Oando RC 6474

...the energy to inspire

Growth through transformation and innovation

Annual Report & Accounts 2014

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

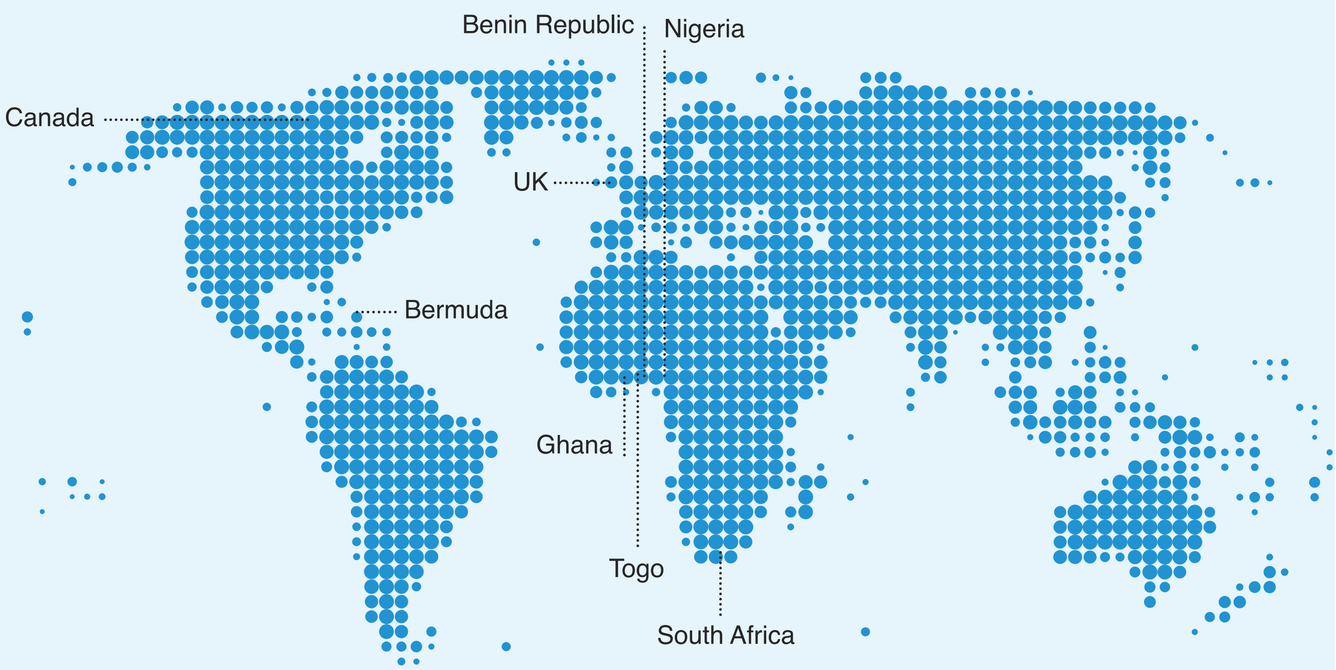
Strategic & Operational Review

Vision
To be the premier company driven by excellence

Mission
To be the leading Integrated energy solutions provider

Strategic & Operational Review

Our global footprint



1,500+
Employees

Oando has presence in different locations around the world. Our operations are currently focused on West Africa and include upstream, midstream and downstream activities. We are front runners in all sectors of our operations. We are a transformational company with an outstanding workforce that strives towards delivering the highest standards that guarantee a brighter future. We are passionate about and committed to transforming the fortunes of our nation.

Strategic & Operational Review

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.

Strategic & Operational Review

Asset overview

With shared values of Teamwork, Respect, Integrity, Passion and Professionalism (TRIPP), the Oando Group comprises various divisions, each division encompasses companies who are leaders in their respective markets.

U

Exploration & Production

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

Energy Services

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

M

Gas & Power

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

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

D

Marketing

Oando Marketing PLC is Nigeria's leading retailer of petroleum products and has a vast distribution network with over 470 retail service stations.

Supply & Trading

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

Terminals & Logistics

Oando Terminals & Logistics Limited is a subsidiary of the Oando Group that develops and manages infrastructure for the evacuation and reception of petroleum products.

Strategic & Operational Review

A new strategic perspective

Through strategic investments, local knowledge and a dedication to the development of Africa's Oil and Gas industry, Oando has boldly transitioned from a dominant downstream player to an integrated energy group.

Strategic & Operational Review

Exploration & production (E&P)

Oando Energy Resources Inc. (OER): A leading E & P company with a portfolio consisting of 10 oil and gas assets situated in Nigeria and the Gulf of Guinea. The Company is listed on the Toronto Stock Exchange and has a local operating capacity, partnering with both indigenous and international oil companies.

We are committed to Nigeria's upstream sector with significant investments in a robust portfolio of oil and gas fields, as well as participating interests in onshore and offshore producing assets.

The Local Advantage

An independent oil and gas company with world class operations and excellent relationships in place with government bodies, regulators and International Oil Companies (IOCs). OER is strategically poised to benefit from favourable terms to be granted to indigenous companies, thereby increasing the profitability of its projects.

Acquisition Opportunities

Current divestment of upstream assets by the IOCs and Governments ongoing asset bid rounds, create opportunities for indigenous independents to acquire valuable reserves, resources and increase production capacity.

Sustainable Value

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

19 licenses

for the exploration, development and production of oil and gas assets

Strategic & Operational Review

Energy services

Oando Energy Services (OES): A leading provider of energy services to E&P companies in Nigeria, OES offers its clients high quality support for their operations with a view to increasing efficiency and lowering operating costs. Our primary focus entails utilizing world class safety practices in all our operations thus resulting in OES being associated with some of Nigeria's well-known oil industry projects.

Nigeria's leading indigenous oilfield and rig services company, working to industry best practice, and using advanced technology to deliver safe and environmentally sound operations.

4 rigs

4 swamp drilling rigs

Continuous investment

OES has invested over US$400 million in the acquisition and upgrade of its four rigs and continues to invest heavily in asset maintenance and integrity programmes with the aim of optimizing operational performance.

In addition, the company recognizes the importance of ensuring its people are adequately trained and as such, uses various learning and talent development systems to identify the training needs of all individuals within the organisation.

Today, training is provided via a number of methods including on-the-job modules, web-based courses and classroom learning which are either provided locally or internationally by reputable training schools. In line with OES' growth plans which include expanding its rig service offerings to comprise providing deep water drilling assets, OES envisages making significant investments over the next few years as it positions itself to realise this objective.

Growth and development

OES is poised to expand its range of services to meet the needs of its clients by introducing new service lines that complement its existing portfolio. To support this rapid growth, the company is developing its operational base within the Onne Oil & Gas Free Zone. This base which will serve as the central point for coordinating the company's logistical and procurement activities, is strategically located close to many of OES' clients who also utilize the Onne facility to support their operations.

Providing high quality services

Over the years, OES has become skilled in identifying and executing cost effective solutions that add value to its clients' operations. The company has built long-lasting relationships with reputable vendors both locally and internationally who share its commitment to offering world class service and quality delivery.

Strategic & Operational Review

Gas & power

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

Revolutionising natural gas distribution via pipelines to enhance the global competitiveness of local industries.

233km
pipeline grid developed in Nigeria

Continued investment

OGP continues to focus on aggressively developing Nigeria's domestic natural gas infrastructure and leveraging the same towards becoming a leading gas and power provider to the last-mile customer. We have made significant investments by developing a 233km gas pipeline grid as part of Nigeria's expanding gas and power infrastructure with long term plans in place to develop a gas network spanning over 600km.

OGP aspires to provide industrial and commercial users with access to efficient, cleaner, and cheaper fuel and power. Our aim is to replicate the success of the Lagos gas distribution network in other parts of Nigeria. The division continually looks to expand its horizons by developing unique independent power generation solutions in areas where it has existing gas infrastructure while taking advantage of synergies with Oando's exploration and production assets.

Strengthening its capabilities

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

The Akute Power Plant was commissioned to generate constant electricity to the Lagos Water Corporation, significantly increasing the supply of water to millions of residents in Lagos State. The CNG plant ensures gas gets to customers not connected to the gas grid as far as 100km away. In addition, the division has been awarded a mandate to build and operate a Natural Gas Central Processing Facility in Rivers State that would be the anchor for national power generation, petrochemical and gas-based industries in the State.

Strategic & Operational Review

Marketing

Oando Marketing (OMP): The nation's leading supplier and distributor of refined petroleum products. Distributing over 2 billion litres of products annually and with a market share of 18%, 22% and 15% in refined products, LPG and lubricants respectively. OMP has successfully transited into the leading consumer brand in the downstream sector over the last 5 years.

Oando Marketing is the nation's leading oil retailer with one in every five litres of petroleum products being sold or distributed via its 470+ retail service stations and strategically located terminals. We have continuously ensured the availability and supply of petroleum products to Nigeria and other West African countries.

Nigeria's leading oil retailer

OMP's businesses span across sales, marketing and distribution of the major petroleum products including Premium Motor Spirit (PMS), Automotive Gas Oil (AGO), Dual Purpose Kerosene (DPK), Aviation Turbine Kerosene (ATK), Low Pour Fuel Oil (LPFO), Lubricating Oils, Greases, Bitumen and Liquefied Petroleum Gas (LPG, commonly known as cooking gas). As the nation's leading oil retailer, 1 in every 5 cars is fuelled by Oando.

470+
retail service stations in Nigeria, Ghana and Togo

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

Oando value added peddling

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

Oando vendor-managed inventory

A unique customer service initiative which ensures regular fuel and lubricant supply to the customer.

PAY-AS-U-GAS

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

Strategic & Operational Review

Supply & trading

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

Oando Supply and Trading procures and trades a broad range of refined petroleum products and crude oil and has access to 160 million litres of physical storage in major markets.

160mlt

Access to 160 million litres of physical storage in major markets

Overview

OST's business activities covers the trading of crude to refineries worldwide. The company also procures and trades a broad range of refined petroleum products, which include Premium Motor Spirit, Jet A1, Gasoline, Dual Purpose Kerosene, AGO, Low/High Pour Fuel Oil, Base Oil, and Bitumen to marketing companies in Africa.

Oando Supply & Trading is strategically positioned as the leading supplier of refined petroleum products into Nigeria and other West African markets.

Oando's trading business

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

As part of our continued expansion drive, the trading business has also embarked on a number of initiatives that seek to grow its African footprint culminating in interests or operations in Ghana, Sierra Leone, Liberia, Togo, Benin, Cote d'Ivoire, Cameroun, Congo, Mozambique, South Africa and Senegal.

Key strengths

- Access to 160 million litres of physical storage in major markets
- Strong management team with over 30 years' combined trading experience
- Knowledge of local and regional market dynamics
- Access to trading lines in excess of US$1bn
- 100% track record of delivery on all supply contracts

Strategic & Operational Review

Terminaling

Oando Terminals and Logistics (OTL): Industrialisation is accelerating in West Africa, and with it, the private development of the much-needed energy infrastructure required to drive growth represents a sustained opportunity for value creation for best in class operators.

Oando's entry into the terminals business completes its presence in all segments of the energy value chain.

Overview

This division, a downstream asset development organisation, combines commercial, technical and socio-political understanding to excel in this space. OTL is set to complete its first major investment as Oando leads the way in significantly reducing the cost of importing products into the country.

The organisation completed the financing and commenced construction of the pioneer Apapa Submarine Pipeline (ASP) project: A jetty in the Lagos harbour connected to the Major Marketers' storage facilities by a half kilometre subsea pipeline, and a new 3km onshore line delivering almost 3 million tonnes of petroleum products a year.

45,000

Ship berthing capacity for larger vessels of up to 45,000 tonnes cargoes currently restricted by shallow draft at other ports

OTL will maintain an interest in advantaged downstream asset development projects such as Liquefied Petroleum Gas (LPG) storage and world scale white fuels terminaling in the south-west that will receive products destined for inland delivery. These projects will seek to further enhance the sector leadership of the downstream division.

In summary, the division is on the verge of creating increased value, whilst the company remains poised to secure additional opportunities as they arise out of new insight and new partnerships.

Strategic & Operational Review

Directors and professional advisers

Oando's general policies are determined by a Board comprised of Independent and Executive Directors drawn from different industries and facets of the society. Our Board members are successful individuals in their various fields and bring 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.

Board of directors

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

Mr Jubril Adewale Tinubu
Group Chief Executive

Mr Omamofe Boyo
Deputy Group Chief Executive

Mr Olufemi Adeyemo
Group Executive Director

Mr Mobolaji Osunsanya
Group Executive Director

Mr Oghogho Akpata
Independent Non-Executive Director

Ammuna Lawan Ali, OON
Independent Non-Executive Director

Chief Sena Anthony
Independent Non-Executive Director

Ms Nana Afoah Appiah-Korang
Non-Executive Director
(Resigned June 30, 2015)

Francesco Cuzzocrea
Non-Executive Director

Engr Yusuf N'jie
Independent Non-Executive Director

Tanimu Yakubu
Independent Non-Executive Director
(Appointed June 30, 2015)

Professional advisers

Mr Olufemi Adeyemo
Group Chief Financial Officer

Ms Ayotola Jagun
Chief Compliance Officer and Company Secretary

Mrs Ngozi Okonkwo
Chief Legal Officer

Registered office

2, Ajose Adeogun Street
Victoria Island, Lagos, Nigeria

Auditors

Ernst & Young
UBA House (10th Floor),
57 Marina, Lagos, Nigeria

Registrars

First Registrars Nigeria 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

Banks

- ABN Amro Bank
- Access Bank Plc
- Access Bank UK
- African Export-Import Bank
- BNP Paribas, Paris
- Citibank Nigeria Limited
- Citibank UK
- Diamond Bank Plc
- Ecobank Plc
- Enterprise Bank Limited
- Fidelity Bank Plc
- First Bank of Nigeria Limited
- First Bank UK
- First City Monument Bank Plc
- Guaranty Trust Bank Plc
- Heritage Banking Company Limited
- Industrial and Commercial Bank of China Ltd
- Keystone Bank Limited
- Mainstreet Bank Limited
- Natixis Bank
- Rand Merchant Bank (First Rand)
- Stanbic IBTC Bank Plc
- Standard Bank London
- Standard Bank of South Africa Ltd
- Standard Chartered Bank Plc UK
- Standard Chartered Bank Nigeria Limited
- Sterling Bank Plc
- Union Bank of Nigeria Plc
- United Bank for Africa Plc
- United Bank for Africa New York
- Unity Bank Plc
- Wema Bank Plc
- Zenith Bank Plc


USDJPY,H4 91.76 91.76 91.31 91.46
CCI(14) 16.4659
92.65
91.46
91.05
89.45
87.85
86.25
2 Oct 2009
19 Oct 12:00
3 Nov 04:00
17 Nov 20:00
2 Dec 12:00
1.0372
1.5960
1.4352
91.49

NOTICE OF 38th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 38th (Thirty–Eighth) Annual General Meeting (the "Meeting") of Oando PLC (the "Company") will be held at the Zinnia Hall, Eko Hotel and Suites, Plot 1415, Adetokunbo Ademola Street, Victoria Island, Lagos, Nigeria on Monday, 7th December, 2015 at 10.00 a.m for the purposes of:

AGENDA

ORDINARY BUSINESS

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 31st December, 2014 and the Reports of the Directors, Auditors and Audit Committee thereon;
   1.2. To elect members of the Audit Committee;
   1.3. To re-appoint Ernst & Young as Auditors;
   1.4. To authorise the Directors of the Company to fix the remuneration of the Auditors;
   1.5. To elect Tanimu Yakubu to the Board of Directors of the Company with effect from 30th June, 2015 as a Director whose term expires in accordance with Article 88 of the Articles of Association of the Company ("the Articles") but being eligible, offers himself for election;
   1.6. To re-elect Mr Omamofe Boyo as a Director;
   1.7. To re-elect Oghogho Akpata as a Director;
   1.8. To re-elect Olufemi Adeyemo as a Director;

SPECIAL BUSINESS

2. **Transacting the following special business:**

Resolution 1: Directors Remuneration

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 ₦5,000,000 per annum for the Chairman and ₦4,000,000 per annum, for all other Non-Executive Directors.

Resolution 2: Approval of Increase in Authorised Share Capital

2. To consider, and if approved, to pass with or without modification the following ordinary resolution:

   That on the recommendation of the Directors and in accordance with Article 46 of the Articles of Association of the Company, the Authorised Share Capital of the Company be and is hereby increased from ₦7,500,000,000 (Seven Billion Five Hundred Million Naira) to ₦15,000,000,000 (Fifteen Billion Naira) by the creation and addition thereto, of 15,000,000,000 (Fifteen Billion) Ordinary Shares of 50 kobo (Fifty Kobo) each, such new shares to rank pari passu in all respects with the existing Ordinary Shares in the capital of the Company.

Resolution 3: Approval of Amendment of Memorandum and Articles of Association of the Company

3. To consider, and if approved, to pass with or without modification the following special resolution:

   That Clause 6 of the Memorandum of Association and Article 3 of the Articles of Association of the Company be and are hereby amended to reflect the new authorized share capital of ₦15,000,000,000 (Fifteen Billion Naira) divided into 30,000,000,000 (Thirty Billion) Ordinary shares of 50 kobo each.

Resolution 4: Approval for the Divestment of the Downstream Business

4. To consider, and if approved, to pass with or without modification the following special resolutions:

   4.1 Further to the approval of shareholders given at the 32nd Annual General Meeting held 30th July, 2009 and the 37th Annual General Meeting held 27th October, 2014, the Board of Directors of the Company be hereby authorized to reorganize and/or divest any and/or all of the Company's shareholding and investments in the downstream business by way of sale, transfer and/or any other form of disposition, which the directors resolve to be in the best interest of the Company subject to the approvals of relevant regulatory authorities.
   4.2 The Board of Directors of the Company be hereby authorised to appoint such professional advisers and other parties to the contemplated transactions and perform all such other acts and do all such other things as may be necessary for and/or incidental to effecting the above resolution.

Resolution 5: Approval for the Divestment of Interest in the Gas & Power Business

5. To consider, and if approved, to pass with or without modification the following special resolutions:

   5.1 The Board of Directors of the Company be hereby authorized to reorganize and/or divest any and/or all of the Company's shareholding and investments in the gas and power business by way of sale, transfer and/or any other form of disposition, which the directors resolve to be in the best interest of the Company subject to the approvals of relevant regulatory authorities.
   5.2 The Board of Directors of the Company be hereby authorised to appoint such professional advisers and other parties to the contemplated transactions and perform all such other

acts and do all such other things as may be necessary for and/or incidental to effecting the above resolution.

Resolution 6: Approval for the Divestment of Interest in the Energy Services Business

6. To consider, and if approved, to pass with or without modification the following special resolutions:

   6.1 The Board of Directors of the Company be hereby authorized to reorganize and/or divest any and/or all of the Company's shareholding and investments in the Energy Services business by way of sale, transfer and/or any other form of disposition, which the directors resolve to be in the best interest of the Company subject to the approvals of relevant regulatory authorities.

   6.2 The Board of Directors of the Company be hereby authorised to appoint such professional advisers and other parties to the contemplated transactions and perform all such other acts and do all such other things as may be necessary for and/or incidental to effecting the above resolution.

Resolution 7: Approval for Rights Issue

7. To consider, and if approved, to pass with or without modification the following special resolutions:

   7.1 That the Directors be and are hereby authorized to undertake an offer by way of rights issue of up to ₦80,000,0000 (Eighty Billion Naira) in a ratio and terms, conditions and dates to be determined by the Directors, subject to obtaining the approvals of relevant regulatory authorities.

   7.2 Pursuant to the authority to undertake the rights issue referred to in paragraph 7.1 above, the Directors be and are further authorized to underwrite the issue on such terms and conditions as they deem fit;

   7.3 Further to Paragraph 7.2 above, the shareholders hereby waive their pre-emptive rights to any unsubscribed shares under the rights issue in the event of an under-subscription.

Resolution 8: Approval for Debt to Equity Conversion

8. To consider, and if approved, to pass with or without modification the following special resolutions:

   8.1 That the Company's issued share capital be increased by up to ₦40,000,000,000 (Forty Billion Naira) through the issuance of shares out of the unissued share capital of the Company for the purposes of corporate restructuring, settlement of debts, employees and executive compensation on such terms and conditions and for such other purpose which the Directors resolve to be in the best interest of the Company subject to obtaining the approvals of relevant regulatory authorities.

   8.2 The Directors be and are hereby authorized to enter into any agreements and or execute any other documents necessary for and incidental to effecting resolution (8.1) above;

   8.3 The Directors be and are hereby authorised to appoint such professional advisers and other parties and perform all such other acts and do all such other things as may be necessary for and/or incidental to effecting the above resolutions.

Explanatory Notes

Resolution 8

The Company entered into Convertible Note Purchase Agreements (CNPAs) with two shareholders Ocean and Oil Development Partners (OODP) and QPR Limited between January 2014 and July 2014. Details of the CNPAs are set out in the financial statements contained in the Annual Report attached to this Notice.

OODP will also be converting all or part of the existing loan notes pursuant to the CNPA.

Accordingly, OODP and its affiliates will not exercise their right to vote on Resolution 8.

Dated 13th November, 2015

By the Order of the Board

Ayotola Jagun
Chief Compliance Officer and Company Secretary

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

<u>NOTES:</u>

1. **Voting:**
   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.

2. **Proxies:**
   A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote instead of that member. A proxy need not be a member of the Company.
   Registered holders of certificated shares and holders of dematerialised shares in their own name 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.

3. **Closure of Register of Members**
   The Register of Members and Transfer Books of the Company (Nigerian and South African) will be closed between 18th of November 2015 and 20th of November, 2015 (both days inclusive) in terms of the provisions of Section 89 of CAMA.

4. **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.

Strategic & Operational Review

Chairman's statement

2014 saw the company continue its journey upstream and become a major upstream player in Nigeria with the acquisition of the ConocoPhillips Nigerian business.

54kboed
daily production

Chairman's Statement

2014 will probably stand as the most pivotal yet challenging year of my tenure as Chairman of your company. Global oil prices fell sharply during the latter part of 2014, as a result of excess supply and weakening demand across all major consumers of energy. For the past 4 years till mid 2014, oil prices were stable at approximately $110 per barrel, but dropped by almost 50% by the end of the year. We have seen further falls in 2015 and all indicators point to a new norm for oil prices which imply that some adjustments are required in the short to mid-term, while we continue to plan for a profitable long term future that will see increasing demand for energy. In application of the most prudent accounting principles and guided by our unwavering commitment to the highest standards of corporate governance, we have executed an exhaustive valuation of all oil and gas assets and absorbed significant impairments that have materially impacted both our income statement and our balance sheet. While these impairments were seen consistently across the sector internationally, we do not take them lightly; as your stewards, our primary task is to retain your trust and support through these cyclically trying times to deliver value over the long term.

While 2014 began on a high note with the re-basing of the national accounts, which increased Nigeria's GDP to $509 billion, making us the largest economy in Africa and 26th in the world, the excitement of the rebasing was marred by falling oil prices and increased instability in the North, which impacted Nigeria's economic growth in 2014. The reduction in foreign exchange receipts, decline of funds into the external reserves, increase in budget deficit, exit of foreign investors from the stock markets and fixed income (bond) markets all contributed to a devaluation in the naira of approximately 19% by the end of the year. For a company reporting in naira with significant dollar instruments, this resulted in significant foreign exchange losses across the Group.

Strategy Delivery

2014 saw the company continue its journey upstream and become a major upstream player in Nigeria with the acquisition of the ConocoPhillips Nigerian business. Our growth in the higher margin upstream sector will provide greater value creation upside while requiring us to rationalise our asset portfolio to concentrate more on upstream opportunities and deleverage our balance sheet to reflect the inherent risk in the sector. I am glad to report that these new assets did not incur any impairments on 95% of its producing portfolio and remain a solid addition to our portfolio, contributing over 54,000 boepd to our production profile, compared to approximately 4,000 bpd in 2013.

Our legacy assets saw continued capital investment which will support solid production volumes for the mid to long term. However, the majority of the asset impairments were borne here and the operations focus here will switch to one of best in class operations integrity and cost management, while retaining our full commitment to the highest standards of safety.

Our oilfield services business, consisting of the best swamp drilling rig fleet in the region, remained challenged by funding issues that have typified Nigerian Joint Venture operations over the last decade. Fleet utilisation was significantly reduced and as such, further impairments were borne here. Future profitability in this sector will be driven by the approval of alternative funding arrangements for JV operations in Nigeria and we look forward with optimism of seeing concrete progress in 2015.

Our gas and power business goes from strength to strength with the commencement of the latest expansion to our Lagos pipeline franchise, the fourth of its kind. We remain bullish in our commitment to gas and power and will continue to grow aggressively in this space bringing innovative solutions to create value and accelerate adoption of gas as the primary energy source for power.

Our downstream business continued to serve the nation as the leading fuels provider in the toughest of circumstances. A notable development was the proposed strategic partnership that may ultimately see a majority economic share of the downstream business change hands to Helios Investment Partners and the Vitol Group. As we pivot the business upstream and extract value from our historic investments in downstream, we retain our engagement to this key pillar of the Nigerian economy and will continue adding value through the launch of new customer experience enhancements and the expansion of previously undervalued products such as LPG.

Outlook

Global crude oil prices could remain at current low levels for an extended period, reducing investment viability, potential revenues and profits and in turn, operating cash flows. Despite these challenges we remain steadfast in our commitment to our strategic goals of growth in the upstream. As government policy continues to evolve in the gas and power sector, we remain well positioned to capitalise on what is a remarkable opportunity and will seek dedicated funding to plot a winning path for that journey. Along with selected asset sales and divestments, we will seek to deleverage the balance sheet and create a platform for long term profitability.

HRM Oba Michael A. Gbadebo, CFR
Chairman

Strategic & Operational Review

Financial highlights

Total Revenue
N424.70bn

Upstream
N79.60bn

Midstream
N29.00bn

Downstream
N315.10bn

Corporate & Others
N1.0bn

Turnover
(N'000)

2013	449,873,466
2014	424,677,646

Profit after tax
(N'000)

2013	1,396,926
2014	(183,893,186)

Basic earnings per 50k share
(Naira)

2013	0.23
2014	(2.08)

Business Review

Business Review

Business Review

Group chief executive's report

Mr. J. A. Tinubu
Group Chief Executive

It was still a game changing year for the company, despite the challenges, as we evolved from a predominantly downstream company to a leading indigenous upstream player with the landmark $1.5billion acquisition of ConocoPhillips Nigerian oil and gas business.

420mmboe
2P reserves

In 2014, we completed our transition to an upstream led organisation and at the same time absorbed significant asset impairments typical of the sector we have elected to enter. This has led to an earnings loss that will be unfamiliar to most of our shareholders and it is with great humility and with recognition of the privilege accorded that I present your company's operational and financial performance for 2014.

It was an extremely volatile year for the oil and gas industry as crude oil prices dropped from an average of $110 per barrel to $55 per barrel at the end of the year. The decline in global oil prices, which continued in 2015, forced us to record significant reductions to the fair value of our asset portfolio. This led us to accept non-cash impairments and due to the associated impact on the Nigerian economy, material devaluation charges on our dollar denominated instruments. The upstream's significant upside opportunities come with commodity pricing risk, as such, the impairment tests, based on economically producible volumes at current price projections, carried out on all our legacy assets, resulted in write downs of over N130 bn. In addition to this, we also made prudent provisions for government receivables totaling N13.4billion, despite being in possession of a Tribunal award for the same amount.

As mandated, we continue to prioritise safety and are pleased to report another year of record breaking Lost Time Injury (LTI) performance across all our operations with zero time lost to injury.

It was still a game changing year for the company, despite the challenges, as we evolved from a predominantly downstream company to a leading indigenous upstream player with the landmark $1.5billion acquisition of ConocoPhillips Nigerian oil and gas business. This saw our upstream division move from ~4,000 bbls to ~54,000 boepd, and our 2P reserves grow from 18.9mmboe to 420mmboe by the end of 2014. The increased production and the sale of our hedging instrument enabled the upstream subsidiary, OER, to pay down in excess of $350 million of our initial $900 million acquisition debt to date.

The year also saw significant progress with our legacy assets. Abo-12 well was successfully drilled with lower completion performed and flow tested and Abo-8 well was completed as an oil producer on the Anom01 and Anom02 reservoirs. Ebendo-6 well was drilled, completed and tested, increasing production capacity to 7,140, in which OER has a working interest of 3,213 bbl/d. Ebendo-7 was successfully drilled and tested and together with our operating partners, we successfully completed the 51Km Umugini evacuation pipeline which provides an alternative route for crude transport from the Ebendo field for crude oil produced from the Ebendo field through the Trans Forcados export pipeline.

In the midstream, we commenced construction of the Greater Lagos Pipeline Expansion (Phase IV) Project, a 9km pipeline which will open up the Ijora - Lagos Island - Victoria Island markets to our gas products. We expect connection to new customers along the pipeline route will begin in 2016. In furtherance of our leadership position in the sector, the subsidiary also signed a Memorandum of Understanding with General Electric to engage in various initiatives to develop power generation projects, Compressed Natural Gas facilities and mini Liquefied Natural Gas projects in the country. While we will seek to extract value from strategic asset sales in this part of the business due to the fixed nature of project returns upon elimination of construction risk, as government policy evolves and opens up new vistas, we will seek new investment partners and heavily commit to continued leadership in gasping the value creation opportunities we are convinced exist here in gas distribution and power generation.

The downstream division continued to show leadership with the launch of key products to the Nigerian market to boost vendor and customer experience: The Smart Pay system offers flexible payment options to our customers, the Extranet provides customers with real time access to transaction information and an increase in Vendor Managed Inventory (VMI) installations, increases storage facilities by 1.4million litres of AGO and PMS.

The Company has progressed discussions for a strategic partnership with Helios Investment Partners and Vitol group to divest 60% economic rights of Oando Downstream for a total enterprise valuation of $461 million. This is in line with our strategic goals of placing our fundamental growth expectations on the Upstream with the cash proceeds of the divestment utilised towards debt reduction to bolster our balance sheet.

Our strategic focus is to increase our operational efficiencies to support returns in a challenged operating environment, accelerate the effort to deleverage our balance sheet by adding selected asset sales and return the company to profitability. At the same time, we will maintain our focus on safety, capabilities development of our people and the highest standards of corporate governance to create the necessary platform to be the partner of choice for appropriately priced Nigerian upstream assets as they may be made available through IOC divestment programmes and refinancing efforts of recent acquisitions made prior to the oil price fall.

51km

Umugini evacuation pipeline successfully completed

Business Review

Upstream

Upstream operations: Oando holds interests in 19 licenses for the exploration, development and production of oil and gas assets located in onshore, swamp and offshore geographical terrains. Our primary task is to optimally harness the potential of our existing portfolio.

Exploration & Production

No.1

The leading indigenous exploration and production company in Nigeria.

Energy Services

No.1

Delivering world class swamp drilling service solutions through technical leadership.

Exploration and Production

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

Key Strengths:

- 54 kboed daily production.

Key Assets

- Producing Assets: Abo Field (OML 125) & EbendoOMLs 60-63, OML 125, OML 56
- Development Assets: OML 13, OML 90, OML 134, OML 131, OML 122, OML 145
- Exploration Assets: EEZ 5, EEZ 12, OPL 321, OPL 323, OPL 236, OPL 278, OPL 282

Oando Energy Services (OES)

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

Key Strengths:

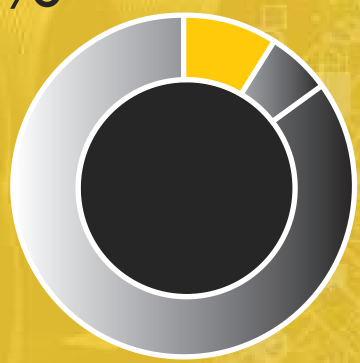
- Largest swamp rig fleet operator in Nigeria

Key Assets

- 4 swamp rigs

Upstream total revenue

19%

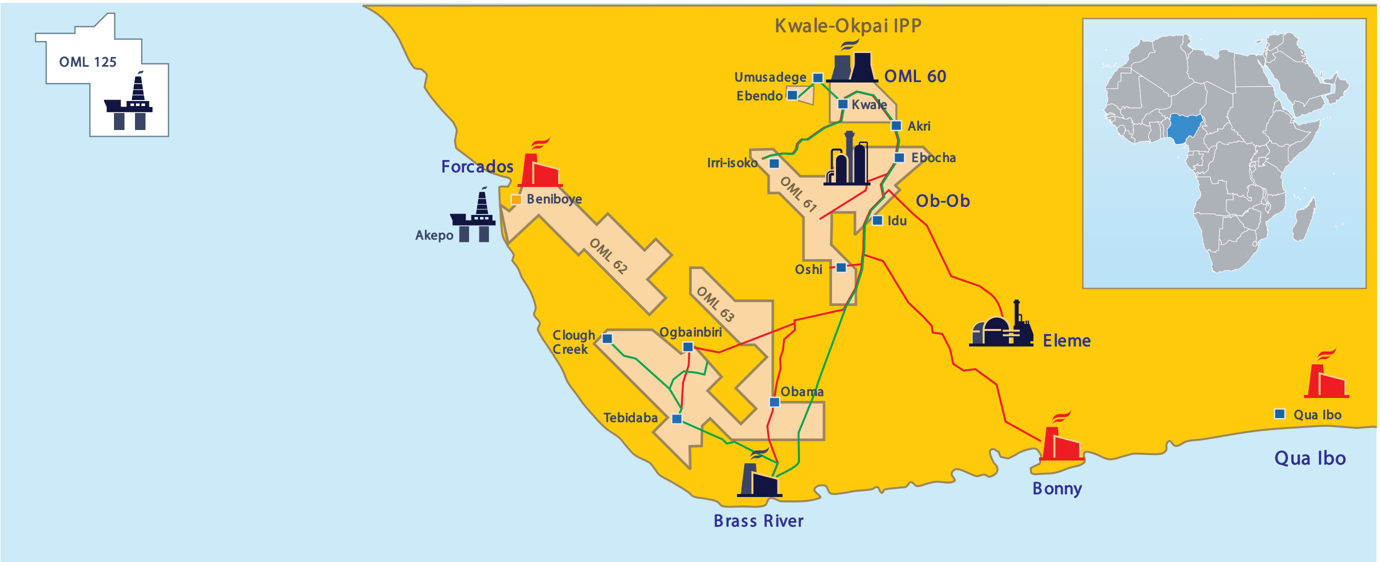


Turnover	**N79.60bn**
Gross profit	**N39.30bn**
Operating profit	**(N76.70bn)**
Loss after tax	**(N102.90bn)**

Business Review

Oando Energy Resources (OER)

OER Production Infrastructure



51
Fields

322
Wells Drilleds

178
Wells in Production

5
Injectors

14
Flow Stations

1,250km
Pipeline Network

*Assets highlighted in red do not belong to OER

Key

- Oil & NGL Terminal
- Petrochemical Plant
- Oil & Gas Plant
- FPSO
- Power Plant
- Wellhead Platform
- Flowstation
- Oil Pipeline
- Gas Pipeline

OER Financial Highlights 2014

OER Turnover of
N 64.1bn

OER EBITDA
N 65.3bn

OER PAT
(N53.20bn**)**

Oando Energy Resources (OER) is one of Africa's leading exploration and production Companies, listed on the Toronto Stock Exchange, with a current market capitalisation of about US$1.2Million.

1,250 km
Flow lines

Exploration & Production

Oando Energy Resources (OER) is one of Africa's leading exploration and production Companies, listed on the Toronto Stock Exchange.

The Company has successfully built a vast portfolio of oil and gas assets in selected African basins and acts as both operator and partner to Nigerian and Multinational companies. OER holds interests in 16 licenses for the exploration, development and production of oil and gas assets located onshore, swamp, and offshore.

The Company has strategically focused its growth on organic means through the optimization of its existing portfolio, developing proven but undeveloped assets; and inorganic means, through governmental bid rounds in Africa as well as acquiring unutilized near-term production assets from International Oil Companies during divestment programmes.

Oando Plc also directly holds interests in 3 licenses. It has a 60% and 95% Working interest in OPLs 278 and 236 respectively. The company is also a Nigerian Content Partner with AGIP Oil on OPL 282.

2014 ECONOMIC REVIEW:

Increase in global primary energy consumption increased by just 0.9% in 2014, compared to 2.0% in 2013, with growth deceleration in every fuel other than nuclear power, which was the only fuel to grow at an above-average rate. Global growth remained significantly below the 10-year average for Asia Pacific, Europe & Eurasia, and South and Central America. Growth was below average for all regions except North America. Oil remains the world's leading fuel, with 32.6% of global energy consumption.

Emerging markets continued to dominate the growth in global energy consumption despite the fact that growth in these countries was well below its 10-year average. China and India grew by 4.2% and 7.1% respectively making it the largest national increments to global energy consumption.

Global oil production more than doubled that of global oil consumption, rising by about 2.1 million b/d. Non-OPEC production recorded a growth of 2.1 million b/d with the United States recoding the largest growth in the world of over 1.6 million b/d. OPEC's production remained flat and share of production dropped to 41%, its lowest since 2003.

In Nigeria, the recent decline in crude oil prices has resulted in short and medium term economic challenges. Nigeria is an oil exporter with oil revenue making up to 90% of the government's foreign exchange earnings; this strain has led to a major devaluation of the local currency (Naira). Although it is the 13th largest oil producer, Nigeria continues to lack proper oil refineries and imports its petroleum products. The Federal Government is continuously burdened with the responsibility of paying subsidies to oil marketers, in 2014 the Federal Government paid about N 832.1 Billion ($5.5 Billion) in oil subsidies. Despite the current environment, domestic oil production has risen slightly by 2.5%, and onshore divestments continue to be an industry trend further driving indigenous participation in the country.

Business Review

OER 2014 asset profiles

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).

Following acquisition of its interest in the NAOC JV on July 31st 2014, OER's working interest share of total production sold from NAOC JV in 2014 was 7.5 MMboe (comprised of 2.5 MMbbls of oil, 27.2 Bscf of gas and 0.5MMbbls of natural gas liquids). Therefore, in 2014, OER's share of daily production sold from NAOC JV averaged 24,672 Mboe per day (consisting of 13,768 bbls/d of oil, 147,945 MMscf/d of gas and 2,582 bbls/d of natural gas liquids), over the period after acquisition.

As of December 31, 2014, OER held a net share in the NAOC JV 2P reserves of 401.2 MMboe (comprised of 131.5MMbbl of oil, 14.6 MMbbls of natural gas liquids and 1,530.9 Bscf of gas), working interest Best estimate unrisked Contingent resources of 38.9 MMboe, working interest Best estimate of risked Contingent resources of 32.1MMboe, working interest Mean estimate unrisked Prospective resources of 44.2 MMboe and working interest Mean estimate of risked Prospective resources of 15.2 MMboe.

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 Ogbainbiri), 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. In addition, some gas is supplied from the Akri field to the Oguta plant. Reserves have been attributed to Beniboye in OML 62, which is currently not producing. The wells and flowstation are capable of producing but production stopped in 2013 after the assets was vandalized. Prior to that incident, the field was producing about 2,000 barrels of oil per day, which was evacuated to Shell-operated Forcados Terminal 10km away.

