLC and OER. Pursuant to the ROFO Agreement, OER has the right to make an offer to Oando PLC in respect of certain assets owned by Oando PLC in accordance with the terms of the ROFO Agreement. No amounts have been paid or are due to be paid under the ROFO Agreement. On September 27, 2013, the ROFO agreement between OER and Oando PLC was amended. The amendment terminates the ROFO agreement on the first date on which Oando PLC no longer holds, directly or indirectly, at least 20% of the issued and outstanding common shares of OER. Prior to the amendment, the right of first offer in the ROFO would have terminated on September 27, 2013. OER has no amounts due to Oando PLC under this agreement (2015 - Nil). During the year, OER didn't incur any amounts under this agreement (2015 - Nil).

(iii) Referral and Non-Competition Agreement dated July 24, 2012 between Oando PLC and OER. Pursuant to this agreement, Oando PLC is prohibited from competing with OER except in respect of the assets referred to in the ROFO Agreement until the later of July 25, 2014 and such time as Oando PLC owns less than 20% of the shares of OER. Oando PLC is also required to refer all upstream oil and gas opportunities to OER pursuant to this agreement. In addition, in the event that Oando PLC acquired any upstream assets between September 27, 2011 and July 24, 2012, Oando PLC is required to offer to sell these assets to OER at a purchase price consisting of the amount paid by Oando PLC for the assets, together with all expenses incurred by Oando PLC to the date of the acquisition by OER, plus an administrative fee of 1.75%. OER has no amounts due to Oando PLC under this agreement (2015 – Nil).

(iv) Cooperation and Services Agreement dated July 24, 2012 between Oando PLC and OER. Pursuant to this agreement, Oando PLC agreed, until the later of July 24, 2017 and such time as Oando PLC owns less than 20% of the shares of OER, to provide certain services to OER, including in respect of legal services in Nigeria, corporate secretariat and compliance services in Nigeria, corporate finance, procurement, corporate communications, internal audit and 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 Oando PLC plus a margin of 10%. The independent directors of OER are entitled to approve all such cost allocations. At any time, OER may elect to terminate any of the services under the agreement provided such notice is effective only on December 31 or June 30 of any year and such notice has been given at least 60 days in advance. Once terminated, Oando PLC shall have no further obligation to make available the services as have been so terminated and equitable adjustments shall be made as to the cost for the remaining services, if any, that are continued to be supplied by Oando PLC to OER under the agreement. As part of the costs incurred under the agreement, OER incurred $12.1 million in aviation costs to an entity associated with a director of OER (2015 – $10.9 million). During the period, OER incurred $22million under this agreement (2015 - $23 million).

(v) Transitional Services Agreement dated July 24, 2012 between OER, Oando Servco Nigeria (a subsidiary of OER) and OEPL (a subsidiary of Oando Plc). Pursuant to this agreement, OER and Oando Servco Nigeria (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 has N6.19 billion ($17.7 million) due from OEPL (2015: N3.52 billion/$17.7 million), under this agreement in respect of services provided.

(vi) Pursuant to the completion of the Oando reorganization in July 2012, the cummulative amount advanced by Oando Plc to Equator Exploration Limited, subsidiary of OER (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 N2.4 billion at 31 December 2015 (2014: N2.0 billion) due to accrued interest. During 2016, the Company impaired the receivable and accrued interest of N2.7 billion. The impairment was reversed on consolidation. In addition, the receivables and payables in the books of the Company and OER respectively have been eliminated on consolidation.

(vii) The Company signed an amendment to the operating lease agreement with a subsidiary XRS11 Ltd in 2015. The Company, the lessee in the agreement, agreed to lease the Bombardier XRS aircraft owned by XRS11Ltd, the lessor, for a period of earlier of eighty four months from the execution date and date of termination of the agreement. XRS recognized income of N2.9 billion which arose from the agreement in 2016 (2015: N2.2 billion). In addition, the outstanding loan amount from XRS11 to the Company was N2.7 billion (2015:N1.8 billion). The income and loan have been eliminated on consolidation.

Other related party transactions include:

i. Brick House Construction Company provided building construction services worth N89.3 million (2015: N203.9 million). A key management personnel of Oando Marketing Plc (OMP) is a shareholder and director of Brick House Construction Company Ltd.

ii. Broll Properties Services Limited provided facilities management services worth N161.3 million (2015: N146.4million). The GCE has control over one of the joint interest owners of the company.

iii. K.O Tinubu & Co. provided legal services amounting to N2.3 million (2015: nil). K.O Tinubu is controlled by a close family member of the GCE.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

iv. Intels West Africa Ltd provided various services worth N1 billion (2015: N1.3 billion) to Oando Energy Services Limited. Intels West Africa Ltd is owned 70% by a joint owner of OODP, the largest shareholder of the Company.

v. Lagoon Waters Limited, one of the dealers for the sale of petroleum products, purchased petroleum products and liquefied petroleum gas worth N2.31billion (2015: N2.1 billion) from the Group. Lagoon Waters Limited is controlled by a close family member of the GCE.

vi. Noxie Limited supplied office equipment worth N86.3 million (2015: N42.4 million) to members of the Group. A close family member of the GCE has control over the company.

vii. Olajide Oyewole & co. rendered professional services worth N235.6 million (2015: N217.9 million). A close family member of the GCE has significant influence over the firm.

viii. Pine Crest Specialist Hospital provided medical services worth N13.8 million (2015: N9 million). A close family member of the Deputy Chief Executive Officer (DGCE) has control over the company.

ix. Rosabon Financial Services Limited provided transport services worth N27.1 million (2015: N24.2 million) to the Company during the year under review. Rosabon Financial Services Limited is owned by a director of Gaslink Nigeria Limited.

x. SCIB Nigeria and Co. Ltd. (SCIB) provided insurance brokerage services worth N1 billion (2015: N0.8 billion) to various members of the Group. A beneficial owner of SCIB is related to the GCE.

xi. Triton Aviation Limited provided management services worth N8.3 million (2015: N656 million) to Churchill C-300 Finance Limited, an indirect subsidiary of the Company. Triton Aviation Limited is owned by the GCE.

xii. Templegate Consultants Ltd. provided architectural services worth N6 million (2015: N26.6 million) to Oando Marketing 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.

xiii. Transport Services Limited (TSL) provided haulage services to OMP. During the year under review, TSL provided haulage services worth N2.2 billion (2015: N1.2 billion) to OMP. TSL is ultimately controlled by a close family member of the GCE.

xiv. TSL Logistics Limited supplied products and throughput services worth N229.6 million (2015: N2.1 billion) to OMP. The company is ultimately controlled by a close family member of the GCE.

xv. West Africa Catering Nigeria Limited provided catering services worth N281.7 million (2015: N0.3 billion) to Oando Energy Services Limited. West Africa Catering Nigeria Limited is ultimately owned 49.8% by a shareholder of OODP. OODP has controlling share in the Company.

xvi. F.O. Akinrele & Co. provided legal services worth N825,000 (2015: nil). A non-executive director of the Company is the principal partner of the firm.

xvii. During the year, OODP assigned its accrued interest (N4 billion) on the $150 million convertible loan note for the period 1 January 2016 to 30 June 2016 to Ocean and Oil Investments (OOI). OOI applied the assigned interest towards the repayment of a receivable in favour of Oando Plc.

xviii. On 13 June 2016, OODP issued a convertible notice (the Notice) to Oando Plc, to convert an aggregate amount of $150 million convertible loan notes in the upstream company. Oando Plc satisfied the Notice through reliquishment of 128,413,672 shares at $1.20 each in Oando E&P Ltd. Consequently, OODP became a non-controlling interest in Oando E&P Ltd.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

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:

	2016 N'000	2015 N'000
Salaries and other short-term employee benefits	4,016,146	2,233,386
Share options and management stock options	-	552,165
Post employment benefits	588,835	692,218
	4,604,981	3,477,769

Year-end balances arising from transactions with related parties

The following receivables or payables at December 31, 2016 arose from transactions with related parties:

	Company 2016 N'000	Company 2015 N'000
Receivables from related parties:		
Apapa SPM Limited	-	7,801,974
Churchill C-300 Finance Ltd	486,784	-
Oando Energy Resources Ltd.	101,509,917	136,396,152
Oando Energy Services Limited	-	5,836,888
Oando Gas and Power Limited	-	10,206
Oando Lekki Refinery Limited	-	375,741
Oando Properties Limited	-	59,063
XRS II	2,094,126	1,677,120
Oando Port Harcourt Refinery	-	430
Oando Refinery & Terminals	222,120	222,120
Oando Exploration & Production Limited	33,711,604	33,711,604
OES Constitution - Integrity	-	4,927,820
Oando Trading DMCC	818,879	437,702
OES Searex 12 - Teamwork	-	180,437
OES Searex 6 - Respect	-	107,320
Oando Netherlands Holdings 1	11,203	11,203
Oando E&P Holdings Limited	2,247,916	-
Oando Equator Holdings	2,825,608	-
	143,928,157	**191,755,780**
Payables to related parties:		
Ajah Distribution Company	-	2,500
Alausa Power Ltd	14,037	12,539
Gasgrid Nigeria Limited	-	2,500
Gaslink Nigeria Limited	-	8,184,108
Lekki Gardens Power Ltd	-	2,500
Churchill C-300 Finance Ltd	-	83,250
Oando Liberia	15,250	9,953
Oando Marketing Plc	-	87,612,195
Oando Supply and Trading Limited	-	1,542,686
Oando Trading Bermuda	43,817,840	7,527,329
XRS I	31	20
Oando Equator Holdings	-	1,816
Oando Servco Nigeria	2,500	2,500
OES Passion	1,647	1,647
Oando Petroleum Develoment Company Limited	2,500	2,500
Oando Servco UK Limited	3,734	3,734
Oando Netherlands Holdings 2 B.V	3,734	3,734
Oando Netherlands Holdings 3 B.V.	3,734	3,734
OES Professionalism	10,939	10,939
	43,875,946	**105,010,184**

38 Commitments

The Group had outstanding capital expenditure contracted but not provided for under property, plant and equipment amounting to N13.6 billion for upgrade of oil and gas facilities (2015: N1.23 billion) at December 31, 2016.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

39 Events after the reporting period

(i) COP Acquisition consent fee refund

On February 8, 2017, the Group received payment from the Federal Government of Nigeria for $24.8 million as a refund of the excess charge on consent fee paid for the ConocoPhillips Acquisition in 2014.

