Oando RC 6474

...the energy to inspire

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.

Annual Report & Accounts **2013**

www.oandoplc.com

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

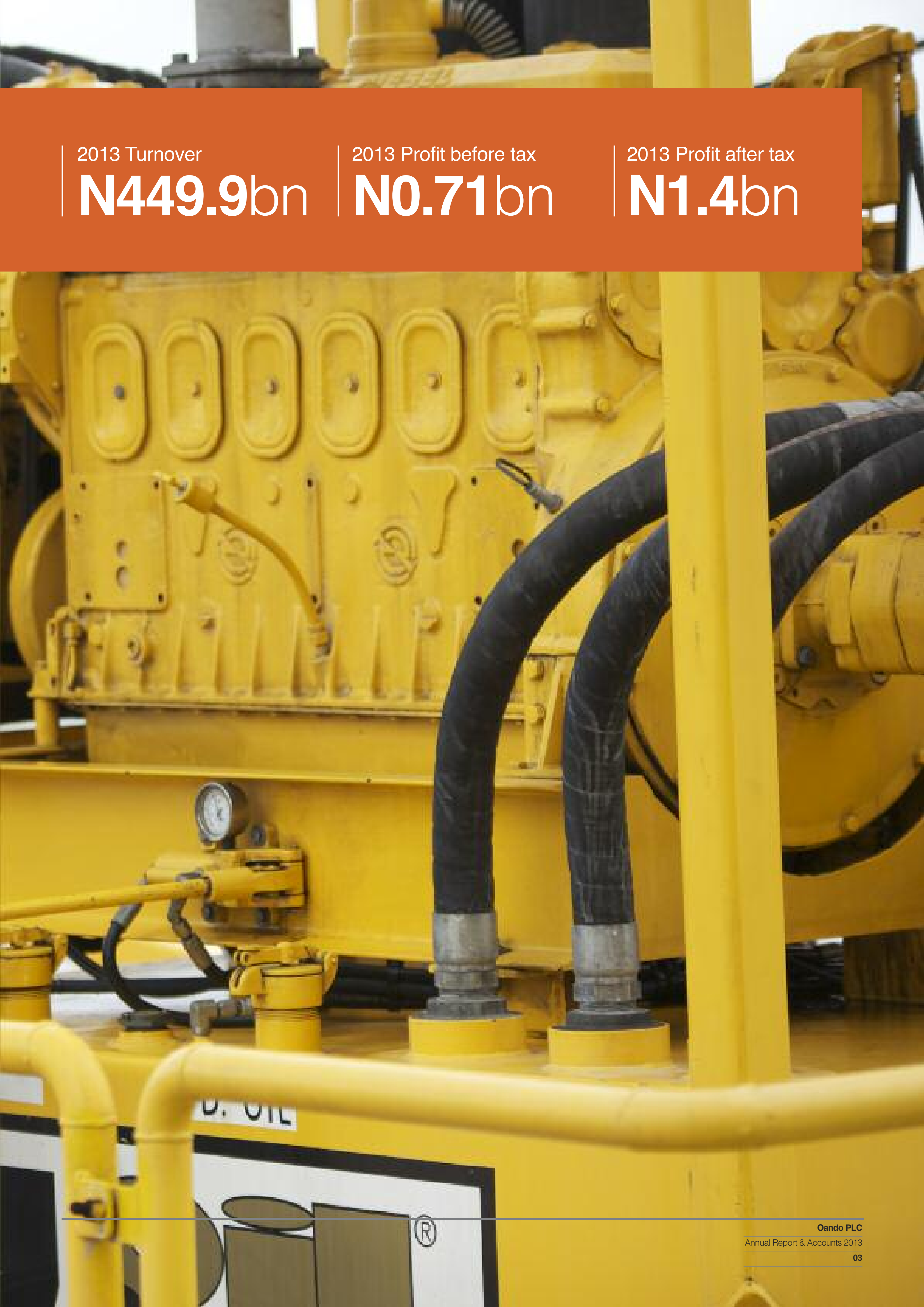
Vision

To be the premier company driven by excellence

Mission

To be the leading Integrated energy solutions provider

www.oandoplc.com



2013 Turnover
N449.9bn

2013 Profit before tax
N0.71bn

2013 Profit after tax
N1.4bn

Strategic Report

Leadership at all levels

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

Upstream

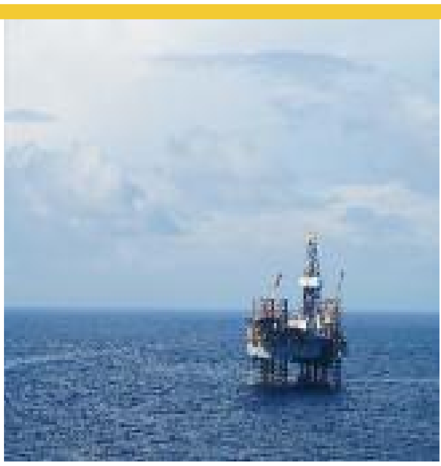
Oando holds interests in 9 licenses for the exploration, development and production of oil and gas assets located in the onshore, swamp and offshore. Our primary task is to optimally harness the potential of our existing portfolio.

Midstream

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.

Downstream

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.



Exploration & Production

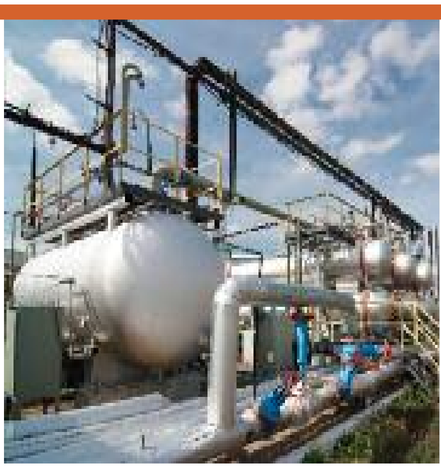
No.1

The leading indigenous exploration and production company in Nigeria.

Energy Services

No.1

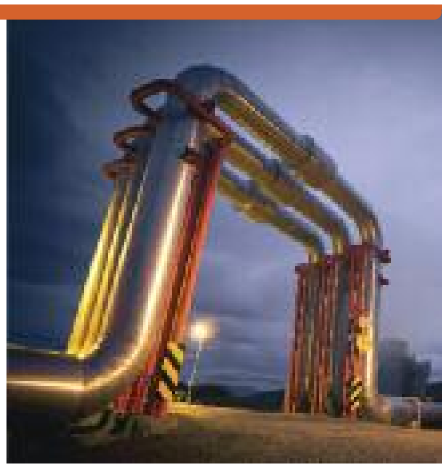
Delivering world class swamp drilling service solutions through technical leadership.



Gas & Power

No.1

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



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.

Strategic Report

Operating at all levels

Company overview: With shared values of Teamwork, Respect, Integrity, Passion and Professionalism (TRIPP), the Oando Group comprises three divisions, Each division comprises companies who are leaders in their respective markets.

U

Upstream:

- Oando Energy Resources
- Oando Energy Services

M

Midstream:

- Oando Gas & Power

D

Downstream:

- Oando Marketing
- Oando Supply & Trading
- Oando Terminals and Logistics

Exploration & Production

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

Energy Services

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

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.

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 Report

Building a balanced portfolio

U

EXPLORATION & PRODUCTION

Oando Energy Resources Inc. (OER)

Key Strengths:

- 4.3 kboed daily production.

Key Assets

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

ENERGY SERVICES

Oando Energy Services (OES)

Key Strengths:

- Largest swamp rig fleet operator in Nigeria

Key Assets

- 4 swamp rigs

M

GAS & POWER

Oando Gas & Power (OGP)

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

233km
gas distribution pipeline

D

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.

15%

market share in PMS importation into Nigeria


U
Oando

Exploration & production

Oando Energy Resources Inc. (OER): A leading E & P company with a portfolio consisting of 9 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 government ongoing asset bid rounds, create opportunities for indigenous independents to acquire valuable reserves, resources and increase production capacity.

9 licenses

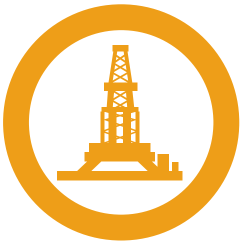
for the exploration, development and production of oil and gas assets

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.

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.

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

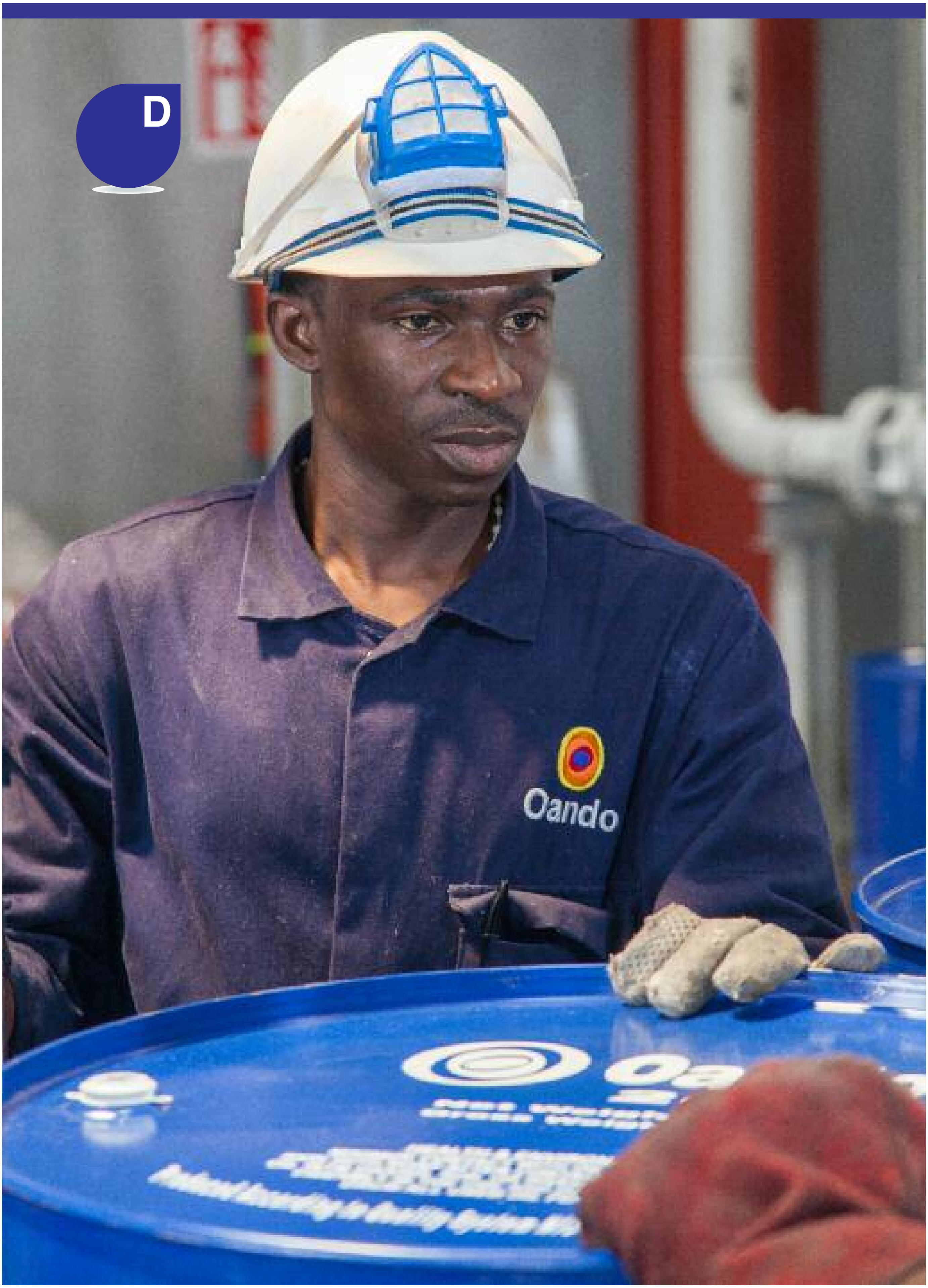
OGP continues to focus on aggressively developing Nigeria's domestic natural gas infrastructure and leveraging the same towards becoming a leading gas and power provider to the last-mile customers. We have made significant investments by developing a 228km gas pipeline grid as part of Nigeria's expanding 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.


D
Oando

Marketing

Oando Marketing PLC (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

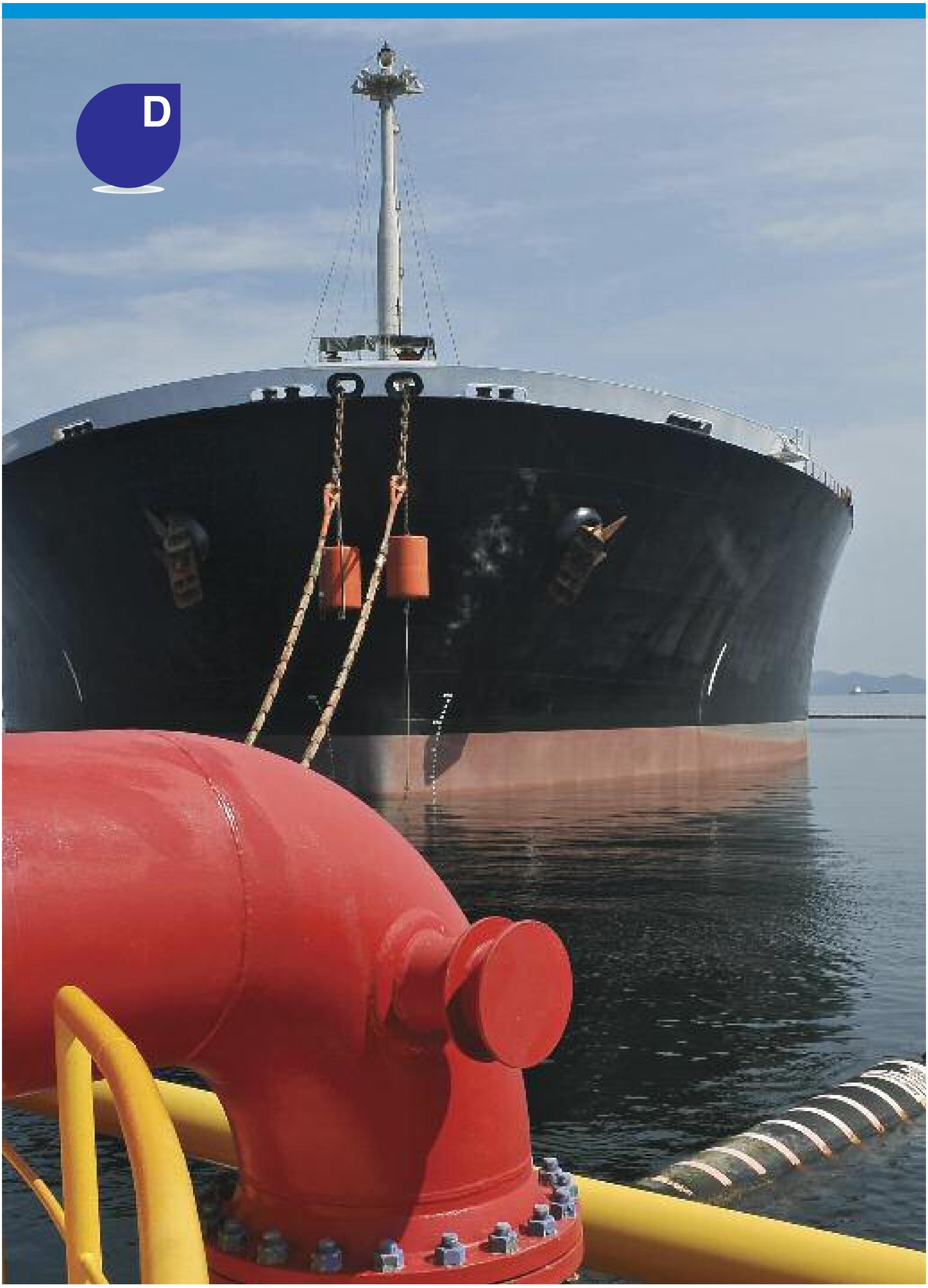
A unique service that guarantees the effective supply of diesel (AGO) and lubricants to mid-sized companies with multiple operating sites across the country.

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.


D

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.

Overview

OST's business activities covers the trading of crude to refineries worldwide and Africa respectively. 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

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 Report

Directors and professional advisers

Oando's general policies are determined by a Board of Directors drawn from different facets of the society. The Board members are 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 Chief Financial Officer

Mr Mobolaji Osunsanya
Group Executive Director

Mr Oghogho Akpata
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

Francesco Cuzzocrea
Non-Executive Director

Engr Yusuf Kebba Jarga N'jie
Independent Non-Executive Director

Professional advisers

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

PricewaterhouseCoopers
252E, Muri Okunola Street
Victoria Island, 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
- BNP Paribas, Paris
- Citibank Nigeria Limited
- Citibank UK
- Diamond Bank Plc
- Ecobank Plc
- Enterprise Bank Limited
- Fidelity Bank Plc
- First Bank of Nigeria Plc
- First City Monument Bank Plc
- First Securities Discount House Limited
- Guaranty Trust Bank Plc
- Heritage Banking Company Limited
- Kakawa Discount House Limited (KDH)
- Keystone Bank Limited
- Mainstreet Bank Limited
- Natixis Bank
- Stanbic IBTC Bank Plc
- Standard Bank London
- 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

NOTICE OF 37th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 37th (Thirty–Seventh) Annual General Meeting (the "Meeting") of Oando PLC (the "Company") will be held at Shell Nigeria Hall, The Muson Center, 8/9 Marina, Onikan, Lagos, Nigeria on Monday, October 27, 2014 at 10:00 a.m. for the purposes of:

1. **Transacting the following ordinary business:**

   1.1. To receive the audited financial statements of the Company and of the Group for the year ended December 31, 2013 and the Reports of the Directors, Auditors and Audit Committee thereon;
   1.2. To declare a dividend of ₦0.30 kobo recommended by the Directors of the Company for the year ended December 31, 2013;
   1.3. To consider and, if thought fit, pass the following Ordinary Resolution of which special notice has been given, without amendment:
   "THAT Messrs PricewaterhouseCoopers, the retiring auditors of the Company shall not be and are hereby not re-appointed at the said Annual General Meeting and in their stead Messrs Ernst & Young be and are hereby appointed auditors of the Company."
   1.4. To authorise the Directors of the Company to fix the remuneration of the Auditors;
   1.5. To elect Mr. Francesco Cuzzocrea to the Board of Directors of the Company with effect from July 25, 2013 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 the following Directors who in accordance with Articles 91 and 93 of the Company's Articles of Association retire by rotation, but are eligible and offer themselves for re-election :
   - Ammuna Lawan Ali, OON
   - Mobolaji Osunsanya
   - Engr. Yusuf Kebba Jarga N'jie

   1.7. To elect members of the Audit Committee;

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

   2.1. To consider, and if approved, to pass, with or without modification, the following ordinary resolution to fix the remuneration of the Non-Executive Directors:
   "It is hereby resolved that the fees, payable quarterly in arrears remain ₦5,000,000 per annum for the Chairman and ₦4,000,000 per annum, for all other Non-Executive Directors."
   2.2 To Consider, and if approved, to pass with or without modification the following ordinary resolution:
   1. "Further to the approval of shareholders given at the 32nd Annual General Meeting held July 30, 2009, the Board of Directors of the Company be hereby authorised to reorganise 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.
   2. The Board of Directors of the Company be hereby authorized 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 resolutions."

Re-election of Director aged 70 years or more
In accordance with Section 256 of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria, 2004 ("**CAMA**"), special notice is hereby given that HRM Oba M. A. Gbadebo, who attained the age of 70 years in September 2013, will be proposed as a Director for re-election at the Meeting.

Voting and Proxies
On a show of hands, every member present in person or by proxy shall have one vote, and on a poll, every member shall have one vote for each share of which he is the holder.
A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote 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 proxy form in accordance with the instructions contained in the proxy from 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.

Dividend Payment
If the dividend recommended is declared and approved, dividends due to shareholders (whose names appear in the Company's register of members in Nigeria and South Africa as at the close of business on September 30, 2014) will on November 17, 2014, be electronically transferred to shareholders' bank accounts, posted to them, or be credited to their CSDP accounts or brokers.

Closure of Register of Members
The Register of Members and Transfer Books of the Company (Nigerian and South African) will be closed between October 2, 2014 and October 3, 2014 (both days inclusive) in terms of the provisions of Section 89 of CAMA.

E-Dividend
Notice is hereby given to all shareholders to open bank accounts, for the purpose of timely receipts of dividends. A detachable e-dividend form is attached to Oando PLC's 2013 Annual Report and Accounts to enable all shareholders furnish the Registrars with particulars of their accounts as soon as possible.

E-Report
In order to improve delivery of statutory Company information, we have inserted a detachable electronic delivery mandate form to Oando PLC's 2013 Annual Report and Accounts, and hereby request shareholders who wish to receive annual reports and other statutory reports of the Company in an electronic format via email to complete and return the form to the Registrars or the Chief Compliance Officer and Company Secretary.

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.

Dated 26th September, 2014

By the Order of the Board

Ayotola Jagun (Ms.)
Chief Compliance Officer & Company Secretary

Registered Office
(7th – 10th Floor)
2 Ajose Adeogun Street
Victoria Island, Lagos, Nigeria

Corporate Governance

Chairman's statement

The year 2013 commenced brightly with an oversubscribed N54.6 billion Rights Issue exercise which concluded in February. The success of the Rights Issue re-affirms investor's belief in our strategy of growing our higher-margin upstream business, whilst also optimizing our balance sheet. The rewards are at the cusp of being reaped as our upstream business, Oando Energy Resources, has today emerged as Nigeria's leading indigenous hydrocarbon producer.

In the Upstream division, OER has made significant progress in organic development with successful drilling campaigns during the course of the year. Production from the Abo field within OML 125 averaged 3,321 bbl/d light oil (net Working Interest) in 2013 as we successfully drilled 3 wells to maintain production levels. Significant progress was made in the construction of an alternative 45,000 bbls/d, 51km pipeline which will provide another evacuation route through the Trans Forcados export pipeline; completion is expected before the end of 2014. In addition to this, two wells were drilled – Ebendo 5 and 6 as we grew our oil production within OML 56. We continue to make significant progress in bringing the Akepo and Qua Ibo fields into first oil.

46.711 kboed

daily production

We are being proactive in creating value as we explore efficient channels to increase our margins and add value to the sector, with the completion of our subsea Apapa jetty.

OES took delivery of its' fourth swamp drilling rig, RESPECT, in Q4 2013, with anticipated daily rig rates of $100,000 a day. The INTEGRITY rig celebrated 4 years without Lost Time to Injury (LTI), signifying our commitment to world class operating standards, with the proactive use of our EHSSQ and operational processes.

In the midstream division, we commissioned the Alausa Independent Power Plant in Q4 2013, thus growing our power generation capacity by 10.4MW, and expected contributions of N1.2 billion in annual EBITDA. We also successfully commissioned a 5 mmscf/day Compressed Natural Gas facility which will act as a precursor for gas customers pending the construction of the GL4 pipeline expansion in Lagos; this pipeline expansion will increase the pipeline's overall capacity by 30mmscf/day. These recent developments prove that despite the strategic sale of our 128km pipeline in Southern Nigeria, our gas and power business continues to grow and contributes significantly to the Group's overall performance.

As downstream players continue to battle delayed subsidy payments from the Federal Government, we are being proactive in creating value as we explore efficient channels to increase our margins and add value to the sector, with the completion of our subsea Apapa jetty. This will contribute to our net profit through tolling fees and will result in substantial cost savings on imports. We are also focusing on increasing our product diversity and geography across Africa, with supplies into new markets and countries.

The year 2014 is beginning to reap the rewards of the strategic initiatives employed in the preceding year. We have successfully cemented our leading status as Nigeria's premier indigenous E&P player, whilst also growing the midstream business and re-focusing the pioneer downstream business. In a challenging operating environment, evolution remains paramount and we still continue to work diligently to stay ahead of our peers, whilst creating value to our esteemed shareholders.

Thank you

HRM Oba Michael A. Gbadebo, CFR
Chairman

Financial highlights

Turnover
(N'000)

2011	571,305,637
2012	650,565,603
2013	**449,873,466**

Total Revenue
N449.9bn

U **Upstream**
N41.5bn

M **Midstream**
N24.8bn

D **Downstream**
N382.8bn

Profit after tax
(N'000)

2011	2,632,338
2012	10,786,317
2013	**1,396,926**

Basic earnings per 50k share
(Naira)

2011	1.26
2012	4.07
2013	**0.23**


Oando

Business review


OES RESPECT

Business Review

Group chief executive's report

It is with great pleasure that I present your company's operational and financial performance in 2013. Despite the challenges faced in 2013 we came closer to realising our dreams of being a leader in the local upstream sector, in terms of production, reserves and operational activities. In that regard, I am proud to inform you that the $1.65 bn acquisition of Conoco Phillips' Nigerian business places your company as the leading indigenous oil and gas company, second only to the International Oil Companies producing in Nigeria. The company also received a balance sheet revitalisation with 2 successful capital raising outings, which totalled $550 million, utilized for Upstream asset acquisition and working capital.

As we celebrate our upstream achievements, our dedication to our integrated business model remains resolute. We will continue to leverage scale, diversity and market leadership to consistently deliver in the face of our challenging operating environment.

In the midstream, our gas and power division commissioned two major projects; a 10.4 MW Independent Power Plant supplying power to the Alausa secretariat and a Compressed Natural Gas (CNG) Mother Station built to provide gas solutions to commercial customers outside our pipeline network.

Our downstream division made significant progress in the construction of its Apapa Single Port Mooring (ASPM) Jetty, which will increase the vessel delivery capacity and off-loading efficiency of petroleum products in Lagos. The company also completed a 30KT per annum Lubricant Blending & filling plant in Apapa Lagos.