Capital Budgets and Budgeted Capital Expenditure:

From July 30 to December 31, 2014 capital expenditures on OMLs 60–63 totaled approximately $38.1 million. Capital expenditures included $9.9 million spent on development drilling activities in OMLs 61 and OML 63 plus a number of work-over activities in the area. In addition, OER incurred $28.3 million on facilities related to the Ebocha Oil Centre, production facility enhancements and the repair of gas pipelines.

In 2015 OER will continue developing OMLs 60 - 63 and estimates that $35.6 million will be expended on crude oil related projects and $24.1 million on gas projects in OMLs 60 - 63. The anticipated crude oil development expenditures include significant investment in environmental and safety projects, new development drilling, and completions and recompletions of previously drilled wells. Planned natural gas projects consist of drilling and completing new wells, along with enhancements to natural gas facilities and pipelines.

OML 56 (EBENDO)

Overview

Ebendo Marginal License (42.75% 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.

Production from the Ebendo field began in 2009 and the field currently has five producing wells. OER's working interest share of total production sold from Ebendo in 2014 was 0.65 MMboe (consisting of 0.4 MMbbls of oil and 1.5 Bscf of gas), hence OER's share of daily production sold from Ebendo averaged 690 Mboe per day (consisting of 970 bbls/d of oil and 4,136 MMscf/day).

As of December 31, 2014, the Ebendo License held net 2P reserves of 7.9 MMboe (comprised 5.4 MMbbls oil and 14.9 Bscf of gas), working interest Best estimate unrisked Contingent resources of 1.3 MMboe, working interest Best estimate of risked Contingent resources of 0.9 MMboe, working interest Mean estimate unrisked Prospective resources of 1.2 MMboe and working interest Mean estimate of risked Prospective resources of 0.2 MMboe. Following the successful drilling of Ebendo wells 5, 6 over 2013 and well 7 over 2014, oil production capacity within OML 56 has grown to 7,140 bbls/d gross for OER and Energia Limited the operator of the asset (3,052 bbls/d net to OER). Prior to December 2014, full production capacity had been hampered because the export of oil had been constrained at 3,093 bbls/d (1,322 bbls/d net to OER) via the Ase River-NAOC JV pipeline network. The Umugini pipeline, which has a capacity of 45,000 bbls/d and was completed in December 2014, now provides an alternative evacuation route for Ebendo's crude oil enabling the asset to produce at full capacity.

Capital Projects and Budgeted Expenditure

OER budgeted $22.7 million in capital expenditures for Ebendo in 2014 and actually incurred a total of $10.7 million on activities which included the drilling of Ebendo 7 and the purchase of additional crude oil storage tanks for the field. OER also participated in the completion of the Umugini pipeline. The budget variance in capital expenditures was a result of higher cost of completing of the Ebendo 7 well that resulted in deferring the drilling of an additional well and construction of a new flow station into 2016. The Umugini pipeline was completed in December 2014.

In 2015, OER has budgeted $7.7 million in capital expenditures for facility and pipeline overhauls and enhancements.

OML 13 (QUA IBO)

Overview

Qua Ibo (40% OER WI and technical partner; NEPN, an indigenous company, 60% WI and operator) is located in 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). Qua Ibo operates under Marginal Field terms that benefit from advantageous fiscal terms.

In its capacity as technical services provider, ORPS oversees, together with NEPN, the operations on Qua Ibo. ORPS agreed to fund certain aspects of NEPN's costs on Qua Ibo until first oil, following which ORPS 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.

The production facility was commissioned in December 2014 and the field demonstrated potential above 2000bbls/d but sustained production did not commence before year end. Production from two wells, via three strings, is scheduled to start properly in first quarter of 2015, following the completion of the associated cluster crude delivery and sales infrastructure into the Qua Iboe Terminal.

As of December 31, 2014, Qua Ibo License held net 2P reserves of 3.5 MMbbls of oil, working interest Best estimate unrisked Contingent resources of 0.5 MMboe and working interest Best estimate risked Contingent resources of 0.3 MMboe.

Capital Projects and Budgeted Capital Expenditure

In 2014, OER incurred capital expenditure of $14.7 million on pipeline, crude processing, facility costs and the construction of a flow station, allowing for new crude oil production from the Qua Ibo field's C4 and D5 reservoirs in January 2015. Budgeted capital expenditures for Qua Ibo were $40.6 million in 2014. The reduction in capital expenditures in 2014 as compared to budget was a result of delaying the drilling of Well 5 until 2015.

In 2015, OER has budgeted $0.6 million in capital expenditure for facility enhancements.

OML 125 (ABO)

Overview

OML 125 (15% OER WI; Eni, operator, 85% WI) is located approximately 40 km offshore from the western Nigerian coast in water depths ranging from 550 m to 1,100 m. The License covers an area of 1,983 km2 (490,010 acres). The License includes one producing field (Abo field), one undeveloped discovery (Abo North) and 13 prospects, of which 6 were evaluated for the 51-101 Statement. OML 125 operates under a Production Sharing Contract.

Production from the Abo field began in 2003 and the field currently has four producing wells, two other wells are shut-in pending flowline repairs while another is waiting on the arrival of an oil well Christmas tree. In addition there are two water injection wells and two gas injection wells. In 2014, OER's working interest share of total production from OML 125 was 1,205,630 bbls of oil, hence OER's share of daily production sold from OML 125 averaged 3,303bbls/d of oil.

Capital Projects and Budgeted Capital Expenditure

During 2014 OER incurred $89.7 million of capital expenditure primarily on drilling and completions and production infrastructure, compared to budgeted capital expenditures of $37.5 million for OML 125 in 2014. OER completed and hooked up ABO 8, drilled and completed ABO 12, re-entered and sidetracked the ABO 3 well. Production infrastructure expenditures included enhancements to its FPSO, capital maintenance on flowlines and a new phase of gathering systems. The significant increase in actual expenditures as compared to the 2014 budget was primarily the result of the additional project of re-entering and sidetracking ABO 3 well plus higher than anticipated costs to drill and complete ABO 12.

In 2015, OER has budgeted $68.4 million for capital expenditure such as gathering system construction projects, installing ABO 12 upper completion, drilling and completion of ABO 13, along with safety projects and maintenance projects extending the life of the FPSO.

2014 impairments on OML 125 totaled N14.3 billion.

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). Akepo operates under Marginal Field terms that benefit from advantageous fiscal terms.

As of December 31, 2014, Akepo License held working interest Best estimate unrisked Contingent resources of 3.3MMboe, working interest Best estimate of risked Contingent resources of 2.2 MMboe, working interest Mean estimate unrisked Prospective resources of 3.7 MMboe and working interest Mean estimate of risked Prospective resources of 1.2 MMboe.

The Akepo field was discovered in 1993 and is currently being studied for development. Currently, there are no production facilities installed at Akepo. A production well (Akepo-1ST) was drilled and tested in 2009. Plans for standalone development using a leased floating production facility have been aborted due to its sub-economic outlook. The current development concept involves a single-well tie-back to a nearby facility (Britannia-U FPSO). Technical studies and negotiations are ongoing with expectation of commencing production in 2017.

2014 impairments on OML 90 totaled N11.3 billion.

Business Review

OER 2014 asset profiles

OML 134 (OBERAN)

OML 134 (15% OER WI; NAE operator, 85% WI) is located offshore in water depths ranging from 550 m to 1,100 m approximately 80 km from the western Nigerian coast. The License covers an area of 1,132 km2 (279,723 acres). The License includes three undeveloped discoveries (Oberan-1 fault block, Oberan-2 fault block and Minidiogboro), two single-well discoveries (Engule and Udoro) and nine prospects, of which six were evaluated for the 51-101 Statement. There has been no production from OML 134 to date.

As of December 31, 2014, OML 134 held working interest Best estimate unrisked Contingent resources of 1.5 MMboe, working interest Best estimate of risked Contingent resources is 0.8 MMboe, working interest Mean estimate unrisked Prospective resources of 16.9 MMboe and working interest Mean estimate of risked Prospective resources of 3.9 MMboe.

Presently, there are no producing fields within the License area. There is one discovered and partially appraised field (Oberan) and three shallow single-well discoveries (Engule, Udoro and Mindiogboro). The most recent activity on OML 134 was the drilling of Mindiogboro-1 exploration which ended in January 2014. The well encountered gas in the shallower reservoirs targeted.

For 2015 budgeted capital expenditure of $2.64 million is planned, mostly relating to geotechnical, AVO, sedimentological and structural studies.

2014 impairments on OML 134 totaled N46.6 billion.

OML 145

OML 145 (20% OER WI; ExxonMobil operator, 80% WI) is located offshore in water depths ranging from 1,000 to 1,500m, approximately 110 km from the western Nigerian coast. OER acquired interests in OML 145 as part of the acquisition of ConocoPhillips's 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.
As of December 31, 2014, OML 145 held working interest Best estimate unrisked Contingent resources of 34.1MMboe, working interest Best estimate of risked Contingent resources of 19.3 MMboe, working interest Mean estimate unrisked Prospective resources of 35.0 MMboe and working interest Mean estimate of risked Prospective resources of 15.6 MMboe.

2014 impairments on OML 145 totaled N8.8 billion.

OML 122

OML 122 (10.2% gas OER WI and 4.1% oil OER WI; Peak, an indigenous company, 89.8% gas WI and 95.9% 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) of which, only Bilabri was evaluated for the 51-101 statement. There has been no production from OML 122 to date.

As of December 31, 2014, OML 122 held working Best estimate unrisked Contingent resources of 0.6 MMboe and working interest Best estimate risked Contingent resources of 0.3 MMboe.

2014 impairments on OML 122 totaled N2.5 billion.

OML 131

OML131 (100% WI; operator OER) is located offshore in water depths ranging from 500 to 1,200 m approximately 70 km from the western Nigerian coast. OER acquired interests in OML 131 as part of the acquisition of ConocoPhillips's Nigerian business in July 2014. 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 2 prospects (Pulolulu and Chota East). There has been no production from OML 131 to date.

As of December 31, 2014, OML 131 held working interest Best estimate unrisked Contingent resources of 41.2 MMboe, working interest Best estimate of risked Contingent resources of 23.6 MMboe, working interest Mean estimate unrisked Prospective resources of 165.9 MMboe and working interest Mean estimate of risked Prospective resources of 38.4 MMboe. 2014 impairments on OML 131 totaled N1.6 billion.

BLOCKS 5 AND 12, EEZ OF STP

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. EEZ Block 5 (81.5% WI) is the subject of PSCs which were signed on April 18, 2012 and a $2 million signature bonus was paid. Negotiations with the government for Block 12 are still continuing.

During 2011, existing 2D seismic surveys were used to complete the evaluation of the blocks and identify a number of prospects. In order to manage the exposure to the risks of high cost exploration in a frontier province in ultra-deepwater, EEL is considering farm-outs. A number of international oil companies have visited the data room in order to assess the opportunity, though there have been no firm commitments from any of them. As at December 31, 2014 EEL had a total commitment of $5.2 million related to the provision of a performance guarantee and commitment to a four year work program of 2D and 3D seismic acquisition and studies. If justified by the results of the seismic surveys, EEL can elect (for an additional cost to be determined) to drill the first exploration well in the following period of two years. OER funded the full $5.2 million commitment during the first quarter of 2014 by delivering a performance bond.

OPL 321 AND OPL 323

Overview

OPL 321 and OPL 323 (24.5% 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

Business Review

OER 2014 asset profiles

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)). As of December 31, 2014, OPLs 321 and 323 jointly held working interest Mean estimate unrisked Prospective resources of 673.6 MMboe and working interest Mean estimate risked Prospective resources of 149.9 MMboe.

2014 impairments on OPL 321 and 323 totaled N359.8 million.

Capital Projects and Budgeted Capital Expenditure on Non-producing Licences

OER budgeted $14.6 million in capital expenditures on its Licenses without production. The planned spending on these holdings was significantly reduced as OER continues to reassess the geological and geophysical aspects of its projects along with the environmental impacts.

In 2015, OER estimates $3.7 million of capital expenditures will be incurred on its Licenses without production.

OPL 236

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 with best estimate 2C Contingent Resources of 42.54 Bscf attributable to OEPL. In 2010, 2D seismic data for OPL 236 was purchased and digitized. Work is ongoing on a development program aimed at harnessing the gas reserves in line with the proposed industry gas master plan and delivering the much needed clean energy for the growing energy needs of the utilities and power industry within the region.

OPL 278

In January 2006, OEPL acquired a 60% working interest pursuant to a PSC between the Group, CAMAC, Allied Energy and First Axis and the NNPC, in respect of 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

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.

Business Review

Oando Energy Services Limited (OES)

OES Financial Highlights 2014

OES Turnover of
N 15.50bn

OES EBITDA
(N4.70bn)

OES PAT
(N49.70bn)

A foremost provider of top quality service to operators of exploration and production companies in the Nigerian energy sector, Oando Energy Services Limited ("OES") operates the largest swamp rig fleet in the Niger Delta. This we have been able to achieve through the implementation of advanced technology and adherence to world class safety practices. Our vision is to be the preferred value-adding integrated oil field services provider to the Sub-Saharan upstream oil sector.

99.97%
operational efficiency by OES Teamwork

The swing in price of crude from $104.71/bbl. in January 2014 to a low of $59.46/bbl. in December 2014 negatively impacted Producer confidence and dampened new investments in global drilling activities. This coupled with the slash in the budget for JV Operators initiated by the National Petroleum Corporation ("NNPC") in Q3 2013 that continued in 2014 proved to be a disincentive for Operators as manifested in the corresponding reduction in the number of active rigs in-country.

As the leading swamp drilling contractor, Oando Energy Services Limited ("OESL") was significantly affected as its contracts with the Nigerian Agip Oil Company ("NAOC") for OES Teamwork and Shell Petroleum Development Company of Nigeria Limited ("SPDC") for the OES Passion respectively were suspended as a result of insufficient funds. OESL's other Product Services Lines ("PSL"), drill bits, drilling fluids and mud engineering business, were hard-hit as their collective revenue fell by 12% during the period.

OES Teamwork worked with NAOC on a well by well basis drilling and completing 1 well in the process and achieving operational efficiency of 99.97% as well as celebrating four (4)

91%
operational efficiency by OES Passion

years without a Lost Time Injury ("LTI") incident. Discussions were initiated and reached advanced stages with potential clients which resulted in the issuance of Letter of Intent ("LOI") for the rig by Perenco of France and Tenoil of Nigeria, however, these LOIs did not result in work for the rig as the planned drilling programs were postponed.

The OES Passion, which celebrated two (2) years without an LTI incident in May, drilled and completed 4 wells for SPDC and achieved an operational efficiency of 91.1% before the suspension of the contract in August due to budget cuts. However, discussions with SPDC resumed in November towards the possible reactivation of the rig. Major equipment repairs, maintenance and an accommodation upgrade were carried out, which included replacement of the drawworks motor, rotary table motor as well as the overhaul/inspection and certification of TDS by National Oilfield Varco (NOV).

OES Integrity continued working for NAOC throughout the year drilling and completing 2 high pressure wells. The rig maintained its zero LTI safety record for the fifth year running and achieved a 96.6% operational efficiency surpassing its operational efficiency target of 95%. During the same period a brand new Top Drive System ("TDS") was installed to further improve performance as the rig drilled the deepest NAOC wells in the swamp region and also carried out the 5-yearly major equipment overhaul of equipment such as Travelling Block and Crown Block amongst others, concluding the project in record time and ensuring minimal downtime.

OES Respect remained stacked at the Federal Ocean Terminal ("FOT") in Onne despite several enquiries, tenders and marketing efforts.

The Drilling Fluids business continued to provide services to clients such as Shell Nigeria Exploration and Production Company ("SNEPCo"), Energia Limited ("Energia"), Oando Energy Resources Limited ("OER"), Enageed Resources Limited ("Enageed") TOTAL and NAOC. The unit was able to post a profit for the year despite the challenges experienced with the increase in mud products and availability, and the scaling down of operations by clients. The planned commencement of the utilization of the 25,000bbls mud plant in partnership with Librod Chemicals was postponed as construction of the plant was yet to be completed.

The scope of the Drill Bits unit was expanded to include a list of services which would comprise the supply of drill bits, provision of sand control, Directional Drilling ("DD"), Logging While Drilling ("LWD") / Measurement While Drilling ("MWD") and Casing Running services. OES executed a Sales Agreement with a Canadian partner company for the marketing of Slotted Liners (a patented sand control technology) in Nigeria in line with the plan for the full deployment of the technology. The partnership with Halliburton Drill Bits Systems ("Halliburton") continued despite the removal of the exclusivity clause which

Business Review

OES 2014 asset profiles

initially gave OESL the sole right to distribute Halliburton bits in Nigeria regardless of Halliburton's entrance into the Nigerian market. The casing running business kicked off with the signing of an agreement with an indigenous company.

The management of OESL took the strategic decision to move its Drilling and Completions Businesses to one of its subsidiary now known as "OES Drilling and Completion Services Limited ("OES DCSL")" which will be saddled with the responsibility to focus on the specific needs of the drilling and completion fluids as well as the drilling and completions systems units. This was seen as the first step to securing the autonomy and flexibility to fund OESL's Product Service Lines businesses.

OESL took concrete steps towards achieving the planned entry into the deepwater drilling terrain by signing a Memorandum of Agreement with an established offshore drilling contractor. Tenders were submitted to prospective clients to aid our entry into this niche sector.In demonstration of its commitment to maintain the high standards set by the company through the strict adherence to policies and procedures, OESL began preparation in earnest for the ISO 14001:2004 EMS certification before the end of the year.

To mitigate against impact of revenue loss, discussions were held with financiers to explore debt refinancing options.

2015 outlook

Conclusion of the autonomy implementation for the Completions Systems businesses through OES DCSL will be aggressively pursued to ensure the drilling and completion fluids as well as the drilling and completions systems units achieve the growth targets set. With active alliances in place, vigorous client engagement has commenced and will continue towards ensuring contracts are secured for MWD/LWD/DD and casing running services as well as deploying the slotted liner technology.

The supplier base for chemicals has also been expanded to include more capable suppliers and the commencement of the use of the mud plant will boost OESL's capacity to supply products to clients as well as reduce its exposure to current partners.

Discussions have reached advanced stages with SPDC for the reactivation of the OES Passion and it is expected that the rig will commence working for SPDC by Q2 2015.

The regularization of the contract extension for OES Integrity contract with NAOC will be aggressively pursued as well as ensure follow-on work is secured for the rig with NAOC and also reduce our current receivables with them.

It is expected that a contract will be signed for OES Respect before the end of 2015 due to the several engagements with interested independent operators.

OESL will continue to pursue its drive to make an entrance into the offshore terrain and will maintain its current alliances as well as look for opportunities to partner with offshore rig contractors for joint deployment of rigs.

The process of obtaining the ISO 14001:2004 EMS certification has begun in earnest and will be concluded in 2015.

The company recognizes the challenges currently facing the industry as regards the dearth of skilled manpower and as our rigs begin to get contracts, our focus will be to continue our ongoing capacity building programs drive to attract and engage skilled personnel who will work and be trained within our operations unit to deliver quality service to our clients.

4 years
without a Lost Time Injury ("LTI") incident by OES Teamwork

OESL will continue to pursue its drive to make an entrance into the offshore terrain and will maintain its current alliances as well as look for opportunities to partner with offshore rig contractors for joint deployment of rigs.

Business Review

Midstream

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

Gas & Power

No.1

The preferred gas and power solution provider for the future of Nigeria's industrialisation.

Oando Gas & Power (OGP)

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

OGP has made significant investments in the development of Nigeria's gas and power infrastructure with a 233km gas pipeline grid already completed with plans in place to expand the grid to 600km in a few years.

Key Assets:

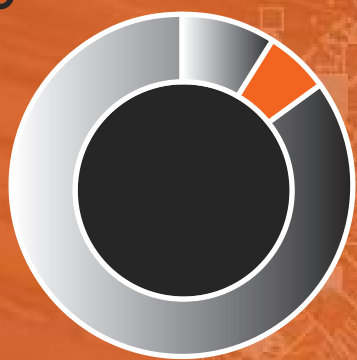
- 100km gas distribution pipeline in Lagos
- 128km gas pipeline in Eastern Nigeria
- Akute captive power plant
- Central Horizon Gas Company
- Compressed Natural Gas Facility
- Alausa IPP

Operating Entities:

- Gaslink Nigeria Limited
- Akute Power
- East Horizon Company Limited
- Central Horizon Gas Company Limited

Midstream total revenue

7%



Turnover	**N29.0bn**
Gross profit	**N 9.1bn**
Operating profit	**N4.6bn**
Loss after tax	**N4.3bn**

Business Review

Oando Gas & Power (OGP) Division

OGP Financial Highlights 2014

OGP Turnover of

N29.0bn

OGP EBITDA

N3.2bn

OGP PAT

N4.3bn

150+

industrial customers supplied natural gas through our circa 100km pipeline network in Greater Lagos Industrial Area

The Oando Gas & Power (OGP) business division has developed a portfolio of efficient gas and power solutions that has continued to meet our dual goals of profitability and improved customer competitiveness. This has had the effect of ensuring that our business model creates a cycle of sustainability for both our customers and our brand.

1 million

man-hours Lost Time Injury-Free industry milestone achieved by OGP

Oando Gas & Power Limited

In Oando Gas & Power (OGP), we are determined to continuously grow our gas and power sector footprint in Nigeria and the West African region, deploy efficient solutions, and leverage our performance-driven people to enable organizational and customer competitiveness.

Review of 2014

During the year under review, we provided competitive solutions to the needs of our customers in the gas and power space through the following operational assets:

- Gaslink Nigeria Limited (GNL)
- East Horizon Gas Company (EHGC)
- Central Horizon Gas Company (CHGC)
- Gas Networks Services Limited (GNSL)
- Akute Power Limited (APL)
- Alausa Power Limited (ALPL)

OGP continued to maintain its Quality Management System Certification and compliance with the ISO 9001:2008 Standard. In 2014, OGP was certified to an Integrated Management System (ISO 14001:2004 and OHSAS 18001:2007). The ISO 14001 affirms our commitment to Environmental Management Systems while the OHSAS 18001 certifies our best practices in Occupational Health and Safety. OGP also achieved 1 million man-hours Lost Time Injury-Free industry milestone, a testament to our commitment to safe practices for our people and the environment where we operate.

2014 Financial Highlights (Unaudited)

The 2014 unaudited financial results for OG&P shows a turnover of N29.3 billion, representing a 7% increase over previous year's result of N27.5 billion which was mainly driven by increase in price of natural gas. In the same year under review, a Profit after Tax (PAT) of N4.05 billion was achieved. This indicates a 13% increase over the comparative figure of N3.6 billion in 2013.
Natural Gas Distribution

Natural Gas Distribution

Gaslink Nigeria Limited (GNL), OGP's flagship company, supplied natural gas to over 150 industrial customers through its circa 100km pipeline network in Greater Lagos Industrial Area.

During the year under review, we achieved connection of 13 additional customers to our existing pipeline network. We commenced the construction work on the Greater Lagos Pipeline Expansion (Phase IV) Project of about 9km which is expected to open up the Ijora - Lagos Island - Victoria Island markets to our gas products. The project is at its advanced stage of completion and we will start to connect new customers along the pipeline route in 2015.

In 2014, we commissioned our de-sanding facility which was built to control the occasional sand incursion in a certain segment of our pipeline.

During the year under review, we experienced 6 days of total gas outage due to industrial action by our supplier, the Nigeria Gas Company (NGC). In addition, some partial outage and insufficient supply pressure were recorded for about 120 days due to pipeline vandalism, production facilities maintenance and equipment malfunctioning at the NGC City Gate. All these resulted in reduced gas consumption by our customers thereby impacting on our targeted volume sales.

East Horizon Gas Company (EHGC), We operated EHGC only in the first quarter of 2014, as Oando Plc completed the divestment of its shares in the asset to Seven Energy International Limited. This transaction supported Oando's upstream growth agenda and also creates capacity for OGP to execute its several other midstream projects. The transaction was completed on 31st March 2014.

Business Review

OGP 2014 asset profiles

10

industrial customers supplied natural gas by CHGH in Port Harcourt

Central Horizon Gas Company (CHGC), is the vehicle incorporated to takeover, rehabilitate and to expand the Trans Amadi industrial area pipeline network. It currently delivers natural gas to 10 industrial customers in Port Harcourt.

In 2014, we continued the existing pipeline rehabilitation works which included installation of access way, scrubber and valve replacement & surface corrosion control. In addition, we executed the installation of Cathodic Protection System to protect our pipeline network from surface rust.

We experienced 8 days of network-wide gas outage in the pipeline in 2014, a significant improvement over the 36 days recorded in 2013. The gas outages were mainly due to SPDC's maintenance shutdown, vandalism of SPDC gas pipeline, maintenance of Above Ground Installations (AGI), and valve failure at SPDC Pressure station.

During the year, CHGC achieved 1 additional customer connect along its existing pipeline network. We have completed feasibility study of the pipeline expansion projects and in the process of securing relevant regulatory permits/licenses. Construction work is expected to be completed by October 2015.

Gas Network Services Limited (GNSL), is the project vehicle for 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 Isolo area of Lagos State, commenced commercial operation in September 2013.

During the year under review, we added 3 additional customers to our clientele, bringing the total number of customers to 7 as at end of 2014. The business experienced low ramp up of capacity utilization and challenges of low supply pressure from input gas supplies which resulted in inability of GNSL to compress gas for about 989hours in 2014.

We have now dedicated adequate resources to ensure speedy ramp up of the capacity utilization of the plant.

Power Generation

Akute Power Limited (APL), our first Independent Power Plant (IPP) continued to be in operation for four years. The 12.15MW dedicated gas fired power plant has continued to enhance Lagos Water Corporation's (LWC) operational efficiency and contributes to more available potable water and by extension improved standard of living across Ogun and Lagos States.

In the year under review, we achieved an average plant availability of 99.1% and Zero Lost Time Injury (LTI). The plant however recorded some restricted capacity in November and December 2014 due to synchronization and exhaust faults on some of its engines.

Alausa Power Limited (ALPL), is the 2nd IPP developed by Oando Gas & Power to provide a dedicated electric power supply to Lagos State Government Secretariat and other government facilities in Alausa environs.

In 2014, upgrade of the existing Alausa Power distribution network was carried out to cover LTV, Radio Lagos and other LASG parastatals as well as the entire Obafemi Awolowo Way streetlights.

The plant achieved an average plant availability of 96.99% and Zero Lost Time Injury (LTI). However, the plant recorded frequent shutdowns due to on-field distribution faults and Balance of Plant (BOP) malfunctions.

A technical audit has now been conducted and the recommendations will be implemented in the course of 2015.

Business Outlook

Oando Gas & Power will continue to grow its business portfolio leveraging organic growth, mergers, acquisitions and divestments opportunities. We will remain a key player in the gas & power sector in Nigeria. Our business plan is premised on strategic expansion of our existing businesses as well as increased capacity utilization in our assets that are currently operating below full capacity utilization.

OGP is also focused on ensuring wider market presence and pioneering technological deployment in the gas distribution space in the country. Following the development and operation of a Compressed Natural Gas (CNG) plant in Lagos, OGP will develop additional innovative virtual pipelines solutions including small scale Liquefied Natural Gas (mini-LNG) and Compressed Natural Gas (CNG) plants in various parts of the country to meet the gas demands of power plants and industrial customers which do not have access to gas pipeline infrastructure.

OGP will progress its participation in the development of a 300mmscf/day gas processing facility recently awarded to her consortium in the Central Franchise Area to ensure we take a leading position in the gas processing business in Nigeria.

We will also continue to strive to create first mover advantage in future industrial concentration as demonstrated in the planned expansion of OGP's Central Horizon Gas pipeline in Port Harcourt by about 11km to connect huge industrial concerns in the axis. Furthermore, we will pursue the expansion in OGP's gas pipeline footprint upon approval and award of the proposed ~400km EIIJ gas distribution project by NNPC –which feasibility study is currently being concluded with OGP playing a lead role in its project development process.

While we have developed a portfolio of captive power generation assets serving Lagos State utilities, we are determined to grow the power portfolio to 330MW across Nigeria within the next 5 years.

For efficient value accretion, we will continue to rationalize our portfolio (invest, acquire & divest) and go for higher value/scale initiatives in the mid-long term. OGP's power asset expansion will be driven by participation in embedded power generation, strategic partnerships in power asset acquisition/development and leveraging on our ability to facilitate gas fuel supplies.

Business Review

Downstream

Downstream operations: The Group's operations in the downstream sector is comprised of its Marketing and Supply & Trading businesses. In addition, the Group has a Terminaling division which currently harbours a number of projects.

Terminaling

No.1

Propelling development of infrastructure to drive efficiency across the downstream oil and gas sector.

Supply & Trading

No.1

The leading private indigenous importer of petroleum products into sub-Saharan Africa.

Marketing

No.1

West Africa's leading oil retailer with operations in Nigeria, Ghana and Togo.

MARKETING
Oando Marketing PLC (OMP)

Key Strengths:
- 1 in every 5 litres of petroleum products sold or distributed is by OMP

Key Assets
- Over 470 retail outlets in Nigeria, Ghana, and Togo
- 15% market share in private Premium Motor Spirit (PMS) importation into Nigeria
- 8 Terminals with combined capacity of over 160 million litres
- 2 lube blending plants with combined capacity of 100 million litres/annum
- 7 LPG filing plants with combined capacity of 945 metric tons
- 3 aviation depots with combined capacity of 3.4 million litres
- Over 160 million litres of physical storage in major markets
- Over 1,980 trucks through partnership
- Over 500 industrial customers
- 13 lubes warehouses
- 15 in-station filing plants (Pay-As-U-Gas)
- 13 Vendor Managed Inventory (VMI) locations

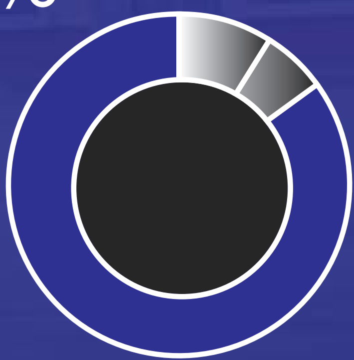
SUPPLY & TRADING
Oando Supply and Trading (OST)

Key Strengths:
- Access to 160 million litres of physical storage in major markets.
- Strong management team with over 30 years combined trading experience.
- Knowledge of local and regional market dynamics
- Access to trading lines in excess of US$1bn
- 100% track record of delivery on all supply contracts

TERMINALING
Oando Terminals and Logistics (OTL)

Key facts:
- Commenced the construction of the pioneering Apapa Submarine Pipeline (ASP) project
- Berthing capacity for larger vessels of up to 45,000 tonne cargoes currently restricted by shallow draft at other near proximity port facilities.
- Projected to deliver almost 3 million tonnes of petroleum products a year.

Downstream total revenue
74%



Turnover	N315.1bn
Gross profit	N23.9bn
Operating profit	(N0.8bn)
Loss after tax	N2.1bn

Business Review

Oando Downstream

Oando Downstream
Financial Highlights 2014

Oando Downstream Turnover of
N315.1bn

Oando Downstream EBITDA
N3.1bn

Oando Downstream PAT
N2.1bn

Downstream operations range from sales to marketing, trading and to the distribution of refined petroleum products.

Oando Marketing Plc (OMP)

OMP is one of Nigeria's leading oil marketers with over 500 retail outlets and industrial customers spanning different sectors across the country with operations in Ghana and Togo. OMP's operations cover the sales, marketing and distribution of the major petroleum products including Premium Motor Spirit (PMS), Automotive Gas Oil (AGO), Dual Purpose Kerosene (DPK), Aviation Turbine Kerosene (ATK), Low Pour Fuel (LPFO), Lubricating Oils, Greases, Liquefied Petroleum Gas (LPG, commonly known as cooking gas), and Bitumen.

2014 Review

The past year had its share of successes and challenges for us as a nation and a company. The GDP rebasing completed in the first half of the year propelled Nigeria to the top of the continent's economic chart, displacing South Africa and giving credence to a long-standing belief in the country's economic dominance. The rebasing was evidence that the economic indices now reflect a structural shift towards a higher phase of growth driven by the services sector. Conversely, the falling global oil prices witnessed over the second half of the year eventually led to the devaluation of the Naira amidst increased instability in the north, impacting economic growth..

For the Downstream players including OMP, the delayed release of the first quarter PMS import allocations by the Petroleum Products Pricing and Regulatory Agency (PPPRA) got the year off to a slow start as PMS contributes 50%+ of the company's revenues. This put pressure on our earnings ability, reflected in reduction of turnover by 6.7% from 2013 figures.

In addition to this, delays associated with the subsidy payments by the Government has remained fairly the same averaging 130 days with commercial interest rates climbing by approximately 300 basis points from an average of 17% in January 2014 to 20% in December 2014 on bank facilities. The foregoing, in addition to the devaluation effect of the Naira, impacted profitability reducing net margins by 81.3% compared to 2013.

80%
growth in LPG sales

Major successes witnessed during 2014 by OMP include:

- The African Skills Development Initiative: Also known as the Oleum mechanic village initiative, it was designed to empower the informal vehicle repair industry with an objective to grow product awareness of our lubricant offerings. The program targets 1000 mechanics over the next five years and we are pleased to report that the first batch of 100 mechanics graduated in December, 2014.
- Smart Pay: An automated cash system at our service stations which affords flexible payment options to our customers, thereby improving the customer experience. Currently, the platform is available in 56 stations nationwide.
- The Extranet: This is a portal which gives customers real time access to information pertaining their transactions i.e. order status, account statement etc. giving them more control over their product supply management.
- Increase in our Vendor Managed Inventory (VMI) installations: OMP commissioned combined storage facilities of 1.4 million+ litres of AGO and PMS in 2014
- These initiatives are aimed at ensuring we grow our position in the industry and continue to deliver returns to our shareholders.

Product Review

PMS volumes were 1.2bn litres, slipping by 7% compared to 2013 driven by a shortfall gap experienced in Q1 as a result of delayed PMS PPPRA allocation. AGO volumes sold during the year stood at 296m litres, a 2% drop compared to 2013. Product sales were maintained by optimizing sales via our retail and commercial channels.

HHK sales reduced by 9% to 111m litres due to supply gaps; we however maintained market leadership amongst the major marketers (MOMAN) with 33% market share.

Other products (Lubricants, Specialties)

ATK sales for the year totaled 146m litres, a 17% increase from 2013 driven by bulk sales to MOMAN. Our share of the major marketers market increased by 300 basis points from 24%.

Lubricants volumes reduced by 6% from 2013 to 16m litres. This reduction is attributable to the sustained onslaught of grey products in the industry. Our share of MOMAN market was however maintained at 15%.

Initiatives to drive up margins in 2014 such as localized sales promotions; Mechanic Village storms (MV) etc. have yielded results as margins grew by 3% despite the reduced sales.

LPG sales stood at 38,440MT reflecting a growth of 80% over 2013. This growth enhanced our MOMAN leadership position with a 79% share. Performance in 2014 was driven by product availability due to partnerships with the Petroleum Products and Marketing Company (PPMC) & the Nigerian Liquefied Natural Gas Company (NLNG).

Business Review

Oando Downstream

1,000

mechanics expected to graduate through our African Skills Development Initiative

2015 Outlook

Despite the bearish operating environment, Oando Marketing PLC remains resolute in maintaining its objective of being the most efficient refined products distribution company, driven by cost leadership, quality and innovation. We will continue to intensify the growth of our high margin Lubricants and Liquefied Petroleum Gas (LPG) businesses and invest in new opportunities to diversify our income streams.

2015 initiatives includes:

- The deployment of business intelligence tools which will improve the efficiency of our internal operating systems and generate cost savings
- The setup of 5 new Pay As You Gas Plants across the country
- Market storms across the nation which are designed to increase the brand awareness of our lubricant and LPG offerings
- The launch of the new Oleum Transformer bottle as well as new lubricant offerings such as the Oleum Syn, Oleum Super XP which are expected to drive our market dominance amongst MOMAN up to 17%
- Promotions during the holidays e.g. Easter, Ramadan etc. to boost sales of all products.
- Partnership with the Nigeria Union of Petroleum and Natural Gas Workers (NUPENG) which will increase our brand exposure.
- Continuation of our African Skills Development Initiative in Ibadan and Benin. Another 1000 mechanics are expected to graduate this year.
- Continued execution of our LPG strategies; the Cylinder Exchange Scheme, Secondary Distribution Point (SDP) and Microfinance Bank (MFB) partnerships. 20 additional SDPs and MFBs will be engaged through the year. Our LPG products will also be distributed in Independent service stations signed up as partners
- The upgrade of 5 service stations to increase earnings capacity.
- The sustained focus on ensuring that Oando Marketing PLC remains a safe and controlled environment to work in with emphasis laid on reporting of near misses and unsafe conditions. Continuous investment in the education of staff and 3rd party contractors to ensure zero fatalities in their operating and physical environments.

The Apapa jetty is connected via a 2.2km pipeline network to over 60,000MT of storage with plans to increase connected storage to 200,000MT within two years, the Apapa SPM will deliver almost 3million MT of petroleum products in a year.

Oando Terminal and Logistics Limited

Overview

OTL is the downstream infrastructure management company of the Oando Group charged with the responsibility of:

- monetizing Oando's Apapa mid-stream Jetty;
- optimizing Oando Marketing's terminal infrastructural assets;
- identifying infrastructure gaps in the downstream sector across Africa; and
- working with strategic partners to develop and monetize relevant downstream infrastructure across Africa to address the identified gaps.

Monetization of the Apapa SPM

The Apapa SPM is a 13.5m draft jetty which was delivered at a cost of $130million with the capacity to receive 45,000 DWT (dead weight tonne) vessels. The jetty is connected via a 2.2km pipeline network to over 60,000MT of storage with plans to increase connected storage to 200,000MT within two years, the Apapa SPM will deliver almost 3million MT of petroleum products in a year.

It was designed to increase the vessel delivery capacity and off-loading efficiency of petroleum products at the Lagos Apapa ports. It was conceived to bypass the infrastructure bottlenecks experienced in the Apapa axis thus eliminating the lightering and demurrage charges currently being incurred by marketers.

Terminal Optimization

In a bid to fully optimize the new ASPM jetty and eliminate 3rd party storage costs, the Apapa Terminal in Lagos with a capacity of 29million litres is currently planned to be upgraded to 84million litres at a cost of $35million. The upgrade project brief includes the following:

- Upgrade of fire fighting systems
- Demolition of existing PMS tanks to be replaced with larger & safer tanks;
- Construction of new white product tanks within the newly decommissioned black product tanks quadrant.

3million

MT of petroleum products to be delivered by Apapa SPM in a year

Business Review

Oando Downstream

Terminal automation

- Upgrade of marshalling yards and access road to facilitate traffic flow and truck turnaround.

These projects would result in increased truck and volume load out efficiency, safer operations, lower emissions and improved product control. In addition, the Apapa Terminal 1 upgrade would result in elimination of the company's current cost of product storage in 3rd party facilities in the West (cost savings amounting to ~ N2.6 billion naira annually from exiting Lister Facility).

OTL is charged with optimizing the existing terminal assets of the downstream business to ensure maximum value and return on investment for the shareholders. The excess capacity available at these terminals is being offered to 3rd party petroleum marketers as throughput at a fee. Therefore ensuring increased revenue generation from these assets.