(ii) Conversion of Loan Note

Ocean and Oil Development Partners (OODP) notified the Company of its intention to convert a total of N1.98billion in exchange for 396,793,587 fully paid Ordinary Shares of the Company's common equity. The Company filed the conversion notice with the Securities ad Exchange Commission (SEC) during the year under review. The Company received SEC's approval subsequent to year end.

(iii) Sale and purchase of Oando Plc's 5% interest in Glover BV

Oando Netherlands Holdings 3 Cooperatief U.A. (Oando), a wholly owned subsidiary of Oando Plc, issued a Transfer Interest Notification to HIP Glover S.a.r.l ((Luxco) on 24 January 2017 in fulfilment of the Side Letter to the shareholders agreement between the parties dated 13 September 2016 (the SHA Side Letter). In pursuant of Clause 1.1. of the SHA Side Letter, Oando notified Luxco of its intension to sell the following for a consideration of US$8,275,072.36:

a) 5,000 Class A Shares with nominal value of US$0.1% in the capital of Oando Gas & Power BV (the Company), comprising 5% of the total issued share capital of the Company; and
b) 5% of Oando's loan notes issued by the Company at Closing in the principal amount of US$7,033,811.49.

Luxco accepted the Transfer Interest Notification on 31 January 2017 and paid N3.1billion to Oando on 8 March 2017.

The transaction does not require SEC approval.

(iv) Receipt in respect of sale of Alausa Power Ltd.

Oando Plc further received N0.8billion towards complation of the sale of Alausa Power Ltd on 3 March 2017.

(v) Completion Account

(a) Sale of Oando Gas and Power
The Company and Helios agreed a net payable amount of N0.8 billion ($2.9 million) in favour of Helios following the conclusion of the completion accounts by Helios. The agreed amount has been refected in the statement of profit or loss and provisions in the statement of financial position.

(b) Sale of Downstream Companies
The Company is yet to agree or finally determine the Net Adjustment Amount for the sale and purchase of specific downstream entities. However, the Company has reflected an estimate of N16.8 billion (approximately $55.2 million) as the value of its obligation to Helios Vitol (the acquirers) at 31 December 2016. The estimate is based on negotiations of the Completion Accounts, which was submitted to the Company by the acquirers.

40 Contingent liabilities

(i) (a) Guarantees to third parties

Guarantees, performance bonds, and advance payment guarantees issued in favour of members of the Group by commercial banks and third parties amounted to N543.3 billion (2015: N391.2 billion).

(b) Outstanding Letters of credit

Outstanding Letters of credit in respect of the offshore processing arrangement (OPA) amounted to N59.4billion ($194.6million) at the reporting date.

(ii) Pending litigation

There are a number of legal suits outstanding against the Company for stated amounts of NGN608.2 billion (2015: N584.47 billion). Of the total legal suits outstanding, NGN528.2 billion (2015: 525.3 billion) was filed against OER's portion of NAOC JV (OML 60-63). 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.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

(iii) Bilabri Oil Field (OML 122)

In 2007, the Corporation transferred, under the Bilabri Settlement Agreement, the full responsibility for completing the development of the Bilabri oil field in OML 122 to Peak Petroleum Industries (Nigeria) Limited (Peak). Peak 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 Corporation may be called upon to meet the debts. Therefore, a contingent liability of N6.6 billion ($21.7 million) exists at December 31, 2015 (2015 – N4.32 billion; $21.7 million). The Corporation has assessed the likelihood that cash outflows will be required to settle the obligation as remote, and therefore, no liability has been recorded in the financial statements at December 31, 2016 (2015 – Nil).

(iv) OPL 321 and OPL 323

(a) In January 2009, the Nigerian government voided the allocation of OPL 323 and OPL 321 to the operator, Korea National Oil Corporation (KNOC) and allocated the blocks to the winning group of the 2005 licensing round comprising ONGC Videsh, Equator and Owel. KNOC brought a lawsuit against the government and a judgement was given in their favor. The government and Owel appealed the judgement. The case has now gone to the Supreme Court. In 2009, the government refunded the signature bonus paid by Equator. The Company Equator 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 ongoing dispute as well as to the amount to be paid upon settlement. Also, there is no obligation to pay the signature bonus as Equator can opt in or out once the legal dispute is settled. Equator has declared its intention to continue to invest in the blocks. Equator has impaired the carrying value and currently carries both assets at Nil value (2013: N351.1 million).

(b) Equator originally bid as member of a consortium for OPL 321 and 323. It was granted a 30% interest in the Production Sharing Contracts PSCs but two of its bidding partners were not included as direct participants in the PSCs, as a result, Equator granted those bidding partners 3% and 1% carried economic interests respectively in recognition of their contribution to the consortium. During 2007, it was agreed with the bidding partners that they would surrender their carried interests in return for warrants in Equator and payments of $4 million and $1 million. The warrants were issued immediately but it was agreed that the cash payments would be deferred. The warrants have expired. 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 a subsidiary of BG Corporation PLC (BG). However, BG terminated the farm out agreement. Under the successor obligation, Equator 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 Equator in an arbitration tribunal for $1 million. This has been paid in full. On the advice of legal counsel, Equator 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 Equator will not need to settle the $4 million loan note and can defer payment indefinitely. The above contingencies are based on the best judgements of the Board and management.

Equator has been involved in settlement negotiations in respect of the dispute between KNOC, Owel and the Nigerian Government. The negotiating parties have agreed in principle to restructure the working interests in order to accommodate additional members into the new consortium being formed pursuant to the negotiations. Negotiations have stalled, and parties are seeking to re-engage and recommence negotiations.

(v) Sale of downstream companies – Net Adjustment Amount

The Company (the Seller) and Copper BV (the Buyer) in the case of sale of certain downstream companies were unable to agree or finally determine the Net Adjustment Amount arising from the Complement Accounts after the sale as of the reporting date. Consequently, the Company has estimated and provided for the Net Adjustment Amount of N16.8billion (US$55million) out of N34.4billion (US$112.7) in favour of the buyer in these consolidated and separate financial statements. The provision is in line with discussions with the Buyer, save for certain agreed pass-through items totaling N17.5billion (US$57.4million) in respect of receivables in the books of Ebony oil and gas, Ghana. While the directors of the Company are strongly of the view that the receivables are not delinquent and therefore collectible, the uncertainty surrounding the exact timing of receipt of the receivables may affect the value of the provision in future.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

41 Subsidiaries information

(a) Below is a summary of the principal subsidiaries of the Group

Entity name Operational subsidiaries	Country of incorporation	Investment Currency All figures in thousands	Nature of business	Issued share capital	Percentage interest held 2016	Percentage interest held 2015
Direct Shareholding						
Oando Logistics and Services Limited	United Kingdom	GBP	Logistics and services	1	100%	100%
Oando Resources Limited	Nigeria	Naira	Exploration and Production	2,500,000	100%	100%
Oando Terminals and Logistics	Nigeria	Naira	Storage & haulage of petroleum products	2,500,000	100%	100%
Oando Trading DMCC	Dubai	USD	Supply of crude oil & refined petroleum products.	50,000	100%	100%
XRS 1	Cayman Island	USD	Investment company	50,000	100%	100%
Oando Trading Limited	Bermuda	USD	Supply of crude oil and refined petroleum products.	3,500,000	100%	100%
Oando Netherlands Holdings 2 Cooperative U.A	Netherlands	Euro	Financial holding company	0	100%	0%
Oando Netherlands Holdings 3 Cooperative U.A	Netherlands	Euro	Financial holding company	0	100%	0%
Indirect Shareholding						
Ebony Oil and Gas South Africa Proprietary Limited	South Africa	Rand	Storage, Trading & Distribution of Petroleum & Gas Products	120	100%	0%
Royal Ebony Terminal Proprietary Limited	South Africa	Rand	Storage, Trading and Distribution of Petroleum and Gas Products	980	49%	0%
Ebony Trading Rwanda Limited	Rwanda	Rwandan Francs	Storage, Trading and Distribution of Petroleum & Gas Products	100,000,000	100%	0%
Petrad Mozambique Limitada	Mozambique	MZM	Storage, Trading and Distribution of Petroleum and Gas Products	200,000	100%	0%
XRS 11	Cayman Island	USD	Aviation	50,000	100%	100%
Churchill Finance C300-0462 Limited	Bermuda	USD	Aviation	1	100%	100%
Oando Energy Resources Inc.	Canada	USD	Exploration and Production	796,049,213.00	77.74%	93.7%

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.