10.4MW

independent Power Plant

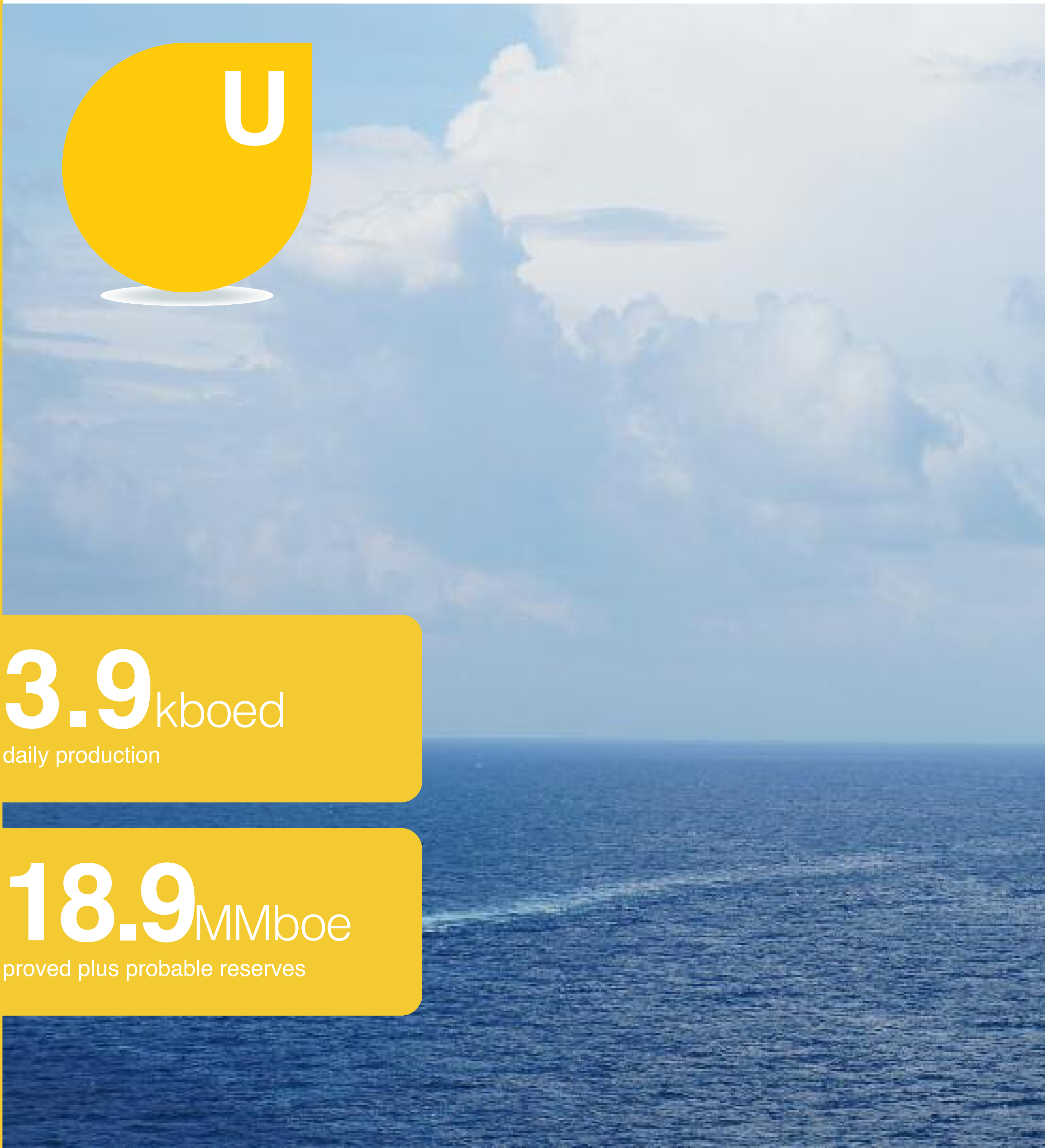
As we celebrate our upstream achievements, our dedication to our integrated business model remains resolute. We will continue to leverage scale, diversity and market leadership to consistently deliver in the face of our challenging operating environment.

30kt

per annum Lubricant Blending & filling plant

Exploration & production values

Upstream operations: Oando holds interests in 9 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.



3.9kboed
daily production

18.9MMboe
proved plus probable reserves

Oando Energy Resources Inc. (OER)

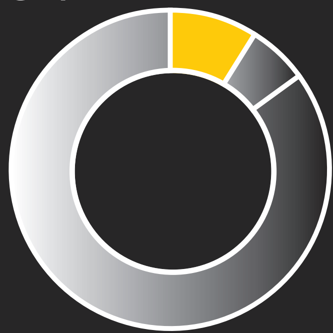
A leading E&P company with a portfolio consisting of oil and gas assets situated in the Gulf of Guinea. The Company is listed on the Toronto Stock Exchange in Canada and has local operating capacity partnering, with both indigenous and international oil companies.

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.

Upstream total revenue

9%



Turnover	**N41.5bn**
Gross profit	**N25.7bn**
Operating profit	**N9.9bn**
Loss after tax	**N6.7bn**

Business Review

Oando Energy Resources (OER)

Oando Energy Resources (OER) is one of Africa's leading exploration and production Companies, listed on the Toronto Stock Exchange, with a current market capitalization of US$1,211 Million.

OER Financial Highlights 2013

OER Turnover of
N19.8bn

OER EBITDA
N8.2bn

OER PAT
(N5.6)bn

The Company has successfully built a vast portfolio of oil and gas assets in selected African basins in partnership with both Nigerian and Multinational companies. OER holds interests in 9 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 optimisation 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.

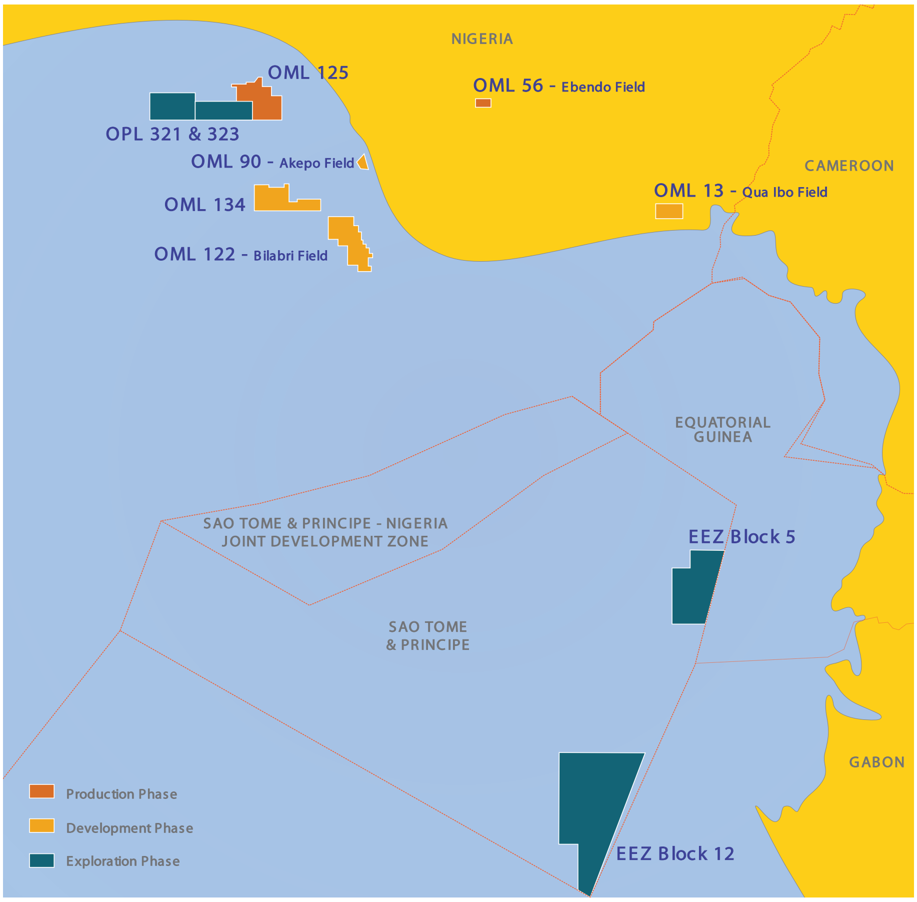
2013 Economic Review:

Global primary energy consumption increased by 2.3% in 2013, compared to 1.8% in 2012, with growth accelerations for oil, coal, and nuclear power. However, global growth remained below the 10-year average of 2.5%. Growth was below average for all regions except North America. Oil remains the world's leading fuel, with 32.9% of global energy consumption.

Emerging markets continued to provide a large proportion of the world's crude oil demand growth, with demand for the first quarter of 2013 up 1.4 mb/d on the previous year. Emerging markets accounted for 80% of the increase in global energy consumption. The EIA forecasted non-OECD oil demand exceeding that of OECD nations for the first time in April 2013.

38.15MMboe

best estimate contingent resources



Global oil production did not keep pace with the growth in global consumption, rising by just 560,000 b/d or 0.6%, with the U.S recording the largest growth in production.

In Nigeria, yet another year has elapsed with no resolution to the uncertainty and the risk of stagnation facing the Country's oil industry. The Petroleum Industry Bill (PIB) remains in gridlock, whilst there are positive signs that the next licensing round will finally be held in 2014.

Onshore divestments by the International Oil Companies have remained the driving force for growth in indigenous participation in the industry. Domestic production is expected to rise due to the divestment trend strengthening local firms.

Business Review

OER 2013 asset profiles

OML 125 Abo

Participating interest	**15%**
JV partner	**Nigeria Agip Exploration**
Gross reserve	**44 mmbbls**
Gross contingent resources	**18.1 mmbbls of oil 96.8 Bcf of gas**
2013 gross production	**8.07 mmbbls**

Background

Oando Energy Resources ("OER") owns a 15% participating interest in OML125, which it acquired in 2008 from Nigeria Agip Exploration ("NAE"). The block is operated by NAE and located in Nigeria's deep offshore segment with an acreage size of 1,983 km2.

Production from the Abo field within OML 125 averaged 3,321 bbl/d light oil (net WI) in 2013, as against 3,473 bbl/d, representing an 11% decline compared to the previous year. The OER total production attributable for its interest was 1.21 mmbbls. The Abo field produces through a floating production, storage and offloading ("FPSO") vessel with oil capacity of 40,000 bbls/d, gas production capacity of 114 MMscf/d and a water production capacity of 9 Mbbl/d. The FPSO also has capacity to re-inject up to 30 Mbbls/d of water and 12 MMscf/d of gas and a total storage capacity of 993,000 bbls.

Capital Projects

During Q1, 2013, NAE, together with the Company, completed the work-over of the Abo 9 well that started in 2012. Abo 9 is a gas injection well that will provide pressure support for the Anom01 and Anom02 producing reservoirs. Gas injection is due to commence in 2014.

The Abo Phase 3 development commenced in January 2013 with the side track of Abo 4 well. Abo 4 was drilled and completed in Q2, 2013 on the B207 reservoir. Abo 4 ST was producing light oil at a rate of 1,380 bbls/d (gross, WI) on December 31, 2013.

In June 2013, an up-dip side track of the Abo 3 well on the B200 reservoir was completed, which only flowed for 72 hours (approximately) during testing before production ceased. Production ceased due to sand blockage in the flow line to the Abo FPSO. OER expects production to re-commence from Abo 3 ST in 2014, on clearance of the sand blockage in the flow line.

Lastly, the Abo 8 well was completed as an oil producer on the Anom01 and Anom02 reservoirs. Production has not yet commenced from the Abo 8 well as the required flow line is a long lead item, delivery of which is expected to be Q3, 2014.

Budgeted Capital Expenditure

The capital expenditure budget represents the estimated level of required funding to support the planned growth, development and maintenance of the oil and gas field. The following expenditures are budgeted for 2014 and beyond:

- As noted above, additional capital expenditure is required prior to commencing production from Abo 8. As such, budgeted expenditure of US$5.1 million has been agreed to fund the purchase of the flow line. This expenditure was initially expected to be incurred in 2013. However, due to long lead times, this expenditure has been delayed and is now expected to be completed by Q3, 2014.
- The capital expenditure budget includes US$7.5 million to be spent on the initial drilling of the Abo 12 well. Abo 12 is a development well with an exploration tail. The well is expected to be drilled during Q2, 2014 and is planned to further drain the Anom02 reservoir and explore the shallow A197 reservoir and the deeper Anom3 reservoir.
- The capital expenditure budget also includes an additional US$19 million to fund the completion of both the Abo 8 and Abo 12 wells and US$5.9 million to extend the life of the existing FPSO unit. Both capital projects are expected to be completed by year end 2014.
- Until the re-processed seismic data for OML 125 has been reviewed by NAE, and prospectively re-assessed, there are no further plans to drill exploration wells on any of the other prospects in OML 125.

OML 134 Oberan

Participating interest	**15%**
JV partner	**Nigeria Agip Exploration**
Gross contingent resources	**42.2 mmbbls of oil 228.1 Bscf of gas**

Background

OER owns a 15% participating interest in OML 134, which it acquired in 2008 from NAE. The block is in the exploration phase and is operated by NAE. The block is located in Nigeria's deep offshore segment with an acreage size of 1,132 km2. Water depths for OML 134 range from 550m to 1,100m.

Capital Projects

OER acquired seismic data in 2010 and the processing of this data was completed in Q4, 2012. Based on the results of the seismic interpretation, an exploration well was drilled into the Minidiogboro prospect in Q4, 2013. A number of shallow (H245, H310, H350, H355) and intermediate (H520, H522, H524) sands were targeted by the drilling, with an average probability of success of 26%.

Four of the target sands in the shallow zone were found to be gas-bearing while two were found to be water-bearing. In the intermediate zone, only one water-bearing sand was penetrated before the well had to be suspended due to increasing pressures. The well has been suspended as a gas discovery, whilst the field undergoes further appraisal. The capital expenditure incurred in drilling the well was US$7.8 million.

Budgeted Capital Expenditure

The capital expenditure budget represents the estimated level of required funding to support the planned growth, development and maintenance of the oil and gas field. The following expenditure is budgeted for 2014 and beyond:

- Based on results from the drilling of the exploration well into the Minidiogboro prospect, OER plans to continue exploration and evaluation activities in 2014. Budgeted expenditure associated with the project is estimated to be US$7.4 million.

Business Review

OER 2013 asset profiles

OML 56 Ebendo

Participating interest	**45%**
JV partner	**Energia**
Gross reserve	**12.63 mmbbls of oil 76.73 Bcf of gas**
Gross contingent resources	**11.23 mmbbls of oil 19.42 Bcf of gas**
2013 gross production	**0.725 mmbbls of oil 2.035 Bcf of sales gas**

Background

OER holds a 45% participating interest in the Ebendo field area with acreage size of 65 km2 carved out from OML 56. The field was awarded by the Federal Government of Nigeria during the marginal field allocation round in 2003. The asset is operated by Energia Ltd.

In 2013, production (gross, W1) from the Ebendo Field averaged at 679 bbl/d, representing a 54% increase in production over 2012 due to additional well capacity and the optimisation of crude oil storage and injection.

As at December 31, 2013, there were four production wells on the Ebendo Field. Three wells were active producers in 2013. OER's total production attributable to its working interest for 2013, net of crude oil losses was 247,886 bbls.

Capital Projects

Ebendo oil production is currently evacuated to a third party gathering facility at Umusadege and then, via the Kwale-Akri pipeline, to the NAOC JV crude oil transportation infrastructure for export at the Brass River Terminal. The asset experienced notable downtime in 2012 and 2013 due to incidents of sabotage and crude oil theft on the export pipeline. In 2013, NAOC allocated crude oil losses of 25% to the production from the Ebendo Field (2012 – 17%).

In addition to losses experienced due to crude oil theft and sabotage, the current evacuation route through the 7,000 bbls/d Kwale-Akri pipeline is subject to capacity restrictions on the volumes of oil that can be transported. In an effort to increase pipeline capacity, evacuation options and to reduce losses from theft and sabotage, OER is involved in the construction of an alternative 45,000 bbls/d, 51 km pipeline. The Umugini pipeline will provide an alternative evacuation route through the Trans Forcados export pipeline which will deliver crude oil to the Forcados export terminal operated by Shell.

To date OER has contributed US$3.72 million for its share of costs. Construction was suspended at the start of Q3, 2013 due to rising water levels in the seasonally flooded areas of the terrain over which the pipeline is being constructed. The pipeline is now expected to be completed in Q4, 2014. It is expected that capital expenditure of US$4.33 million will be required from OER to complete the pipeline. Negotiations regarding the crude oil handling agreement with the pipeline and export terminal operators are ongoing.

In addition to the pipeline construction, OER spent US$19.1 million on completing wells Ebendo 5 and Ebendo 6 on OML 56. The Ebendo 5 well discovered two shallow reservoirs (XIIa and XIII sands) and encountered five hydrocarbon bearing reservoirs (XV, XVI, XVII, XVIIIa and XVIIIb). The Ebendo 6 well was perforated on levels XV and XVI and completed as a dual string on both sands. Both wells have been suspended pending the completion of the Umugini pipeline.

Budgeted Capital Expenditure

The capital expenditure budget of US$22.73 million represents the estimated level of required funding to support the planned growth, development and maintenance of the oil and gas field. The following expenditures are budgeted for 2014 and beyond:

- The capital expenditure budget includes additional costs of US$4.33 million associated with the construction of the Umugini Pipeline. The pipeline is expected to be completed Q4, 2014.
- The capital expenditure budget also includes US$8.7 million for drilling of Ebendo 7, which is expected to occur during Q2, 2014. In addition, US$9.7 million is to be spent throughout the course of 2014 on other capital construction commitments on various completion works and maintenance.

OML 90 Akepo

Participating interest	40%
JV partner	Sogenal
Gross reserve	1.5 mmbbls of oil
Gross contingent resources	0.75 mmbbls of oil

Background

OER holds a 40% participating interest in the Akepo field ("OML 90"). Sogenal is OER's partner and holds a 60% participating interest in the field and is currently the operator of the field, while OER is the technical partner. The Akepo field is located in shallow water in the Niger Delta, on an area of 26 km2 carved out of OML 90.

The original discovery wells on the Akepo field (Akepo 1 and 1 ST) were drilled in 1993 by Chevron. The Akepo 1 ST well was later successfully re-entered and completed in December 2009.

Capital Projects

OER, with its partner, successfully re-entered and tested the suspended Akepo-1 ST well. Drill stem tests proved flowing hydrocarbons in all three targeted reservoirs.

The Akepo-1 ST was completed as a two-string multiple on two of the three zones, with the third zone selective on the long string. Following the completion, the Akepo-1 ST was successfully flow tested on D6 sand. The well is now suspended, awaiting completion of field development.

OER, with Sogenal, had originally commenced negotiations with the Nigerian Agip Oil Company ("Agip") to evacuate the oil to Agip's Benigboye facility through a 5 km onshore and 10 km offshore pipeline that was required to be newly constructed. As a result of unforeseen issues with the contractor selected to construct the pipeline (insolvency of contractor), OER revised its field development plan to include the use of barges to transport crude oil production to the Chevron export terminal at Escravos rather than through the pipeline to the Agip Benigboye facility.

Budgeted Capital Expenditure

The capital expenditure budget of US$2 million represents the estimated level of required funding to support the planned growth, development and maintenance of the oil and gas field. The following expenditure is budgeted for 2014 and beyond:

- The capital expenditure budget includes US$2 million to develop an evacuation route for crude oil production from OML 90. As mentioned above, the evacuation plan includes the use of barges to transport crude oil production to the Escravos facility. It is expected that these costs will be incurred by Q3, 2014.

Business Review

OER 2013 asset profiles

OML 13 Qua Ibo

Participating Interest	**40%**
JV partner	**NEPN**
Gross reserve	**2.25 mmbbls of oil**
Gross contingent resources	**7.5 mmbbls of oil**

Background

OER owns a 40% participating interest in the Qua Ibo Field ("OML 13"). The license covers an area of 14 km2, carved out from OML 13. The transfer of OER interest remains subject to third party and Nigerian governmental consent. Approval of the Nigerian Department of Petroleum Resources was obtained in October 2012 and OER awaits approval from the Nigerian Minister of Petroleum Resources. The field is operated by Network Exploration and Production Nigeria Limited ("NEPN").

In the event that the consent of the Nigerian Minister of Petroleum Resources is not obtained, OER shall be entitled to certain economic interests in the Qua Ibo Field. If the economic interests are for any reason unenforceable, then OER is entitled to be reimbursed by NEPN in respect of all the disbursements, costs and contributions made by OER in respect of the development and operation of the Qua Ibo Field.

Pursuant to the terms of a farm-in agreement, OER has the option and right to acquire up to a 40% interest in the share capital of NEPN at an aggregate subscription price of US$1 which, so long as the economic interests are valid and effective, bear no economic rights or obligations and shall, if the economic interests become invalid and ineffective, entitle OER to 40% of the economic rights and benefits in all distributions of NEPN.

Capital Projects

There are two main reservoirs targeted for development, namely D5 and C4. D5 reservoir contains light oil while C4 reservoir contains heavy oil. A successful production test was conducted on D5 reservoir. A drill stem test was attempted on C4 but the well was unable to flow because the screens plugged-up with sand during the well test. The well was subsequently completed with sand exclusion screens and an electrical submersible pump, the latter is an artificial lift device that will enhance production of the heavy crude oil.

Qua Ibo Marginal Field development phase 1 started with a drilling campaign in September 2012 and two wells have been successfully drilled and completed; namely Qua Ibo 4 and Qua Ibo 3 ST1. Oil production from D5 reservoir is expected to commence in Q3, 2014 after the commissioning of the OER/NEPN crude oil processing facility which is currently under construction and should be finalised in 2014. Production from the C4 reservoir is expected to commence Q1, 2015.

Budgeted Capital Expenditure

The capital expenditure budget of US$40.6 million represents the estimated level of required funding to support the planned growth, development and maintenance of the oil and gas field. The following expenditures are budgeted for 2014 and beyond:

- US$23.4 million expected to be spent in Q2, 2014 on drilling and completions work on Qua Ibo 5; and
- US$17.2 million to be spent on construction of the OER/NEPN crude oil processing facility, which is expected to be completed in Q2, 2014.

Equator Exploration Limited (EEL)

In 2009, Oando PLC acquired an 81.5% interest in EEL. The acquisition included interests in six licenses. Three of the blocks are offshore Nigeria, two in the Exclusive Economic Zone (EEZ) of Sao Tome and Principe and one in the Joint Development Zone.

OPL 321 and OPL 323 Nigeria

Participating Interest	**30%**
JV partner	**KNOC**

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

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

Despite requesting and receiving a refund of its share of the signature bonuses of US$161.7 million in September 2009, EEL vigorously maintains its interests in the two blocks. In 2011, Oando/EEL campaigned for a settlement among the government and industry stakeholders. These efforts continue with the aim of achieving a resumption of exploration activities on these highly prospective blocks. A high quality 3D seismic survey has already been used to evaluate a number of large prospects and to select the well locations.

Business Review

OER 2013 asset profiles

OML 122 Bilabri & Owanare

Participating Interest	**12.5% gas 5% oil**
JV partner	**Peak**
Gross contingent resources	**6.8 mmbbls of oil 656.7 Bcf of gas**

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

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

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

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

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

Blocks 5 and 12, EEZ of São Tomé & Príncipe

In February 2010, in accordance with agreements signed in 2001 and 2003, the government of São Tomé & Príncipe awarded the Group Blocks 5 and 12, located within the country's large Exclusive Economic Zone ("EEZ"). For Block 5, negotiations of satisfactory PSCs with the government were completed during 2011 and the agreements were signed on April 18, 2012. Negotiations for Block 12 are on-going.

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

OER had a total commitment of US$5.2 million related to the provision of a performance guarantee and commitment to a four year work programme of 2D and 3D seismic acquisition and studies. If justified by the results of the seismic surveys, OER can elect (for an additional cost to be determined) to drill the first exploration well in the following two year period. OER committed to a performance bond of US$5.2 million, during Q1, 2014.

Business Review

Oando Energy Services Limited (OES)

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.

OES Financial Highlights 2013

OES Turnover of
N21.7bn

OES EBITDA
N9.2bn

OES PAT
N(1.1)bn

Review of 2013

In the year under review, crude oil prices were relatively steady rising to US$111 per barrel in early 2013 and remaining above the US$100 per barrel mark throughout the year. The Nigerian Government, in seeking to take advantage of the high crude oil prices, restated its target of achieving 2.5mbpd of oil production. To this end, while ensuring the continued stability of the oil industry, the government continued the amnesty programme and renewed its push for the quick passage of the Petroleum Industry Bill ("PIB").

Furthermore, the government threatened to withdraw all idle marginal oil fields from their respective operators following their expiration in 2013. These initiatives contributed to increased operator confidence especially for those who have progressed in their planned programmes for 2013 and beyond, evidenced by the direct enquiries received, actual tenders released/progressed and the arrival of assets into the country to commence operations.

In 2013, OES, using three of its operational rigs, continued to provide drilling services to its clients: Nigerian Agip Oil Company ("NAOC") and Shell Petroleum Development Company of Nigeria Limited ("SPDC").

OES 2013 asset profiles

OES Integrity

During the period, the flagship 3000HP 15000PSI rig, OES Integrity, continued its contract with NAOC and following the expiration of the one year extension contract, OES Integrity was awarded two terms of six-month extensions in December 2012 and June 2013 respectively pending the resolution of the replacement tender which was released in December 2012. In February 2013, the ageing engines of the rig were replaced with four new CAT 3516B engines to ensure continued smooth operations.

In the same month, the much awaited first High Pressure ("HP") well was spudded and OES achieved the feat of drilling the deepest well ever in NAOC swamp operations (17,848 feet). The OES Integrity rig has operated successfully without any recordable incidents and celebrated four (4) years without a Lost Time Injury ("LTI") incident. Whilst the rig targeted operational efficiency of above 95%, slight operational issues relating to key equipment such as mud pump valves caused it to post operational efficiency of 93.3%, slightly falling short of its target for the year.

Business Review

OES 2013 asset profiles

OES Teamwork

Our 3000HP 10000PSI swamp rig, OES Teamwork surpassed its operational efficiency target of 95%, achieving 97.25% operational efficiency in 2013. During the year, the rig drilled and completed three wells for NAOC and maintained its zero LTI safety record. The rig's two-year secure contract with NAOC expired September 30, 2013 and although NAOC had indicated its willingness to exercise its one year extension option on the rig, subject to its partners' approval, subsequent notification from NAOC has expressed its desire to farm-out the rig for a period to interested parties as a result of senior partner budget cuts. The rig continues to work with NAOC on its current location on a well-by-well basis.

OES Passion

The 3000HP 10000PSI rig, OES Passion, concluded its first year of operation for SPDC in May 2013 and despite experiencing minor issues at the commencement of the contract, the collaboration between the operations team and the technical services team led to an increase in operational efficiency throughout the year. The rig drilled four wells and achieved operational efficiency of 94.3% for the period, against the 95% target. The rig also celebrated one year operations without an LTI incident in May. To ensure that the rig minimized downtime and improved efficiency, three new radiators were installed.

97.25%

operational efficiency in 2013 on OES Teamwork

OES Respect

Following the successful conclusion of a 20-year lifetime refurbishment and upgrade project in October 2013, 3000 HP, 10,000 PSI swamp rig OES Respect.

Drilling and completion fluids

OES set its sight on better performance in the drilling and completion fluids business for 2013 to that achieved in the preceding year. Key initiatives like reduced dependency on current technical partners were initiated as OES entered into discussions with other sources for the supply of drilling fluids chemicals which should result in a reduction in costs by 5-7%. The first batch of products were ordered and delivery is expected in January 2014. Furthermore, significant steps were taken towards increasing the support provided to our clients as OES was able to identify a suitable partner for the construction of a 25,000bbls capacity mud plant to be located in Onne, Port Harcourt. This is seen as a major boost to the delivery of services to clients, increased capacity to take on more jobs as well as the elimination of exposure to product shortages.

OES retained on-going contracts for the provision of drilling and completion fluids to its clients such as NAOC, Energia Limited ("Energia"), Oando Energy Resources Limited ("OER") and Enageed Resources INC. ("Enageed") while a six (6) month extension was secured with Shell Nigeria Exploration and Production Company ("SNEPCo") pending when the replacement tender is concluded and contract awarded. OES increased its profitability by securing better terms for the supply of production chemicals to its clients such as SPDC, SNEPCo and TOTAL. Margins were also improved with the conclusion of commercial terms with SPDC for the provision of solids control on OES Passion in addition to providing this service on OES' other operational rigs. The exceptional performance by the drilling fluids unit resulted in the business exceeding the previous year's revenue and Profit after Tax ("PAT") by 36% and 20% respectively.

Business Review

OES 2013 asset profiles

96%

OES - indigenous staff

Drilling bits

In 2013, OES' drilling bits unit won a 2-year fixed contract with Nigerian Agip Exploration ("NAE") with a possible one year extension and also secured contract extensions with clients such as SPDC, SNEPCo, NAOC and Nigerian Petroleum Development Company Limited ("NPDC"). During the year, there were price wars amongst drill bits contractors who held multiple contracts with existing clients. OES, who in prior years had dominated the Geo-Pilot bit niche of the market, lost ground to competitors who provided cheaper Chinese and Russian Geo-Pilot bit technology. Unfortunately, increased manufacturing costs experienced by Halliburton Drill Bits Systems ("Halliburton") affected OES' ability to effectively compete with other suppliers for securing orders to clients. The period saw the business suffer a 57% drop in revenue as against budget.