Growth Strategy

With a rising middle class, improving economic conditions and increasing urbanisation; Africa is seen by many investors as the primary growth market in the next decade. According to the Citac, energy demand on the continent is projected to rise 40% by 2020, equivalent to annual growth of 3%. However, the continent lacks adequate infrastructure to harness the opportunity the growth in demand is expected to generate and will require annual investments of $43.6billion to meet the forecast demand. In addition, many more regions have discovered oil, a good example being the significant commercial discoveries of oil and gas in East Africa. These discoveries in addition to the increased international demand for natural resources is expected to continuously drive the need to increase downstream infrastructural capacity on the African continent.

OTL's growth strategy would focus on countries that are strategically positioned to serve as distribution hubs for the region to adequately position itself to harness the infrastructure growth opportunity in these regions. The company's OORP (Oando Opportunity Realization Process) would govern the review and assessment of these opportunities, the various OORP decision gates will ensure that only the value adding opportunities are pursued.

40%

40% rise in energy demand by 2020 on the continent projected

2014 Review

Key achievements in the year under review include:

- Handed over operations of Lister terminal to Lister management, freeing up N2.6billion annual cash flows
- Completed construction of shore receipt station for the Apapa SPM
- Completed construction of 14.4million litre PMS tank in Apapa Terminal 1
- Commenced upgrade of marshalling yards and access roads into Apapa
- Completed tie-in of Apapa SPM to four (4) storage terminals with total capacity of 60,000MT
- Completed pre-feasibility study into SADC market
- OTL also commenced 3rd party throughput services at its Port Harcourt Bitumen plant

2015 Outlook

Key projects and activities planned for 2015 include:

Commissioning of the Apapa SPM:

The ASPM jetty is scheduled to commence operations in 2015, the quality assurance and pipeline integrity tests is scheduled to be completed in Q2 2015.

Commencement of Apapa Terminal Upgrade:

This project is targeted at optimization of the Apapa SPM as well as revenue generation for the company; a 15million litre PMS storage tank farm was scheduled to be commissioned in Q2 2015 while upgrade of the fire fighting systems and construction of a 2nd 10million litre PMS tank was to begin in H2 2015.

Commissioning of the Truck Marshalling Yard and Apapa Terminal 1 access road:

The Marshalling Yards are being upgraded and automated to ease the congestion along the Apapa axis, construction of the 1st phase was scheduled for completion in Q2 2015 while the 2nd marshalling yard will be completed in Q4 2015. OTL has secured an off-site marshalling yard with MRS oil where trucks waiting to be loaded out of Apapa T1 will be stationed for preliminary checks, use of this yard commenced in Q3 2015.

Development of OTL Strategy into other African Countries/ Region

A market entry strategy for infrastructure development into other regions in Africa is being conducted. Following this, a plan to harness the best entry strategy which would add the most value to shareholders would be executed.

Commence feasibility studies for planned expansion projects

OTL has identified infrastructure development opportunities which will increase Oando's infrastructure footprint ultimately adding value to the shareholders. Commercial and technical feasibility studies to ascertain the viability of these projects will be done this year. These projects include Badagry tank farm construction, Onne tank farm energy quadrant project and LPG tank farm construction in the East.

Mr. J. A. Tinubu
Group Chief Executive

Business Review

Corporate governance

Corporate Governance

Corporate governance

Oando PLC Board of Directors

Oando's Board of Directors is collectively charged with the duty of ensuring the Company's prosperity by setting and assessing the overall direction and strategy of the Group and directing the day-to-day affairs of the Group whilst meeting the appropriate interests of its shareholders and stakeholders. The Board meet regularly during the year to discuss, review and receive reports on the business and plans for the Group.

	Chairman	Executive Directors			
					
Name and Title	**HRM Oba Michael Adedotun Gbadebo, CFR,** is the Alake (King) of Egbaland in Nigeria and Chairman of the Board.	**Mr. Jubril Wale Tinubu** is the Group Chief Executive of Oando PLC and an Executive Director on the Board.	**Mr. Omamofe Boyo** s the Deputy Group Chief Executive of Oando PLC and an Executive Director on the Board.	**Mr. Olufemi Adeyemo** is the Chief Financial Officer of Oando PLC and an Executive Director on the Board.	**Mr. Bolaji Osunsanya** is the Chief Executive Officer of Oando Gas and Power Limited and an Executive Director on the Board.
Biography	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, notably 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.	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. In 2015 Mr. Tinubu received the Ernst & Young award for the Entrepreneur of the Year West Africa for 2014 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.	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.	Mr Adeyemo has been the Chief Financial Officer at Oando PLC since October 2005 and he 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 from 1994 to 1997 and Management Consultant at McKinsey & Co from 1998 to 2005. Mr Adeyemo obtained a Bachelor of Engineering degree in Mechanical Engineering from the University of Ibadan, Nigeria in 1987, a Master of Engineering degree also in Mechanical Engineering 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.	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.
Year Appointed	2006	2006	2006	2009	2007
Meetings Attended	7/7	7/7	7/7	7/7	7/7
Independent	Yes	Not applicable	Not applicable	Not applicable	Not applicable

Non-Executive Directors

Mr. Oghogho Akpata
is an independent Non-Executive Director on the Board and was appointed November 11, 2010.

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 in 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.

Ammuna Lawan Ali, OON
is an independent Non-Executive Director on the Board and was appointed October 20, 2011.

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 the 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 the Civil 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).

Chief Sena Anthony
is an independent Non-Executive Director on the Board and was appointed January 31, 2010.

Chief Anthony is an oil and gas law consultant and a UK chartered arbitrator. She started her career working with the Federal Ministry of Justice before joining the Nigerian National Petroleum Corporation (NNPC) in 1978 where she worked for over 30 years. She held various positions at NNPC including in-house Counsel providing advice on various oil and gas projects. She was subsequently promoted to the position Group General Manager, Corporate Secretariat and Legal Division in July 1999 and later appointed Group Executive Director in May 2007. Chief Antony was the first female to be appointed Executive Director at NNPC. She retired in January 2009.

Chief Antony obtained a Bachelor of Laws degree from the University of Lagos in 1973 and was called to the Nigerian Bar in 1974. She is also a member of the Chartered Institute of Arbitrators.

Ms. Nana Afoah Appiah-Korang
Until her resignation from the Board on 30 June 2015, Ms. Nana Afoah Appiah-Korang was a Non-Executive Director on the Board, appointed on November 11, 2010.

Ms Appiah-Korang is a Ghanaian national who has worked for the Real Estate Principal Investment Group of Goldman Sachs in New York where she executed real estate private equity transactions and played an active role in the marketing of the Whitehall XII funds to potential investors in the US, Europe and Asia. In 2002, she joined Emerging Capital Partners, a leading private equity manager focused exclusively on Africa, where she is currently a director with involvement in deal sourcing, investment appraisal, execution and monitoring. She is also a director at Continental Reinsurance Plc.

Ms Appiah-Korang obtained a Bachelor of Arts degree in Mathematics and Economics from the Mount Holyoke College in 2000.

Francesco Cuzzocrea
is Non-Executive Director on the Board and was appointed July 25, 2013.

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 has 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 Company Limited, Nigeria.

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

Engr. Yusuf K.J N'jie
is an independent Non-Executive Director on the Board and was appointed October 20, 2011.

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. 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.

2010	2011	2010	2010	2013	2011
7/7	7/7	7/7	7/7	7/7	7/7
Yes	Yes	Yes	Yes	Yes	Yes

Corporate governance

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, 2014.

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.

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

Legal Form

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

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

Under the second phase of the privatisation process, the Federal Government sold its remaining shareholding in Unipetrol. 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 resulting 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 Inc. ("OER"). The Company became the first Nigerian company to have three trans-border listings within its Group – the NSE, JSE and TSX.

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, 2014, 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.

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

- HRM Oba Michael Adedotun Gbadebo, CFR (Independent)
- Mr. Oghogho Akpata
- Ammuna Lawan Ali, OON (Independent)
- Chief Sena Anthony (Independent) ‡
- Ms. Nana Afoah Appiah-Korang *
- Mr. Francesco Cuzzocrea
- Engr. Yusuf N'jie (Independent) ^
- Mr. Tanimu Yakubu (Independent)

* Resigned June 30, 2015
^ Appointed June 30, 2015

Executive Directors

- Mr. Jubril Adewale Tinubu
- Mr. Omamofe Boyo
- Mr. Olufemi Adeyemo
- Mr. Mobolaji Osunsanya

Board Composition and Independence

The Board is made up of a group of individuals from diverse academic and professional backgrounds. The Board size is in line with the prescriptions of Article 78 of 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 five 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.

Election or 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 2015 AGM:

- Omamofe Boyo
- Oghogho Akpata
- Olufemi Adeyemo

Appointment of New Director

In accordance with Article 88 of the Company's articles of association, the board of directors appointed Tanimu Yakubu as a non-executive director to the Board of the Company effective June 30 2015. The Directors are proposing Tanimu Yakubu for election as a director.

Prior to his appointment, he held key positions in both the private and public sectors in Nigeria, the most notable being Chief Economic Adviser to the Former President, Commander in Chief of the Federal Republic of Nigeria, Umaru Yar-Adua during which 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. Tanimu Yakubu has worked in a number of private-sector institutions, including Icon Limited (Merchant Bankers) where he worked in both the Investment Bank's Research and Development Department, as well as in its Capital Issues and Investment Division covering Financial Advisory and Funds Management, before crossing over to head the Credit and Marketing Department at New African Merchant Bank Limited. A few years later, Tanimu Yakubu headed the Investment and Economics Desk at Afri-project Consortium Limited, Abuja. 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.

Resignation of director:

Ms. Nana Appiah-Korang, resigned as a Non-Executive Director with effect from June 30, 2015 due to increasing demands of other professional interests. The Board places on record its gratitude to her for the contributions she made to the growth and development of the Company during her tenure.

Board Appointment Process

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

The Governance and Nominations Committee has 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, knowledge and experience on the Board, leadership needs of the Company and ability of the candidate to fulfil his/her duties and obligations as a Director.

Corporate governance

Report of the Directors

Training and Access to Advisers

The Company has a mandatory induction programme for new directors on the Company's business and other information that will assist them in discharging their duties effectively. The Company continues to provide continuous training and professional education to its Directors. The Board of Directors and Board Committees have the option to retain external counsel to advise on matters, as they deem necessary.

Board Authority

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 or to Committees of the Board. The Delegation of Authority Policy sets the scope and limits on authority (including financial limits) delegated by the Oando Group for itself and its business divisions, corporate departments, and direct and indirect subsidiaries and extends to the decisions that can be rightly taken by Executive Directors and 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 planning and budgeting
- 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 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 Human Resources Officer, Chief Compliance Officer and Company Secretary, Chief Legal Officer, Chief Engineering and Technology Officer, Chief Environment, Health, Safety, Security and Quality Officer and the Chief Information 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 are to ensure that other commitments do not interfere with the discharge of their duties and shall not divulge or use confidential or inside information about the Company.

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

- The Company believes that the Chairman of the Board should be a Non-Executive Director;
- To maintain an appropriate balance of interest and ensure transparency and impartiality, a number of the Directors are independent. The independent directors are those who have no material relationship with the Company beyond their directorship;
- Directors are to abstain from actions that may lead to "conflict of interest" situations; and shall comply fully with the Company's Related Party Transactions 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 Remuneration Committee, periodically reviews the remuneration package for Directors which is structured in a manner that does not compromise a Director's independence.

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

The 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, 2014

Name	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	■	■	-	
N. A. Appiah-Korang	-	-	■	■
F. Cuzzocrea	■	-	-	■
K. J. N'jie	-	-	■	■

Attendance at meetings during the year ended 31 December 2014

Name	Board	Audit	Governance and Nominations	Risk, Environmental, Health, Safety, Security and Quality	Strategic Planning and Finance
Executive Directors					
J. A. Tinubu	7/7	-	-	-	-
O. Boyo	7/7	-	-	-	-
O. Adeyemo	7/7	-	-	-	-
M. Osunsanya	7/7	-	-	-	-
Non-Executive Directors					
HRM M.A. Gbadebo, CFR	7/7	-	-	-	1/1
O. Akpata	7/7		1/1	2/2	1/1
A. Lawan Ali, OON	7/7	5/5	1/1	-	1/1
S. Anthony	7/7	5/5	1/1	-	1/1
N. A. Appiah-Korang	7/7	-	-	2/2	1/1
F. Cuzzocrea✓	7/7	5/5	-	-	1/1
K. J. N'jie	7/7	-	-	2/2	1/1
Shareholder Members of the Audit Committee					
K.B. Sarumi*	-	3/3	-	-	-
L.A Shonubi	-	5/5	-	-	-
F. O. Ijoma*	-	5/5	-	-	-
T.O.Durojaiye✓	-	2/2	-	-	-

There was a two-day Strategic Planning and Finance Committee session on December 15 & 16, 2014 that was attended by all Non-Executive Directors

* resigned from the Audit Committee
✓ new appointment

Corporate governance

Report of the Directors

Dates of Board/Committee meetings held in 2014

Board Meetings:

- February 18, 2014
- April 30, 2014
- June 19, 2014
- July 25, 2014
- September 16, 2014
- November 13, 2014
- December 16, 2014

Audit Committee:

- March 25, 2014
- September 15 2014
- September 26 2014
- November 13 2014
- December 9 2014

Governance and Nominations Committee:

- September 15 2014

Risk, EHSSQ Committee:

- April 14 2014
- December 9 2014

Strategic Planning & Finance Committee:

- December 15 and 16 2014

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.

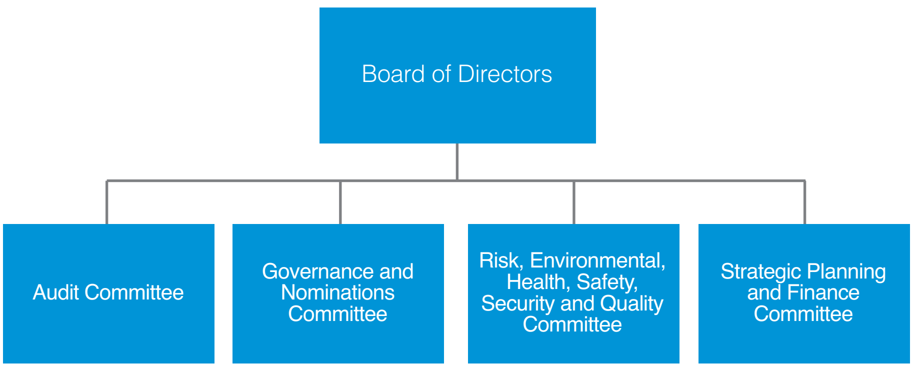
Committee members are expected to attend each Committee meeting, unless exceptional circumstances prevent them from doing so. All the Committees have terms of reference which guide the members in the execution of their duties.

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, 2014, the Audit Committee held five 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 2014 Audit Committee are:

- Ammuna Lawan Ali, OON
  Chairperson
- Chief Sena Anthony
  Non-Executive Director
- Mr. Francesco Cuzzocrea
  Non-Executive Director
- Mr. Fidelis Opia Ijoma
  Shareholder Member
- Mr. Lateef Ayodeji Shonubi
  Shareholder Member
- T.O. Durojaiye
  Shareholder Member

Curriculum Vitae of shareholder members of the Audit Committee

Mr Fidelis Opia Ijoma – Shareholder Member

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

Mr Lateef Ayodeji Shonubi - Shareholder Member

Mr Lateef Ayodeji Shonubi is a graduate of the University of Strathclyde, Glasgow, Scotland. He is skilled in accounting, taxation and investigation. He has 41 years' experience in audit 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). He also served as the Vice-Chairman of the Membership Committee of the Chartered Institute of Taxation of Nigeria.

Mrs. Temilade Funmilayo Durojaiye – Shareholder Member

Mrs. Durojaiye is a fellow of the Institute of Chartered Accountant 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 at 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 financial control division to pursue other interests.

For the curriculum vitae of the Board of Directors, including the Non-Executive Director members of the Audit Committee please see pages 56 and 57.

Corporate governance

Report of the Directors

Governance and Nominations Committee

The Governance and Nominations Committee is responsible for compliance with and periodic review of the Company's corporate governance policies and practices, 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 bylaws 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 2014 Governance and Nominations Committee were:

- Chief Sena Anthony
  Chairperson
- Mr. Oghogho Akpata Chairman
  Non-Executive Director
- Ammuna Lawan Ali, OON
  Non-Executive Director

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

The Risk, Environmental, Health & Safety, Security and Quality Committee (REHSSQ) is responsible for reviewing the policies and processes established by management which are designed to implement the risk, environmental, health & safety and quality policy of the Company and ensuring the Company's compliance with international standards in all of these areas.

The members of the 2014 Risk, Environmental, Health & Safety, Security and Quality Committee are:

- Ms. Nana Afoah Appiah-Korang
  Chairperson
- Mr. Oghogho Akpata
  Non-Executive Director
- Engr. Yusuf N'jie
  Non-Executive Director

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 over strategy and corporate transactions and investments efficiently and effectively. In December 2014 the Committee held a two-day strategy session that was attended by all Non-Executive Directors.

The members of the 2014 Strategic Planning and Finance Committee are:

- Mr. Francesco Cuzzocrea
  Chairman
- Ms. Nana Afoah Appiah-Korang
  Non-Executive Director
- Engr. Yusuf N'jie
  Non-Executive Director

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.

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 76.

Directors' shareholdings

The holdings of ordinary shares by the Directors of Oando as at December 31, 2014, 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	262,500	Nil
J. A. Tinubu*^	Nil	3,670,995
O. Boyo*^	Nil	2,354,713
O. Adeyemo	75,000	1,723,898
M. Osunsanya	202,491	1,890,398
O. Akpata	Nil	Nil
A. Lawan Ali, OON	Nil	Nil
S. Anthony	299,133	Nil
N. A. Appiah-Korang	Nil	214,050,580
F. Cuzzocrea^	Nil	Nil
K. J. N'jie	Nil	Nil

Indirect shareholding in:
* Ocean and Oil Investments Limited (OOIL) owns 159,701,243 (1.76%) shares in Oando
  Mr. Jubril Adewale and Mr. Omamofe Boyo own 0.97% and 0.38% respectively in Oando PLC through OOIL
^ Ocean and Oil Development Partners Limited (OODP) owns 5,004,643,096 shares in Oando (55.09%)
  Mr. Jubril Adewale and Mr. Omamofe Boyo own 20.99% and 12.75% respectively in Oando PLC through OODP
  Mr. Francesco Cuzzocrea is a director of OODP

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

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 page 157.

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 primarily dedicated to the protection and promotion of its shareholders interests. The Company recognises the importance of the adoption of superior management principles, its responsibilities and valuable contribution towards sustainable business prosperity and overall accountability to its all its stakeholders.

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 Commission's Code of Corporate Governance for Public Companies in Nigeria 2011.

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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 with external and internal laws, regulations and policies and periodically reviews its 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.

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 and 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.

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, environment and anti-corruption and reporting publically on progress made in implementing these principles in their business operations. Oando became a signatory to the UNGC in July 2009 and has been an active participant in both the Global and the Local Network of the Global Compact in Nigeria. Oando PLC is also a pioneer member of the Global Compact LEAD platform.

The Company continues to be an active participant in UNGC initiatives. Ms Ayotola Jagun, Chief Compliance Officer and Company Secretary, attended the 10th Principle Anniversary which took place in December 2014 which provides a platform for over 200 business representatives and key stakeholders from government, civil society, Global Compact Local Networks, the United Nations and others to share lessons learned in the last 10 years of business engagement in the fight against corruption and to explore effective ways to engage in collaboration and collective action that advance the global fight against corruption.

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 successfully participated in the pilot exercise carried out to test the efficacy of the CGRS.

Corporate Code of Business Conduct and Ethics

Oando, together with its subsidiaries, maintains a Corporate Code of Business Conduct and Ethics (the "Code") which is the governing policy on the ethics and core values of the Oando Group and is applicable to all Directors, Managers, Employees and all third parties who work for, or on behalf of Oando. The Code sets out the standards of ethical behaviour expected of all such persons when conducting the Company's business.

Oando's Internal Policies and Processes Governing Ethics and Compliance

In order to provide guidance on Corporate Governance issues, the Company has implemented relevant 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
- Whistle Blowing Policy

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

Whistle Blowing Hotline

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

KPMG Professional Services manages the Whistle Blowing Hotline and ensures that all reports are kept confidential and 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 through appointed Torch Bearers, who are volunteer employees assisting the Governance Office in entrenching Oando's core values in the entities or business units to which they belong.

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 our 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 business partners, suppliers and counter-parties.

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 the relevant policies and anti-corruption principles, with tests conducted online. Certificates of compliance are generated for all participants who pass the tests.

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 periodic 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 promote a culture of doing the right thing even when no one is watching.

On December 9 of every year, the Company joins the rest of the world to commemorate International Anti-Corruption Day to further entrench the ideals of good corporate governance and international best practice as an essential part of the Company's culture.

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 for external publication is adequate, including financial, operational and compliance control and risk management, and for ensuring that assets are safeguarded and shareholders' investment are protected.

There are limitations in any system of internal control and, accordingly, even

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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 both 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 limits and 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 Group's 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 ongoing review by the Group Leadership Council of operational results and communication and application of Group-wide operational strategy, policies and procedures and the communication of such to the Board and operating units.
- The occurrence of formal monthly operational evaluation by the Executive Directors together with the divisional management teams 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, whilst 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 due diligence reviews of potential acquisitions.

Management has adopted the COSO Framework of 1992 to guide its implementation of internal control across the Group except for our upstream subsidiary which has adopted the 2013 framework in line with the requirements of the Canadian Sarbanes Oxley requirements. All other subsidiaries will adopt the updated framework in 2015.

Risk management organization

To assist the Board with its oversight role and enhance decision making with regards to key risks identified by the Company, we are continuously 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.

There is an in-house risk committee known as the Group Risk Management Committee, chaired by the Group Chief Financial Officer and made up of senior officers from across the Group. This Committee acts as an advisory body on Enterprise-wide risk management. The Committee provides regular reports to the Oando PLC Risk, EHSSQ Board Committee who 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 analysis of the data and risk reports prepared by the Risk Management Department are reviewed and approved prior to presentation to the Board. The Committee met once during the year.

Enterprise Risk Management Report

In 2014, the world faced unprecedented market volatility, with rapidly changing market conditions coupled with a heightened global regulatory atmosphere which brought complexity and uncertainty. Global oil prices fell sharply: prices were cut by about 50% when compared to 2013 and 2012 This created both losers and winners. Oil producing nations such as Nigeria have witnessed a dip in oil revenue leading to budget deficits due to budgetary demands and a large population, devaluation of the naira and increased interest rates. The Middle East on the other hand, have huge foreign reserves that permit it to run on budget deficits for much longer. Non oil-producing nations can now increase spending, as less is spent at the pump and on heating oil.

We have taken steps to review our strategic intent against the backdrop of the market volatility and other risk factors that we have identified and assessed during the year.

Key Risk Factors of Oando Group

The following are the top risks derived from an aggregation of the risks facing the entities that make up the Oando Group. These risk factors were identified and assessed as of the disclosure date of this Annual Report. The risks derive from local and international industry, economic, and market circumstances affecting the Oando Group.

Macroeconomic Risk

This is the risk that changes in national and international economic factors (such as interest rates, exchange rates, commodity prices, inflation, systemic financial crisis etc). will negatively affect corporate performance and sustainability. The fall in oil prices delivered opportunities for cheaper refined products in the downstream sector, this led to a N10 reduction by the Federal Government in pump prices of gasoline. On the other hand, the devaluation of the naira as a result of lower reserves and the squeeze on the available dollar affected our corporate performance due to transactional risk that crystallized at the end of the year. In addition, the fall in oil prices affected the value of our upstream assets leading to impairment and write down of those assets amounting to N130bn. Furthermore, the reduced drilling campaigns as a result of the drop in oil prices led to reduction of day rates on our drilling swamp rigs, forcing us to reduce the value of those drilling assets by N36.8billion..

The group had various risk management strategies in place to minimize the effect of the volatility on our various businesses. To protect the company from a deepening drop in crude oil prices, the upstream subsidiary hedged a portion of its crude oil production till January 2019 at $97 per barrel. As prices dropped, we were at an advantage. The difference between the daily crude prices and the hedged price was paid in cash by the respective financial institutions. We took advantage of this opportunity to pay down our loans and save the company $67 million of interest payment.

The downstream business has since scaled down and focused on supplying majorly regulated products (Gasoline) into the market due to guaranteed payment of the interest and FX differentials as subsidies by the federal government. Deregulated products supplied into the market have been limited to those that guaranteed dollar denominated receivables, protecting Oando from volatility.

The oil services subsidiary has been exploring other new business opportunities where sustainability is not dependent on government participation or intervention.

Socio Political Risk

This risk was heightened during the months leading to the general elections, pronouncements by militant groups regarding oil facilities and the delays in obtaining necessary key approval from various regulatory bodies made this risk one of our top risks prior to conclusion of the elections.

In our ERM framework, this risk is defined as the risk to the group's objectives, arising from political uncertainties due to the actions of Nigerian governments (Local/state/federal) and/or non-governmental groups (community, human rights groups) including change in government and policies.
.
We took steps to protect our facilities and manage our people with the aim of reducing the risk of attack on our assets and human lives. The group continues to engage the government within the ambits of corporate governance, to obtain any outstanding approvals.

The risk of attack on our facilities by the insurgents group Boko Haram, remains a key risk that the company has monitored over the years. The increase in the insurgency attacks has led to closure of some of our stations in the Northern states of Nigeria with a view to reduce the risk to the lives of our staff.

Capital Availability risk

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

Given the aggressive growth plans of the Company and the recently concluded acquisition of Conoco Phillips assets in Nigeria, we run the risk of high leverage making it difficult to provide the required corporate collateral for the various existing and proposed capital projects/acquisitions and investment of the subsidiaries.

The Group raises its funds from a diversified base and where possible, harmonises the tenure of funds to project requirements. The group has commenced restructuring of the balance sheet through the proposed sale of shares in the downstream business to provide the much needed cash for upstream capital projects.

Reputational risk.

Survey shows that media attention is much greater than in previous years. This increasing scrutiny and other corporate risks are making companies more vulnerable. Reputational risk arising from changes in stakeholders' opinion, or in perception of company's behaviour, or its failure to comply with standards can result in loss of earnings or limit access to capital. Stakeholders' opinions might be negatively influenced by the Group's failure to achieve forecasts and targets, or from misrepresentations by third parties especially in the press and news media. The rise in the use of social media by an army of often ill-informed commentators who focus more on headline news further enabled by instantaneous global communications make it harder for the Group to manage perception in the marketplace. Other events that could erode the Group's reputation include the failure to manage local communities effectively; or an environmental, safety or quality incident (fire or oil spill) that impacts the local community.

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 loss resulting from violation or non - compliance with the law.
The heightened global regulatory atmosphere continues to affect corporate risks, resulting in legal and compliance departments calling for increased resources in order to comply with new regulations.

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Failure to comply with the Foreign Corrupt Practices Act (FCPA),and other anti-corruption legislation fund raising compliance requirements dealings with third parties, sanctions from various stock exchanges with listing rules , for non-compliance, change in legislation (or other regulations) in one of the multiple jurisdictions where the company has a presence, could threaten the advantages derived from the current corporate structure.

The Group has strengthened its Governance department to ensure it covers all jurisdictions where it has significant presence. Specialist country lawyers are also engaged to ensure proactive identification and implementation of required structural changes for continued structural advantages.

Strategy and Business Model Risk.

This is the risk of current or prospective impact on the group's earnings, profitability capital and reputation arising from: selection of inappropriate business strategies, setting objectives and targets without adequate forethought and fact-based analysis, improper implementation of the group's strategy and model, unrealistic forecasts and budgets, inadequate clarity or consensus among key stakeholders on the group's business objectives, targets and plans. In addition, management's budget and planning may focus on the short term and not adequately address the long term needs and business plans and budget may not be consistent with entity-wide objectives.

To mitigate this risk, the group has a top down and bottom up approach to strategy development and execution. There is an established framework in place for screening opportunities known as the Oando Opportunity Realization Process. Management reviews its implementation of strategy processes to identify improvement areas in its strategy. The group is always looking to diversify its business where a particular model no longer adds value. Periodic operational reviews are also undertaken to ascertain the progress of Group projects.

Partner and Joint Venture risk

These are the risks associated with the Company's joint venture partnerships. It is the risk that required decisions or actions may be delayed due to shared control of operations; the Group may not be in compliance with the terms of joint venture agreements; the Group may fail to recover reimbursable costs and the inability of partners to fund joint operations. Many of the Group's upstream activities are carried out by partners under joint venture agreements. The Groups oil service subsidiary is also providing services to international oil companies (IOC's) who are in joint venture arrangements with the Federal Government. Delays in payment of cash calls by the government is impacting on the IOC's ability to pay down receivables within contract terms, this in turn exposes the Group to the downside risk of default on our obligations to third parties. The lack of operational control exposes the Group to partners who may take decisions that are not congruent with the Group's strategy.

We continue to employ the right resource mix. Recruit experienced hands across all departments with a clear focus on Partner Management.

Internal Control over Financial Reporting for 2014

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

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

During the year, under the supervision 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 financial reporting and the preparation of financial statements for external reporting purposes.

Relations with shareholders

Communications

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

The Company aims to report 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 the Oando corporate website.

Management meet with institutional investors on a regular basis, providing an opportunity to discuss, in the context of publicly available information, the progress of the business. Institutional investors and analysts are also invited to attend briefings by the Company following the announcement of the full and quarterly results. Copies of the presentations given at these briefings are available on the website.

The Company hosts quarterly conference calls, giving investors an opportunity to interact with senior management and ask any questions they have with regards to the running of the business. This practice continued in 2014. The investor relations team also 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 in this light in 2015.

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, both formally during the meeting and informally afterwards, for questions. The Chairperson of each Committee including the Audit Committee and Governance and Nomination Committee are available to answer questions at the AGM.

Compliance statement

The Company paid the sum of N3,100,000 and N13,900,000 to the Nigerian Stock Exchange (NSE) and Securities and Exchange Commission (SEC) respectively for late submission of Audited Accounts for the ended December 2014.

Shareholder Range Analysis as at December 31, 2014

Register Date: December 31, 2014 (Nigerian share register) Issued Share Capital: 9,084,685,738 shares

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	5,004,643,096	55.09%

Shareholdings

As of 31 December 2014, 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	167,582	61.51	61,752,261	0.68
1,001 - 5,000	73,805	27.09	154,578,930	1.70
5,001 - 10,000	12,381	4.54	88,951,940	0.98
10,001 - 50,000	13,509	4.96	296,073,003	3.26
50,001 - 100,000	2,272	0.83	163,279,426	1.80
100,001 - 500,000	2,236	0.82	468,867,933	5.16
500,001 - 1,000,000	343	0.13	246,795,115	2.72
1,000,001 - 5,000,000	259	0.10	514,102,658	5.66
5,000,001 - 10,000,000	34	0.01	238,485,230	2.63
10,000,001 - 50,000,000	28	0.01	701,671,599	7.72
50,000,001 - 100,000,000	6	0.00	489,903,957	5.39
100,000,001 - 500,000,000	4	0.00	655,580,590	7.22
500,000,001 - 9,084,685,738	1	0.00	5,004,643,096	55.09
	272,460	**100.00**	**9,084,685,738**	**100.00**

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Corporate Social Responsibility

Oando's Corporate Social Responsibility (CSR) approach creates positive impact in communities where we operate. Oando Plc is committed to high standards of corporate governance, ethics and goodwill. CSR is integrated into the company's business practices through value-adding products, services and sustainable social investments. At Oando, we believe being socially and environmentally responsible is key and essential to the long-term sustainability of our business.

Oando Plc donates 1% of its pre-tax profits to Oando Foundation (OF). The Foundation is an independent charity established in 2011 with a mission to create a world class learning environment in select primary schools by holistically addressing the needs of students, teachers, school leavers and the surrounding communities.

Through its signature project, Adopt-a-School Initiative (AASI) Oando Foundation has pioneered a sustainable and replicable model for interventions in the public primary schools across the country.

The main goal of the AASI is to improve learning outcomes and increase enrolment, retention and transition rates in public primary schools by working with government and communities in selected states.

AASI supports the development of government owned schools through the rehabilitation of derelict school infrastructure, provision of teacher training, award of scholarships, establishment of Early Childhood Care and Development Centres (ECCD), establishment of ICT centres and strengthening community participation in school governance and management through capacity building for School Based Management Committees (SBMCs) and Local Government Education Authority (LGEA).

The Foundation also engages volunteers through the Oando Employee Volunteer programme, over 70 active volunteers support the work of the Foundation. In 2014, volunteer projects included donation of books on International Literacy Day and International Volunteer Day; and donations towards the building of sanitary facilities in schools.

The foundation has formed strategic alliances with key government and state partners, Non-Governmental Organizations, International Development Organizations and Private Sector organizations to ensure sustainability of its core programmes. Oando Foundation's investments in the education sector in Nigeria are sustainable and have a real impact on the communities they serve.

Oando Foundation's key achievements in 2014:

- Adopted 11 additional public primary schools, bringing the total number of Foundation adopted schools to 58 across 23 states.
- Completed renovation of 1 block of 6 classrooms; and donated 193 sets of School Furniture, for Primary and ECCD classes, 6 sets of Teachers furniture and white boards at Olokun Primary School, Mushin, Lagos State
- Conducted 1-week teacher training for 507 teachers from 23 adopted schools across 12 states in conjunction with Pearson Nigeria and the National Teachers Institute
- Completed renovation of 3 blocks of 6 classrooms at Zumuratul Islamiyat Primary School (ZI) Ogun State.
- Completed a solar-powered ICT Centre at St Patrick's Primary School, Etinan, Akwa Ibom
- Awarded scholarships to 341 outstanding pupils as part of the Foundation's commitment to award scholarships to the ten best performing students in each of the Foundation's adopted schools. The foundation now has a total of 870 students on scholarship
- Launched the Oando Foundation Ebola Education fund to support the education of Nigerian children who lost their parents to the deadly Ebola Virus Disease and require financial assistance to stay in school. The Education fund covers school fees and other education costs until graduation from University
- Introduced coding to over 300 students in the Foundation's adopted schools, in partnership with the United States Department of State (Global Partnerships Initiative), and CoderDojo Ireland
- Provided ICT training for10 teachers in the Foundation's adopted schools in partnership with the US Embassy Whitney Young Information Centre
- Won the coveted 2014 Nigeria CSR Award for "Best Company in Sustainability Design".
- Won the 2014 Lagos State Merit Awards for "Supporting the Primary Education Sector in Lagos State"

Oando Plc donates 1% of its pre-tax profits to Oando Foundation (OF). The Foundation is an independent charity established in 2011 with a mission to create a world class learning environment in select primary schools by holistically addressing the needs of students, teachers, school leavers and the surrounding communities.

2014 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)
Renovation of Z.I. Primary School, Akute, Ogun State sponsored by APL	10,890,600
Allowance for Community Liaison Officer sponsored by CHGC	275,000
Donation to host communities sponsored by CHGC	900,000
ANP event sponsorship in Sao Tome and Principe sponsored by EEL	4,020,392
GNL Back-to-School Scholarship Programme for 100 indigent Lagos State students	18,924,346
Donation of food stuff to pipeline communities sponsored by GNL	4,122,060
Supply of furniture to Olokun Primary School, Ilasa, Lagos State sponsored by GNSL	3,299,246
Adopt-A-School Scholarship Award for 870 pupils from 47 schools sponsored by OF and PLC	29,056,190
Scholarship for Mohammed Muazu to attend the Professional Golf Association South Africa sponsored by PLC	875,871
Supply & installation of solar power for ICT class at Archbishop Taylor Primary School, Lagos sponsored by PLC	2,592,188
Donation to Zuriel Oduwole's project - Inspire African Girl's Education Dreams sponsored by PLC	250,000
Event sponsorship for Uturn Africa Forum sponsored by PLC	1,149,400
Supply & installation of solar panel at St Patrick's Primary School, Akwa-Ibom sponsored by PLC	3,117,188
Lagos State Universal Basic Education Board awards sponsored by PLC	1,500,000
Donation to Augustine University sponsored by PLC	2,500,000
PLC sponsorship of SERA Awards	1,000,000
Establishment of solar powered ICT class at St. Patrick's Primary School Odukpani, Cross River sponsored by PLC	5,753,357
Establishment of 2 ECCD classrooms at St. Patrick's Odukpani, Cross River financed by PLC	7,292,250
Teacher training for 570 teachers from 23 adopted schools sponsored by OF	19,491,528
Fuel donation for logistics support to the Ebola Emergency Center sponsored by OF	302,795
Sponsorship of 5 nominated members of Marine Beach Community to Dulux Painters Academy sponsored by OMP	425,000
Donation of PPEs through the Ebola Containment Trust Fund sponsored by OMP and OF	8,417,000
OMP sponsorship of the Tiffany Amber Nigeria Limited, 'Women of Vision' (WOV) Campaign and 5 nominated members of Marine Beach Community to Fashion Internship Programme	5,000,000
University grant to 5 nominated members of Elekahai Community sponsored by OMP	500,000
Donation to Daughters of Charity Hope Centre sponsored by POCNL	162,500
Donation to The Clem Agba Foundation sponsored by POCNL	300,000
Donation for June 1 bazaar sponsored by POCNL	160,630
Donation to Boatshed initiative sponsored by PLC	300,000
PLC sponsorship of the Basic Education Africa Forum in recognition of International Day of the African Child 2014	250,000
PLC sponsorship of the Friends for Africa Women and Girls Summit 2014	5,000,000
Lesson plans for 1004 public primary schools in partnership with Lagos SUBEB and ESSPIN sponsored by OF	12,000,000
PLC sponsorship of Nigerian Institute of Public Relations awards	350,000
Play tickets for pupils of Lagos adopted schools in commemoration of International day of the African Child sponsored by OF	105,000
Idi-Odo, Temidire & Ogo-Oluwa primary schools Gbagada landscape work: phase 1 - site clearing, leveling and filling sponsored by PLC	11,171,057
Souvenirs for OF stakeholders	1,319,165
Total	**162,772,763**

Corporate governance

Report of the Directors

The HCM team put measures in place to ensure understanding of its performance management cycle is ingrained in every employee and no one is left out.

Human Capital Management (HCM) 2014 Activity Report

2014 was a year of significant change for the Human Capital Management (HCM) team as it continued its work in re-inventing the department to become a true enabler for organizational performance and growth. The department made a series of process improvements by leveraging on available technology thereby; building credibility through transparency, fairness and communication.

Talent Management and People Development

Ensuring our workforce has the right skills and abilities is essential to our long-term success. We support the development of our employees through a wealth of targeted developmental programs. To support online learning opportunities, we offered a wide variety of self-paced courses in professional and personal development areas through our e-learning platform.

Coming off the successful development of the Competency Framework in 2013, new concerns on talent management were addressed through further development of behavioral competencies with clearly defined indicators.

As part of our long-term human capital investment strategy, we developed a career path model and engaged in succession planning to build a pipeline of internal talent to sustain the trajectory of our organization and cater to the Generation-X'ers and Millenials in our workforce looking for opportunities to grow professionally.

Performance Management

The HCM team put measures in place to ensure understanding of its performance management cycle is ingrained in every employee and no one is left out. Its coaching of Line Managers on methodical approaches to setting Specific, Measurable, Achievable, Realistic and Timely (SMART) objectives in alignment with Company objectives ensures that all eyes remain on the ball and targets are properly monitored and measured.

