OANDO PLC

Annual reports and consolidated financial statements
31 December 2012

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Directors and Professional Advisers
31 December 2012

Directors	HRM Michael A. Gbadebo, CFR	Chairman, Non-Executive Director
	Mr. Jubril Adewale Tinubu	Group Chief Executive
	Mr. Omamofe Boyo	Deputy Group Chief Executive
	Mr. Mobolaji Osunsanya	Group Executive Director
	Mr. Olufemi Adeyemo	Group Executive Director
	Mr. Oghogho Akpata	Non- Executive Director
	Ms. Nana Appiah-Korang	Non-Executive Director
	Chief Sena Anthony	Non-Executive Director
	Ammuna Lawan Ali,OON	Non-Executive Director
	Engr. Yusuf N'jie	Non-Executive Director

Company Secretary and Chief Compliance Officer

Ayotola Jagun (Ms)

Registered Office

2 Ajose Adeogun Street
Victoria Island, Lagos

Auditors

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

Bankers

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

The Directors submit their Report together with the audited consolidated financial statements for the year ended 31 December 2012, which disclose the state of affairs of the Group and Company.

1 PRINCIPAL ACTIVITY

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

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

b) Distribution of natural gas to industrial customers - Gaslink Nigeria Limited, East Horizon Gas Company Limited, Oando Gas and Power Limited, Akute Power Limited and Central Horizon Gas Company Limited.

c) Supply and distribution of petroleum products - Oando Supply and Trading Limited, Nigeria; and Oando Trading, Bermuda.

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

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

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

2 RESULTS AND DIVIDEND

The net profit for the year of N10.79 billion has been added to retained earnings. The directors recommended a dividend of N0.75k per share for the year.

	Group		Company	
	31-Dec-12	31-Dec-11 Restated	31-Dec-12	31-Dec-11 Restated
	N'000	N'000	N'000	N'000
Turnover	673,181,997	571,305,637	7,358,881	8,122,502
Profit before taxation	17,554,067	13,885,097	4,690,743	1,363,389
Taxation	(6,767,750)	(11,252,759)	(311,297)	10,011
Profit after taxation	10,786,317	2,632,338	4,379,446	1,373,400
Profit attributable to equity holders	10,424,491	2,852,634	4,379,446	1,373,400

3 Dividend

The Meeting resolved that the Board recommend the payment of N0.75k per share as dividend in respect of the 2012 Audited Accounts to the shareholders at the next AGM. The dividend would be paid to holders of ordinary shares whose names appear in the Company's Nigerian and South African Registers of members at the close of the business on Thursday the 20th June 2013. No dividend was declared in 2012 in respect of the 2011 financial results.

4 Directors

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

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

	Direct	Indirect
HRM. Oba A. Gbadebo, CFR	37,500	Nil
Mr. J.A. Tinubu*	Nil	3,670,995
Mr O. Boyo*	Nil	2,354,713
Mr. M. Osunsanya	67,497	1,190,398
Mr O. Adeyemo	75,000	1,423,898
Ms. Nana Afoah Appiah-Korang	Nil	37,500,000
Chief Sena Anthony	99,711	Nil
Mr. Oghogho Akpata	Nil	Nil
Ammuna Lawan Ali, OON	Nil	Nil
Engr. Yusuf K.J N'jie	Nil	Nil

* Indirect shareholder in Ocean and Oil Investments Limited

5 Contracts

None of the Directors notified the Company of any declarable interest in contracts in which the Company was involved during the year under review for the purpose of section 277 of the Companies and Allied Matters Act, and Article 115 of the Company's Articles of Association.

6 Directors' Responsibilities

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

7 Shareholdings

As of 31 December 2012, the range of shareholdings of the Company was as follows:

Range of Shareholding	No of Shareholders Within Range	% of Holders	% of Shareholding
1 - 1000	168,537	63.92	2.72
1,001 - 5,000	72,559	27.52	6.54
5,001 - 10,000	10,431	3.96	3.25
10,001 - 50,000	9,566	3.63	8.82
50,001 - 100,000	1,210	0.46	3.78
100,001 - 500,000	1,043	0.40	9.09
500,001 - 1,000,000	131	0.05	4.02
1,000,001 - 5,000,000	131	0.05	11.51
5,000,001 - 10,000,000	18	0.01	6.00
10,000,001 - 50,000,000	22	0.01	23.91
50,000,001 or more	4	0.00	20.36
	263,652	100	100

8 Property, Plant and Equipment

Changes in the value of property, plant and equipment (PPE) were due to revaluation surplus arising from triennial valuation of PPE in accordance with the Company's accounting policies, additions, disposals and impairments as shown in Note 11 to these consolidated financial statements. In the opinion of the directors, the market value of the Company's property, plant and equipment is not lower than the value shown in these financial statements.

9 Donations/Charitable gifts

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

10. Employment and Employees

Equal Employment Opportunity

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

Employment of Physically Disabled Persons

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

Industrial/Employees Relation

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

Training and Development

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

11. **Audit Committee**
In accordance with section 359(4) of the Companies and Allied Matters Act, the following shareholders and directors were members of the Audit Committee during the year ended 31 December 2012

a)	Mr Oghogho Akpata	Chairman
b)	Chief Sena Anthony	Non-Executive Director
c)	Ammuna Lawan Ali	Non-Executive Director
d)	Mr Lateef Ayodeji Shonubi	Shareholder
e)	Mr Fidelis Opia Ijoma	Shareholder
f)	Mr Kabir Babatunde Sanumi	Shareholder

12. **Auditors**
The Company's auditors, Messrs' 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

Dated this 20th **Day of** JUNE **2013**
By Order of the Board

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

Statement of Directors' Responsibilities
For the year ended 31 December 2012

i Responsibilities in respect of the financial statements

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

(a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act,

(b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities, and

(c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates, and are consistently applied

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

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

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

ii Responsibilities in respect of Corporate Governance

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

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

The Board of Directors

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

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

The Audit Committee

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

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

Code of Business Ethics

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

Director	Director
20th JUNE 2013	20TH JUNE 2013

pwc

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF OANDO PLC

Report on the financial statements

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

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

Report on other legal requirements

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

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

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

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A 461171

28 June 2013

OANDO PLC
Annual Consolidated Financial Statements
Consolidated income statement
For the year ended 31 December 2012

	Note	Group 2012 N'000	Group 2011 N'000 Restated	Company 2012 N'000	Company 2011 N'000 Restated
Revenue	5	673,181,997	571,305,637	7,358,881	8,122,502
Cost of sales		(591,560,191)	(505,479,079)	-	-
Gross profit		81,621,806	65,826,558	7,358,881	8,122,502
Other operating income	6	2,097,924	13,516,172	1,790,961	1,240,803
Selling and marketing costs		(7,555,800)	(7,892,079)	-	-
Administrative expenses		(42,038,153)	(52,115,328)	(3,421,175)	(8,271,573)
Operating profit	7	34,125,777	19,335,323	5,728,667	1,091,732
Finance costs	9	(20,093,243)	(12,767,211)	(5,565,556)	(2,605,357)
Finance income	9	3,521,533	7,316,985	4,527,632	2,877,014
Finance costs - net		(16,571,710)	(5,450,226)	(1,037,924)	271,657
Profit before income tax		17,554,067	13,885,097	4,690,743	1,363,389
Income tax expense	10	(6,767,750)	(11,252,759)	(311,297)	10,011
Profit for the year		10,786,317	2,632,338	4,379,446	1,373,400
Profit attributable to:					
Owners of the parent	22	10,424,491	2,852,634	4,379,446	1,373,400
Non-controlling interest		361,826	(220,296)	-	-
		10,786,317	2,632,338	4,379,446	1,373,400
Earnings per share from continuing operations attributable to owners of the parent during the year: (expressed in kobo per share)					
Basic and diluted earnings per share	22	458.4	125.8		

The statement of accounting policies and notes on pages 16 to 79 form an integral part of these consolidated financial statements.

	Note	Group 2012 N'000	Group 2011 N'000 Restated	Company 2012 N'000	Company 2011 N'000 Restated
Profit for the year		10,786,317	2,632,338	4,379,446	1,373,400
Other comprehensive income:					
IFRIC 1 adjustment to revaluation reserve	24	(27,187)	(3,409)	-	-
Deferred tax on revaluation surplus	24	-	-	-	-
Actuarial (loss)/gains	28	(83,331)	126,040	(23,936)	74,524
Deferred tax on actuarial gains or losses	28	24,999	(37,812)	7,181	(22,357)
Fair value loss on available for sale investment	20	(45,166)	-	(45,166)	-
Deferred tax on fair value loss on available for sale investment	24	13,550	-	13,550	-
Currency translation differences	24	1,218,958	(773,242)	-	-
Other comprehensive income for the year, net of taxes		1,101,823	(688,423)	(48,371)	52,167
Total comprehensive income for the year		11,888,140	1,943,915	4,331,075	1,425,567
Attributable to:					
- Owners of the parent		11,523,371	1,787,740	4,331,075	1,425,567
- Non-controlling interests		364,769	156,175	-	-
Total comprehensive income for the year		11,888,140	1,943,915	4,331,075	1,425,567

The statement of accounting policies and notes on pages 16 to 79 form an integral part of these consolidated financial statements.

Consolidated statement of financial position
As of 31 December 2012

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

The financial statements and notes on pages 9 to 79 were approved by the Board of Directors on 20TH June 2013 and were signed on its behalf by

DIRECTORS

Group Chief Executive

Group Chief Financial Officer

The statement of significant accounting policies and notes on pages 16 to 79 form an integral part of these consolidated financial statements

Assets	Notes	Company 2012 N'000	Company 2011 N'000	Company 2010 N'000
Non-current assets				
Property, plant and equipment	11	3,022,194	14,086,046	10,581,664
Intangible assets	12	89,096	149,333	298,667
Deferred income tax assets	13	579,406	492,139	137,026
Available-for-sale financial assets	20	1,000	1,000	1,000
Investment in subsidiaries	20	85,379,020	41,864,743	41,507,589
Derivative financial assets	14	69,645	-	-
Non-current receivables and prepayments	17	7,345,639	33,762	39,250
Restricted cash	21	324,000	-	-
		96,810,000	56,627,023	52,565,196
Current assets				
Inventories	18	6,733	-	4,361
Trade and other receivables	19	128,786,885	98,102,714	63,849,831
Available-for-sale financial assets	20	147,865	193,031	-
Cash and cash equivalents (excluding bank overdrafts)	21	1,567,995	2,517,681	815,762
		130,509,478	100,813,426	64,669,954
Total assets		227,319,478	157,440,449	117,235,150
Equity and Liabilities				
Equity attributable to owners of the parent				
Share capital	23	1,137,058	1,137,058	905,084
Share premium	23	49,521,186	49,521,186	49,042,111
Retained earnings		4,520,486	1,163,374	4,882,648
Other reserves	24	2,276,126	909,547	909,547
Total Equity		57,454,856	52,731,165	55,739,390
Liabilities				
Non-current liabilities				
Borrowings	25	45,760,738	51,297,182	48,934,604
Derivative financial liabilities	27	1,409,651	1,349,724	1,449,529
Retirement benefit obligation	28	1,232,303	1,216,031	476,893
		48,402,692	53,862,937	50,861,026
Current liabilities				
Trade and other payables	30	51,575,433	43,098,950	2,851,391
Current income tax liabilities		760,941	931,754	1,064,907
Dividend payable	31	651,058	651,358	651,358
Borrowings	25	68,121,082	6,164,285	6,067,078
Provision for other liabilities & charges	26	353,416	-	-
		121,461,930	50,846,347	10,634,734
Total liabilities		169,864,622	104,709,284	61,495,760
Total equity and liabilities		227,319,478	157,440,449	117,235,150

The financial statements and notes on pages 9 to 79 were approved by the Board of Directors on 20th June 2013 and were signed on its behalf by

DIRECTORS

Group Chief Executive

Group Chief Financial Officer

The statement of significant accounting policies and notes on pages 16 to 79 form an integral part of these financial statements

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

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

The share based payment reserve is not distributable.

The statement of significant accounting policies and notes on pages 16 to 79 form an integral part of these consolidated financial statements.

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

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

The share based payment reserve is not distributable.

The statement of significant accounting policies and notes on pages 16 to 75 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Cash flows from operating activities					
Cash generated operations	32	52,709,406	11,037,018	(53,890,695)	8,671,977
Interest received	9	3,521,533	6,995,575	4,527,632	2,877,014
Interest paid	9	(16,530,258)	(26,740,081)	(5,647,399)	(1,058,746)
Income tax paid	10	(10,390,255)	(13,253,757)	(475,160)	(424,041)
Net cash from/(used in) operating activities		29,310,426	(21,961,245)	(55,485,622)	10,066,204
Cash flows from investing activities					
Purchases of property plant and equipment	11	(27,063,427)	(13,835,665)	(1,134,918)	(5,047,853)
Acquisition of subsidiary, net of cash acquired		790,209	-	-	-
Deposit for acquisition of a business		(67,542,450)	-	-	(177,023)
Available for sale investment		(836)	-	-	(193,013)
Acquisition of software		(782,514)	-	(89,096)	-
Purchase of intangible exploration assets		(6,170,373)	-	-	-
Payments relating to pipeline construction		(16,474,065)	(8,275,611)	-	-
Proceeds from sale of property plant and equipment		2,309,209	134,284	62,817	46,575
Cash (used in)/generated from investing activities		(114,934,247)	(21,976,992)	(1,161,197)	(5,371,314)
Cash flows from financing activities					
Proceeds from long term borrowings		18,903,590	110,980,194	-	4,500,000
Repayment of long term borrowings		(18,236,376)	(53,152,080)	(6,000,000)	(4,659,670)
Repayment of finance lease		-	(55,607)	-	
Proceeds from issue of other term loans		-	-	40,370,200	2,500,000
Proceeds from other short term borrowings		362,923,573	-	13,048,871	17,267,348
Repayment of other short term borrowings		(304,737,782)	-	-	(17,334,426)
Dividend paid		-	(5,430,508)	-	(5,430,508)
Restricted cash		(1,710,050)	(2,343,000)	(324,000)	-
Net cash from/(used in) financing activities		57,142,955	49,998,999	47,095,071	(3,157,256)
Net change in cash and cash equivalents		(28,480,866)	6,060,762	(9,551,748)	1,537,634
Cash and cash equivalents and bank overdrafts at the beginning of the year		(6,657,138)	(12,011,680)	2,517,681	815,762
Exchange gains/(losses) on cash and cash equivalents		8,527	(706,220)	-	-
Cash and cash equivalents at end of the year		(35,129,477)	(6,657,138)	(7,034,067)	2,353,396
Cash at year end is analysed as follows:					
Cash and bank balance as above		13,408,507	18,690,529	1,567,995	2,517,681
Bank overdrafts (Note 25)		(48,537,984)	(25,347,667)	(8,602,062)	(164,285)
		(35,129,477)	(6,657,138)	(7,034,067)	2,353,396

The statement of significant accounting policies and notes on pages 16 to 79 form an integral part of these financial statements.

Non cash investing transaction during the year include the acquisition of Exile through an issue of equity by OER. See details in Note 40.