In a bid to claw back market share and remain competitive, OES has negotiated and secured with Halliburton better payment terms, volume discounts and improved lead time for the delivery of bits to clients. The broadening of the relationship between OES and Halliburton was to ensure that both parties are able to capture a large percentage of the market share going forward. This has resulted in Halliburton providing support in-country as well as OES looking further afield for opportunities to add all-purpose bits for less challenging formations to its product offering.

The under par performance of the drill bits business underlined the need for the broadening of the Product Service Line ("PSL"). Key focus was on opportunities for additional services to improve the profitability of the PSL. OES is in discussions with a Canadian manufacturer of Slotted Liners with a patented technology for marketing opportunities of those products in Nigeria. While the service line did not commence as hoped in 2013, significant industry research as well as marketing efforts were carried out towards the possible commencement of the business line in 2014.

To ensure that OES Respect operations commenced fully with minimal delays, OES hired and retained personnel on the OES Respect project to ensure learning's from the project were not lost. Such personnel have been retained to crew the rig while it is warm stacked at Onne and upon contract commencement.

The increase in capacity of the drilling fluids business has led to an increase in number of OES personnel, with skilled personnel increasing from 446 at the start of the year to 494 at the end of the year. OES has maintained its status as a fully indigenous company with the percentage of Nigerian employees remaining high at 96%.

The benefits of the technical team, constituted in 2012 to enable us further provide technical assistance to operations and reduce Non-Productive Time ("NPT") on our rigs was realised and in full display throughout the year as we saw evident reduction in the number of human errors and equipment failures experienced in our operations. In a bid to respond to our clients in a timely manner OES successfully relocated its operational offices in Port Harcourt to Intels Camp Aba/Port Harcourt Road to ensure close proximity to our key clients.

The company continued to lead indigenous drilling contractors by building on its safety performance during the year and recording over four (4) years without an LTI. In further demonstration of our commitment to high level of service delivery to our various clients, our vision of continuous customer excellence and desire to ensure that our processes and procedure are robust and capable of taking the company to its next level, we pursued the closeout of our ISO 9001:2008 certification. This was successfully concluded in December with the issuance of a certificate by the Standards Organisation of Nigeria ("SON").

494
OES skilled personnel

While for the most part 2013 was successful, the sudden notification by both NAOC and SPDC of the reduction in their budget for drilling operations severely impacted our ability to plan for future activities. Furthermore, both clients were unable to promptly meet their financial obligations for services already rendered under the rigs, fluids and bits contracts thereby resulting in receivable figures peaking at approximately US$73 million in December 2013.

OES achieved financial close for the capital structure optimization and balance sheet restructuring exercise during the year.

Outlook

We anticipate and are aggressively working to secure an extension for the OES Integrity contract with NAOC through active participation in the on-going replacement tender which is currently at the technical stage. We foresee a contract extension award which will see the rig operational for the whole year pending the conclusion of the tender and award of contract.

OES expects a possible farm-out of the rig by NAOC for a period in 2014 following which the rig will return under the existing one year option agreement. Discussions are on-going with a potential client who has indicated interest in engaging the rig. The rig is also being marketed through participation in on-going tenders with NPDC and Chevron.

Discussions have reach an advanced stage with numerous potential operators for the engagement of OES Respect. There are currently six swamp assets operating in Nigeria and based on tenders released, demand exists for eight more rigs. These points towards opportunities for the engagement of the rig. Learning's from the commencement of the OES Passion will be utilised to mitigate against any start-up difficulties when the rig eventually commences operations.

Growth in the drill bits business will be achieved through active participation in tenders, continuous engagement with current clients and marketing of new clients. We will increase sales of drill bits to our current clients through the introduction of more competitively priced bits. These bits will be targeted towards more price sensitive operators and will be especially attractive to marginal field operators while we continue to leverage on our alliance with Halliburton to provide drilling optimisation solutions.

OES made progress in identifying suitable partners for its proposed commencement of Directional Drilling ("DD"), Logging While Drilling ("LWD") / Measurement While Drilling ("MWD") service offering and identified suitable tool manufacturers for the commencement of this business in 2014. Increased effort will be placed on executing an alliance agreement with an established MWD/LWD/DD service provider with OES providing services on the top/intermediate sections while more challenging sections will be handled by the partner. Commencement of this business line is scheduled for Q4, 2014.

Significant focus will be placed on securing contracts for the sand control solutions (Slotted Liners) by offering services towards the end of the year to independents as well as majors who have assets facing high sand concentration in their formation. A substantive agreement has been signed with a Canadian partner towards the deployment of Slotted Liner technology by Q3 2014. Training for the first batch of OES personnel is scheduled to commence in February 2014.

With discussions at an advanced stage on the lease of a new build mud plant and the commencement of the purchase of chemicals from more reputable suppliers, 2014 will see the Drilling Fluids and Mud Engineering business grow with better margins and the elimination of supply shortages. OES will significantly increase its capacity and ability to service its current clients as it takes on new ones. With the experience garnered from offering solids control services on all OES's rigs, the team is working on offering this service to other clients through participation in tenders and marketing of the offering to marginal field operators.

OES will continue in its recruitment drive to employ and engage top class Talent from all over the world under our on-going capacity building programmes such as the "Rig Track" programme for graduate trainees and "Fast Track" programme for mid-career hires. These programmes, which commenced in 2012, will ensure that we maintain a pool of talented and motivated employees who will work and be trained within our operations unit to deliver quality service to our clients.

In 2014 we will be pursuing new business lines and services to leverage on existing relationships and complement our current offerings. In-roads are being made towards participating in the land and jack up terrains with the plan of adding one more rig to our fleet. This growth will be achieved through strategic alliances with capable asset owners who have demonstrated a desire to enter the Nigerian/West African drilling market. We will also evaluate deep water opportunities as they come along to ensure we are better poised to take advantage of such opportunities in 2015 and beyond.

Pioneering network solutions

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.

M

233km
gas pipeline grid already completed

N2.7bn
2013 OGP shows a turnover

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.

Midstream total revenue

6%

Turnover	N24.8bn
Gross profit	N8.6bn
Operating profit	N6.1bn
Profit after tax	N5.8bn

Business Review

Oando Gas & Power (OGP)

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.

OGP Financial Highlights 2013

OGP Turnover of
N24.8bn

OGP EBITDA
N9.3bn

OGP PAT
N5.8bn

We continue to focus on aggressively developing Nigeria's domestic natural gas infrastructure and leveraging same in our bid to remain Nigeria's leading provider of gas and power solutions to the last-mile customers.

N3.6bn
2013 OGP profit after tax

0
lost time injury (LTI) and fatality

We have created several operational assets to meet the needs of the customers in our chosen markets:

1. Gaslink Nigeria Limited (GNL)
2. East Horizon Gas Company (EHGC)
3. Central Horizon Gas Company (CHGC)
4. Gas Networks Services Limited (GNSL)
5. Akute Power Limited (APL)
6. Alausa Power Limited (ALPL)

We continue to focus on aggressively developing Nigeria's domestic natural gas infrastructure and leveraging same in our bid to remain Nigeria's leading provider of gas and power solutions to the last-mile customers.

Review of 2013

In the year under review, our first Compressed Natural Gas (CNG) Mother Station was commissioned to provide gas solutions to industrial and commercial entities located outside the reach of our pipeline network. We also commissioned a 10.4MW Power Plant to generate and distribute electricity in the Alausa area of Lagos State.

Furthermore, the Engineering Procurement and Construction (EPC) contract for our Greater Lagos Pipeline Expansion (Phase IV) Project was also awarded during the year. This project is expected to open up the Ijora – Lagos Island – Victoria Island markets to our gas products.

OGP continued to maintain its Quality Management System Certification and compliance with the ISO 9001:2008 standard. In 2013, we sustained our record of zero lost time injury (LTI) and zero fatality. This is a testament to our commitment to safe practices as we continue to provide the required safety guidelines for our employees, stakeholders and the environments where we operate.

Business Review

OGP 2013 asset profiles

Natural gas distribution

Gaslink Nigeria Limited (GNL)

OGP's flagship company, supplied natural gas to over 140 customers through its circa 100km pipeline network in the Greater Lagos Industrial Areas.

During the year under review, we completed the Environmental Impact Assessment (EIA) and awarded the Engineering Procurement & Construction (EPC) contract for the Greater Lagos Pipeline Expansion (Phase IV) Project. In line with our drive for operational excellence and safety practices, our emergency response system was upgraded to an automated real time reporting system.

All mechanical works on the de-sanding facility which was being built to control the occasional sand incursion in a certain segment of our pipeline have been completed and we expect to commission the facility in 2014.

During the year under review, 4 days of gas outage was experienced due to a major transmission pipeline maintenance programme by our gas supplier, the Nigeria Gas Company (NGC).

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

East Horizon Gas Company (EHGC)

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

In addition to our anchor customer, we are currently at various stages of negotiations of gas supply contracts with a number of potential gas customers in the Calabar area.

In 2013, significant disruptions in our gas supply to UNICEM was experienced. This was due to various incidences of pipeline vandalism and NGC's upstream gas supply challenges. A total of 89 days of gas outage was recorded in 2013. Security surveillance along the Right of Way has since been intensified to forestall future occurrences of pipeline vandalism.

9
industrial customers in Port Harcourt

In December 2013, Oando PLC executed a Share Purchase Agreement with Seven Energy International Limited for the divestment of EHGCt. This transaction is in alignment with Oando's growth strategy and will create capacity for OGP to execute several other projects.

Central Horizon Gas Company (CHGC)

This is the vehicle incorporated to takeover, rehabilitate and expand the Trans Amadi industrial area, currently delivers natural gas to nine (9) industrial customers in Port Harcourt.

Whilst the existing pipeline rehabilitation work is currently underway, several other potential industrial customers have been identified and have entered into discussions with same. These new connections will drive the expansion of the pipeline network in the Port Harcourt Area.

We experienced 36 days of gas outage in the pipeline, an increase of 11 days over the 29 days recorded in 2012. The gas outages were mainly due to SPDC's scheduled maintenance programs and other upstream gas supply challenges.

Gas Network Services Limited (GNSL)

This 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.

Having previously received grant funding from the United States Trade Development Agency (USTDA) to evaluate a possible nationwide rollout of CNG installations for vehicular use, we commissioned the feasibility studies in 2013 which is expected to be completed by 2014. This is in continuation of our efforts at ensuring that natural gas becomes the fuel of choice for vehicles, thereby contributing to the reduction of emissions.

Power generation

Akute Power Limited (APL)

APL is our first Independent Power Plant (IPP) which commenced operations in 2010, has now run continuously for three years. The 12.15MW dedicated gas fired power plant has enhanced Lagos Water Corporation (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 a record zero Lost Time Injury (LTI) and zero fatality.

Alausa Power Limited (ALPL)

ALPL is the second IPP developed by OGP to provide dedicated electric power supply to Lagos State Government Secretariat and other government facilities in the Alausa area. The generation scope of the project was completed in 2013, and the 10.4MW plant commenced commercial operations in September 2013.

Outlook

OGP 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 2014 business plan is premised on the following:

- Efficient, safe and full time operation of existing assets/businesses thereby delivering on growth targets
- Progress on maturation of new projects:
  - Commencement of the construction of Gaslink Phase IV project
  - Commencement of the Compressed Natural Gas Plant expansion programme
  - Progressive expansion of the CHGC pipeline network
- Execute strategic investments/new business development initiatives
  - Execution of new independent power plant development.
  - Studies and Engineering Designs in respect of Escravos-Ibadan-Ilorin-Jebba (EIIJ)and other Midstream opportunities.
  - Progress our participation in the privatization of the National Integrated Power Project (NIPP) generation plants.

In conclusion, 2014 offers enormous challenges and opportunities for OGP to continue to deliver efficient energy solutions that enable customer competitiveness.

Downstream operations

2bn litres

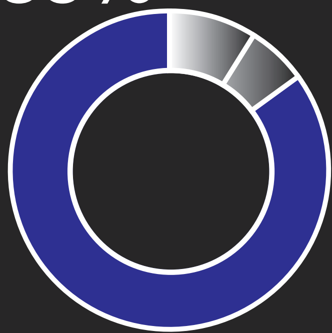
annual retail and distribution capacity of petroleum products

30KT

per annum lubricant blending and filling plant completed

Downstream total revenue

85%



Turnover	N382.8bn
Gross profit	N29.2bn
Operating profit	N9.0bn
Profit after tax	N6.1bn

Business Review

Oando Downstream

Oando Downstream
Financial Highlights 2013

Oando Downstream Turnover of
N382.8bn

Oando Downstream EBITDA
N11.1bn

Oando Downstream PAT
N6.1bn

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

15%

OST market share of Premium Motor Spirit (PMS) importation into Nigeria

Marketing

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

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

Terminaling

Oando Terminals and Logistics (OTL) is the downstream infrastructure management company of the Oando Group.

OTL's main focus areas are as follows:

- Monetising the Apapa Single Point Mooring (ASP) Jetty: The ASP jetty was designed to increase the vessel delivery capacity and off-loading efficiency of petroleum products at Apapa, Lagos. It was conceived to bypass the infrastructural bottlenecks experienced on the Apapa axis thus eliminating the lightering and demurrage charges currently being incurred by marketers. OTL will monetise the jetty by offering throughput services to Oando Marketing PLC (OMP) and other petroleum product marketers on the Apapa axis on an open access basis.
- Optimising the downstream division's existing terminal infrastructure asset: Oando downstream has an asset base of White Product Terminals, ATK depots, Bitumen Plant, Lube Plants and LPG filling Plants. OTL is responsible for optimising these assets to ensure maximum return on investment for our shareholders. The excess capacity available at these terminals would be offered to third party petroleum marketers as throughput.
- Identifying infrastructure gaps in the downstream sector: OTL will work with its partners in West, East and Southern Africa to develop the required infrastructure to monetise identified gaps.

Business Review

Oando Downstream

Supply and Trading

OST procures and trades a broad range of refined petroleum products including Jet A1, Gasoline, Dual Purpose Kerosene (DPK), Automotive Gas Oil (AGO), Low/high Pour Fuel Oil, Base Oil and Bitumen. OST has a 15% market share of Premium Motor Spirit (PMS) importation into Nigeria.

Review of 2013

Oando Marketing PLC (OMP) successfully completed the development of its ultra-modern 30KT per annum lubricant blending and filling plant in Apapa, Lagos boosting its ability to supply Oando Oleum at more efficient rates to its customers in the southern parts of Nigeria. Hitherto, all production of Oando Oleum was done in Kaduna. OMP also completed relocation from Victoria Island to its new head office in Apapa for close proximity to its core business; thereby boosting efficiency and strengthening its ability to deliver growth and real value long into the future.

Product review

PMS volumes sold in 2013 was 1.3bn litres (14% below prior year). The decline from 2012 was as a result of a 9% drop in Petroleum Products Pricing Regulatory Agency (PPPRA) allocations as well as the unprecedented glut which drove a price war on bulk PMS sales.

AGO volumes sold during the previous period was 340m litres (5% higher than previous year). This performance was driven largely through sales via our specialized channels such as Marine and Value Added Peddling (VAP). This underscores our strategy of increasing revenue through tailored services which add significant value to our customers.

HHK volumes grew by 6% over 2012 to 125m litres. This was largely driven by sustained supply from major depots which represented an opportunity for OMP to acquire the products.

Other products (lubricant, specialties)

Lubricant volume sold was 16.5m Litres (2% below prior year). Reduction compared to prior year was due to strict balance sheet protection strategies deployed by the company as OMP gradually repositioned its lubricants portfolio to focus on higher margin products.

The Lagos blending Plant was completed with the commencement of lubricant production in Q2.

LPG volumes sold was 21,929MT (3% above prior year). The loss of sales experienced from supply challenges during the NLNG/NIMASA (Nigerian Maritime Administration and Safety Agency) face off was largely offset by the attainment of secured off-taker status from NLNG.

OMP remains the market leader in this product segment with over 50% market share among Major Marketers.

ATK volumes sold was 124m Litres representing a growth of 41% from 2012. This growth was driven by bulk volume sales to Major Marketers. Another initiative which was actualized in 2013 was business expansion into Ghana.

Two new Bowsers with combined capacity of 44,000 litres were also added to our Fleet during the year under review.

The ASPM Jetty berthing platform was completed with no incident recorded while the sub-sea and on-shore pipeline connections commenced and reached advanced stages.

Outlook

Oando Marketing PLC remains positive about the future with the drive to boost its competitiveness in the sector and increase its returns on capital invested.

Key focus areas are;

- To boost returns on capital employed by increasing the performance of its assets.
- Investing on higher yield opportunities whilst divesting from low yield or underperforming opportunities

Specifically; the company will:

- Continue to rationalize its distribution infrastructure to boost its average throughput per day without compromising its market share in the local market.
- Continue to grow its LPG business, leveraging its LPG switch campaign and funding from international debt providers which it received in 2013.
- Going forward, our focus will be on further improving our forecourt and off forecourt sales through the Pay-As-U-Gas initiative, 3kg cylinder push, Bulk sales and Secondary Distribution Points channels.
- Refocus its lubricants business, launching a premium high margin grade in 2014 while also optimizing its new and more efficient production facility in Lagos.
- Grow contribution of its non-fuel sector by 50%.
- Increased focus on people development with special emphasis on core and function specific competencies and on developmental competencies for future roles in the organization.

- Increased focus on the need to work in a safe and controlled environment. We will continue to invest more in educating all staff and 3rd party contractors to ensure zero fatalities through educational efforts around the hazards of their operating & physical environments.

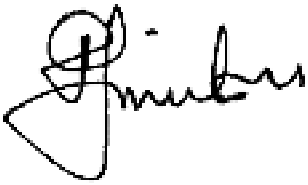
Oando Terminals and Logistics' key projects and activities for 2014 include:

- The ASPM jetty would commence operations in 2014.
- Upgrade of Apapa terminal will commence in 2014. The project is targeted at optimising ASPM as well as revenue generation for OTL. The project is targeted at Terminal Upgrade and Automation. Storage Capacity would be increased by approximately 200%, while load out capacity would be doubled. This project is expected to commence in the second half of 2014 and to be completed by 2016.
- The Marshalling Yards would be fully upgraded and automated to ease the congestion along the Apapa axis. The marshalling yard will operate 24 hours a day / 7 days a week to ensure continuous and efficient loading at the terminal. This will significantly improve truck load-out rates as well as the terminal loading capacity ultimately improving product delivery across the country.

Conclusion

We are very excited about the opportunities that lie ahead for your company. The acquisition of ConocoPhillips Nigerian businesses will give us the perfect platform to focus on the higher margin upstream sector to increase returns to shareholders in the short and long term. In the midstream, the expansion of the Lagos state gas pipeline with the Greater Lagos 4 project will commence in the short term and in the mid-term we look forward to the construction of the EIIJ pipeline from Escravos-Lagos Pipeline System ("ELPS") in Ogun State and will deliver gas to Oyo State, Kwara State and adjoining states of Osun and Ekiti.

In the downstream, we are extremely proud of the ASPM which will support the industry by passing the infrastructure bottlenecks at Apapa Lagos and reduce our lightering and demurrage charges therefore positively impacting our bottom line. As we increase our upstream participation alongside other current projects, we look forward to a stellar performance in 2014 and beyond.



Mr. J. A. Tinubu
Group Chief Executive

Corporate governance

Corporate Gorvernance

An experienced leadership team

Oando PLC Board of Directors: Oando's general policies are determined by a Board of Directors drawn from different facets of the society. The Board members are 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.

	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** is 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 such as the Forces Service Star and the Defence Service Medal. He has served on the boards of several companies including Ocean and Oil Services Limited and currently serves on the boards of Global Haulage Resources Limited and Dolphin Travels Limited. HRM Oba Gbadebo obtained a Bachelor of Arts degree from the University of Ibadan, Nigeria in 1969 and he graduated from the Staff College of the Nigerian Armed Forces in 1979.	In 2007, Mr Tinubu was named 'Global Young Leader' by the World Economic Forum, Geneva, Switzerland, in recognition of his achievements as one of the leading executives under 41. In 2010, he received Africa's 'Business Leader of the Year' award from the African Business Magazine and the Commonwealth Business Council for his contributions to the development of the African oil and gas industry. In 2011, he was awarded the 'African Business Leader of the Year' by Africa Investor. Mr Tinubu obtained a Bachelor of Laws degree from the University of Liverpool, United Kingdom in 1988 and a Master of Laws degree from the London School of Economics and Political Science, United Kingdom in 1989 where he specialised in International Finance and Shipping. He is a member of the Institute of Directors, Nigeria and the Nigerian Bar Association and he serves on the boards of various blue-chip companies as Chairman and Director.	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 Mechanical Engineering degree from the University of Ibadan, Nigeria in 1987, a Master of Mechanical Engineering degree from the University of Lagos, Nigeria in 1988 and a Master of Finance degree from the London Business School, United Kingdom in 1998. He is a member of the Institute of Chartered Accountants of Nigeria.	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	6/6	6/6	6/6	6/6	6/6
Independent	Yes	Not applicable	Not applicable	Not applicable	Not applicable

Non-Executive Directors

Mr. Oghogho Akpata
is a 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 aspects of the Nigerian oil and gas industry and advises a broad range of clients including international oil companies, oil service contractors and a number of multinationals operating in Nigeria. He has been listed among the leading energy and natural resources lawyers in Nigeria by Chambers Global guide to the legal profession from 2005 to date. He is currently a director of a number of companies including FMC Technologies Limited and BlueWater Offshore Production Systems Limited.

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

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 Ministry of Finance. She was appointed Permanent Secretary in January 2001 and served in various Ministries including Commerce, Petroleum Resources, Transportation, Works and Environment. She retired from service in 2009.

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

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
is a Non-Executive Director on the Board and was appointed 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 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 Bank 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 of directors. He has held a number of senior positions and is a member of the boards of various organisations including his role as Chairman of Niya Holdings Nigeria Limited.

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

2010	2011	2010	2010	2013	2011
6/6	6/6	6/6	6/6	3/3	6/6
Yes	Yes	Yes	Yes	Yes	Yes

Corporate Gorvernance

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, 2013.

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 resulted from the merger of Unipetrol and Agip was rebranded as Oando PLC in December 2003.

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

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

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

On July 24, 2012, the Company acquired a 94.6% stake in Exile Resources Inc., ("Exile"), a Canadian public company whose shares are listed on the Toronto Stock Exchange (the "TSX"), through a reverse takeover ("RTO") which saw the transfer of the upstream exploration and production division of the Company to Exile, now renamed Oando Energy Resources ("OER"). The Group became the first Nigerian company to have two trans-border listings – 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, 2013, the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group (the "Business Review"). The information that fulfils these requirements can be found within the Chairman's Report and the Group Chief Executive's Report.

DIRECTORS

The board

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

Non-executive directors

1. HRM Oba Michael Adedotun Gbadebo, CFR
2. Mr Oghogho Akpata
3. Ammuna Lawan Ali, OON ‡
4. Chief Sena Anthony ‡
5. Ms Nana Afoah Appiah-Korang
6. Mr Francesco Cuzzocrea *
7. Engr Yusuf Kebba Jarga N'jie ‡

‡ Independent Non-Executive Director
* Appointed July 25, 2013

Executive directors

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

Corporate Gorvernance

Report of the directors

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.

During the year, the composition of the Board was strengthened with the appointment of Mr Francesco Cuzzocrea as a Non-Executive Director effective July 25, 2013.

A majority of the directors on the Board are non-executive directors of which three 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 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 have 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 249(2) of CAMA and Article 88 of the Company's Articles of Association, Mr Francesco Cuzzocrea presents himself for election at the Company's 2014 AGM following his appointment to the Board in July 2013.

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 2014 AGM:

- Ammuna Lawan Ali, OON
- Mr Mobolaji Osunsanya
- Engr Yusuf Kebba Jarga N'jie

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, Code 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.

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 believes in and provides continuous training and professional education to its Directors. The Board of Directors and Board Committees have the ability 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 financial limits on the decisions that can be 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 plans and budgets
- Changes in capital and corporate structure
- Accounting policies and financial reporting
- Internal controls
- Major contracts
- Capital projects
- Acquisitions and disposals
- Communications with shareholders and
- Board membership

The day-to-day operational management of the Group's activities and operations is delegated to the Group Chief Executive (GCE), who has direct responsibility. He is supported in this 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 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 should 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 meet 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, 2013

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Report of the directors

Director	Audit	Governance & 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 2012

Name	Board	Governance and Nominations	Strategic Planning & Finance	Strategic Environmental, Health, Safety, Security and Quality	Audit
Executive Directors					
J. A. Tinubu	6/6	-	-	-	-
O. Boyo	6/6	-	-	-	-
O. Adeyemo	6/6	-	-	-	-
M. Osunsanya	6/6	-	-	-	-
Non-Executive Directors					
HRM M.A. Gbadebo, CFR	6/6	-	-	-	1/1**
O. Akpata	6/6	4/4	3/3	3/3	1/1**
A. Lawan Ali, OON	6/6	4/4	3/3	-	2/2
S. Anthony	6/6	4/4	3/3	-	2/2
N. A. Appiah-Korang	6/6	-	-	3/3	2/2
F. Cuzzocrea	3/3	-	-	-	1/1**
K. J. N'jie	6/6	-	-	3/3	2/2

Shareholder Members of the audit committee

K.B. Sarumi*	-	4/4	-	-	-
L.A Shonubi*	-	3/4	-	-	-
F. O. Ijoma*	-	4/4	-	-	-

* Appointed at the 36th Annual General Meeting held on July 25, 2013
** There was a two-day Strategic Planning and Finance Committee session on December 13 & 16, 2013 that was attended by all Non-Executive Directors.

Dates of board/committee meetings held in 2013

Board Meetings:
- March 27, 2013
- June 20, 2013
- July 24, 2013
- August 1, 2013
- November 12, 2013
- December 16, 2013

Audit Committee:
- June 20, 2013
- July 16, 2013
- July 24, 2013
- November 11, 2013

Governance and Nominations Committee:
- March 26, 2013
- July 24, 2013
- December 2, 2013

Risk, EHSSQ Committee:
- March 14, 2013
- May 22, 2013
- September 24, 2013

Strategic Planning & Finance Committee:
- December 2, 2013
- December 13 & 16, 2013

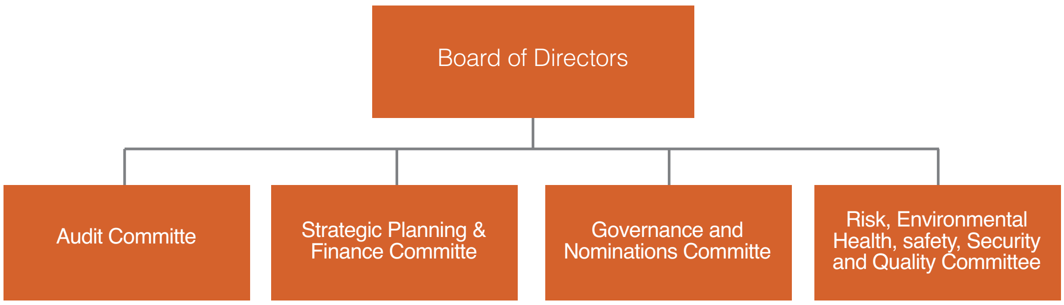
Board committees

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 guides 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:



Corporate Gorvernance

Report of the directors

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. Although not a requirement under CAMA, all members of the 2013 Audit Committee are independent.