Talent review meetings to plot employees based on their performance and potential ratings were held across business units with Managers and Human Resource Partners in attendance. As is customary, bi-annual performance appraisals were successfully conducted for all employees in H1 January and H2 July 2014. 2014 also saw the introduction of the Manager learning series, an educational series of webinars, tips and nuggets for line managers on ways to develop their people.

The HCM department further strengthened the progress made over the years regarding its performance management culture. The increased level of understanding and linkage between overall corporate objectives and goals set for individual employees makes the effort well worth it.

Talent Acquisition and Attrition Management

With a variety of staff positions spread across a large number of unique organizational units, managing our talent requires the effort of many. Our HR team was responsible for the success of several recruitments efforts during the period. HCM is committed to recruiting strong candidates both internal and external to Oando.

Of a total of 50 successful recruitments that took place for full time job positions, 16 joined in the Management Staff Cadre and 34 in the Non-Management Staff Cadre. These new set of employees was inclusive of staff integrated into Oando resulting from the successful acquisition of ConocoPhillips Nigerian assets in 2014.

With an eye on efficient cost optimization and in aligning with modern trends, part of our strategy with regards to recruitment and selection involved the use of social media as evidenced by our partnership with LinkedIn, a professional network platform. We significantly grew our talent pipeline from an initial follower-base of 3422 unique professional profiles to over 14,000 by the end of 2014. In the second half of 2014 we leveraged on technology by deploying BrassRing, a smart talent acquisition system to attract, engage and hire top talent. To consolidate our talent database, Brassring and our LinkedIn profile were integrated.

Having restructured the Oando Graduate Trainee (GT) program to align with the workforce needs of our various business streams, we pruned over 11,000 applications and have selected over170 Graduate Trainee applicants who will be moving onto the next phase of the GT recruitment exercise.

During the course of the year, we meticulously monitored and maintained our attrition rate at single digit, seeing it close at 8.9%.

Remuneration, Benefits and Employee Welfare

Our total compensation package is key to the success of our recruitment and retention activities. As an employer, we provide a strong mix of direct compensation and benefits within a supportive environment. Our pension and mortgage support plans are some of the more competitive benefit plans offered by Oando and are greatly valued by our employees while at the same time being an attractive incentive for new employees.

The staff in our Benefits Administration team attended relevant training events to stay informed and remain current with employee benefits and compliance issues. They also conducted market surveys to ensure our compensation package is competitive. We received a steady stream of phone calls, emails and walk-in visits from employees requesting assistance with benefits-related issues and introduced several process improvement initiatives towards improving the employee self-service experience.

2014 saw the introduction of an additional Health Maintenance Organization (HMO) through a systematic and equitable bidding process, resulting in a comprehensive review of the benefit offerings of the existing and newly enrolled HMOs, and guaranteeing improved health care service delivery for our employees. Numerous benefit awareness sessions were conducted to intimate our workforce on amendments and reviews to existing legislation on pensions and other statutory deductions. We streamlined our payroll process and unified pay structures across business lines. A salary review and performance based pay increments were also implemented.

To sustain its edge on employee motivation, the HCM department revamped the Group recognition award - GCEs award, leveraging on technology to give long serving employees the liberty to choose from a variety of gift items through its partnership with an online gifts shop. These recipients were also presented with customized gift plaques in further recognition of their meritorious stay with the Company.

Corporate governance

Report of the Directors

Oando Employee Equity Incentive Scheme (OEEIS)

The original 9-year life cycle of the Oando Staff Equity Participation Scheme came to an end in the year ended 31st December 2013. The Scheme was however extended for an additional one year period by resolution of the Board. As at 31st December, 2014 a total of 9,491,202 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 2014 period.

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

Our 2014 EHSSQ performance is a reflection of our commitment and resolve to maintain and continually improve our environment, health, safety and security performance. We also continued to place emphasis on the delivery of quality products and services.

The 2014 EHSSQ/SCA Key initiatives remained:

- Aligning our Environmental Management System to ISO 14001
- Focus on assisting employees and their families to develop healthy lifestyles
- Improving travel safety
- Ensuring zero work-related fatalities
- Improving Asset and Personnel protection
- Improving the quality of the EHS management system documentation and awareness.

Notable 2014 achievements include:

- Zero work-related fatality
- Zero downtime arising from Community issues
- Zero product quality defects due to the high quality assurance on product purchase and distribution
- Zero Lost Time Incidents (LTI)
- Over twelve million cumulative LTI free manhours
- The recognition by Standards Organisation of Nigeria (SON) of Oando Downstream, and Oando Gas and Power as the first two companies to achieve the Integrated Management System (IMS) status. This was accomplished by obtaining the Integrated Certification of ISO 14001 and OSHA 18001. Another Oando First!
- The re-certification of the Quality Management System ISO 9001:2008 for all Oando entities.
- Organisation and management of a successful EHSSQ/SCA Week in Nigeria, Togo and Ghana with the theme 'Raise above the sea level', thus promoting environmental awareness, compliance and accountability among employees and stakeholders. A documentary was produced to help promote this awareness.
- Oando downstream was awarded Merit Status by British Safety Institute for exceptional performance in safety, health and environment.
- One of Oando Energy Services rigs achieved 5 years without an LTI
- The improvement of the Oando EHS Information Management System and roll-out of the Tracking management module"

Acquisition of Own Shares

The Company did not acquire its own shares in year 2014.

Market Value of Fixed Assets

Information regarding the Group's asset value and notes thereon are contained in Note 16 of the financial statements on page 1 - 6 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
2 Ajose Adeogun Street,
Victoria Island, Lagos
FRC/2013/00000003578

Report of the Audit Committee

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

Reviewed the scope and planning of the audit requirements:

a. Reviewed the external Auditors' Management Controls Report for the year ended December 31, 2014 as well as the Management response thereto,
b. And can ascertain that the accounting and reporting policies of the Company for the year ended December 31, 2014 are in accordance with legal requirements and agreed ethical practices.

Dated this 23 October day of 2015

Ammuna Lawan Ali, OON
Chairperson, Audit Committee

- Chief Sena Anthony
  (Independent Non-Executive Director)
- Mr Francesco Cuzzocrea
  (Non-Executive Director)
- Mr. Lateef Ayodeji Shonubi
  (Shareholder Member)
- Mr. Fidelis Opia Ijoma
  (Shareholder Member)
- Mrs. Temilade Funmilayo Durojaiye
  (Shareholder Member)

Financial Statements

Financial Statements

Financial Statements

Statement of Directors' Responsibilities

For the year ended December 31, 2014

Responsibilities in respect of the financial statements

The Companies and Allied Matters Act 2004 ("CAMA") 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 CAMA;
- 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 CAMA.

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

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

Responsibilities in respect of Corporate Governance

The Company is committed to the principles of good corporate governance and its implementation. The Company recognises the valuable contribution that good governance 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 of Directors (the "Board") is responsible for setting the Company's strategic direction, for leading and controlling the Company and for monitoring activities of executive management. The Board presents a balanced and understandable assessment of the Company's progress and prospects.

The Board consists of the Chairman, six Non-Executive Directors and four Executive Directors. The Non-Executive Directors have experience and knowledge of the industry, markets, financial and/or other business information to make a valuable contribution to the Company's progress. The Group Chief Executive is a separate individual from the Chairman and he implements the management strategies and policies adopted 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 Non-Executive Directors and three shareholder members. The Committee members meet at least three times 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 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.

Systems of Internal Control

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

Code of Business Ethics

The Company has a Corporate Code of Business Conduct and Ethics (the "Code") that applies to all Directors, Managers, Employees (including contract staff and third party personnel seconded to the Company) and Business Partners. The Code is communicated to all applicable persons on appointment and there is mandatory annual certification that its principles have been understood and complied with.

The Code sets the standard of professionalism and integrity required and expected for all business operations and covers compliance with laws, conflicts of interest, environmental issues, reliability of financial reporting and bribery. Strict adherence to the principles of the Code eliminates the potential for illegal practices.

Director
October 23 2015
FRC/2013/NBA/00000003348

Director
October 23 2015
FRC/2013/ICAN/00000003349

Report of the independent auditors

For the year ended 31 December 2014

Building a better working world

Ernst & Young
10th & 13th Floors
UBA House
57, Marina
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Lagos

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Fax: +234 (01) 46 30481
Email: services@ng.ey.com
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OANDO PLC

Report on the financial statements

We have audited the accompanying financial statements of Oando Plc (the Company) and its subsidiaries (together, the group), which comprise the statement of financial position as at 31 December 2014, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Oando Plc and its subsidiaries as at 31 December 2014, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, provisions 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.

Annual Consolidated Financial Statements and Separate Financial Statement

Report of the independent auditors

For the year ended 31 December 2014

Without qualifying our opinion above we draw attention to the fact that the company paid interim dividends from unaudited reserves at 30 June 2014. However at year end there was insufficient reserves to absorb the dividend paid. This is a contravention of the provisions of Section 379 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

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 Company's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive income are in agreement with the books of account.

Yemi Odutola, FCA, FRC/2012/ICAN/00000000141
For: Ernst & Young
Chartered Accountants
Lagos, Nigeria.
23 October 2015

Annual Consolidated Financial Statements and Separate Financial Statement

Income Statements

For the year ended 31 December 2014

N'000

	Notes	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Continuing operations					
Revenue		424,677,646	449,873,466	14,217,468	5,883,304
Cost of sales		(355,495,988)	(390,584,435)	-	-
Gross profit		69,181,658	59,289,031	14,217,468	5,883,304
Other operating income	9	68,785,336	5,135,379	15,758,224	5,034,740
Selling and marketing costs		(5,758,387)	(6,478,374)	-	-
Administrative expenses		(271,875,310)	(41,396,496)	(102,972,172)	(1,686,201)
Operating (loss)/profit		(139,666,703)	16,549,540	(72,996,480)	9,231,843
Finance costs	12	(38,789,206)	(21,637,777)	(29,623,510)	(14,194,497)
Finance income	12	7,350,317	5,804,480	1,792,004	7,746,351
Finance costs - net		(31,438,889)	(15,833,297)	(27,831,506)	(6,448,146)
Share of loss of an associate	17	(217,673)	(3,036)	-	-
(Loss)/profit before income tax from continuing operations		(171,323,265)	713,207	(100,827,986)	2,783,697
Income tax expense	13	(7,958,945)	(5,389,472)	(1,572,367)	(433,123)
(Loss)/profit for the year from continuing operations		(179,282,210)	(4,676,265)	(102,400,353)	2,350,574
Discontinued operations					
(Loss)/profit after tax for the year from discontinued operations	27	(4,610,976)	6,073,191	-	-
(Loss)/profit for the year		(183,893,186)	1,396,926	(102,400,353)	2,350,574
(Loss)/profit attributable to:					
Equity holders of the parent		(180,538,490)	1,414,462	(102,400,353)	2,350,574
Non-controlling interest		(3,354,696)	(17,536)	-	-
		(183,893,186)	1,396,926	(102,400,353)	2,350,574
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 (loss)/earnings per share	14				
From continuing operations		(2,023)	(75)		
From discontinued operations		(53)	98		
From (loss)/profit for the year		(2,076)	23		
Diluted (loss)/earnings per share	14				
From continuing operations		(1,344)	(75)		
From discontinued operations		(36)	98		
From (loss)/profit for the year		(1,380)	23		

The statement of significant accounting policies and notes on pages 90 to 170 form an integral part of these consolidated financial statements.

Annual Consolidated Financial Statements and Separate Financial Statement

Statement of comprehensive position

For the year ended 31 December 2014

N'000

	Notes	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
(Loss)/profit for the year		(183,893,186)	1,396,926	(102,400,353)	2,350,574
Other comprehensive income:					
Items that will not be reclassified to profit or loss in subsequent periods:					
IFRIC 1 adjustment to revaluation reserve	29	-	(2,483)	-	-
Revaluation surplus on property, plant and equipment	29	-	9,946,534	-	-
Deferred tax on revaluation surplus on property, plant and equipment	29	-	(273,525)	-	-
Remeasurement (loss)/gains on post employment benefit obligations	33	(127,298)	4,790	-	21,211
Deferred tax on remeasurement gains on post employment benefit obligations	18	38,189	329	-	-
		(89,109)	9,675,645	-	21,211
Items that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	29	34,372,326	(208,979)	-	-
Fair value gain on available for sale financial assets	25	13,907	35,065	13,907	35,065
Deferred tax on fair value gain on available for sale financial assets	18	-	(10,519)	-	(10,519)
		34,386,233	(184,433)	13,907	24,546
Other comprehensive income for the year, net of tax		34,297,124	9,491,212	13,907	45,757
Total comprehensive income for the year, net of tax		(149,596,062)	10,888,138	(102,386,446)	2,396,331
Attributable to:					
- Equity holders of the parent		(148,329,536)	10,648,422	(102,386,446)	2,396,331
- Non-controlling interests		(1,266,526)	239,716	-	-
Total comprehensive income for the year, net of tax		(149,596,062)	10,888,138	(102,386,446)	2,396,331
Total comprehensive income attributable to equity holders of the parent arises from:					
- Continuing operations		(143,718,560)	4,575,231	(102,386,446)	2,396,331
- Discontinued operations		(4,610,976)	6,073,191	-	-
		(148,329,536)	10,648,422	(102,386,446)	2,396,331

The statement of significant accounting policies and notes on pages 90 to 170 form an integral part of these consolidated financial statements.

Annual Consolidated Financial Statements and Separate Financial Statement

Consolidated statement of financial position

As at 31 December 2014

N'000

Assets	Notes	Group 2014 N'000	Group 2013 N'000
Non-current assets			
Property, plant and equipment	15	314,042,207	172,209,842
Intangible assets	16	245,705,184	82,232,746
Investment in an associate	17	3,409,413	2,880,478
Deferred income tax assets	18	12,328,465	4,995,280
Derivative financial assets	19	57,551,454	1,220,796
Finance lease receivables	20	42,796,330	6,927,207
Deposit for acquisition of a business	21	-	69,840,000
Non-current receivables	22	137,989	12,026,874
Available-for-sale financial assets	25a	10,834	14,500
Prepayments		3,288,806	3,385,810
Restricted cash	26	14,194,363	3,798,258
		693,465,045	359,531,791
Current assets			
Inventories	23	26,970,824	19,446,202
Finance lease receivables	20	658,133	782,480
Derivative financial assets	19	-	389,900
Trade and other receivables	24	136,116,655	139,383,885
Prepayments		4,535,137	4,354,919
Available-for-sale financial assets	25a	187,003	169,430
Cash and cash equivalents (excluding bank overdrafts)	26	27,439,760	23,887,497
		195,907,512	188,414,313
Assets of disposal group classified as held for sale	27bi	-	37,483,113
Total assets		**889,372,557**	**585,429,217**
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Share capital	28	4,542,343	3,411,177
Share premium	28	131,554,223	98,425,361
Retained earnings		(153,583,141)	33,937,579
Other reserves	29	50,521,630	23,217,694
		33,035,055	158,991,811
Non controlling interest		12,471,648	3,376,266
Total equity		45,506,703	162,368,077
Liabilities			
Non-current liabilities			
Borrowings	30	162,328,636	71,872,418
Deferred income tax liabilities	18	148,727,530	13,905,217
Provision for other liabilities & charges	31	11,923,304	5,091,069
Retirement benefit obligation	33	2,903,344	2,468,035
Government grant	34	119,346	206,643
		326,002,160	93,543,382
Current liabilities			
Trade and other payables	35	156,627,553	124,059,301
Derivative financial liabilities	32	3,608,768	1,527,400
Current income tax liabilities	13	44,963,118	5,643,719
Dividend payable	36	1,650,691	644,691
Borrowings	30	311,013,564	183,412,635
		517,863,694	315,287,746
Liabilities of disposal group classified as held for sale	27bii	-	14,230,012
Total liabilities		843,865,854	423,061,140
Total equity and liabilities		**889,372,557**	**585,429,217**

The financial statements and notes on pages 83 to 170 were approved and authorised for issue by the Board of Directors on 23 October 2015 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 90 to 170 form an integral part of these consolidated financial statements.

Annual Consolidated Financial Statements and Separate Financial Statement

Statement of financial position

As at 31 December 2014

N'000

Assets	Notes	Company 2014 N'000	Company 2013 N'000
Non-current assets			
Property, plant and equipment	15	819,188	925,365
Intangible assets	16	162,918	105,551
Investment in an associate	17	2,716,431	2,716,431
Deferred income tax assets	18	-	1,292,116
Derivative financial assets	19	1,662,948	1,582,989
Non-current receivables and prepayments	22	14,708,280	19,355,333
Available-for-sale financial assets	25a	10,834	14,500
Investment in subsidiaries	25b	77,794,091	108,186,115
Prepayments		44,015	921,090
Restricted cash	26	-	327,107
		97,918,705	135,426,597
Current assets			
Derivative financial assets	19	-	4,933
Trade and other receivables	24	176,868,029	125,073,570
Prepayments		138,179	892,493
Available-for-sale financial assets	25a	187,003	169,430
Cash and cash equivalents (excluding bank overdrafts)	26	2,846,607	1,486,292
		180,039,818	127,626,718
Assets of disposal group classified as held for sale	27biii	-	10,000
Total assets		**277,958,523**	**263,063,315**
Equity and Liabilities			
Equity attributable to equity holders			
Share capital	28	4,542,343	3,411,177
Share premium	28	131,554,223	98,425,361
Retained earnings		(107,794,336)	2,861,024
Other reserves	29	-	1,392,189
Total Equity		28,302,230	106,089,751
Liabilities			
Non-current liabilities			
Borrowings	30	4,142,857	11,942,482
Retirement benefit obligation	33	1,032,786	1,189,998
		5,175,643	13,132,480
Current liabilities			
Trade and other payables	35	119,978,134	109,081,976
Derivative financial liabilities	32	3,608,768	539,964
Current income tax liabilities	13	1,552,169	1,511,885
Dividend payable	36	1,650,691	644,691
Borrowings	30	117,690,888	32,062,568
		244,480,650	143,841,084
Total liabilities		249,656,293	156,973,564
Total equity and liabilities		**277,958,523**	**263,063,315**

The financial statements and notes on pages 83 to 170 were approved and authorised for issue by the Board of Directors on 23 October 2015 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 90 to 170 form an integral part of these financial statements.

Annual Consolidated Financial Statements and Separate Financial Statement

Consolidated statement of changes in equity

For the year ended 31 December 2014

N'000

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 2013	50,658,244	14,412,064	37,142,281	102,212,589	3,141,939	105,354,528
Profit for the year	-	-	1,414,462	1,414,462	(17,536)	1,396,926
Other comprehensive income for the year	-	9,209,044	24,916	9,233,960	257,252	9,491,212
Total comprehensive income for the year	50,658,244	23,621,108	38,581,659	112,861,011	3,381,655	116,242,666
Transaction with owners						
Value of employee services	-	606,651	(606,651)	-	-	-
Tax on value of employee services	-	37,236	(37,236)	-	-	-
Proceeds from shares issued	54,578,836	-	-	54,578,836	-	54,578,836
Share issue expenses	(3,400,542)	-	-	(3,400,542)	-	(3,400,542)
Reclassification of expired SBPR	-	(105,965)	105,965	-	-	-
Deferred tax on reclassification of expired SBPR	-	(31,789)	-	(31,789)	-	(31,789)
Dividends	-	-	(5,116,766)	(5,116,766)	-	(5,116,766)
Total transaction with owners	51,178,294	506,133	(5,654,688)	46,029,739	-	46,029,739
Revaluation surplus on disposal transferred to retained earnings	-	(1,010,608)	1,010,608	-	-	-
Deferred tax on revaluation surplus on disposal transferred to retained earnings	-	101,061	-	101,061	-	101,061
Non controlling interest arising in business combination						
Non controlling interest arising on common control transaction		-	-	-	(5,389)	(5,389)
Total transactions with owners of the parent, recognised directly in equity	51,178,294	(403,414)	(4,644,080)	46,130,800	(5,389)	46,125,411
Balance as at 31 December 2013	101,836,538	23,217,694	33,937,579	158,991,811	3,376,266	162,368,077
Balance as at 1 January 2014	101,836,538	23,217,694	33,937,579	158,991,811	3,376,266	162,368,077
Loss for the year	-	-	(180,538,490)	(180,538,490)	(3,354,696)	(183,893,186)
Other comprehensive income for the year	-	32,284,156	(75,202)	32,208,954	2,088,170	34,297,124
Total comprehensive income for the year	101,836,538	55,501,850	(146,676,113)	10,662,275	2,109,740	12,772,015
Transaction with owners						
Value of employee services	-	343,956	-	343,956	-	343,956
Proceeds from shares issued	35,396,215	-	-	35,396,215	7,500,762	42,896,977
Share issue expenses	(1,136,187)	-	-	(1,136,187)	-	(1,136,187)
Reclassification of expired SBPR (Note 29)	-	(1,166,863)	1,166,863	-	-	-
Deferred tax on reclassification of expired SBPR	-	(350,060)	-	(350,060)	-	(350,060)
Reclassification of revaluation reserve (Note 29)	-	(1,078,023)	1,078,023	-	-	-
2013 - Dividends (final)	-	-	(2,660,718)	(2,660,718)	-	(2,660,718)
Dividends	-	-	(6,359,280)	(6,359,280)	-	(6,359,280)
Total transaction with owners	34,260,028	(2,250,990)	(6,775,112)	25,233,926	7,500,762	32,734,688
Non controlling interest arising in business combination						
Change in ownership interests in subsidiaries that do not result in a loss of control		(2,729,230)	(131,916)	(2,861,146)	2,861,146	-
Total transactions with owners of the parent, recognised directly in equity	34,260,028	(4,980,220)	(6,907,028)	22,372,780	10,361,908	32,734,688
Balance as at 31 December 2014	136,096,566	50,521,630	(153,583,141)	33,035,055	12,471,648	45,506,703

1 Other reserves include revaluation surplus, currency translation reserves and share based payment reserves (SBPR). See note 29.

The share based payment reserve is not distributable.

The statement of significant accounting policies and notes on pages 90 to 170 form an integral part of these consolidated financial statements.

Annual Consolidated Financial Statements and Separate Financial Statement

Separate statement of changes in equity

For the year ended 31 December 2014

N'000

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 2013	50,658,244	2,276,126	4,520,486	57,454,856
Profit for the year	-	-	2,350,574	2,350,574
Other comprehensive income for the year	-	-	45,757	45,757
Total comprehensive income for the year	50,658,244	2,276,126	6,916,817	59,851,187
Value of employee services	-	124,121	-	124,121
Tax on value of employee services	-	24,799	(24,799)	-
Revaluation surplus on disposal transferred to retained earnings	-	(1,010,608)	1,010,608	-
Deferred tax on revaluation surplus on disposal transferred to retained earnings	-	101,061	-	101,061
Proceeds from shares issued	54,578,836	-	-	54,578,836
Share issue expenses	(3,400,542)			(3,400,542)
Transfer of expired SBPR to retained earnings	-	(105,965)	57,819	(48,146)
Deferred tax on transfer of expired SBPR to retained earnings	-	(17,345)	17,345	-
Dividends	-	-	(5,116,766)	(5,116,766)
Total transaction with owners	51,178,294	(883,937)	(4,055,793)	46,238,564
Acquisition of non controlling interest				-
Total transactions with owners of the parent, recognised directly in equity	51,178,294	(883,937)	(4,055,793)	46,238,564
Balance as at 31 December 2013	**101,836,538**	**1,392,189**	**2,861,024**	**106,089,751**
Balance as at 1 January 2014	101,836,538	1,392,189	2,861,024	106,089,751
Profit for the year	-	-	(102,400,353)	(102,400,353)
Other comprehensive income for the year	-	-	13,907	13,907
Total comprehensive income for the year	101,836,538	1,392,189	(99,525,422)	3,703,305
Proceeds from shares issued	35,396,215	-	-	35,396,215
Share issue expenses	(1,136,187)			(1,136,187)
Reclassification of expired SBPR (Note 29)	-	(1,166,863)	751,084	(415,779)
Deferred tax on reclassification of expired SBPR	-	(225,326)	-	(225,326)
2013 – Dividends (final)	-	-	(2,660,718)	(2,660,718)
Dividends	-	-	(6,359,280)	(6,359,280)
Total transaction with owners	34,260,028	(1,392,189)	(8,268,914)	24,598,925
Acquisition of non controlling interest				-
Total transactions with owners of the parent, recognised directly in equity	34,260,028	(1,392,189)	(8,268,914)	24,598,925
Balance as at 31 December 2014	**136,096,566**	**-**	**(107,794,336)**	**28,302,230**

1 Other reserves include revaluation surplus, currency translation reserves and share based payment reserves. See note 29.

The share based payment reserve is not distributable.

The statement of significant accounting policies and notes on pages 90 to 170 form an integral part of these consolidated financial statements.

Annual Consolidated Financial Statements and Separate Financial Statement

Consolidated and Separate Statement of Cash flows

For the year ended 31 December 2014

N'000

	Notes	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Cash flows from operating activities					
Cash generated from operations	37	5,395,524	62,077,588	(73,875,987)	51,587,300
Interest paid	12	(39,402,091)	(23,946,790)	(29,623,510)	(14,006,268)
Income tax paid	13	(11,327,321)	(5,242,530)	(465,292)	(304,348)
Net cash (used in)/from operating activities		(45,333,888)	32,888,268	(103,964,789)	37,276,684
Cash flows from investing activities					
Purchases of property plant and equipment	15, 12	(43,199,825)	(43,902,237)	(306,656)	(241,602)
Acquisition of subsidiary, net of cash	21, 45	(145,627,938)	-	(18)	-
Disposal of subsidiary, net of cash	27	335,979	1,392,902	383,617	1,396,800
Deposit for acquisition of a business	21	-	(2,328,000)	-	(22,819,675)
Acquisition of software		(970,807)	(325,720)	(79,093)	(61,372)
Purchase of intangible assets		(2,338,748)	(1,485,410)	-	-
Payments relating to pipeline construction		(1,476,548)	(346,363)	-	-
Proceeds from sale of property plant and equipment		930,257	1,066,367	139,419	16,098
Interest received	12	7,350,317	4,124,929	1,792,004	8,169,621
Net cash (used in)/from investing activities		(184,997,313)	(41,803,532)	1,929,273	(13,540,130)
Cash flows from financing activities					
Proceeds from long term borrowings		154,047,616	63,415,306	29,158,127	-
Repayment of long term borrowings		(61,729,150)	(62,875,830)	(26,408,310)	(25,996,272)
Proceed from import finance facilities		-	-		
Proceeds from issue of shares		35,396,215	54,578,836	35,396,215	54,578,835
Share issue expenses		(1,136,187)	(3,400,542)	(1,136,187)	(3,400,542)
Repayment of finance lease		-	-		
Proceed from issue of OER shares to NCI		7,761,500	-		
Proceeds from other short term borrowings		281,254,843	168,723,607	88,163,073	1,826,713
Repayment of other short term borrowings		(183,616,618)	(181,809,004)	(9,512,876)	(44,021,826)
Increase/(decrease) in bank overdrafts		-	-	-	-
Dividend paid		(9,019,998)	(5,116,766)	(9,019,998)	(5,116,766)
Restricted cash		(10,396,105)	254,792	327,107	(3,107)
Net cash from/(used in) financing activities		212,562,116	33,770,399	106,967,151	(22,132,965)
Net change in cash and cash equivalents		(17,769,085)	24,855,135	4,931,635	1,603,589
Cash and cash equivalents and bank overdrafts at the beginning of the year		(10,331,129)	(35,129,477)	(5,430,478)	(7,034,067)
Exchange gains/(losses) on cash and cash equivalents		1,860,236	(56,787)	36,900	-
Cash and cash equivalents at end of the year		(26,239,978)	(10,331,129)	(461,943)	(5,430,478)
Cash at year end is analysed as follows:					
Cash and bank balance as above		27,439,760	23,887,497	2,846,607	1,486,292
Bank overdrafts (Note 30)		(53,679,738)	(34,218,626)	(3,308,550)	(6,916,770)
		(26,239,978)	(10,331,129)	(461,943)	(5,430,478)

The statement of significant accounting policies and notes on pages 90 to 170 form an integral part of these financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2014

1. General information

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

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

OTB supply petroleum products to marketing companies and large industrial customers.

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

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

OER effectively became the Group's main vehicle for all oil exploration and production activities.

Other subsidiaries within the Group and their respective lines of business including Gas and Power, are shown in note 42.

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, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires 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.

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 2014. The nature and the impact of each new standard and amendment is described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment did not have a significant effect on the Group financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2014

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Impairment of assets – Amendments to IAS 36

This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The Group adopted IFRS 13 in the immediate past financial year.

Annual Improvements 2010-2012 Cycle: Amendments to IFRS 13 – Short-term receivables and payables

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

Annual Improvements 2011-2013 Cycle: Amendments to IFRS 1 – Meaning of 'effective IFRSs'

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

b) New standards, amendments and interpretations issued and not effective for the financial year beginning 1 January 2014 but early adopted by the Group

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, 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:

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 yet to assess the full impact of IFRS 9.

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 standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier adoption is permitted. The Group is yet to assess the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have material impact on the Group.

Notes to the consolidated financial statements

For the year ended 31 December 2014

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.

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

If the business consideration is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

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

Acquisition-related costs are expensed as incurred.

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

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

(ii) Changes in ownership interests in subsidiaries without change of control

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

(iii) Disposal of subsidiaries

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

(iv) Investment in Associates

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

Notes to the consolidated financial statements

For the year ended 31 December 2014

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

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

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

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

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

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

(v) Joint arrangements

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

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

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

For the 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 financial statements

For the year ended 31 December 2014

(vi) Functional currency and translation of foreign currencies

Functional and presentation currency

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

(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 income statement. except when deferred in other comprehensive income as qualifying cashflow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'. Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(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 income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at a rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

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

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

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.

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For wholesale sales of oil products and chemicals it is either at the point of delivery or the point of receipt, depending on contractual terms.

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

Sales between subsidiaries, as disclosed in the segment information.

(ii) Sale of services

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

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

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

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

(iii) Construction contracts

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

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

(iv) Service concession arrangements

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

If an intangible asset is to be received, i.e. the operator receives payments from the users or from the client depending on use, the payments for use are recognized as revenue according to IAS 18 generally in line with the extent of use of the infrastructure by the users.

If the operator receives both use-dependent and use-independent payments, revenue recognition is split in accordance with the ratio of the two types of payment.

(v) Interest income

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

(vi) Dividend

Dividend income is recognised when the right to receive payment is established.

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(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 income statement. Revaluation surplus is recovered through disposal or use of property plant and equipment. In the event of a disposal, the whole of the revaluation surplus is transferred to retained earnings from other reserves. Otherwise, each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the assets original cost is transferred from "other reserves" to "retained earnings".

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

Buildings	20 – 50 years	(2 – 5%)
Plant and machinery	8 – 20 years	(5 – 121/2 %)
Equipment and motor vehicles	3 – 5 years	(20 – 331/3 %)

Where the cost of a part of an item of property, plant and equipment is significant when compared to the total cost, that part is depreciated separately based on the pattern which reflects how economic benefits are consumed.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised within "other (losses)/gains - net" in the income statement.

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

(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.

(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

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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

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

(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 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.

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(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 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.

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

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

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

(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.

Offsetting financial instruments

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

Receivables

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

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

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.

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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 profit or loss.

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Borrowing costs

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

Convertible debts

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

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

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.

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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.

(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, together with past-service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the market rates on government bonds that have terms to maturity approximating to the terms of the related pension obligation.

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

Past-service costs are recognised immediately in income statement.

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

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performance conditions(for example, an entity's share prices); excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and including impact of any non-vesting conditions (for example, the requirement for employees to save).

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

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

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

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

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

(iii) Other share based payment transactions

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

(iv) Profit-sharing and bonus plans

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

(l) Provisions

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

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

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

Decommissioning liabilities

A provision is recognised for the decommissioning liabilities for underground tanks described in Note 6. Based on management estimation of the future cash flows required for the decommissioning of those assets, a provision is recognised and the corresponding amount added to the cost of the asset under property, plant and equipment for assets measured using the cost model. For assets measured using the revaluation model, subsequent changes in the liability are recognised in revaluation reserves through OCI to the extent of any credit balances existing in the revaluation surplus reserve in respect of that asset. The present values are determined using a pre-tax rate which reflects current market assessments of the time value of money and the risks specific to the obligation. Subsequent depreciation charges of the asset are accounted for in accordance with the Group's depreciation policy and the accretion of discount (i.e. the increase during the period in the discounted amount of provision arising from the passage of time) included in finance costs.

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

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For the year ended 31 December 2014

(m) Current and deferred income tax

Income tax expense is the aggregate of the charge to profit or loss in respect of current and deferred income tax.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. Education tax is provided at 2% of assessable profits of companies operating within Nigeria. Tax is recognised in the income statement except to the extent that it relates to items recognised in OCI or equity respectively. In this case, tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

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

(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

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

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

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

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

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

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

Notes to the consolidated financial statements

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(q) Impairment

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

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

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

Impairments, except those related to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed.

Impairment charges and reversals are reported within depreciation, depletion and amortisation. As of the reporting date no impairment charges or reversals were recognized.

(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.

(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.

(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.

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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.

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.

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 44)

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 4.1. 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.

Notes to the consolidated financial statements

For the year ended 31 December 2014

(b) Contingencies (Note 41)

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Group, including legal, contractor, land access and other claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

(c) Service concessions

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

(d) Capitalisation of borrowing costs

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

(e) 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.

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

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

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.

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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 33.

iii Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 4. 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 Marketing and Supply and trading division (Downstream division) had been higher by 17.7% (i.e. 33% instead of 15.3%), the Group would have recognised an impairment against goodwill of N656million. For other segments (Gas and Power, Energy Services and Exploration & Production), no impairment would have resulted from application of discount rates higher by 48% respectively.

iv Income taxes

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

v Provision for environmental restoration

The Group has underground tanks for storage of petroleum products in its outlets. Environmental damage caused by such substances may require the Group to incur restoration costs to comply with the environmental protection regulations in the various jurisdictions in which the Group operates, and to settle any legal or constructive obligation. In addition, the Group has decommissioning obligations in respect of its oil and gas interests in the Niger Delta area.

Analysis and estimates are performed by the Group, together with its legal advisers, in order to determine the probability, timing and amount involved with probable required outflow of resources. Estimated restoration costs, for which disbursements are determined to be probable, are recognised as a provision in the Group's financial statements. The assumptions used for the estimates are reviewed on a frequent basis (for example, 3 years to under-ground tanks). The

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difference between the final determination of such obligation amounts and the recognised provisions are reflected in the income statement.

vi Estimation of oil and gas reserves

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

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

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

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

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

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

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

vii Service concessions

The intangible asset has been recognised at the present value of the estimated value of capital recovery and interest charges from the sale of gas over the duration of the contracts. The assessment of the present value of the estimated capital recovery requires the use of estimates and assumptions. The volume of sales of gas over the term of the contract is the main driver for capital recovery. Estimates of future cash flows for recovery of construction costs have been based on the assumption that the sale of gas from the pipeline will approximate the total capacity of the pipeline.

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 N184.79/ 1USD and applicable FGN bond discount rate, which does not include the specific industry and market risks.

viii Akute lease

The Group has accounted for the power purchase arrangement between Lagos State Govt and Akute power Limited for the construction of an Electrical Power Plant as a finance lease. Hence the asset has been recognised at the present value of the estimated lease payments. The estimated lease payments were computed by making assumptions about the total annual volume of electricity delivered, discounted at the rate implicit in the contract of 17%.

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ix 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 2014 was 12% (2013: 15.18%). Asset impairments or their reversal will impact income.

x 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

(i) Foreign exchange risk

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

At 31 December 2014, 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 N1.26 billion lower/higher mainly as a result of US Dollar denominated bank balances and receivables (2013: if the Naira had strengthened/weakened by 12% against the US Dollar with all other variables held constant, consolidated pre tax profit for the year would have been N5.80 billion lower/higher mainly as a result of US Dollar denominated bank balances).

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At 31 December 2014, 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 N11.33 billion higher/lower mainly as a result of US Dollar denominated loan balances. (2013: if the Naira had strengthened/weakened by 12% against the US Dollar with all other variables held constant, consolidated pre tax profit for the year would have been N27.98 billion higher/lower mainly as a result of US Dollar denominated trade payables and loan balances.)

(ii) Price risk

The Group is exposed to equity security price risk because of its investments in the marketable securities classified as available-for-sale. The shares held by the Group are traded on the Nigerian Stock Exchange (NSE). A 10% change in the market price of the instrument would result in N19.7m gain/loss, to be recognised in equity.

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.

In August 2014, Oando Energy Resources Ltd (OER) entered into financial commodity contracts which hedge crude oil sales associated with assets acquired in the COP Acquisition (the “Acquisition Assets”) (as required under the $450 million senior secured loan facility) and Legacy Assets (as required under the $350 million corporate loan facility). The table below summarizes the nature of the hedges executed pursuant to these arrangements:

Position	Remaining term	Fixed ($)	Price/Unit[1] Strike ($)	Premium	Volume (bbl/d)
Acquisition assets:					
- Fixed sell, purchased call	Jan. 2015 to July 2017	97.00	110.55	-	5,333
- Purchased put	Jan. 2015 to July 2017	-	110.55	13.55	2,667
Total volume - Acquisition Assets					8,000
Legacy Assets:					
- Purchased put	Jan. 2015 to July 2019[2]	-	95 - 115	11.50 - 11.84	2,223
Total volume - Legacy Assets					

1 Based on the weighted average price/unit for the remainder of contract.
2 Remaining term excludes February 2016 to January 2017.

The effect of the Acquisition Asset hedges is to fix the price of oil that OER receives, on the specific volumes at $97/bbl until the benchmark price of dated Brent crude oil reaches 110.55/bbl; when dated Brent crude oil price exceeds $110.55/bbl, OER will receive the incremental price above $110.55/bbl. The Acquisition Asset hedges account for 8,000 bbl/day.

The effect of the Legacy Asset hedges is to fix the price of oil that OER receives, on the specific volumes at an average price of $91/bbl until the benchmark price of dated Brent crude oil reaches the cap price (which ranges from $95/bbl to $115/bbl); when dated Brent crude oil price exceeds the cap price OER will receive the incremental price above cap price. The Legacy Asset hedges account for an average of 2,223 bbl/day.

If the price of crude oil increase/decrease by 10% assuming all other variables remain constant, consolidated pre tax profit for the year would have been $83.9 million/$76.8million higher/lower.

The hedge was extinguished subsequent to 31 December 2014.

(iii) Cash flow and fair value interest rate risk

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

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

The Group has borrowings at variable rates, which expose the Group to cash flow interest rate risk. The Group regularly monitors financing options available to ensure optimum interest rates are obtained. At 31 December 2014, an increase/decrease of 100 basis points on LIBOR/MPR would have resulted in a decrease/increase in consolidated pre tax profit of N1.86 billion (2013:N1.03 billion), mainly as a result of higher/lower interest charges on variable rate borrowings.

Management enters into derivative contracts as an economic hedge against interest and foreign currency exposures. As at the reporting date, the Group does not have any outstanding derivatives with respect to interest and foreign currency hedge.

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The fair value of the derivative liabilities is included in note 32 and the related fair value losses included in interest expense in note 12.