Disposed Subsidiaries						
Central Horizon Gas Company Limited	Nigeria	Naira	Gas Distribution	9,100,000	0%	56%
Gaslink Nigeria Limited	Nigeria	Naira	Gas Distribution	1,717,697,000	0%	97.24%
Akute Power Limited	Nigeria	Naira	Power Generation	2,500,000	0%	100%
Oando Gas and Power Limited	Nigeria	Naira	Gas and Power generation and distribution	10,000,000	0%	100%
Oando Energy Services Limited	Nigeria	Naira	Provision of drilling and other services upstream companies	5,000,000	0%	100%
Apapa SPM Limited	Nigeria	Naira	Offshore submarine pipeline construction	19,125,000	0%	100%
Oando Marketing Ltd	Nigeria	Naira	Marketing and sale of petroleum products	437,500,000	0%	100%
Oando Supply and Trading Limited	Nigeria	Naira	Supply of crude oil and refined petroleum products	6,250,000	0%	100%
Oando Lekki Refinery Company Limited	Nigeria	Naira	Petroleum Refining	2,500,000	0%	100%
Oando Ghana Limited	Ghana	Cedis	Marketing and sale of petroleum products (Subsidiary of Oando Marketing PLC)	2,346,000	0.0%	82.9%
Oando Togo S.A	Togo	CIA	Marketing and sale of petroleum products	186,288,000	0%	75%
Gas Network Services Limited	Nigeria	Naira	Gas Distribution	5,000,000	0%	100%
Ebony Oil & Gas Limited	Ghana	Cedis	Supply of crude oil and refined petroleum products	100	0%	80%
Subsidiaries classfied as held for sale						
Alausa Power Limited	Nigeria	Naira	Power Generation	2,500,000	100%	100%

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

(b) 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 as at 31 December 2016

Summarised statement of profit or loss

	Oando Energy Resources		Gaslink		Oando Ghana	
	2016	2015	2016	2015	2016	2015
Revenue	77,276,507	89,688,292	26,733,938	29,710,568	1,214,770	2,825,785
Profit before income tax	(37,632,784)	(1,380,717)	6,849,289	7,833,018	(199,930)	(35,969)
Taxation	37,719,977	4,558,291	(716,478)	(2,576,088)	-	(11,078)
Profit after taxation	87,193	3,177,574	6,132,811	5,256,930	(199,930)	(47,047)
Total comprehensive income	**87,193**	**3,177,574**	**6,132,811**	**5,256,930**	**(199,930)**	**(47,047)**
Non-controlling interest proportion	22.3%	6.3%	2.8%	2.8%	17.1%	17.1%
Profit or loss allocated to non-controlling interests	19,413	199,350	169,266	145,091	(34,188)	(8,045)
Dividends paid to non-controlling interests	-	-	80,743	-	-	-
Summarised statement of financial position						
Current:						
Asset	92,465,975	61,692,148	-	21,312,123	-	570,422
Liabilities	(321,623,648)	(230,536,740)	-	(21,099,941)	-	(916,300)
Total current net assets	(229,157,673)	(168,844,592)	-	212,182	-	(345,878)
Non-Current:						
Asset	779,628,519	564,937,417	-	10,886,742	-	365,968
Liabilities	(234,020,620)	(189,993,283)	-	(4,807,926)	-	(15,415)
Total non-current net assets	545,607,899	374,944,134	-	6,078,816	-	350,553
Net assets	316,450,226	206,099,542	-	6,290,998	-	4,675
Accumulated non-controlling interest	70,554,972	12,904,975	-	173,632	-	799
Summarised cash flows						
Cash generated from operations	56,453,609	112,612,139	-	3,524,643	-	91,113
Interest paid	(7,291,910)	(19,350,845)	-	(446,135)	-	(3,735)
Income tax paid	(4,127,051)	(5,875,359)	-	(1,798,566)	-	(5,210)
Net cash generated from operating activities	45,034,648	87,385,935	-	1,279,942	-	82,168
Net cash used in investing activities	(25,698,690)	(9,921,647)	-	(4,438,199)	-	(89,246)
Net cash used in financing activities	(26,930,615)	(74,997,661)	-	1,394,008	-	-
Net (decrease)/increase in cash and cash equivalents	(7,594,657)	2,466,627	-	(1,764,249)	-	(7,078)
Cash, cash equivalents and bank overdrafts at beginning of year	8,709,432	5,934,516	-	(103,632)	-	150,355
Exchange gains/(losses) on cash and cash equivalents	-	308,289	-	-	-	(12,840)
Cash and cash equivalents at end of year	1,114,775	8,709,432	-	(1,867,881)	-	130,437

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

Summarised statement of profit or loss

	CHGC		Oando Togo		Ebony	
	2016	2015	2016	2015	2016	2015
Revenue	1,102,127	730,985	2,193,717	4,081,117	22,808,166	56,735,669
Profit before income tax	215,586	112,358	33,194	19,660	924,775	2,592,999
Taxation	(61,379)	(75,327)	(4,069)	-	(226,277)	(655,893)
Profit after taxation	154,208	37,031	29,125	19,660	698,498	1,937,106
Total comprehensive income	**154,208**	**37,031**	**29,125**	**19,660**	**698,498**	**1,937,106**
Non-controlling interest proportion	44%	44%	25%	25%	20%	20%
Profit or loss allocated to non-controlling interests	67,851	16,294	7,192	4,855	139,700	387,421
Summarised statement of financial position						
Current:						
Asset	-	371,730	-	1,750,746	-	25,549,515
Liabilities	-	(803,210)	-	(1,147,866)	-	(21,716,886)
Total current net assets	-	(431,480)	-	602,880	-	3,832,629
Non-Current:						
Asset	-	654,424	-	320,826	-	103,393
Liabilities	-	(2,737)	-	(98,516)	-	(10,068)
Total non-current net assets	-	651,687	-	222,310	-	93,325
Net assets	-	220,207	-	825,190	-	3,925,954
Accumulated non-controlling interest	-	96,891	-	203,775	-	785,191
Summarised cash flows						
Cash generated from operations	-	400,125	-	92,561	-	3,230,984
Interest paid	-	(17,616)	-	(84,961)	-	(497,764)
Income tax paid	-	-	-	(29,140)	-	(448,980)
Net cash generated from operating activities	-	382,509	-	(21,540)	-	2,284,240
Net cash used in investing activities	-	(456,133)	-	(43,911)	-	(91,799)
Net cash used in financing activities	-	9,209	-	(65,740)	-	(4,279,953)
Net (decrease)/increase in cash and cash equivalents	-	(64,415)	-	(131,191)	-	(2,087,512)
Cash, cash equivalents and bank overdrafts at beginning of year	-	97,397	-	(555,957)	-	6,089,831
Exchange gains/(losses) on cash and cash equivalents	-	-	-	(53,187)	-	(520,059)
Cash and cash equivalents at end of year	-	32,982	-	(740,335)	-	3,482,260

(c) Change in ownership interests in subsidiaries that do not result in a loss of control

On May 31, 2016, Ocean and Oil Development Partners Limited (OODP) exercised the option to convert the amount oustanding on their dollar denominated convertble notes of $154,096,406.44 to 128,413,672 Ordinary Shares of Oando Plc's holding in OER under and pursuant to the terms of the Convertible Note Purchase Agreement dated 23 July 2014. Also, following the delisting of OER from TSX in May 2016, the institutional investors were bought over by Oando E&P and certain performance share units (PSU) and stock options given to certain employees in May 2015 were accelerated and made to vest at transaction date. Consequently, the indirect percentage ownership in OER reduced from 93.73% (NCI: 6.27%) to 77.745 (NCI: 22.26%). The loss on deemed disposal has been recognised directly in equity.