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, 2013, the Audit Committee held four 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 2013 Audit Committee are:

- Mr. Oghogho Akpata
  Chairman
- Ammuna Lawan Ali, OON
  Non-Executive Director
- Chief Sena Anthony
  Non-Executive Director
- Mr. Fidelis Opia Ijoma
  Shareholder Member
- Mr. K.B. Sarunmi
  Shareholder Member
- Mr. Lateef Ayodeji Shonubi
  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 Communications Technician and retired after 26 years of service as the Head of Communications. He graduated from Union of Lancashire Institutes as a Radio, Television and Electronics Technician. He attended College of Science and Technology, Effurun, Warri. He has a passion for communication and is an Associate of the Society for Electronic and Radio Technicians.

Mr Kabir Babatunde Sarumi – shareholder member

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

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) as well as the Finance and General Committee of ICAN. He also served as the Vice-Chairman of the Membership Committee of the Chartered Institute of Taxation of Nigeria.

For the curriculum vitae of the Board of Directors, including the Non-Executive Director members of the Audit Committee please see pages 64 and 65.

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 2013 Governance and Nominations Committee are:

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

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

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

The members of the 2013 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 efficiently and effectively. In December 2013, the Committee held a two-day strategy session that was attended by all Non-Executive Directors.

The members of the 2013 Strategic Planning and Finance Committee are:

- Chief Sena Anthony
  Chairperson
- Ammuna Lawan Ali, OON
  Non-Executive Director
- 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.

Directors' shareholdings

The holdings of ordinary shares by the Directors of Oando as at December 31, 2013 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	29,435,046
F. Cuzzocrea^	Nil	Nil
K. J. N'jie	Nil	Nil

Indirect shareholding in:
*Ocean and Oil Investments Limited
^Ocean and Oil Development Partners Limited

Corporate Gorvernance

Report of the directors

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 151.

Directors' interests in transactions

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

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

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

Ocean and Oil Development Partners ("OODP")

OODP is an investment holding company. Mr Jubril Adewale Tinubu, Mr Omamofe Boyo and Francesco Cuzzocrea, who are directors of Oando PLC, are also directors of OODP.

Corporate governance structure and statement of compliance

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

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

Oando's compliance framework

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

Oando is committed to the global fight against corruption and this is evidenced by its membership and active participation in the following local and international organisations.

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

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

Ms Ayotola Jagun, the Chief Compliance Officer and Company Secretary attended the PACI Community meeting held October 14 & 15, 2013 in Geneva, Switzerland. She was involved as a member of the working group that worked on the revision of the PACI principles for countering corruption. This was launched at the World Economic Forum's annual meeting at Davos in 2014.

2. United Nations Global Compact ("UNGC")

The UNGC is a strategic policy initiative for businesses committed to aligning their operations and strategies with ten universally accepted principles. Oando became a signatory to the UNGC in July 2009 and has been an active participant in 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. The company was represented at the UNGC Leaders Summit that took place in September 2013 in October 2013, Oando issued its communication on progress in implementing the principles of the UNGC, which is available on the UNGC website. In December 2013, Ms Ayotola Jagun, Chief Compliance Officer and Company Secretary, was appointed Co-Chairperson of the UNGC Working Group on the 10th Principle whose main goal is to challenge private sector actors not only to avoid bribery, extortion and other forms of corruption, but also to develop policies and concrete initiatives in their respective countries to address corruption.

3. Convention on Business Integrity ("CBi")

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

Oando's internal policies and processes governing ethics and compliance

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

- 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

Corporate code of business conduct and ethics

The Company's Corporate Code of Business Conduct and Ethics (the "Code") was adopted on December 18, 2007 by Oando PLC and all its subsidiaries. The Code applies to all Directors, Managers, Employees and Business Partners and sets out the standards of ethical behaviour expected of all persons when conducting the Company's business.

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.

In 2013, the Company acquired licences to Thomson Reuters' World-Check Risk Screening solution, a source of intelligence on heightened risk individuals and companies covering aspects of Know Your Customer (KYC) and Anti-Money Laundering (AML). This tool augments the Company's existing policies and procedures that identify and manage financial, regulatory and reputational risks associated with doing business with new and existing business partners 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 monthly newsletter called The "Ethics Watch" bulletin is published and circulated to all employees and business partners to educate them on different ethical and compliance issues and promotes a culture of doing the right thing even when no one is watching.

Corporate Gorvernance

Report of the directors

Internal control and risk

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

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

In line with good practice, the company has an Internal Audit unit that carries out routine and random checks on the Company's operations, fixed assets and stocks. The unit is also responsible for investigating frauds, misuse and misappropriation of Company's assets. The company also has an Internal Control Unit, which designs and tests the controls and processes to ensure that the company's assets are safeguarded.

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

- The Group authority procedures which are adopted by all subsidiaries.
- The issuance of a Group Accounting and Procedures Manual which sets out the Group's accounting practices IFRS, revenue recognition rules and bid approval processes.
- The review of the operational results, communication and application of Group-wide Policies, procedures and strategy by the Group Leadership Council.
- Identification and mitigation of major business risks, maintenance of internal controls and procedures appropriate to Company structure and business environment, in compliance with Group policies, standards and guidelines. The maintenance of insurance cover is the responsibility of each operating company and is maintained to insure all major risk areas of Group based on scale of the of the risk and the availability of insurance covers in the external market.
- The use of external professional advisers to carry out due diligence reviews of potential acquisitions.

Enterprise risk management report

Introduction

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

Risk management organisation

The Group Risk Management and Control department (GRM&C) facilitates the identification, assessment, and management of risk for each of the Group's subsidiaries. Selected senior officers from across the Group provide risk management supervision through the Group Risk Management (GRM) Committee.

The Committee, chaired by the Chief Financial Officer, has the primary responsibility of providing independent risk oversight; facilitating, monitoring and challenging the effectiveness and integrity of the risk management processes. It also reviews all risk information. In addition it approves the risk report that is presented to the Board's Risk and EHSSQ Committee. The GRM Committee met three times during the year.

Key risk factors of Oando Group

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

1. Regulation and regulatory compliance risk
This is the risk that may occur as a result of changes in laws and regulatory policies which may threaten the Group's competitive position and capacity to efficiently conduct its business. It could also be the risk of financial or reputational loss resulting from violations or noncompliance with laws and regulations.

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

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

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

2. Capital availability risk
This is the risk that the Group may not be able to raise the capital required to support its growth, execute its strategies and generate adequate financial returns for its stakeholders. Given the aggressive growth plans of the Company, we run the risk of high leverage making it difficult to provide the required corporate collateral for the various existing and proposed projects/acquisitions and investment of the subsidiaries.

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

3. Process risk
This is the risk of losses resulting from non-existent, flawed, inadequate or failed internal processes. The growth experienced by the Group necessitates greater demand for reliable information, and better performance indicators. Consequently, the Group's business processes must continuously evolve to maintain the growth trajectory while managing the increased risk exposure that comes with growth.

The Group policies and procedures are reviewed regularly to maintain continued relevance to our business demands. Furthermore, the Standard Organisation of Nigeria (SON) and Internal Auditors conduct annual audits to confirm adherence to documented policies and procedures. Any non-compliance is highlighted and remediated.

4. People risk
This is the risk that the Group may lack the requisite skills, knowledge and experience to achieve its business objectives. As is prevalent in the oil and gas industry, people risk is high on the list for the Group. Inability to find, hire, and retain individuals with the right skills and competencies required by our businesses may prevent the achievement of our growth plans.

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

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

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

The Strategy and Planning Committee of the Board provides another level of assurance by reviewing and challenging the Group's short, medium and long-term strategies. Also management meets periodically to review and keep strategy implementation on track. In addition, the rigorously analyses opportunities to improve the chances of deriving the desired benefits from each project.

6. Liquidity risk
This is the inability of the Group to meet its financial obligations in a timely and cost effective manner. High intercompany and subsidy receivables; revenue shortfall; unfavourable changes in interest rates, payment terms and sourcing contracts with bankers and suppliers; and poor working capital management are some of the factors that may result the inability to meet financial obligations.

Furthermore, failure to abide by loan covenants and investor requirements may lead to difficulty with obtaining working capital. Our liquidity risk management strategy seeks to maintain adequate cash and marketable securities availabile to meet requirements as they fall due. Committed credit facilities

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available to the Group enables it take advantage of emergent opportunities, while the Group Treasury function monitors loan covenants and investor requirements continually to ensure strict adherence and continuous availability of liquidity.

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

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

In order to mitigate the risk of fluctuations in international crude oil prices, the Group hedges its exposure by entering into commodity option arrangements with respect to the specified yearly production volumes that set minimum floor prices per barrel of oil in USD. The Group Corporate Finance and Group Treasury Departments monitor relevant macroeconomic indices and advise operational departments on the ways to manage exposures.

8. Project selection and planning risk
This is the risk of financial loss or unfulfilled promises arising from a project's misalignment with the Group's objectives or failure of projects to meet their planned objectives. Ineffective planning and scheduling of time, cost and resources may lead to project time and cost overruns and damaged reputation from unfulfilled promises to stakeholders. To mitigate this risk, a very experienced management team with the relevant technical expertise, have the responsibility of managing the maturation of projects to ensure that the Group derives the anticipated value from the project. Where necessary, consultants are engaged to assist in the planning and execution of critical projects.

9. Business continuity and disaster recovery risk
This is risk that the Group will be unable to sustain critical operations, provide essential products and services over an extended period, or recover from operating costs because of a major natural disaster, negligent, criminal or terrorist acts. Nigeria hosts most of the Group's business operations and in the year under review, the country experienced a host of natural and man-made disasters.

Although the disasters did not have a significant impact on the Group's operations, there is a heightened level of awareness of the risk to business continuity. There is a business continuity and disaster recovery policy in place. Staff members have been trained to implement this policy and the effectiveness of the policy is tested periodically and reviewed as necessary. In addition, appropriate insurance policies are taken on all key assets to mitigate loss.

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

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

To mitigate this risk, experienced attorneys review each contract against set parameters to ensure that all key terms are satisfactory. Furthermore, authority to bind any of the Group's companies in a contract is reserved to senior management staff while very high value contracts have to be approved by the Board of Directors, in line with the Delegation of Authority policy. In addition, penalties for default and guarantees are built into contacts to protect the companies' interest.

Internal control over financial reporting for 2013

Oando PLC and its subsidiaries are 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 (GCE) and Group Chief Financial Officer (GCFO) to give reasonable assurance regarding the reliability of Financial Reporting and preparation of the Group's consolidated financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRS).

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

Under the supervision and with the participation of GCE and the GCFO, management conducted an evaluation of the effectiveness of its internal controls over financial reporting. It was concluded, based on the evaluation, that internal controls over financial reporting are effective and 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 utmost importance.

The Company reports formally to shareholders four times a year, with the announcement of quarterly results 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 website.
Members of the Group Leadership Council meet institutional investors on a regular basis, providing an opportunity to discuss, in the context of publicly available information, the progress of the business. Institutional investors and analysts are also invited to attend briefings by the Company following the announcements of the full and quarterly results. Copies of the presentations given at these briefings are 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. 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 its 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 2014.

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

The notice of meeting is communicated 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 has complied with the SEC Code of Corporate Governance throughout the financial year ended December 31, 2013.

Late submission of Audited Accounts to the Nigerian Stock Exchange for the year ended December 2013 were filed after due date. The sum of N2,100,000 was paid as penalty.

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Shareholder range analysis as at December 31, 2013

Register Date: December 31, 2013 (Nigerian share register) Issued Share Capital: 6,822,354,414 shares

Shareholder spread	No. of holders	% of holders	No. of shares	% holding
1 - 1000	166,252	61.84	61,272,263	0.90
1,001 - 5,000	73,322	27.27	152,753,855	2.24
5,001 - 10,000	11,967	4.45	85,609,529	1.25
10,001 - 50,000	12,605	4.69	274,713,330	4.03
50,001 - 100,000	2,083	0.77	149,768,442	2.20
100,001 - 500,000	2,024	0.75	423,581,670	6.21
500,001 - 1,000,000	285	0.11	205,560,431	3.01
1,000,001 - 5,000,000	254	0.09	530,860,775	7.78
5,000,001 - 10,000,000	27	0.01	184,362,508	2.70
10,000,001 - 50,000,000	36	0.01	872,125,362	12.78
50,000,001 or more	8	0.00	3,881,746,249	56.90
Total	**268,863**	**100**	**6,822,354,414**	**100.00**

Distribution of shareholders	No. of holders	% of holders	No. of shares	% holding
Banks	89	0.03	2,958,834	0.04
Brokers	268	0.10	46,205,582	0.68
Company Related	6	0.00	30,912,186	0.45
Corporations	1,310	0.49	433,513,466	6.35
Custodians/Nominees	213	0.08	132,498,487	1.94
Endowment Funds	103	0.04	5,198,776	0.08
Individuals & Entrepreneurs	266,472	99.11	1,878,733,199	27.54
Insurance/Assurance Companies	82	0.03	17,940,501	0.26
Investment Advisors/Pension Managers	161	0.06	957,707,381	14.04
Mutual Funds	75	0.03	116,340,758	1.71
Pension Funds	79	0.03	80,807,472	1.18
Strategic Holdings	5	0.00	3,119,537,772	45.73
Total	**268,863**	**100**	**6,822,354,414**	**100.00**

Public / non public shareholders	No. of holdings	% of holders	No. of shares	% holding
Non - Public Shareholders	11	0.00	3,150,449,958	46.18
Company Related	6	0.00	30,912,186	0.45
Strategic Holdings	5	0.00	3,119,537,772	45.73
Public Shareholders	268,852	100.00	3,671,904,456	53.82
Total	**268,863**	**100.00**	**6,822,354,414**	**100.00**

Breakdown of non-public holding

Company related	No. of shares	% of Shares
Oando Employee Discretionary Share Award Scheme	16,674,515	0.24
Oando PLC Staff Equity Participation Scheme Trustees	11,093,987	0.16
Oando Pension Fund Trustees	2,805,593	0.04
Oando Employee Discretionary Share Award Scheme	325,356	0.00
Oando PLC Provident Fund Trustees	7,110	0.00
Oando Cooperative Thrift & Credit Society	5,625	0.00
Total	**30,912,186**	**0.45**

Strategic holdings	No. of shares	% of Shares
Ocean & Oil Development Partners Ltd	2,938,357,320	43.07
Ocean & Oil Investment Limited	159,701,243	2.34
Ocean & Oil Development Partners Ltd	19,579,452	0.29
Ocean & Oil Investment Limited	1,816,745	0.03
Ocean & Oil Investment Limited	83,012	0.00
Total	**3,119,537,772**	**45.73**

Report of the directors

Corporate Social Responsibility (CSR) report

The Company is committed to high standards of corporate governance, ethics and goodwill. CSR is integrated into the Company's core business practices through value-adding products and services and the development of local communities through social investments.

Oando adheres to high standards of business practice and we are mindful of the impact of our activities on internal and external stakeholders as well as the environment. Our successes and challenges are communicated through the Company's Sustainability Report which is available on the Company's website.

In 2013, the Company published its first Sustainability Report that covered the period between January 1, 2012 and December 31, 2012 and demonstrated how, as a business, the Company acted with future generations in mind and with the ultimate goal of creating an environment that enables a better standard of living. It expanded on the Oando core values – Teamwork, Respect, Integrity, Passion and Professionalism (T.R.I.P.P.) – and showcased how sustainability has remained at the centre of the Company's business from a petroleum marketing company to a fully integrated energy company.

Future reports will elaborate on our activities during the financial reporting year as well as the Company's ongoing commitment to building and strengthening human capital in our host communities through education and continuous local engagement.

Sustainable community development programme

Oando has continued to provide social amenities within its host communities with the aim of improving lives. Through our Joint Venture Partnerships, we:

- Completed and commissioned of 2.8 km paved internal asphalt road in Ebendo community
- Completed and commissioned 1.6 km asphalt road in Umusam community
- Constructed and furnished the Okpalauku Palace at Umusadege community
- Commissioned four water borehole projects in Obodugwa community
- Managed an Elders Welfare Programme in Ebendo and Obodugwa communities
- Supported security network through the internal community vigilante program in Ebendo community
- Commissioned an agricultural development program in Ebendo community
- Sponsored The Youth Skill Acquisition Programme in Isumpe community
- Sponsored Skill Acquisition Programme in Ogbeani community
- Sponsored Skill Acquisition Training for 28 youths from Ebendo and Obodugwa
- Sponsored Skill Acquisition and micro credit scheme for Ogbeani community
- Supported various economic empowerment initiatives to community contractors through the award of contracts
- Donated a classroom block to Niger Delta University by NNPC/NAOC/OANDO

Economic empowerment

All Oando business units have an economic impact in their areas of operation. The Group also encourages our joint venture partners and contractors to fill suitable positions from host communities and donate towards the empowerment of host communities. In 2013, 7120 skilled and semi-skilled workers were meaningfully engaged within our host communities.Oando Foundation

The Oando Foundation (the "Foundation") is an independent charity established in 2011 to spearhead projects across Nigeria with the purpose of achieving access to quality basic education for all children of school age in Nigeria and economic empowerment. The Foundation's mission is to improve the learning environment in public primary schools by holistically creating world-class basic education systems in the community.

It pursues this objective through the Adopt-A-School Initiative ("AASI"), the Foundation's signature project, through which the lives of many children in Nigeria have been positively affected. AASI supports the development of government-owned primary schools through the rehabilitation of the school's infrastructure, teacher training, upgrading of Early Childhood Care and Development ("ECCD") Centres, establishment of ICT/Creative centres, provision of scholarships and strengthening community participation in school management and governance through capacity building for School Based Management Committee ("SBMC") and Local Government Education Authorities ("LGEA") members.

The Foundation also has an Employee Volunteer Programme (EVP), launched December 5, 2012 and tagged Inspired Hand as part of activities to commemorate the United Nations International Volunteer Day 2012. The skill-based volunteer programme provides a structured platform for employees to give time and talent to create positive change and uplift the local communities they live and work in.

Over 100 employees have signed up and each employee is expected to volunteer in any of the following areas: Teaching Assistance, Mentorship, Donations, Librarianship, Advocacy and Fundraising.

Oando PLC has continued to support and fund the Foundation through annual donations of 1% of its pre-tax profits and in-kind donations to cover administrative and operational costs.

The Foundation made the following key achievements in 2013:

- Adopted of 20 additional schools from 12 States across Nigeria; bringing the total number of adopted schools to date to 47 in 19 States and the FCT.
- Completion of renovation at Central Primary School, Bauchi, Olokun Primary School in Lagos and Zumuratul Islamiyat Primary School (ZI) Ogun State.
- Maintenance work completed in Nomadic Primary School, Nasarawa, Cross River and Government Primary School, Etim Ekpo, Akwa Ibom.
- Commemoration of World Teachers' Day and Unveiling of the Foundation's teacher training programme.
- Conduct of Teacher Development Needs Assessment (TDNA) in partnership with Pearson Nigeria Limited and development of training plans across 22 adopted schools.
- Completion of ultra-modern ECCD Centres at Archbishop Taylor Primary School, Lagos and St. Patrick's Primary School, Odukpani, Cross River.
- Capacity building training for ECCD Centre teachers and caregivers in conjunction with Incubator Africa.
- Completion of model ICT Centre at Archbishop Taylor School, Lagos. The ICT Centre boasts state of the art desktops, projector, TV and DVD, all powered by Solar energy.
- Partnership with Microsoft comprising donation of computer software and training for 6 ICT teachers from 3 adopted schools.
- Awarded scholarships to 309 outstanding pupils as part of its commitment to award annual scholarships to the ten best performing students in each of the Foundation's adopted schools. The scholarship supports the pupil's transition to secondary school, covers tuition and is subject to continuous excellent academic performance. The Foundation now has a total of 529 students on scholarship.
- Partnership with the UK Department for International Development (DfID) Education Support Programme in Nigeria (ESSPIN) to conduct SBMC trainings.
- Over 300 SBMC members were trained from 15 adopted schools across Lagos, Kwara, Kaduna, Akwa-Ibom, Edo and Ogun States
- Won the 2013 Africa Oil and Gas CSR Initiative Award in recognition of its continued commitment, through the Adopt-A-School Initiative, for improving the learning environment in public schools across Nigeria and contributing to the economic development and improvement of the lives of children and communities in Nigeria.

Report of the directors

2013 donations and sponsorships – Oando Foundation

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

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

Outlook

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

We will also continue to support the Oando Foundation in achieving its target of the adoption of 100 schools by 2015. In line with the Millenium Development Goals (MDG) and post MDG plans in education. The Foundation will strengthen its efforts in improving access and quality of education in its adopted schools through the following interventions:

- Conduct teacher training for 1305 teachers in 47 adopted schools
- The award of an additional 750 scholarships based on Oando Foundation criteria, bringing the total number of scholars to 1279
- The launch of an online donation platform for the sponsorship of children
- The stablishment of ICT/Creative Centres in 6 selected schools.
- The stablishment and upgrade of 2 ECCD Centre classes each in 6 selected schools.
- Organising SBMC training in 31 adopted Schools

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Human Capital Management (HCM) department

The Oando HCM department focuses on maintaining and strengthening the performance of the organisation, as well as attracting high potential professionals. In 2013, the HCM department consolidated and finalised a number of its existing initiatives involving talent acquisition, organisational development, employee relations, rewards and benefits strategies and transactional/operational excellence.

Oando competency framework

In 2011, the HCM team began the review and revamp of the Oando competency framework with a shift in focus from specific/unique job roles to a job family approach across the organisation. Creating a competency framework is an effective method of assessing, maintaining, and monitoring the knowledge, skills, and attributes of people in the organisation. The framework allows the Company to measure its current competency levels to ensure that employees have the requisite skills to add value to the business. It also helps managers make informed decisions about talent recruitment, retention, and succession strategies. By identifying the specific technical and behavioural skills needed for each role, the HCM department are better able to plan and budget for the training and development needs of Oando employees. The increased level of understanding and linkage between individual roles and organisational performance makes the effort well worth it.

The implementation of this framework commenced in 2012 and has now been completed. Competency models have been built for job roles using the job family approach thereby enabling the commencement and subsequent conclusion of competency assessments for all employees. With the HCM department's support, line managers can design specific / tailor-made competency based developmental training plans for employees based on the outcome of each employee's assessment. The impact will not only affect our talent development strategies but will also improve our talent acquisition and employee value proposition.

Talent management and people development

Talent management and people development remained a fundamental objective for the HCM department in 2013, building on initiatives that commenced in 2012. The Company aims to ensure that its people are equipped with the right skill set and knowledge required to achieve organisational goals and personal targets.

With a competency based approach to development, employees were encouraged to participate in various methods of training including classroom / instructor-led courses, e-learning modules, project based job rotation, seminars and on-the-job training to close identified competency gaps for current and future roles. In addition, the use of internal facilitators and mentors for some of these initiatives resulted in savings of over N200 million for the Group.

In 2013, the HCM department also introduced talent review and calibration sessions designed to identify high performing employees and their key developmental needs. In addition, feeder roles for critical and hard-to-fill positions within the Group were identified. Both initiatives implemented by the HCM department will improve the Company's succession planning processes and ensure that successors for all entity and Group chief Roles are identified and recruited in a structured and thorough manner as well as the commencement of career paths and ladders for various key functions across the Group.

The Group established the OMP training school project in 2011 with the objective of creating a state of the art facility to conduct in-house training for employees and business partners which addresses specific competency gaps in the downstream sector thus remaining in line with the Company's 70:20:10 Talent Management model. The Training School is located near the Trade Fair Complex in Lagos and the facility can accommodate up to 90 delegates. A total of 28 in-house workshops took place in 2013.

Performance management

The HCM department ensures that priority training and development needs are identified through the Company's performance review process as we pride ourselves on being a performance driven organisation. Bi-annual performance appraisals were successfully carried out for all employees in January 2013 (First Half) and July 2013 (Second Half). Prior to the commencement of each employee performance appraisal exercise, performance management refresher courses are facilitated by the HCM department to ensure that managers and employees appropriately utilise performance management tools and set specific, measurable, achievable, realistic and timely (SMART) objectives.

In 2013, the employee evaluation process was significantly improved with the development of a Computer Based Training (CBT) course on performance management. This is now available on the Company's learning portal – the Oracle Learning Management System – which is accessible by all employees throughout the year. This is a significant step in the Company's goal of having fully automated processes for people development, allowing flexibility of access for all participants.

Talent acquisition and attrition management

Oando seeks to recruit and retain the best-fit range of talent and experience that will meet the needs of the business and promote an ethical culture. In 2013, the HCM department embarked upon developing operational automation, strategic workforce planning as well as sourcing initiatives to create a more seamless and efficient process. In addition, the HCM department has been developing CBT for the onboarding of new hires, implementation of which is scheduled to begin in 2014.

A career fair was organised for the downstream business offering an opportunity to access a large pool of talent for both present and future job roles as well as showcasing the Oando brand and the Company's employee value proposition in the talent market.

The Oando Graduate Trainee (GT) Programme, initiated in 2008, underwent restructuring in 2013 leading to the development of a function based programme that should meet the dynamic strategic workforce needs of various business streams. From 2014, new trainees will be recruited in line with the above referenced approach.

In 2012, the HCM department launched the Rig Trainee Programme, an intensive 36 month process that gives the trainees on-the-job and classroom training. Trainees work offshore alongside rig crew members to gain hands-on experience. This continued to run in 2013 and there are currently 16 trainees on the programme in line with the Company's mid to long term strategic manpower plan.

During the period under review, the attrition rate across the Group averaged 16%, with nearly half of them being involuntary, bringing voluntary attrition within our target rate of 8%. This is in line with the Company's performance management strategy. A total of 39 new hires were employed, 30 being senior staff and 9 being management.

Remuneration, benefits and employee welfare

Salaries and benefits are reviewed annually to ensure that we remain competitive. In May 2013, a salary survey was carried out within the upstream business in line with the Company's corporate reward strategy. Performance based pay increments were implemented upon the conclusion of performance appraisal exercises. The Company introduced two additional Health Management Organisation ("HMO") providers in 2013 providing employees with alternative healthcare insurance options. Benefits awareness sessions were arranged by the HCM department to educate employees on options, wellbeing and the new pension scheme introduced in 2013. The HCM department plans to hold more benefits awareness sessions in 2014.

Employment and employees

Equal employment opportunity

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

Employment of physically disabled Persons

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

Employee relations

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

Training and development

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

Workforce optimization

The HCM team has championed the process of workforce optimization by realigning the duties and priorities of job roles. We seek methods to improve the efficiency and effectiveness of our operations by the integration of monitoring, workforce management and performance management. This process aims to achieve the objective of maximum efficiency of employee performance.

Oando Employee Equity Incentive Scheme (OEEIS)

2013 was the third year of Cycle 3 of the Oando Employee Equity Participation Scheme which commenced in January 2011. To date, a total of 11,085,458 shares have been listed on the Nigerian Stock Exchange under the Scheme.

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

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

The Group is committed to maintaining the highest standards in ensuring the health and safety of employees, contractors and other stakeholders, protection of the environment and support for the communities where we operate.

This section provides a summary of some key performance indicators and Environment, Health, Safety and Security, Quality and Community Affairs' (EHSSQ/SCA) achievements of Oando PLC and its subsidiaries in 2013.

We have remained steadfast in our efforts towards achieving a goal of zero fatalities and a continued reduction in the frequency and severity of incidents in our facilities. Our 2013 EHSSQ/SCA performance is a reflection of our commitment to conduct our operations in line with world-class Environment, Health and Safety (EHS) practices. Our 14 lifesaving rules are an apt summary of our philosophy, and these rules are rigorously enforced.

We continuously strive for EHS performance upon the tripod of;

(i) Ensuring the integrity of our assets;

(ii) Implementing an EHS management system that helps the organisation recognise hazards and manage risk;

(iii) Developing a strong positive EHS leadership culture.