1. General information

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

Oando Plc (the "Company") is listed on the Nigerian Stock Exchange. The Company has a subsidiary called Oando Marketing Limited with retail and distribution outlets in Nigeria, Ghana and Togo and other smaller markets along the West African coast. In 2010, Oando Marketing Limited, a subsidiary of Oando Plc, changed its name to Oando Marketing Plc in preparation for a divestment. As of 31 December 2012, Oando Plc retained 100% interest in Oando Marketing Plc, Oando Trading (Bermuda) and Oando Supply and Trading (Nigeria). These entities mainly supply petroleum products to marketing companies and large industrial customers.

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

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

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

Other subsidiaries within the Group and their respective lines of business including Gas and Power, are shown in note 37.

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

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

Changes in accounting policies and disclosures

a) New and amended standards adopted by the Group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the group.

b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2012 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

The following new standards, amendments or interpretation did not have a material impact on the Group:

- IFRS 7 (amendment) 'Financial instruments: Disclosures', on transfer of financial assets (effective 1 July 2011)
- IFRS 1 (amendment) 'First time adoption', on hyperinflation and fixed dates (effective 1 July 2011)
- IAS 12 (amendment) 'Income taxes', on deferred tax on investment property (effective 1 January 2012)

c) New standards, amendments and interpretations issued and not effective for the financial year beginning 1 January 2012 but early adopted by the Group

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

d) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted

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

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

The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially classifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

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

The impact on the Group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The amendment also requires all actuarial gains and losses to be recognised immediately in OCI. This will have a limited impact on the Group as actuarial losses/ gains are currently recognised in OCI and the Group does not have plan assets.

IFRS 9, 'Financial instruments', issued in November 2009 (effective 1 January 2015)

IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured 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 and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

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

The standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. The IFRS also sets out the accounting requirements for the preparation of consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group will apply IFRS 10 for the financial reporting period commencing on 1 January 2013.

IFRS 11 'Joint Arrangements', issued in May 2011 (effective 1 January 2013)

The standard focuses on the rights and obligations of the parties to the joint arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venturer has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group will apply IFRS 11 for the financial reporting period commencing on 1 January 2013.

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

The standard requires an entity to disclose all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other balance sheet vehicles. The information should enable users of financial statements to evaluate:

- the nature of, and risks associated with, its interests in other entities; and
- the effects of those interests on its financial position, financial performance and cash flows.

The Group will apply IFRS 12 for the financial reporting period commencing on 1 January 2013.

IFRS 13, 'Fair value measurement ' issued in May 2011 (effective 1 January 2013)

The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

IAS 27 (revised 2011), 'Separate financial statements' (effective 1 January 2013)

This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

IAS 28 (revised 2011) 'Associates and joint ventures' (effective 1 January 2013)
This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

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

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

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

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

Acquisition-related costs are expensed as incurred.

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

The excess of the consideration transferred, the fair value of any non-controlling interest over the net identifiable net assets acquired and the acquisition – date fair value of any previously held equity interest in the acquiree is recorded as goodwill. Where the difference between the consideration and fair value of any consideration is less than the fair value of the net identifiable assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly as a profit or loss.

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

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

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

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

(iv) Investment in subsidiaries

In the separate financial statements Oando Plc, investments in subsidiaries is accounted for at cost.˝

(c) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances in Group entities

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

(iii) Consolidation of Group entities

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

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

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

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

(d) Segment reporting

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

(e) Revenue recognition

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

Sale of goods

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

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

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

Sales between subsidiaries, as disclosed in the segment information.

Sale of services

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

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

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

Service concession arrangements

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

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

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

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

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

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

Dividends are recognised as income in the period in which the right to receive payment is established.

(f) Property, plant and equipment

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

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

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

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

Buildings	20 – 50 years	(2 – 5%)
Plant and machinery	8 – 20 years	(5 – $12^1/2$ %)
Equipment and motor vehicles	3 – 5 years	(20 – $33^1/3$ %)

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 the how economic benefits are consumed.

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

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

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

(g) Intangible assets

(a) Goodwill

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

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

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

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives (three to five years). The amortisation period is reviewed at each balance sheet date. Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

(c) Concession contracts

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

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

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

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

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

Refer to Note 2v for the policy on Intangible exploration assets.

(h) Impairment of non financial assets

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

(i) Financial instruments

Financial assets

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

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

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

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

Recognition and measurement

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

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of equity instruments classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

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

Impairment of Financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. The Group assesses the significance of a decline in the fair value below cost relative to the specific security's volatility, and regards a decline below cost of longer than twelve months to be prolonged. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Derivative financial instruments

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The resulting gains or losses are recognised as finance income or expense in the profit or loss.

Embedded derivatives

Certain contracts contain both a derivative and non-derivative host component. In such cases the derivative component is termed an embedded derivative. An embedded derivative is only separated and reported at fair value with gains and losses being recognised in the profit or loss component of the statement of comprehensive income when the following requirements are met:
- where the economic characteristics and risks of the embedded derivative are not clearly and closely related to those of the host contract.
- the terms of the embedded derivative are the same as those of a stand-alone derivative; and
- the combined contract is not held for trading or designated at fair value through profit or loss.

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

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

(j) Accounting for leases

The Group as lessee:

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

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

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

The Group as lessor

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

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

(k) Inventories

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

(l) Receivables

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

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

If collection is expected within the normal operating cycle of the Group they are classified as current, if not they are presented as Non-current assets.

(m) Payables

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

(n) Share capital

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

(o) Cash and cash equivalents

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

(p) Employee benefits

(i) Retirement benefit obligations

Defined contribution scheme

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

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

Defined benefit scheme

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Current service and interest cost are included as part of employee benefit expense in the income statement.

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

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

(ii) Employee share-based compensation

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

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

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

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

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

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

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

(q) Provisions

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

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

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

Decommissioning liabilities

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

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

(r) Current and deferred income tax

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

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

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

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

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

(s) Borrowings

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

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

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

Borrowing costs

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

Convertible debts

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

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

(t) Exceptional items

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

(u) Dividend

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

(v) **Upstream activities**

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

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

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

Tangible fixed assets related to oil and gas producing activities are depleted on a unit of production basis over the proved developed reserves of the field concerned except in the case of assets whose useful lives are shorter than the lifetime of the field, in which case the straight-line method is applied. 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 Oando's operating segments as defined by IFRS 8.

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

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

(x) **Government grant**

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

(v) Prior year restatements

In preparing the accounts for 2012 and as a result of a more comprehensive consideration of the Group's arrangements and policies, the directors have reconsidered and adjusted the accounting for certain matters in the prior period.

Reconciliation of IFRS previously reported at 1 January 2011 and 31 Dec 2011

Reconciliation of Comprehensive Income at 31 Dec 2011

	Restatements to previously published IFRS accounts			
	Reference to IFRS Adjustments	IFRS previously reported N'000	Restatements N'000	IFRS restated N'000
Continuing operations				
Turnover	b, d	572,510,374	(1,204,737)	571,305,637
Cost of sales	d	(504,735,071)	(744,008)	(505,479,079)
Gross profit		67,775,303	(1,948,745)	65,826,558
Selling and distribution costs		(7,892,079)	-	(7,892,079)
Other income	b	12,278,916	1,237,256	13,516,172
Administration expenses	b, c, d	(51,733,984)	(381,344)	(52,115,328)
Operating profit		20,428,156	(1,092,833)	19,335,323
Finance income	b, d	6,798,945	518,040	7,316,985
Finance cost	d, h	(13,543,540)	776,329	(12,767,211)
Profit before taxation		13,683,561	201,536	13,885,097
Taxation	f	(11,312,163)	59,404	(11,252,759)
Profit for the year		2,371,398	260,940	2,632,338
Attributable to:				
Equity holders of the parent		2,591,694	260,940	2,852,634
Non controlling interest	j	(220,296)	-	(220,296)
Other comprehensive income for the year, net of tax	i	(685,014)	(3,409)	(688,423)
Total comprehensive income for the year		1,686,384	257,531	1,943,915
Attributable to:				
Equity holders of the parent		1,530,209	257,531	1,787,740
Non controlling interest		156,175	-	156,175

Reconciliation of IFRS previously reported at 1 January 2011 and 31 Dec 2011

				31 December 2010	
	Restatements to previously published IFRS accounts				
	Reference to FS Notes		IFRS previously reported N'000	Restatements N'000	IFRS restated N'000
Non Current assets					
Property, plant and equipment	11	a - c	158,247,737	(60,355,513)	97,892,224
Intangible assets	12	a, d	24,415,078	80,445,261	104,860,339
Deferred income tax assets			6,486,391	-	6,486,391
Available-for-sale financial assets			1,000	-	1,000
Derivative financial assets	14	b,h	-	1,293,615	1,293,615
Finance lease receivables	15	b	-	4,169,287	4,169,287
Non-current receivables and prepayments	17	d	23,852,325	(22,927,217)	925,108
			213,002,531	2,625,433	215,627,964
Current assets					
Inventories			22,386,418	-	22,386,418
Finance lease receivables	15	b	-	476,314	476,314
Trade and other receivables	19	h	78,369,732	(446,142)	77,923,590
Cash and cash equivalents			12,187,072	-	12,187,072
			112,943,222	30,172	112,973,394
Total assets			325,945,753	2,655,605	328,601,358
Equity and Liabilities					
Equity attributable to owners of the parent					
Share capital		j	905,084	-	905,084
Share premium		j	49,042,111	-	49,042,111
Revaluation reserve	24	j	17,321,174	(1,612,620)	15,708,554
Foreign currency translation reserve	24	c, j	(1,140,692)	-	(1,140,692)
Retained earnings		g	25,076,820	3,076,032	28,152,852
			91,204,497	1,463,412	92,667,909
Non controlling interest			1,011,935	-	1,011,935
Total equity			92,216,432	1,463,412	93,679,844
Liabilities					
Non-current liabilities					
Borrowings			74,800,422	-	74,800,422
Deferred taxation liabilities		f	15,544,117	1,192,193	16,736,310
Provisions for other liabilities and charges			1,841,827	-	1,841,827
Derivative financial instruments	27	h	-	1,449,529	1,449,529
Retirement benefit obligations			1,407,698	-	1,407,698
			93,594,064	2,641,722	96,235,786
Current liabilities					
Trade and other payables	30	e	62,941,522	(1,449,529)	61,491,993
Current income tax liabilities			5,521,737	-	5,521,737
Dividends payable			651,358	-	651,358
Borrowings			71,020,640	-	71,020,640
			140,135,257	(1,449,529)	138,685,728
Total liabilities			233,729,321	1,192,193	234,921,514
Total equity and liabilities			325,945,753	2,655,605	328,601,358

(v) Prior year restatements

Reconciliation of shareholders' equity as at 31 December 2011

	Reference to FS Notes	Reclassifications/ Restatements to previously published IFRS accounts	IFRS previously reported	Restatements	IFRS restated
			31 December 2011		
				N'000	N'000
Non Current assets					
Property, plant and equipment	11	a - c	177,982,319	(68,503,110)	109,479,209
Intangible assets	12	a, d	24,307,008	95,026,358	119,333,366
Deferred income tax assets			9,908,773	-	9,908,773
Available-for-sale financial assets			1,000	-	1,000
Derivative financial assets	14	b, h	-	2,404,000	2,404,000
Finance lease receivables	15	b	-	3,663,544	3,663,544
Non-current receivables and prepayments	17	d	32,445,200	(30,970,772)	1,474,428
Restricted cash		i	-	2,343,000	2,343,000
			244,644,300	3,963,020	248,607,320
Current assets					
Inventories			32,458,405	-	32,458,405
Finance lease receivables	15	b	-	498,930	498,930
Trade and other receivables	19	h	105,515,521	(319,271)	105,196,250
Available-for-sale financial assets			193,031	-	193,031
Cash and cash equivalents (excluding bank overdrafts)			21,033,529	(2,343,000)	18,690,529
			159,200,486	(2,163,341)	157,037,145
Total assets			403,844,786	1,799,679	405,644,465
Equity and Liabilities					
Equity attributable to owners of the parent					
Share capital		j	1,137,058	-	1,137,058
Share premium		j	49,521,186	-	49,521,186
Revaluation reserve	24	c, j	17,295,296	(1,616,029)	15,679,267
Foreign currency translation reserve	24	j	(2,302,339)	-	(2,302,339)
Other reserve	24	e	526,070	(526,070)	-
Retained earnings		g	24,321,741	3,336,972	27,658,713
			90,499,012	1,194,873	91,693,885
Non controlling interest			1,071,101	-	1,071,101
Total equity			91,570,113	1,194,873	92,764,986
Liabilities					
Non-current liabilities					
Borrowings		e	86,037,092	(24,801)	86,012,291
Deferred income tax liabilities		f	16,290,215	629,607	16,919,822
Provision for other liabilities & charges			1,486,648	-	1,486,648
Derivative financial instruments	27	h	-	2,973,892	2,973,892
Retirement benefit obligation			2,728,970	-	2,728,970
			106,542,925	3,578,698	110,121,623
Current liabilities					
Trade and other payables	30	h	78,182,936	(2,973,892)	75,209,044
Current income tax liabilities			6,904,218	-	6,904,218
Dividends payable			651,358	-	651,358
Borrowings			119,993,236	-	119,993,236
			205,731,748	(2,973,892)	202,757,856
Total liabilities			312,274,673	604,806	312,879,479
Total equity and liabilities			403,844,786	1,799,679	405,644,465

Notes to Reconciliation

Restatements to previously published IFRS accounts

(a) In the previous IFRS accounts, the Group classified both tangible and intangible exploration and evaluation assets as property, plant and equipment. The Group has changed its accounting policies and has reclassified intangible exploration and evaluation assets separately from tangible exploration and evaluation assets by reclassifying from Property, Plant and Equipment to Intangible assets on the financial statements. The effect of this adjustment is a reduction in property, plant and equipment of N55,183million at 1 January 2011 (N63,384million at 31 December 2011) and an increase in intangible assets by the same amount.

(b) The Group accounted for a gas electric fire plant constructed by Akute Power Limited (APL) , under a Build-Operate-Transfer (BOT) arrangement with the Lagos State Water Corporation (LSWC) as property, plant and equipment. However, the substance of the transaction is that the arrangement conveys a right to use a specific asset over a significant portion of the assets economic useful life. The requirements of IFRIC 4 have been applied in accounting for this asset. Consequently, this asset has been appropriately recognised as a finance lease at the present value of the minimum lease payments in accordance with the substance of the contract. At 1 January 2011, the effect of this adjustment is a reduction in property, plant and equipment of N3,650million (N3,321million at 31 December 2011) and recognition of finance lease receivables of N4,646million (N4,162million at 31 December 2011); with net impact of N996 million recognised in retained earnings. At 31 December 2011, revenue associated with the sale of electricity of N1.204million was derecognised and finance income of N753million was recognised in respect of the finance lease receivables. The net impact on depreciation charge for the year was a reduction of N298million.