Impact of change in ownership interests in subsidiaries that do not result in a loss of control is as analysed below:

	Group 2016 N'000	Group 2015 N'000
Consideration received from non-controlling interest	29,736,345	-
Increase in non-controlling interest	(31,513,805)	(142,175)
Group's loss on deemed disposal	(1,777,460)	(142,175)

Annual Consolidated and Separate Financial Statements

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

42 (a) Financial instruments by category

GROUP

	Financial instruments at fair value through profit and loss N'000	Loans and receivables N'000	Available-for-sale N'000	Total N'000
2016				
Assets per statement of financial position:				
Available-for-sale financial assets	-	-	115,642	115,642
Non-current receivable	-	22,034,389	-	22,034,389
Trade and other receivables	-	95,424,919	-	95,424,919
Commodity option contracts	6,932,527	-	-	6,932,527
Cash and cash equivalents	-	16,929,537	-	16,929,537
	6,932,527	134,388,845	115,642	141,437,014

	Financial instruments at fair value through profit and loss N'000	Other financial liabilities at amortised cost N'000	Total N'000
2016			
Liabilities per statement of financial position:			
Borrowings	-	246,117,715	246,117,715
Trade and other payables	-	198,459,488	198,459,488
Convertible options	199,137	-	199,137
	199,137	444,577,203	444,776,340

	Financial instruments at fair value through profit and loss N'000	Loans and receivables N'000	Available-for-sale N'000	Total N'000
2015				
Assets per statement of financial position:				
Available-for-sale financial assets	-	-	137,202	137,202
Non-current receivable	-	7,096,971	-	7,096,971
Trade and other receivables	-	63,818,976	-	63,818,976
Commodity option contracts	24,853,969	-	-	24,853,969
Cash and cash equivalents	-	22,922,976	-	22,922,976
	24,853,969	93,838,923	137,202	118,830,094

	Financial instruments at fair value through profit and loss N'000	Other financial liabilities at amortised cost N'000	Total N'000
2015			
Liabilities per statement of financial position:			
Borrowings	-	215,816,614	215,816,614
Trade and other payables	-	118,309,218	118,309,218
Convertible options	5,160,802	-	5,160,802
	5,160,802	334,125,832	339,286,634

COMPANY`

	Financial instruments at fair value through profit and loss N'000	Loans and receivables N'000	Available-for-sale N'000	Total N'000
2016				
Assets per statement of financial position:				
Available-for-sale financial assets	-	-	115,642	115,642
Trade and other receivables	-	108,581,449	-	108,581,449
Cash and cash equivalents	-	12,434,877	-	12,434,877
	-	121,016,326	115,642	121,131,968

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

	Financial instruments at fair value through profit and loss N'000	Other financial liabilities at amortised cost N'000	Total N'000
2016			
Liabilities per statement of financial position:			
Borrowings	-	109,876,902	109,876,902
Trade and other payables	-	82,408,778	82,408,778
Convertible options	199,137	-	199,137
	199,137	192,285,680	192,484,817

	Financial instruments at fair value through profit and loss N'000	Loans and receivables N'000	Available-for-sale N'000	Total N'000
2015				
Assets per statement of financial position:				
Available-for-sale financial assets	-	-	137,202	137,202
Trade and other receivables	-	203,165,294	-	203,165,294
Cash and cash equivalents	-	2,181,132	-	2,181,132
	-	205,346,426	137,202	205,483,628

	Financial instruments at fair value through profit and loss N'000	Other financial liabilities at amortised cost N'000	Total N'000
2015			
Borrowings	-	90,137,202	90,137,202
Trade and other payables	-	141,619,762	141,619,762
Convertible options	5,160,802	-	5,160,802
	5,160,802	231,756,964	236,917,766

(b) Financial Instruments: Carrying values and fair values

Group	**Carrying amounts**		**Fair values**	
	2016	**2015**	**2016**	**2015**
	N'000	**N'000**	**N'000**	**N'000**
Non-current receivables	22,034,389	7,096,971	18,210,239	5,865,265
Finance lease receivables	60,926,511	43,822,281	43,884,459	42,340,289
Derivative financial assets	6,932,527	24,853,969	6,932,527	24,853,969
Available for sale investment measured at the fair value	115,642	137,202	115,642	137,202
Derivative financial liabilities	199,137	5,160,802	199,137	5,160,802
Company				
Non-current receivables	9,711,893	-	8,026,358	-
Available for sale investment measured at the fair value	113,985	136,130	113,985	136,130
Derivative financial liabilities	199,137	5,160,802	199,137	5,160,802

Annual Consolidated and Separate Financial Statements

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

43 Upstream activities

(a) Details of upstream assets

	Mineral rights acquisition N'000	Land and building N'000	Expl. costs and producing wells N'000	Production Well N'000	Oil and gas properties under development N'000	Other fixed assets N'000	Total N'000
Opening NBV 1 January 2015							
Opening net book amount	4,428,004	33,632	10,876,726	180,158,900	17,972,303	741,752	214,211,317
Decommissioning costs	-	-	-	-	34,689,587	-	34,689,587
Additions	-	-	-	15,839,314	251,794	-	16,091,108
Trf to disposal group classified as held for sale	308,701	-	-	(18,818,263)	(20,284,570)	-	(38,794,132)
Impairments	-	-	-	(5,936,655)	-	-	(5,936,655)
Depreciation charge	(719,950)	-	(29,932)	(18,553,801)	(5,997,870)	(200,512)	(25,502,065)
Exchange difference	334,700	2,595	839,051	13,664,406	1,328,558	55,290	16,224,600
Year ended 31 December 2015	**4,351,455**	**36,227**	**11,685,845**	**166,353,901**	**27,959,802**	**596,530**	**210,983,760**
Opening NBV 1 January 2016							
Opening net book amount	4,351,455	36,227	11,685,845	166,353,901	27,959,802	596,530	210,983,760
Decommissioning costs	-	-	-	-	(32,525,818)	-	(32,525,818)
Additions	-	-	-	8,958,072	263,005	-	9,221,077
Depreciation charge	(23,715)	-	(37,367)	(13,964,372)	(1,792,384)	(31,877)	(15,849,715)
Exchange difference	2,312,297	19,283	6,213,995	86,256,884	14,588,505	312,293	109,703,257
Year ended 31 December 2016	**6,640,037**	**55,510**	**17,862,473**	**247,604,485**	**8,493,110**	**876,946**	**281,532,561**

(b) 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:

2016	License	Operator	Working/ Participating interest	Location	License type	Expiration date	Production Status
Oando OML 125 & 134 Ltd	OML 125	NAE	15%	Offshore	PSC	July 4, 2023	Producing
Oando OML 125 & 134 Ltd	OML 134	NAE	15%	Offshore	PSC	July 4, 2023	Non-Producing
Oando Production and Development Company Limited	OML 56	Energia	45%	Onshore	JV	Jan 31, 2023	Producing
Oando Akepo Limited	OML 90	Sogenal	30%	Offshore	JV	Mar 13, 2015	Non-Producing
Exile Resources Nigeria Limited	OML 90	Sogenal	10%	Offshore	JV	Mar 13, 2015	Non-Producing
Oando Qua Ibo Limited	OML 13	Network Exploration and Production Company Limted	40%	Onshore	JV	Mar 13, 2015	Producing
Oando Oil Limited	OML 60, 61 62 and 63	Nigeria Agip Oil Company Limited	20%	Onshore	JV	July 22, 2028	Producing
Oando Deepwater Exploration Nigeria Limited	OML 145	ExxonMobil	20%	Offshore	PSC	June 12, 2032	Non-Producing
Oando 131 Limited	OML 131	Oando 131 Limited	95%	Offshore	PSC	April 13, 2025	Non-Producing
Medal Oil Company Limited	OML 131	Oando 131 Limited	5% particpating interest	Offshore	PSC	April 13, 2025	Non-Producing
Equator Exploration Nigeria 323 Limited	OPL 323	KNOC	30% participating interest	Offshore	PSC	Mar 10, 2036	Non-Producing
Equator Exploration Nigeria 321 Limited	OPL 321	KNOC	30% participating interest	Offshore	PSC	Mar 10, 2036	Non-Producing
Equator Exploration (OML 122) Limited	OML 122	PEAK	Carried interest of 5% in the Bilabri oil project and a paying interest of 12.5% in any gas development	Offshore	PSC	Sept. 13, 2021	Non-Producing
Equator Exploration STP Block 5 Limited	Block 5	Equator Exploration STP Block 5 Limited	20% participating interest	Offshore	PSC	May 13, 2041	Non-Producing
Equator Exploration Limited	Block 12	TBD	22.5% participating interest	Offshore	PSC	Feb 22, 2044	Non-Producing

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

44 (a) Reconciliation of previously published statement of profit or loss

Oando Gas & Power and its subsidiaries were classified as discontinued operations and disposed in year ended 2016. Also, Oando Trading Bermuda (OTB) was classified as a disposal group in 2015 & its results of operations were presented as discontinued operations in 2015. However, following the decision of management not to continue with the plan of selling OTB in 2016, the 2015 result of the operations have been represented as part of continuing operations (see note 26c). The comparative as at 31 December 2015 have been represented to show the effect of the discontinued operations.