The effect of the changes in interest rate on short term deposits is not material.

Credit risk

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

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

Trade receivables	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Current - Neither past due nor impaired	25,985,079	18,137,787	-	-
Past due but not impaired				
- by up to 30 days	11,719,627	10,170,860	-	-
- by 31 to 60 days	4,223,590	4,207,418	-	-
- later than 60 days	13,643,678	12,371,682	-	-
Total past due but not impaired	29,586,895	26,749,960	-	-
	55,571,974	44,887,747	-	-

Other receivables	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Current - Neither past due nor impaired	70,261,776	86,122,449	174,574,149	123,343,383

Receivables are assessed for impairment at the end of the reporting period where there is any objective evidence of impairment. If any such evidence is identified, the Group measures receivables as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Included in non-current receivable is underlift receivable of N13.43 billion that is past due and impaired. N38.7 billion of the other receivables of N59.6 billion has also been classified as doubtful on collection, and therefore impaired.

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

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired have been assessed by reference to historical information about counterparty default rates:

Counter parties without external credit rating

Non current receivables	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Group 2	-	11,283,000	-	7,345,639

Trade receivables	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Group 1	8,637,301	5,771,313	-	-
Group 2	16,008,062	9,262,684	-	-
Group 3	1,339,716	3,103,790	-	-
	25,985,079	18,137,787	-	-

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Other receivables	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Group 2	70,261,776	86,122,449	174,574,149	123,343,383
Derivative financial instruments				
Group 2	57,551,454	1,610,696	1,662,948	1,587,922

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

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors cash forecast on a periodic basis in response to liquidity requirements of the Group. This helps to ensure that the Group has sufficient cash to meeting operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 26 and 30). Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal targets.

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

Group	Less than 1 year N'000	Between 1 and 2 years N'000	Between 2 and 5 years N'000	Over 5 years N'000	Total N'000
At 31 December 2014:					
Borrowing (excluding finance lease liabilities)	408,538,742	126,373,038	45,641,466	22,199,176	602,752,422
Trade and other payables	156,627,553	-	-	-	156,627,553
Derivative financial instruments - Convertible options	3,608,768	-	-	-	3,608,768
At 31 December 2013:					
Borrowing (excluding finance lease liabilities)	183,412,635	45,613,868	50,238,191	2,796,853	282,061,547
Trade and other payables	124,059,301	-	-	-	124,059,301
Derivative financial instruments - interest rate swap	456,807	-	-	-	456,807
Derivative financial instruments - cross currency swap	575,348	-	-	-	575,348

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 2014:					
Borrowing (excluding finance lease liabilities)	32,969,130	89,275,588	-	-	122,244,718
Trade and other payables	119,978,134	-	-	-	119,978,134
Derivative financial instruments - interest rate swap	-	-	-	-	-
Derivative financial instruments - Convertible options	3,608,768	-	-	-	3,608,768
At 31 December 2013:					
Borrowing (excluding finance lease liabilities)	32,250,797	15,017,010	-	-	47,267,807
Trade and other payables	109,081,976	-	-	-	109,081,976
Derivative financial instruments - cross currency swap	575,348	-	-	-	575,348

Capital risk management

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

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

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

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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 2014, the Group's strategy was to maintain a gearing ratio between 50% and 75% (2013: 50% and 75%). The gearing ratios as at the end of December 2014 and 2013 were as follows:

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Total borrowings	473,342,200	255,285,053	121,833,745	44,005,050
Less: cash and cash equivalents (Note 26)	(27,439,760)	(23,887,497)	(2,846,607)	(1,486,292)
Restricted cash	(14,194,363)	(3,798,258)	-	(327,107)
Net debt	431,708,077	227,599,298	118,987,138	42,191,651
Total equity	45,506,703	162,368,077	28,302,230	106,089,751
Total capital	477,214,780	389,967,375	147,289,368	148,281,402
Gearing ratio	90%	58%	81%	28%

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 2014. See note 15 for disclosures of the Buildings, freehold land and plant & machinery that are measured at fair value and note 27 for disclosures of the disposal groups held for sale that are measured at fair value.

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	197,837	-	-	197,837
Derivative financial assets				
- Commodity option contracts	-	55,427,507	-	55,427,507
- Embedded derivative in Akute	-	2,123,947	-	2,123,947
Total assets	**197,837**	**57,551,454**	**-**	**57,749,291**
Liabilities				
Derivative financial liabilities:				
- Convertible options	-	-	3,608,768	3,608,768
Total liabilities	**-**	**-**	**3,608,768**	**3,608,768**

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

Balance	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets				
Available for sale financial assets				
- Equity securities	183,930	-	-	183,930
Derivative financial assets				
- Foreign currency forward	-	384,967	-	384,967
- Interest rate swap	-	4,933	-	4,933
- Embedded derivative in Akute	-	1,220,796	-	1,220,796
Total assets	**183,930**	**1,610,696**	**-**	**1,794,626**
Liabilities				
Derivative financial liabilities				
- Interest rate swap	-	397,798	-	397,798
- Convertible options	-	312,573	-	312,573
- Cross currency swap	-	539,964	-	539,964
- Share warrants	-	277,065	-	277,065
Financial liabilities at fair value through profit and loss				
- Borrowing (Capped loss swap loan)	-	520,656	-	520,656
Total liabilities	**-**	**2,048,056**	**-**	**2,048,056**

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2014.

Assets	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Available for sale financial assets				
- Equity securities	197,837	-	-	197,837
Derivative financial assets				
- Convertible option	-	-	1,662,948	1,662,948
Total assets	**197,837**	**-**	**1,662,948**	**1,860,785**
Liabilities				
Derivative financial liabilities				
- Convertible options	-	-	3,608,768	3,608,768
Total liabilities	**-**	**-**	**3,608,768**	**3,608,768**

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

Balance	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets				
Available for sale financial assets				
- Equity securities	183,930	-	-	183,930
Derivative financial assets				-
- Interest rate swap	-	4,933		4,933
- Convertible option	-	-	1,582,989	1,582,989
Total assets	**183,930**	**4,933**	**1,582,989**	**1,771,852**
Liabilities				
Derivative financial liabilities				
- Cross currency swap	-	539,964	-	539,964
Financial liabilities at fair value through profit or loss				
- Borrowing (Capped loss swap loan)	-	520,656	-	520,656
Total liabilities	**-**	**1,060,620**	**-**	**1,060,620**

Financial instruments 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 2014				
Finance lease receivable	-	-	42,525,085	42,525,085
31 December 2013				
Finance lease receivable	-	-	6,870,200	6,870,200
Liabilities				
31 December 2014				
Borrowings	-	-	325,467,110	325,467,110
31 December 2013				
Borrowings	-	-	171,083,855	171,083,855

Company	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Liabilities				
31 December 2014				
Borrowings	-	-	75,649,170	75,649,170
31 December 2013				
Borrowings	-	-	27,323,674	27,323,674

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. 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 discount rate used for finance lease receivables and borrowing are 17.1% (2013: 17%) and 21% (2013: 18.75%) 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 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

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swaps and derivatives. Their fair values are determined based on marked to market values provided by the counterparty financial institutions.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- 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 balance sheet 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.

(c) Financial instruments in level 3

The level 3 instrument comprise of option derivative on convertible loan note from Oando Energy Services Ltd (OES) and convertible notes to Ocean and Oil Development Partners (OODP). Oando Energy Services Limited and Ocean and Oil Development Partners are private companies, 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 free rate, volatility, credit spread, dividend yield, etc.

The table below presents the changes in level 3 instruments for the year ended 31 December 2014.

Convertible option - Derivative asset	Company 2014 N'000	Company 2013 N'000
At start of year	1,582,989	-
Fair value on initial recognition	-	3,510,306
Gain/ (loss) recognised in income statement	79,959	(1,927,317)
At end of year	1,662,948	1,582,989

Convertible option - Derivative liability	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
At start of year	-	-	-	-
Fair value on initial recognition	222,759	-	222,759	-
Gain recognised in income statement	3,037,240	-	3,037,240	-
Exchange difference	348,769	-	348,769	-
At end of year	3,608,768	-	3,608,768	-

The fair value changes on the instruments were recognized in other income.

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 2014 and 2013 are as shown below:

	Valuation technique	Significant unobservable inputs	Weighted average	Sensitivity of the input to fair value	
Convertible option - Derivative asset	Goldman Sachs model	Volatility	57.0%	1% decrease in volatility would result in a decrease in the fair value by N.13million.	1% increase in volatility would result in an increase in the fair value by N0.4million.
		Dividend yield	4.5%	1% decrease in dividend yield would result in an increase in fair value by N1.1million.	1% increase in dividend yield would result in a decrease in fair value by N0.97million.
Convertible option - Derivative liability	Goldman Sachs model	Volatility	57.0%	1% decrease in volatility would result in a decrease in the fair value by N0.05 million.	1% increase in volatility would result in an increase in the fair value by N0.5 million.

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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 divisions.

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.

At 31 December 2014, the Group was organised into six operating segments:

(i) Exploration and production (E&P) – involved in the exploration for and production of oil and gas through the acquisition of rights in oil blocks on the Nigerian continental shelf and deep offshore.

(ii) Marketing, Refinery and Terminals – involved in the marketing and sale of petroleum products. The Group also has three principal refinery and terminals projects currently planned – the construction of 210,000 MT import terminal in Lekki, the construction of LPG storage facility at Apapa Terminal, and the construction of a marina jetty and subsea pipeline at Lagos Port.

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

(iv) Gas and Power – involved in the distribution of natural gas through the subsidiaries Gaslink and Central Horizon. The Group also incorporated two power companies to serve in Nigeria's power sector, by providing power to industrial customers.

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

(vi) Corporate and others

The segment results for the period ended 31 December, 2014 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	64,087,994	211,572,959	268,856,378	30,568,454	15,509,495	16,074,000	606,669,280
Inter-segment revenue	-	(15,613,894)	(149,711,166)	(556,305)	-	(15,094,813)	(180,976,178)
Revenue from external customers	64,087,994	195,959,065	119,145,212	30,012,149	15,509,495	979,187	425,693,102
Operating (loss)/profit	(32,325,870)	(5,201,580)	4,367,792	3,944,974	(44,368,393)	(54,932,841)	(128,515,918)
Finance cost	(22,088,600)	(2,720,332)	(627,851)	(1,834,158)	(3,608,611)	(29,737,767)	(60,617,319)
Finance income	617,620	5,607,622	1,141,614	4,428,397	28,670	1,592,745	13,416,668
Finance (cost)/income, net	(21,470,980)	2,887,290	513,763	2,594,239	(3,579,941)	(28,145,022)	(47,200,651)
Share of profit in associate	-	-	-	-	-	(217,673)	(217,673)
(Loss)/profit before income tax	(53,796,850)	(2,314,290)	4,881,555	6,539,213	(47,948,334)	(83,295,536)	(175,934,242)
Income tax expense	599,766	260,606	(768,843)	(2,825,450)	(1,739,561)	(3,485,462)	(7,958,944)
(Loss)/profit for the year	(53,197,084)	(2,053,684)	4,112,712	3,713,763	(49,687,895)	(86,780,998)	(183,893,186)

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The segment results for the period ended 31 December, 2013 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 sales	19,798,337	227,762,377	311,267,737	32,472,119	21,708,807	7,785,497	620,794,874
Inter-segment sales	-	(12,361,037)	(143,831,296)	(537,470)	-	(7,046,288)	(163,776,091)
Sales to external customers	19,798,337	215,401,340	167,436,441	31,934,649	21,708,807	739,209	457,018,783
Operating profit/(loss)	(2,280,035)	4,614,118	4,374,520	1,969,623	6,143,720	13,394,716	28,216,662
Finance cost	(7,765,529)	(4,276,211)	(924,547)	(1,216,648)	(7,228,121)	(16,314,490)	(37,725,546)
Finance income	722,201	3,243,521	286,833	2,313,674	15,138	9,716,950	16,298,317
Finance (cost)/income, net	(7,043,328)	(1,032,690)	(637,714)	1,097,026	(7,212,983)	(6,597,540)	(21,427,229)
Share of loss in associate	-	-	-	-	-	(3,036)	(3,036)
(Loss)/profit before income tax	(9,323,363)	3,581,428	3,736,806	3,066,649	(1,069,263)	6,794,140	6,786,397
Income tax expense	(2,303,314)	(1,002,237)	(230,309)	(1,386,428)	(34,116)	(433,067)	(5,389,471)
(Loss)/profit for the year	(11,626,677)	2,579,191	3,506,497	1,680,221	(1,103,379)	6,361,073	1,396,926

Reconciliation of reporting segment information

2014	Revenue	Operating profit/(loss) N'000	Finance income N'000	Finance cost N'000
As reported in the segment report	606,669,280	(128,515,918)	13,416,668	(60,617,319)
Elimination of inter-segment transactions on consolidation	(180,976,178)	(11,173,738)	(6,066,351)	21,828,113
Reclassfied as discontinued operations	(1,015,456)	22,953	-	-
As reported in the income statement	424,677,646	(139,666,703)	7,350,317	(38,789,206)

2013	Revenue	Operating profit/(loss) N'000	Finance income N'000	Finance cost N'000
As reported in the segment report	620,794,874	28,216,662	16,298,317	(37,725,546)
Elimination of inter-segment transactions on consolidation	(163,776,091)	(20,901,274)	(10,493,837)	16,087,769
Reclassfied as discontinued operations	(7,145,317)	9,234,152	-	-
As reported in the income statement	449,873,466	16,549,540	5,804,480	(21,637,777)

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

Other information included in the income statement by segment are:

Year ended 31 December, 2014:

	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 15)	14,738,991	3,286,148	35,277	172,558	2,776,265	620,547	21,629,786
Amortisation of intangible assets (Note 16)	38,386	207,533	-	697,093	-	21,727	964,739
Impairment of assets	82,835,197	316,321	62,964	381,032	36,853,941	46,867,612	167,317,067

Year ended 31 December, 2013:

	Exploration & Production	Marketing, Refining & Terminals	Supply & Trading	Gas & Power	Energy Services	Corporate & Other	Group
Depreciation (Note 15)	4,450,778	2,048,155	34,759	98,611	3,043,554	3,284,196	12,960,053
Amortisation of intangible assets (Note 16)	17,426	72,274	-	3,049,708	-	44,917	3,184,325
Impairment of assets	-	219,776	27,437	501,185	-	109,233	857,631

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The segment assets and liabilities and capital expenditure for the year ended 31 December, 2014 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	583,077,341	160,086,024	34,600,871	29,169,218	47,534,195	34,904,907	889,372,556
Investment in an associate	-	-	-	-	-	3,409,413	3,409,413
Liabilities	392,437,651	146,144,525	58,538,973	30,959,366	51,128,827	164,656,512	843,865,854
Capital Expenditure*	29,683,297	4,975,890	15,743	1,984,617	2,154,365	10,587,566	49,401,478

The segment assets and liabilities as of 31 December, 2013 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	200,550,361	119,789,617	32,898,110	61,842,593	92,916,956	77,431,580	585,429,217
Investment in an associate	-	-	-	-	-	2,880,478	2,880,478
Liabilities	88,849,767	125,698,514	46,500,636	38,241,207	54,818,713	68,952,303	423,061,140
Capital Expenditure	18,732,781	3,594,302	70,845	2,823,890	15,669,308	7,967,666	48,858,792

* 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 2014 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	64,087,994	188,396,341	10,337,200	30,012,149	15,509,495	979,188	309,322,367
Other West African countries	-	7,562,724	54,680,824	-	-	-	62,243,548
Other countries	-	-	54,127,187	-	-	-	54,127,187
	64,087,994	195,959,065	119,145,211	30,012,149	15,509,495	979,188	425,693,102
Total assets							
Within Nigeria	581,796,562	157,295,873	8,723,822	29,169,218	47,534,195	34,904,907	859,424,577
Other West African countries	-	2,790,151	20,871,320	-	-	-	23,661,471
Other countries	1,280,779	-	5,005,729	-	-	-	6,286,508
	583,077,341	160,086,024	34,600,871	29,169,218	47,534,195	34,904,907	889,372,556
Capital expenditure							
Within Nigeria	29,683,297	4,727,014	-	1,984,617	2,154,365	4,196,046	42,745,339
Other West African countries	-	248,876	15,743	-	-	-	264,619
Other countries	-	-	-	-	-	6,391,520	6,391,520
	29,683,297	4,975,890	15,743	1,984,617	2,154,365	10,587,566	49,401,478

Notes to the consolidated financial statements

For the year ended 31 December 2014

Segment information on a geographical basis for the year ended and as at 31 December, 2013 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	19,798,337	203,758,637	20,369,005	31,934,649	21,708,807	739,209	298,308,644
Other West African countries	-	11,642,703	38,328,038	-	-	-	49,970,741
Other countries	-	-	108,739,398	-	-	-	108,739,398
	19,798,337	215,401,340	167,436,441	31,934,649	21,708,807	739,209	457,018,783
Total assets							
Within Nigeria	199,780,517	116,247,714	9,459,554	61,842,593	92,916,956	77,431,580	557,678,914
Other West African countries	-	3,541,903	15,250,005	-	-	-	18,791,908
Other countries	769,844		8,188,551	-	-	-	8,958,395
	200,550,361	119,789,617	32,898,110	61,842,593	92,916,956	77,431,580	585,429,217
Capital expenditure							
Within Nigeria	18,732,781	3,420,115	23,230	2,823,890	15,669,308	7,967,666	48,636,990
Other West African countries	-	174,187	42,327	-	-	-	216,514
Other countries	-	-	5,288	-	-	-	5,288
	18,732,781	3,594,302	70,845	2,823,890	15,669,308	7,967,666	48,858,792

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.

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

Analysis of revenue by nature

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Sales of goods	411,794,896	427,405,003	-	-
Intra-group dividend income	-	-	14,217,468	5,883,304
Service concession	-	3,826,108	-	-
Revenue from services	12,882,750	18,642,355	-	-
	424,677,646	449,873,466	14,217,468	5,883,304

9 Other operating income

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Foreign exchange gain	11,233,063	3,104,271	5,939,270	2,027,110
Fair value gain on commodity options	49,072,846	-	-	-
Other income	8,479,427	2,031,108	9,818,954	3,007,630
	68,785,336	5,135,379	15,758,224	5,034,740

During the period August 2014 - December 2014, the Group realised a net derivative gain of N49.1 billion (2013 - Nil) in the income statement on commodity contracts. See note 19 for further details of fair value gains on the financial commodity contract.

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For the year ended 31 December 2014

10 Expenses by nature of operating profit

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
The following items have been charged/(credited) in arriving at the operating profit:				
Included in cost of sales:				
Inventory cost	306,937,586	369,546,958	-	-
Depreciation on property plant and equipment - OES*	2,732,489	2,980,419	-	-
Included in selling and marketing costs				
Product transportation costs	4,560,970	5,189,573	-	-
Dealers' commission	1,197,416	1,288,801	-	-
Included in other operating income:				
Foreign exchange gain	11,233,063	3,104,271	5,939,270	2,027,110
Profit on disposal of property, plant and equipment	194,067	280,962		662,378
Fair value gain on commodity options	49,072,846	-	-	-
Included in administrative expenses				
Depreciation on property plant and equipment - Other*	18,897,297	9,979,634	222,509	233,405
Amortisation of intangible assets (Note 16)	964,739	3,184,325	21,726	44,917
Foreign exchange loss	29,972,132	1,541,760	14,798,966	517,553
Employees benefit scheme (Note 11)	12,966,340	9,499,057	1,595,757	521,389
Auditors remuneration	529,987	204,750	84,072	79,991
Legal & Consultancy services	11,835,228	3,761,019	-	312,838
Repair and maintenance	1,022,941	1,695,613	289,933	-
Impairment of property, plant and equipment/other write offs (Note 15)	46,566,080	66,574	-	60,784
Impairment of Intangible assets (Note 16)	67,414,245	-	-	-
Provision for impairment losses of trade receivables (Note 22,24)	53,336,788	791,056	46,664,973	-
Impairment on Investment (Note 25b)	-	-	27,328,921	-
Fair value loss on commodity options	-	23,348	-	-
Fair value gains on embedded derivatives	(903,151)	(257,866)	-	-
Rent and other hiring costs	2,002,184	1,781,392	20,843	1

* The addition of depreciation included in cost of sales and administrative expenses is equal to the depreciation charge for the year in Note 15.

11 Employee benefits expense

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 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	26,667	24,444	26,667	24,444
	32,223	30,000	32,223	30,000
Executive directors' salaries	639,163	523,536	332,423	287,601
	671,386	553,536	364,646	317,601
Other emoluments	641,859	600,404	181,445	164,651
	1,313,245	1,153,940	546,091	482,252

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

	Number	Number	Number	Number
N1,000,000 - N10,000,000	6	9	-	-
Above N10,000,000	22	21	11	11

Included in the above analysis is the highest paid director at N127.5 million (2013: N127.5 million).

(b) Staff costs				
Wages, salaries and staff welfare cost	12,004,329	8,169,654	69,994	265,416
Staff bonus and discretionary share award	-	-	1,505,611	-
Share options granted to directors and employees	-	606,651	-	82,665
Pension costs - defined contribution scheme	609,962	253,694	-	-
Retirement benefit - defined benefit scheme (Note 33)	352,049	469,058	20,152	173,308
	12,966,340	9,499,057	1,595,757	521,389

* Retirement benefit cost include provision for gratuity disclosed in Note 33

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For the year ended 31 December 2014

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

	Group 2014 Number	Group 2013 Number	Company 2014 Number	Company 2013 Number
Executive	14	14	11	11
Management staff	141	135	27	32
Senior staff	400	413	54	69
	555	562	92	112

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

	Number	Number	Number	Number
N2,500,001 - N4,000,000	3	7	-	2
N4,000,001 - N6,000,000	144	227	28	36
N6,000,001 - N8,000,000	181	147	16	22
N8,000,001 - N10,000,000	56	30	9	10
Above N10,000,000	171	151	39	42
	555	562	92	112

12 Finance costs, net

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Interest expense				
On bank borrowings	(39,402,091)	(23,946,790)	(29,623,510)	(14,006,268)
Capitalised to qualifying property, plant and equipment	1,415,550	2,799,062	-	-
	(37,986,541)	(21,147,728)	(29,623,510)	(14,006,268)
Unwinding of discount on provisions (Note 31)	(802,665)	(386,366)	-	-
Effective interest expense on borrowing	-	(103,683)	-	(188,229)
Total interest expense	(38,789,206)	(21,637,777)	(29,623,510)	(14,194,497)
Interest income:				
Interest income on bank deposits	6,896,949	4,124,929	860,323	2,816,504
Intercompany interest		-	931,681	5,353,117
Fair value gain on interest rate swaps and derivatives	-	1,679,551	-	(423,270)
Interest income on finance lease	453,368	-	-	-
Total interest income	7,350,317	5,804,480	1,792,004	7,746,351
Net finance costs	(31,438,889)	(15,833,297)	(27,831,506)	(6,448,146)

Borrowing costs were capitalised based on the weighted average cost of borrowing of 13%. Actual borrowing rate approximate effective interest rate.

Notes to the consolidated financial statements

For the year ended 31 December 2014

13 Income tax expense

Analysis of income tax charge for the year:

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Continuing operations				
Current income tax	16,258,875	4,058,296	-	879,830
Minimum tax	546,028	534,285	505,576	534,285
Education tax	435,358	247,924	-	-
Adjustments in respect of prior years tax	277,618	(358,824)	-	(358,824)
	17,517,879	4,481,682	505,576	1,055,291
Deferred income tax (Note 18):				
Deferred income tax for the year	(9,558,934)	907,790	1,066,791	(622,168)
Income tax expense	7,958,945	5,389,472	1,572,367	433,123
Discontinued operations				
Deferred income tax (Note 18):				
Deferred income tax for the year	-	925,452	-	-
Income tax expense	-	925,452	-	-

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 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
(Loss)/profit before income tax	(171,323,265)	713,207	(100,827,986)	2,783,697
Tax calculated at Nigeria's domestic rates applicable to profits in respective countries - 30% (2013: 30%)	(51,396,980)	213,962	(30,248,396)	835,109
Minimum tax	546,028	534,285	505,576	534,285
Education tax	435,358	247,924	-	-
Tax effect of income not subject to tax	(475,763)	(2,805,265)	(4,265,241)	(2,447,525)
Effect of associate tax	65,302	911	-	-
Effect of tax in jurisdiction with lower/higher taxes	(30,867,516)	(1,157,741)	-	-
Expenses not deductible for tax purposes	53,837,647	2,941,065	26,535,646	328,935
Over/(Under) provision for income tax in prior years	277,618	(358,823)	-	(358,823)
Tax losses for which no deferred tax was recognised	35,537,251	5,610,971	9,044,782	1,378,959
Capital gains tax	-	162,183	-	162,183
Income tax expense	7,958,945	5,389,472	1,572,367	433,123
Effective tax rate	-5%	756%	-2%	16%
Current income tax liabilities				
Movement in current income tax for the year:				
At 1 January	5,643,719	6,417,980	1,511,885	760,941
Payment during the year	(11,327,321)	(5,242,530)	(465,292)	(304,347)
On acquisition of business	26,726,014	-	-	-
Charge for the year:			-	-
Income tax charge during the year	17,082,521	4,233,758	505,576	1,055,291
Education tax charge during the year	435,358	247,924	-	-
Exchange difference	6,402,827	(13,413)	-	-
Transfer to disposal group classified as held for sale	-	-	-	-
At 31 December	44,963,118	5,643,719	1,552,169	1,511,885

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For the year ended 31 December 2014

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 2014 N'000	Group 2013 N'000
Loss from continuing operations attributable to equity holders of the parent	(175,927,514)	(4,658,729)
(Loss)/profit from discontinued operations attributable to equity holders of the parent	(4,610,976)	6,073,191
	(180,538,490)	1,414,462
Weighted average number of ordinary shares outstanding (thousands)		
As previously reported	6,822,354	2,274,118
Bonus element	-	284,265
Right issue	-	3,668,184
Conversion of promisory notes	59,075	-
Private placements	1,816,802	-
	8,698,231	6,226,567
Basic/Diluted earnings per share (expressed in kobo per share)		
From continuing operations	(2,023)	(75)
From discontinued operations	(53)	98

Weighted average number of shares outstanding at 31 December 2013 includes rights issue during the year.

There was no difference in the weighted average number of ordinary shares used for basic and diluted net loss per share from continuing operation, as the effect of all potentially dilutive ordinary shares outstanding (4,085,879,000 shares) was anti dilutive.

Dividends per share

Dividend of N0.30k was declared in 2014 in respect of the 2013 financial results.

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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						
Year ended 31 December 2013						
Opening net book amount	25,783,370	23,656,341	47,672,282	1,879,893	31,332,827	130,324,713
Decommissioning costs	1,137,078	-	4,172	-	-	1,141,250
Additions	17,176,208	1,767,241	3,556,386	701,867	23,499,597	46,701,299
Transfer to finance lease receivable	-	-	-	-	(2,084,565)	(2,084,565)
Disposal	(2,598)	(1,419,869)	(368,172)	(25,012)	(1,683,605)	(3,499,256)
Revaluation	-	5,733,999	4,210,052	-	-	9,944,051
Write off	-	(42,140)	73,300	7,376	(105,110)	(66,574)
Transfer to disposal group classified as held for sale	-	-	(7,930)	-	-	(7,930)
Depreciation charge	(4,378,893)	(2,114,683)	(6,000,591)	(464,992)	(894)	(12,960,053)
Exchange difference	(395,385)	363,088	55,840	36,011	(248,578)	(189,024)
Reclassification from intangible asset (Note 16)	2,905,931	-	-	-	-	2,905,931
Reclassification	2,676,284	(2,736,452)	3,921,955	(21,083)	(3,840,704)	-
Net book amount at 31 December 2013	44,901,995	25,207,525	53,117,294	2,114,060	46,868,968	172,209,842
At 31 December 2013						
Cost or valuation	70,223,871	27,754,261	70,265,079	5,783,661	46,869,864	220,896,736
Accumulated depreciation	(25,321,876)	(2,546,736)	(17,147,785)	(3,669,601)	(896)	(48,686,894)
Net book amount	44,901,995	25,207,525	53,117,294	2,114,060	46,868,968	172,209,842
Year ended 31 December 2014						
Opening net book amount	44,901,995	25,207,525	53,117,294	2,114,060	46,868,968	172,209,842
Decommissioning costs	(5,983,870)	-	526	-	-	(5,983,344)
Additions	26,763,614	894,512	9,255,271	1,310,486	6,391,492	44,615,375
Business acquisitions	110,350,834	-	-	-	-	110,350,834
Transfer to finance lease receivable	-	-	-	-	(1,369,202)	(1,369,202)
Transfer from E&E	36,104,905	-	-	-	-	36,104,905
Disposal	-	(11,745)	(723,254)	(1,191)	-	(736,190)
Impairment (Note 10)	(10,205,484)	-	(15,895,914)	-	(20,464,682)	(46,566,080)
Reclassification	-	289,145	302,654	(441)	(591,358)	-
Write off	-	(149,774)	(12,803)	8,094	(2,039)	(156,522)
Depreciation charge	(14,631,166)	(400,595)	(5,922,817)	(675,208)	-	(21,629,786)
Exchange difference	26,910,489	(9,795)	330,936	(13,255)	(16,000)	27,202,375
Net book amount at 31 December 2014	214,211,317	25,819,273	40,451,893	2,742,545	30,817,179	314,042,207
At 31 December 2014						
Cost or valuation	277,284,616	27,180,082	63,381,571	7,325,984	30,817,179	405,989,432
Accumulated depreciation	(63,073,299)	(1,360,809)	(22,929,678)	(4,583,439)	-	(91,947,225)
Net book amount	214,211,317	25,819,273	40,451,893	2,742,545	30,817,179	314,042,207

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	Upstream Asset N'000	Land & Buildings N'000	Plant, machineries & vehicles N'000	Fixtures, fittings & equipment N'000	Capital work in progress N'000	Total N'000
Company						
Year ended 31 December 2013						
Opening net book amount	-	1,625,797	335,200	301,851	759,346	3,022,194
Additions	-	-	119,749	121,853	-	241,602
Transfers	-	-	559	-	(559)	-
Disposal	-	(1,311,526)	(27,389)	-	(705,327)	(2,044,242)
Write off	-	(7,245)	-	(79)	(53,460)	(60,784)
Depreciation charge	-	(10,192)	(106,647)	(116,566)	-	(233,405)
Closing net book amount	-	296,834	321,472	307,059	-	925,365
At 31 December 2013						
Cost/Valuation	-	258,703	596,872	1,261,094	-	2,116,669
Accumulated depreciation	-	38,131	(275,400)	(954,035)	-	(1,191,304)
Net book amount	-	296,834	321,472	307,059	-	925,365
Year ended 31 December 2014						
Opening net book amount	-	296,834	321,472	307,059	-	925,365
Additions	-	-	65,438	241,218	-	306,656
Transfers	-	-	(15,332)	-	-	(15,332)
Disposal	-	-	(14,799)	(245)	-	(15,044)
Adjustments	-	(161,308)	(15,254)	16,614	-	(159,948)
Depreciation charge	-	(11,565)	(90,161)	(120,783)	-	(222,509)
Closing net book amount	-	123,961	251,364	443,863	-	819,188
At 31 December 2014						
Cost/Valuation	-	257,003	554,731	1,518,425	-	2,330,159
Accumulated depreciation	-	(133,042)	(303,367)	(1,074,562)	-	(1,510,971)
Net book amount	-	123,961	251,364	443,863	-	819,188

(1) See Note 44 for details of upstream assets.

i Fair Value Estimation

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

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

	Fair value measurements as at 31 December 2014 using:			Fair value measurements as at 31 December 2013 using:		
	Quoted prices in active markets for identical assets (Level 1) N'000	Significant other observable inputs (Level 2) N'000	Significant unobservable inputs (Level 3) N'000	Quoted prices in active markets for identical assets (Level 1) N'000	Significant other observable inputs (Level 2) N'000	Significant unobservable inputs (Level 3) N'000
Recurring fair value measurements						
Land and buildings	-	-	25,819,273	-	-	25,207,525
Plant and Machinery	-	-	38,808,330	-	-	51,445,161

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	31 December 2014		31 December 2013	
	Land & Buildings N'000	Plant & machineries N'000	Land & Buildings N'000	Plant & machineries N'000
Fair value measurements using significant unobservable inputs (Level 3)				
Opening balance	25,207,525	51,445,161	23,656,341	46,743,936
Depreciation - recognised in income statement	(400,595)	(5,524,918)	(2,114,683)	(5,621,026)
Revaluation gains recognised	-	-	5,733,999	4,210,052
Exchange gains/loss recognised	(9,795)	335,016	363,088	11,744
Additions	894,512	8,520,905	1,767,241	2,426,767
Disposal	(11,745)	(391,470)	(1,419,869)	(317,833)
Write off	(149,774)	17,043	(42,140)	-
Impairments	-	(15,895,914)	-	-
Decommissioning costs	-	526	-	4,172
Reclassification	289,145	301,982	(2,736,452)	3,987,349
	25,819,273	38,808,330	25,207,525	51,445,161

Valuation processes of the group

The group engages external, independent and qualified valuers to determine the fair value of the group's land and buildings and downstream Plant & machinery. As at 31 December 2013, the fair values of the land and buildings have been determined by Ubosi Eleh and Company. The external valuations of the level 3 Land and buildings have been performed using a sales comparison approach for land and building and depreciated replacement cost for plant and machinery. The external valuers, in discussion with the group's internal valuation team, has determined these inputs based on the size, age and condition of the assets, the state of the local economy and comparable prices in the corresponding national economy.

Land and buildings

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

Plant and machineries

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

There was no revaluation of items of property, plant and equipment in 2014.

	Fair value as at 31 December 2013 N'000	Valuation techique	Unobservable inputs	Relationship of unobservable inputs to fair value
Information about fair value measurements using significant unobservable inputs (Level 3)				
Land and buildings	25,207,525	Sales comparison approach	Price per square meter	The higher the price per square metre, the higher the fair value.
Plant and Machineries	51,445,161	Depreciated replacement cost	Size, age and condition of the assets, and comparable prices.	The higher the price per square metre, the higher the fair value.

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	Fair value as at 31 December 2014 N'000	Valuation techique	Unobservable inputs	Relationship of unobservable inputs to fair value
Land and buildings	25,819,273	Sales comparison approach	Price per square meter	The higher the price per square metre, the higher the fair value.
Plant and Machinery	38,808,330	Depreciated replacement cost	Size, age and condition of the assets, and comparable prices.	The higher the price per square metre, the higher the fair value.

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

	31 December 2014		31 December 2013	
	Land & Buildings N'000	Plant & machineries N'000	Land & Buildings N'000	Plant & machineries N'000
Cost	9,378,408	10,444,699	7,341,738	8,568,343
Accumulated depreciation	(327,931)	(2,943,401)	(313,100)	(2,842,391)
	9,050,476	7,501,298	7,028,638	5,725,952

iii Capital work in progress

Capital work in progress mainly comprises of OES Respect Rig construction costs incurred as at 31 December 2014. Interest capitalised was N1.4 billion (2013: 2.8 billion)

iv Impairment loss

In 2014, the carrying amount of the OML 90 cash generating unit (CGU) in property, plant and equipment has been reduced to their recoverable amount (Nil) through recognition of an impairment loss of N11.34 billion ($61.4 million). The impairment was triggered by declining oil prices and significant downward reserve revisions. The recoverable amounts have been determined based on the asset's fair value less costs of disposal using a discounted cash flow technique and categorized in Level 2 of the fair value hierarchy. Key assumptions in the determination of cash flows from reserves include crude oil and natural gas prices, loss factors, and the discount rate (15.2%). Reserves as at December 31, 2014 have been evaluated by independent qualified reserves evaluators. The carrying amount of the CGU has been fully impaired.

The carrying amount of the four (4) rigs of N65 billion were also written down to their respective recoverable amounts of N29.5 billion based on management's view of value in use of the assets. This impairment of N36.36 billion was triggered by the decline in oil prices by approximately 50% during the financial year and related decline in day rates accruable to the Rig assets. Value in use was based on the discounted net cashflow of the assets over their remaining useful lives (discount rate of 14.5%).

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For the year ended 31 December 2014

16 Intangible assets

	Asset under construction N'000	Goodwill N'000	Software costs N'000	Exploration and Evaluation asset N'000	Licence for gas transmission pipeline N'000	Total N'000
Group						
Year ended 31 December 2013						
Opening net book amount	145,711	26,248,359	460,965	69,580,920	42,417,854	138,853,809
Addition	346,363	-	325,720	1,485,410	-	2,157,493
Impairment (Note 10)	-	(837,563)	-	-	-	(837,563)
Disposal	-	(2,034,152)	-	(14,515,295)	-	(16,549,447)
Transfer to disposal group classified as held for sale	-	-	-	-	(35,271,000)	(35,271,000)
Amortisation charge (Note 10)	-	-	(146,817)	-	(3,037,508)	(3,184,325)
Reclassification to property, plant and equipment (Note 15)	-	-	-	(2,905,931)	-	(2,905,931)
Exchange difference	-	(627)	558	(30,221)	-	(30,290)
Closing net book amount as at 31 December 2013	492,074	23,376,017	640,426	53,614,883	4,109,346	82,232,746
Year ended 31 December 2013						
Cost	492,074	23,376,017	1,718,196	56,538,085	11,016,359	93,140,731
Accumulated amortisation	-	-	(1,077,770)	(2,923,202)	(6,907,013)	(10,907,985)
Net book amount as at 31 December 2013	492,074	23,376,017	640,426	53,614,883	4,109,346	82,232,746
Year ended 31 December 2014						
Opening net book amount	492,074	23,376,017	640,426	53,614,883	4,109,346	82,232,746
Addition	1,476,548	-	970,807	2,338,748	-	4,786,103
Business acquisitions (Note 45)	-	157,441,094	-	61,138,733	-	218,579,827
Impairment (Note 10)	-	(696,030)	-	(66,718,215)	-	(67,414,245)
Transfer to Upstream Asset	-	-	-	(36,104,905)	-	(36,104,905)
Amortisation charge (Note 10)	-	-	(279,845)	-	(684,894)	(964,739)
Exchange difference	-	30,182,100	(3,561)	14,411,858	-	44,590,397
Closing net book amount as at 31 December 2014	1,968,622	210,303,181	1,327,827	28,681,102	3,424,452	245,705,184
Cost	1,968,622	210,303,181	2,693,520	106,333,556	11,016,359	332,315,238
Accumulated amortisation	-	-	(1,365,693)	(77,652,454)	(7,591,907)	(86,610,054)
Net book amount	1,968,622	210,303,181	1,327,827	28,681,102	3,424,452	245,705,184

	Software costs N'000
Company	
Year ended 31 December 2013	
Opening net book amount	89,096
Additions	61,372
Amortisation charge	(44,917)
Opening net book amount	105,551
At 31 December 2013	
Cost	897,135
Accumulated amortisation and impairment	(791,584)
Net book value	105,551
Year ended 31 December 2014	
Opening net book amount	105,551
Additions	79,093
Amortisation charge	(21,726)
Opening net book amount	162,918
At 31 December 2014	
Cost	976,228
Accumulated amortisation and impairment	(813,310)
Net book value	162,918

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i Service Concession Arrangements (Gas Transmission Pipeline and 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 interest costs incurred over the life of the contract. The maximum contract price recoverable by Gaslink is determined based on periodic values advised by NGC. As of 31 Dec 2014, the maximum contract price recoverable was capped at N3.45billion exclusive of interest incurred (31 December 2013: N3.45billion). The service concession arrangement has been classified as an intangible asset as Gaslink has the right to charge the users of the pipeline over the concession period. NGC has not guaranteed payment of any shortfall on recovery from users.