The contract includes a provision for APL to bill LSWC in addition to the power supply, differences in exchange rate fluctuations between the Naira and USD where the exchange rate exceeds the ruling rate at the contract inception date. This is an embedded derivative in line with IAS 39, this has been stripped out of the host contract and separately valued. The embedded derivative has been recognised at fair value at each reporting period. This resulted in an increase in derivative asset of N847 million as at 1 January 2011 (N2,084 million at 31 December 2011). N 1,237 million was recognised as fair value gains in other income in the income statement for 31 December 2011.

(c) The Group accounted for an increase in the decommissioning obligation as a corresponding increase in the value of the decommissioning asset under property, plant and equipment. IFRIC 1 requires that any increase in the decommissioning costs for assets measured under the revaluation model be recognised as a decrease in the revaluation surplus account.
As at 1 January 2011, The effect of this is a reduction in property, plant and equipment of N188.6million, a reduction in the revaluation reserve account of N405 million and an increase of N216.5 million has been recorded in retained earnings.

As at 31 December 2011, the impact was a reduction in property, plant and equipment of N143.7million and a reduction in the revaluation reserve of N409million. The efect was a reduction in depreciation and as a result an increase in the income statement by N48 million and retained earnings by N216.5 million.

In 2012, Oando Marketing PLC, a company within the Oando group carried out a 'clean up' of its asset register with a view to allocating the revaluation surplus to each asset and consequently discovered the following errors. Properties under operating lease which did not belong to the company were revalued, certain properties to which the company applied the revaluation model were not revalued and the total costs of some revalued assets were not considered to determine the revaluation surplus.

The effect of these restatements resulted in a reduction in revaluation surplus of N1,207 million at 1 January 2011 (N1,207 million at 31 December 2011),and reduction in fixed assets of 1,334 million at 1 January 2011 (N1,376 million in at 31 December 2011), deferred tax N126 million at 1 January 2011(N126 million at 31 December 2011) and depreciation expense of N42 million in 31 December 2011.

(d) Gaslink Nigeria Ltd. and East Horizon Gas Company Ltd (EHGC) have enteredt into arrangements with the Nigeria Gas Company (NGC) to fund, design and construct gas supply and distribution facilities to deliver gas to end users. Expenditure incurred would be recovered from the sale of gas to the customers. This was accounted for in the past as a receivable. However, the arrangement does not give Oando an unconditional right to receive cash.

The Group has applied the requirements of IFRIC 12 - Service Concession Arrangements in accounting for the service concession arrangement with Nigeria Gas Company (NGC) as an intangible asset. This led to the recognition of intangible assets representing the right to recover the cost of construction of the concession asset - gas pipeline through the sale of gas. Consequently, at 1 January 2011, the effect of the restatement was:

- A decrease in Non-current receivable of N22,927 million as at 1 January 2011 (N30,971 million at 31 December 2011)
- An increase in intangible asset of N25,262 million at 1 January 2011 (N43,116 million at 31 December 2011)
- An increase in retained earnings of N2,334 million as at 1 January 2011, an increase in cost of sales of N744 million and a decrease in finance income of N234 million.

(e) At 31 December 2011, the Group recognised an equity and debt components of convertible debt at fair value in line with the principles of IFRS 2. This did not meet the grant date criteria, consequently the Group has restated the accounting by reversing the equity and measuring the debt at amortised cost. The effect of the restatement was:

- A decrease in convertible debt reserve in equity by N526 million
- A decrease in borrowings by N24.8 million
- A decrease in deferred tax liability by N225 million
- A decrease in interest expense by N776 million

(f) The deferred tax implications of all the restatements have been computed using the liability method.
As at 1 January 2011, the effect of computation of deferred taxes on the IFRS adjustments resulted to an increase in deferred tax liabilities of N1,192 million and a reduction of retained earnings by the same amount.

At 31 December 2011, the effect of computation of deferred taxes on the IFRS adjustments resulted to an increase in deferred tax liabilities of N629 million.

(g) The impact of restatements and translation differences on retained earnings is shown below

	Reference	At 31 December 2011 N'000	As at 1 January 2011 N'000
Retained earnings previously stated		24,321,741	25,076,820
Finance Lease (Akute)	(b)	841,836	995,789
Embedded derivative	(b)	2,084,727	847,472
Decommissioning costs	(c)	264,878	216,491
Intangible Asset - Gas pipeline	(d)	670,797	2,334,579
Impact of deferred taxes	(f)	(1,258,895)	(1,318,299)
Share based payments	(h)	-	-
Convertible debt	(e)	776,329	-
Translation differences	(i)		
Depreciation on revaluation reversal	(c)	(42,700)	-
Retained earnings restated		27,658,713	28,152,852

Reclassifications to previous IFRS accounts

(h) In the previous IFRS accounts, derivative liabilities were presented within creditors and accruals and derivative assets were presented as Debtors and prepayments. In the restated accounts, the group has presented derivative financial instruments separately on the statement of financial position. The impact of this adjustment is the recognition of a derivative asset of N446 million at 1 January 2011(N319 million at 31December 2011) and derivative liabilities of N1,449million at 1 January 2011 (N2,974million at 31 December 2011). At 31 December 2011, fair value gains of N1.2billion have been recorded in respect of the derivative financial instruments. These derivatives have been reclassified from current asset and liabilities to be presented on the face of the statement of financial position.

(i) In the previous IFRS accounts, cash held as collateral for borrowings were included in cash and cash equivalents. These did not meet the definition of cash and cash equivalent in line with IAS 7. The Group has retrospectively reclassified from cash and cash equivalent to restricted cash. The effect of the reclassification was N2,343 million as at 31 December 2011.

3 Financial risk management

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

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

Market risk

(i) Foreign exchange risk

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

At December 2012, if the Naira had strengthened/weakened by 12% against the US Dollar with all other variables held constant, consolidated pre tax profit for the year would have been N982 million lower/higher mainly as a result of US Dollar denominated bank balances and receivables (2011: if the Naira had strengthened/weakened by 12% against the US Dollar with all other variables held constant, consolidated pre tax profit for the year would have been N531million lower/higher mainly as a result of US Dollar denominated bank balances).

At December 2012, if the Naira had strengthened/weakened by 12% against the US Dollar with all other variables held constant, consolidated pre tax profit for the year would have been N14.6 billion higher/lower mainly as a result of US Dollar denominated loan balances. (2011: if the Naira had strengthened/weakened by 12% against the US Dollar with all other variables held constant, consolidated pre tax profit for the year would have been N10.2 billion higher/lower mainly as a result of US Dollar denominated trade payables and loan balances.)

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

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

The Group, through Oando OML 125 and 134 Limited (OML), has hedged its exposure to fluctuations in the price of oil by entering into commodity option arrangements with respect to specified yearly production volumes that set minimum floor prices. Such arrangements, which currently extend through 2013, provide that, if the price of oil falls below the floor price at the end of any given month, OML 125 and 134 Limited will be compensated for the difference, less a US$8.10/bbl. premium. In 2012, OML 125 and 134 Limited hedged 0.23mmbbls mmbbls (2011: 0.372 mmbbls) of its crude oil production, using commodity derivatives. The fair value of the derivative asset and the deferred premium payable are shown in Notes 14, and 30 respectively. Gains or losses arising from the derivative are included in finance income or cost.

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

Hedge revenue	Unit	2011	2012	2013
Volume hedged	Mmbbls	0.37	0.23	0.13
Floor Price	Us$/bbl.	80.00	75.00	75.00
Hedge cost	Us$/bbl	8.10	8.10	8.10

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

Fair Value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011.

Balance	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets				
Available for sale financial assets				
- Equity securities	194,031	-	-	194,031
Derivative financial assets				
- Foreign currency forward	-	135,582	-	135,582
- Commodity option contracts	-	183,691	-	183,691
- Embedded derivative in Akute	-	2,084,727	-	
Total assets	194,031	2,404,000	-	513,304
Liabilities				
Derivative financial liabilities				
- Interest rate swap	-	1,624,168	-	1,624,168
- Cross currency swap	-	1,349,724	-	1,349,724
Financial liabilities at fair value through profit or loss				
Borrowing	-	4,850,010	-	4,850,010
Total liabilities	-	7,823,902	-	7,823,902

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

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

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2011.

Balance	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Assets				
Available for sale financial assets				-
- Equity securities	194,031		-	194,031
Total assets	194,031	-	-	194,031
Liabilities				
Derivative financial liabilities				
- Cross currency swap	-	1,349,724	-	1,349,724
Total liabilities	-	1,349,724	-	1,349,724

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

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

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

The Group did not have any level 3 equity securities or debt investments as of the reporting date.

(iii) Interest rate risk

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

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

The Group has borrowings at variable rates, which expose the Group to cash flow interest rate risk. The Group regularly monitors financing options available to ensure optimum interest rates are obtained. At 31 December 2012, an increase/decrease of 100 basis points on LIBOR/MPR would have resulted in a decrease/increase in consolidated pre tax profit of N2.89 billion (2011:N2.04 billion), mainly as a result of higher/lower interest charges on variable rate borrowings.

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

-a floating-to-fixed interest rate swap on a notional amount of N31.05 billion, based on a floating rate of three month LIBOR and a fixed rate of 2.81%.

-a cross currency swap on a notional amount of N19.52 billion, The Group pays based on a floating rate of three month LIBOR plus a spread of 8.69% and receives from counterparties a floating rate of the arithmetic average of 90-day NIBOR rate over a 30 day period, plus a spread of 3%.

The fair value of the derivative liabilities is included in note 27 and the related losses included in interest expense in note 9.

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

Credit risk

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

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

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Current	17,852,257	35,173,774	-	-
Past due but not impaired				
- by up to 30 days	4,369,623	1,103,397	-	-
- by 31 to 60 days	2,685,330	1,003,273	-	-
- later than 60 days	3,983,385	2,141,971	-	-
Total past due but not impaired	11,038,338	4,248,641	-	-
Impaired	3,243,865	4,167,572	-	-
	32,134,460	43,589,987	-	-

All receivables past due by more than 365 days are considered to be impaired, and are carried at their estimated recoverable value. Non-current receivables of N8.5 billion and other receivables of N80.7 billion (excluding impairment) are neither past due nor impaired.

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

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Counter parties without external credit rating

Non current receivables	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Group 2	8,466,312	-	7,345,639	33,762

Trade receivables	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Group 1	126,373	50,921	-	-
Group 2	22,807,820	31,807,420	-	-
Group 3	5,758,896	6,461,369	-	-
	28,693,089	38,319,710	-	-

Other receivables	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Group 2	67,031,127	43,134,645	128,553,544	97,967,725

Derivative financial instruments				
Group 2	986,278	2,404,000	-	-

Definition of the ratings above:

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

Counter parties with external credit rating (Fitch rating)

Cash				
AAA	294,478	-	4,903	-
AA-	1,716,590	522,489	704,378	1,539
A+	2,156,563	344,577	7,409	34,168
A-	6,268,999	-	655,400	
BBB+	3,944,858	13,827,136	423,670	2,079,743
BBB-	187,786	-	50,664	
Not rated	2,892,283	6,339,326	45,571	402,231
	17,461,557	21,033,528	1,891,995	2,517,681

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve comprising cash and cash equivalents and borrowings (notes 21 and 25 respectively) on the basis of expected cash flow.

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

Group	Less than 1 year N'000	Between 1 and 2 years N'000	Between 2 and 5 years N'000	Over 5 years N'000	Total N'000
At 31 December 2012:					
Borrowing (excluding finance lease liabilities)	211,816,587	42,424,958	34,190,399	1,303,287	289,735,231
Trade and other payables	86,046,357	-	-	-	86,046,357
Derivative financial instruments - interest rate swap	1,313,016	192,438	-	-	1,505,454
At 31 December 2011:					
Borrowing (excluding finance lease liabilities)	121,778,362	8,947,761	79,205,271	16,240,583	226,171,977
Trade and other payables	75,209,044	-	-	-	75,209,044
Derivative financial instruments - interest rate swap	693,684	650,417	311,150	-	1,655,251
Deferred premium payables	470,787	305,527	192,438	-	968,752

Company	Less than 1 year N'000	Between 1 and 2 years N'000	Between 2 and 5 years N'000	Over 5 years N'000	Total N'000
At 31 December 2012:					
Borrowing (excluding finance lease liabilities)	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
Deferred premium payables	-	-	-	-	-
At 31 December 2011:					
Borrowing (excluding finance lease liabilities)	6,164,285	51,297,182	-	-	57,461,467
Trade and other payables	43,098,950	-	-	-	43,098,950
Derivative financial instruments - interest rate swap	1,349,724	-	-	-	1,349,724
Deferred premium payables	-	-	-	-	-

There are no significant concentration of liquidity risk

Capital risk management

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

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

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

The Group's objective is to maintain these financial ratios in excess of any debt covenant restrictions and use them as a performance measurement and hurdle rate. The failure of a covenant test could render the facilities in default and repayable on demand at the option of the lender.

Accordingly, in situations where these ratios are not met, the Group takes immediate steps to redress the potential negative impact on its financial performance. For example, in the past, the Group funded the majority of the acquisition of its upstream assets via debt, which materially increased its debt burden. However, in order to improve its financial ratios, the Group took steps to raise additional equity capital via a rights issue and to restructure its short-term debt during the year, in order to adhere to its financial management policy.

Total capital is calculated as equity plus net debt. During 2012, the Group's strategy was to maintain a gearing ratio between 50% and 75% (2011: 50% and 75%). The gearing ratios as at the end of December 2012 and 2010 were as follows:

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Total borrowings	288,886,785	206,005,527	113,881,820	57,461,467
Less: cash and cash equivalents (Note 21)	(13,408,506)	(18,690,529)	(1,891,995)	(2,517,681)
Restricted cash	(4,053,050)	(2,343,000)	(324,000)	-
Net debt	271,425,229	184,971,998	111,665,825	54,943,786
Total equity	105,354,528	92,764,986	57,785,943	52,834,666
Total capital	376,779,757	277,736,984	169,451,768	107,778,452
Gearing ratio	72%	67%	66%	51%

4 Critical accounting estimates and judgements

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

i Fair value estimation

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

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

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

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

Property, plant and equipment

Land, building and plant and machinery are carried at revalued amounts. Formal revaluations are performed every three years by independent experts for these asset classes. Appropriate indices, as determined by independent experts, are applied in the intervening periods to ensure that the assets are carried at fair value at the reporting date. Judgement is applied in the selection of such indices. Fair value is derived by applying internationally acceptable and appropriately benchmarked valuation techniques such as depreciated replacement cost or market value approach.

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

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

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

ii Defined Benefits (Gratuity)

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

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

Other key assumptions for the obligations are based in part on current market conditions. Additional information is disclosed in Note 28.

iii Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. See Note 12 for detailed assumptions and methods used for impairment calculation.

If the estimated pre-tax discount rate applied to the discounted cash flows of the Gas and power segment had been higher by 6% (i.e. 22% instead of 15.9% the Group would have recognised an impairment against goodwill of N225 million(2011: Nil). For other segments (Supply and Trading, Marketing, Energy Services and Exploration & Production), no impairment would have resulted from application of discount rates higher by 45% respectively.

iv Income taxes

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

As of the reporting date, no liability in respect of pending tax issues has been recognised in the financial statements.

v Provision for environmental restoration

The Group uses underground tanks for storage of petroleum products in its outlets. Environmental damage caused by such substances may require the Group to incur restoration costs to comply with the environmental protection regulations in the various jurisdictions in which the Group operates, and to settle any legal or constructive obligation.