	IFRS previously reported N'000	Prevoisly classified as held for sale N'000	IFRS represented N'000
Continuing operations			
Revenue	161,489,950	41,941,576	203,431,526
Cost of sales	(106,752,639)	(50,019,790)	(156,772,429)
Gross profit	54,737,311	(8,078,214)	46,659,097
Other operating income	35,080,299	(1,565,690)	33,514,609
Selling and marketing costs	(46,504)	46,504	-
Administrative expenses	(74,078,140)	4,307,887	(69,770,253)
Impairment of property, plant and equipment	-	-	-
Operating (loss)/profit	15,692,966	(5,289,513)	10,403,453
Finance costs	(54,011,441)	(1,071,724)	(55,083,165)
Finance income	6,461,492	(16,688)	6,444,804
Finance costs - net	(47,549,949)	(1,088,412)	(48,638,361)
Share of loss from associates	(878,600)	-	(878,600)
Loss before income tax	(32,735,583)	(6,377,925)	(39,113,508)
Income tax credit	1,537,880	2,655,057	4,192,937
Loss for the period from continuing operations	(31,197,703)	(3,722,868)	(34,920,571)
Discontinued operations			
Loss for the period from discontinued operations	(18,492,174)	3,722,868	(14,769,306)
Loss for the period	(49,689,877)	-	(49,689,877)
Other comprehensive income:			
Items that will not be reclassified to profit or loss in subsequent periods:			
IFRIC 1 adjustment to revaluation reserve	69,436	-	69,436
Remeasurement loss on post employment benefit obligations	(391,327)	-	(391,327)
Deferred tax on remeasurement gains on post employment benefit obligations	117,398	-	117,398
	(204,493)	-	(204,493)
	-		
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	12,067,406	-	12,067,406
Fair value (loss)/gain on available for sale financial assets	(61,707)	-	(61,707)
	12,005,699	-	12,005,699
	-		
Reclassification to proift or loss			-
Reclassification adjustments for loss included in profit or loss	57,901	-	57,901
Other comprehensive income/(loss) for the period, net of tax	11,859,107	-	11,859,107
Total comprehensive loss for the period	(37,830,770)	-	(37,830,770)
Attributable to:			
Equity holders of the parent	(39,425,072)	-	(39,425,072)
Non controlling interest	1,594,302	-	1,594,302
	(37,830,770)	-	(37,830,770)
Earnings per share from continuing and discontinued operations attributable to ordinary equity holders of the parent during the year: (expressed in kobo per share)			
Basic and diluted loss per share			
From continuing operations	(268)		(294)
From discontinued operations	(155)		(128)
From loss for the year	(422)		(422)

* OTB previously presented as discontinued operations have been represented as continuing operations and Oando Gas & Power and its subsidiaries previously presented as continuing operations have been represented as discontinued operations.

Annual Consolidated and Separate Financial Statements

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

(b) Reconciliation of previously published consolidated statement of financial position

GROUP	IFRS previously reported N'000	Prevoisly classified as held for sale N'000	IFRS represented N'000
Non-current assets			
Property, plant and equipment	223,127,246	2,826	223,130,072
Intangible assets	252,518,881	2,196,864	254,715,745
Investment in associate	2,530,813	-	2,530,813
Deferred tax assets	35,042,529	-	35,042,529
Derivative financial assets	14,591,951	-	14,591,951
Finance lease receivables	43,589,953	-	43,589,953
Deposit for acquisition of a business	-	-	-
Non-current receivables	7,096,971	-	7,096,971
Available-for-sale financial assets	5,067	-	5,067
Prepayments	13,811	-	13,811
Restricted cash	8,309,408	696,675	9,006,083
	586,826,630	2,896,365	589,722,995
Current assets			
Inventories	2,265,218	-	2,265,218
Finance lease receivables	232,328	-	232,328
Derivative financial assets	10,262,018	-	10,262,018
Trade and other receivables	75,299,583	1,122,732	76,422,315
Prepayments	807,984	132,186	940,170
Available-for-sale financial assets	132,135	-	132,135
Cash and cash equivalents (excluding bank overdrafts)	14,613,568	371,805	14,985,373
	103,612,834	1,626,723	105,239,557
Assets of disposal group classified as held for sale	255,881,845	(4,523,088)	251,358,757
Total assets	**946,321,309**	**-**	**946,321,309**
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Share capital	6,017,309	-	6,017,309
Share premium	174,806,923	-	174,806,923
Retained loss	(199,723,265)	-	(199,723,265)
Other reserves	55,750,740	-	55,750,740
	36,851,707	-	36,851,707
Non controlling interest	14,042,219	-	14,042,219
Total equity	50,893,926	-	50,893,926
Liabilities			
Non-current liabilities			
Borrowings	55,998,437	-	55,998,437
Deferred tax liabilities	155,907,424	-	155,907,424
Provision and other liabilities	41,499,048	-	41,499,048
Retirement benefit obligation	1,487,923	-	1,487,923
	254,892,832	-	254,892,832
Current liabilities			
Trade and other payables	132,777,613	2,687,598	135,465,211
Borrowings	159,818,177	11,511,393	171,329,570
Derivative financial liabilities	5,160,802	-	5,160,802
Current income tax liabilities	49,643,097	-	49,643,097
Dividend payable	1,650,277	-	1,650,277
Provision and other liabilities	2,434,105	-	2,434,105
	351,484,071	14,198,991	365,683,062
Liabilities of disposal group classified as held for sale	289,050,480	(14,198,991)	274,851,489
Total liabilities	895,427,383	-	895,427,383
Total equity and liabilities	**946,321,309**	**-**	**946,321,309**

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

COMPANY ASSETS	IFRS previously reported N'000	Prevoisly classified as held for sale N'000	IFRS represented N'000
Non-current assets			
Property, plant and equipment	511,583	-	511,583
Intangible assets	283,082	-	283,082
Investment in associate	2,716,431	-	2,716,431
Available-for-sale financial assets	5,067	-	5,067
Investment in subsidiaries	57,988,399	3,435,950	61,424,349
Prepayments	13,811	-	13,811
Restricted cash	241,167	-	241,167
	61,759,540	3,435,950	65,195,490
Current assets			
Derivative financial assets	-	-	-
Trade and other receivables	206,042,583	-	206,042,583
Prepayments	147,313	-	147,313
Available-for-sale financial assets	131,063	-	131,063
Cash and cash equivalents (excluding bank overdrafts)	1,939,965	-	1,939,965
	208,260,924	-	208,260,924
Non current asset held for sale	19,795,219	(3,435,950)	16,359,269
Total assets	**289,815,683**	**-**	**289,815,683**
Equity and Liabilities			
Equity attributable to equity holders			
Share capital	6,017,309	-	6,017,309
Share premium	174,806,923	-	174,806,923
Retained earnings	(134,633,774)	-	(134,633,774)
Total Equity	46,190,458	-	46,190,458
Liabilities			
Non-current liabilities			
Borrowings	1,734,773	-	1,734,773
Retirement benefit obligation	850,598	-	850,598
	2,585,371	-	2,585,371
Current liabilities			
Trade and other payables	141,619,762	-	141,619,762
Borrowings	88,402,429	-	88,402,429
Derivative financial liabilities	5,160,802	-	5,160,802
Current income tax liabilities	1,772,479	-	1,772,479
Dividend payable	1,650,277	-	1,650,277
Provision and other liabilities	2,434,105	-	2,434,105
	241,039,854	-	241,039,854
Total liabilities	243,625,225	-	243,625,225
Total equity and liabilities	**487,250,450**	**-**	**487,250,450**

Notes to the consolidated and separate financial statements

For the year ended 31 December 2016

45 Going concern

The Group and Company recorded comprehensive gains/(losses), net of tax of N112.4 billion and (N33.9 billion) respectively during the year ended 31 December 2016 (2015 comprehensive losses: Group – N37.8 billion; Company – N56.6billion). As of year-end, the Group and Company were in net current liabilities and net current asset position of N263.8billion and N14.6billion respectively (2015 net current liabilities: Group – N260.4billion; Company – N32.8billion). Management has developed key strategic initiatives which aim to return the Company (and Group) to profitability, improve working capital and cash flows. The key initiatives include:

- Restructure the Reserve Based Loan and Corporate Loan Facilities at Oando Energy Resources to ensure the loans:
  (a) are default free and fully compliant with credit agreements,
  (b) achieve a tenor extension of up to two years, and
  (c) reduce debt service requirements in the near term.

The net effect of these two initiatives will be to reclassify up to N117 billion of net current liabilities into long-term liabilities thus creating a substantial remedy to the negative working capital position. Implementation of this initiative started in 2016 and will be completed between May 2017 and June 2017.

- Refinance an approximate N9 billion credit facility provided by one of the bilateral lenders and the promissory note consequent upon acquisition of the Conoco Philips companies with a view to extending the tenor of the facilities by at least 3 years, thus reclassifying the facility as longer term liabilities.

- Sale of the Company's shares in Oando Energy Resources and other non-core assets to raise up to N100 billion over the next two years of which N50 billion is anticipated in 2017, in order to fund working capital and pay down debt across the Group, especially with respect to the N88 billion Medium Term Loan.

One of the key initiatives discussed above which involves the raising of N50 billion in 2017 will improve the profitability of the group through interest savings arising from repayment of borrowings.