Asset under Construction represent construction of a gas pipelines for Greater Lagos Industrial area phase IV. This project is expected to be completed in the third quarter of the year 2015. The carrying amount of the facility at 31 December 2014 was N1.9 billion (2013: Nil).

ii Impairment on intangible assets

a Exploration and evaluation asset impairment losses

In 2014, the carrying amount of certain exploration and evaluation assets have been reduced to their recoverable amount through recognition of an impairment loss of N74.17 billion (2013: Nil). The impairment was triggered by declining oil prices and significant downward reserve revisions. The recoverable amounts have been determined based on the asset's fair value less costs to sell using per barrels of oil equivalent (boe) values implied from recent acquisitions; the estimate has been categorized in Level 2 of the fair value hierarchy. Key assumptions in the determination of fair value are the $/boe and reserve estimates. Reserves as at December 31, 2014 have been evaluated by independent qualified reserves evaluators. The table below summarizes the forecasted Dated Brent crude oil price used to determine cash flows from crude oil reserves and resources which is based on a consensus of views on future pricing.

Year	2015	2016	2017	2018	2019	2020	2021
Dated Brent (US$/barrel)	69	75	82	89	96	98	100

Year	2022	2023	2024	2025	2026	Beyond
Dated Brent (US$/barrel)	102	104	106	108	110	2%

For material natural gas reserves, a weighted average price of $2.50/mcf was used to determine cash flows. Crude oil loss factors applied ranged from 10% to 15% depending on the field. The discount rate applied was 12%. For exploration and evaluation assets, the Group used $0.82/boe as the implied value/boe.

The table below shows the carrying and recoverable amounts of the impaired CGUs as at December 31, 2014.

	Carrying Amount $	Recoverable Amount $	Impairment loss $	Impairment loss =N=
OML 134	253,461	1,230	252,231	41,925,836
OML 125	77,634	492	77,142	12,822,543
OML 131	42,446	33,784	8,662	1,439,798
OML 145	75,617	27,962	47,655	7,921,214
OML 122	13,748	-	13,748	2,285,193
OPL 321	935	-	935	155,416
OPL 323	1,012	-	1,012	168,215
Total impairment loss	464,853	63,468	401,385	66,718,215

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For the year ended 31 December 2014

b Goodwill impairment losses

Goodwill impairment loss of N2.14 billion had been previously recorded in relation to the acquisition of Churchill Finance C300-0462 Limited ("Churchill") since 2012. Churchill owns an airplane. The impairment, arose as a result of the diminution in the market value of the airplane and the fact that the company had liabilities in excess of its assets. The impairment was determined on a value in use basis using pre-tax discount rates of 10% which represented the pre-tax weighted average cost of capital of the Company. In 2014, an impairment assessment by management resulted in additional impairment of N203 million on Churchill.

Also an impairment loss on goodwill of N493m from Oando Energy Service Ltd (OES) was also recognised as a result of the negative shareholders' funds recognised in the Company.

Churchill Finance C300-0462 Limited ("Churchill") and Oando Energy serviceds Limited belongs to the "Coporate" and "Energy Services" CGU.

Impairment tests for goodwill

Key assumptions

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

Operating cash flows

The main assumptions within forecast operating cash flows include the planned use of the airplane for the Group's business. The achievement of future charter rates, hours, and the use of industry relevant external forecasts such as fuel consumption, maintenance and crew costs are based on standard aviation practices.

Pre-tax risk adjusted discount rates

Pre-tax risk adjusted discount rates are derived from risk-free rates based upon long term government bonds in the territory in which the CGU operates. A relative risk adjustment has been applied to risk-free rates to reflect the risk inherent in the CGU. The cash forecast covered five years.

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 2013

	Nigeria N'000	West Africa N'000	Other countries N'000	Total N'000
OER	5,087,920	-	1,054,496	6,142,416
Marketing	9,481,281	57,684	-	9,538,965
Supply & Trading	728,829	56,436	2,196,873	2,982,138
Gas & power	4,016,839	-	-	4,016,839
Energy Services	493,138	-	-	493,138
Corporate & Other	-	-	202,521	202,521
	19,808,007	**114,120**	**3,453,890**	**23,376,017**

At 31 December 2014

	Nigeria N'000	West Africa N'000	Other countries N'000	Total N'000
OER	192,479,121	-	1,255,544	193,734,665
Marketing	9,481,281	57,684	-	9,538,965
Supply & Trading	728,829	56,436	2,227,474	3,012,739
Gas & power	4,016,812	-	-	4,016,812
Energy Services	-	-	-	-
Corporate & Other	-	-	-	-
	206,706,043	**114,120**	**3,483,018**	**210,303,181**

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 goodwill of Churchill and Oando Energy services limited was impaired as the recoverable amount have been assessed to be nil.

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

At 31 December 2013

	OER	Marketing	Supply & Trading	Gas & power	Energy Services	Corporate & Other
Gross margin	74.2%	5.0%	5.0%	27.8%	81.4%	84.3%
Growth rate	6.8%	6.6%	6.6%	6.4%	6.0%	5.0%
Discount rate	13.0%	16.4%	16.4%	16.4%	16.4%	15.0%

At 31 December 2014

	OER	Marketing	Supply & Trading	Gas & power	Energy Services	Corporate & Other
Gross margin	46.0%	4.8%	4.8%	32.6%	74.4%	90.1%
Growth rate	8.2%	6.4%	6.4%	6.7%	6.2%	5.0%
Discount rate	11.7%	15.3%	15.3%	11.7%	14.5%	15.0%

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.

17 Investment in an associate

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

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Associates	3,409,413	2,880,478	2,716,431	2,716,431

The amounts recognised in the income statement are as follows:

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Associates	(217,673)	(3,036)	-	-

Investment in associates

Set out below is the associate of the Group as at 31 December 2014, which, in the opinion of the directors, is material to the Group. The associate as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also its principal place of business.

2014

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

2013

	Place of business /country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Oando Wings Development Limited	Nigeria	41.0%	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%.

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

Summarised financial information for the associate

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

Summarised statement of financial position

	Group 2014 N'000	Group 2013 N'000
Current assets		
Cash and cash equivalents	138,618	747,372
Other current assets (excluding cash)	370,249	(420)
Total current assets	508,867	746,952
Non-current Assets		
Investment properties	16,943,949	8,631,628
Other non-current assets	73,286	-
Total current assets	17,017,235	8,631,628
Non-current liabilities		
Financial liabilities	(3,438,456)	(1,865,881)
Other liabilities	(409,126)	(487,143)
Total non-current liabilities	(3,847,582)	(2,353,024)
Net asset/equity	13,678,520	7,025,556
Summarised statement of comprehensive income		
Revenue	-	-
Administrative expenses	(593,662)	(7,305)
Other income	(565,187)	-
Interest expense	9,466	(99)
Loss from continuing operations	(1,149,383)	(7,404)
Income tax expense	198,858	-
	(950,525)	(7,404)
Total comprehensive loss	(950,525)	(7,404)
Share of loss in associate	(217,673)	(3,036)

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

Reconciliation of summarised financial information

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

	Group 2014 N'000	Group 2013 N'000
Summarised financial information:		
Opening net assets 1 January	7,025,555	2,580
Proceeds of additional issue of shares	3,710	3,710
Equity contribution by promoters	7,136,040	7,026,669
Loss for the period	(950,525)	(7,404)
Closing net assets	**13,214,780**	**7,025,555**
Interest in associates - 25.8% (2013 - 41%)	3,409,413	2,880,478
Recoverable amount	**3,409,413**	**2,880,478**
Carrying value:		
As at beginning of the year	2,880,478	2,693,566
Share of associate profit	(217,673)	(3,036)
Gain on deemed disposal (Note 25ii)	746,608	189,948
As at end of the year	**3,409,413**	**2,880,478**

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18 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 2014 N'000	Group 2013 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	141,803,108	12,563,962
Deferred tax liability to be recovered within 12months	6,924,422	1,341,255
Total deferred tax liabilities	148,727,530	13,905,217
Deferred tax assets		
Deferred tax assets to be recovered after more than 12months	1,088,682	1,429,915
Deferred tax assets to be recovered within 12months	11,239,783	3,565,365
Total deferred tax assets	12,328,465	4,995,280
Total deferred tax liabilities (net)	136,399,065	8,909,937
The gross movement in deferred income tax account is as follows:		
At start of the year	8,909,937	3,783,096
(Credited)/Charge to profit and loss account (Note 13)	(9,558,934)	1,833,242
Charged/(Credited) to equity	350,060	(69,273)
(Credited)/Charge to other comprehensive income	(38,189)	283,715
Acquisition of business (Note 45)	114,577,281	-
Transfer to held for sale (Note 27)	-	3,255,099
Exchange differences	22,158,910	(175,942)
At end of year	136,399,065	8,909,937

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:

	1.1.2013	Charged/ (credited) to P/L N'000	Charged/ (credited) to equity N'000	Charged/ (credited) to OCI N'000	Held for sale/ Disposal of business N'000	Exchange Differences N'000	Total N'000
2013							
Deferred income tax liabilities							
Property, plant and equipment:	8,913,141	2,222,525	(101,061)	273,525	2,160,297	-	13,468,427
Borrowings/other payables	(40,631)	-	-	-	-	-	(40,631)
Exchange gain	702,858	781,966	-	-	-	(69,926)	1,414,898
Financial instruments	(13,550)	(934,446)	-	10,519	-	-	(937,477)
	9,561,818	2,070,045	(101,061)	284,044	2,160,297	(69,926)	13,905,217
Deferred income tax assets							
Provisions	(3,428,370)	1,490,434	-	-	-	-	(1,937,936)
Exchange losses	(52,348)	68,641	-	-	-	(106,016)	(89,723)
Share options and awards	(391,724)	-	31,788	-	9,876	-	(350,060)
Tax losses	(1,239,847)	(2,200,067)	-	-	1,084,926	-	(2,354,988)
Retirement benefit obligation	(666,433)	404,189	-	(329)	-	-	(262,573)
	(5,778,722)	(236,803)	31,788	(329)	1,094,802	(106,016)	(4,995,280)
Net deferred income tax liabilities	**3,783,096**	**1,833,242**	**(69,273)**	**283,715**	**3,255,099**	**(175,942)**	**8,909,937**

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	1.1.2014 N'000	Charged/ (credited) to P/L N'000	Charged/ (credited) to OCI N'000	Charged/ (credited) to equity N'000	Acquisition of business N'000	Exchange Differences N'000	Total N'000
2014							
Deferred income tax liabilities							
Property, plant and equipment	13,468,427	(12,152,123)	-	-	108,472,252	21,313,245	131,101,801
Finance Leases	-	(40,536)	-	-	9,023,520	1,718,323	10,701,307
Embedded derivative	-	407,993	-	-	-	-	407,993
Borrowings/other payables	(40,631)	17,482	-	-	-	-	(23,149)
Exchange gain	1,414,898	(870,462)	-	-	-	-	544,436
Financial instruments	(937,477)	937,477	-	-	-	-	-
Inventory	-	-		-	5,036,127	959,015	5,995,142
	13,905,217	(11,700,169)	-	-	122,531,899	23,990,583	148,727,530
Deferred income tax assets							
Provisions	(1,937,936)	527,499	-	-	(7,954,917)	(1,621,066)	(10,986,420)
Exchange losses	(89,723)	30,641	-	-	299	(44,583)	(103,366)
Share options and awards	(350,060)	-	-	350,060	-	-	-
Tax losses	(2,354,988)	1,536,026	-	-	-	(166,354)	(985,316)
Retirement benefit obligation	(262,573)	47,069	(38,189)	-	-	330	(253,363)
	(4,995,280)	2,141,235	(38,189)	350,060	(7,954,618)	(1,831,673)	(12,328,465)
Net deferred income tax liabilities	**8,909,937**	**(9,558,934)**	**(38,189)**	**350,060**	**114,577,281**	**22,158,910**	**136,399,065**

Analysis of deferred tax charge for the year:	**2014 N'000**	**2013 N'000**
- Continuing operations (Note 13)	(9,558,934)	907,790
- Discontinued operations (Note 13)	-	925,452
	(9,558,934)	**1,833,242**

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 2014, deferred tax assets of N55.2 billion (2013: N9.1 billion) on tax losses of N159 billion (2013: N33.9 billion) relating to tax losses from Oando Plc (Company) and OER were not recognised. Management is of the view that due to the structure of the companies, sufficient taxable profit may not be generated in the future to recover the deferred tax. The subsidiaries does not have any unrecognised deffered tax liability.

At 31 December 2014, there was no recognised deferred tax liability (2013: 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.

Company	**2014 N'000**	**2013 N'000**
The gross movement in deferred income tax account is as follows:		
At start of the year	(1,292,116)	(579,406)
(Credited)/Charge to profit and loss account (Note 13)	1,066,791	(622,168)
Charged/(Credited) to equity	225,325	(101,061)
(Credited)/Charge to other comprehensive income	-	10,519
At end of year	-	(1,292,116)

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:

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

	1.1.2014 N'000	Charged/ (credited) to P/L N'000	Charged/ (credited) to equity N'000	Charged/ (credited) to other comprehensive income N'000	Exchange Differences N'000	Total N'000
2014						
Net deferred tax asset						
Property plant and equipment						
- On historical cost basis	(149,842)	149,842	-	-	-	-
- On revaluation surpluses	-	-	-	-	-	-
Borrowings/Other payables	(36,054)	36,054	-	-	-	-
Exchange difference	197,942	(197,942)	-	-	-	-
Provisions	(67,840)	67,840	-	-	-	-
Financial instruments	(937,477)	937,477	-	-	-	-
Exchange losses	(73,518)	73,518	-	-	-	-
Share options and awards	(225,325)	-	225,325	-	-	-
Retirement benefit	(2)	2	-	-	-	-
	(1,292,116)	1,066,791	225,325	-	-	-

19 Derivative financial assets

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Commodity option contracts (i)	55,427,507	-	-	-
Convertible options (Note 22b)	-	-	1,662,948	1,582,989
Interest rate swap	-	4,933	-	4,933
Foreign currency forwards	-	384,967	-	-
Embedded derivative - Akute Finance Lease (ii)	2,123,947	1,220,796	-	-
	57,551,454	1,610,696	1,662,948	1,587,922
Analysis of total derivative financial assets				
Non current	57,551,454	1,220,796	1,662,948	1,582,989
Current	-	389,900	-	4,933
Total	57,551,454	1,610,696	1,662,948	1,587,922

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i Commodity option contracts

In August 2014, OER entered into financial commodity contracts which hedge crude oil sales associated with assets acquired in the COP Acquisition (the "Acquisition Assets") (as required under the $450 million senior secured loan facility) and Legacy Assets (as required under the $350 million corporate loan facility). The table below summarizes the nature of the hedges executed pursuant to these arrangements:

Position	Remaining term	Price/Unit[1] Fixed ($)	Strike ($)	Premium	Volume (bbl/d)	Fair value =N=
Acquisition assets:						
- Fixed sell, purchased call	Jan. 2015 to July 2017	97.00	110.55	-	5,333	29,127,709
- Purchased put	Jan. 2015 to July 2017	-	110.55	13.55	2,667	14,558,865
Total volume - Acquisition Assets					8,000	43,686,574
Legacy Assets:						
- Purchased put	Jan. 2015 to July 2019[2]	-	95 - 115	11.50 - 11.84	2,223	11,740,933
Total volume - Legacy Assets						55,427,507

1 Based on the weighted average price/unit for the remainder of contract.
2 Remaining term excludes February 2016 to January 2017.

The effect of the Acquisition Asset hedges is to fix the price of oil that OER receives, on the specific volumes at $97/bbl until the benchmark price of dated Brent crude oil reaches 110.55/bbl; when dated Brent crude oil price exceeds $110.55/bbl OER will receive the incremental price above $110.55/bbl. The Acquisition Asset hedges account for 8,000 bbl/day.

The effect of the Legacy Asset hedges is to fix the price of oil that OER receives, on the specific volumes at an average price of $91/bbl until the benchmark price of dated Brent crude oil reaches the cap price (which ranges from $95/bbl to $115/bbl); when dated Brent crude oil price exceeds the cap price OER will receive the incremental price above cap price. The Legacy Asset hedges account for an average of 2,223 bbl/day.

The fair value of the commodity contracts as at December 31, 2014 was N55.4 billion ($299.9 million). During the period August 2014 - December 2014, the Group realised a net derivative gain of N49.1 billion (2013 - Nil) in the income statement on commodity contracts. Subsequent to December 31, 2014, OER entered into an early settlement and reset arrangements with hedging counterparties which resulted in the receipt of $234 million in cash which was used to repay existing debt obligation (refer to Note 40).

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

ii Embedded derivative - Akute Finance Lease

Akute Power Limited Power (APL) has a Power Purchase Agreement (PPA) with the Lagos State Water Corporation (LSWC). In addition to the power supply, APL bills LSWC exchange rate fluctuations between the Naira and US Dollars, where the exchange rate exceeds the ruling rate at the contract inception date. The terms of the agreement creates a derivative financial instrument, this has been stripped out of the host contract and separately valued. The embedded derivative has been recognized at fair value at each reporting period. At 31 December 2014, the derivative was an asset and was valued at N2.12 billion (2013 : N1.22 billion).

iii Convertible options

The table below presents the changes in level 3 instruments for the year ended 31 December 2014.

	Company 2014 N'000	Company 2013 N'000
At start of year	1,582,989	-
Fair value on initial recognition	-	3,510,306
Gain / (loss) recognised in income statement	79,959	(1,927,317)
At end of year	1,662,948	1,582,989

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20 Finance lease receivables

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Finance lease receivable - Current	658,133	782,480	-	-
Finance lease receivable - Non Current	42,796,330	6,927,207	-	-
	43,454,463	7,709,687	-	-

(i) In 2008, Akute Power Limited (APL) a subsidiary of Oando Plc., entered into a Build, Own, Operate and Transfer (BOOT) arrangement with Lagos State Water Corporation (LSWC) to construct a gas – fired electric plant and deliver power to LSWC over a period of 20 years (10 years initial period with an option to extend for 2 successive terms of up to 5 years). The construction was completed in 2010 and commercial operations commenced in February 2010.

Lease agreements in which the other party, as lessee (LSWC) is to be regarded as the economic owner of the leased assets give rise to accounts receivable in the amount of the discounted future lease payments in the books of the lessor (APL). The carrying value of the finance lease as at 31 December 2014 is N2.66 billion (2013: N3.15 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 (N1.2 billion) is recognised as unearned lease premium and amortised as other operating income to profit or loss over the lease term of 10 years; N126.9 million was amortised in 2014 (2013: N20.5 million). The carrying value of the finance lease as at 31 December 2014 is N4.62 billion (2013: N3.06 billion).

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

In 2013, the nature of the agreement is such that these trucks meet the specifications of the 'Group' and are made available to OMP for their exclusive use (as specified in the agreements). The carrying value of the finance lease as at 31 December 2013 was N1.49 billion. On 1 January 2014, Oando Marketing Plc ("OMP") and Transport Services Limited ("TSL") agreed to terminate the Finance Lease Agreement that both parties signed on 1 May 2012. Following the cancellation of the Agreement, OMP and TSL immediately entered into an Asset Sale Agreement. Under the Agreement, OMP agreed to sell and TSL also agreed to buy fifteen units of LPG truck heads, five units of Bob tails and ten units of VAP trucks (together referred to as the "Assets") out of the leased assets for a consideration of N711.58 million, net of all taxes. The Agreement also provides that TSL pays 11% interest on all unpaid portion of the consideration after the effective date.

The finance lease receivable of N1.49 billion at the last reporting date has been derecognised in line with the terms of the termination. In addition, the profit of N79.01 million arising from the sale of the Assets has been recognized in the income statement. The remaining assets not sold amounting to N0.56 billion have been recorded under property, plant and equipment (Note 15).

(iv) As a result of the 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 (PHCN) in 2001. The agreement is to develop, finance, construct, own maintain and operate as a joint venture an upstream gas project. The agreement is classified as a joint operation for accounting purposes. 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 joint venture 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 Venture partners throughout the tenure for capacity and for the purchase of electricity from the plant.

The residual value has been estimated to be N30.4 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 carrying value of the finance lease as at 31 December 2014 is N36.17 billion (2013: Nil).

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The finance lease receivables by the Group amounted to N43.45 billion as of December 31, 2014. (2013: N7.7 billion) and will bear interest until their maturity dates of N70 billion (2013: N6.8 billion). The fair value of the lease receivable as at 31 December 2014 is N42.5 billion (2013: N6.9 billion).

The receivables under the finance leases are as follows

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Non-current receivable				
Finance lease - gross receivables	111,408,700	12,382,597	-	-
Unearned finance income	(68,612,369)	(5,455,390)	-	-
	42,796,331	6,927,207	-	-
Current receivables				
Finance lease - gross receivables	2,071,285	2,145,587	-	-
Unearned finance income	(1,413,153)	(1,363,107)	-	-
	658,132	782,480	-	-
Gross receivables from finance lease				
Not later than one year	5,817,419	2,145,586	-	-
Later than one year and not later than five years	23,607,164	7,920,257	-	-
Later than five years	84,055,402	4,462,341	-	-
	113,479,985	14,528,184	-	-
Unearned future finance income on finance lease	(70,025,522)	(6,818,497)	-	-
Net investment in finance lease	43,454,463	7,709,687	-	-

21 Deposit for acquisition of a business

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
At start of the year	69,840,000	67,542,450	-	-
Additional deposit	162,746,547	2,328,000	-	-
Consideration paid (Note 45)	(232,600,047)	-	-	-
Exchange difference	13,500	(30,450)	-	-
At end of year	-	69,840,000	-	-

The Group completed the acquisition of Conoco Phillips (COP) Nigerian businesses on July 30, 2014. Accordingly the deposit was part of the cash consideration at close of the transaction. See note 45.

22 Non-current receivables

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Underlift receivables (Note 22a)	13,434,181	11,283,000	8,735,439	7,345,639
Convertible loan -OES (Note 22b)	-	-	14,708,280	12,009,694
Other non-current receivables	137,989	743,874	-	-
	13,572,170	12,026,874	23,443,719	19,355,333
Less: provision for impairment of non-current receivables	(13,434,181)	-	(8,735,439)	
	137,989	12,026,874	14,708,280	19,355,333

(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.

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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 N13.43 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.

(b) Convertible loan

Convertible loan in Company's separate financial statement relates to non-current portion of convertible loan to OES. The convertible loans have been eliminated on consolidation. Under the contract, Oando Plc has the option to convert to the subsidiary's shares at an agreed price. The instruments were split according to their features comprising of a loan measured at amortised cost and an embedded option measured at fair value through profit or loss (see note 19 for the details of the option derivatives). Also see note 35 on related party transactions.

23 Inventories

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Finished goods	11,490,715	11,388,863	-	-
Materials	1,376,825	4,443,500	-	-
Goods-in-transit	13,218,367	2,923,403	-	-
Consumable materials and engineering stocks	884,917	690,436	-	-
	26,970,824	19,446,202	-	-

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to N24.6 billion (2013: N19.5 billion). There was no inventory carried at net realisable value as of the reporting date (2013: nil).

24 Trade and other receivables

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Trade receivables	60,577,219	48,987,547	-	-
Less: provision for impairment of trade receivables	(5,005,245)	(4,099,800)	-	-
	55,571,974	44,887,747	-	-
Petroleum subsidy fund	36,584,213	14,823,145	-	-
Bridging claims receivables	2,692,821	3,820,025	-	-
Other receivables	25,906,107	23,458,429	13,107,651	12,686,690
Convertible loan	-	-	-	64,558,727
Receivables from Greenpark Ltd	37,929,534	35,495,160	37,929,534	35,495,160
Cash call from JV partners	5,149,532	9,075,534	-	-
VAT input & Witholding tax receivable	10,282,905	8,373,689	2,293,880	1,730,187
Deposit for import	1,427,566	-	-	-
Amount due from related parties (Note 38)	-	-	161,485,658	10,621,966
Less: provision for impairment of other receivables	(39,427,997)	(549,844)	(37,948,694)	(19,160)
	136,116,655	139,383,885	176,868,029	125,073,570

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Cash call from JV partners

The Group has a receivable balance of N5.14 billion relating to cash calls that are receivable from NEPN for development of the Qua Ibo Marginal Field (2013: N9.01 billion). This balance has arisen from the farm-in arrangement between OER and NEPN. The amount is expected to be recovered from proceeds of sale of production from OML 13. OER will receive 90% of proceeds NEPN's share of sales of crude oil from OML 13 along with its share of 40% share of the proceeds until the amount is repaid.

The carrying amounts of trade and other receivables for 2014 and 2013 respectively approximate their fair values. 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 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
At start of the year	4,649,644	3,948,621	19,160	19,160
Provision for receivables impairment (Note 10)	39,902,607	791,056	37,929,534	-
	44,552,251	4,739,677	37,948,694	19,160
Receivables written off during the year as uncollectible	(72,267)	(90,033)	-	-
Exchange difference	(46,743)	-	-	-
Transfer to disposal group classified as held for sale	-	-	-	-
At end of year	44,433,241	4,649,644	37,948,694	19,160

25 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 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 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
At start of the year	183,930	149,701	183,930	148,865
Addition	-	-	-	-
Disposal	-	(836)	-	-
Fair value gain	13,907	35,065	13,907	35,065
At the end of year	197,837	183,930	197,837	183,930
Less: Non current portion	(10,834)	(14,500)	(10,834)	(14,500)
Current	187,003	169,430	187,003	169,430

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(b) Investment in subsidiaries

	Company 2014 N'000	Company 2013 N'000
Akute Power Limited	2,500	2,500
Apapa SPM Limited	19,125	19,125
Gaslink Nigeria Limited(1)	6,950,847	7,027,713
Oando Energy Services Limited(1)	27,328,921	27,361,842
Oando Gas and Power Limited	1,000	1,000
Oando Lekki Refinery Limited	2,500	2,500
Oando Marketing Limited(1)	15,573,050	15,784,793
Oando Port Harcourt refinery Limited	2,500	2,500
Oando Properties Limited	250	250
Oando Supply and Trading Limited(1)	764,594	822,105
Oando Trading Limited Bermuda	3,435,950	3,435,950
OML 112 & 117 Limited	6,538	6,538
Oando Terminal and Logistics Limited	2,500	2,500
Oando Liberia Limited	6,538	6,538
OES Passion Limited	1,752	1,752
OES Professionalism Limited	10,000	10,000
Central Horizon Gas Company Limited	5,100	5,100
Ajah Distribution Limited	2,500	2,500
Alausa Power Limited	2,500	2,500
Gasgrid Nigeria Limited	2,500	2,500
Oando Resources Limited	2,500	2,500
Lekki Gardens Power Limited	2,500	2,500
Oando Exploration Equator Holdings Limited	1,816	1,816
Oando Servco Nig Limited	-	-
Oando Qua Iboe Limited	-	-
XRS 1 Limited	18	-
Oando Energy Resources Inc.	50,997,514	53,681,593
	105,125,513	108,188,615
Provision for diminution(2)	(27,331,422)	(2,500)
	77,794,091	108,186,115

(1) Group settled share based transactions is recognised as an equity-settled share-based payment transaction and additional investments in the subsidiary. All the outstanding share options granted in 2010 had been forfeited as the options were not taken up as of the expiry date. Subsequently, all previously recognised increase in investment in the subsidiaries were reversed.

(2) In 2014, the carrying amount (N27.3 billion) of the Investment in OES has been reduced to its recoverable amount (Nil) through recognition of an impairment loss of N27.3 billion. Decline in performance, resulting in significant reduction in net asset was trigger of the impairment assessment. See note 16(b) for disclosures on determining the recoverable amounts.

(i) Conversion of loan to equity in OER

In 2014, Oando Plc transferred its rights to the conversion of the N171.8 billion ($929.9 million) Convertible loan notes previously issued by OER in accordance with the Convertible Notes Purchase Agreements to Oando Resources Ltd ("ORL"). Consequently, OER issued 650,785,739 common shares and 325,392,869 warrants in favour of ORL, a wholly owned subsidiary of Oando Plc. The investment of ORL in OER has been eliminated on consolidation.

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(ii) Gain on deemed disposal of Oando Wings

OWDL was a fully owned subsidiary of Oando Plc until December 20, 2013, when shares were issued to RMB West port. See note 17. Please see below for details of the gain on deemed disposal of the company:

	Group 2013 N'000
Oando wings net asset as at date of deemed disposal	7,032,959
Oando Plc's share	41.0%
Fair value of interest retained (41%)	2,883,513
Net asset immediately prior to deemed disposal/ loss of control	(2,693,565)
Gain on deemed disposal	**189,948**

	Group 2014 N'000
Oando wings net asset as at date of deemed disposal	14,346,634
Oando Plc's share	25.8%
Fair value of interest retained (25.8%)	3,701,432
Oando Plc's share of Oando Wings net asset immediately prior to deemed disposal	(2,954,824)
Gain on deemed disposal	**746,608**

The fair value of the company at the date control was lost was based on the net asset of the company between Oando Plc and RMB Westport. The gain on deemed disposal has been recognised in other incomes.

26 Cash and cash equivalents (excluding bank overdraft)

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Cash at bank and in hand	20,791,765	21,367,677	2,174,093	115,726
Short term deposits	6,647,995	2,519,820	672,514	1,370,566
	27,439,760	23,887,497	2,846,607	1,486,292
Restricted cash	14,194,363	3,798,258	-	327,107
	41,634,123	27,685,755	2,846,607	1,813,399

The weighted average effective interest rate on short-term bank deposits at the year-end was 11.7% (2013:17.1%). 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 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Cash and bank balance as above	27,439,760	23,887,497	2,846,607	1,486,292
Bank overdrafts (Note 30)	(53,679,738)	(34,218,626)	(3,308,550)	(6,916,770)
	(26,239,978)	(10,331,129)	(461,943)	(5,430,478)

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27 Discontinued operations and disposal groups held for sale

a Discontinued Operations

On 30 March, 2014, the Group completed the sale of it's 100% shares in East Horizon Gas Company (EHGC) to Seven Energy International Limited. EHGC had been disclosed as held for sale as at 31 December 2013. The consideration for the sale was USD 250 million minus agreed closing net liabilities as set out in the Sale and Purchase Agreement dated 24 December 2013. The Group made a loss of N4 billion (as disclosed below) from the sale.

Results of discontinued operations

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

	Group 2014 N'000	Group 2013 N'000
Revenue	1,015,456	7,145,317
Expenses	(1,038,409)	(16,379,469)
Profit/(loss) before tax of discontinued operations	(22,953)	(9,234,152)
Tax	-	(925,452)
Profit/(loss) after tax of discontinued operations	(22,953)	(10,159,604)
(Loss)/gain on sale of discontinued operations	(4,588,023)	16,232,795
Income tax on gain/(loss) on sale of discontinued operations	-	-
	(4,588,023)	16,232,795
(Loss)/profit for the year from discontinued operations	(4,610,976)	6,073,191
Cash flows from/(used in) discontinued operation		
Net cash from/(used in) operating activities	1,179,171	(4,831,221)
Net cash from/(used in) investing activities	-	(277,187)
Net cash (used in)/from financing activities	(1,409,145)	4,836,187
Net cash flows for the year	(229,974)	(272,221)
Effect of disposal on the financial position of the Group		
Property, plant and equipment	7,930	-
Intangible assets	35,271,002	14,515,295
Deferred income tax assets	1,376,002	2,169,316
Available-for-sale financial assets	-	835
Inventories	325,161	13
Trade and other receivables	599,741	4,397,799
Net borrowing	(7,832,577)	-
Government grant	(1,119,183)	-
Goodwill	-	2,034,153
Trade and other payables	(23,704,074)	(33,146,104)
	4,924,002	(10,028,693)
(Loss)/profit on disposal	(4,588,023)	16,232,795
	335,979	6,204,102
Satisfied by:		
Consideration received, satisfied in cash (less cost to sell)	383,617	1,396,800
Deferred consideration	-	4,811,200
Cash and cash equivalents disposed of	(47,638)	(3,898)
	335,979	6,204,102

b Disposal group held for sale

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

In accordance with IFRS 5, the assets and liabilities held for sale were recognised at the carrying amount which is not higher than the fair value less cost to sell.

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

	Group 2014 N'000	Group 2013 N'000
(i) Assets of disposal group classified as held for sale		
Property, plant and equipment	-	7,930
Intangible assets	-	35,271,002
Deferred income tax assets	-	1,085,783
Inventory	-	306,916
Other current assets	-	533,868
Cash and cash equivalents (excluding bank overdrafts)	-	277,614
Total assets	-	**37,483,113**
(ii) Liabilities of disposal group classified as held for sale		
Trade and other payables	-	4,450,050
Borrowing	-	3,006,398
Non-current liabilities	-	6,773,564
Total liabilities	-	**14,230,012**

28 Share capital

	Number of shares (thousands)	Ordinary shares N'000	Share premium N'000	Total N'000
At 1 January 2013	2,274,118	1,137,058	49,521,186	50,658,244
Rights issue	4,548,236	2,274,119	52,304,717	54,578,836
Share issue expenses	-	-	(3,400,542)	(3,400,542)
At 31 December 2013	6,822,354	3,411,177	98,425,361	101,836,538
At 1 January 2014	6,822,354	3,411,177	98,425,361	101,836,538
Private placements	2,046,706	1,023,353	31,785,350	32,808,703
Conversion of promisory notes	215,625	107,813	2,479,699	2,587,512
Share issue expenses	-	-	(1,136,187)	(1,136,187)
At 31 December 2014	9,084,685	4,542,343	131,554,223	136,096,566

Authorised share capital

The total authorised number of ordinary shares is Fifteen (15) billion (2013: 10 billion) with a par value of 50 Kobo per share. All issued shares are fully paid.

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

In September 2014, The Nigerian Stock exchange approved the conversion into 215,625,000 ordinary shares of 50k each at N12.00 per share of 25 convertible promissory notes in favour of Emerging Capital Partners FII O & O Ltd.

Share options

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

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For the year ended 31 December 2014

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

	2014 Average exercise price (NGN per share)	Options (thousands)	2013 Average exercise price (NGN per share)	Options (thousands)
At 1 January	106.02	26,039	106.02	29,976
Forfeited	-	-	106.02	(706)
Expired	106.02	(26,039)	106.02	(3,231)
At 31 December		-	106.02	26,039

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

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

The weighted average cost of the expired and forfeited options are the same with the opening weighted average cost. All the outstanding share options granted in 2010 had been forfeited as the options were not taken up as of the expiry date.

29 Other reserves

	Revaluation[1] reserves N'000	Share based[2] payment reserve N'000	Currency translation reserve N'000	Total N'000
Group				
At 1 January 2013	15,639,029	1,779,851	(3,006,816)	14,412,064
Exchange difference on translation of foreign operations	-	-	(457,680)	(457,680)
Convertible bond- Equity component	-	-	-	-
Revaluation surplus on disposal transferred to retained earnings	(1,010,608)	-		(1,010,608)
Deferred tax on revaluation surplus on disposal transferred to retained earnings	101,061	-		101,061
Share based payment reserve charge	-	606,651	-	606,651
Tax on value of employee services	-	37,236	-	37,236
Transfer of expired SBPR to retained earnings	-	(105,965)	-	(105,965)
Deferred tax on transfer of expired SBPR to retained earnings	-	(31,789)	-	(31,789)
IFRIC 1 adjustment to revaluation reserve	(2,483)	-	-	(2,483)
Gains on revaluation of property, plant and equipment	9,942,732	-	-	9,942,732
Deferred tax on revaluation surplus	(273,525)	-	-	(273,525)
At 31 December 2013	24,396,206	2,285,984	(3,464,496)	23,217,694
At 1 January 2014	24,396,206	2,285,984	(3,464,496)	23,217,694
Exchange difference on translation of foreign operations	-	-	32,284,156	32,284,156
Change in ownership interests in subsidiaries that do not result in a loss of control	-	-	(2,729,230)	(2,729,230)
Share based payment reserve charge	-	343,956	-	343,956
Transfer of expired SBPR to retained earnings	-	(1,166,863)	-	(1,166,863)
Deferred tax on transfer of expired SBPR to retained earnings	-	(350,060)	-	(350,060)
Reclassification of revaluation reserve	(1,078,023)	-	-	(1,078,023)
At 31 December 2014	23,318,183	1,113,017	26,090,430	50,521,630
Company				
At 1 January 2013	909,547	1,366,579	-	2,276,126
Revaluation surplus on disposal transferred to retained earnings	(1,010,608)			(1,010,608)
Deferred tax on revaluation surplus on disposal transferred to retained earnings	101,061			101,061
Share based payment reserve	-	124,121	-	124,121
Deferred tax on share based payment		24,799		24,799
Transfer of expired SBPR to retained earnings	-	(105,965)	-	(105,965)
Deferred tax on transfer of expired SBPR to retained earnings	-	(17,345)	-	(17,345)
At 31 December 2013 as restated	-	1,392,189	-	1,392,189
At 1 January 2014	-	1,392,189	-	1,392,189
Transfer of expired SBPR to retained earnings	-	(1,166,863)	-	(1,166,863)
Deferred tax on transfer of expired SBPR to retained earnings	-	(225,326)	-	(225,326)
At 31 December 2014	-	-	-	-

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Share based payment reserve

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. Refer to Note 28 for further details of these plans. Share based payment reserve is not available for distribution to shareholders.

Currency translation reserve

The translation reserve comprises all foreign currency difference arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

Revaluation reserve

The revaluation reserve is used to recognise revaluation increase (surplus) on property, plant and equipment. However, the increase shall be 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.

30 Borrowings

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
The borrowings are made up as follows:				
(a) Non-current - Bank loans	162,328,636	71,872,418	4,142,857	11,942,482
(b) Current				
Bank overdraft (Note 26)	53,679,738	34,218,626	3,308,550	6,916,770
Bank loans	188,395,721	146,681,886	45,444,233	22,633,675
Convertible note	68,169,026	-	68,169,026	-
Other third party debt	769,079	2,512,123	769,079	2,512,123
	311,013,564	183,412,635	117,690,888	32,062,568
Total borrowings	473,342,200	255,285,053	121,833,745	44,005,050

The borrowings above include secured bank borrowings amounting to N28.2 billion (2013: N51.2 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). The STD creates 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.