We are delighted that our results continue to improve and we are encouraged to maintain our commitment, and increase our efforts. There is always the need to remind ourselves of the inherent risks in our business, and never to allow complacency set in.

The 2013 EHSSQ/SCA key initiatives included:

- Aligning our Environmental Management System to ISO 14001
- A focus on assisting employees develop healthy lifestyles
- Improving travel safety
- Ensuring zero work-related fatalities
- Improving asset and personnel protection
- Improving the quality of EHS management system documentation and awareness

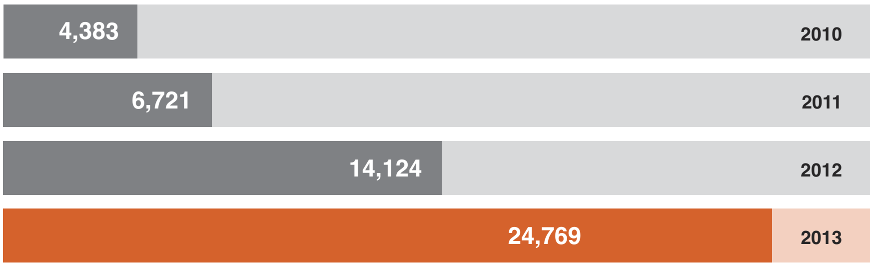
Some notable 2013 achievements include:

- The organisation and management of a successful EHSSQ/SCA Week, which extended to the Togo and Ghana facilities with the theme 'Walk the Talk', thus promoting EHS responsibility and accountability among everyone in the organisation.
- Significant progress was made in aligning our Environmental management systems to ISO 14001. We expect to build on the work done in 2013 to the extent that all of our operating businesses should be fully aligned to ISO 14001 in 2014.
- The re-certification of the Quality Management System to ISO 9001:2008 standards.
- A comprehensive truck audit exercise for all third party trucks to ascertain their safety compliance based on pre-determined criteria. Trucks that failed to meet the minimum acceptable criteria were deleted from our truck database.
- Holding several wellness campaigns with the aim of assisting employees develop healthy lifestyles.
- Organising a defensive driving training sessions conducted to help improve travel safety.
- Management Facility Inspections which were carried out for key installations with significant senior executive management participation.
- The development of the Oando EHS Information Management System. The first phase, 'Incident Management Module' was rolled out.
- The conclusion of 2013 operattions without any major security or community related incident.
- Zero Lost Time Incident (LTI). Consequently, over eight million cumulative LTI free man-hours was achieved in spite of the challenging and high risk environment we operate in. Truly, a world-class achievement!

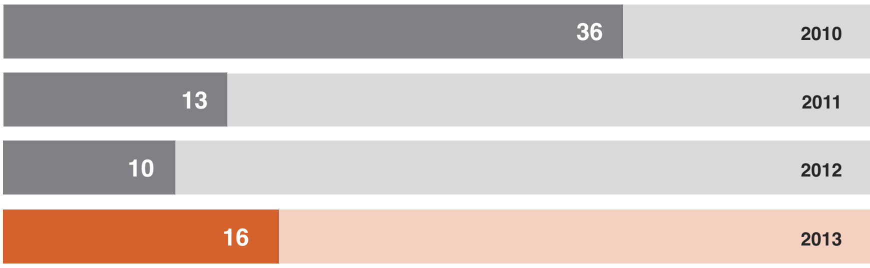
OANDO PLC EHS 2013 performance review

The figures below illustrate the Oando PLC EHS Performance for 2013

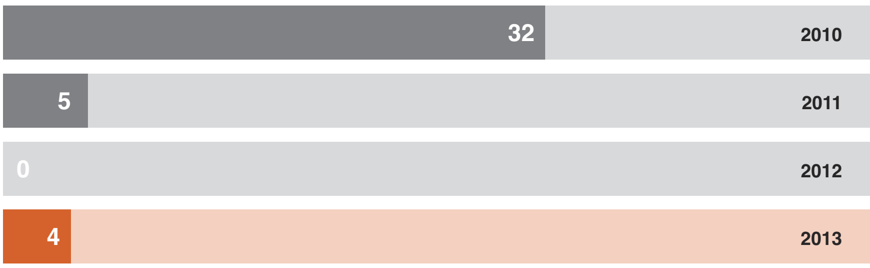
Hazard Identification Reporting (HIR)



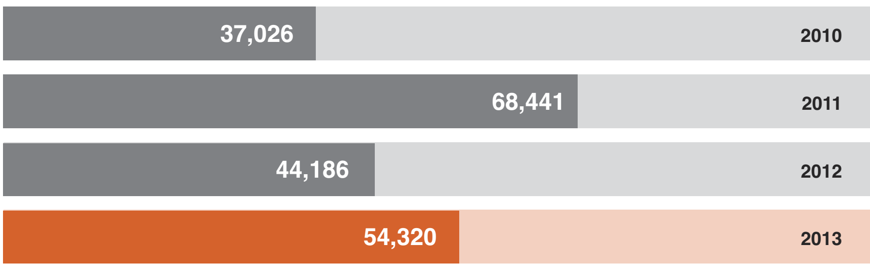
Fire Incidents - Yearly



Gas Leaks - Yearly



Product Spillage - Product Volume



Acquisition of own shares

The Company did not acquire its own shares in 2013.

Market value of fixed assets

Information regarding the Group's asset value and notes thereon are contained in Note 4 of the financial statements on page 121 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

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

By Order of the Board

Ayotola Jagun
Chief Compliance Officer &
Company Secretary
FRC/2013/NBA/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:

a. Reviewed the scope and planning of the audit requirements
b. Reviewed the external Auditors' Management Controls Report for the year ended December 31, 2013 as well as the Management response thereto,

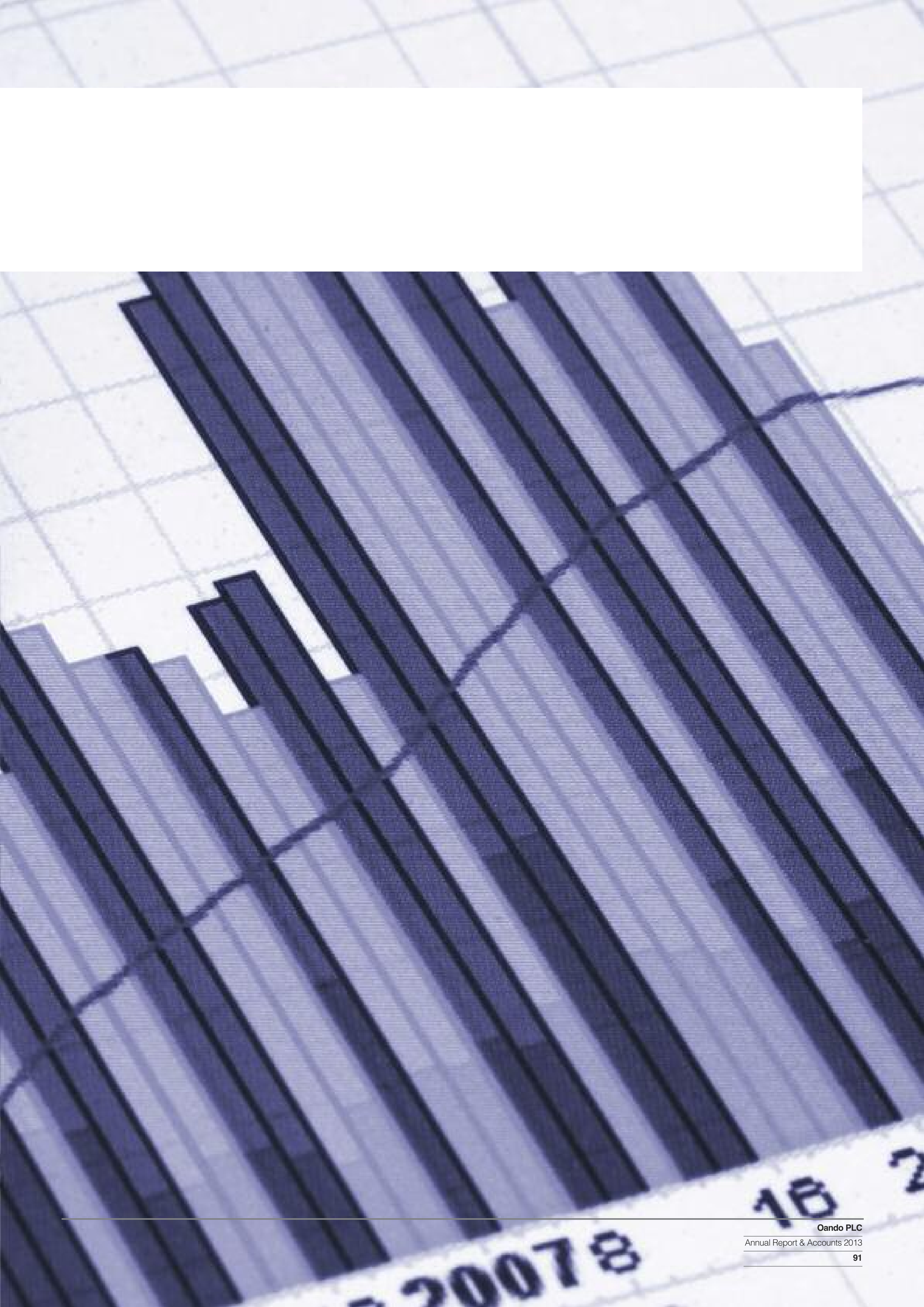
And can ascertain that the accounting and reporting policies of the Company for the year ended December 31, 2013 are in accordance with legal requirements and agreed ethical practices.

Dated this 15th day of September 2014.

Mr Oghogho Akpata
Chairman, Audit Committee

- Chief Sena Anthony
  (Independent Non-Executive Director)
- Ammuna Lawan Ali, OON
  (Non-Executive Director)
- Mr. K.B. Sarunmi
  (Shareholder Member)
- Mr. Lateef Ayodeji Shonubi
  (Shareholder Member)
- Mr. Fidelis Opia Ijoma
  (Shareholder Member)

Financial Statement - 31 Dec 2013



Annual Consolidated Financial Statements

Statement of directors' responsibilities

For the year ended 31 December 2013

Responsibilities in respect of the financial statements

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

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

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

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

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

Responsibilities in respect of Corporate Governance

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

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

The board of directors

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

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

The Audit Committee

The Audit Committee (the "Committee") is made up of six members - three directors (all of whom are non-executive) and three shareholders in compliance with section 359(4) of the Companies and Allied Matters Act. The Committee members meet at least thrice a year.
The Committee's duties include keeping under review the scope and results of the external audit, as well as the independence and objectivity of the auditors. The Committee also keeps under review the risk and controls over financial reporting, compliance with laws and regulations and the safeguarding of assets. In addition, the Committee reviews the adequacy the Internal Audit plan and implementation status of internal audit recommendations.

Systems of internal control

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

Code of business ethics

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

Director
22nd of September 2014
FRC/2013/NBA/00000003348

Director
22nd of September 2014
FRC/2013/ICAN/00000003349

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF OANDO PLC

Report on the financial statements
We have audited the accompanying financial statements of Oando Plc (the company) and its subsidiaries (together, the group). These financial statements comprise the statement of financial position as at 31 December 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

Opinion
In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the company and the group at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act.

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

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

Pedro Omontuemhen

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

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A 693219

23 SEPTEMBER 2014

Income statements

For the year ended 31 December 2013

N'000

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

The statement of significant accounting policies and notes on pages101 - 176 form an integral part of these consolidated financial statements.

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

Annual Consolidated Financial Statements

Statement of comprehensive income

For the year ended 31 December 2013

N'000

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

The statement of significant accounting policies and notes on pages101 - 176 form an integral part of these consolidated financial statements.

Annual Consolidated Financial Statements

Statement of financial position

As of 31 December 2013

N'000

Assets	**Notes**	**Group 2013 N'000**	**Group 2012 N'000**
Non-current assets			
Property, plant and equipment	12	172,209,842	130,324,713
Intangible assets	13	82,232,746	138,853,809
Investments accounted for using the equity method	14	2,880,478	-
Deferred income tax assets	15	11,463,002	13,424,518
Available-for-sale financial assets	22a	14,500	1,000
Derivative financial assets	16	1,220,796	986,278
Finance lease receivables	17	6,927,207	3,206,008
Deposit for acquisition of a business	18	69,840,000	67,542,450
Non-current receivables and prepayments	19	15,412,684	10,618,594
Restricted cash	23	3,798,258	4,053,050
		365,999,513	369,010,420
Current assets			
Inventories	20	19,446,202	18,110,541
Finance lease receivables	17	782,480	450,377
Derivative financial assets	16	389,900	-
Trade and other receivables	21	143,738,804	113,935,243
Available-for-sale financial assets	22	169,430	148,701
Cash and cash equivalents (excluding bank overdrafts)	23	23,887,497	13,408,506
		188,414,313	146,053,368
Assets of disposal group classified as held for sale	24	37,483,113	-
Total assets		**591,896,939**	**515,063,788**
Equity and Liabilities			
Equity attributable to owners of the parent			
Share capital	25	3,411,177	1,137,058
Share premium	25	98,425,361	49,521,186
Retained earnings	33,937,579	37,142,281	
Other reserves	26	23,217,694	14,412,064
		158,991,811	102,212,589
Non controlling interest		3,376,266	3,141,939
Total		162,368,077	105,354,528
Liabilities			
Non-current liabilities			
Borrowings	27	71,872,418	75,221,070
Deferred income tax liabilities	15	20,372,939	17,207,614
Provision for other liabilities & charges	28	5,091,069	3,562,670
Derivative financial liabilities	29	-	3,486,456
Retirement benefit obligation	30	2,468,035	2,802,983
Government Grant	31	206,643	293,941
	100,011,104	102,574,734	
Current liabilities			
Trade and other payables	32	124,059,301	86,046,357
Derivative financial liabilities	29	1,527,400	-
Current income tax liabilities	10	5,643,719	6,417,980
Dividend payable	33	644,691	651,058
Provision for other liabilities & charges	28	-	353,416
Borrowings	27	183,412,635	213,665,715
		315,287,746	307,134,526
Liabilities of disposal group classified as held for sale	24	14,230,012	-
Total liabilities		429,528,862	409,709,260
Total equity and liabilities		**591,896,939**	**515,063,788**

The financial statements and notes on pages 94 to 177 were approved and authorised for issue by the Board of Directors on 22nd September 2014 and were signed on its behalf by:

DIRECTORS:

Group Chief Executive
FRC/2013/NBA/00000003348

Group Chief Financial Officer
FRC/2013/ICAN/00000003349

The statement of significant accounting policies and notes on pages 101 - 176 form an integral part of these consolidated financial statements.

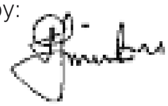
Statement of financial position

As of 31 December 2013

N'000

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

The financial statements and notes on pages 94 to 177 were approved and authorised for issue by the Board of Directors on 22nd September 2014 and were signed on its behalf by:



DIRECTORS

Group Chief Executive
FRC/2013/NBA/00000003348

Group Chief Financial Officer
FRC/2013/ICAN/00000003349

The statement of significant accounting policies and notes on pages 101 - 176 form an integral part of these financial statements.

Annual Consolidated Financial Statements

Statement of changes in equity

For the year ended 31 December 2013

N'000

Group	Share Capital N'000	Other reserves N'000	Retained earnings N'000	Equity holders of parent N'000	Non controlling interest N'000	Total equity N'000
Balance as at 1 January 2012	50,658,244	13,376,928	27,658,713	91,693,885	1,071,101	92,764,986
Profit or loss for the year	-	-	10,424,491	10,424,491	361,826	10,786,317
Other comprehensive income for the year	-	1,188,828	(89,948)	1,098,880	2,943	1,101,823
Total comprehensive income	-	1,188,828	10,334,543	11,523,371	364,769	11,888,140
Transaction with owners						
Value of employee services	-	605,293	-	605,293	-	605,293
Tax on value of employee services	-	96,109	-	96,109	-	96,109
Reclassification to share based payment reserve (SBPR)	-	1,078,449	(1,078,449)	-	-	-
Total transactions with owners	-	1,779,851	(1,078,449)	701,402	-	701,402
Revaluation on disposal of Property, plant and equipment	-	(13,051)	13,051	-	-	-
Non controlling interest arising in business combination						
Non controlling interest arising on business combination		(1,920,492)	214,423	(1,706,069)	1,706,069	-
Total transactions with owners of the parent, recognised directly in equity	-	(1,920,492)	214,423	(1,706,069)	1,706,069	-
Balance as at 31 December 2012	50,658,244	14,412,064	37,142,281	102,212,589	3,141,939	105,354,528
Balance as at 1 January 2013	50,658,244	14,412,064	37,142,281	102,212,589	3,141,939	105,354,528
Profit/(loss) for the year	-	-	1,414,462	1,414,462	(17,536)	1,396,926
Other comprehensive income for the year	-	9,209,044	24,917	9,233,960	257,252	9,491,212
Total comprehensive income for the year	50,658,244	23,621,108	38,581,660	112,861,012	3,381,655	116,242,666
Transaction with owners						
Value of employee services	-	606,651	(606,651)	-	-	-
Tax on value of employee services	-	37,236	(37,236)	-	-	-
Proceeds from shares issued	54,578,836	-	-	54,578,836	-	54,578,836
Share issue expenses	(3,400,542)	-	-	(3,400,542)	-	(3,400,542)
Reclassification of expired SBPR	-	(105,965)	105,965	-	-	-
Deferred tax on reclassification of expired SBPR	-	(31,789)	-	(31,789)	-	(31,789)
Dividends	-	-	(5,116,766)	(5,116,766)	-	(5,116,766)
Total transaction with owners	51,178,294	506,133	(5,654,688)	46,029,739	-	46,029,739
Revaluation of Property, plant and equipment	-	(1,010,608)	1,010,608	-	-	-
Deferred tax on revaluation reserve	-	101,061	-	101,061	-	202,122
Non controlling interest arising in business combination						
Non controlling interest arising on common control transaction		-	-	-	(5,389)	(5,389)
Total transactions with owners of the parent, recognised directly in equity	51,178,294	(403,414)	(4,644,081)	46,130,800	(5,389)	46,226,472
Balance as at 31 December 2013	101,836,538	23,217,694	33,937,579	158,991,811	3,376,266	162,368,077

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

The share based payment reserve is not distributable.

The statement of significant accounting policies and notes on pages 101 - 176 form an integral part of these consolidated financial statements.

Annual Consolidated Financial Statements

Statement of changes in equity

For the year ended 31 December 2013

N'000

Company	Share Capital N'000	Other reserves N'000	Retained earnings N'000	Equity holders of parent N'000	Total equity N'000
Balance as at 1 January 2012	50,658,244	909,547	1,163,374	52,731,165	52,731,165
Profit or loss for the year	-	-	4,379,446	4,379,446	4,379,446
Other comprehensive income/(expense) for the year	-	-	(48,371)	(48,371)	(48,371)
Total comprehensive income for the year	50,658,244	909,547	5,494,449	57,062,240	57,062,240
Transaction with owners:					
Value of employee services- share option scheme		319,131		319,131	319,131
Tax credit relating to share option and award		73,485		73,485	73,485
Reclassification to share based payment reserve	-	973,963	(973,963)	-	-
Transactions with owners	-	1,366,579	(973,963)	392,616	392,616
Balance as at 31 December 2012	**50,658,244**	**2,276,126**	**4,520,486**	**57,454,856**	**57,454,856**
Balance as at 1 January 2013	50,658,244	2,276,126	4,520,486	57,454,856	57,454,856
Profit for the year	-	-	2,350,574	2,350,574	2,350,574
Other comprehensive income for the year	-	-	45,757	45,757	45,757
Total comprehensive income for the year	50,658,244	2,276,126	6,916,817	59,851,187	59,851,187
Value of employee services	-	124,121	-	124,121	124,121
Tax on value of employee services	-	24,799	(24,799)	-	-
Revaluation surplus on disposal transferred to retained earnings	-	(1,010,608)	1,010,608	-	-
Deferred tax on revaluation surplus on disposal transferred to retained earnings	-	101,061	-	101,061	101,061
Proceeds from shares issued	51,178,294	-	-	51,178,294	51,178,294
Transfer of expired SBPR to retained earnings	-	(105,965)	57,819	(48,146)	(48,146)
Deferred tax on transfer of expired SBPR to retained earnings	-	(17,345)	17,345	-	-
Dividends	-	-	(5,116,766)	(5,116,766)	(5,116,766)
Total transaction with owners	51,178,294	(883,937)	(4,055,793)	46,238,564	46,238,564
Balance as at 31 December 2013	**101,836,538**	**1,392,189**	**2,861,024**	**106,089,751**	**106,089,751**

[1] Share capital includes ordinary shares and share premium

[2] Other reserves include revaluation surplus, currency translation reserves and share based payment reserves. See note 26.

The share based payment reserve is not distributable.

The statement of significant accounting policies and notes on pages 101 - 176 form an integral part of these consolidated financial statements.

Annual Consolidated Financial Statements

Statement of cash flows

For the year ended 31 December 2013

N'000

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

The statement of significant accounting policies and notes on pages 101 - 176 form an integral part of these financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2013

1. General information

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

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

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

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

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

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

Other subsidiaries within the Group and their respective lines of business including Gas and Power, are shown in note 39.

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

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

Changes in accounting policies and disclosures

a) New and amended standards adopted by the Group

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

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

IAS 19, 'Employee benefits' was amended in June 2011 (effective 1 January 2013)
The main changes to IAS 19 are as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). This did not significantly impact the Group as actuarial gains and losses were recognised in OCI and the Group has no plan assets.

Notes to the consolidated financial statements

For the year ended 31 December 2013

IFRS 10 'Consolidated Financial Statements', issued in May 2011 (effective 1 January 2013)
The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. All entities that meet the definition of control under IFRS 10 have been consolidated in these financial statements.

IFRS 11 'Joint Arrangements', issued in May 2011 (effective 1 January 2013)
The standard focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. Management decided to implement IFRS 11 prospectively. IFRS 11 did not significantly affect the Group's joint arrangements.

IFRS 12, 'Disclosure of Interests in Other Entities', issued in May 2011 (effective I January 2013)
The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. IFRS 12 disclosures have been fully complied with in these consolidated financial statements.

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

IAS 27 (revised 2011), 'Separate financial statements' (effective 1 January 2013)
This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. This has no significant impact on the Group.

IAS 28 (revised 2011) 'Associates and joint ventures' (effective 1 January 2013)
This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. This has no significant impact on the Group.

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

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

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

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

IFRS 9, 'Financial instruments', issued in November 2009 (effective 1 January 2018)
IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

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

Notes to the consolidated financial statements

For the year ended 31 December 2013

IAS 36, 'Impairment of assets' (effective 1 January 2014)
This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

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

(b) Consolidation

(i) Subsidiaries

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

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

(iii) Disposal of subsidiaries

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

Notes to the consolidated financial statements

For the year ended 31 December 2013

(iv) Investment in Associates

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

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

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

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

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

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

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

(v) Joint arrangements

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

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

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

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

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

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

Transactions with other parties in the joint operations.

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

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

Notes to the consolidated financial statements

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

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

(c) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances in Group entities

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

(iii) Consolidation of Group entities

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

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

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

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

(d) Segment reporting

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

(e) Revenue recognition

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

(i) Sale of goods

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

Notes to the consolidated financial statements

For the year ended 31 December 2013

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

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

Sales between subsidiaries, as disclosed in the segment information.

(ii) Sale of services

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

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

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

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

(iii) Construction contracts

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

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

(iv) Service concession arrangements

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

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

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

(v) Interest income

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

(vi) Dividend

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

Notes to the consolidated financial statements

For the year ended 31 December 2013

(f) Property, plant and equipment

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

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

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

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

Buildings	20 – 50 years	(2 – 5%)
Plant and machinery	8 – 20 years	(5 – 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.

(g) Intangible assets

(a) Goodwill

Goodwill arises from the acquisition of subsidiaries and is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the Group's interest in the fair value of the net identifiable assets acquired, liabilities and contingent liabilities of the acquired subsidiaries and the fair value of non-controlling interest of the subsidiaries. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is allocated to cash-generating units (CGU's) for the purpose of impairment testing. The allocation is made to those CGU's expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. Each unit or group of units to which goodwill is allocated represents the lower level within the entity at which the goodwill is monitored for internal management purposes.

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

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Software licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is

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calculated using straight line method to allocate the cost over their estimated useful lives of three to five years. The amortisation period is reviewed at each balance sheet date. Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

(c) Concession contracts

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

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

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

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

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

(h) Impairment of non financial assets

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

(i) Financial instruments

Financial assets classification

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

(a) Financial assets at fair value through profit or loss

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

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Recognition and measurement

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

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement within "other (losses)/gains - net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payment is established. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as "gains and losses from investment securities".

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

Impairment of financial assets

a) Assets carried at amortized cost

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

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

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

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

b) Assets classified as held for sale

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

Offsetting financial instruments

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

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Derivative financial instruments

A derivative is a financial instrument or contract whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying'); requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and is settled at a future date. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gains or losses are recognised in profit or loss.

Embedded derivatives

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

An embedded derivative is only separated and reported at fair value with gains and losses being recognised in the profit or loss component of the statement of comprehensive income when the following requirements are met:

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

Deferred premium

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

(j) Accounting for leases

The Group as lessee:

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

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

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

The Group as lessor:

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

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

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(k) Inventories

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

(l) Receivables

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

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

(m) Payables

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

(n) Share capital

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

(o) Cash and cash equivalents

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

(p) Employee benefits

(i) Retirement benefit obligations

Defined contribution scheme

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

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

Defined benefit scheme

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

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the

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discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the profit or loss.

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

Gains or losses on curtailment or settlement are recognised in profit or loss when the curtailment or settlement occurs.

(ii) Employee share-based compensation

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

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

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

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

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

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

(iii) Other share based payment transactions

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

(iv) Profit-sharing and bonus plans

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

(q) Provisions

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

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

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

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Decommissioning liabilities

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

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

(r) Current and deferred income tax

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

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

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

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

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

(s) Borrowings

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

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

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

Borrowing costs

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

Convertible debts

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

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

(t) Exceptional items

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

(u) Dividend

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

(v) Upstream activities

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

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

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

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

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

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

(w) Impairment

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

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

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

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

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

(x) Government grant

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

(y) Non-current assets (or disposal groups) held for sale.

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

3 Financial risk management

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

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

Market risk

(i) Foreign exchange risk

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

At 31 December 2013, if the Naira had strengthened/weakened by 12% against the US Dollar with all other variables held constant, consolidated pre tax profit for the year would have been N5.80 billion lower/higher mainly as a result of US Dollar denominated bank balances and receivables (2012: if the Naira had strengthened/weakened by 12% against the US Dollar with all other variables held constant, consolidated pre tax profit for the year would have been N982 million lower/higher mainly as a result of US Dollar denominated bank balances).

At 31 December 2013, if the Naira had strengthened/weakened by 12% against the US Dollar with all other variables held constant, consolidated pre tax profit for the year would have been N27.98 billion higher/lower mainly as a result of US Dollar denominated loan balances. (2012: if the Naira had strengthened/weakened by 12% against the US Dollar with all other variables held constant, consolidated pre tax profit for the year would have been N14.6 billion higher/lower mainly as a result of US Dollar denominated trade payables and loan balances.)