These conditions indicate the existence of material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis of accounting principles applicable to a going concern. This basis presumes that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

Consolidated and Separate Financial Statements

Value added statement

For the year ended 31 December 2016

	2016 N'000	%	2015 N'000	%
Group				
Turnover	455,746,734		203,431,526	
Other Income	72,782,420		33,514,609	
Interest received	7,256,765		6,444,804	
	535,785,919		243,390,939	
Bought in goods and services				
- Local purchases	(457,692,999)		(130,298,592)	
- Foreign purchases	(415,866)		(63,134,416)	
Value added	**77,677,054**	**100**	**49,957,931**	**100**
Distributed as follows				
Employees				
- To pay salaries and wages and other staff costs	9,477,603	12	13,174,416	26
Government				
- To pay tax	(1,636,859)	-2	12,448,896	25
Providers of capital				
- To pay dividend	-		-	
- To pay interest on borrowings	58,313,162	75	55,083,165	110
Non-controlling interest	25,562,629	33	1,594,302	3
Maintenance and expansion of assets				
- Deferred tax	(34,669,801)	-45	(13,895,917)	(28)
- Depreciation	17,505,517	23	31,987,912	64
- Retained in the business	3,124,803	4	(50,434,843)	(101)
Value distributed	**77,677,054**	**100**	**49,957,931**	**100**

	2014 N'000	%	2013 N'000	%
Company				
Turnover	4,858,182		8,452,665	
Other Income	97,776,195		8,137,453	
Interest received	27,417		1,119,432	
	102,661,794	-	17,709,550	-
Bought in goods and services				
- Local purchases	(102,239,855)		(38,711,668)	
- Foreign purchases	-		-	
Value added	**421,939**	**100**	**(21,002,118)**	**100**
Distributed as follows				
Employees				
- To pay salaries and wages and other staff costs	715,881	170	1,514,235	(7)
Government				
- To pay tax	146,405	35	241,499	(1)
Providers of capital				
- To pay dividend	-		-	-
- To pay interest on borrowings	33,260,203	7,883	33,465,367	(159)
Maintenance and expansion of assets				
- Deferred tax	-	-	-	-
- Depreciation	175,281	42	343,953	(2)
- Retained in the business	(33,875,831)	(8,029)	(56,567,172)	269
Value distributed	**421,939**	**100**	**(21,002,118)**	**100**

Consolidated and Separate Financial Statement

Five year financial summary (2012 – 2016)

For the year ended 31 December 2016

	2016 N'000	2015 N'000	2014 N'000	2013 N'000	2012 N'000
(b) GROUP					
Property, plant and equipment	293,541,702	223,130,072	314,042,207	172,209,842	130,324,713
Intangible exploration assets, other intangible assets and goodwill	361,530,468	254,715,745	245,705,184	82,232,746	138,853,809
Deferred income tax assets	44,758,179	35,042,529	12,328,465	4,995,280	13,424,518
Available for sale investments	2,867	5,067	10,834	14,500	1,000
Investments accounted for using the equity method	10,653,425	2,530,813	3,409,413	2,880,478	-
Deposit for acquisition of a business	-	-	-	69,840,000	67,542,450
Other non-current receivables	90,350,582	74,298,769	123,118,474	27,358,945	18,863,930
Net current liabilities	(263,760,105)	(260,443,505)	(329,001,646)	(126,873,433)	(161,081,158)
Assets/(liabilities) of disposal group classified as held for sale	(2,472,438)	(23,492,732)	-	23,253,101	-
Borrowings	(101,639,606)	(55,998,437)	(162,328,636)	(71,872,418)	(75,221,070)
Deferred income tax liabilities	(198,908,983)	(155,907,424)	(148,727,530)	(13,905,217)	(17,207,614)
Other non-Current liabilities	(41,711,512)	(42,986,971)	(14,945,994)	(7,765,747)	(10,146,050)
	192,344,579	50,893,926	43,610,771	162,368,077	105,354,528
Share capital	6,017,309	6,017,309	4,542,343	3,411,177	1,137,058
Share premium	174,806,923	174,806,923	131,554,223	98,425,361	49,521,186
Retained earnings	(152,287,138)	(199,723,265)	(150,300,361)	33,937,579	37,142,281
Other reserves	93,826,307	55,750,740	45,342,918	23,217,694	14,412,064
Non controlling interest	69,981,178	14,042,219	12,471,648	3,376,266	3,141,939
	192,344,579	50,893,926	43,610,771	162,368,077	105,354,528
Revenue	455,746,734	203,431,526	92,912,344	449,873,466	650,565,603
Profit before income tax	(32,812,624)	(51,136,898)	(137,696,205)	7,711,850	14,177,442
Income tax expense	36,306,661	1,447,021	(7,958,945)	(6,314,924)	(8,666,859)
Profit for the year	**3,494,037**	**(49,689,877)**	**(145,655,150)**	**1,396,926**	**5,510,583**
Per share data					
Weighted average number of shares	12,034,618	11,940,150	8,698,231	6,226,567	2,268,415
Basic earnings per share (kobo)	26	(422)	(2,076)	23	126
Diluted earnings per share (kobo)	27	(274)	(1,380)	23	127
Dividends per share (kobo)	-	-	-	30	239

	2016 N'000	2015 N'000	2014 N'000	2013 N'000	2012 N'000
COMPANY					
Property, plant and equipment	379,819	511,583	819,188	925,365	3,022,194
Intangible exploration assets, other intangible assets and goodwill	182,151	283,082	162,918	105,551	89,096
Investments accounted for using the equity method	15,500,552	2,716,431	2,716,431	2,716,431	-
Deferred income tax assets	-	-	-	1,292,116	579,406
Available for sale investments	2,867	5,067	10,834	14,500	1,000
Investment in subsidiaries	55,373,649	61,424,349	77,794,091	108,186,115	85,379,020
Other non-current receivables	14,400,934	254,978	16,415,243	22,186,519	7,739,284
Net current liabilities	14,575,405	(32,778,930)	(34,709,292)	(16,214,366)	9,047,548
Assets/(liabilities) of disposal group classified as held for sale	2,500	16,359,269	-	10,000	-
Borrowings	(87,320,834)	(1,734,773)	(4,142,857)	(11,942,482)	(45,760,738)
Deferred income tax liabilities	-	-	-	-	-
Other non-current liabilities	(782,416)	(850,598)	(1,032,786)	(1,189,998)	(2,641,954)
	12,314,627	46,190,458	58,033,770	106,089,751	57,454,856
Share capital	6,017,309	6,017,309	4,542,343	3,411,177	1,137,058
Share premium	174,806,923	174,806,923	131,554,223	98,425,361	49,521,186
Retained earnings	(168,509,605)	(134,633,774)	(78,066,602)	2,861,024	4,520,486
Other reserves	-	-	3,806	1,392,189	2,276,126
	12,314,627	46,190,458	58,033,770	106,089,751	57,454,856
	-	-	-	-	-
Revenue	4,858,182	8,452,665	14,217,468	5,883,304	7,358,881
Profit before income tax	(33,729,427)	(56,325,673)	(64,925,182)	2,783,697	4,690,743
Income tax expense	(146,405)	(241,499)	(1,572,367)	(433,123)	(311,297)
Profit for the year	**(33,875,832)**	**(56,567,172)**	**(66,497,549)**	**2,350,574**	**4,379,446**
Per share data					
Weighted average number of shares	12,034,618	11,940,150	8,698,231	6,226,567	2,268,415
Basic earnings per share (kobo)	26	(422)	(2,076)	23	126
Diluted earnings per share (kobo)	27	(274)	(1,380)	23	127
Dividends per share (kobo)	-	-	-	30	239