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(c) Non-current borrowings are analysed as follows:

Loan type	Purpose	Tenure/Interest rate	Security	Available facility N'000	Drawdown/ Balance 2014 N'000	Drawdown/ Balance 2013 N'000
Group						
Long term Loan	To finance OML 13 Activities	5 years / 10% p.a	Domiciliation of sales proceeds of Qua Iboe and OPDC with Diamond Bank and charge over the asset	15,520,000	-	9,180,398
Long term Loan	To finance OML 125 &134 Activities & COP Activities	5 years / 10.5% p.a	Domiciliation of sales proceeds of OML125 with FBN	9,312,000	-	15,976,978
Project Finance	To Finance Construction of IPP	7 years / 16.5% p.a.	Debenture on fixed and floating assets of Alausa Ltd. Existing Corporate guarantee of Oando Plc	3,200,000	3,206,053	3,019,446
Project Finance	To finance Akute IPP	7 years / 7% p.a.	Pledge of assets being financed; corporate guarantee of Oando Plc	3,400,000	1,064,758	1,573,292
RBL	Acquisition of COP assets	5 years / 11% p.a.	COP assets	33,574,898	31,762,296	-
Corporate finance facility	Acquisition of the COP assets	6 years / 9.5% + Libor p.a.	Oando Legacy assets	64,676,500	76,088,766	-
RBL	Acquisition of COP assets	5 years / 8.5% + Libor p.a.	COP Assets	83,155,500	40,277,628	-
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	1,133,719	1,400,000
Term Loan	To finance CNG project	5 years / 16.5% p.a.	Corporate guarantee of Oando Plc and CNG plant	2,200,000	1,275,307	1,846,562
Medium term loan	Upgrade of OES Passion rig	3 years / 8% p.a.	Negative pledge of Oando Energy Services; Domiciliation of rig contract proceeds; subordinated corporate guarantee of Oando Plc	3,104,000	-	265,775
Medium Term Loan	Upgrade of OES Respect rig	3 years / 8% p.a.	Corporate guarantee of Oando Plc	2,217,480	222,056	1,345,067
Medium Term Loan	To finance intercompany debt	5 years / 30 days LIBOR plus 9% margin	OES rig assets/cash flow	36,958,000	23,039,270	30,930,136
Medium Term Loan	Restructuring of Short to Long Term Debt	5 years / Nibor + 1% p.a.	Mortgage on assets of Oando Plc. and some subsidiaries	60,000,000	28,198,456	22,710,938
CLS loan	To finance OML 90 activities	3 years / 6.533% p.a	Barrels of oil	-	-	520,656
Medium Term Loan	Financing Apapa SPM Project	3 years / LIBOR + 8% p.a.	Fixed and floating charge on assets	2,329,050	-	2,217,044
Term Loan	Financing Apapa SPM Project	4 years / 15.25% renewable annually	Lien on deposit	12,004,595	12,077,311	10,117,136
Term Loan	Finance of aircraft purchase	6 years / 6% p.a.	Security Assignment, Share Charge	2,034,037	-	1,323,453
Term Loan	Finance of aircraft purchase	7 years / 5.23% p.a.	Security Assignment, Share Charge	4,690,400	4,719,701	-
Term Loan	Finance acquisition of retail outlets			2,500,000	392,495	537,769
				345,876,460	223,457,816	102,964,650
Less current portion					(61,129,180)	(31,092,232)
Total non-current borrowing (See a above)				345,876,460	162,328,636	71,872,418
Company						
Medium Term Loan	Restructuring of Short to Long Term Debt	5 years / Nibor + 1% p.a.	Mortgage on assets of Oando Plc. and some subsidiaries	60,000,000	28,198,456	22,710,938
Less current portion					(24,055,599)	(10,768,456)
Total non-current borrowing (See a above)				60,000,000	4,142,857	11,942,482

Notes to the consolidated financial statements

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(d) Current borrowings are analysed as follows:

Loan type	Purpose	Tenure/Interest rate	Security	Drawdown/ Balance 2014 N'000	Drawdown/ Balance 2013 N'000
Group					
Import finance facility	To purchase petroleum products for resale	30-90days	Sales proceeds of products financed	73,404,219	56,590,373
Other loans				769,079	2,512,123
Convertible note	Conversion of loans to shares upon maturity			68,169,026	-
Commercial papers	To finance products allocation from PPMC and importation of petroleum products		Stock hypothecation, cash and cheque collection from product sales.	53,862,323	58,999,281
Bank overdraft		30-90days	Corporate guarantee/security deed	53,679,738	34,218,626
				249,884,385	152,320,403
Current portion of non-current borrowings				61,129,180	31,092,232
Total current borrowing (See b above)				311,013,565	183,412,635

Loan type	Purpose	Tenure/Interest rate	Security	2014 N'000	2013 N'000
Company					
Import finance facility	To purchase petroleum products for resale	30-90days	Sales proceeds of products financed	4,225,560	2,737,699
Other loans				769,079	2,512,123
Convertible note	Conversion of loans to shares upon maturity			68,169,026	-
Commercial papers	To finance products allocation from PPMC and importation of petroleum products		Stock hypothecation, cash and cheque collection from product sales.	17,163,074	9,127,520
Bank overdraft		30-365days, 12.5%-15.5%	Corporate guarantee/security deed	3,308,550	6,916,770
				93,635,289	21,294,112
Current portion of non-current borrowings				24,055,599	10,768,456
Total current borrowing (See b above)				117,690,888	32,062,568

Convertible loan notes

During the year, 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 issued:

Instrument Issue date	Instrument value	Clean Bond value (amortised cost) =N='000	Interest rates %
Dec-14	=N=1 billion	961,011	Libor + 8
Jan-14	=N=1.98 billion	1,959,854	MPR + 1
Jul-14	=N=10 billion	9,977,076	10
Jul-14	$50 million	9,218,160	8
Feb-14	$100 million	18,455,801	Libor + 8
Mar-14	$150 million	27,597,125	Libor + 8
		68,169,027	

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Weighted average effective interest rates at the year end were:

	2014	2013
- Bank overdraft	21.0%	18.0%
- Bank loans	13.0%	18.0%
- Import finance facility	5.00%	3.50%
- Finance leases	18.5%	18.5%
- Other loans	8.75%	8.75%

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.

Group	Carrying amounts 2014 N'000	Carrying amounts 2013 N'000	Fair values 2014 N'000	Fair values 2013 N'000
Bank loans	473,342,200	255,285,053	325,467,110	171,083,855

Company	Carrying amounts 2014 N'000	Carrying amounts 2013 N'000	Fair values 2014 N'000	Fair values 2013 N'000
Bank loans	121,833,745	44,005,050	75,649,170	27,323,674

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

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Nigerian Naira	231,836,201	117,339,196	55,401,741	40,972,271
US Dollar	240,767,173	137,121,758	66,432,004	3,032,779
West African CFA	738,826	824,099	-	-
	473,342,200	255,285,053	121,833,745	44,005,050

31 Provisions for liabilities and charges

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

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Underground tanks	877,008	870,150	-	-
Oil and gas fields	11,046,296	4,220,919	-	-
	11,923,304	5,091,069	-	-
Movement during the year is as follows:				
At 1 January	5,091,069	3,916,086	-	353,416
Charged/(credited) to the Income statement				
- Additional provisions in the year	607,035	1,141,250	-	-
- IFRIC 1 adjustment to revaluation reserve	-	2,483	-	-
- Unwinding of discount (Note 12)	802,665	386,366	-	-
- Exchange differences	2,654,779	(1,700)	-	-
Business acquisitions	9,358,661	-		
Change in estimate	(6,590,905)	-		
Settlement	-	(353,416)	-	(353,416)
Balance at 31 December	11,923,304	5,091,069	-	-

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.

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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 15.2% to 18.0% and an inflation rate of 8% to 12%. These obligations are expected to be settled over the next five to thirty-one years.

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

Analysis of total provisions				
Non current	11,923,304	5,091,069	-	-
Current	-	-	-	-
Total	11,923,304	5,091,069	-	-

32 Derivative financial liabilities

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Interest-rate swap	-	397,798	-	-
Commodity derivatives	-	312,573	-	-
Convertible options (Note 30)	3,608,768	-	3,608,768	-
Cross currency	-	539,964	-	539,964
Share warrants	-	277,065	-	-
	3,608,768	1,527,400	3,608,768	539,964
Analysis of total derivative financial liabilities				
Non current	-	-	-	-
Current	3,608,768	1,527,400	3,608,768	539,964
Total	3,608,768	1,527,400	3,608,768	539,964

Fair value gain of N3.04 billion was recognised on the convertible option in the income statement for the year. Details of convertible loan notes have been disclosed in note 30.

33 Retirement benefit obligations

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Statement of financial position obligations for:				
Gratuity	2,903,344	2,468,035	1,032,786	1,189,998
Income statement charge (Note 11):				
Gratuity	352,049	469,058	20,152	173,308
Other comprehensive income				
Actuarial (losses)/gains recognised in the statement of other comprehensive income in the period	(127,298)	4,790	-	21,211

The gratuity scheme is unfunded.

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

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
At 1 January	2,468,035	2,802,983	1,189,998	1,232,303
Current service cost	106,548	214,653	-	21,211
Interest cost	149,165	262,696	20,152	152,097
Remeasurements (gain)/loss of post employment benefit obligations	127,298	(4,790)	-	(21,211)
Exchange differences	35,551	5,525	-	-
Curtailments	96,336	(8,291)	-	-
Benefits paid	(79,589)	(804,741)	(92,374)	(194,402)
Transfer	-	-	(84,990)	-
Transfer to disposal group classified as held for sale	-	-	-	-
At 31 December	**2,903,344**	**2,468,035**	**1,032,786**	**1,189,998**

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The amount recognised in the income statements are as follows

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Current service cost	106,548	214,653	-	21,211
Interest cost	149,165	262,696	20,152	152,097
Curtailment gain	96,336	(8,291)	-	-
	352,049	469,058	20,152	173,308

Remeasurements of post employment benefit obligations

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

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Change in demographic assumptions	(69,454)	(71,556)	-	(4,857)
Changes in financial assumptions	196,752	66,766	-	(16,354)
	127,298	(4,790)	-	(21,211)

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 2004 Pension Act. In 2013, the Group further discontinued the scheme for all senior staff except those in Oando Marketing Plc. Alexander Forbes Consulting Actuaries Nigeria Limited (Alexander Forbes) was engaged to determine the liability from the scheme, which was estimated at 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.

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

	2014	2013
Discount rate	16.0%	13.0%
Future salary increases	12.0%	12.0%
Inflation rate	9.5%	8.0%

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	2014	2013
18-29	4.5%	4.5%
30-44	6.0%	6.0%
45-49	2.5%	2.5%
50-59	2.0%	2.0%
60+	100.0%	100.0%

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Sensitivity Analysis

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

31 December 2014	Defined benefit obligation Increase N'000	Decrease N'000
Discount rate (1% movement)	(31,106)	35,837
Future salary increases (1% movement)	35,837	(31,609)

31 December 2013	Defined benefit obligation Increase N'000	Decrease N'000
Discount rate (1% movement)	(30,727)	35,401
Future salary increases (1% movement)	35,401	(31,225)

The maturity profile of the Retired Benefit Obligation is as detailed below:

	2014 N'000	2013 N'000
Within the next 12 months	128,908	109,581
Between 2 and 5 years	977,622	758,220
Between 5 and 10 years	1,868,607	1,305,041
Beyond 10 years	6,965,796	4,556,466

The weighted average duration of the defined benefit obligtion is 13.9 years (2013: 13.9 years)

34 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 N123 million and N87 million were credited to interest expense in the statement of comprehensive income at the end of 2012 and 2013 respectively. N87 million out of balance of N207 million at the beginning of the year was further credited to interest expense in 2014, leaving a balance of N119 million at 31 December 2014.

35 Trade and other payables

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Trade payables - Products	73,891,847	45,070,167	710,148	-
Trade payables - Other vendors	34,677,237	11,099,231	-	2,813,991
Other payables	25,247,073	26,495,911	23,254,936	2,626,068
Deposit for shares	-	17,677,781	-	17,677,781
Accrued expenses	18,104,994	18,433,978	4,206,393	410,527
Amount due to related parties	-	-	91,806,657	85,553,609
Deferred income	1,536,714	1,416,499	-	-
Customers security deposit	3,169,688	3,865,734	-	-
	156,627,553	124,059,301	119,978,134	109,081,976

Trade payables are non-interest bearing and are normally settled within one year. The carrying amounts of trade and other payables for 2014 and 2013 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 2013 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 derecognised of N1.1bn 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; N126 million was amortised in 2014 (2013:N20million). Also N349m relating to payments received from customers in relation to services not yet rendered have been classified as deferred revenue.

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36 Dividend payable

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
Unpaid dividend	1,650,691	644,691	1,650,691	644,691

37 Cash generated from operations

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

	Group 2014 N'000	Group 2013 N'000	Company 2014 N'000	Company 2013 N'000
(Loss)/profit before income tax - continuing operations	(171,323,265)	713,207	(100,827,986)	2,783,697
(Loss)/profit before income tax - discontinued operations	(4,610,976)	6,998,643	-	-
Adjustment for:				
Interest income (Note 12)	(7,350,317)	(5,804,480)	(1,792,004)	(7,746,351)
Interest expenses (Note 12)	38,789,206	21,637,777	29,623,510	14,194,497
Depreciation (Note 15)	21,629,786	12,960,053	222,509	233,405
Amortisation of intangible assets (Note 16)	964,739	3,184,325	21,726	44,917
Impairment of intangible assets (Note 16)	67,414,245	837,563	-	-
Impairment of property, plant and equipment (Note 15)	46,566,080	-		
Provision on non-current receivables	13,434,181	-	8,735,439	-
Provision on current receivables	39,892,642	-	37,929,488	-
Provision on investment	-	-	27,328,921	-
Staff bonus in lieu of shares	-	-	2,684,079	-
Profit on sale of property, plant and equipment	(194,067)	(280,962)	(124,375)	(662,378)
Unwinding of discount on provisions (Note 12)	802,665	-	-	-
Loss/(profit) on sale of subsidiary	3,999,498	(16,232,795)	(373,617)	(2,275,112)
Share based payment expense (options and swaps)	343,956	606,651	-	82,665
Write off of PPE	156,522	66,574	159,948	60,784
Gain on deemed disposal of subsidiary	-	(189,947)	-	-
Net foreign exchange (gain)/loss	(6,178,034)	(1,562,509)	-	(1,509,556)
Fair value loss on commodity options	(55,740,081)	23,348	3,528,809	-
Fair value (gain)/loss on embedded derivatives	(903,151)	(257,866)	-	-
Fair value (gain)/loss on warrants	-	(640,030)	-	-
Fair value (gain)/loss on Financial instrument	2,783,841	-	(571,767)	-
Changes in working capital				
- receivables and prepayments (current)	(14,871,469)	(34,324,996)	(89,708,619)	2,200,328
- non current prepayments	(20,393)	(4,794,090)	(2,456,994)	(12,930,784)
- inventories	202,644	(1,642,591)		6,733
- payables and accrued expenses	28,338,117	80,004,286	10,896,158	57,506,543
- dividend payable	1,006,000	(6,367)	1,006,000	(6,367)
- gratuity provisions	435,309	(334,948)	(157,212)	(395,721)
- Government grant	(172,154)	1,116,742	-	-
	5,395,524	62,077,588	(73,875,987)	51,587,300

38 Related party transactions

Ocean and Oil Development Partners Nigeria (OODP) has the shareholding of 55.09% at the reporting date (2013: 43.36%). The remaining 44.91% shares are widely held. OODP is ultimately owned 40% by Delanson Services PTC Ltd (trustee for the family of Mr. Gabriele Volpi) and 60% by Liberation Management Ltd (trustee for the Group Chief Executive of Oando Plc (the "GCE")). Two directors of OODP have significant influence over Oando Plc.

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

(i) On December 20, 2012, Oando Energy Resources (OER) borrowed N53.6 billion ($345 million) from Oando PLC to finance a portion of the deposit required in connection with the COP Acquisition. The 2012 Oando PLC Loan was subsequently rolled into the 2013 Oando PLC Loan pursuant to the 2013 Oando PLC Loan Documentation. The purpose of the 2013 Oando PLC Loan was to provide for an aggregate increase in the maximum amount that may be borrowed by OER to N62.2 billion ($401 million).

On December 24, 2013, OER entered into a loan agreement to borrow $200 million from Oando PLC in order to fund payments in relation to the COP Acquisition. Interest on the facility was charged at 5% per annum and the amount was to be available for draw down from December 24, 2013 to February 27, 2014. The loan was drawn down on February 12, 2014 and was required to be repaid on February 28, 2014.

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On February 10, 2014, the N36.9 billion ($200 million) loan and the 2013 Oando PLC Loan were rolled into the 2014 Oando PLC Loan under which OER could borrow up to an aggregate amount of N221.7 billion ($1.2 billion) on or before December 31, 2014. The 2014 Oando PLC Loan comprised N74 billion ($401 million) borrowed under the 2013 Oando PLC Loan and the N36.9 billion ($200 million) loan which was drawn down on February 12, 2014 as well as an additional N110.6 billion ($599 million). The N53.9 billion ($292 million) available capacity on the loan expired on December 31, 2014 and can no longer be utilized by OER.

The annual interest rate was set at 4% calculated quarterly and the facility included a N8.86 billion ($48 million) financing fee. Principal and financing fee payments were due to be repaid on December 31, 2015. The terms of the facility included a conversion feature allowing OER to elect to repay interest, the financing fee, and principal by the issuance of common shares of OER, subject to certain restrictions. The table below summarizes the movement in the loan in 2014.

	$ 000	=N= N'000
Balance, beginning of year	401,000	74,100,790
Addition	507,000	93,688,530
Coverted to shares and warrants	(867,000)	(160,212,930)
Cash repayments	(41,000)	(7,576,390)
Balance, end of year	-	-

In 2014, the facility was drawn by N93.68 billion ($507 million) of which N7.58 billion ($41 million) was repaid. Net drawings were used to fund the COP Acquisition and for other Corporate requirements. Also during this period, N160.2 billion ($867 million) of principal, N2.75 billion ($14.9 million) of accrued interest, and the N8.87 billion ($48 million) financing fee was exchanged for 650,785,739 common shares of OER and 325,392,869 warrants as per the table below. Of the N171.8 billion ($929.9 million) conversion amount, N126.4 ($126.4 million) was allocated to the warrants and recorded as a derivative financial liability and the residual amount of N148.5 billion ($803.5 million) was recorded as share capital by OER. The N8.87 billion ($48 million) financing fee was accounted for as a transaction cost, expensed in the period by OER and eliminated on consolidation.

	Amount (Thousands of USD)				Units	
	Principal	Interest	Financing fee	Total	Shares	Warrants
February 26, 2014	601,000	11,710	-	612,710	432,565,768	216,282,884
July 9, 2014	168,000	2,900	48,000	218,900	150,075,856	75,037,928
August 20, 2014	98,000	325	-	98,325	68,144,115	34,072,057
Total	**867,000**	**14,935**	**48,000**	**929,935**	**650,785,739**	**325,392,869**

(ii) 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 60, 61, 62 & 63 Holding BV (Holdco 60-63), Oando OPL 214 Holding BV (Holdco 214), and Oando OML 131 Holding BV (Holdco 131) in respect of Phillips Oil Company Nigeria Limited (POCNL – name subsequently changed to Oando Hydrocarbon Limited), 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 60-63, 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 OER) 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. No amounts have been paid or are due to be paid by either party to the other under the shareholder agreements.

(iii) Right of First Offer Agreement ("ROFO Agreement") dated September 27, 2011, as amended, between Oando PLC and the Corporation. Pursuant to the ROFO Agreement, the Corporation 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

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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 agreement would have terminated on September 27, 2013. During the year, OER didn't incur any amounts under this agreement.

(iv) 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 during the year under review (2013: N1.2 billion/ $7.6 million).

(v) 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. During the period under review, OER incurred N6.65 billion ($36 million) under this agreement (2013: N1 billion/$6.2 million).

(vi) Transitional Services Agreement dated July 24, 2012 between OER, Oando Servco Nigeria (a subsidiary of OER) and OEPL (a former 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 N3.27 billion ($17.7 million) due from OEPL (2013 – $7.3 million), under this agreement in respect of services provided.

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

(viii) The Company signed an operating lease agreement with a subsidiary XRS11 Ltd during the year. The Company, the lessee in the agreement, agree 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. No expense or income arose from the agreement in 2014. In addition, the Company granted a loan of N1.7 billion ($9 million) to XRS11 Ltd. The loan was outstanding at 31 December 2014. (2013: Nil).

(ix) During the year, the Company entered into agreements with Ocean and Oil Development Partners Limited (OODP) and Offshore Personnel Services Limited (OPSL) converting funds received. See note 30 for details on convertible note.

Other related party transactions include:

i. Broll Properties Services Limited provided facilities management services worth N137.6 million (2013: N90.8 million). The Group Chief Executive (GCE) has control over one of the joint interest owners of the company.

ii. Noxie Limited supplied office equipment worth N268.8 million (2013: N419.9 million). A close family member of the GCE has control over the company.

iii. Olajide Oyewole & co. rendered professional services worth N39.7 million (2013: N98.6 million). A close family member of the GCE has significant influence over the form.

iv. Lagoon Waters Limited, one of the dealers for the sale of petroleum products, purchased petroleum products and liquefied petroleum gas worth N2.5 billion (2013: N1.8 billion) from the Group. Lagoon Waters Limited is controlled by a close family member of the GCE.

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v. Temple Productions Limited received N14.7 million (2013: N31.9 million) for advertisement services. The company is controlled by a close family member of the Deputy Chief Executive Officer (DGCE).

vi. Transport Services Limited ("TSL") provides haulage services to a downstream company of the Group. During the year under review, TSL was prepaid for haulage services worth N1.4 billion (2013: N2.5 billion) to the Group. TSL is ultimately controlled by a close family member of the Deputy Chief Executive Officer (DGCE).

vii. TSL Logistics Limited supplied products and throughput services worth N7.9 billion (2013: N45.3 billion) to the Group. The company is ultimately controlled by a close family member of the GCE.

viii. Avante Property Asset Management Services Limited received N31.4 million (2013: N42.8 million) for professional services rendered to the Group. The company is ultimately controlled by the GCE and DGCE.

ix. K.O Tinubu & Co. provided legal services amounting to N3.4 million (2013: N4 million). K.O Tinubu is controlled by a close family member of the GCE.

x. Avaizon Consulting Limited provided training services worth N0.8 million (2013:N19.9 million) to the Group in 2014. The GCE and DGCE have significant influence over the company.

xi. Templars and Associates provided legal services worth N22.2 million to the company (2013: N10 million). A non-executive director of the company owns 49% of Templars and Associates in addition to being a partner in the firm.

xii. SCIB Nigeria and Co. Ltd. ("SCIB") provided insurance brokerage services worth N0.9 billion (2013: N1.2 billion) to the Group in 2014. A beneficial owner of SCIB is related to the GCE.

xiii. Trojan Estate Limited provided property development and advisory services to the Group amounting to N511.2 million (2013: Nil). The GCE is a shareholder and director in Trojan Estate Limited

xiv. Intels West Africa Ltd provided cargo handling operations worth N1.1 billion (2013: N137.2 million) to Oando Energy Services Limited. Intels West Africa Ltd is owned 70% by a joint owner of OODP (a related company).

xv. West Africa Catering Nigeria Limited provided catering services worth N882.5 million (2013: N688 million) to Oando Energy Services Limited. West Africa Catering Nigeria Limited is ultimately owned 49.8% by a joint owner of OODP (a related company).

xvi. Rosabon Financial Services Limited provided financial services worth N27.6 million (2013: N25 million) to the company during the year under review. Rosabon Financial Services Limited is owned by a director of Gaslink Nigeria Limited.

xvii. Triton Aviation Limited provided management services worth N409 million (2013: N921.8 million) to Churchill C-300 Finance Limited, an indirect subsidiary of the company. Triton Aviation Limited is owned by the GCE.

xviii. Checklist Nig. Ltd provided event planning services worth N15.9 million (2013: N19 million) to the Group, during the year. The managing director of Checklist Nig. Ltd is related to the CEO of Oando Marketing Plc., a key management personnel of the Group.

xix. Templegate Consultants Ltd. Provided architectural services worth N41.1 million (2013: N8.5 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.

xx. Ibushe Limited provided consultancy services to Oando Marketing Plc., and Oando Energy Services amounting to N245.4 million (2013: N353.3 million) during the year. A key management personnel of the company owns shares in Ibushe Limited.

xxi. Investcorp Ltd provided investment management services to the Group amounting to N85 million (2013: Nil). The DGCE owns shares in Investcorp Ltd

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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:

	2014 N'000	2013 N'000
Salaries and other short-term employee benefits	2,232,247	1,345,203
Share options and management stock options	184,236	75,700
Post employment benefits	51,233	40,525
	2,467,716	1,461,428

Year-end balances arising from transactions with related parties

The following receivables or payables at December 31, 2014 arose from transactions with related parties:

	Company 2014 N'000	Company 2013 N'000
Receivables from related parties:		
Apapa SPM Limited	6,528,912	5,561,639
Churchill C-300 Finance Ltd	-	85
East Horizon Gas Company Ltd	-	3,179
Gaslink Nigeria Limited	-	1,505,284
Oando Akute Power Limited	-	4,550
Oando Energy Resources Ltd.	144,369,355	-
Oando Energy Services Limited	8,214,684	2,735,933
Oando Foundation	-	152,212
Oando Gas and Power Limited	1,730	1,730
Oando Lekki Refinery Limited	375,741	375,741
Oando Properties Limited	59,063	59,063
Oando Terminal & Logistics Ltd	222,120	222,120
XRS II	1,713,623	-
Oando Port Harcourt Refinery	430	430
Payables to related parties:		
Ajah Distribution Company	2,500	2,500
Alausa Power Ltd	2,500	2,500
Central Horizon Gas Company Ltd	5,100	5,100
Gasgrid Nigeria Limited	2,500	2,500
Gaslink Nigeria Limited	11,842,712	-
Lekki Gardens Power Ltd	2,500	2,500
Oando Energy Resources Inc.	28,018	15,000
Churchill C-300 Finance Ltd	250,764	-
Oando Liberia	9,240	7,760
Oando Marketing Plc	71,009,141	75,093,045
Oando Supply and Trading Limited	1,580,300	3,148,306
Oando Trading Bermuda	7,060,360	7,274,399
Oando Energy Services Limited	11,004	-
XRS I	18	-

39 Commitments

The Group had outstanding capital expenditure contracted but not provided for under property, plant and equipment amounting to N1.81 billion (2013: N5.54 billion) at December 31, 2014.

40 Events after the reporting period

(i) Right issue

The company on 3 December 2014 made offer by way of right issues to existing shareholders of one (1) new ordinary share for every three (3) ordinary shares of 50kobo each as at the close business on Friday 25 July, 2014. The Company plans to use the proceeds to deleverage its balance sheet via repayment of existing financial debt obligations, and replenish working capital lines.

On 5 June 2015, the Nigerian Stock Exchange confirmed the listing of 2,949,933,156 ordinary shares of the Company allotted under the Rights issue on 4 June 2015.

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(ii) 2015 Early Settlement and Reset Arrangement

On 6 February 2015, OER entered into an early settlement and reset arrangement with hedging counterparties associated with the Acquisition and Legacy Asset hedges which resulted in the receipt of N43.2 billion ($234 million) that was used to reduce outstanding debt. Specifically, N34 billion ($184 million) from the settlement plus an additional N739 million ($4 million) from cash was paid to reduce outstanding principal on the N83.1 billion ($450 million) loan by N34.7 billion ($188 million) and N9.4 billion ($51 million) was paid to reduce outstanding principal on the N64.68 billion ($350 million) loan.

The arrangement led to a resetting of the Acquisition and Legacy Asset hedges with a fixed price of $65/bbl and strike of $75/bbl, with no changes to the expiry or volumes in the original contract. The effect of the Acquisition and Legacy Asset hedges is to fix the price of crude oil that OER receives, on the specific volumes at $65/bbl until the benchmark price of Dated Brent crude oil reaches $75/bbl. If Dated Brent crude oil price exceeds $75/bbl, OER will receive the incremental price above $75/bbl to preserve some upside. As noted above, the original hedges were required by the terms of the N83.1 billion ($450 million) and N64.68 billion ($350 million) loan facilities. The lenders were required to approve the early settlement and reset arrangement.

(iii) Sale of Marketing and Supply & Trading division

Oando Plc (“Oando”) executed definitive agreement (the “Agreement”) with HV Investments II B.V., (“HVI”), a joint venture owned by a fund advised by Helios Investment Partners (“Helios”) and The Vitol Group (“Vitol”), to acquire 49% of the voting rights and 60% of the economic rights in Oando’s downstream businesses (“Oando Downstream”), for a total consideration of N90.8billion (US$461.3 million), conditional upon the receipt of regulatory approvals and subject to customary purchase price adjustments, including working capital. 51% of the voting rights will be held by Oando and a Nigerian Helios Affiliate in the ratio of 49%:2%, respectively. The total consideration of US$461.3 million will be funded by a US$276.8 million cash contribution from HVI and US$184.5 million in preference shares issued to Oando Plc, subject to customary purchase price adjustments, including working capital and long-term debt. The Share Purchase Agreement for the transaction was signed on 18 June 2015 and the sale is expected to be concluded latest early 2016.

The Oando downstream businesses primarily consist of:

a) Oando Marketing Plc (“OMP”), a petroleum product retailing and distribution company with over 400 retail outlets and strategically located terminals in Nigeria, Ghana and Togo. OMP distributes premium motor spirit, automotive gas oil, dual-purpose kerosene, aviation turbine kerosene, low pour fuel oil, lubricating oils, greases, bitumen and liquefied petroleum gas. Key OMP subsidiaries that are part of the Acquisition include, Oando Ghana Limited, Oando Togo SA, and Clean Cooking Fuel Investments Ltd.

b) Oando Supply & Trading Limited (“OS&T”), a trader of petroleum products in the sub-Saharan region, supplying and trading crude oil and refined petroleum products. OS&T trades large volume cargoes to major oil marketers and independent marketers in Nigeria.

c) Oando Trading Limited (Bermuda) (“OTB”), an entity involved in the trading of crude oil and refined petroleum products in international markets.

d) Apapa SPM Limited, the marina jetty and subsea pipeline system capable of berthing large vessels that will increase the delivery capacity and offloading efficiency of petroleum products into major petroleum marketers’ storage facilities at Apapa, Lagos.

e) Ebony Oil & Gas Limited, the Ghanaian supply and trading entity with a provisional bulk distribution company license supplying white products.

41 Contingent liabilities

(i) 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 NGN 51.31 billion (2013: N84.2 billion). Oando Plc also guaranteed various loans in respect of the following subsidiaries: Ebony Oil and Gas Limited (N12.94 billion); Oando Terminals and Logistics (N22.17 billion); Oando Marketing Plc (N6.0 billion).

(ii) Pending litigation

There are a number of legal suits outstanding against the Company for stated amounts of NGN213.4 billion (2013: N4.25 billion). Of the total legal suits outstanding, NGN180.26 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.

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(iii) Pending tax audit

Oando Energy Services (OES) is awaiting the outcome of a recently concluded tax audit and probable liability not yet recognised is estimated at N900 million. Based on the advice of legal counsel, the directors are of the opinion that outcome of pending litigations would likely be in favour of the Company.

(iv) Bilabri Oil Field (OML 122)

In 2007, the Company 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 Company may be called upon to meet the debts. Therefore, a contingent liability of NGN 4.0 billion exists at December 31, 2014 (2013: N3.4 billion). The Company 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, 2014 (2013: Nil).

(v) 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 reallocated the blocks to the winning group of the 2005 licensing round comprising ONGC Videsh, Equator (an indirect subsidiary of Oando Plc) and Owel. KNOC instituted a lawsuit against the government and a judgement was awarded in her 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 CompanyEquator 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 N739.16 million and N184.79 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 NGN 923.95 million which are redeemable out of the first NGN 923.95 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 N184.79 million. This has been paid in full. On the advice of legal Counsel, Equator maintains that the remaining N739.16 million owed is not yet due and that any second arbitration hearing can be successfully defended. If none of the above events occurred, it is assumed that Equator will not need to settle the NGN 739.16 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.

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42 Subsidiaries information

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 2014	Percentage interest held 2013
Direct Shareholding						
Akute Power Limited	Nigeria	Naira	Power Generation	2,500,000	100%	100%
Alausa Power Limited	Nigeria	Naira	Power Generation	2,500,000	100%	100%
Apapa SPM Limited	Nigeria	Naira	Offshore submarine pipeline construction	19,125	100%	100%
Central Horizon Gas Company Limited	Nigeria	Naira	Gas Distribution	9,100,000	56%	56%
Gaslink Nigeria Limited	Nigeria	Naira	Gas Distribution	1,717,697,000	97.24%	97.24%
Oando Energy Resources Inc.	Canada	USD	Exploration and Production		93.8%	94.6%
Oando Energy Services Limited	Nigeria	Naira	Provision of drilling and other services upstream companies	5,000,000	100%	100%
Oando Gas and Power Limited	Nigeria	Naira	Gas and Power generation and distribution	1,000,000	100%	100%
Oando Lekki Refinery Company Limited	Nigeria	Naira	Petroleum Refining	2,500,000	100%	100%
Oando Marketing PLC	Nigeria	Naira	Marketing and sale of petroleum products	437,500,000	100%	100%
Oando Resources Limited	Nigeria	Naira	Exploration and Production	2,500,000	100%	100%
Oando Supply and Trading Limited	Nigeria	Naira	Supply of crude oil and refined petroleum products	5,000,000	100%	100%
Oando Terminals and Logistics	Nigeria	Naira	Storage and haulage of petroleum products	2,500,000	100%	100%
Oando Trading Limited	Bermuda	USD	Supply of crude oil and refined petroleum products	12,000	100%	100%
Oando Logistics and Services Limited	United Kingdom	GBP	Logistic and services	1	100%	100%
Indirect Shareholding						
Ebony Oil & Gas Limited	Ghana	Cedis	Supply of crude oil and refined petroleum products	408,853	80%	80%
Oando Akepo Limited	Nigeria	Naira	Exploration and Production	2,500,001	100%	100%
Equator Exploration Limited	British Virgin Islands	USD	Exploration and Production	67,707,210	81.5%	81.5%
Oando Servco Nigeria Limited	Nigeria	Naira	Provision of Management Services	2,500,000	100%	100%
Gas Network Services Limited	Nigeria	Naira	Gas Distribution	5,000,000	100%	100%
Oando Ghana Limited	Ghana	Cedis	Marketing and sale of petroleum products (Subsidiary of Oando Marketing PLC)	126,575,000	82.9%	82.9%
Oando Togo S.A	Togo	CIA	Marketing and sale of petroleum products	186,288,000	75%	75%
ORPSL	Nigeria	Naira	Exploration and Production	9,918,182	100%	100%
Churchill Finance C300-0462 Limited	Bermuda	USD	Aviation	1	100%	100%
Oando Qua Ibo Limited	Nigeria	Naira	Exploration and Production	6,000,000	100%	100%
Oando OML 125 & 134 Ltd	Nigeria	Naira	Exploration and Production	10,000,000	100.0%	100.0%
Oando Production & Development Company Ltd	Nigeria	Naira	Exploration and Production	10,000,000	95.0%	95.0%
Oando Hydrocarbons Ltd	Nigeria	USD	Exploration and Production	20,000	100.0%	-

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.

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Summarised financial information on subsidiaries with material non-controlling interests

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

Summarised income statement

	Oando Energy Resources		Gaslink		Oando Ghana	
	2014	2013	2014	2013	2014	2013
Revenue	64,087,994	19,743,143	26,721,301	23,094,265	3,333,157	5,777,355
Profit before income tax	(53,796,850)	(4,223,450)	5,872,414	6,529,563	(99,185)	28,205
Taxation	599,766	(1,710,085)	(1,954,211)	(2,110,280)	16,107	(10,080)
Profit after taxation	(53,197,084)	(5,933,535)	3,918,203	4,419,283	(83,078)	18,125
Total comprehensive income	**(53,197,084)**	**(5,933,535)**	**3,918,203**	**4,419,283**	**(83,078)**	**18,125**
Non-controlling interest proportion	6.2%	5.4%	2.8%	2.8%	17.1%	17.1%
Profit or loss allocated to non-controlling interests	(3,823,940)	(320,411)	108,142	121,972	(14,206)	3,099
Summarised statement of financial position						
Current:						
Asset	61,454,672	10,389,474	25,565,634	26,700,393	612,353	1,047,634
Liabilities	(246,814,825)	(112,866,363)	(21,250,477)	(17,356,168)	(908,591)	(1,139,780)
Total current net assets	(185,360,153)	(102,476,889)	4,315,157	9,344,225	(296,238)	(92,146)
Non-Current:						
Asset	538,983,136	192,414,006	5,591,876	4,805,386	363,515	273,722
Liabilities	(165,779,604)	(40,485,427)	(2,872,965)	(1,414,644)	(11,190)	-
Total non-current net assets	373,203,532	151,928,579	2,718,911	3,390,742	352,325	273,722
Net assets	187,843,379	49,451,690	7,034,068	12,734,967	56,087	181,576
Accumulated non-controlling interest	11,640,990	2,670,391	194,140	351,485	9,591	31,049
Summarised cash flows						
Cash generated from operations	30,164,011	12,812,226	9,632,181	3,451,761	118,126	28,480
Interest paid	(10,981,331)	(2,399,702)	(2,058,828)	(778,165)	-	-
Income tax paid	(7,180,385)	(798,349)	-	(1,150,222)	(15,128)	(27,127)
Net cash generated from operating activities	12,002,295	9,614,175	7,573,353	1,523,374	102,998	1,353
Net cash used in investing activities	(203,085,134)	(27,040,496)	1,294,659	(57,945)	(161,471)	(99,444)
Net cash used in financing activities	194,535,825	18,664,662	(9,166,062)	265,868	-	-
Net (decrease)/increase in cash and cash equivalents	3,452,986	1,238,341	(298,050)	1,731,297	(58,473)	(98,091)
Cash, cash equivalents and bank overdrafts at beginning of year	2,342,583	729,130	194,418	(1,535,378)	208,828	365,343
Exchange gains/(losses) on cash and cash equivalents	138,947	-	-	-	-	4,276
Cash and cash equivalents at end of year	5,934,516	1,967,471	(103,632)	195,919	150,355	271,528

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Summarised income statement

	CHGC		Oando Togo		Ebony	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Revenue	569,989	502,709	4,229,568	5,865,348	56,500,738	40,430,419
Profit before income tax	99,116	95,950	85,943	132,874	2,127,701	557,558
Taxation	(2,003)	(30,704)	(27,654)	(58,737)	(536,777)	(141,854)
Profit after taxation	97,113	65,246	58,289	74,137	1,590,924	415,704
Total comprehensive income	97,113	65,246	58,289	74,137	1,590,924	415,704
Non-controlling interest proportion	44%	44%	25%	25%	20%	20%
Profit or loss allocated to non-controlling interests	42,730	28,708	14,394	18,308	318,185	83,141
Summarised statement of financial position						
Current:						
Asset	249,553	326,420	1,535,930	2,201,335	20,845,529	15,256,861
Liabilities	(183,542)	(318,694)	(993,145)	(1,675,568)	(18,677,742)	(14,536,866)
Total current net assets	66,011	7,726	542,785	525,767	2,167,787	719,995
Non-Current:						
Asset	214,161	113,635	286,969	252,709	32,487	51,738
Liabilities	(537)	(9,940)	(86,018)	(68,311)	(6,609)	-
Total non-current net assets	213,624	103,695	200,951	184,398	25,878	51,738
Net assets	279,635	111,421	743,736	710,165	2,193,665	771,733
Accumulated non-controlling interest	123,039	49,025	183,660	175,370	438,733	154,347
Summarised cash flows						
Cash generated from operations	(19,647)	311,169	(353,261)	1,207	2,158,318	759,693
Interest paid	(1,495)		-	(377)	(553,473)	(477,641)
Income tax paid	(55,384)	(39,560)	(57,381)	(320)	(142,558)	(78,257)
Net cash generated from operating activities	(76,526)	271,609	(410,642)	510	1,462,287	203,795
Net cash used in investing activities	(86,890)	(97,485)	443,586	(476)	1,141,918	(42,327)
Net cash used in financing activities	71,102	-	-	-	1,633,991	(423,789)
Net (decrease)/increase in cash and cash equivalents	(92,314)	174,124	32,944	34	4,238,196	(262,321)
Cash, cash equivalents and bank overdrafts at beginning of year	189,711	15,587	(588,901)	(4,008)	1,851,635	2,669,899
Exchange gains/(losses) on cash and cash equivalents					-	-
Cash and cash equivalents at end of year	97,397	189,711	(555,957)	(3,974)	6,089,831	2,407,578

Change in ownership interests in subsidiaries that do not result in a loss of control

In 2014, OER exercised the conversion option on borrowing agreements with Oando PLC which resulted in the settlement of the principal amount of $867 million through the issuance of shares and warrants. The $867 million, $14.9 million accrued interest, and $48 million financing fees were exchanged for 650,785,739 common shares of OER and 325,392,869 warrants in favour of Oando Resources Ltd. OER also secured equity financing in the form of a $50 million private placement by investors on February 26, 2014, for which the investor received 35,070,063 common shares of OER and 17,535,031 warrants.