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

vi Estimation of oil and gas reserves

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

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

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

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

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

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

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

The contract between Nigerian Gas Company (NGC) and Gaslink Nigeria Limited (GNL) and East Horizon Gas Company (EHGC), both for the construction of gas transmission pipelines fall within the scope of IFRIC 12. The group is of the opinion that the recovery of construction and interest costs are conditional upon sale of gas as specified in the contract and does not give the group an unconditional right to receive cash. Hence an intangible asset has been recognised at the present value of the estimated value of capital recovery and interest charges from the sale of gas over the duration of the contract.
Estimates of future cashflows for recovery of interest costs were arrived at assuming current bank interest rates applied up until the full recovery of the investment. Estimates of future cashflows for recovery of construction costs have been computed assuming production and sale of gas from the pipeline using management's best estimate of volumes.
Other assumptions include exchange rate of N156.2/ 1USD and applicable FGN bond discount rate.

viii **Akute lease**

The group has accounted for the power purchase arrangement between Lagos State Govt and Akute power Limited for the construction of an Electrical Power Plant as a finance lease. Hence the asset has been recognised at the present value of the estimated lease payments.
The estimated lease payments were computed by making assumptions about the total annual volume of electricity delivered, discounted at the rate implicit in the contract of 17%. The group has assumed a volume of 106,725,600KWH per annum is supplied evenly over the period and exchange rate of N155/1 USD between 2012 till the end of the contract.

ix **Capitalisation of borrowing costs**

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

x Exploration costs

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

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

xi Impairment of assets

For oil and gas properties with no proved reserves, the capitalisation of exploration costs and the basis for carrying those costs on the statement of financial position are explained above. For other properties, the carrying amounts of major property, plant and equipment are reviewed for possible impairment annually, while all assets are reviewed whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable. If assets are determined to be impaired the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs to sell and value in use determined as the amount of estimated discounted future cash flows. For this purpose, assets are Grouped into cash-generating units based on separately identifiable and largely independent cash inflows. Impairments can also occur when decisions are taken to dispose of assets.
Impairments, except those relating to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed. Estimates of future cash flows are based on current year end prices, management estimates of future production volumes, market supply and demand and product margins. Expected future production volumes, which include both proved reserves as well as volumes that are expected to constitute proved reserves in the future, are used for impairment testing because Oando believes this to be the most appropriate indicator of expected future cash flows, used as a measure of value in use.

Estimates of future cash flows are risk-weighted to reflect expected cash flows and are consistent with those used in the Group's business plans. A discount rate based on Oando's Weighted average cost of capital (WACC) is used in impairment testing. Expected cash flows are then risk-adjusted to reflect specific local circumstances or risks surrounding the cash flows. Oando reviews the discount rate to be applied on an annual basis although it has been stable in recent years. The discount rate applied in 2012 was 15% (2011: 14.5%)

Asset impairments or their reversal will impact income.

xii **Useful lives and residual value of property**

The residual values, depreciation methods and useful lives of property, plant and equipment are reviewed at least on an annual basis. The review is based on the current market situation. The review of useful lives did not significantly impact depreciation.
The residual value of the various classes of assets were estimated as follows:

Land and building - 50%
Plant and machinery - 10%
Motor vehicles – 10%
Furniture and fittings - 10%
Computer and IT equipment - 10%

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

xiii **Churchill**

Acquisition of Churchill Finance C300-0462 Limited (the "company"/"Churchill") has been accounted for as a business combination on the basis of the company's assets, liabilities and processes which contribute to lower costs of operations of the Group. In particular, the company has robust strategic and operational processes for the management of its assets which include property, plant and equipment that continues to generate economic benefits for the Group. The business combination has been accounted for using the acquisition method. The acquisition method involves identifying the acquirer and determining the acquisition date. Following identification of the acquirer and determination of the acquisition date, the method deals with the recognition and measurement of the components of the business combination: assets acquired and liabilities assumed, non-controlling interest, consideration transferred and goodwill or gain on a bargain purchase.

The Group has accounted for the identifiable assets and liabilities of the company at their acquisition-date fair values. As of the acquisition date, and per the company's statement of financial position as of that date, the company did not acquire assets or liabilities which do not meet the acquisition-date fair values measurement principle. Goodwill was measured at the acquisition date as the excess of the cash consideration paid over the acquisition-date fair values of identified assets and liabilities. The goodwill arising from Churchill's business combination and the result of assessment of the goodwill have been included as part of intangibles assets in these consolidated financial statements. See Note 12.

5 Segment information

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

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

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

At 31 December 2012, the Group was organised into six operating segments:

(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 a Power company to serve in Nigeria's power sector, by providing power to industrial customers.
(vi) Energy services – involved in the provision of services such as drilling and completion fluids and solid control waste management; oil-well cementing and other services to upstream companies.

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

	Exploration & Production	Marketing	Supply & Trading	Refining & Terminals	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Total gross segment sales	20,888,108	245,554,840	590,182,784	-	58,303,953	20,450,231	7,408,179	942,788,095
Inter-segment sales	-	(141,475)	(261,770,801)	-	(334,941)	-	(7,358,881)	(269,606,098)
Sales from external customers	20,888,108	245,413,365	328,411,983	-	57,969,012	20,450,231	49,298	673,181,997
Operating profit/(loss)	9,580,462	7,780,219	1,932,381	132,828	14,610,394	4,060,509	(3,971,016)	34,125,777
Finance income	(87,263)	4,082	14,827	714	2,318,442	19,350	1,251,381	3,521,533
Finance cost	(3,786,104)	(837,047)	(354,378)	(7,218)	(6,065,405)	(4,669,637)	(4,373,454)	(20,093,243)
Finance cost (net)	(3,873,367)	(832,965)	(339,551)	(6,504)	(3,746,963)	(4,650,287)	(3,122,073)	(16,571,710)
Profit before income tax	5,707,095	6,947,254	1,592,830	126,324	10,863,431	(589,778)	(7,093,089)	17,554,067
Income tax expense	(5,636,974)	(1,541,017)	(1,034,323)	-	983,976	787,336	(326,748)	(6,767,750)
Profit for the year	70,121	5,406,237	558,507	126,324	11,847,407	197,558	(7,419,837)	10,786,317

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

	Exploration & Production	Marketing	Supply & Trading	Refining & Terminals	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Total gross segment sales	26,127,159	199,504,537	620,253,474	-	18,454,929	14,383,427	8,318,370	887,041,896
Inter-segment sales	-	(364,823)	(306,637,079)	-	(611,835)	-	(8,122,522)	(315,736,259)
Sales from external customers	26,127,159	199,139,714	313,616,395	-	17,843,094	14,383,427	195,848	571,305,637
Operating (loss)/profit	11,881,339	6,284,902	2,772,324	(382,586)	3,403,227	4,386,122	(9,010,005)	19,335,323
Finance income	-	19,681	20,150	-	5,762,524	3,280	1,511,350	7,316,985
Finance cost	(3,515,447)	(367,382)	(294,906)	-	(4,368,548)	(4,787,787)	566,859	(12,767,211)
Finance cost	(3,515,447)	(347,701)	(274,756)	-	1,393,976	(4,784,507)	2,078,209	(5,450,226)
Profit before income tax	8,365,892	5,937,201	2,497,568	(382,586)	4,797,203	(398,385)	(6,931,796)	13,885,097
Income tax expense	(7,642,647)	(2,012,426)	(447,332)	-	(1,499,694)	463,976	(114,636)	(11,252,759)
Profit for the year	723,245	3,924,775	2,050,236	(382,586)	3,297,509	65,591	(7,046,432)	2,632,338

Comparative period segment result has been restated.

Inter-segment revenue represents sales between the Marketing segment. Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Profit on inter-segment sales have been eliminated on consolidation.

Other segments included in the income statement are:

Year ended 31 December, 2012:

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

Year ended 31 December, 2011:

	Exploration & Production	*Marketing*	Supply & Trading	*Refining & Terminals*	*Gas & Power*	*Energy Services*	*Corporate & Other*	*Group*
Depreciation	3,395,228	1,150,001	23,586	-	69,640	1,684,884	288,033	6,611,371
Amortisation of intangible assets	582,718	-	7,437	-	685,064	-	149,393	1,424,612

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

	Exploration & Production	Marketing	Supply & Trading	Refining & Terminals	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Assets	195,289,922	57,351,945	63,020,455	2,183,799	62,720,235	77,455,737	43,617,177	501,639,270
Liabilities	72,764,678	58,971,023	86,307,503	2,431,015	36,201,863	18,188,912	117,636,653	392,501,647
Capital Expenditure*	28,548,682	2,324,700	19,931	-	7,154,091	4,529,806	7,913,169	50,490,379

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

	Exploration & Production	Marketing	Supply & Trading	Refining & Terminals	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Assets	120,398,491	71,829,507	70,876,375	6,518,695	44,577,918	56,434,279	25,100,427	395,735,692
Liabilities	26,489,958	65,949,514	80,049,688	2,343,469	35,444,123	15,843,522	69,839,382	295,959,657
Capital Expenditure	15,287,012	2,391,734	20,462	2,329,879	8,077,013	4,660,539	5,332,668	38,099,308

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

Segment liabilities comprise operating liabilities. They exclude deferred taxation.

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

5.2

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

Segment information on a geographical basis for the period ended 31 December 2012 are as follows:

	Exploration & Production	Marketing	Supply & Trading	Refining & Terminals	Gas & power	Energy Services	Corporate & Other	Total
Sales	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Within Nigeria	20,677,151	233,977,828	46,936,053	-	57,969,012	20,450,231	49,299	380,059,573
Other West African countries	-	11,435,536	31,611,325		-	-	-	43,046,861
Other countries	210,958	-	249,864,605		-	-	-	250,075,562
	20,888,108	245,413,364	328,411,982	-	57,969,012	20,450,231	49,299	673,181,997
Total assets								
Within Nigeria	191,013,432	53,850,196	45,507,558	2,183,799	62,720,235	77,455,737	43,617,177	476,348,133
Other West African countries	-	3,501,749	12,742,545		-	-	-	16,244,294
Other countries	4,276,490		4,770,352		-	-	-	9,046,843
	195,289,922	57,351,945	63,020,455	2,183,799	62,720,235	77,455,737	43,617,177	501,639,270
Capital expenditure								
Within Nigeria	26,339,057	2,155,583	16,922	-	7,154,091	4,529,806	7,913,169	48,108,627
Other West African countries	-	169,117	3,009	-	-	-	-	172,126
Other countries	2,209,625	-	-	-	-	-	-	2,209,625
	28,548,682	2,324,700	19,931	-	7,154,091	4,529,806	7,913,169	50,490,379

Segment information on a geographical basis for the year ended and as at 31 December, 2011 are as follows:

	Exploration & Production	Marketing	Supply & Trading	Refining & Terminals	Gas & power	Energy Services	Corporate & Other	Total
Sales	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Within Nigeria	26,127,159	189,161,689	91,941,561	-	17,843,094	14,383,427	195,848	339,652,778
Other West African countries	-	9,978,025	-	-	-	-	-	9,978,025
Other countries	-	-	221,674,834	-	-	-	-	221,674,834
	26,127,159	199,139,714	313,616,395	-	17,843,094	14,383,427	195,848	571,305,637
Total assets								
Within Nigeria	113,891,772	62,922,841	46,732,118	6,518,695	44,577,918	56,434,279	25,100,427	356,178,049
Other West African countries	-	8,906,666	53,463	-	-	-	-	8,960,129
Other countries	6,506,719	-	24,090,794	-	-	-	-	30,597,513
	120,398,491	71,829,507	70,876,375	6,518,695	44,577,918	56,434,279	25,100,427	395,735,692
Capital expenditure								
Within Nigeria	11,936,462	2,255,173	19,931	2,329,879	8,077,013	4,660,539	5,332,668	34,611,666
Other West African countries	-	136,561	531	-	-	-	-	137,093
Other countries	3,353,959	-	-	-	-	-	-	3,353,959
	15,290,421	2,391,734	20,462	2,329,879	8,077,013	4,660,539	5,332,668	38,102,717

Sales are disclosed based on the country in which the customer is located. Total assets are allocated based on where the assets are located.
Capital expenditure is allocated based on where the assets are located.

Analysis of revenue by nature	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Sales of goods	644,649,552	562,228,516	-	-
Intra-group Dividend Income	-	-	7,358,881	8,122,502
Service concession	8,032,915	-	-	-
Revenue from Service	20,499,530	10,281,858	-	-
	673,181,997	572,510,374	7,358,881	8,122,502
Restatements:				
Reversal of revenue recognised on Akute Electric Power Plant	-	(1,204,737)	-	-
Service concession	-	-	-	-
	673,181,997	571,305,637	7,358,881	8,122,502

6 Other operating income

	2012 N'000	2011 N'000	2012 N'000	2011 N'000
Exchange gain	1,617,139	8,368,808	291,553	1,026,282
Rig income	-	1,860,072	-	-
Other income	480,785	2,050,036	1,499,408	214,521
	2,097,924	12,278,916	1,790,961	1,240,803
Restatements:				
Fair value gain on embedded derivative in Akute Power Limited	-	1,237,256	-	-
	2,097,924	13,516,172	1,790,961	1,240,803

7 Expenses by nature of Operating profit

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

Included in cost of sales:				
Depreciation on property plant and equipment - Upstream assets	3,634,220	3,700,222	-	-
Included in selling and marketing costs				
Product transportation costs	6,249,025	6,256,350	-	-
Dealers' commission	1,306,775	1,635,729	-	-
Included in other operating income:				
Foreign exchange gain	1,617,139	8,368,808	291,553	1,026,282
Profit on disposal of property, plant and equipment	165,914	48,734	45,281	16,004
Included in administrative expenses				
Depreciation on property plant and equipment - Other (Note 11)	4,971,488	3,551,005	261,052	279,024
Amortisation of intangible assets (Note 12)	3,779,823	156,830	149,333	149,333
Foreign exchange loss	1,619,951	4,591,796	204,429	1,036,803
Provision for impairment losses of trade receivables (Note 19)	(1,343,351)	3,385,166	-	-
Employees benefit scheme (Note 8)	8,621,891	10,404,681	885,036	1,655,551
Auditors remuneration	156,178	165,028	63,833	23,112
Consultancy services	2,061,282	2,182,868	127,040	-
Repair and maintenance	2,826,259	1,308,992	33,479	49,045
Technical and management services	-	5,402,667	-	-
Impairment of property, plant and equipment (Note 11)	(190,499)	2,735,843	-	875,756
Other write offs	-	3,561,545	-	-
Fair value loss on commodity options	59,926	2,341,233	(9,718)	-
Fair value loss/(gains) on embedded derivatives	1,121,797	(1,237,256)	-	-
Rent and other hiring costs	1,205,298	652,371	27,862	10,455

8 Employees benefit expense

(a) Directors' remuneration:

The remuneration paid to the directors of the Company was as follows:

Fees paid to non executive directors:				
Chairman	2,500	2,250	2,500	2,250
Others	20,600	18,427	12,500	9,604
	23,100	20,677	15,000	11,854
Executive directors' salaries	607,410	595,850	314,261	282,578
	630,510	616,527	329,261	294,432
Other emoluments	318,506	312,102	89,268	103,375
	949,016	928,629	418,529	397,807

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
The directors received emoluments (excluding pension contributions) in the following ranges:				
	Number	Number	Number	Number
N1,000,000 - N10,000,000	7	6	4	2
Above N10,000,000	12	24	6	14

Included in the above analysis is the highest paid director at N114.6 million (2011: N112 million).