Consolidated and Separate Financial Statement

Share capital history

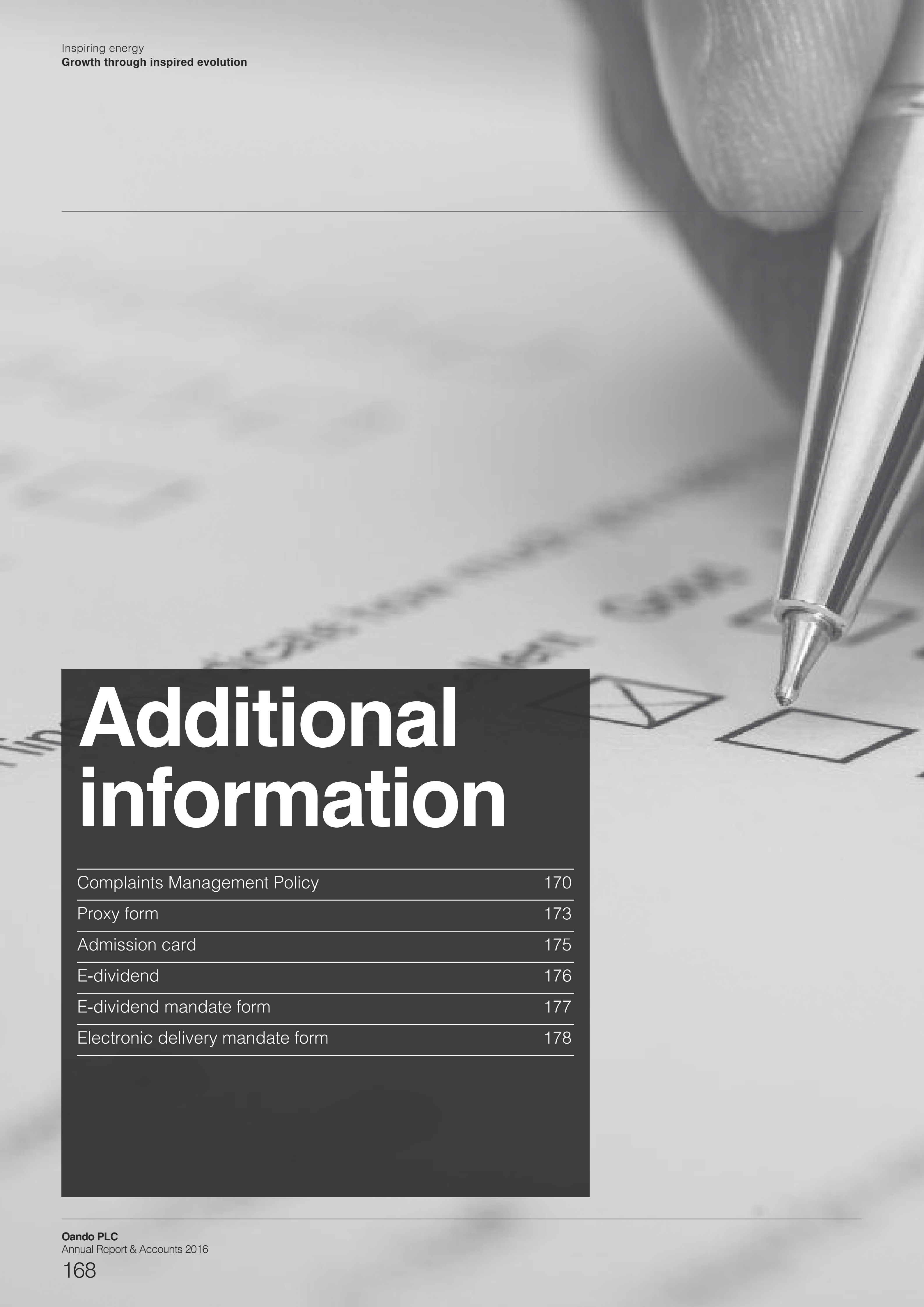
For the year ended 31 December 2016

Year/ Date	Authorized (N) Increase	Cumulative	Issued and fully Paid-up (N) Increase	Cumulative	Consideration Cash/Bonus
1969	0	4,000,000	0	4,000,000	Cash
1978	3,000,000	7,000,000	2,100,000	6,100,000	Cash
1987	43,000,000	50,000,000	33,900,000	40,000,000	Cash
1991	10,000,000	60,000,000	0	40,000,000	-
1993	40,000,000	100,000,000	10,000,000	50,000,000	Bonus
1995	0	100,000,000	12,500,000	62,500,000	Cash
1998	0	100,000,000	15,625,000	78,125,000	Bonus
2001	50,000,000	150,000,000	0	78,125,000	-
2002	150,000,000	300,000,000	70,129,233	148,254,233	Bonus, Loan Stock Conversion and Agip Share Exchange
2003	0	300,000,000	14,825,423	163,079,656	Bonus
2004	0	300,000,000	40,769,914	203,849,570	Bonus
2005	0	300,000,000	82,300,879	286,150,449	Cash
2005	100,000,000	400,000,000	0	286,150,449	-
2007	100,000,000	500,000,000	90,884,813	377,035,262	Share Exchange under Scheme of Arrangement
2008	0	500,000,000	75,407,052	452,442,314	Bonus issue
2009	0	500,000,000	100,000	452,542,314	Staff Share Scheme
2009	500,000,000	1,000,000,000	0	452,542,314	-
2010	2,000,000,000	3,000,000,000	150,847.438	603,389,752	Right Issue
2010	0	3,000,000,000	301,694,876	905,084,628	Bonus Issue
2011	0	3,000,000,000	226,271,157	1,131,355,785	Bonus Issue
2011	0	3,000,000,000	5,703,284	1,137,059,069	Staff Equity Scheme
2012	2,000,000,000	5,000,000,000	0	1,137,059,069	Rights Issue
2013	0	5,000,000,000	2,274,118,138	3,411,177,207	Rights Issue
2014	2,500,000,000	7,500,000,000		3,411,177,207	-
2014	0	7,500,000,000	1,023,353,162	4,434,530,369	Private Placement
2014	0	7,500,000,000	107,812,500	4,542,342,869	Debt-to-equity conversion
2015	0	7,500,000,000	1,474,966,578	6,017,309,447	Rights Issue

Unclaimed dividend

For the year ended 31 December 2016

Payment Number	December 2016	Payable Date
17	219,482,010.36	5/30/2008
18	159,755,217.26	9/30/2008
19	17,357,970.04	8/3/2009
20	149,303,154.56	8/31/2010
21	340,555,018.08	8/30/2011
22	187,303,808.66	8/30/2013
23	104,694,129.83	11/17/2014
24	202,888,273.07	12/15/2014
	1,381,339,581.86	



Additional information

Complaints management policy

1. Introduction

1.1 Oando Plc. (the "Company") is committed to providing the highest standards of services to its Stakeholders in line with the Oando Quality Policy Statement.

1.2 The Company acknowledges that complaints are a common occurrence in all Stakeholder business engagements. The Company further recognizes the right of any person covered under this Policy to raise an issue or make a complaint in the course of their dealings with the Company and shall ensure that their complaints are dealt with in an efficient, responsive, impartial and courteous manner.

1.3 This Policy will complement the Company's Whistle Blowing Policy which provides a broader framework for employees and other stakeholders to report unlawful conduct, financial malpractice, harassment or misbehavior at work or an actual or potential infraction of the company's policies and business principles or danger to the public or the environment.

2. Regulatory Framework

This Policy is issued in compliance with the provisions of:

a. the Investment and Securities Act 2007 (ISA);
b. the Security and Exchange Commission ("SEC") Rules and Regulations 2013; and
c. Rules Relating to the Complaints Management Framework of the Nigerian Capital Market released by the Securities and Exchange Commission in February 2015.

3. Scope and Objective of the Policy

The key objective of this Policy is to provide information about the framework for handling complaints relating to the Company. The Policy will:

- provide a fair complaints procedure which is clear and easy to follow by any Complainant wishing to make a complaint;
- document and publicise the existence of our complaints procedure so that Stakeholders know what to do when they have a complaint.
- make sure that all complaints are investigated fairly and in a timely manner.
- make sure that complaints are, wherever possible, resolved and that relationships are appropriately managed.

4. Definitions

Complaint	A written expression of dissatisfaction (justified or not) made to the Company, relating to an act or omission of the Company covered under the Investment and Securities Act 2007, Securities and Exchange Commission Rules; NSE Listing Rules for which a response or resolution is expected.
	For the avoidance of doubt, the following shall not constitute a complaint under this Policy: i. a request for information, clarification of service offered or provided; ii. a complaint against any of the Company's unlisted, delisted, wound up or liquidated subsidiaries or affiliates; iii. a request for explanation(s) for non-trading of shares or illiquidity of shares; iv. dissatisfaction with the trading price of the shares of the Company; v. Complaints whose subject matter are being investigated by competent persons or have been or are currently the subject of legal proceedings. vi. complaints that are not covered under the ISA, SEC Rules, NSE and/or within the purview of other regulatory bodies;
Complainant	A person, organization or their legal representative who makes a complaint
Competent Authority	Means Self-Regulatory Organizations (SROs) and recognized Capital Market Trade Associations
CMO	Capital Market Operators as defined under ISA
NSE	Nigerian Securities and Exchange Commission
Stakeholder	A shareholder and/or an investor of Oando Plc; including their legal representatives.
SEC	Security and Exchange Commission
SROs	Self-Regulatory Organisations (SROs)

5. Complaints Handling Responsibility

5.1 The Chief Compliance Officer & Company Secretary (CCO&CS) shall be responsible for handling all complaints received from complainants. In this context, complaints should be in writing and addressed to any of the following:

(a) The Chief Compliance Officer & Company Secretary
Oando Plc
2, Ajose Adeogun Street
Victoria Island
Lagos

(b) Head, Investor Relations
Oando Plc
2, Ajose Adeogun Street
Victoria Island
Lagos

(c) Head, Corporate Communication
Oando Plc
2, Ajose Adeogun Street
Victoria Island
Lagos

E-mail: complaint@oandoplc.com

5.2 The CCO&CS shall be responsible for ensuring that the proper process for managing complaints is followed and for monitoring compliance.

5.3 The CCO&CS shall designate a Governance Officer to assist him /her in the discharge of these responsibilities.

5.4 A copy of this Policy shall be made freely available on the Company website.

6. Compliance Handling Procedure

6.1 Receipt and Acknowledgment

6.1.1 Upon receipt of a Complaint, the Complaint will be recorded in the Electronic Complaints Register by the Governance office.

6.1.2 Receipt of an electronic Complaint via email shall be acknowledged as soon as possible (not exceeding 2 (two) working from the date of receipt), whilst a Complaint received by post shall be acknowledged within 5 (five) working days of receipt.

6.1.3 Where a Complaint is resolved within the timeframe for acknowledging complaints as set out in paragraph 6.1.2 above, and a response containing the decision regarding the complaint sent to the Complainant, this will be deemed to be sufficient acknowledgment and resolution of the complaint.

6.1.4 Sufficient records of complaints received by email and the respective email acknowledgement shall be made available to NSE on a quarterly basis. Records for complaints received and resolved via a physical or post office box addresses shall also be sent to the NSE on a quarterly basis. Evidence of posting a response to the complainant shall be deemed sufficient proof that the complaint received attention from the company.

6.2 Resolving a Complaint

6.2.1 The CCO&CS shall have the capacity to investigate and take all reasonable steps to resolve complaints and to implement appropriate remedies as may be required.

6.2.2 Upon resolution of a complaint, the outcome shall be communicated to the Complainant and the Governance Officer shall record the decision in the Complaint Register.

6.2.3 Where a complainant is dissatisfied with the decision reached by the Company, the complainant, may, if he/she so wishes, refer the complaint to a Competent Authority.

6.3 Timing of Complaint Resolution
6.3.1 All complaints received shall be resolved and a final response sent to the Complainant within 10 (ten) business days of it being received by the Company and the NSE shall be notified of the resolution of the complaint within two (2) working days following the date the response was sent to the Complainant.