On July 11, 2014, OER completed the acquisition of Medal Oil and satisfied the purchase consideration of $5 million through the issuance of 3,491,082 common shares and 1,745,541 warrants.

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Impact of change in ownership interests in subsidiaries that do not result in a loss of control is as analysed below:

	Group 2014 N'000	Group 2013 N'000
Consideration received from non-controlling interest	-	-
Increase in non-controlling interest	2,861,146	-
Group's loss on deemed disposal	2,861,146	-

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43 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
2014				
Assets per statement of financial position:				
Available-for-sale financial assets	-	-	197,837	197,837
Non-current receivable (excluding operating lease)	-	-	-	-
Trade and other receivables (excluding prepayments)	-	124,406,184	-	124,406,184
Commodity option contracts	55,427,507	-	-	55,427,507
Interest rate swap	-	-	-	-
Foreign currency forwards	-	-	-	-
Embedded derivative in Akute	2,123,947	-	-	2,123,947
Cash and cash equivalents	-	41,634,123	-	41,634,123
	57,551,454	166,040,307	197,837	223,789,598

	Financial instruments at fair value through profit and loss N'000	Other financial liabilities at amortised cost N'000	Total N'000
2014			
Liabilities per statement of financial position:			
Borrowings (excluding finance lease liabilities)	-	473,342,200	473,342,200
Finance lease liabilities	-	-	-
Trade and other payables (excluding derivative financial instruments, accrued expenses and deferred income	-	155,090,839	155,090,839
Interest-rate swap	-	-	-
Commodity derivatives	-	-	-
Convertible options	3,608,768	-	3,608,768
Cross currency	-	-	-
Share warrants	-	-	-
	3,608,768	628,433,039	632,041,807

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

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

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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
2014				
Assets per statement of financial position:				
Available-for-sale financial assets	-	-	197,837	197,837
Non-current receivable (excluding operating lease)	-	14,708,280	-	14,708,280
Trade and other receivables (excluding prepayments)	-	174,574,149	-	174,574,149
Convertible options	1,662,948	-	-	1,662,948
Interest rate swap	-	-	-	-
Cash and cash equivalents	-	2,846,607	-	2,846,607
	1,662,948	192,129,036	197,837	193,989,821

	Financial instruments at fair value through profit and loss N'000	Other financial liabilities at amortised cost N'000	Total N'000
2014			
Liabilities per statement of financial position:			
Borrowings (excluding finance lease liabilities)	-	121,833,745	121,833,745
Trade and other payables (excluding derivative financial instruments, accrued expenses and deferred income	-	119,978,134	119,978,134
Interest rate swaps	-	-	-
Convertible options	3,608,768	-	3,608,768
Cross currency interest rate swaps	-	-	-
	3,608,768	241,811,879	245,420,647

	Financial instruments at fair value through profit and loss N'000	Loans and receivables N'000	Available-for-sale N'000	Total N'000
2013				
Assets per statement of financial position:				
Available-for-sale financial assets	-	-	183,930	183,930
Non-current receivable (excluding operating lease)	-	19,355,333	-	19,355,333
Trade and other receivables (excluding prepayments)	-	123,343,383	-	123,343,383
Convertible options	1,582,989	-	-	1,582,989
Interest rate swap	4,933	-	-	4,933
Cash and cash equivalents	-	1,813,399	-	1,813,399
	1,587,922	144,512,115	183,930	146,283,967

	Financial instruments at fair value through profit and loss N'000	Other financial liabilities at amortised cost N'000	Total N'000
2013			
Liabilities per statement of financial position:			
Borrowings (excluding finance lease liabilities)	520,656	43,484,394	44,005,050
Trade and other payables (excluding derivative financial instruments, accrued expenses and deferred income	-	109,081,976	109,081,976
Cross currency interest rate swaps	539,964	-	539,964
	1,060,620	152,566,370	153,626,990

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44 Upstream activities

Details of upstream assets

	Mineral rights acquisition N'000	Land and building N'000	Expl. costs and producing wells N'000	Production Well N'000	Oil and gas properties under development N'000	Other fixed assets N'000	Total N'000
Opening NBV 1 January 2013							-
Opening net book amount	4,236,732	24,710	2,702,074	8,332,150	10,064,554	423,150	25,783,370
Decommissioning costs	-	-	-	-	1,137,078	-	1,137,078
Additions	644,097	-	258,291	7,910,381	8,239,712	123,727	17,176,208
Transfers	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	(2,598)	(2,598)
Impairments	-	-	-	-	-	-	-
Depreciation charge	(558,746)	-	(9,021)	(2,354,834)	(1,435,338)	(20,954)	(4,378,893)
Exchange difference	(209,870)	(118)	(140,419)	(27,120)	(16,923)	(935)	(395,385)
Reclassification from intangible asset (Note 16)	477,504	2,785	304,539	939,080	1,134,332	47,691	2,905,931
Reclassification	626,950	869	6,498,846	(3,040,978)	(1,153,813)	(255,590)	2,676,284
Year ended 31 December 2013	**5,216,667**	**28,246**	**9,614,310**	**11,758,679**	**17,969,602**	**314,491**	**44,901,995**
Opening NBV 1 January 2014							
Opening net book amount	5,216,667	28,246	9,614,310	11,758,679	17,969,602	314,491	44,901,995
Decommissioning costs	-	-	-	-	(5,983,870)	-	(5,983,870)
Additions	-	-	234,902	10,390,678	16,013,935	124,099	26,763,614
Business acquisition	-	-	-	110,091,693	-	259,141	110,350,834
Transfer from E&E	-	-	-	36,104,905	-	-	36,104,905
Impairments	(945,226)	-	(666,438)	-	(8,591,991)	(1,829)	(10,205,484)
Depreciation charge	(559,114)	-	(58,138)	(10,348,137)	(3,608,879)	(56,898)	(14,631,166)
Exchange difference	715,680	5,385	1,752,089	22,161,082	2,173,506	102,747	26,910,489
Year ended 31 December 2014	**4,428,007**	**33,631**	**10,876,725**	**180,158,900**	**17,972,303**	**741,751**	**214,211,317**

Joint arrangements

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

Subsidiary	License	Operator	Working/ Participating interest	Location	License type	Expiration date	Status
Oando OML 125 & 134 Limited	OML 125	NAE	15%	Offshore, Nigeria	PSC	July 4 2023	Producing
Oando OML 125 & 134 Limited	OML 134	NAE	15%	Offshore, Nigeria	PSC	July 4 2023	Not producing
Oando Production and Development Company Limited	OML 56	Energia	45%	Onshore, Nigeria	JV	Jan 31, 2026	Producing
Oando Akepo Limited	OML 90	Sogenal	40%	Offshore, Nigeria	JV	Mar 14 2015	Not producing
Oando Equator JDZ Block 2 Limited	JDZ Block 2	Sinopec	9%	Offshore, Nigeria	PSC	Mar 13 2034	Not producing
Oando Equator Exploration Nigeria OML 122 Limited	OML 122	Peak	Finance and Service agreement with Operator	Offshore, Nigeria	PSC	Sep 13 2021	Not producing
Oando Equator Exploration Nigeria 323 Limited	OPL 323	Korean National Oil Company	30%	Offshore, Nigeria	PSC	Mar 10 2006	Not producing
Oando Equator Exploration Nigeria 321 Limited	OPL 321	Korean National Oil Company	30%	Offshore, Nigeria	PSC	Mar 10 2006	Not producing
Oando Qua Ibo Limited	OML 13	Network Exploration and Production Company Limited	40%	Offshore, Nigeria	JV	Mar 31 2023	Not producing
Oando Hydrocarbons Limited	OML 60	Nigerian Agip Oil Company	20%	Offshore, Nigeria	JV	June 20 2027	Producing
Oando Hydrocarbons Limited	OML 61	Nigerian Agip Oil Company	20%	Offshore, Nigeria	JV	June 20 2027	Producing
Oando Hydrocarbons Limited	OML 62	Nigerian Agip Oil Company	20%	Offshore, Nigeria	JV	June 20 2027	Producing
Oando Hydrocarbons Limited	OML 63	Nigerian Agip Oil Company	20%	Offshore, Nigeria	JV	June 20 2027	Producing
Oando 131 Limited & Medal Oil Company Limited	OML 131	Unitized field with Shell	100%	Offshore, Nigeria	PSC	June 20 2025	Not producing
Oando Deepwater Exploration Nigeria Limited	OML 145	Esso Exploration and Production Nigeria Limited	20%	Offshore, Nigeria	PSC	June 20 2034	Not producing
Equator Exploration STP Block 5 Limited	EEZ Block 5	Equator Exploration Limited	100%	Offshore, Sao Tome and Principe	PSC	May 13 2020	Not producing

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45 Business combinations

(a) COP Acquisition

The Group through OER completed the acquisition of all the issued and authorised shares of Phillips Oil Company Nigeria Limited ("POCNL"); Phillips Deepwater Exploration Nigeria Limited ("PDENL"); and Conoco Exploration and Production Nigeria Limited ("CEPNL") for a cash consideration of N232.6 billion (US$1.5 billion) on July 30, 2014.

POCNL holds 20% non-operating interest in Oil Mining Leases ("OMLs") 60, 61, 62, and 63 as well as related infrastructure and facilities in the Nigerian Agip Oil Company Limited ("NAOC") Joint Venture ("NAOC JV"). The other joint interest owners are the Nigerian National Petroleum Corporation ("NNPC") with a 60% interest and NAOC (20% and operator).

CEPNL holds 95% operating interest in OML 131 located 70 km offshore in water depths of 500m to 1,200m.; the remaining 5% was held by Medal Oil Company Limited ("Medal Oil") prior to July 11, 2014 and PDENL holds 20% non-operating interest in Oil Prospecting License ("OPL") 214 located 110 km offshore in water depths of 800m to 1,800m. The other joint interest owners are ExxonMobil (20% and operator), Chevron (20%), Svenska (20%), Nigerian Petroleum Development Company (15%) and Sasol (5%). In June 2014, the Honourable Minister of Petroleum Resources approved the conversion of OPL 214 to OML 145 for an initial period of 20 years.

(b) Medal Oil acquisition

On July 11, 2014, the Group through OER completed the acquisition of Medal Oil Company Limited, the previous owner of 5% interest in OML 131. Upon completion of the acquisition, OER owns 100% interest in OML 131.

The purchase consideration for the acquisition was N776million (US$5million) satisfied through the issuance of common shares and warrants. Consequently, OER issued 3,491,082 units of its shares, each unit consisting of one common share of the Company and one-half of one warrant to purchase an additional common share at a price of C$2.00 per common share for a period of 24 months from 30 July 2014, being the date on which OER closed the acquisition of the Nigerian upstream oil and gas business of ConocoPhillips.

The purpose of the acquisition is to increase the oil and gas assets of the Group.

Net asset and liabilities acquired

The assets and liabilities acquired in all the entities consist of cash, accounts receivables, property plant and equipment, oil and gas assets and exploration and evaluation assets located in Nigeria. The fair value of the assets and liabilities acquired approximates N75.2 billion (US$484 million) in POCNL, PDENL AND CEPNL and N776m (US$5 million) in Medal Oil.

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

Notes to the consolidated financial statements

For the year ended 31 December 2014

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

	COP N'000	Medal Oil N'000	Total N'000
Consideration paid:			
Purchase price	256,129,500	776,150	256,905,650
Working capital adjustments	29,454,737	-	29,454,737
Net purchase price adjustments[(1)]	11,292,983	-	11,292,983
Purchase price increase[(2)]	4,656,900	-	4,656,900
Interest on unpaid purchase price[(3)]	17,529,037	-	17,529,037
Dividends paid[(4)]	(86,463,110)	-	(86,463,110)
Total considerations transferred	232,600,047	776,150	233,376,197
Recognised amounts of identifiable assets acquired and liabilities assumed:			
Cash and cash equivalents	17,118,609	-	17,118,609
Trade and other receivables	13,711,000	31,046	13,742,046
Indemnification asset[(5)]	9,685,886	-	9,685,886
Inventory	7,745,511	-	7,745,511
Finance lease receivable	30,232,440	-	30,232,440
Property, plant and equipment	110,350,834	-	110,350,834
Exploration and evaluation assets	60,393,629	745,104	61,138,733
Trade and other payables	(23,417,002)	-	(23,417,002)
Tax payable[(5)]	(26,726,014)	-	(26,726,014)
Decommissioning obligations	(9,358,661)	-	(9,358,661)
Deferred tax liability	(114,577,281)	-	(114,577,281)
Total Identifiable assets	75,158,951	776,150	75,935,101
Non-controlling interest	-	-	-
Goodwill	157,441,096	-	157,441,096
	232,600,047	776,150	233,376,197

(1) Relates to cash advances and receipts (excluding dividends) between POCNL, PDENL, CEPNL and its previous owners prior to the closing date.
(2) The purchase price of Philips Oil Company Nigeria Limited, an entity acquired in the COP Acquisition, was increased by N4.66 billion ($30million).
(3) OER was charged interest on the unpaid purchase price from January 1, 2012 to the closing date at LIBOR plus 2%.
(4) A total of N86.46 billion ($557 million) in dividends has been paid to the previous owners of COP between January 1, 2012 and closing date of the COP Acquisition. This has been used to offset the final purchase price.
(5) Included in the Tax payable line are uncertain tax provisions of N9.69 billion ($62.4million) relating to tax contingencies against POCNL which might result into a settlement to the Tax Authorities in Nigeria. In line with the Sale and Purchase Agreement between OER and the previous owners of POCNL, an equal amount has been recognized as an indemnification asset under the Trade and other receivables line in the statement of financial position on the date of acquisition.

Accounting method

Medal oil's acquisition has been accounted for as an asset acquisition with the purchase consideration of N776 million (US$5million) allocated as (a) N745 million (US$4.8million) to exploration and evaluation assets, and; (b) N31 million (US$0.2million) to other assets.

Acquisition of POCNL, PDENL and CEPNL has been accounted for as a business combination with the fair value of the assets acquired and liabilities assumed at the date.

The excess of the consideration transferred over the fair value of the identifiable net assets acquired was recorded as goodwill. The fair value of inventory was determined with reference to the current market price and the number of units of inventory less transportation costs. The fair values of the finance lease receivable, property, plant and equipment and exploration and evaluation assets and decommissioning obligations were calculated using the discounted cash flow method using discount rates ranging from 12% - 15.5%. Deferred taxes were calculated in accordance with IAS 12. The seller has contractually agreed to indemnify OER for uncertain tax provisions of N9.69 billion ($62.4 million) relating to tax contingencies against POCNL which might result into a settlement to the Tax Authorities in Nigeria; an indemnification asset of N9.69 billion ($62.4 million), equivalent to the fair value of the indemnified liability included in tax payable, was recognised by OER on the acquisition date. At December 31, 2014, OER's estimate of the range of outcomes (undiscounted) for the settlement of the indemnity asset was between Nil and N3.3 billion ($21.5 million). This estimate is based on settlements subsequent to year end. The fair values of all other assets and liabilities on the acquisition date were determined with reference to their carrying values. For acquired receivables, the fair values disclosed in the table above approximate the gross contractual amounts receivable except for trade and other receivables which is stated at N357 million ($2.3 million) less than its total gross contractual amount due to an allowance for amounts not expected to be collected. At the acquisition date, OER expected all contractual cash flows associated with acquired receivables to be collected, except the aforementioned N357 million ($2.3 million) trade and other receivables amount.

Notes to the consolidated financial statements

For the year ended 31 December 2014

Acquisition-related costs totaling N14.1 billion (US$84.9 million) have been recognized as an expense in the year ended December 31, 2014 in the income statement, while transaction cost of N10.7 billion (US$58.0 million) associated with the borrowing has been deducted from borrowing obtained to close the acquisition. Goodwill arising on this acquisition relates to the potential upside related tax benefits and opportunities afforded to indigenous oil and gas companies in Nigeria. Goodwill is not deductible for tax purposes.

Impairment assessments were performed on the goodwill amounts above. No impairment loss was recognised during the period.

From the period July 30, 2014 to December 31, 2014, the acquired entities contributed revenues, net of royalties, of N49.7 billion ($299.0 million) and net income before tax for the period of N6.3 billion ($38.1 million) to OER operations. If the acquisition had occurred on January 1, 2014, management estimates for the year ended December 31, 2014, that its pro forma revenues, net of royalties, would have been approximately N98.1 billion ($590.1 million) and net income before tax for the year would have been approximately N27.3 billion ($164.4 million). Proforma net income before tax is defined as profit before tax adjusted for the effect of the impairment loss of N8.5 billion ($51.3 million). Pro forma information disclosed here is not necessarily representative of future performance. The fair values of assets and liabilities recognized are estimates due to the uncertainty of provisional amounts recognized. Amendments may be made to the purchase price equation as the cost estimates and balances are finalized.

The amounts of revenue, net of royalties, since the acquisitionof Medal Oil included in the income statement for the year ended December 31, 2014 was $nil, as the oil and gas properties acquired are in the development or exploration phase. It is impractical to determine the net income in the current reporting period had this transaction closed on January 1, 2014. The effect of retrospective application of IFRS policies is not determinable and requires significant estimates of the amounts and information that are not readily available to the Company.

The Group acquired the companies to increase its upstream activities.

Annual Consolidated Financial Statements and Separate Financial Statement

Value Added Statement

For the year ended 31 December 2014

	2014 N'000	%	2013 N'000	%
Group				
Turnover	424,677,646		449,873,466	
Other Income	68,785,336		5,135,379	
Interest received	7,350,317		5,804,480	
	500,813,299		460,813,325	
Bought in goods and services				
- Local purchases	(512,764,984)		(257,698,700)	
- Foreign purchases	(110,214,042)		(151,949,171)	
Value added	**(122,165,727)**	**100**	**51,165,454**	**100**
Distributed as follows				
Employees				
- To pay salaries and wages and other staff costs	12,966,340	(11)	9,499,057	19
Government				
- To pay tax	17,517,879	(14)	4,481,682	9
Providers of capital				
- To pay dividend	-		-	
- To pay interest on borrowings	38,789,206	(32)	21,637,777	42
Non-controlling interest	(1,266,526)	1	239,716	0
Maintenance and expansion of assets				
- Deferred tax	(9,558,934)	8	907,790	2
- Depreciation	-	0	12,960,053	25
- Retained in the business	(180,613,692)	148	1,439,379	3
Value distributed	**(122,165,727)**	**100**	**51,165,454**	**100**

	2014 N'000	%	2013 N'000	%
Company				
Turnover	14,217,468		5,883,304	
Other Income	15,758,224		5,034,740	
Interest received	1,792,004		7,746,351	
	31,767,696	-	18,664,395	-
Bought in goods and services				
- Local purchases	(101,139,999)		(885,650)	
- Foreign purchases	-		-	
Value added	**(69,372,303)**	**100**	**17,778,745**	**100**
Distributed as follows				
Employees				
- To pay salaries and wages and other staff costs	1,595,757	(2)	521,389	3
Government				
- To pay tax	505,576	(1)	1,055,291	6
Providers of capital				
- To pay dividend	-	-		
- To pay interest on borrowings	29,623,510	(43)	14,194,497	80
Maintenance and expansion of assets				
- Deferred tax	1,066,791	(2)	(622,168)	(3)
- Depreciation	222,509	(0)	233,405	1
- Retained in the business	(102,386,446)	148	2,396,331	13
Value distributed	**(69,372,303)**	**100**	**17,778,745**	**100**

Annual Consolidated Financial Statements and Separate Financial Statement

Five-Year Financial Summary (2010 – 2014)

For the year ended 31 December 2014

	2014 N'000	2013 N'000	2012 N'000	2011 N'000	2010 N'000
GROUP					
Property, plant and equipment	314,042,207	172,209,842	130,324,713	109,479,209	97,892,224
Intangible exploration assets, other intangible assets and goodwill	245,705,184	82,232,746	138,853,809	119,333,366	104,860,339
Deferred income tax assets	12,328,465	4,995,280	13,424,518	9,908,773	6,486,391
Available for sale investments	10,834	14,500	1,000	1,000	1,000
Investments accounted for using the equity method	3,409,413	2,880,478	-	-	-
Deposit for acquisition of a business	-	69,840,000	67,542,450	-	-
Other Non-Current receivables	117,968,942	27,358,945	18,863,930	9,884,972	6,388,010
Net current liabilities	(321,956,182)	(126,873,433)	(161,081,158)	(45,720,711)	(25,712,334)
Assets/(liabilities) of disposal group classified as held for sale	-	23,253,101			
Borrowings	(162,328,636)	(71,872,418)	(75,221,070)	(86,012,291)	(74,800,422)
Deferred income tax liabilities	(148,727,530)	(13,905,217)	(17,207,614)	(16,919,822)	(16,736,310)
Other Non-Current liabilities	(14,945,994)	(7,765,747)	(10,146,050)	(7,189,510)	(4,699,054)
	45,506,703	162,368,077	105,354,528	92,764,986	93,679,844
Share capital	4,542,343	3,411,177	1,137,058	1,137,058	905,084
Share premium	131,554,223	98,425,361	49,521,186	49,521,186	49,042,111
Retained earnings	(153,583,141)	33,937,579	37,142,281	27,658,713	28,152,852
Other reserves	50,521,630	23,217,694	14,412,064	13,376,928	14,567,862
Non controlling interest	12,471,648	3,376,266	3,141,939	1,071,101	1,011,935
	45,506,703	162,368,077	105,354,528	92,764,986	93,679,844
Revenue	424,677,646	449,873,466	650,565,603	571,305,637	378,925,430
Profit before income tax	(175,934,241)	7,711,850	14,177,442	13,885,097	24,318,845
Income tax expense	(7,958,945)	(6,314,924)	(8,666,859)	(11,252,759)	(9,943,879)
Profit for the year	(183,893,186)	1,396,926	5,510,583	2,632,338	14,374,966
Per share data					
Weighted average number of shares	8,698,231	6,226,567	2,268,415	1,734,746	904,884
Basic earnings per share (kobo)	(2,076)	23	126	829	1,132
Diluted earnings per share (kobo)	(1,380)	23	127	0	-
Dividends per share (kobo)	-	30	239	300	300
Net assets per share (kobo)	523	2,608	4,089	5,364	5,836
Dividend cover (times)	-	0.76	0.53	3	3.77

Annual Consolidated Financial Statements and Separate Financial Statement

Five-Year Financial Summary (2010 – 2014)

For the year ended 31 December 2014

	2014 N'000	2013 N'000	2012 N'000	2011 N'000	2010 N'000
COMPANY					
Property, plant and equipment	819,188	925,365	3,022,194	14,086,046	10,581,664
Intangible exploration assets, other intangible assets and goodwill	162,918	105,551	89,096	149,333	298,667
Investments accounted for using the equity method	2,716,431	2,716,431	-		
Deferred income tax assets	-	1,292,116	579,406	492,139	166,895
Available for sale investments	10,834	14,500	1,000	1,000	
Investment in subsidiaries	77,794,091	108,186,115	85,379,020	41,864,743	41,340,432
Other Non-Current receivables	16,415,243	22,186,519	7,739,284	33,762	1,854,462
Net current liabilities	(64,440,832)	(16,214,366)	9,047,548	49,967,079	55,448,094
Assets/(liabilities) of disposal group classified as held for sale	-	10,000	-	-	-
Borrowings	(4,142,857)	(11,942,482)	(45,760,738)	(51,297,182)	(51,000,000)
Deferred income tax liabilities	-	-	-	-	-
Other Non-Current liabilities	(1,032,786)	(1,189,998)	(2,641,954)	(2,565,755)	(669,318)
	28,302,230	106,089,751	57,454,856	52,731,165	58,020,896
Share capital	4,542,343	3,411,177	1,137,058	1,137,058	905,084
Share premium	131,554,223	98,425,361	49,521,186	49,521,186	49,042,111
Retained earnings	(107,794,336)	2,861,024	4,520,486	909,547	1,013,047
Other reserves	-	1,392,189	2,276,126	1,163,374	7,060,654
Non controlling interest	-	-	-		
	28,302,230	106,089,751	57,454,856	52,731,165	58,020,896
Revenue	14,217,468	5,883,304	7,358,881	8,122,502	4,352,005
Profit before income tax	(100,827,986)	2,783,697	4,690,743	1,363,389	5,678,550
Income tax expense	(1,572,367)	(433,123)	(311,297)	10,011	(275,826)
Profit for the year	(102,400,353)	2,350,574	4,379,446	1,373,400	5,402,724
Per share data					
Weighted average number of shares	8,698,232	6,226,566	2,268,415	1,734,746	904,884
Basic earnings per share (kobo)	(2,076)	23	126	829	1,132
Diluted earnings per share (kobo)	(1,380)	23	127	-	-
Dividends per share (kobo)	-	30	239	300	300

Annual Consolidated Financial Statements and Separate Financial Statement

Committee Membership

For the year ended 31 December 2014

Committee Membership during the year ended December 31, 2014

Director	Audit	Governance and Nominations	Risk, Environmental, Health, Safety, Security and Quality	Strategic Planning an Finance
HRM M.A. Gbadebo, CFR	-	-	-	-
J. A. Tinubu	-	-	-	-
O. Boyo	-	-	-	-
O. Adeyemo	-	-	-	-
M. Osunsanya	-	-	-	-
O. Akpata	-	√	√	-
A. Lawan Ali, OON	√	√	-	
S. Anthony	√	√	-	
N. A. Appiah-Korang	-	-	√	√
F. Cuzzocrea	√	-	-	√
K. J. N'jie	-	-	√	√

Attendance at meetings during the year ended 31 December 2014

Names	Board	Audit	Governance and Nominations	Risk, Environmental, Environmental, Health, Safety, Security and Quality	Strategic Planning and Finance
Executive Directors					
J. A. Tinubu	7/7	-	-	-	-
O. Boyo	7/7	-	-	-	-
O. Adeyemo	7/7	-	-	-	-
M. Osunsanya	7/7	-	-	-	-
Non-Executive Directors					
HRM M.A. Gbadebo, CFR	7/7	-	-	-	1/1
O. Akpata	7/7		1/1	2/2	1/1
A. Lawan Ali, OON	7/7	5/5	1/1	-	1/1
S. Anthony	7/7	5/5	1/1	-	1/1
N. A. Appiah-Korang	7/7	-	-	2/2	1/1
F. Cuzzocrea*	7/7	5/5	-	-	1/1
K. J. N'jie	7/7	-	-	2/2	1/1

Shareholder Members of the Audit Committee

K.B. Sarumi*	-	3/3	-	-	-
L.A Shonubi*	-	5/5	-	-	-
F. O. Ijoma*	-	5/5	-	-	-
T.O.Durojaiye	-	2/2	-	-	-

	2013	2014
Manhours	4,570,688	4,464,212
Fatalities	0	0
LTI	0	0
LTIF	0	0
TRCF	0	0
TRIR or TRIF	0.44	0
Environmental Spills	18	11

Annual Consolidated Financial Statements and Separate Financial Statement

Share capital history

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 Share 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

Supplementary information

PROXY FORM

The 38th (Thirty-Eighth Annual General Meeting (the "Meeting") of Oando PLC (the "**Company**") will be held at the Zinnia Hall, Eko Hotel and Suites, Plot 1415, Adetokunbo Ademola Street, Victoria Island, Lagos, Nigeria on **Monday, 7th December, 2015** 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, 2014 and the Reports of the Directors, Auditors and Audit Committee thereon;		
2.	To elect members of the Audit Committee;		
3.	To re-appoint Ernst & Young as Auditors;		
4.	To authorise the Directors of the Company to fix the remuneration of the Auditors;		
5.	To elect Tanimu Yakubu to the Board of Directors of the Company with effect from 30th June, 2015 as a Director whose term expires in accordance with Article 88 of the Article of Association of the Company ("the Articles") but being eligible, offers himself for election.		
6.	To re-elect Mr Omamofe Boyo as a Director		
7.	To re-elect Oghogho Akpata as a Director		
8.	To re-elect Olufemi Adeyemo as a Director		
9.	Resolution 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."		
10.	Resolution 2 To consider, and if approved, to pass with or without modification the following ordinary resolution: That on the recommendation of the directors and in accordance with Article 46 of the Articles of Association of the Company, the Authorised Share Capital of the Company be and is hereby increased from N7,500,000,000 (Seven Billion Five Hundred Million Naira) to N15,000,000,000 (Fifteen Billion Naira) by the creation and addition thereto, of 15,000,000,000 (Fifteen Billion) Ordinary Shares of 50 kobo (Fifty Kobo) each, such new shares to rank pari passu in all respects with the existing Ordinary Shares in the capital of the Company."		
11.	Resolution 3 To consider, and if approved, to pass with or without modification the following special resolution: That Clause 6 of the Memorandum of Association and Article 3 of the Articles of Association of the Company be and are hereby amended to reflect the new authorized share capital of N15,000,000,000 (Fifteen Billion Naira) divided into 30,000,000,000 (Thirty Billion) Ordinary shares of 50 kobo each.		
12.	Resolution 4 To consider, and if approved, to pass with or without modification the following special resolutions: Further to the approval of shareholders given at the 32nd Annual General Meeting held 30th July, 2009 and the 37th Annual General Meeting held 27th October, 2014, the Board of Directors of the Company be hereby authorized to reorganize and/or divest any and/or all of the Company's shareholding and investments in the downstream business by way of sale, transfer and/or any other form of disposition, which the directors resolve to be in the best interest of the Company subject to the approvals of relevant regulatory authorities. The Board of Directors of the Company be hereby authorised to appoint such professional advisers and other parties to the contemplated transactions and perform all such other acts and do all such other things as may be necessary for and/or incidental to effecting the above resolution."		
13.	Resolution 5 To consider, and if approved, to pass with or without modification the following special resolutions: The Board of Directors of the Company be hereby authorized to reorganize and/or divest any and/or all of the Company's shareholding and investments in the gas and power business by way of sale, transfer and/or any other form of disposition, which the directors resolve to be in the best interest of the Company subject to the approvals of relevant regulatory authorities. The Board of Directors of the Company be hereby authorised to appoint such professional advisers and other parties to the contemplated transactions and perform all such other acts and do all such other things as may be necessary for and/or incidental to effecting the above resolution.		
14.	Resolution 6 To consider, and if approved, to pass with or without modification the following special resolutions: The Board of Directors of the Company be hereby authorized to reorganize and/or divest any and/or all of the Company's shareholding and investments in the Energy Services Business by way of sale, transfer and/or any other form of disposition, which the directors resolve to be in the best interest of the Company subject to the approvals of relevant regulatory authorities. The Board of Directors of the Company be hereby authorised to appoint such professional advisers and other parties to the contemplated transactions and perform all such other acts and do all such other things as may be necessary for and/or incidental to effecting the above resolution."		

S/N	Proposed resolution	For	Against
15.	Resolution 7 To consider, and if approved, to pass with or without modification the following special resolutions: That the Directors be and are hereby authorized to undertake an offer by way of rights issue of up to N80,000,0000 (Eighty Billion Naira) in the ratio and terms, conditions and dates to be determined by the Directors, subject to obtaining the approvals of relevant regulatory authorities. Pursuant to the authority to undertake the rights issue referred to in paragraph 7.1 above, the Directors be and are further authorized to underwrite the issue on such terms and conditions as they deem fit; Further to Paragraph 7.2 above, the shareholders hereby waive their pre-emptive rights to any unsubscribed shares under the rights issue in the event of an under-subscription.		
16.	Resolution 8 To consider, and if approved, to pass with or without modification the following special resolutions: That the Company's issued share capital be increased by up to N40,000,000,000 (Forty Billion Naira) through the issuance of shares out of the unissued share capital of the Company for the purposes of corporate restructuring, settlement of debts, employees and executive compensation on such terms and conditions and for such other purpose which the Directors resolve to be in the best interest of the Company subject to obtaining the approvals of relevant regulatory authorities. The Directors be and are hereby authorized to enter into any agreements and or execute any other documents necessary for and incidental to effecting resolution (8.1) above; The Directors be and are hereby appoint such professional and other parties and perform all such other acts and do all such other things as may be necessary for and/or incidental to effecting the above resolutions."		

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 38TH (THIRTY-EIGHTH) ANNUAL GENERAL MEETING TO BE HELD AT THE ZINNIA HALL, EKO HOTEL AND SUITES, PLOT 1415, ADETOKUNBO ADEMOLA STREET, VICTORIA ISLAND, LAGOS, NIGERIA

on Monday, 7th December, 2015 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**

Unclaimed Dividends

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.

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

Contact details

HEAD OFFICE
2, Ajose Adeogun Street, Victoria Island
Lagos, Nigeria
Tel: 234-1-2702400;
E-mail: info@oandoplc.com
Website: www.oandoplc.com

SOUTH AFRICA OFFICE
Mettle House
32 Fricker Road
Illovo
Johannesburg
South Africa
Tel: 011 268 6235

GROUP LIASION OFFICE
Oando Ltd
First Floor
50 Curzon Street
W1J 7UW
London
Tel: 44-207-297-4280-7
Fax: 44-207-499-5375

OANDO MARKETING
2, Ajose Adeogun Street, Victoria Island
Lagos, Nigeria
Tel: 234-1-2601290-9; 27002400
E-mail: info@oandoplc.com
Website: www.oandoplc.com

ABUJA AREA OFFICE
Plot 252,
Central Business District
Opp. NNPC Towers
Federal Capital Territory
Abuja, Nigeria
234-9-5235458-9

OANDO TRADING LIMITED
Trott & Duncan Building
17A, Brunswick Street
Hamilton, HM 10
Bermuda
Tel: +441 297 4407
Fax: +441 297 4402

OANDO GAS & POWER
2, Ajose Adeogun Street, Victoria Island
Lagos, Nigeria
Tel: 234-1-2702794-5
Fax: 234-1-2713403

OANDO ENERGY SERVICES
2, Ajose Adeogun Street, Victoria Island
Lagos, Nigeria
Tel: 234-1-2622311-4
Fax: 234-1-2622311

OANDO ENERGY RESOURCES
Suite 1230, Sunlife Plaza
112 4th Avenue SW
T2P 0H3, Calgary
Canada

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

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

OANDO (TOGO) S.A.
142, Rue 42 Enface De L'Hotel
Sakarawa Ablogame
Lome, Togo
Tel: 228-227-59-46, 227-04-22

PLANTS/TERMINALS
APAPA TERMINAL
Terminal Office
Kayode Street
Marine Beach
Apapa, Lagos
Tel: 234-1-5870218

LAGOS AVIATION TERMINAL
Oando Aviation
Muritala Mohammed Local Airport
Opposite Aero Contractors
Ikeja, Lagos
Nigeria

ABUJA AVIATION TERMINAL
Oando Aviation
Behind Julius Berger Yard
Nnamdi Azikwe International Airport
Abuja

BITUMEN PLANT
C/O Oando Div. Office
Reclamation Road
Port Harcourt
Rivers State
Nigeria

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

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

Statement

This document does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Oando Plc (the "Company") shares or other securities.

This document includes certain forward looking statements with respect to certain development projects, potential collaborative partnerships, results of operations and certain plans and objectives of the Company including, in particular and without limitation, the statements regarding potential sales revenues from projects, both current and under development, possible launch dates for new projects, and any revenue and profit guidance. By their very nature forward looking statements involve risk and uncertainty that could cause actual results and developments to differ materially from those expressed or implied. All forward looking statements in this document are based on information known to the Company on the date hereof. The Company will not publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.
Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

All estimates of reserves and resources are classified in line with NI 51-1-1 regulations and Canadian Oil & Gas Evaluation Handbook standards. All estimates are from Independent Reserves Evaluator Report dated 31st December 2014.

BOEs [or McfGEs, or other applicable units of equivalency] may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 bbl [or an McfGE conversion ratio of 1 bbl: 6 Mcf"] is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Reserves: Reserves are volumes of hydrocarbons and associated substances estimated to be commercially recoverable from known accumulations from a given date forward by established technology under specified economic conditions and government regulations. Specified economic conditions may be current economic conditions in the case of constant price and un-inflated cost forecasts (as required by many financial regulatory authorities) or they may be reasonably anticipated economic conditions in the case of escalated price and inflated cost forecasts.

Possible Reserves: Possible reserves are quantities of recoverable hydrocarbons estimated on the basis of engineering and geological data that are less complete and less conclusive than the data used in estimates of probable reserves. Possible reserves are less certain to be recovered than proved or probable reserves which means for purposes of reserves classification there is a 10% probability that more than these reserves will be recovered, i.e. there is a 90% probability that less than these reserves will be recovered. This category includes those reserves that may be recovered by an enhanced recovery scheme that is not in operation and where there is reasonable doubt as to its chance of success.

Proved Reserves: Proved reserves are those reserves that can be estimated with a high degree of certainty on the basis of an analysis of drilling, geological, geophysical and engineering data. A high degree of certainty generally means, for the purposes of reserve classification, that it is likely that the actual remaining quantities recovered will exceed the estimated proved reserves and there is a 90% confidence that at least these reserves will be produced, i.e. there is only a 10% probability that less than these reserves will be recovered. In general reserves are considered proved only if supported by actual production or formation testing. In certain instances proved reserves may be assigned on the basis of log and/or core analysis if analogous reservoirs are known to be economically productive. Proved reserves are also assigned for enhanced recovery processes which have been demonstrated to be economically and technically successful in the reservoir either by pilot testing or by analogy to installed projects in analogous reservoirs.

Probable Reserves: Probable reserves are quantities of recoverable hydrocarbons estimated on the basis of engineering and geological data that are similar to those used for proved reserves but that lack, for various reasons, the certainty required to classify the reserves are proved. Probable reserves are less certain to be recovered than proved reserves; which means, for purposes of reserves classification, that there is 50% probability that more than the Proved plus Probable Additional reserves will actually be recovered. These include reserves that would be recoverable if a more efficient recovery mechanism develops than was assumed in estimating proved reserves; reserves that depend on successful work-over or mechanical changes for recovery; reserves that require infill drilling and reserves from an enhanced recovery process which has yet to be established and pilot tested but appears to have favorable conditions.

Oando RC 6474

...the energy to inspire

Oando PLC

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Lagos, Nigeria

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