(ii) Price risk

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

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

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The Group, through Oando OML 125 and 134 Limited (OML), has hedged its exposure to fluctuations in the price of oil by entering into commodity option arrangements with respect to specified yearly production volumes that set minimum floor prices. Such arrangements, which currently extend through 2013, provide that, if the price of oil falls below the floor price at the end of any given month, OML 125 and 134 Limited will be compensated for the difference, less a US$8.10/bbl. premium. In 2013, OML 125 and 134 Limited hedged 0.13mmbbls mmbbls (2012: 0.23 mmbbls) of its crude oil production, using commodity derivatives. The fair value of the derivative asset is shown in Notes 16. Gains or losses arising from the derivative are included in finance income or cost.

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

Hedge revenue	Unit	2012	2013	2014
Volume hedged	Mmbbls	0.23	0.13	-
Floor Price	Us$/bbl	75.00	75.00	-
Hedge cost	Us$/bbl	8.10	8.10	-

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

The hedge was extinguished by 31 December 2013.

(iii) Cash flow and fair value interest rate risk

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

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

The Group has borrowings at variable rates, which expose the Group to cash flow interest rate risk. The Group regularly monitors financing options available to ensure optimum interest rates are obtained. At 31 December 2013, an increase/decrease of 100 basis points on LIBOR/MPR would have resulted in a decrease/increase in consolidated pre tax profit of N1.03 billion (2012:N2.89 billion), mainly as a result of higher/lower interest charges on variable rate borrowings.

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

- a floating-to-fixed interest rate swap on a notional amount of N31.05 billion, based on a floating rate of three month LIBOR and a fixed rate of 2.81%.
- a cross currency swap on a notional amount of N23 billion ($150 million) , The Group pays based on a floating rate of three month LIBOR plus a spread of 8.69% and receives from counterparties a floating rate of the arithmetic average of 90-day NIBOR rate over a 30 day period, plus a spread of 3%.

The fair value of the derivative liabilities is included in note 29 and the related fair value losses included in interest expense in note 9.

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

Credit risk

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

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

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Current	18,137,787	17,852,257	-	-
Past due but not impaired				
- by up to 30 days	10,170,860	4,369,623	-	-
- by 31 to 60 days	4,207,418	2,685,330	-	-
- later than 60 days	12,371,682	3,983,385	-	-
Total past due but not impaired	26,749,960	11,038,338	-	-
Impaired	4,099,800	3,243,865	-	-
	48,987,547	32,134,460	-	-

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

Included in non-current receivable is underlift receivable of N11.3 billion that is past due but not impaired. Other receivables of N92.5 billion (excluding impaired receivable of N549.8 million) are neither past due nor impaired.

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

Credit quality of financial assets

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

Counter parties without external credit rating

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

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

Other receivables	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Group 2	86,122,449	71,106,424	123,343,383	126,804,197
Derivative financial instruments				
Group 2	1,610,696	986,278	1,587,922	-

Definition of the ratings above:

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

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Counter parties with external credit rating (Fitch rating)

Cash	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
AAA	2,098,727	294,478	3,278	4,903
AA-	120,649	1,716,590	4,380	704,378
A+	10,853,134	2,156,563	52,794	7,409
A-	10,018,688	6,268,999	1,728,251	655,400
BBB+	26,548	3,944,858	-	423,670
BBB-	1,448,828	187,786	6,480	50,664
Not rated	3,119,181	2,892,283	18,216	45,571
	27,685,755	17,461,557	1,813,399	1,891,995

Liquidity risk

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

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

Group	Less than 1 year N'000	Between 1 and 2 years N'000	Between 2 and 5 years N'000	Over 5 years N'000	Total N'000
At 31 December 2013:					
Borrowing (excluding finance lease liabilities)	183,412,635	36,275,049	34,294,082	1,303,287	255,285,053
Trade and other payables	124,059,301	-	-	-	124,059,301
Derivative financial instruments - interest rate swap	422,969	-	-	-	422,969
Derivative financial instruments - cross currency swap	-	-	-	-	-
At 31 December 2012:					
Borrowing (excluding finance lease liabilities)	211,816,587	42,424,958	34,190,399	1,303,287	289,735,231
Trade and other payables	86,046,357	-	-	-	86,046,357
Derivative financial instruments - interest rate swap	1,313,016	192,438	-	-	1,505,454
Derivative financial instruments - cross currency swap	-	-	-	-	-

Company	Less than 1 year N'000	Between 1 and 2 years N'000	Between 2 and 5 years N'000	Over 5 years N'000	Total N'000
At 31 December 2013:					
Borrowing (excluding finance lease liabilities)	32,250,797	11,942,482	-	-	44,193,279
Trade and other payables	109,081,976	-	-	-	109,081,976
Derivative financial instruments - interest rate swap	422,969	-	-	-	422,969
At 31 December 2012:					
Borrowing (excluding finance lease liabilities)	68,121,082	25,299,591	21,760,738	-	115,181,411
Trade and other payables	51,575,433	-	-	-	51,575,433
Derivative financial instruments - cross currency	62,250	1,347,401	-	-	1,409,651

Capital risk management

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

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

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

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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 2013, the Group's strategy was to maintain a gearing ratio between 50% and 75% (2012: 50% and 75%). The gearing ratios as at the end of December 2013 and 2012 were as follows:

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Total borrowings	255,285,053	288,886,785	44,005,050	113,881,820
Less: cash and cash equivalents (Note 21)	(23,887,497)	(13,408,506)	(1,486,292)	(1,891,995)
Restricted cash	(3,798,258)	(4,053,050)	(327,107)	(324,000)
Net debt	2,27,599,298	271,425,229	42,191,651	111,665,825
Total equity	162,368,077	105,354,528	106,089,751	57,454,856
Total capital	389,967,375	376,779,757	148,281,402	169,120,681
Gearing ratio	58%	72%	28%	66%

Fair Value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013. See note 12 for disclosures of the Buildings, freehold land and plant & machinery that are measured at fair value and note 24 for disclosures of the disposal groups held for sale that are measured at fair value.

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

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

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

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

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

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

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

There were no transfers between levels 1 and 2 during the year.

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(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

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

(c) Financial instruments in level 3

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

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

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

4 Critical accounting estimates and judgements

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

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

i Fair value estimation

Financial instruments

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

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

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

Employee share based payments

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

Property, plant and equipment

Land, building and plant and machinery are carried at revalued amounts. Formal revaluations are performed every three years by independent experts for these asset classes. Appropriate indices, as determined by independent experts, are applied in the intervening periods to ensure that the assets are carried at fair value at the reporting date. Judgement is applied in the

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selection of such indices. Fair value is derived by applying internationally acceptable and appropriately benchmarked valuation techniques such as depreciated replacement cost or market value approach.

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

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

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

ii Defined Benefits (Gratuity)

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

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

Other key assumptions for the obligations are based in part on current market conditions. Additional information is disclosed in Note 30.

iii Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. See Note 13 for detailed assumptions and methods used for impairment calculation.

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

iv Income taxes

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

As of the reporting date, the Group recognised N358million in respect of 2004-2009 tax assessment in these consolidated financial statement.

v Provision for environmental restoration

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

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

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vi Estimation of oil and gas reserves

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

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

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

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

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

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

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

vii Service concessions

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

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

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

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

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

viii Akute lease

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

ix Capitalisation of borrowing costs

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

x Exploration costs

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

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

xi Impairment of assets

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

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

Estimates of future cash flows are risk-weighted to reflect expected cash flows and are consistent with those used in the Group's business plans. A discount rate based on the Group's Weighted average cost of capital (WACC) is used in impairment testing. Expected cash flows are then risk-adjusted to reflect specific local circumstances or risks surrounding the cash flows. Oando reviews the discount rate to be applied on an annual basis. The discount rate applied in 2013 was 15.18% (2012: 15%). Asset impairments or their reversal will impact income.

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

The residual values, depreciation methods and useful lives of property, plant and equipment are reviewed at least on an annual basis. The review is based on the current market situation. The review of useful lives did not significantly impact depreciation.

The residual value of the various classes of assets were estimated as follows:

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

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

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xiii Take or pay – embedded derivatives

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

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

xiv Sale of Oando Exploration and Production Limited (OEPL)

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

5. Segment information

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

The GLC assesses the performance of the operating segments by reviewing actual results against set targets on revenue, operating profit and profit after tax for each divisions.

Expenditures incurred on joint services and infrastructure like information technology, audit, etc. are shared amongst the division using pre-agreed rates. Also, interest expenses suffered by the Corporate division on loans raised on behalf of the other divisions are transferred to the relevant division.

At 31 December 2013, the Group was organised into six operating segments:

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

(ii) Marketing – involved in the marketing and sale of petroleum products.

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

(iv) Refinery and Terminals – operations yet to commence. The Group has three principal projects currently planned – the construction of 210,000 MT import terminal in Lekki, the construction of LPG storage facility at Apapa Terminal, and the construction of a marina jetty and subsea pipeline at Lagos Port.

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

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

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

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

	Exploration & Production 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	20,888,108	245,554,840	590,182,784	35,687,559	20,450,231	7,408,179	920,171,701
Inter-segment sales	-	(141,475)	(261,770,801)	(334,941)	-	(7,358,881)	(269,606,098)
Sales from external customers	20,888,108	245,413,365	328,411,983	35,352,618	20,450,231	49,298	650,565,603
Operating profit/(loss)	11,406,191	7,913,047	4,866,959	3,084,117	4,060,509	(3,971,016)	27,359,807
Finance income	(87,263)	1,013,632	14,827	3,840,800	19,350	3,319,869	8,121,215
Finance cost	(2,790,473)	(3,506,107)	(354,378)	(7,623,273)	(1,954,313)	(5,075,036)	(21,303,580)
Finance cost, net	(2,877,736)	(2,492,475)	(339,551)	(3,782,473)	(1,934,963)	(1,755,167)	(13,182,365)
Profit before income tax	8,528,455	5,420,572	4,527,408	(698,356)	2,125,546	(5,726,183)	14,177,442
Income tax expense	(5,636,974)	(1,541,017)	(1,034,323)	983,976	(1,111,773)	(326,748)	(8,666,859)
Profit for the year	2,891,481	3,879,555	3,493,085	285,620	1,013,773	(6,052,931)	5,510,583

Reconciliation of reporting segment information

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

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

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

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Other information included in the income statement by segment are:

Year ended 31 December, 2013:

	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	4,450,778	2,048,155	34,759	98,611	3,043,554	3,284,196	12,960,053
Amortisation of intangible assets	17,426	72,274	-	3,049,708	-	44,916	3,184,325

Year ended 31 December, 2012:

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

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

	Exploration & Production 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	32,777,198	61,748,256	91,217,845	83,143,757	589,227,034
Liabilities	79,628,746	122,803,123	46,500,636	38,241,207	54,818,713	75,956,594	417,949,020
Capital Expenditure*	18,732,781	3,594,302	70,845	2,823,890	15,669,308	7,967,666	48,858,792

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

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

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

Segment liabilities comprise operating liabilities. They exclude deferred taxation.

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

The Group's business segments operate in three main geographical areas.

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

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

	Exploration & Production 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
Sales							
Within Nigeria	20,677,151	233,977,828	46,936,053	35,352,618	20,450,231	49,299	357,443,180
Other West African countries	-	11,435,536	31,611,325	-	-	-	43,046,861
Other countries	210,958	-	249,864,605	-	-	-	250,075,563
	20,888,109	245,413,364	328,411,983	35,352,618	20,450,231	49,299	650,565,604
Total assets							
Within Nigeria	191,013,432	56,033,995	45,507,558	62,720,235	77,455,737	43,617,177	476,348,134
Other West African countries	-	3,501,749	12,742,545	-	-	-	16,244,294
Other countries	4,276,490		4,770,352	-	-	-	9,046,842
	195,289,922	59,535,744	63,020,455	62,720,235	77,455,737	43,617,177	501,639,270
Capital expenditure							
Within Nigeria	26,339,057	2,155,583	16,922	7,154,091	4,529,806	7,913,169	48,108,628
Other West African countries	-	169,117	3,009	-	-	-	172,126
Other countries	2,209,625	-	-	-	-	-	2,209,625
	28,548,682	2,324,700	19,931	7,154,091	4,529,806	7,913,169	50,490,379

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

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

Analysis of revenue by nature

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

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6. Other operating income

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

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

7. Expenses by nature of operating profit

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
The following items have been charged/(credited) in arriving at the operating profit:				
Included in cost of sales:				
Inventory cost	369,546,957	569,230,394	-	-
Depreciation on property plant and equipment - OES	2,980,419	2,935,675	-	-
Included in selling and marketing costs				
Product transportation costs	5,189,573	6,249,025	-	-
Dealers' commission	1,288,801	1,306,775	-	-
Included in other operating income:				
Foreign exchange gain	3,104,271	1,617,139	2,027,110	291,553
Profit/(loss) on disposal of property, plant and equipment	280,962	158,741	662,378	45,281
Included in administrative expenses				
Depreciation on property plant and equipment - Other (Note 12)	9,979,634	5,670,033	233,405	261,051
Amortisation of intangible assets (Note 13)	3,184,325	3,779,823	44,917	149,333
Foreign exchange loss	1,541,760	1,619,951	517,553	204,429
Provision for impairment losses of trade receivables (Note 21)	791,056	(1,343,351)	-	-
Employees benefit scheme (Note 8)	9,499,057	8,621,891	521,389	877,930
Auditors remuneration	204,750	156,178	79,991	63,833
Legal & Consultancy services	3,761,019	2,061,282	312,838	127,040
Repair and maintenance	1,695,613	2,826,259	-	33,479
Impairment of property, plant and equipment/Other write offs(Note 12)	66,574	(190,499)	60,784	(198,249)
Fair value loss on commodity options	23,348	59,926	-	(9,718)
Fair value loss/(gains) on embedded derivatives	(257,866)	1,121,797	-	-
Rent and other hiring costs	1,781,392	1,205,298	1	27,862

8. Employee benefits expense

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
(a) Directors' remuneration:				
The remuneration paid to the directors who served during the year was as follows:				
Chairman	5,556	2,500	5,556	2,500
Other non-executive	24,444	20,600	24,444	12,500
	30,000	23,100	30,000	15,000
Executive directors' salaries	523,536	607,410	287,601	314,261
	553,536	630,510	317,601	329,261
Other emoluments	600,404	318,506	469,319	89,268
	1,153,940	949,016	786,920	418,529

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	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
The directors received emoluments (excluding pension contributions) in the following ranges:				
	Number	**Number**	**Number**	**Number**
N1,000,000 - N10,000,000	9	10	-	-
Above N10,000,000	21	19	11	11

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

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

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

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

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

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

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

9. Finance (costs)/income

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

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

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10. Income tax expense

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Current income tax	4,592,581	9,618,070	1,414,115	304,347
Education tax	247,924	295,172	-	-
Adjustments in respect of prior years tax	(358,823)	-	(358,823)	-
	4,481,682	9,913,242	1,055,292	304,347
Deferred income tax (Note 15):				
Deferred income tax for the year	359,887	(1,047,013)	(622,169)	6,950
Adjustments in respect of prior years tax	547,903	(199,370)	-	-
	907,790	(1,246,383)	(622,169)	6,950
Income tax expense	5,389,472	8,666,859	433,123	311,297

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

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Profit before income tax	713,207	14,177,442	2,783,697	4,690,743
Tax calculated at weighted average domestic rates applicable to profits in respective countries - 64.4% (2012: 64.4%)	887,899	8,661,850	848,837	1,449,029
Minimum tax	617,786	-	534,285	-
Education tax	247,925	1,052,845	-	-
Tax effect of income not subject to tax	(2,604,251)	(137,551)	(2,447,525)	-
Income at a different tax rate	(49,085)	(1,989,376)	-	(1,908,886)
Expenses not deductible for tax purposes	(278,387)	484,368	(328,934)	458,247
(Under)/over provision for deferred income tax in prior years	547,903	(199,370)	-	-
(Under)/over provision for income tax in prior years	(358,823)	(141,198)	(358,823)	-
Tax losses for which no deferred tax was recognised	6,216,168	913,455	2,023,101	307,470
Capital gains tax	162,337	21,836	162,183	5,436
Income tax expense	5,389,472	8,666,859	433,124	311,296
Current income tax liabilities				
Movement in current income tax for the year:				
At 1 January	6,417,980	6,904,219	760,941	931,754
Payment during the year	(5,242,530)	(10,390,255)	(304,348)	(475,160)
Charge for the year:			-	-
Income tax charge during the year	4,233,758	9,618,070	1,055,292	304,347
Education tax charge during the year	247,924	295,172	-	-
Exchange difference	(13,413)	(9,226)	-	-
At 31 December	5,643,719	6,417,980	1,511,885	760,941

11. Earnings per share

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

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

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

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

Diluted Earnings Per share

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

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

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

Dividends per share

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

12. Property, plant and equipment

	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 2012						
Opening net book amount	19,243,754	24,887,866	32,709,017	2,235,031	30,403,541	109,479,209
Decommissioning costs	1,829,702	-	(27,187)	-	-	1,802,515
Additions	8,020,575	655,531	5,192,763	258,964	12,935,594	27,063,427
Transfer	167,536	34,499	11,638,183	(38,302)	(11,847,449)	(45,533)
Disposal	(2,640)	(1,688,488)	(108,029)	(2,215)	(349,096)	(2,150,468)
Business acquisition	695,610	-	2,456,270	8,396	-	3,160,276
Impairments reversal	-	-	-	-	190,499	190,499
Depreciation charge	(3,634,220)	(224,391)	(4,165,729)	(581,368)	-	(8,605,708)
Exchange difference	(536,947)	(8,676)	(23,006)	(613)	(262)	(569,504)
Net book amount as at 31 December 2012	25,783,370	23,656,341	47,672,282	1,879,893	31,332,827	130,324,713
At 31 December 2012						
Cost or valuation	32,812,818	23,967,267	54,592,739	2,836,141	31,332,827	145,541,792
Accumulated depreciation	(7,029,448)	(310,926)	(6,920,457)	(956,248)	-	(15,217,079)
Net book amount	25,783,370	23,656,341	47,672,282	1,879,893	31,332,827	130,324,713

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12. Property, plant and equipment cont'd

Year ended 31 December 2013

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

Company
Year ended 31 December 2012

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

	Upstream Assets* N'000	Land and buildings N'000	Plant and machinery N'000	Fixtures, fittings, and equipment N'000	Construction in progress N'000	Total N'000
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)	(107,367)	(115,846)	-	(233,405)
Closing net book amount	-	296,834	320,752	307,779	-	925,365
At 31 December 2013						
Cost/Valuation	-	258,703	596,872	1,261,094	-	2,116,669
Accumulated depreciation	-	38,131	(275,400)	(954,035)	-	(1,191,304)
Net book amount	-	296,834	321,472	307,059	-	925,365

(1) See Note 41 for details of upstream assets.

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i Fair Value Estimation

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

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

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

Valuation techniques

Valuation processes of the group

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

Land and buildings

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

Plant and machinery

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

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

	2013		2012	
	Land & Buildings N'000	Plant, machineries & vehicles N'000	Land & Buildings	Plant, machineries & vehicles
Cost	11,497,363	65,856,280	13,504,403	53,702,700
Accumulated depreciation	(2,520,392)	(18,846,647)	(528,349)	(7,710,460)
	8,976,971	47,009,633	12,976,054	45,992,240

iii Transfer to finance lease receivable

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

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13. Intangible assets

	Asset under construction	Goodwill N'000	Software costs N'000	Exploration and Evaluation asset N'000	Gas Transmission Pipeline N'000	Total N'000
Group						
Year ended 31 December 2012						
Opening net book amount	26,161,053	24,123,916	183,090	63,384,791	5,480,516	119,333,366
Addition	16,474,065	3,423,481	782,514	6,170,373	-	26,850,433
Business acquisition	-	-	-	116,453	-	116,453
Impairment	-	(1,298,875)	-	-	(2,367,628)	(3,666,503)
Transfer	(42,489,407)	-	-	-	42,489,407	-
Amortisation charge (Note 7)	-	-	(504,534)	(90,848)	(3,184,441)	(3,779,823)
Exchange difference	-	(163)	(105)	151	-	(117)
Closing net book amount as at 31 December 2012	145,711	26,248,359	460,965	69,580,920	42,417,854	138,853,809
Year ended 31 December 2012						
Cost	145,711	26,248,359	1,655,906	73,137,643	46,287,359	147,474,978
Accumulated amortisation	-	-	(1,194,941)	(3,556,723)	(3,869,505)	(8,621,169)
Net book amount as at 31 December 2012	145,711	26,248,359	460,965	69,580,920	42,417,854	138,853,809
Year ended 31 December 2013						
Opening net book amount	145,711	26,248,359	460,965	69,580,920	42,417,854	138,853,809
Addition	346,363	-	325,720	1,485,410	-	2,157,493
Impairment	-	(837,563)	-	-	-	(837,563)
Disposal	-	(2,034,152)	-	(14,515,295)	-	(16,549,447)
Trf to disposal group classified as held for sale	-	-	-	-	(35,271,000)	(35,271,000)
Amortisation charge (Note 7)	-	-	(146,817)	-	(3,037,508)	(3,184,325)
Reclassification to property, plant and equipment (Note 12)	-	-	-	(2,905,931)	-	(2,905,931)
Exchange difference	-	(627)	558	(30,221)	-	(30,290)
At 31 December 2013	492,074	23,376,017	640,426	53,614,883	4,109,346	82,232,746
Cost	492,074	23,376,017	1,718,196	56,538,085	11,016,359	93,140,731
Accumulated amortisation	-	-	(1,077,770)	(2,923,202)	(6,907,013)	(10,907,985)
Net book amount	492,074	23,376,017	640,426	53,614,883	4,109,346	82,232,746

	Software costs N'000
Company	
At 1 January 2012	
Cost	746,667
Accumulated amortisation and impairment	(597,334)
Net book value	149,333
Year ended 31 December 2012	
Opening net book amount	149,333
Additions	89,096
Amortisation charge	(149,333)
Opening net book amount	89,096
At 31 December 2012	
Cost	835,763
Accumulated amortisation and impairment	(746,667)
Net book value	89,096
Year ended 31 December 2013	
Opening net book amount	89,096
Additions	61,372
Amortisation charge	(44,917)
Opening net book amount	105,551
At 31 December 2013	
Cost	897,135
Accumulated amortisation and impairment	(791,584)
Net book value	105,551

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

East Horizon Gas Company (EHGC)

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

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

Either party has the right to terminate the agreement by serving the other party six (6) months notice in the event of failure to meet the first gas delivery date, major breach of the contract terms, force majeure and in the event of insolvency or bankruptcy of either party. Capital recovery of EHGC is capped at the total contract price plus interest costs incurred over the life of the contract. The maximum contract price recoverable by EHGC is determined based on periodic valuations done by NGC and as at 31 Dec 2013, the maximum contract price recoverable was capped at N30.511billion. The construction was completed in 2012 and the service concession arrangement has been classified as an intangible asset as EHGC has the right to charge the users of the pipeline over the concession period and NGC has not guaranteed payment of any shortfalls on recovery from users.

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

Gaslink Nigeria Limited (GNL)

GNL entered into an arrangement with the Nigerian Gas Company Limited (NGC), a government business parastatal charged with the development and management of the Federal Government of Nigeria's natural gas reserves and interests. Under the agreement, GNL is required to fund, design and construct gas supply and distribution facilities to deliver gas to end-users in Greater Lagos Industrial area. During the agreed period, GNL shall purchase gas from NGC and sell to its customers. The agreement was entered into in March 1999 and shall be in force for 20 years. The total sum due to putting in place the distribution facilities shall be determined by GNL in consultation with NGC. This amount determined shall represent capital contribution by GNL and shall be recovered by GNL from revenue from sale of gas over the contract period using an agreed cost recovery formula. Per the agreement, the cost recovery rate shall be based on mutually agreed rate per molecule of gas sold.

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

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

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

Impairment on intangible assets

The Group recorded an impairment charge on intangible assets arising from its subsidiary, East Horizon Gas Company (EHGC) of N2,367 million in 2012, following difficulties in achieving budgeted revenues. The intangible assets represent EHGC's rights to recover the cost of construction of a gas transmission pipeline from the sale of gas. As at 31 December 2013, the carrying amount of the intangible asset was not higher than the recoverable amount (31 December 2012: the carrying amount was higher than the recoverable amount by N2,367 million).

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

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

ii Goodwill impairment losses

Goodwill impairment loss of N1.3 billion was recorded in relation to the acquisition of Churchill Finance C300-0462 Limited ("Churchill") in 2012. Churchill owns an airplane. The impairment, arose as a result of the diminution in the market value of the airplane and the fact that the company had liabilities in excess of its assets. The impairment was determined on a value in use basis using pre-tax discount rates of 10% which represented the pre-tax weighted average cost of capital of the Company.

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

Key assumptions

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

Operating cash flows

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

Pre-tax risk adjusted discount rates

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

Impairment tests for goodwill

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

At 31 December 2012

	Nigeria N'000	West Africa N'000	Other countries N'000	Total N'000
OER	-	-	6,143,168	6,143,168
OEPL	2,034,026	-	-	2,034,026
Marketing	9,481,281	57,684	-	9,538,965
Supply & Trading	728,829	56,436	2,196,873	2,982,138
Gas & power	4,016,839	-	-	4,016,839
Energy Services	493,138	-	-	493,138
Corporate & Other	-	-	1,040,084	1,040,084
	16,754,113	114,120	9,380,126	26,248,359

At 31 December 2013

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

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The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 5 year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates for the CGU in future as disclosed below. The growth rate does not exceed the long-term average growth rate for the respective industry in which the CGU operates.