(b) Staff costs

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Wages, salaries and staff welfare cost	7,609,884	7,686,647	494,860	227,148
Staff bonus and discretionary share award	-	496,300	-	5,702
Share options granted to directors and employees	641,958	432,687	244,951	255,237
Pension costs - defined contribution scheme	74,655	163,207	75,719	305,759
Retirement benefit - defined benefit scheme (Note 28)	295,394	1,625,840	69,506	861,705
	8,621,891	10,404,681	885,036	1,655,551

* Other staff costs include provision for gratuity disclosed in Note 28

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

	Number	Number	Number	Number
Executive	2	4	2	3
Management staff	146	156	90	51
Senior staff	443	442	50	90
Junior staff	10	3	1	-
	601	605	143	144

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

	Number	Number	Number	Number
N2,500,001 - N4,000,000	84	142	8	28
N4,000,001 - N6,000,000	285	260	18	53
N6,000,001 - N8,000,000	74	51	12	9
N8,000,001 - N10,000,000	35	46	-	14
Above N10,000,000	123	106	27	40
	601	605	65	144

9 Finance (costs)/income	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Interest expense				
On bank borrowings	(23,831,043)	(24,685,197)	(5,647,399)	(1,058,746)
Capitalised to qualifying property, plant and equipment	6,122,485	11,883,692	-	-
	(17,708,558)	(12,801,505)	(5,647,399)	(1,058,746)
Fair value loss on interest rate swaps and derivatives	(1,865,354)	(636,629)	481,017	(1,524,363)
Unwinding of discount on provisions (Note 26)	(208,545)	(95,025)	-	-
Loss on loan modification	(310,786)	-	(399,174)	(22,248)
Unwinding of discount on deferred premiums	-	(10,381)	-	-
Finance costs as previously stated	(20,093,243)	(13,543,540)	(5,565,556)	(2,605,357)
Interest income on invested borrowings	-			
Effective interest expense on convertible loans	-	776,329		
As restated	(20,093,243)	(12,767,211)	(5,565,556)	(2,605,357)
Interest income:				
Interest income on bank deposits, as previously stated	2,853,046	6,564,235	4,527,632	2,877,014
Restatement	-	-	-	-
Interest income on finance lease	668,487	752,750	-	-
Finance income, as restated	3,521,533	7,316,985	4,527,632	2,877,014
Net finance costs	(16,571,710)	(5,450,226)	(1,037,924)	271,657

Borrowing costs were capitalised based on the respective actual borrowing rates

10 Income tax expense	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Current income tax	9,618,070	13,249,825	304,347	290,888
Education tax	295,172	935,878	-	-
Deferred income tax (Note 13)	(3,145,492)	(2,873,539)	6,950	(300,899)
Income tax as previously stated	6,767,750	11,312,164	311,297	(10,011)
Deferred tax impact of restatements	-	(59,405)	-	-
Income tax expense	6,767,750	11,252,759	311,297	(10,011)

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

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Profit before income tax	17,554,067	13,885,097	4,690,743	1,363,389
Tax calculated at weighted average domestic rates applicable to profits in respective countries - 64.4% (2010: 49%)	8,661,850	8,447,765	1,449,029	409,017
Minimum tax	-	89,815	-	273,200
Education tax	1,052,845	949,852	-	2,400
Tax effect of income not subject to tax	(4,251,446)	-	-	(1,151,505)
Income at a different tax rate	(1,989,376)	(3,496,693)	(1,908,886)	-
Expenses not deductible for tax purposes	484,368	4,231,881	458,247	
(Under)/over provision for deferred income tax in prior years	(200,573)	(108,403)	-	
(Under)/over provision for income tax in prior years	(141,198)		-	
Tax losses for which no deferred tax was recognised	3,129,444	1,126,515	307,470	453,436
Capital gains tax	21,836	12,027	5,436	3,441
Income tax expense	6,767,750	11,252,759	**311,296**	**(10,011)**

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Current income tax liabilities				
Movement in current income tax for the year:				
At 1 January	6,904,219	5,521,737	931,754	1,064,907
Payment during the year	(10,390,255)	(12,882,172)	(475,160)	(424,041)
Charge for the year:			-	-
Income tax charge during the year	9,618,070	13,249,825	304,347	290,888
Education tax charge during the year	295,172	935,878	-	-
Exchange difference	(9,226)	78,950	-	-
At 31 December	6,417,980	6,904,218	760,941	931,754

11 Property, plant and equipment

	Upstream Asset [1]	Land & Buildings	Plant, machineries & vehicles	Fixtures, fittings & equipment	Capital work in progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January 2011						
Net book amount as previously stated	76,055,855	25,438,626	34,229,781	1,231,136	21,275,272	158,230,670
Restatement to Cost or valuation	(58,066,622)		(5,662,850)			(63,729,472)
Exchange differences	2,642	4,461	6,017	216	3,731	17,067
						-
Restatement to accumulated depreciation	2,883,157		490,802			3,373,959
Restated net book value as at 1 January 2011	20,875,032	25,443,087	29,063,750	1,231,352	21,279,003	97,892,224
Year ended 31 December 2011						
Opening net book amount	20,875,032	25,443,087	29,063,750	1,231,352	21,279,003	97,892,224.00
Decommissioning costs	(586,062)	-	3,436	-	-	(582,626)
Additions [2]	10,961,179	224,147	7,687,229	1,348,631	10,816,694	31,037,880
Transfers	-	(24,680)	758,663	(1,562)	(732,422)	(1)
Disposal	(26,085)	-	(56,388)	(1,718)	-	(84,191)
Reclassification	-	-	-	-	-	-
Impairments	(1,472,029)	-	-	-	(1,263,814)	(2,735,843)
Depreciation charge	(3,700,222)	(86,535)	(3,089,590)	(374,880)	-	(7,251,227)
Exchange difference	1,670,991	(668,153)	(1,989,536)	33,208	304,080	(649,410)
Restatements - Cost	(8,784,044)	-	(3,409)	-	-	(8,787,453)
Restatements - Depreciation	304,994	-	334,862	-	-	639,856
Restated net book amount as at 31 December 2011	19,243,754	24,887,866	32,709,017	2,235,031	30,403,541	109,479,209
At 31 December 2011 Restated						
Cost or valuation	22,638,982	24,974,401	35,463,745	2,609,911	30,403,541	116,090,580
Accumulated depreciation	(3,395,228)	(86,535)	(2,754,728)	(374,880)	-	(6,611,371)
Closing net book amount Restated	19,243,754	24,887,866	32,709,017	2,235,031	30,403,541	109,479,209
Year ended 31 December 2012						
Opening net book amount	19,243,754	24,887,866	32,709,017	2,235,031	30,403,541	109,479,209
Decommissioning costs	1,829,702	-	(27,187)	-	-	1,802,515
Additions [2]	8,020,575	655,531	5,192,763	258,964	12,935,594	27,063,427
Transfers	167,536	34,499	11,638,183	(38,302)	(11,847,449)	(45,533)
Disposal	(2,640)	(1,688,488)	(108,029)	(2,215)	(349,096)	(2,150,468)
Business acquisition	695,610	-	2,456,270	8,396	-	3,160,276
Impairments reversal	-	-	-	-	190,499	190,499
Depreciation charge	(3,634,220)	(224,391)	(4,165,729)	(581,368)	-	(8,605,708)
Exchange difference	(536,947)	(8,676)	(23,006)	(613)	(262)	(569,504)
Closing net book amount	25,783,370	23,656,341	47,672,282	1,879,893	31,332,827	130,324,713
At 31 December 20112						
Cost or valuation	32,812,818	23,967,267	54,592,739	2,836,141	31,332,827	145,541,792
Accumulated depreciation	(7,029,448)	(310,926)	(6,920,457)	(956,248)	-	(15,217,079)
Net book amount	25,783,370	23,656,341	47,672,282	1,879,893	31,332,827	130,324,713

Company

Year ended 31 December 2011

	Upstream Asset	Land & Buildings	Plant, machineries & vehicles	Fixtures, fittings & equipment	Capital work in progress	Total
Opening net book amount	-	1,687,552	359,951	235,675	8,298,486	10,581,664
Additions	-	-	142,704	190,440	4,714,709	5,047,853
Transfers	-	-	-	-	(358,119)	(358,119)
Disposal	-	-	(30,572)	-	-	(30,572)
Impairment	-	(21,604)	-	-	(854,152)	(875,756)
Depreciation charge	-	(20,077)	(159,676)	(99,271)	-	(279,024)
	-	1,645,871	312,407	326,844	11,800,924	14,086,046
At 31 December 2011						
Cost/Valuation	-	1,665,948	855,582	1,051,486	11,800,924	15,373,940
Accumulated depreciation		(20,077)	(543,175)	(724,642)	-	(1,287,894)
Net book amount	-	1,645,871	312,407	326,844	11,800,924	14,086,046

Year ended 31 December 2012

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

(1)See Note 39 for details of upstream assets.

(2)Included in additions are interest capitalised of N6.12 billion (2011: N12.01 billion).

Impairments ³

OES Professionalism Rig

In prior period, management recognised an impairment loss of N854m on the Professionalism rig on the basis that the cost of refurbishment was higher than the realisable economic benefit. In 2012, management performed a re-assessment of the value of the rig and determined a value of N199 million. This amount has been written back to the income statement.

JDZ Block 2

On 14th of March 2012 Equator JDZ Nigeria Block 2 Limited exited the joint venture for the asset at JDZ Block 2. As a result of this the Group no longer has any interest in this field so all remaining asset costs associated with the block have been fully impaired in the year.

Oando Lekki Refinery

In 2011, management decided to suspend further investment in the refinery business. The recoverable amount was determined as the refund expected from the Lagos State Government in respect of the property acquired for the project. The impairment charge of N 406 million has been recognised in these financial statements.

12 Intangible assets

Group	Asset under construction	Goodwill	Software costs	Exploration and Evaluation asset	Gas Transmission Pipeline	Total
		N'000	N'000	N'000	N'000	N'000
At 1 January 2011						
At 1 January 2011 as previously stated						
Cost	-	24,093,505	855,150	-	-	24,948,655
Accumulated amortisation	-	-	(533,577)	-	-	(533,577)
Net book value at 1 January 2011 as previously stated	-	24,093,505	321,573	-	-	24,415,078
Restatement to cost or valuation	19,096,216	-	-	58,066,622	6,165,580	83,328,418
Restatement to accumulated amortisation and impairment	-	-	-	(2,883,157)	-	(2,883,157)
Restated Net book value at 1 January 2011	19,096,216	24,093,505	321,573	55,183,465	6,165,580	104,860,339
Year ended 31 December 2011						
Opening net book amount	19,096,216	24,093,505	321,573	55,183,465	6,165,580	104,860,339
Amortisation charge (Note 7)	-	-	(156,830)	-	-	(156,830)
Exchange differences	-	30,411	18,347		-	48,758
Restatement for 2011-Cost	7,064,837			8,784,044		15,848,881
Restatement for 2011-Accumulated amortisation		-	-	(582,718)	(685,064)	(1,267,782)
Restated closing net book amount as at 31 December 2011	26,161,053	24,123,916	183,090	63,384,791	5,480,516	119,333,366
Year ended 31 December 2011						
Restated cost	26,161,053	24,123,916	873,497	66,850,666	6,165,580	124,174,712
Restated accumulated amortisation	-	-	(690,407)	(3,465,875)	(685,064)	(4,841,346)
Restated net book amount as at 31 December 2011	26,161,053	24,123,916	183,090	63,384,791	5,480,516	119,333,366
Year ended 31 December 2012						
Opening net book amount	26,161,053	24,123,916	183,090	63,384,791	5,480,516	119,333,366
Addition	16,474,065	3,423,481	782,514	6,170,373	-	26,850,433
Business acquisition	-	-	-	116,453	-	116,453
Impairment	-	(1,298,875)	-	-	(2,367,628)	(3,666,503)
Transfer	(42,489,407)	-			42,489,407	-
Amortisation charge (Note 7)	-	-	(504,534)	(90,848)	(3,184,441)	(3,779,823)
Exchange difference	-	(163)	(105)	151		(117)
At 31 December 2012	145,711	26,248,359	460,965	69,580,920	42,417,854	138,853,809
Cost	145,711	26,248,359	1,655,906	73,137,643	46,287,359	147,474,978
Accumulated amortisation	-	-	(1,194,941)	(3,556,723)	(3,869,505)	(8,621,169)
Net book amount	145,711	26,248,359	460,965	69,580,920	42,417,854	138,853,809

Company	Software costs N'000
At 1 January 2011	
Cost	746,667
Accumulated amortisation and impairment	(448,000)
Net book value	298,667
Year ended 31 December 2011	
Opening net book amount	298,667
Amortisation charge	(149,334)
Opening net book amount	149,333
At 1 January 2012	
Cost	746,667
Accumulated amortisation and impairment	(597,334)
Net book value	149,333
Year ended 31 December 2012	
Opening net book amount	149,333
Additions	89,096
Amortisation charge	(149,333)
Opening net book amount	89,096
At 31 December 2012	
Cost	835,763
Accumulated amortisation and impairment	(746,667)
Net book value	89,096

Service Concession Arrangements (Gas Transmission Pipeline)

East Horizon Gas Company (EHGC)

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

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

Either party has the right to terminate the agreement by serving the other party six (6) months notice in the event of failure to meet the first gas delivery date, major breach of the contract terms, force majeure and in the event of insolvency or bankruptcy of either party. Capital recovery of EHGC is capped at the total contract price plus interest costs incurred over the life of the contract. The maximum contract price recoverable by EHGC is determined based on periodic valuations done by NGC and as at 31 Dec 2012, the maximum contract price recoverable was capped at N30.511billion. 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.

The amounts recognised in the financial statements from the concession over the period is as follows;

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000
Revenue	17,700,832	-	-
Profit	4,018,642	-	-

Gaslink Nigeria Limited (GNL)

GNL entered into an arrangement with the Nigerian Gas Company Limited (NGC), a government business parastatal charged with the development and management of the Federal Government of Nigeria's natural gas reserves and interests. Under the agreement, GNL is required to fund, design and construct gas supply and distribution facilities to deliver gas to end-users in Greater Lagos Industrial area. During the agreed period, GNL shall purchase gas from NGC and sell to its customers. The agreement was entered into in March 1999 and shall be in force for 15 years. The total sum due to putting in place the distribution facilities shall be determined by GNL in consultation with NGC. This amount determined shall represent capital contribution by GNL and shall be recovered by GNL from revenue from sale of gas over the contract period using an agreed cost recovery formula. Per the agreement, the cost recovery rate shall be 12.69% of the gas price.