6.3.2 Where the Company is unable to resolve a particular complaint within the timeline stipulated above, the complainant shall have a right to refer the complaint to a Competent Authority.

7. Complaints Record Management

7.1 The Company shall maintain a Complaints Register which shall be in electronic form. The Complaints Register shall contain the following details:
i. Name of the Complainant;
ii. Date the complaint was received;
iii. Nature of the complaint;
iv. Summary of the complaint;
v. Decision/resolution made

7.2 Copies of letters, memos sent including any update letters, acknowledgment letters, and response/resolution documents shall form part of the complaint management record that shall be kept in accordance with the Oando Document Management Policy.

Complaints management policy continued

8. Malicious Complaints

Any improper use of the Complaint process by way of malicious accusations shall not be tolerated and appropriate actions shall be taken within the confines of the law.

9. Confidentiality

The identity of Complainants shall be kept strictly confidential except where the concern raised is of a criminal nature and requires legal proceedings. However, the Company will to the best of its ability ensure that the Complainant is protected from any form of retaliation, victimization or retribution.

10. Monitoring and Reporting

The CCO&CS shall monitor the resolution status of all complaints and shall provide a quarterly report of complaints received and their status, independently verified by the Internal Audit, to the Group Leadership Council of the company. The report shall serve as a monitoring tool which shall enable management monitor the effectiveness of the Company's complaint-handling procedures, other related policies and/or procedures and identify relevant trends (if any) which could indicate areas for future focus or improved performance.

11. Publicity

This Policy shall be published on the Company's website together with details of the contact person(s) mentioned in section 5 above and the procedure described under section 6 above.

12. Commencement Date

This Policy shall come to force on the 20th day of November 2015.

Proxy form

Oando

The 40th (Fortieth) Annual General Meeting (the "Meeting") of Oando PLC (the "Company") will be held at the Akwa Ibom State Hall (Ibom Hall), Babangida Avenue, Uyo, Akwa Ibom State, Nigeria, on Monday, 11th September , 2017 at 10.00 a.m.

I / We* ………………………………………………………………of ……………………………………………………………………………...

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

……………………………………………. shares hereby appoint** ……………………………................................……………………

or failing him/her, the Chairman of the Meeting as my/our proxy to act and vote for me/us on my/our behalf at the Meeting of the Company to be held on ________________, ________________, ________________, and at any adjournment thereof, which will be held for the purposes of considering and, if deemed fit, passing with or without modification, the resolutions to be proposed at the Meeting and to vote for or against the resolutions in accordance with the following instructions.

INSTRUCTIONS TO NOTE

A member who is unable to attend the Meeting is entitled by law to vote by proxy. The proxy form has been prepared to enable you exercise your right in case you cannot personally attend the Meeting. The proxy form **should not** be completed if you will be attending the Meeting.

If you are unable to attend the Meeting, complete the form as follows:

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

S/N	Proposed resolution	For	Against
1.	To receive the audited financial statements of the Company and of the Group for the year ended 31st December, 2016 and the Reports of the Directors, Auditors and Audit Committee thereon;		
2.	To re-appoint Ernst & Young as Auditors;		
3.	To authorise the Directors of the Company to fix the remuneration of the Auditors;		
4.	To re-elect Mr. Mobolaji Osunsanya as a Director		
5.	To re-elect Mr. Tanimu Yakubu as a Director		
6.	To re-elect Mr. Oghogho Akpata as a Director		
7.	To elect members of the Statutory Audit Committee;		
8.	To consider, and if approved, to pass, with or without modification, the following ordinary resolution to fix the remuneration of the Non-Executive Directors: "It is hereby resolved that the fees, payable quarterly in arrears remain N5,000,000 per annum for the Chairman and N4,000,000 per annum, for all other Non-Executive Directors."		

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

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

Signed*** ______________________________ Dated*** ______________________________

Please affix postage stamp

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

or

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

ADMISSION CARD

The 40th (Fortieth) Annual General Meeting to be held
at
the Akwa Ibom State Hall (Ibom Hall), Babangida Avenue, Uyo,
Akwa Ibom State, Nigeria, on

Monday 11th September , 2017 at 10.00 a.m.

NAME OF SHAREHOLDER

____

SIGNATURE OF PERSON ATTENDING

____

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

Collect your Oando Dividend and Bonus instantly with ease

Dear Shareholder,

Now, your dividend can be paid directly into your bank account and your bonus credited to your CSCS account instantly on issue, through an electronic channel.

Benefits

- Shareholders' bank and CSCS accounts will be credited with declared dividend and bonus respectively **within 24 hours!**
- Elimination of time and cost of verification of physical share certificates with the registrar before trading bonus shares
- Elimination of physical dividend warrants & bonus certificates and attendant costs of printing and posting same
- Avoid loss of dividend warrants or non receipt of bonus certificates due to change of address
- Elimination of unclaimed dividends

3 Steps to receiving your e-Dividend and/or e-Bonus:

1. Fill out an e-Dividend payment Mandate & e-Bonus form (Forms have been posted to all shareholders and can also be downloaded from our website www.oandoplc.com). Ensure that all required information is supplied, particularly your:
   a. CSCS account number
   b. Clearing house number
   c. Stockbrokers name
   d. Bank account number and
   e. Bank sort code number.

2. Verify your account details by having your banker sign and stamp in the space marked "Authorised signature & stamp of Bankers"

3. Return completed Mandate forms to:
   a. **Oando PLC Head Office** @ Ground Floor reception, 2, Ajose-Adeogun Street, Victoria Island, Lagos
   b. **First Registrars Nigeria Limited Head office** @ Plot 2, Abebe Village Road, Iganmu, Lagos
   c. **All First Registrars Liaison Offices Nationwide – Abuja, Kano, Kaduna Ibadan, Port Harcourt, Enugu**

<u>Unclaimed Dividends</u>

Shareholders with outstanding dividend payments can also have their bank accounts credited immediately by following below instructions:

- Complete your e-dividend form as outlined in the steps 1 - 3 above
- Attach a letter of authorisation addressed to the Registrar mandating payment of outstanding dividends to the bank account stated on your completed e-dividend form
- Attach stale dividend warrants (where available)
- Submit your e-dividend form along with the authorisation letter at any of the locations stated above.

[redacted]

Signed
Ayotola Jagun (Ms.)
Company secretary

Oando PLC RC:6474

e-DIVIDEND PAYMENT MANDATE, e-BONUS, e-REPORT INFORMATION & CHANGE OF ADDRESS FORM

I. PERSONAL DETAILS, 2. e-BONUS & 3. e-REPORT INFORMATION

Shareholder's name(s)____

(Surname/Company name) (Other names)

Full Name(s) of any other holder* ____

(*Including Deceased if applicable)

Shareholders Certificate No(Where available													

CSCS A/c No________________________ (Where available)

Stockbroker's Name ______________________________Clearing House No (CHN)______________________________

No of units held: ____________ Date of Birth/Incorporation of Company: ______________________________

Address (As it appears in the Register of Shareholders): ______________________________

____

____

Mobile (GSM) Number(s):______________________________Other Nos.______________________________

Email Address: ______________________________ Fax ______________________________

4 BANK MANDATE

Agreement and Acknowledgment

i. I/We hereby agree that this mandate form is an acceptance and acknowledgment of the receipt of our dividend payment in Cash from Oando Plc and an authorization to Oando Plc to act under item (iii) below.

ii. I/We hereby agree that Oando Plc may act and rely on these instructions until Oando Plc receives written notification from me/us of the revocation or modification of these instructions.

iii. I/We hereby authorize Oando Plc to credit or cause to be credited all dividend payments due to me/us into my/our Bank Account as detailed below, with effect from the date hereof

Bank: ______________________________ Branch ______________________________

Shareholder's Bank Account No:																															

Dated this _________ day of ______________________________20______

______________________________ ______________________________

Shareholders Signature Shareholders Signature**

Authorised Signature & Stamp of Bankers

** In the case of corporate shareholder, please use company seal/stamp

5. CHANGE OF ADDRESS I/We hereby request that all correspondences relating to my/our holdings be sent to the address below:

New Address: ____

____

____

Date:_________________DD___________/______MM_______/_________YYYY

Completed forms should be returned to:

- The Registrar, First Registrars Nigeria limited, Plot 2, Abebe Village Road, Iganmu, Lagos
- First Registrars Zonal Offices in Abuja, Enugu, Ibadan, Kaduna, Kano and PortHarcourt
- Oando Plc Head Office, Ground Floor Reception, 2, Ajose Adeogun Street, Victoria Island, Lagos

ELECTRONIC DELIVERY MANDATE FORM

I / We, Chief, Dr, Mr, Mrs.

of

by this form agree to the delivery of annual reports and other statutory documents of Oando PLC to me/us via electronic mode:

The company should forward the materials to the e-mail address stated below:

Signature and date

Please fill and return the completed form to either:

The Registrar
First registrars Nigeria Limited
Plot 2, Abebe Village Road, Iganmu, Lagos

OR

The Chief Compliance Officer & Company Secretary
Oando PLC
2, Ajose Adeogun Street,
Victoria Island, Lagos

RC 6474

...the energy to inspire

Oando PLC

2 Ajose Adeogun Street
Victoria Island
Lagos, Nigeria

Tel: +234 1 270 2400
Email: info@oandoplc.com