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

At 31 December 2012

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

At 31 December 2013

	OER	Marketing	Supply & Trading	Gas & power	Energy Services	Corporate & Other
Gross margin	76%	9%	3%	33%	49%	84%
Growth rate	7%	7%	7%	6%	6%	5%
Discount rate	13%	17%	17%	15%	16%	15%

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

iii Disposal of Goodwill

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

14. Investments accounted for using the equity method

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

	Group 2013 N'000	Company 2013 N'000
Associates	2,880,478	2,716,431
The amounts recognised in the income statement are as follows:		
Associates	(3,036)	-

Investment in associates

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

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

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

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

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

Summarised financial information for associates

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

Summarised balance sheet

	Group 2013 N'000
Current assets:	
Cash and cash equivalents	747,372
Other current assets (excluding cash)	(420)
Total current assets	746,952
Non-current Assets	
Investment properties	8,631,628
Non-current liabilities	
Financial liabilities	(1,865,881)
Other liabilities	(487,143)
Total non-current liabilities	(2,353,024)
Net liability	7,025,555
Summarised statement of comprehensive income	
Revenue	-
Administrative expenses	(7,305)
Interest income	-
Interest expense	(99)
Profit or loss from continuing operations	(7,404)
Income tax expense	-
	(7,404)
Total comprehensive loss	(7,404)
Share of loss in associate	(3,036)

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

Reconciliation of summarised financial information

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

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

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15 Deferred income tax assets

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

	2013 N'000	2012 N'000
The analysis of deferred tax liabilities and deferred tax assets is as follows:		
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12months	19,031,684	17,207,614
Deferred tax liability to be recovered within 12months	1,341,255	-
Total deferred tax liabilities	20,372,939	17,207,614
Deferred tax assets		
Deferred tax assets to be recovered after more than 12months	7,897,637	13,424,518
Deferred tax assets to be recovered within 12months	3,565,365	-
Total deferred tax assets	11,463,002	13,424,518
Total deferred tax liabilities (net)	8,909,937	3,783,096
The gross movement in deferred income tax account is as follows:		
At start of the year	3,783,096	7,011,049
(Credited)/Charge to profit and loss account (Note 10)	1,833,242	(3,145,492)
Charged/(Credited) to equity	(69,273)	(96,109)
(Credited)/Charge to other comprehensive income	283,715	(38,549)
Acquisition of business	-	204,959
Transfer to held for sale	3,255,099	-
Exchange differences	(175,942)	(152,762)
At end of year	8,909,937	3,783,096

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

	1.1.2012	Charged/ (credited) to P/L N'000	Charged/ (credited) to equity N'000	Charged/ (credited) to OCI N'000	Acquisition of business N'000	Exchange Differences N'000	31.12.2012 N'000
2012							
Deferred income tax liabilities							
Property, plant and equipment:							
- on historical cost basis	5,092,673	(110,490)	-	-	204,959	(17,792)	5,169,350
- on revaluation surpluses	2,603,438	15,762	-		-	(18,055)	2,601,145
- on acquisition of mineral interest	3,531,647	-	-	-	-	(23,829)	3,507,818
Intangible assets	201,239	246,727	-	-	-	-	447,966
Finance Leases	352,775	260,790	-	-	-	-	613,565
Embedded derivative	625,419	(336,539)	-	-	-	-	288,880
Convertible bond	-	0	-	-	-	-	-
Borrowings/other payables	1,437,817	67,615	-	-	-	(10,319)	1,495,113
Exchange gain	3,074,814	98,401	-	-	-	(17,667)	3,155,548
Financial instrument	-	(71,771)	-	-	-	-	(71,771)
	16,919,822	170,495	-	-	204,959	(87,662)	17,207,614
Deferred income tax assets							
Provisions	(2,061,453)	(1,012,734)	-	(13,550)	-	12,734	(3,075,003)
Exchange losses	(1,523,739)	57,542	-	-	-	(120,616)	(1,586,813)
Share options and awards	(304,333)	-	(96,500)	-	-	1,863	(398,970)
Tax losses	(5,210,513)	(1,962,037)	-	-	-	35,781	(7,136,769)
Crude oil underlift	(31,568)	-	-	-	-	327	(31,241)
Retirement benefit obligation	(777,167)	(45,452)	-	(24,999)	-	4,811	(842,807)
Crude oil underlift		(353,306)	391	-	-	-	(352,915)
	(9,908,773)	(3,315,987)	(96,109)	(38,549)	-	(65,100)	(13,424,518)
Net deferred income tax liabilities	7,011,049	(3,145,492)	(96,109)	(38,549)	204,959	(152,762)	3,783,096

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15 Deferred income tax assets cont'd

	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:							-
- on historical cost basis	5,169,350	2,500,653	-	-	-	(29,954)	7,640,049
- on revaluation surpluses	2,601,145	761,883	(101,061)	273,525	-	(12,895)	3,522,597
- on acquisition of mineral interest	3,507,818	-	-	-	-	(12,794)	3,495,024
Intangible assets	447,966	-	-	-	-	(1,634)	446,332
Finance Leases	613,565	-	-	-	-	(2,233)	611,332
Embedded derivative	288,880	-	-	-	-	(1,054)	287,826
Convertible bond	-	-	-	-	-	-	-
Borrowings/other payables	1,495,113	-	-	-	-	(5,453)	1,489,660
Exchange gain	3,155,548	786,564	-	-	-	(69,926)	3,872,186
Financial instrument	(71,771)	(934,446)	-	10,519	-	3,631	(992,067)
	17,207,614	3,114,654	(101,061)	284,044.00	-	(132,312)	20,372,939
Deferred income tax assets							
Provisions	(3,075,003)	427,563	-	-	-	(7,899)	(2,655,339)
Exchange losses	(1,586,813)	(3,076)	-	-	-	(5,799)	(1,595,688)
Share options and awards	(398,970)	(37,237)	31,788	-	11,021	(1,435)	(394,833)
Tax losses	(7,136,769)	(2,038,352)	-	-	1,084,926	(24,339)	(8,114,534)
Crude oil underlift	(31,241)	-	-	-	-	(114)	(31,355)
Retirement benefit obligation	(842,807)	369,690	-	(329)	-	(1,728)	(475,174)
Tax losses	-	-	-	-	2,159,152	(1,029)	2,158,123
Crude oil underlift	(352,915)	-	-	-	-	(1,287)	(354,202)
	(13,424,518)	(1,281,412)	31,788	(329)	3,255,099	(43,630)	(11,463,002)
Net deferred income tax liabilities	3,783,096	1,833,242	(69,273)	283,715	3,255,099	(175,942)	8,909,937

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

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

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

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

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

	1.1.2013	Charged/ (credited) to P/L N'000	Charged/ (credited) to equity N'000	Charged/ (credited) to other comprehensive income 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)

16 Derivative financial assets

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

i Embedded derivative - Akute Finance Lease

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

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17 Finance lease receivables

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

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

Lease agreements in which the other party, as lessee (LSWC) is to be regarded as the economic owner of the leased assets give rise to accounts receivable in the amount of the discounted future lease payments in the books of the lessor (APL). The carrying value of the finance lease as at 31 December 2013 is N3.15 billion (2012: N3.66 billion).

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

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

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

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

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

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The receivables under the finance lease are as follows:

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

18. Deposit for acquisition of a business

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

In December 2012, the Group entered into a share purchase and sale agreement ("SPA") with Conoco Phillips' (COP) Nigerian businesses for an approximate cash consideration of N277.9bn (US$1.79billion), net of post closing adjustments. Upon execution of the SPA, the Group paid a deposit N67.5billion (US$345million) to Conoco Phillips through its subsidiary, Oando Energy Resources Inc. (OER).

The Group financed the deposit through N32.6 billion (US$210 million) term loan from Ocean and Oil Development Partners ("OODP"), N7.7 billion (US$ 50 million) term loan from Ansbury Investments Inc. ("Ansbury") and N27.2 billion bridge loans from local Nigerian banks.

In order to enable OER make the payment for the deposit, OER and Oando Plc. entered into a N53.6 billion (US$345 million) convertible notes ("the notes") agreement in 2012. The notes which bear a coupon of 10.5% margin + Libor at that time was planned to convert upon receipt of a conversion notice by the notes holder. On 6 March 2013, Ansbury Investments Inc. assigned the debt of N7.7billion and related claims to OODP. The Group settled the borrowings owed OODP during the year through issue of shares as part of rights issue.

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

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

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

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19 Non-current receivables and prepayments

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

(a) Prepaid operating lease

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

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

(b) Underlift receivables

Under lift receivables represent the Group's crude oil entitlements as a result of operations on OML 125. These balances are owed by the Nigerian National Petroleum Corporation (NNPC). The NNPC is the state oil corporation through which the federal government of Nigeria regulates and participates in the Country's petroleum industry. OER is currently in a dispute with the NNPC in relation to certain liftings done by the NNPC in 2008 and 2009 and which, in the view of OER and Nigeria Agip Exploration Limited ("NAE"), the operator of OML 125, exceeded the NNPC's entitlements due to a dispute between OER and the NNPC in relation to OER's tax obligations associated with oil production from OML 125. This dispute was referred to arbitration by NAE and the OER and, in October 2011, the arbitral tribunal issued an award which was in favour of NAE and the OER.

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

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

On completion of the Oando Reorganization on July 24, 2012, OER retained the contractual rights to receive the cash flows associated with N7.34 billion ($47.3 million) of the underlift receivable and also assumed a contractual obligation to pay a portion of those cash flows to the Group. As part of the terms, OER has no obligation to pay amounts to Oando unless it collects the equivalent amounts from the original receivable.

Since the completion of the Oando Reorganization in July 2012, the NNPC has continued to lift production volumes that exceed their entitlement. This has resulted in an additional N6.19 Billion ($39.9 million) in under lift receivable at December 31, 2013.

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

(c) Other non-current receivables

Financing costs associated with debt yet to be issued

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

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20. Inventories

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

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

21. Trade and other receivables

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

Cash call from JV partners

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

Convertible loan

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

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

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

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

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22. Available-for-sale financial assets

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

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

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
At start of the year	149,701	194,031	148,865	194,031
Addition	-	836	-	-
Disposal	(836)	-	-	-
Fair value gain/(loss)	35,065	(45,166)	35,065	(45,166)
At the end of year	183,930	149,701	183,930	148,865
Less: Non current portion	(14,500)	(1,000)	(14,500)	(1,000)
Current	169,430	148,701	169,430	147,865

(b) Investment in subsidiaries

	Company 2013 N'000	Company 2012 N'000
Akute Power Limited	2,500	2,500
Apapa SPM Limited	19,125	19,125
East Horizon Gas Co. Limited	-	10,000
Gaslink Nigeria Limited(1)	7,027,713	7,029,869
Oando Energy Services Limited(1)	27,361,842	584,210
Oando Exploration and Production Limited(1)	-	3,932,524
Oando Gas and Power Limited	1,000	1,000
Oando Lekki Refinery Limited	2,500	2,500
Oando Marketing Limited(1)	15,784,793	15,780,925
Oando Port Harcourt refinery Limited	2,500	2,500
Oando Properties Limited	250	250
Oando Supply and Trading Limited(1)	822,105	828,830
Oando Trading Limited Bermuda	3,435,950	3,435,950
OML 112 & 117 Limited	6,538	6,538
Oando Terminal and Logistics Limited	2,500	2,500
Oando Liberia Limited	6,538	6,538
OES Passion Limited	1,752	1,752
OES Professionalism Limited	10,000	10,000
Central Horizon Gas Company Limited	5,100	5,100
Ajah Distribution Limited	2,500	2,500
Alausa Power Limited	2,500	2,500
Gasgrid Nigeria Limited	2,500	2,500
Oando Resources Limited	2,500	2,500
Lekki Gardens Power Limited	2,500	2,500
Oando Wings Limited	-	3,000
Oando Exploration Equator Holdings Limited	1,816	1,816
Oando Qua Iboe Limited	-	10,000
Oando Reservoir Limited	-	10,000
Oando Energy Resources Inc.	53,681,593	53,681,593
	108,188,615	85,381,520
Provision for diminution	(2,500)	(2,500)
	108,186,115	85,379,020

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

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(i) Common Control Transaction - Qua Iboe And ORPSL

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

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

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

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

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

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

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

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

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

(iii) Conversion of loan to equity in OES

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

23. Cash and cash equivalents

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

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

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Restricted cash relates to cash collateral in respect of equity loan for Gaslink (N1.4 billion), OER (0.75 billion), Oando Trading Bermuda (N1.3 billion) and Oando Plc (N327 million) and is excluded from cash and cash equivalents for cash flow purposes.

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

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

24. Discontinued operations and disposal groups held for sale

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

a Discontinued Operations

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

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

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

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

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Results of discontinued operations

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

	Group 2013 N'000	Group 2012 N'000
Revenue	34,311	460,062
Expenses	(6,024,974)	(4,599,493)
Loss before tax of discontinued operations	(5,990,663)	(4,139,431)
Tax	-	-
Loss after tax of discontinued operations	(5,990,663)	(4,139,431)
Gain/(loss) on sale of discontinued operations	16,232,795	-
Income tax on gain/(loss) on sale of discontinued operations	-	-
	16,232,795	-
Profit/(loss) for the year from discontinued operations	10,242,132	(4,139,431)
Cash flows used in discontinued operation		
Net cash used in operating activities	(4,831,221)	(3,288,378)
Net cash from investing activities	(277,187)	(94,235)
Net cash in financing activities	4,836,187	3,214,968
Net cash flows for the year	(272,221)	(167,645)
Effect of disposal on the financial position of the Group		
Intangible assets	14,515,295	-
Deferred income tax assets	2,169,206	-
Available-for-sale financial assets	835	-
Inventories	13	-
Trade and other receivables	4,397,799	-
Goodwill	2,034,153	-
Trade and other payables	(33,145,994)	-
	(10,028,693)	-
Profit on disposal	16,232,795	-
	6,204,102	-
Satisfied by:		
Consideration received, satisfied in cash	1,396,800	-
Deferred consideration	4,811,200	-
Cash and cash equivalents disposed of	(3,898)	-
	6,204,102	-

b Disposal group held for sale

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

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

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

Revenue	7,111,006	22,616,394
Expenses	(10,354,495)	(15,100,338)
(Loss)/Profit before tax of discontinued operations	(3,243,489)	7,516,056
Deferred tax	(925,452)	1,899,109
(Loss)/Profit for the year from discontinued operations	(4,168,941)	9,415,165
Operating cash flows	2,768,546	9,191,359
Investing cash flows	(5,935)	(4,851)
Financing cash flows	(2,794,046)	(8,947,419)
Total cash flows	(31,435)	239,089

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b Disposal group held for sale con'td

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

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

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

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

25. Share capital

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

Authorised share capital

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

Oando Plc embarked on a rights issue of 4,548,236,276 ordinary shares of 50k each at N12.00 per share on December 28, 2012. The offer closed on February 20, 2013. The Company received approval for allotment from the Securities and Exchange Commission on 27 May 2013. Allotment was also completed in 2013.

Share options

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

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

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

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

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

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

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26. Other reserves

	Revaluation reserves (thousands)	Share based payment reserve N'000	Currency translation reserve N'000	Total N'000
Group				
At 1 January 2012	15,679,267	-	(2,302,339)	13,376,928
Currency translation difference	-	-	1,216,015	1,216,015
IFRIC 1 adjustment to revaluation reserve	(27,187)	-	-	(27,187)
Share based payment reserve (SBPR)	-	605,293	-	605,293
Tax on value of employee services	-	96,109	-	96,109
Reclassification to share based payment reserve	-	1,078,449	-	1,078,449
Acquisition of non controlling interest in Exile	-	-	(1,920,492)	(1,920,492)
At 31 December 2012	15,639,029	1,779,851	(3,006,816)	14,412,064
At 1 January 2013	15,639,029	1,779,851	(3,006,816)	14,412,064
Currency translation difference	-	-	(457,680)	(457,680)
Revaluation surplus on disposal transferred to retained earnings	(1,010,608)	-		(1,010,608)
Deferred tax on revaluation surplus on disposal transferred to retained earnings	101,061	-		101,061
Share based payment reserve charge	-	606,651	-	606,651
Tax on value of employee services	-	37,236	-	37,236
Transfer of expired SBPR to retained earnings	-	(105,965)	-	(105,965)
Deferred tax on transfer of expired SBPR to retained earnings	-	(31,789)	-	(31,789)
IFRIC 1 adjustment to revaluation reserve	(2,483)	-	-	(2,483)
Gains on revaluation of property, plant and equipment	9,942,732	-	-	9,942,732
Deferred tax on revaluation surplus	(273,525)	-	-	(273,525)
At 31 December 2013	24,396,206	2,285,984	(3,464,496)	23,217,694
Company				
At 1 January 2012	909,547	-	-	909,547
Share based payment reserve	-	319,131	-	319,131
Deferred tax on share based payment		73,485		73,485
Reclassification to share based payment reserve		973,963		973,963
At 31 December 2012 as restated	909,547	1,366,579	-	2,276,126
At 1 January 2013	909,547	1,366,579	-	2,276,126
Revaluation surplus on disposal transferred to retained earnings	(1,010,608)			(1,010,608)
Deferred tax on revaluation surplus on disposal transferred to retained earnings	101,061			101,061
Share based payment reserve	-	124,121	-	124,121
Deferred tax on share based payment		24,799		24,799
Transfer of expired SBPR to retained earnings	-	(105,965)	-	(105,965)
Deferred tax on transfer of expired SBPR to retained earnings	-	(17,345)	-	(17,345)
At 31 December 2013	-	1,392,189	-	1,392,189

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

27. Borrowings

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

The borrowings include secured liabilities (bank borrowings) in a total amount of N51.2 billion (2012: 51.2 billion). The Group has a Trust Deed arrangement, executable by a Trustee company (First Trustees Limited) by which bank borrowings are secured. The security trust deed (STD) between Oando Plc. and the Trustee was executed in October 2009 to fulfil the security obligations of Oando Plc. with respect to its various Lenders under an Inter-creditor deed. The STD is a security pool which places a floating charge over the assets of Oando Plc. which principally comprise its stock and shares in the subsidiaries, book debts, office equipment, plant and machinery, intellectual property etc.

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Borrowings are analysed as follows:

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

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Current borrowings are analysed as follows:

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

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

The carrying amounts of short-term borrowings and lease obligations for 2013 and 2012 respectively approximate to their fair value. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the Group at the reporting date and are within level 2 of the fair value hierarchy.

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

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

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

28. Provisions for liabilities and charges

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

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Underground tanks	870,150	802,837	-	-
Oil and gas fields	4,220,919	2,759,833	-	-
Provision for litigation	-	353,416	-	353,416
	5,091,069	3,916,086	-	353,416
Movement during the year is as follows:				
At 1 January	3,916,086	1,486,648	353,416	-
Charged/(credited) to the Income statement				
- Additional provisions in the year	1,141,250	2,206,132	-	353,416
- IFRIC 1 adjustment to revaluation reserve	2,483	(27,187)	-	-
- Unwinding of discount	386,366	208,545	-	-
- Exchange differences	(1,700)	41,948	-	-
Settlement	(353,416)	-	(353,416)	
Balance at 31 December	5,091,069	3,916,086	-	353,416

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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.

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

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

29. Derivative financial liabilities

	Group 2013 N'000	Group 2012 N'000	Company 2013 N'000	Company 2012 N'000
Interest-rate swap	397,798	1,159,710	-	-
Commodity derivatives	312,573	-	-	-
Cross currency	539,964	1,409,651	539,964	1,409,651
Share warrants	277,065	917,095	-	-
	1,527,400	3,486,456	539,964	1,409,651
Analysis of total derivative financial liabilities				
Non current	-	3,486,456	-	1,409,651
Current	1,527,400	-	539,964	-
Total	1,527,400	3,486,456	539,964	1,409,651

Share Warrants

Upon closing of the "Reverse Take Over" (RTO), on July 24, 2012, 11,428,552 warrants were issued as purchase consideration. The warrants are denominated in a currency (Canadian dollars – "Cdn") other than the functional currency (US dollars). The warrants are classified as financial liabilities because the exercise price is not fixed in the functional currency of the Group. The warrants are therefore required to be initially recognized at fair value and subsequently measured at fair value through profit or loss.

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

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

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

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

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

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A summary of the outstanding warrants as at December 31, 2012 is as follows:

	Expiry date	Exercise price (Cdn)	Warrants outstanding	Fair value of Warrants ($'000)	Fair value of Warrants (N'000)
$1.50 Warrants	July 24, 2013	$1.50	5,714,076	2,618	406,497
$2.00 Warrants	July 24, 2014	$2.00	5,714,276	3,288	510,598
			11,428,352	5,906	917,095

As at December 31, 2013, 5,714,276 (2012 – 5,714,076) warrants were exercisable.

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

30. Retirement benefit obligations

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

The gratuity scheme is unfunded.

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

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

The amount recognised in the income statements are as follows

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

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Remeasurements of post employment benefit obligations

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

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

Curtailment

With effect from 1 January 2012, the Group discontinued the Scheme for management staff and increased employer's contribution in respect of their existing contribution plan under the 2004 Pension Act. In 2013, the Group further discontinued the scheme for all senior staff except those in Oando Marketing Plc. Alexander Forbes Consulting Actuaries Nigeria Limited (Alexander Forbes) was engaged to determine the liability from the scheme, which was estimated at N2.5billion. The company intends to pay the money over to a fund manager who will manage the funds on behalf of employees. Till then, the liability shall bear an interest rate equivalent to the average of the 90 day deposit rate of First Bank of Nigeria and Guaranty Trust Bank. Interest on the liability is included in the interest cost above.

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

	2013	2012
Discount rate	13.0%	12.2%
Future salary increases	12.0%	12.0%
Inflation rate	8.0%	10.0%

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

These tables translate into withdrawal rates as follows:

	2013	2012
Age		
18-29	4.5%	4.5%
30-44	6.0%	6.0%
45-49	2.5%	2.5%
50-59	2.0%	2.0%
60+	100.0%	100.0%

Sensitivity Analysis

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

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

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

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31. Government Grant

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

32. Trade and other payables

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

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

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

33. Dividend payable

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

34. Cash generated from operations

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

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

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35. Related party transactions

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

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

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

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

(iii) • Referral and Non-Competition Agreement dated July 24, 2012 between the company and OER: Pursuant to this agreement, the company is prohibited from competing with OER except in respect of the assets referred to in the ROFO Agreement until the later of July 25, 2014 and such time as the company owns less than 20% of the shares of OER. The company is also required to refer all upstream oil and gas opportunities to OER pursuant to this agreement. In addition, in the event that the company acquired any upstream assets between September 27, 2011 and July 24, 2012, the company is required to offer to sell these assets to OER at a purchase price consisting of the amount paid by the company for the assets, together with all expenses incurred by the company to the date of the acquisition by OER, plus an administrative fee of 1.75%. OER owed N1.2 billion (US$7.6 million) to the company under this agreement in respect of the COP acquisition (2012: N1.2 billion (US$7.6 million)). The receivables and payables in the books of Oando Plc and OER respectively have been eliminated on consolidation.

In line with the Referral and Non-Competition Agreement, OER acquired the Class B Shares of Oando Qua Ibo Limited ("Qua Ibo") and Oando Reservoir and Production Services Limited ("ORPSL") from the company at the purchase price described in note 22 as part of a common control transaction on April 30, 2013. Following the acquisition, the Group retains the 40% interest in the Qua Ibo Marginal Field within OML 13 located onshore Nigeria through OER.

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

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

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(iv) • Cooperation and Services Agreement dated July 24, 2012 between the company and OER: Pursuant to this agreement, the company agreed, until the later of July 24, 2017 and such time as the company owns less than 20% of the shares of OER, to provide certain services to OER, including in respect of legal services in Nigeria, corporate 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 the company plus a margin of 10%. OER owed the company N1 billion (US$6.8 million) under this agreement in respect of the COP acquisition (2012: nil). The receivables and payables in the books of Oando Plc and OER respectively have been eliminated on consolidation.

(v) • Transitional Services Agreement dated July 24, 2012 between Oando Servco (a subsidiary of OER) and OEPL (a subsidiary of Oando Plc): Pursuant to this agreement, OEPL and Oando Servco ("Servco") agreed that Servco would provide services to OEPL until January 24, 2014 for no more than 10% of the employees' normal working hours per month. OEPL is required to pay Servco's costs of providing such services. OER through Servco was owed N1.1 billion (US$7.3 million) by OEPL under this agreement. The receivables and payables in the books of OER and OEPL respectively have been eliminated on consolidation.

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

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

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

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

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

(ix) • On December 5, 2012, OODP granted a loan of N15.5 billion (US$100m) to the company. OODP further granted a loan of N17.1bn (US$110m) to Oando Plc. on December 14, 2012. Both loans were granted at LIBOR + 9.5%. In 2013, OODP signed an agreement with Ansbury Investments Inc. to assign the N7.7 billion (US$50 million) owed to Ansbury Investments Inc. by company at December 31, 2012, to OODP. Consequently, the total amount owed to OODP became approximately N40.3 billion (US$260 million) in 2013. N35.8 billion out of the N40.3 billion was repaid by the company to OODP during the year, leaving a balance of N4.5 billion. OODP later participated in the rights offer that was concluded during the year. The balance of N4.5 billion and accrued interest of N1.1 billion were outstanding to the credit of OODP at the reporting date.

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

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

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

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

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

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

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

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

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

Other related party transactions include:

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

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

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

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

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

vi. Transport Services Limited ("TSL") provides haulage services to a downstream company of the Group. During the year under

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review, TSL leased vehicles and provided haulage services worth N2.5 billion (2012: N1.8 billion) to the Group. TSL is ultimately controlled by a close family member of the Deputy Group Chief Executive (DGCE).

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

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

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

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

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

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

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

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

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

xvi. West Africa Catering Nigeria Limited provided catering services worth N688 million (2012: N621.8 million) to Oando Energy Services. West Africa Catering Nigeria Limited is ultimately owned 49.8% by a joint owner of OODP (a related company).

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

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

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

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

xxi. In 2013, the company and Emerging Capital Partners (ECP) amended an existing agreement in relation to the N2.5 billion debt originally owed to Ocean and Oil Holdings Limited (OOHL). The rights and benefits attached to the debt was ultimately assigned to ECP via a Deed of Assignment dated February 24, 2012. Under the 2013 amendment, the company and ECP agreed to reduce the interest rate on the debt to 14% from 19.75% and extend the repayment date to February 2014. Interest accrued on the debt for the year ended December 31, 2013 was N451.9 million (2012: N502 million). In addition, the company paid all accrued interest for 2011 – November 2013 of N1.1 billion during the year.

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

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

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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:

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

Year-end balances arising from transactions with related parties

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

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

36. Commitments

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

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

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

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37. Events after the reporting period

(i) Completion of Special Placement

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

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

(ii) New Facility Agreement between the company and OER

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

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

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

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

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

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

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

(v) Acquisition of Medal Oil Company Limited

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

(vi) Completion of acquisition of ConocoPhillips Nigerian companies

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

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The businesses acquired are:

a) The Onshore Business : Phillips Oil Company Nigeria Limited ("POCNL"), which holds a 20% non-operating interest in Oil Mining Leases ("OMLs") 60, 61, 62, and 63 as well as related infrastructure and facilities in the Nigerian Agip Oil Company Limited ("NAOC") Joint Venture ("NAOC JV"). The other joint interest owners are the Nigerian National Petroleum Corporation ("NNPC") with a 60% interest and NAOC (20% and operator).

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

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

(vii) $450 million senior secured facility

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

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

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

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

(viii) $350 million corporate finance facility

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

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

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

(x) Crude oil under-lift receivable

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

(xi) Completion of EHGC sale

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

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

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

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

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

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

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

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

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

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

38. Contingent liabilities

Guarantees to third parties

Guarantees, performance bonds, and advance payment guarantees issued in favour of Oando Plc by commercial banks amounted to NGN 84.2 billion (2012: NGN 62.33 billion). Oando Plc also guaranteed various loans in respect of the following subsidiaries: Gaslink Nigeria Limited (NGN3 billion); Oando Energy Services Limited (NGN 8.77 billion); Oando OML 125 and 134 Limited (NGN 9.3 billion); Oando Trading Limited (NGN 11.6 billion) ; Ebony Oil and Gas Limited (NGN 17.8 billion); Oando Supply and Trading Limited (NGN 10.86 billion) ; Apapa SPM Limited (NGN 12 billion); Oando Marketing Plc (NGN 3.0 billion); and Oando Energy Resources Limited (NGN 7.76billion).

Pending litigation

There are a number of legal suits outstanding against the Company for stated amounts of NGN4.25 billion (2012: NGN5.19 billion). On the advice of counsel, the board of directors are of the opinion that no material losses are expected to arise. Therefore, no provision has been made in the financial statements.

Pending litigation against JV (OML 56 and OML 125/134)

The legal suits outstanding against the Joint Ventures amounted to NGN17.61 billion. On the advice of counsel, the board of directors are of the opinion that no material losses are expected to arise. Therefore, no provision has been made in these consolidated and separate financial statements

OML 122 Contingent Liabilities

In September 2007, the Company transferred, under the Bilabri Settlement Agreement, the full responsibility for completing the OML 122 "Bilabri" development to Peak Petroleum Industries (Nigeria) Limited ("Peak"), who specifically assumed responsibility for the project's future funding and historical unpaid liabilities. In the event that Peak fails to meet its obligations to the projects creditors, it remains possible that the Company may be called upon to meet the debts. Therefore, a contingent liability of N3.4 billion exists at December 31, 2013 (2012 – N3.4 billion).