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

Capital recovery of NGC is capped at the total contract price plus interest costs incurred over the life of the contract. The maximum contract price recoverable by NGC is determined based on periodic valuations done by NGC and as at 31 Dec 2012, the maximum contract price recoverable was capped at N3.45 billion. The service concession arrangement has been classified as an intangible asset as NGC has the right to charge the users of the pipeline over the concession period and NGC has not guaranteed payment of any shortfalls on recovery from users.

The amounts recognised in the financial statements from the concession over the period is as follows;

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000
Revenue	2,062,984	1,866,525	-
(Loss)	(822,422)	(1,663,782)	-

Impairment on intangible assets

The group recorded an impairment charge on intangible assets arising from its subsidiary, East Horizon Gas Company (EHGC). The intangible assets represent EHGC's rights to recover the cost of construction of a gas transmission pipeline from the sale of gas. As at 31 December 2012, the carrying amount of the intangible asset was higher than the recoverable amount by N2,367 million. This impairment charge has been recognised as part of administrative expenses in the income statement.

The recoverable amount was determined using the value in use model. This model determined the present value of the best estimates of cashflow receipts from the sale of gas from customers and reimbursements of interest costs from NGC. A discount rate of 12.23% representing the risk free rate for 17-year Nigerian Government Bond. The discount rate used in the original valuation of the intangible asset was 13.32%.

Cash flows forecasts of interest rates were obtained by extrapolation future interest costs using the contractual rate for the duration of the bank loans. The cash flows forecasts on gas sales was obtained by estimating the gas sales volume and prices from predetermined customers. The net present value of the cash flows was translated the closing exchange rate of N155.27/USD.

Goodwill impairment losses

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

Key assumptions

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

Operating cash flows

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

Pre-tax risk adjusted discount rates

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

Impairment tests for goodwill

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

At 31 December 2010

	Exploration & Production	Marketing	Supply & Trading	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Nigeria	5,327,738	9,481,281	728,780	4,016,766	493,138	-	20,047,703
West Africa region	-	57,684		-	-	-	57,684
Other countries	1,791,221	-	2,196,897	-	-	-	3,988,118
	7,118,959	9,538,965	2,925,677	4,016,766	493,138	0	24,093,505

0

At 31 December 2011

	Exploration & Production	Marketing	Supply & Trading	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Nigeria	5,371,247	9,481,281	728,829	4,016,839	493,138	-	20,091,334
West Africa region	-	57,684	-	-	-	-	57,684
Other countries	1,778,025	-	2,196,873	-	-	-	3,974,898
	7,149,272	9,538,965	2,925,702	4,016,839	493,138	0	24,123,916

At 31 December 2012

	OER	OEPL	Marketing	Supply & Trading	Gas & power	Energy Services	Corporate & Other	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Nigeria	4,364,854	2,034,316	9,481,281	728,829	4,016,839	493,138	-	21,119,257
West Africa region	-		57,684	56,436	-	-	-	114,120
Other countries	1,778,025		-	2,196,873	-	-	1,040,084	5,014,982
	6,142,879	2,034,316	9,538,965	2,982,138	4,016,839	493,138	1,040,084	26,248,359

The recoverable amount of the CGU is determined based on value-in-use calculations (except for OEPL, where fair value less cost to sell method has been used). These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 5 year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates for the CGU in future as disclosed below. The growth rate does not exceed the long-term average growth rate for the respective industry in which the CGU operates.

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

At 31 December 2011

	Exploration & Production	Marketing	Supply & Trading	Gas & power	Energy Services	Corporate & Other
	N'000	N'000	N'000	N'000	N'000	N'000
Gross margin	84%	10%	3%	19%	87%	15%
Growth rate	-3%	-10%	-10%	-5%	-4%	0%
Discount rate	14.25%	15%	14.25%	14.25%	14.25%	10%

At 31 December 2012

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

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

13 Deferred income tax assets

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

		2012 N'000	2011 N'000	2010 N'000
Deferred tax liabilities				
Deferred tax liabilities - As previously reported		17,207,614	16,290,216	15,544,117
Intangible assets	f, d	-	201,239	700,374
Finance Lease	f, b	-	352,775	298,737
Embedded derivative	f, b	-	625,418	254,242
Revaluation surplus	f, c	-	(46,644)	(61,160)
Property, plant and equipment		-	(277,724)	-
Convertible reserve	f, i	-	(225,458)	-
Total deferred tax liabilities - as restated		17,207,614	16,919,822	16,736,310
Deferred tax assets				
Deferred tax assets - As previously reported		13,424,518	9,908,773	6,486,391
Property, plant and equipment		-	-	-
Total deferred tax assets - as restated		13,424,518	9,908,773	6,486,391

The analysis of deferred tax liabilities and deferred tax assets is as follows:

	2012 N'000	2011 N'000	2010 N'000
Deferred tax liabilities			
Deferred tax liability to be recovered after more than 12months	17,207,614	7,524,192	10,791,145
Deferred tax liability to be recovered within 12months	-	9,395,630	5,945,165
Total deferred tax liabilities	17,207,614	16,919,822	16,736,310
Deferred tax assets			
Deferred tax assets to be recovered after more than 12months	13,424,518	5,433,955	3,879,463
Deferred tax assets to be recovered within 12months	-	4,474,818	2,606,928
Total deferred tax assets	13,424,518	9,908,773	6,486,391
Total deferred tax liabilities (net)	3,783,096	7,011,049	10,249,919

The gross movement in deferred income tax account is as follows:

	2012	2011
At start of the year	7,011,049	10,249,919
Restatements		
(Credited)/Charge to profit and loss account (Note 10)	(3,145,492)	(2,932,944)
Charged/(Credited) to equity	(96,109)	(133,535)
(Credited)/Charge to other comprehensive income	(38,549)	37,812
Acquisition of business	204,959	-
Exchange differences	(152,762)	(210,203)
At end of year	3,783,096	7,011,049

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

	1.1.2011	Charged/(credited) to P/L	Charged/(credited) to equity	Charged/(credited) to OCI	Acquisition of business	Exchange Differences	31.12.2012
	N'000	N'000	N'000	N'000		N'000	N'000
2011							
Deferred income tax liabilities							
Property, plant and equipment:							-
- on historical cost basis	6,382,250	(1,413,538)	-	-	-	123,961	5,092,673
- on revaluation surpluses	2,683,528	14,516	-	-	-	(94,606)	2,603,438
- on acquisition of mineral interest	3,809,371	-	-	-	-	(277,724)	3,531,647
Intangible assets	700,374	(499,135)	-	-	-	-	201,239
Finance Leases	298,737	54,038	-	-	-	-	352,775
Embedded derivative	254,242	371,177	-	-	-	-	625,419
Convertible bond	-	0	-	-	-	-	-
Borrowings/other payables	1,305,917	131,900	-	-	-	-	1,437,817
Exchange gain	1,301,891	1,593,044	-	-	-	179,879	3,074,814
	16,736,310	252,002	-	-	-	(68,490)	16,919,822

Deferred income tax assets							
Provisions	(1,123,202)	(708,935)	-	-	-	(229,316)	(2,061,453)
Exchange losses	(1,234,482)	(569,324)	-	-	-	280,067	(1,523,739)
Share options and awards	(170,798)	-	(133,535)	-	-	-	(304,333)
Tax losses	(2,801,861)	(2,011,171)	-	-	-	(397,481)	(5,210,513)
Crude oil underlift	(785,555)	569,325	-	-	-	184,662	(31,568)
Available for sale financial asset	-	-	-	-	-	-	-
Retirement benefit obligation	(370,493)	(464,841)	-	37,812	-	20,355	(777,167)
	(6,486,391)	(3,184,946)	(133,535)	37,812	-	(141,713)	(9,908,773)
Net deferred income tax liabilities	**10,249,919**	**(2,932,944)**	**(133,535)**	**37,812**	**0**	**(210,203)**	**7,011,049**

	1.1.2011	Charged/(credited) to P/L	Charged/(credited) to equity	Charged/(credited) to OCI	Acquisition of business	Exchange Differences	Total
	N'000	N'000	N'000	N'000		N'000	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)	(60,103)	-	-	-	32,213	(5,238,403)
Crude oil underlift	(31,568)	-	-	-	-	327	(31,241)
Retirement benefit obligation	(777,167)	(45,452)	-	(24,999)	-	4,811	(842,807)
Tax losses		(1,901,934)	-	-	-	3,568	(1,898,366)
Crude oil underlift		(353,306)	391	-	-	-	(352,915)
Retirement benefit obligation		-	-	-	-	-	-
Property, plant and equipment:	-	-	-	-	-	-	-
	(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**

Company

	2012 N'000	2011 N'000	2010 N'000
Net deferred tax asset			
Net deferred tax assets - As previously reported	579,405	717,536	125,526
Deferred tax on revaluation reserve	-	-	11,500
Deferred tax on convertible bond	-	(225,397)	-
Net deferred tax asset - as restated	**579,405**	**492,139**	**137,026**

The gross movement in deferred income tax account is as follows:

At start of the year	(492,139)	(137,026)
(Credited)/Charge to profit and loss account (Note 10)	6,950	(300,899)
Charged/(Credited) to equity	(73,485)	(76,571)
(Credited)/Charge to other comprehensive income	(20,731)	22,357
		-
At end of year	(579,405)	(492,139)

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

	1.1.2011	Charged/(credited) to P/L	Charged/(credited) to equity	Charged/(credited) to OCI	Exchange Differences	Total
	N'000	N'000	N'000	N'000	N'000	N'000
2011						
Net deferred tax asset						
Property plant and equipment						-
- On historical cost basis	79,864	(7,571)	-	-	-	72,293
- On revaluation surpluses	101,061	-	-	-	-	101,061
Borrowings/Other	(96,995)	(6,674)	-	-	-	(103,669)
Exchange difference	-	-	-	-	-	-
Provisions	(10,843)	1,644	-	-	-	(9,199)
Exchange losses	13,755	(87,273)	-	-	-	(73,518)
Share options and awards	(67,815)	-	(76,571)	-	-	(144,386)
Retirement benefit	(156,053)	(201,025)	-	22,357	-	(334,721)
	(137,026)	(300,899)	(76,571)	22,357	-	(492,139)

	1.1.2012	Charged/(credited) to P/L	Charged/(credited) to equity	Charged/(credited) to other comprehensive income	Exchange Differences	Total
	N'000	N'000	N'000	N'000	N'000	N'000
2012						
Net deferred tax asset						
Property plant and equipment						
- On historical cost basis	72,293	(131,277)	-	-	-	(58,984)
- On revaluation surpluses	101,061	-	-	-	-	101,061
Borrowings/Other	(103,669)	67,615	-	-	-	(36,054)
Exchange difference	-	98,401	-	-	-	98,401
Provisions	(9,199)	-	-	-	-	(9,199)
Financial instruments	-	-	-	(13,550)	-	(13,550)
Exchange losses	(73,518)	-	-	-	-	(73,518)
Share options and awards	(144,386)	-	(73,485)	-	-	(217,871)
Tax losses	-	-	-	-	-	-
Retirement benefit	(334,721)	(27,789)	-	(7,181)	-	(369,691)
						-
	(492,139)	6,950	(73,485)	(20,731)	-	(579,405)

14 Derivative financial assets

	Group 2012 N'000	Group 2011 Restated N'000	Group 2010 Restated N'000	Company 2012 N'000	Company 2011 N'000
Derivative financial instruments – commodity option contracts	23,348	-	-	-	-
Derivative financial instruments – OER convertible options	-	-	-	69,645	-
Embedded derivative in Lease	962,930	-	-	-	-
As previously reported	986,278	-	-	69,645	-
Restatement:					
Derivative financial instruments – commodity option contracts	-	183,691	446,143	-	-
Derivative financial instruments – foreign currency forwards		135,582			
Embedded derivative - Akute Finance Lease (Note 15)	-	2,084,727	847,472	-	-
	986,278	2,404,000	1,293,615	69,645	-

Commodity option contracts

The following forward purchase contracts for crude oil were outstanding at December 31, 2012:

	Volume (mmbbls)	Beginning	Ending	Forward price	Fair value
Standard Chartered Bank	0.0443	Jan. 1, 2009	Dec. 31, 2013	11,645	5,124
BNP Paribus	0.0886	Jan. 1, 2009	Dec. 31, 2013	11,645	18,224
					23,348

15 Finance lease receivables

	Group 2012 N'000	Group 2011 Restated N'000	Group 2010 Restated N'000	Company 2012 Restated N'000	Company 2011 Restated N'000
Finance Lease Receivable (Akute Power Plant) - Current	450,377	498,930	476,314	-	-
Finance Lease Receivable (Akute Power Plant) - Non Current	3,206,008	3,663,544	4,169,287	-	-
	3,656,385	4,162,474	4,645,601	-	-

In 2008, Akute Power Limited (APL) a subsidiary of Oando Plc., entered into a Build, Own, Operate and Transfer (BOOT) arrangement with Lagos State Water Corporation (LSWC) to construct a gas – fired electric plant and deliver power to LSWC over a period of 20 years (10 years initial period with an option to extend for 2 successive terms of up to 5 years). The construction was completed in 2010 and commercial operations commenced in February 2010. The group recognised the transaction as Property, plant and equipment in the previous financial statements. The Group also recognised revenue based on actual amounts billed for electricity delivered to the customer for each period.

However, the substance of the BOOT arrangement brings it under the scope of IFRIC 4 (arrangement containing a lease) and IAS 17 (leases). Consequently, the transaction has been restated and accounted for in line with IFRIC 4 and IAS 17. The requirements of IAs 39 has also been applied in accounting for the exchange rate indexation as embedded derivatives.

The contract allows APL to bill LSWC in addition to the power supply, exchange rate fluctuations between the Naira and USD where the exchange rate exceeds the ruling rate at the contract inception date.

Lease agreements in which the other party, as lessee (LSWC) is to be regarded as the economic owner of the leased assets give rise to accounts receivable in the amount of the discounted future lease payments in the books of the lessor (APL). These receivables amounted to N3.7 billion as of December 31,2012. (2011: N4.2 billion; 2010: N4.6 billion) and will bear interest until their maturity dates of N2.3 billion (2011: N3 billion; 2010: N3.8 billion).