OPL 321 and 323 Contingent Liabilities

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

(ii) The Company bid as part of a consortium for OPL 321 and 323. It was granted a 30% interest in the PSCs but two of its bidding partners were not included as direct participants in the PSCs, as a result, the Company granted those bidding partners, respectively 3% and 1% carried economic interests in recognition of their contribution to the bidding group. During 2007, it was agreed with the bidding partners that they would surrender their carried interests in return for warrants in the company and payments of $4 million and 1 million. The Warrants were used immediately but it was agreed that the cash payments would be deferred. In the first instance, payment would be made within 5 days after the closing of a farm out of a

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20% interest in OPL 323 to Bilbray Gas (BG). However, BG has terminated the farm out agreement. Under the successor obligation, the Company has issued loan notes with an aggregate value of $5 million which are redeemable out of the first $5 million of proceeds received on the occurrence of any one of the following events related to OPL 321 or OPL 323:

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

During 2010, one bidding partner successfully sued the Company in an arbitration tribunal for $1 million. This has been paid in full. On the advice of legal counsel, the Company maintains that the remaining $4 million owed is not yet due and that any second arbitration hearing can be successfully defended. If none of the above events occur, it is assumed that the Company will not need to settle the $4 million loan note and can defer payment indefinitely. The above contingencies are based on the best estimates of the Board.

39. Subsidiary information

Below is a summary of the principal subsidiaries of the Group:

Entity name Operational subsidiaries	Country of incorporation	Nature of business	Investment Currency All figures in thousands	Issued share capital	Percentage interest held
Direct Shareholding					
Akute Power Limited	Nigeria	Power Generation	Naira	2,500,000	100%
Alausa Power Limited	Nigeria	Power Generation	Naira	2,500,000	100%
Apapa SPM Limited	Nigeria	Offshore submarine pipeline construction	Naira	19,125.00	100%
Central Horizon Gas Company Limited	Nigeria	Gas Distribution	Naira	9,100,000	51%
Gaslink Nigeria Limited	Nigeria	Gas Distribution	Naira	1,717,697,000	97.24%
OES Integrity	British Virgin Islands	Provision of drilling and other services to upstream companies	USD	50,000	100%
OES Respect Limited	British Virgin Islands	Provision of drilling and other services to upstream companies	USD	100	100%
OES Teamwork Limited	British Virgin Islands	Provision of drilling and other services to upstream companies	USD	100	100%
Oando Energy Resources Inc.	Canada	Exploration and Production	CDN$		100%
Oando Energy Services Limited	Nigeria	Provision of drilling and other services upstream companies	Naira	5,000,000	100%
Oando Gas and Power Limited	Nigeria	Gas and Power generation and distribution	Naira	1,000,000	100%
Oando Lekki Refinery Company Limited	Nigeria	Petroleum Refining	Naira	2,500,000	100%
Oando Marketing PLC	Nigeria	Marketing and sale of petroleum products	Naira	437,500,000	100%
Oando Resources Limited	Nigeria	Exploration and Production	Naira	2,500,000	100%
Oando Supply and Trading Limited	Nigeria	Supply of crude oil and refined petroleum products	Naira	5,000,000	100%
Oando Terminals and Logistics	Nigeria	Storage and haulage of petroleum products	Naira	2,500,000	100%
Oando Trading Limited	Bermuda	Supply of crude oil and refined petroleum products	USD	12,000	100%
Indirect Shareholding					
Oando Ghana Limited	Ghana	Marketing and sale of petroleum products (Subsidiary of Oando Marketing PLC)	Cedis	126,575,000	82.9%
Oando Togo S.A	Togo	Marketing and sale of petroleum products (Subsidiary of Oando Marketing PLC)	CIA	186,288,000	75%
Oando Reservoir and Production Services Limited	Nigeria	Exploration and Production	Naira	9,918,182	100%
Churchill Limited	Bermuda	Aviation	USD	1	100%
Oando Logistics and Services Limited	United Kingdom	Logistic and services	GBP	1	100%
Oando Qua Ibo Limited	Nigeria	Exploration and Production	Naira	6,000,000	94.6%
Ebony Oil & Gas Limited	Ghana	Supply of crude oil and refined petroleum products	Naira	408,853	80%
Oando Akepo Limited	Nigeria	Exploration and Production	Naira	2,500,001	100%
Equator Exploration Limited	British Virgin Islands	Exploration and Production	USD	67,707,210	81.5%
Oando Servco Nigeria Limited	Nigeria	Provision of Management Services	Naira	2,500,000	100%
Gas Network Services Limited	Nigeria	Gas Distribution (Subsidiary of Gaslink Nigeria Limited)	Naira	5,000,000	100%

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

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Summarised income statement

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

40. Financial instruments by category

GROUP

	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

Notes to the consolidated financial statements

For the year ended 31 December 2013

40. Financial instruments by category cont'd

	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

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

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

COMPANY

	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
Investment in subsidiaries	-	108,186,115	-	108,186,115
	1,587,922	252,698,230	183,930	254,470,082

Notes to the consolidated financial statements

For the year ended 31 December 2013

Financial instruments by category cont'd

	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)	520,656.00	43,484,394	44,005,050
Trade and other payables (excluding derivative financial instruments, accrued expenses and deferred income	-	109,081,976	109,081,976
Cross currency interest rate swaps	539,964	-	539,964
	1,060,620	1,409,651	153,626,990

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

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

41. Upstream activities

Details of upstream assets

	Mineral rights acquisition 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 2012	3,570,852	24,859	2,582,178	5,356,728	7,354,707	354,430	19,243,754
Decommissioning costs	-	-	-	-	1,829,702	-	1,829,702
Additions	978,856	-	313,540	5,124,500	1,581,934	21,745	8,020,575
Business acquisition	-	-	-	-	695,610	-	695,610
Transfers	-	-	-	-	-	167,536	167,536
Disposal	-	-	-	-	-	(2,640)	(2,640)
Adjustments	-	-	-	-	-	-	-
Impairments3	-	-	-	-	-	-	-
Depreciation charge	(20,635)	-	(1,813)	(2,114,983)	(1,380,040)	(116,749)	(3,634,220)
Exchange difference	(292,341)	(149)	(191,831)	(34,095)	(17,359)	(1,172)	(536,947)
Year ended 31 December 2012	4,236,732	24,710	2,702,074	8,332,150	10,064,554	423,150	25,783,370

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Details of upstream assets cont'd

	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)
Impairments3	-	-	-	-	-	-	-
Depreciation charge	(558,746)	-	(9,021)	(2,354,834)	(1,435,338)	(20,954)	(4,378,893)
Exchange difference	(209,870)	(118)	(140,419)	(27,120)	(16,923)	(935)	(395,385)
Reclassification from intangible asset (Note 13)	477,504	2,785	304,539	939,080	1,134,332	47,691	2,905,931
Reclassification	626,950	869	6,498,846	(3,040,978)	(1,153,813)	(255,590)	2,676,284
Year ended 31 December 2013	5,216,667	28,246	9,614,310	11,758,679	17,969,602	314,491	44,901,995

Joint arrangements

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

Subsidiary	License	Operator/Partners	Interest	Location	Licence	Expiration Date	Status
Akepo	(OML 90)	Sogenal (Sogenal delegated certain responsibilities to Oando in Oando's capacity as the technical partner)	40% participatory interest	Offshore	Marginal field	13/03/2015	Development
Ebendo/ Obodeti OPDC	(OML 56)	Energia	45% interest participatory	Onshore	Marginal field	31/01/2023	Producing
Oando OML 125 & 134 Ltd	OML 125 & OML 134	NAE	15% working interest in OML 125 & 134	Offshore	PSC	4/7/23	OML 125 producing OML 134 in appraisal
Equator Exploration Nigeria 321 Limited	OPL 321	KNOC	30% non operator participating interest	Offshore	PSC	2036 (10 years exploration period and 20 years OML period)	Exploration (there is litigation on the licence)
Equator Exploration Nigeria 323 Limited	OPL 323	KNOC	30% non operator participating interest	Offshore	PSC	10/3/2036 (10 years exploration period and 20 years OML period)	Exploration (there is litigation on the licence)
Equator Exploration (OML 122) Limited	OML 122	Peak	Finance & service agreement with operator. 5% economic interest on crude oil and 12.5% economic interest on gas in some fields	Offshore	PSC	13/09/2021	Development/ Appraisal (there is litigation on the asset)
Oando Qua Ibo Nigeria Limited	(OML 13)	Network Exploration and Production Nigeria Limited	40% participating interest	Onshore	Marginal field	13/03/2015	Development
Equator Exploration JDZ Block 2 Limited	Block 2 (JDZ Sao Tome)	Sinopec	Equator / ONGC Videsh together own 15% contractor interest	Offshore	Exploration, development and production	2034	Exploration
Equator Exploration STP Block 5 Limited	Block 5 (EEZ Sao Tome)	Equator Exploration STP Block 5 Limited	100% contractor interest	Offshore	Exploration, development and production	17th April 2040	Exploration
Equator Exploration Limited	Block 12 (EEZ Sao Tome)	TBD	TBD	Offshore	TBD	TBD	Exploration

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42. Business combination

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

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

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

Purchase consideration

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

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

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

The Group paid a consideration of ($1) N156.2 and 155.27 for the acquisition of Ebony Oil & Gas and Churchill. The cash consideration represented agreement between the erstwhile owners of the 80% of Ebony and 100% of Churchill.

Net asset and liabilities acquired

The assets and liabilities acquired in all the entities consist of cash, accounts receivables, property plant and equipment, a 10% interest in the Akepo oil and gas assets and exploration and evaluation assets located in Zambia and Turkey. The fair value of the assets and liabilities acquired approximates N215.2 million in Exile, (N70m) in Ebony; and (N2,339 m) in Churchill.

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

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

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

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Net asset and liabilities acquired cont'd

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

The fair value of the acquired oil and gas assets, including exploration and evaluation assets is provisional pending receipt of the final valuations for those assets. The Goodwill arising from the transactions represents the expected synergies from the additional 10% interest in the Akepo oil and gas assets, increase in business arising from additional outlets from Ebony and use of the Churchill's aircraft. Goodwill arising from the business combination with Exile, Ebony and Churchill were N1,028 million, N56 million and N2,339 million respectively. These goodwill have been reported under intangible assets in these consolidated financial statements (Note 12).

Impairment assessments were performed on the goodwill amounts above. An impairment loss of N1,299 million was recorded in relation to the acquisition of Churchill Finance C300-0462 Limited. See Note 12 for the impairment loss basis.

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

The revenue included in the consolidated statement of comprehensive income since the acquisition of Ebony and Churchill was N31.6 billion and N48.7 million and profit/(loss) of N458 million and N17.9 million respectively.

43. Reconciliation of previously published statement of comprehensive income

	As previously reported 2012 N'000	Discontinued operations N'000	As restated 2012 N'000
Continuing operations			
Revenue	673,181,997	(22,616,394)	650,565,603
Cost of sales	(591,560,191)	10,895,684	(580,664,507)
Gross profit	81,621,806	(11,720,710)	69,901,096
Other operating income	2,097,924	(460,572)	1,637,352
Selling and marketing costs	(7,555,800)	-	(7,555,800)
Administrative expenses	(42,038,153)	2,480,734	(39,557,419)
Operating profit	34,125,777	(9,700,548)	24,425,229
Finance costs	(20,093,243)	6,323,923	(13,769,320)
Finance income	3,521,533	-	3,521,533
Finance costs - net	(16,571,710)	6,323,923	(10,247,787)
Share of loss of investments accounted for using the equity method	-	-	-
Profit before income tax	17,554,067	(3,376,625)	14,177,442

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43. Reconciliation of previously published statement of comprehensive income cont'd

	As previously reported 2012 N'000	Discontinued operations N'000	As restated 2012 N'000
Income tax expense	(6,767,750)	(1,899,109)	(8,666,859)
(Loss)/profit for the year from continuing operations	10,786,317	(5,275,734)	5,510,583
Discontinued operations			
Profit for the year from discontinued operations	-	5,275,734	5,275,734
Profit for the year	10,786,317	-	10,786,317
Profit attributable to:			
Owners of the parent	10,424,491	-	10,424,491
Non-controlling interest	361,826	-	361,826
	10,786,317	-	10,786,317

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Value added statement

For the year ended 31 December 2013

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

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

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Five-Year Financial Summary (2009 - 2013)

For the year ended 31 December 2013

	2013 N'000	2012 N'000	2011 N'000	2010 N'000	2009 N'000
Property, plant and equipment	172,209,842	130,324,713	109,479,209	97,892,224	132,858,598
Intangible exploration assets, other intangible assets and goodwill	82,232,746	138,853,809	119,333,366	104,860,339	24,573,776
Deferred income tax assets	11,463,002	13,424,518	9,908,773	6,486,391	9,185,591
Available for sale investments	14,500	1,000	1,000	1,000	1,000
Investments accounted for using the equity method	2,880,478	-	-	-	-
Deposit for acquisition of a business	69,840,000	67,542,450	-	-	-
Other Non-Current receivables	27,358,945	18,863,930	9,884,972	6,388,010	19,216,815
Net current liabilities	(126,873,433)	(161,081,158)	(45,720,711)	(25,712,334)	(107,952,869)
Assets/(liabilities) of disposal group classified as held for sale	23,253,101				
Borrowings	(71,872,418)	(75,221,070)	(86,012,291)	(74,800,422)	(20,920,086)
Deferred income tax liabilities	(20,372,939)	(17,207,614)	(16,919,822)	(16,736,310)	(923,681)
Other Non-Current liabilities	(7,765,747)	(10,146,050)	(7,189,510)	(4,699,054)	(2,658,276)
	162,368,077	105,354,528	92,764,986	93,679,844	53,380,868
Share capital	3,411,177	1,137,058	1,137,058	905,084	522,799
Share premium	98,425,361	49,521,186	49,521,186	49,042,111	34,192,573
Retained earnings	33,937,579	37,142,281	27,658,713	28,152,852	17,640,414
Other reserves	23,217,694	14,412,064	13,376,928	14,567,862	107,453
Non controlling interest	3,376,266	3,141,939	1,071,101	1,011,935	917,629
	162,368,077	105,354,528	92,764,986	93,679,844	53,380,868
Revenue	449,873,466	650,565,603	571,305,637	378,925,430	336,859,678
Profit before income tax	713,207	14,177,442	13,885,097	24,318,845	13,512,155
Income tax expense	(5,389,472)	(8,666,859)	(11,252,759)	(9,943,879)	(3,415,176)
Profit for the year	(4,676,265)	5,510,583	2,632,338	14,374,966	10,096,979

Dividend

	2013 N'000	2012 N'000	2011 N'000	2010 N'000	2009 N'000
Per share data					
Weighted average number of shares	6,226,566	2,558,383	2,268,415	1,734,746	904,884
Basic earnings per share (kobo)	23	407	126	829	1,132
Diluted earnings per share (kobo)	(75)	201	127	0	-
Dividends per share (kobo)	-	239	239	300	300
Net assets per share (kobo)	2,608	4,118	4,089	5,364	5,836
Dividend cover (times)	-	1.70	0.53	3	3.77

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Statement of unclaimed / returned dividend warrants

For the year ended 31 December 2013

Oando Plc - unclaimed dividend as at 31st December 2013

PYT NO	Payable Date	Unclaimed Dividend as at December 2013
17	30-May-08	293,396,466.44
18	30-Sep-08	211,776,919.28
19	03-Aug-09	26,609,815.00
20	31-Aug-10	202,366,187.10
21	31-Aug-11	484,018,849.54
22	31-Aug-13	387,352,969.63

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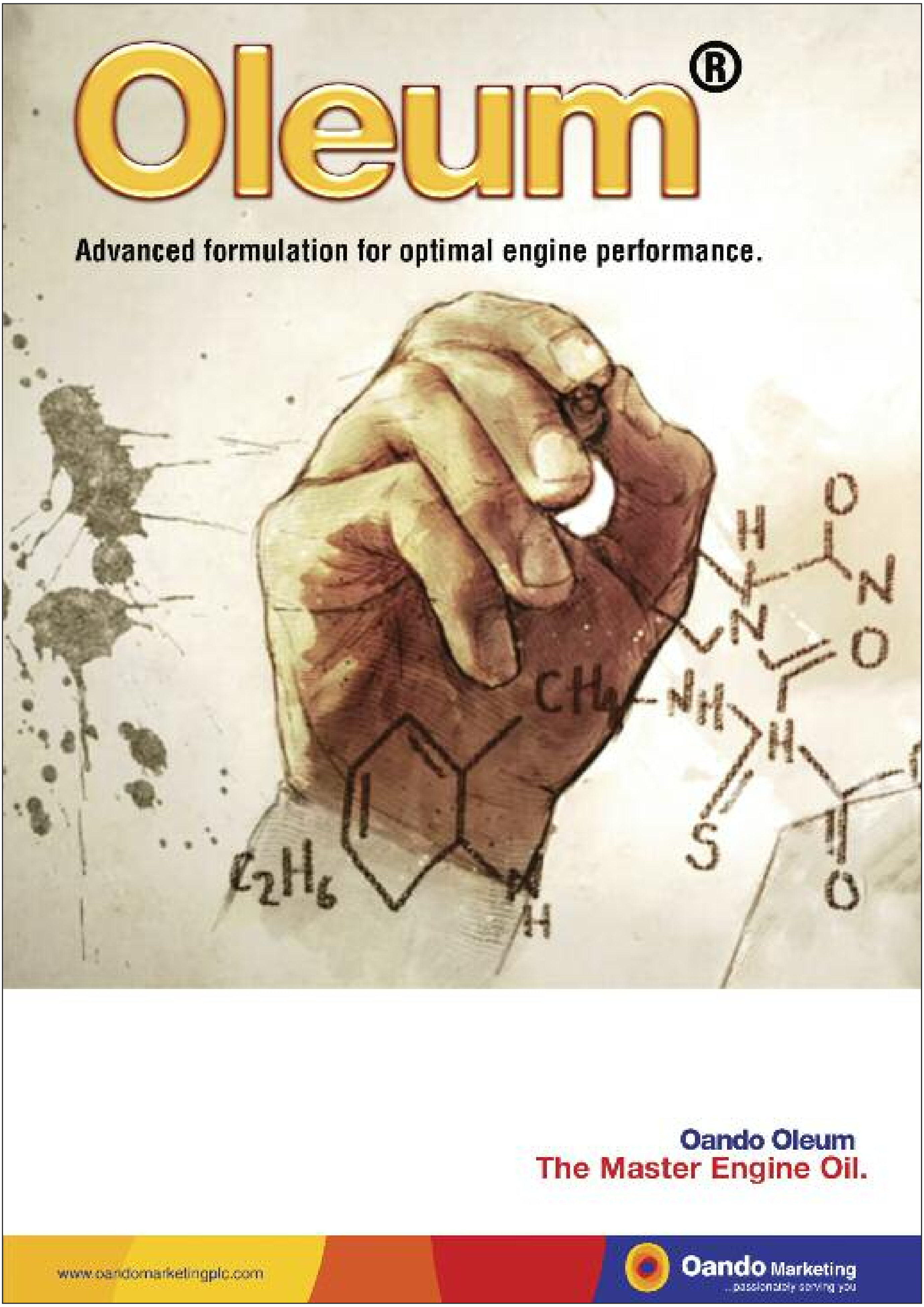
Share capital history

For the year ended 31 December 2013

Oando Plc – Share Capital History

Year Date	Authorized (N) Increase	Cumulative	Issue and fully Paid-up (N) Increase	Cumulative	Consideration Cash/ Bonus
1969	0	4,000,000	0	4,000,000	Cash
1978	3,000,000	7,000,000	2,100,000	6,100,000	Cash
1987	43,000,000	50,000,000	33,900,000	40,000,000	Cash
1991	10,000,000	60,000,000	0	40,000,000	-
1993	40,000,000	100,000,000	10,000,000	50,000,000	Bonus
1995	0	100,000,000	12,500,000	62,500,000	Cash
1998	0	100,000,000	15,625,000	78,125,000	Bonus
2001	50,000,000	150,000,000	0	78,125,000	-
2002	150,000,000	300,000,000	70,129,233	148,254,233	Bonus, Loan Stock Conversion and Agip Share Exchange
2003	0	300,000,000	14,825,423	163,079,656	Bonus
2004	0	300,000,000	40,769,914	203,849,570	Bonus
2005	0	300,000,000	82,300,879	286,150,449	Cash
2005	100,000,000	400,000,000	0	286,150,449	-
2007	100,000,000	500,000,000	90,884,813	377,035,262	Share Exchange under Scheme of Arrangement
2008	0	500,000,000	75,407,052	452,442,314	Bonus
2009	0	500,000,000	100,000	452,542,314	Staff Share Scheme
2009	500,000,000	1,000,000,000	0	452,542,314	-
2010	2,000,000,000	3,000,000,000	150,847,438	603,389,752	Rights Issue
2010	0	3,000,000,000	301,694,876	905,084,628	Bonus Issue (1:2)
2011	0	3,000,000,000	226,271,157	1,131,355,785	Bonus Issue (1:4)
2011	0	3,000,000,000	5,703,284	1,137,059,069	Staff Share Scheme
2012	2,000,000,000	5,000,000,000	0	1,137,059,069	-
2013	0	5,000,000,000	2,274,118,138	3,411,177,207	Rights Issue

Supplementary information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Proxy form

Oando PLC

The 37th Annual General Meeting of Oando PLC (the **"Company"**) will be held at Shell Nigeria Hall, The Muson Center, 8/9 Marina, Onikan, Lagos, Nigeria on Monday, the 27th day of October 2014 at 10:00 a.m.
(the **"Meeting"**)

I/WE* ....of ....

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 Monday the 27th day of October, 2014, 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 at each adjournment of same and to vote for or against the resolutions in accordance with the following instructions:

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

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

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

Proposed resolutions	For	Against
To receive the audited financial statements of the Company and of the Group for the year ended December 31, 2013 and the Reports of the Directors, Auditors and Audit Committee thereon;		
To declare a dividend of N0.30 kobo recommended by the Directors of the Company for the year ended December 31, 2013;		
To consider and, if thought fit, pass the following Ordinary Resolution of which special notice has been given, without amendment: "THAT Messrs PricewaterhouseCoopers, the retiring auditors of the Company shall not be and are hereby not re-appointed at the said Annual General Meeting and in their stead Messrs Ernst & Young be and are hereby appointed auditors of the Company."		
To authorise the Directors of the Company to fix the remuneration of the Auditors;		
To elect Mr. Francesco Cuzzocrea as director		
To re-elect Ammuna Lawan Ali, OON as director		
To re-elect Mobolaji Osunsanya as director		
To re-elect Eng Yusuf Kebba Jarge N'jie as director		
To elect members of the Audit Committee;		
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."		
To Consider, and if approved, to pass with or without modification the following ordinary resolution: 1. "Further to the approval of shareholders given at the 32nd Annual General Meeting held July 30, 2009, the Board of Directors of the Company be hereby authorised to reorganise 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. 2. The Board of Directors of the Company be hereby authorized 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 resolutions."		

Registered holders of certificated Oando PLC shares and holders of dematerialised Oando PLC 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, 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 Oando PLC 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 to attend and vote at the Meeting or to enable their votes in respect of their Oando PLC shares to be cast at the Meeting by that nominee or a proxy.

Signature: ______________________________ Dated this _____ day of ______________ 2014

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

Oando PLC

ADMISSION CARD

ANNUAL GENERAL MEETING TO BE HELD AT SHELL NIGERIA HALL,
THE MUSON CENTER, 8/9 MARINA, ONIKAN,
LAGOS, NIGERIA

On Monday October 27, 2014 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

Notes

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

SA OFFICE ADDRESS
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

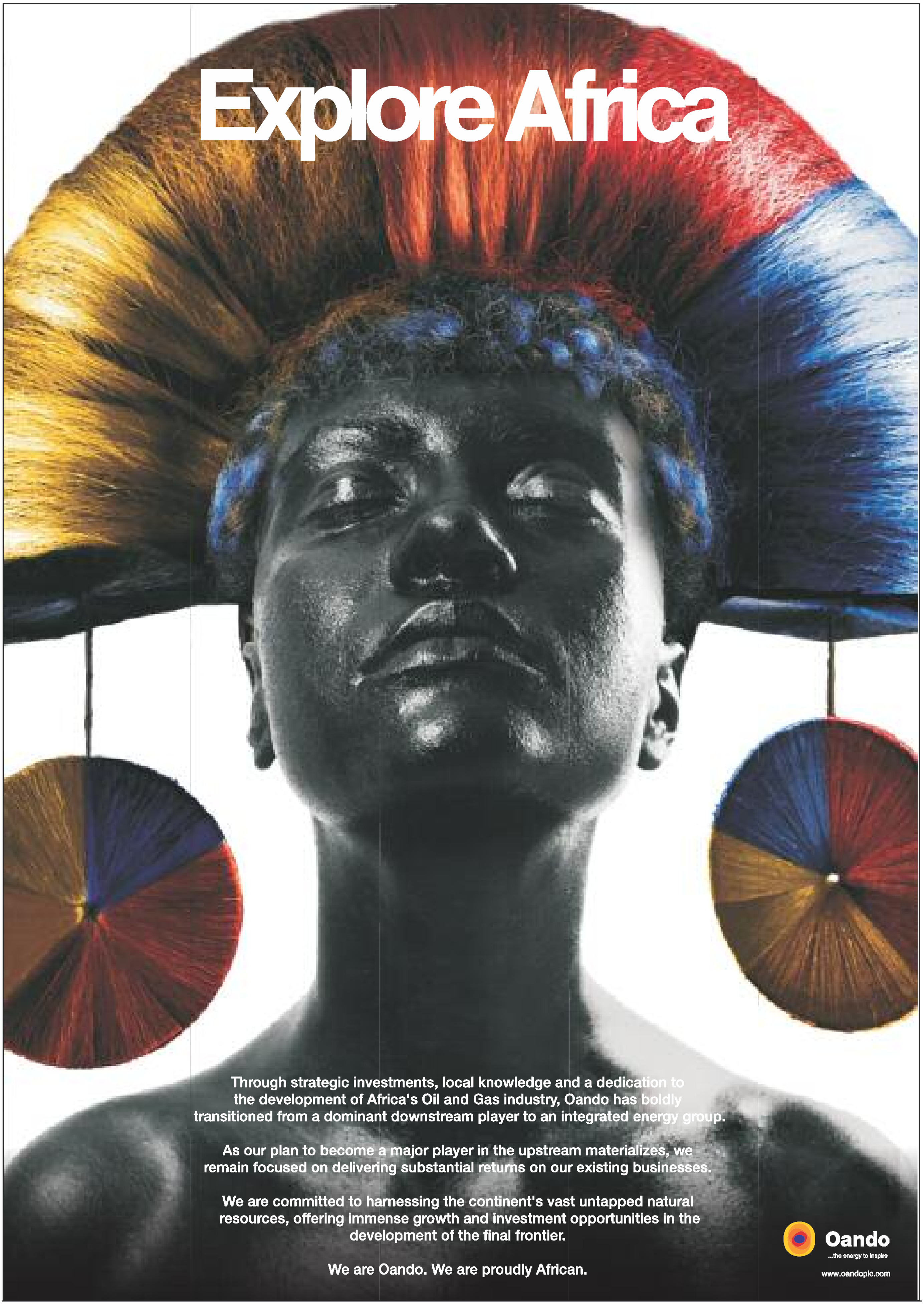
LAGOS AVIATION TERMINAL
Oando Aviation
Muritala Mohammed Local Airport
Opposite Aero Contractors
Ikeja, Lagos
Nigeria

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


Explore Africa
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.
As our plan to become a major player in the upstream materializes, we remain focused on delivering substantial returns on our existing businesses.
We are committed to harnessing the continent's vast untapped natural resources, offering immense growth and investment opportunities in the development of the final frontier.
We are Oando. We are proudly African.
Oando
...the energy to inspire
www.oandoplc.com

Oando RC 6474

...the energy to inspire

Oando PLC

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Lagos, Nigeria

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Website: www.oandoplc.com

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