The receivables under the finance lease are as follows

	Group 2012 N'000	Group 2011 Restated N'000	Group 2010 Restated N'000
Finance lease - gross receivables	4,904,510	5,989,849	7,164,424
Unearned finance income	(1,698,501)	(2,326,305)	(2,995,137)
	3,206,009	3,663,544	4,169,287
Current receivables			
Finance lease - gross receivables	1,085,339	1,174,576	1,235,878
Unearned finance income	(634,962)	(675,646)	(759,564)
	450,377	498,930	476,314
Gross receivables from finance lease			
Not later than one year	1,085,339	1,174,576	1,235,878
Later than one year and not later than five years	3,427,804	3,763,124	4,133,722
Later than five years	1,476,705	2,226,725	3,030,702
	5,989,848	7,164,425	8,400,302
Unearned future finance income on finance lease	(2,333,463)	(3,001,951)	(3,754,701)
Net investment in finance lease	3,656,385	4,162,474	4,645,601
The net investment in finance lease may be analysed as follows:			
Not later than one year	450,377	498,930	476,314
Later than one year and not later than five years	2,229,314	2,273,620	2,391,557
Later than five years	976,694	1,389,924	1,777,730
	3,656,385	4,162,474	4,645,601

16 Deposit for acquisition of a business

In December 2012, the Group entered into a share purchase & sale agreement with Conoco Phillips to acquire Conoco Phillip's Nigerian businesses for an approximate cash consideration of N277.9 billion (US$ 1.79 billion), net of post closing adjustments. Upon execution of the sale and purchase agreement, the Group paid a deposit of N67.5 billion ($435 million) to Conoco Phillips through its subsidiary, Oando Energy Resources Inc. (OER). See Note 34.

The Group financed the deposit through N32.6 billion (US$210 million) term loan from Ocean and Oil Development Partners ("OODP"), N7.7 billion (US$ 50 million) term, loan from Ansbury Investments Inc. ("Ansbury") and N27.2 billion bridge loans from local Nigerian banks. See details of borrowings and other loans in Note 25. The convertible features on the loan were not recognised because the required approvals had not been obtained as at reporting date. Therefore, did not meet the grant date definition.

In order to enable OER make the payment for the deposit, OER and Oando PLC entered into a N53.6 billion (US$345 million) convertible notes ("the notes") agreement in 2012. The notes which bear a coupon of 10.5% margin + Libor will convert upon receipt of a conversion notice by the notes holder. The coupon of N199.5 million included in OER net finance cost has been eliminated against corresponding credit in Oando PLC's books on consolidation. In addition, the principal amount of N53.6 billion reflected under borrowings in OER has been eliminated against the corresponding receivable in Oando PLC's books on consolidation.

The Group has recognised interest on the borrowings under finance costs in accordance with the terms of the notes agreement.

If the closing of the acquisition does not occur due to a failure of OER to perform or observe its covenants or agreements under the relevant sale and purchase agreements or because of a failure to obtain all approvals and consents required by laws from any Government authority under the applicable petroleum laws of Nigeria including the Petroleum Act, Conoco Phillips has no obligation to refund the deposit to the Group.

17 Non-current receivables and prepayments

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000	Company 2012 N'000	Company 2011 N'000
Prepaid operating lease (a)	2,152,283	1,474,430	925,108	-	-
Underlift receivables (b)	8,466,312	-	-	7,345,639	-
Other non-current receivables[1]	-	30,970,770	22,927,217	-	33,762
Previously stated	10,618,595	32,445,200	23,852,325	7,345,639	33,762
Restatement:					
Reclassified to intangible assets	-	(30,970,772)	(22,927,217)		
	10,618,595	1,474,428	925,108	7,345,639	33,762

[1] Due to change in accounting policy, this has now been recognised as intangibles. See service concession arrangements in Note 12.

(a) Prepaid operating lease

The balance relates to prepayments for leases of land and buildings for retail stations and offices. The prepayments are amortised to the income statement over the period of the lease. The movement in the balance during the year is as follows:

	Group 2012	Group 2011	Group 2010	Company 2012	Company 2011
At start of the year	1,474,428	925,108	1,159,479	-	-
Exchange differences	-	(6,752)	527	-	-
Additions in the year	1,186,466	805,523	165,470	-	-
Reclassifications to current prepayments	(508,611)	(249,451)	(400,368)	-	-
	2,152,283	1,474,428	925,108	-	-

(b) Underlift receivables represent the Group's crude oil entitlements as a result of operations on OML 125. These balances are owed by the Nigerian National Petroleum Corporation (NNPC), the national oil corporation through which the Federal Government of Nigeria regulates and participates in the Country's petroleum industry.

The Group through OML 125 and 134 Limited is currently in a dispute with the NNPC in relation to certain liftings done by NNPC in 2008 and 2009 and which , in the view of the Group and Nigeria Agip Exploration Limited ("NAE"), the operator of the OML 125, exceeded the NNPC's entitlements. The dispute was referred to arbitration by NAE and OML 125 and 134 Limited. In October 2011, the arbitral tribunal issued an award which was in favour of NAE and OML 125 and 134 Limited.

Later in October 2011, the NNPC filed a lawsuit in the Federal High Court Abuja challenging the award and it obtained an injunction restraining further proceeding in the arbitration. The NNPC also filed an action requesting the court to retain an injunction pending final determination of the case before the Federal High Court. In response to the NNPC law suit, NAE and OML 125 and 134 Limited filed an application to discharge the injunction. The case is still pending before the Federal High Court.

Although not a party to the arbitration, proceedings described above, the Federal Inland Revenue Service ("FIRS") filed an action in the Federal High Court challenging the jurisdiction of the arbitral tribunal to determine tax disputes arising from the Production Sharing Contract (PSC) between the NNPC. NAE and OML 125 and 134 Limited. In response NAE and OML 125 and 134 Limited filed a jurisdictional challenge against the FIRS on the ground that the FIRS lacks the capacity to institute an action challenging the internal arrangement of parties to the PSC for the assessment and liability of tax.

The Group through OML 125 and 134 Limited retained the contractual rights to receive the cash flows associated with the underlift receivables.

On completion of Oando reorganisation on July 24, 2012, Oando Energy Resources ("OER") agreed and assumed a contractual obligation to pay underlift receivables amounting to N7.3 billion (US$47.3 million) to Oando PLC. Payment of the N7.3 billion by OER to Oando PLC is contingent upon the collection of the equivalent amount from NNPC. Due to uncertainty associated with the timing of the collectability and the related dispute, the receivables have been classified as non-current. Accordingly, OER recognised a long term payable in its statement of financial position. In response, Oando PLC has recognised a long term receivable in its statement of financial position. The intra-group underlift long term payable and the long term receivable in the statement of financial position of OER and Oando PLC has been eliminated on consolidation.

18 Inventories

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000	Company 2012 N'000	Company 2011 N'000
Finished goods	12,049,220	27,911,157	17,888,583	-	-
Materials	4,326,658	2,496,308	1,689,272	-	-
Goods-in-transit	885,213	1,219,723	1,931,956	-	-
Consumable materials and engineering stocks	849,450	831,217	876,607	6,733	-
	18,110,541	32,458,405	22,386,418	6,733	-

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to N569 billion (2011: N481.66 billion). There was no inventory carried at net realisable value as of the reporting date (2011: nil).

19 Trade and other receivables

	Group 2012 N'000	Group 2011 Restated N'000	Group 2010 Restated N'000	Company 2012 N'000	Company 2011 N'000
Trade receivables	32,134,461	43,589,986	42,990,660	-	-
Less: provision for impairment of trade receivables	(3,441,372)	(5,270,276)	(2,226,627)	-	-
	28,693,089	38,319,710	40,764,033	-	-
Petroleum subsidy fund	39,043,740	20,311,393	7,189,582	-	-
Bridging claims receivables	14,456,968	9,868,780	6,677,332	-	-
Other receivables	13,530,419	12,954,472	19,197,966	63,460,525	3,930,791
Cash call from JV partners	4,582,546	1,685,718	-		
VAT input & Witholding tax receivable	7,816,670	6,394,842	-		
Amount due from related parties	-	-	-	65,093,019	94,036,934
Prepayments	6,319,060	15,680,609	4,276,268	252,501	154,149
Derivative financial instruments - commodity contracts (Note 14)	-	183,691	446,143	-	-
Derivative financial instruments - foreign currency forwards (Note 14)	-	135,582	-	-	-
Less: provision for impairment of other receivables	(507,249)	(19,274)	(181,591)	(19,160)	(19,160)
As previously reported	113,935,243	105,515,523	78,369,733	128,786,885	98,102,714
Restatement:					
Derivative financial instruments - commodity contracts (Note 14)	-	(183,691)	(446,143)	-	-
Derivative financial instruments - foreign currency forwards (Note 14)	-	(135,582)	-	-	-
As restated	113,935,243	105,196,250	77,923,590	128,786,885	98,102,714

Included in the Other receivables for "Company" is a loan of N53.6 billion ($365m) given to OER, which has been eliminated on consolidation. The fair value of trade receivables are based on cash flows discounted using rates based on borrowing rates applicable to the various business segments of between 14.5% and 16%. Prepayments of N1.2 billion has been charged to the income statement.

Movement in provision for impairment of receivables for the year is as detailed below:

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
At start of the year	5,289,550	2,408,218	19,160	19,160
Provision for receivables impairment (Note 7)	(1,343,351)	3,385,166	-	-
	3,946,199	5,793,384	19,160	19,160
Receivables written off during the year as uncollectible	(4,407)	(418,928)	-	-
exchange difference	6,829	(84,906)	-	-
At end of year	3,948,621	5,289,550	19,160	19,160

20 Available-for-sale financial assets

Available-for-sale financial assets represent the company's investments in listed securities on the Nigerian stock exchange. The investment is carried at fair value based on current bid price at the Nigerian stock exchange.

The movement in the available-for-sale financial asset is as follows:

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000	Company 2012 N'000	Company 2011 N'000
At start of the year	194,031	1,000	1,000	194,031	1,000
Addition	836	193,031	-	-	193,031
Fair value loss	(45,166)	-	-	(45,166)	-
At the end of year (Re-stated)	149,701	194,031	1,000	148,865	194,031
Less: Non current portion	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Current	148,701	193,031	-	147,865	193,031

There were no disposals of AFS financial assets during the current or prior year.

Available-for-sale financial assets include the following:	Group 2,012 N'000	Group 2,011 N'000	Group 2,010 N'000	Company 2,012 N'000	Company 2,011 N'000
Listed securities:					
Equity securities - Nigeria	148,865	194,031	-	148,865	194,031
Equity securities - Other	836	-	-	-	-
	149,701	194,031	-	148,865	194,031

Available-for-sale financial assets are denominated in the following currencies:

Nigerian Naira	149,701	194,031	-	148,865	194,031

(b) Investment in subsidiaries	Company 2012 N'000	Company 2011 N'000
Akute Power Limited	2,500	2,500
Apapa SPM Limited	19,125	19,125
East Horizon Gas Co. Limited	10,000	10,000
Gaslink Nigeria Limited(1)	7,029,869	7,004,942
Oando Energy Services Limited(1)	584,210	610,457
Oando Exploration and Production Limited(1)	3,932,524	3,928,723
Oando Gas and Power Limited	1,000	1,000
Oando Lekki Refinery Limited	2,500	2,500
Oando Marketing Limited(1)	15,780,925	15,725,491
Oando Petroleum and Development Company Limited	-	3,315,774
Oando Port Harcourt refinery Limited	2,500	2,500
Oando Properties Limited	250	250
Oando Supply and Trading Limited(1)	828,830	812,567
Oando Trading Limited Bermuda	3,435,950	2,894,333
OML 112 & 117 Limited	6,538	6,538
Oando Akepo Limited	-	2,500
Oando Terminal and Logistics Limited	2,500	2,500
Equator Exploration Limited	-	7,479,839
Oando Liberia Limited	6,538	6,538
OES Passion Limited	1,752	1,752
OES Professionalism Limited	10,000	10,000
Central Horizon Gas Company Limited	5,100	5,100
Ajah Distribution Limited	2,500	2,500
Alausa Power Limited	2,500	2,500
Gasgrid Nigeria Limited	2,500	2,500
Oando Resources Limited	2,500	2,500
Oando Petroleum Development Limited	-	2,500
Oando Logistics	-	-
0901887 BC Limited	-	-
Lekki Gardens Power Limited	2,500	2,500
Oando Wings Limited	3,000	3,000
Oando Exploration Equator Holdings Limited	1,816	1,816
Oando Servco Nig Limited	-	2,500
Oando Qua Iboe Limited	10,000	-
Oando Reservoir Limited	10,000	-
Oando Energy Resources Inc.	53,681,593	-
	85,381,520	41,867,243
Provision for diminution	(2,500)	(2,500)
	85,379,020	41,864,743

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

21 Cash and cash equivalents

	Group 2012 N'000	Group 2011 N'000 Restated	Group 2010 N'000	Company 2012 N'000	Company 2011 N'000
Cash at bank and in hand	12,176,710	18,157,778	9,207,409	1,267,818	1,505,894
Short term deposits	1,231,797	2,875,751	2,979,663	300,177	1,011,787
As previously reported	13,408,507	21,033,529	12,187,072	1,567,995	2,517,681
Restatement:					
Restricted cash		(2,343,000)	-		-
As restated	13,408,507	18,690,529	12,187,072	1,567,995	2,517,681
Restricted cash	4,053,050	2,343,000	-	324,000	-
	17,461,557	21,033,529	12,187,072	1,891,995	2,517,681

The weighted average effective interest rate on short-term bank deposits at the year-end was 16.9% (2011:12%). These deposits have an average maturity of 30 days.

For the purposes of the cash flows statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings under current liabilities. The year-end cash and cash equivalents comprise the following:

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000	Company 2012 N'000	Company 2011 N'000
Cash and bank balance as above	13,408,507	18,690,529	12,187,072	1,567,995	2,517,681
Bank overdrafts (Note 25)	(48,537,984)	(25,347,667)	(23,615,205)	(8,602,062)	(164,285)
	(35,129,477)	(6,657,138)	(11,428,133)	(7,034,067)	2,353,396

22 Earnings Per Share

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

	Group 2012 N'000	Group 2011 N'000
Profit attributable to equity holders of the Company	10,424,491	2,852,634
Weighted average number of ordinary shares in issue (thousands)		
As previously reported	2,274,118	1,810,169
Bonus issue	-	458,246
	2,274,118	2,268,415
Basic and diluted earnings per share as restated	458.4	125.8
As previously reported	-	114.3

	Restatement Note Ref	P&L Impact	EPS Impact
Basic earnings per share as previously stated			114.3
Earnings/ loss per share on restatement:			
Finance Lease	b	(153,953)	(6.8)
Embedded derivative	b	1,237,256	54.5
Decommissioning	c	48,387	2.1
Intangible Assets	d	(1,663,782)	(73.3)
Convertible debt	e	776,329	34.2
Deferred tax	f	59,404	2.6
Depreciation on revaluation reversal		(42,700)	(1.9)
		260,940	125.8

1 Weighted average number of shares in 2011 includes shares issued during the year.

Diluted Earnings Per share

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

	Group 2012 N'000	Group 2011 N'000
Profit attributable to equity holders of the Company	10,424,491	2,852,634
Interest expense on convertible debt net of tax	-	109,340
Profit used to determine diluted earnings per share	10,424,491	2,961,974
Weighted average number of ordinary shares in issue (thousands)	2,274,118	2,268,415
Assumed conversion of convertible debt	-	72,464
Weighted average number of ordinary shares for diluted earnings share (thousands)	2,274,118	2,340,879
Diluted earnings per share as previously reported	458.40	126.53
Restatement:		
Profit attributable to equity holders of the Company		2,852,634
Interest expense on convertible debt net of tax		-
Profit used to determine diluted earnings per share		2,852,634
Weighted average number of ordinary shares in issue (thousands)		2,268,415
Assumed conversion of convertible debt		
Weighted average number of ordinary shares for diluted earnings share (thousands)		2,268,415
Diluted earnings per share as previously reported		126.53
Effect of reversal of convertible		(0.78)
Diluted earnings per share as restated		125.8

Dividends per share

At the Annual General Meeting held on 27 July 2012 no dividend was declared in respect of 2011 results.

23 Share capital

	Number of shares (thousands)	Ordinary shares N'000	Share premium N'000	Total N'000
At 1 January 2011	1,810,169	905,084	49,042,111	49,947,195
Staff bonus and discretionary award	11,407	5,702	479,075	484,777
Bonus Issue	452,542	226,272	-	226,272
At 31 December 2011	2,274,118	1,137,058	49,521,186	50,658,244
At 1 January 2012	2,274,118	1,137,058	49,521,186	50,658,244
At 31 December 2012	2,274,118	1,137,058	49,521,186	50,658,244

Authorised share capital

The total authorised number of ordinary shares is six (6) billion (2011:6 billion) with a par value of 50 Kobo per share. All issued shares are fully paid.

Bonus issue of 452,542,314 ordinary shares of 50k each

At the Annual General Meeting held on 30 June 2011, the shareholders approved a bonus share of one for every four shares held by members at the close of business on 29 April 2011.

Staff Bonus and discretionary share award

No discretionary share award to employees was made during the year (2011: 11,406,568 shares were issued to employees at nil value).

Share options

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

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

	2012		2011	
	Average exercise price (NGN per share)	Options (thousands)	Average exercise price (NGN per share)	Options (thousands)
At 1 January	106.02	38,570	109.59	40,196
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	(8,594)	-	-
Expired	66.84	(3,231)	218.00	(1,626)
At 31 December	112	26,745	106	38,570

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

Expiry date	Grant Date	Fair value	Exercise price per share	Dividend yield	Volatility	Risk free rate	2012	2011
2 May, 2012	1 May, 2009	25.85	66.84	3.87%	58.1%	5.5%	-	5,491
2 May, 2013	1 May, 2010	42.90	111.76	3.87%	57.5%	5.5%	26,745	33,079
							26,745	38,570

24 Other reserves

Group	Revaluation reserves (thousands)	Convertible Reserve	Share based payment reserve N'000	Currency translation reserve N'000	Total N'000
At 1 January 2011 as previously stated	17,321,174	-	-	(1,140,692)	16,180,482
Restatement	-	-	-	-	-
Revaluation of PPE	(1,333,609)	-	-	-	(1,333,609)
Tax on revaluation	126,107	-	-	-	126,107
Additional Decommissioning obligation	(405,118)	-	-	-	(405,118)
Share based payment reserve	-	-	-	-	-
Deferred tax on share based payment reserve	-		-	-	-
At 1 January 2011 as restated	15,708,554	-	-	(1,140,692)	14,567,862
Exchange difference	(25,878)	-	-	(1,161,647)	(1,187,525)
Equity component - Convertible bonds	-	751,528	-	-	751,528
Tax on convertible bond	-	(225,458)		-	(225,458)
Restatements:					
Additional Decommissioning obligation exchange difference)	(3,409)	-	-		(3,409)
Reversal of Equity component of convertible bond	-	(751,528)	-	-	(751,528)
Reversal of deferred taxes on convertible bond	-	225,458		-	225,458
Share based payment reserve	-	-	-	-	-
Deferred tax on share based payment reserve			-		-
At 31 December 2011 as restated	15,679,267	-	-	(2,302,339)	13,376,928
At 1 January 2012	15,679,267	-	-	(2,302,339)	13,376,928
Currency translation difference	-	-	-	1,216,015	1,216,015
Convertible bond- Equity component	-	-	-	-	-
IFRIC 1 adjustment to revaluation reserve	(27,187)	-	-	-	(27,187)
Share based payment reserve	-	-	605,293	-	605,293
Tax on value of employee services		-	96,109		96,109
Revaluation on disposal of PPE	(13,051)	-	-	-	(13,051)
Reclassification to share based payment reserve	-	-	1,078,449	-	1,078,449
Acquisition of non controlling interest in Exile				(1,920,492)	(1,920,492)
At 31 December 2012	15,639,029		1,779,851	(3,006,816)	14,412,064

Other reserves

Company	Revaluation reserves (thousands)	Convertible Reserve	Share based payment reserve N'000	Currency translation reserve N'000	Total N'000
At 1 January 2011 as previously stated	1,013,047	-	-	-	1,013,047
Restatements	(115,000)	-	-	-	(115,000)
Deferred tax on revaluation surplus	11,500	-	-		11,500
At 1 January 2011 as restated	909,547	-	-	-	909,547
Share based payment reserve	-	-	-	-	-
Deferred tax on share based payment	-		-	-	-
Equity component - Convertible bond3	-	751,528	-	-	751,528
Tax on convertible bond	-	(225,458)	-	-	(225,458)
Restatements:		-	-	-	-
Reversal of Equity component of convertible bond	-	(751,528)	-	-	(751,528)
Reversal of deferred taxes on convertible bond	-	225,458	-	-	225,458
At 31 December 2011 as restated	909,547	-	-	-	909,547
At 1 January 2012	909,547	-	-	-	909,547
Share based payment reserve	-	-	319,131	-	319,131
Deferred tax on share based payment			73,485		73,485
Reclassification to share based payment reserve			973,963		
At 31 December 2012	909,547	-	1,366,579	-	2,276,126

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

25 Borrowings

	Group 2012 N'000	Group 2011 Restated N'000	Group 2010 Restated N'000	Company 2012 N'000	Company 2011 N'000
The borrowings are made up as follows:					
Non-current					
Bank loans	75,221,070	83,368,727	74,800,422	45,760,738	48,653,618
Other third party debt	-	2,668,365	-	-	2,668,365
As previously reported	75,221,070	86,037,092	74,800,422	45,760,738	51,321,983
Restatement:					
Reversal of conversion option of Other third party debt at amortised cost		(24,801)			(24,801)
As restated	75,221,070	86,012,291	74,800,422	45,760,738	51,297,182
Current					
Bank overdraft (Note 21)	48,537,984	25,347,667	23,615,205	8,602,062	164,285
Bank loans	120,924,911	94,645,569	47,352,496	15,316,200	6,000,000
Finance lease liabilities	-	-	52,939	-	-
Other third party debt	44,202,820	-	-	44,202,820	-
	213,665,715	119,993,236	71,020,640	68,121,082	6,164,285
Total borrowings	288,886,785	206,005,527	145,821,062	113,881,820	57,461,467

The borrowings include secured liabilities (bank borrowings) in a total amount of N51.2 billion (2011: 55.1 billion; 2010: 56.2 billion). The Group has a Trust Deed arrangement, executable by a Trustee company (First Trustees Limited) by which bank borrowings are secured. The security trust deed (STD) between Oando Plc. and the Trustee was executed in October 2009 to fulfil the security obligations of Oando Plc. with respect to its various Lenders under an Inter-creditor deed. The STD is a security pool which places a floating charge over the assets of Oando Plc. which principally comprise its stock and shares in the subsidiaries, book debts, office equipment, plant and machinery, intellectual property etc.

The Group issued convertible bond of N2.5billion to Ocean and Oil Investments Limited (OOI), a related party in 2011. At 31 December 2011, the convertible bond was split according to substance into liability and equity components. However, in 2012, the Nigerian Stock Exchange (NSE) drew management's attention to the lack of notification of the NSE to the convertible notes and terms and conditions for conversion in compliance with the Post- Listing Requirements (The Green Book). The lack of notification of NSE effectively rendered the convertible bond ineffective. Consequently, the convertible bond has been restated as a borrowing at 31 December 2012. The borrowing was valued using the effective interest method at the balance sheet date. The impact of the reversal is a decrease in the carrying amount of the loan by N24 million. The equity component was also subsequently reversed because it did not meet the requirements for recognition. See Note 24.

Non current borrowings are analysed as follows:

Loan type	Purpose	Tenure/Interest rate	Security	Available facility	Drawdown/ Balance 2012	Drawdown/ Balance 2011	Drawdown/ Balance 2010
Group				N'000	N'000	N'000	N'000
Term Loan	To finance OER activities	4yrs/10.5%	Fixed and Floating charge over OML 125/134 interest and chargeable assets & Share Pledge.	9,316,200	6,987,204	8,806,400	6,110,932
Syndicated loan –	Greater Lagos III gas pipeline project for Gaslink	3yrs/15%	Pledge of assets being financed; Corporate guarantee by Oando Plc.	1,157,227	0	-	275,040
Medium Term Loan	To finance OML 13 (Qua Iboe Ltd) activities	5yrs/ 8%	Pledge of assets being financed; Lien on Account; Subordinated corporate guarantee of Oando Plc.	15,527,000	3,881,750	-	-
Medium term loan	Upgrade of OES rig	3yrs/ 8%	Negative pledge of Oando Energy Services; Domiciliation of rig contract proceeds; subordinated corporate guarantee of Oando plc.	3,105,400	3,124,000	3,514,500	-
Medium term loan	Upgrade of OES rig	3yrs/ 8%	Negative pledge of Oando Energy Services; Domiciliation of rig contract proceeds; subordinated corporate guarantee of Oando plc.	3,493,575	1,786,813	3,204,131	-
Term Loan	Equity Finance	12mths with roll over (	Corporate guarantee of Oando plc. to pay interest charges and fixed deposit of same amount	-	1,400,000	-	2,500,035
Syndicated gas project facility	UNICEM gas pipeline project by East Horizon Gas Company	3yrs/ 16.2%	Corporate guarantee of Oando plc. and domiciliation of current account of gas sales proceeds	17,800,000	11,444,769	16,240,583	13,651,920
Term Loan	To finance CNG project	5yrs/14.5%	Corporate guarantee of Oando plc. and CNG plant	2,200,000	1,493,486	607,306	-
Project Finance	To finance Akute IPP	7yrs/14.5%	Pledge of assets being financed; corporate guarantee of Oando plc.	3,400,000	2,254,296	5,542,601	3,614,316
Medium Term Loan	Restructuring of Short - Long term Debt	5yrs/Nibor+1% p.a.	Mortgage on assets of Oando plc. and some subsidiaries	60,000,000	51,225,000	55,129,228	54,998,682
Derivative_CLS	To finance OML 90 Activities	3yrs/ 6.533%	Derivative barrels of oil	0	1,765,507	4,850,010	3,441,562
Medium Term Loan	Financing Apapa SPM project	3yrs/Libor+8% p.a. su	Fixed and floating charge on assets of Oando PLC	2,329,050	2,037,919	2,343,000	-
Term Loan	Pipelines for customers connection to gas facilities	15.25%, renewable a	Lien on deposit	12,004,595	5,589,720	1,400,177	-
Convertible debt				2,652,477	0	2,643,564	-
Term Loan	Finance acquisition of retail outlets				491,000	-	-
Term Loan	Finance of aircraft purchase	6yrs/ 6%	Security Assignment, Share Charge	2,034,037	1,462,816	-	-
Total non current borrowings				135,019,562	94,944,281	104,281,498	84,592,487
Less current portion of non-current borrowings					(19,723,211)	(20,068,107)	(9,880,906)
				135,019,562	75,221,070	86,012,291	74,800,422

Current borrowings are analysed as follows:

Loan type	Purpose	Tenure/Interest rate	Security	Drawdown/ Balance 2012	Drawdown/ Balance 2011	Drawdown/ Balance 2010
				N'000	N'000	N'000
Import finance	To purchase petroleum products for resale	30-90days	Sales proceeds of products financed	57,634,331	37,885,144	29,201,405
Other loans				42,870,200	-	-
Commercial papers	To finance products allocation from PPMC and importation of petroleum		Stock hypothecation, cash and cheque collection from product sales.	63,203,559	36,692,317	8,328,345
Other commercial papers/overdraft		30-365days, 12.5%-1	Corporate guarantee/security deed	30,234,414	25,347,667	23,609,985
Total current loans				193,942,504	99,925,129	61,139,735
Current portion of non-current borrowings				19,723,211	20,068,107	9,880,906
				213,665,715	119,993,236	71,020,640

	2012	2011
Weighted average effective interest rates at the year end were:		
- Bank overdraft	16.7%	14.0%
- Bank loans	16.8%	18.0%
- Import finance facility	3.24%	2.9%
- Finance leases	17.0%	-
- Other loans	19.75%	19.75%

The carrying amounts of short-term borrowings and lease obligations for 2012 and 2011 respectively approximate to their fair value. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the Group at the reporting date.

The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2012	2011	2012	2011
	N'000	N'000	N'000	N'000
Bank loans	75,221,070	84,238,035	75,221,070	86,037,092

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

	2012	2011
	N'000	N'000
Nigerian naira	189,301,793	143,628,087
US Dollar	98,809,520	62,388,311
West African CFA	775,472	-
	288,886,785	206,016,397

26 Provisions for liabilities and charges

Provisions for liabilities and charges relate to underground tanks decommissioning and oil and gas assets abandonment restoration obligation as follows:

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000	Company 2012 N'000	Company 2011 N'000
Underground tanks	802,837	790,373	661,726	-	-
Oil and gas fields	2,759,833	696,275	1,180,101	-	-
Provision for litigation	353,416	-	-	353,416	-
	3,916,086	1,486,648	1,841,827	353,416	-

Movement during the year is as follows:

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000	Company 2012 N'000	Company 2011 N'000
At 1 January as previously restated	1,486,648	1,841,827	1,841,827	-	-
Charged/(credited) to the Income statement					
- (Write back)/additional provisions in the year	2,178,945	(582,625)	-	-	-
- Unwinding of discount	208,545	95,025	-	-	-
- Exchange differences	41,948	132,421	-	-	-
Restated balance at 31 December	3,916,086	1,486,648	1,841,827	-	-

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

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000	Company 2012 N'000	Company 2011 N'000
Analysis of total provisions					
Non current	3,562,670	1,486,648	1,841,827	-	-
Current	353,416	-	-	353,416	-
Total	3,916,086	1,486,648	1,841,827	353,416.00	-

See details of provision for litigation in Note 35

27 Derivative financial instruments

	Group 2012	Group 2011 Restated	Group 2010 Restated	Company 2012	Company 2011
	N'000	N'000	N'000	N'000	N'000
Interest-rate swap	1,159,710	1,624,168	1,449,529	-	-
Cross currency	1,409,651	1,349,724	-	1,409,651	1,349,724
Share Warrants	917,095	-	-	-	-
	3,486,456	2,973,892	1,449,529	1,409,651	1,349,724

Share Warrants

Upon closing of the reverse acquisition of Exile Resources Inc., on July 24, 2012, 11,428,552 warrants were issued as purchase consideration. The warrants are denominated in a currency (Canadian dollars –"Cdn") other than the functional currency (US dollars). The warrants are classified as financial liabilities because the exercise price is not fixed in the functional currency of OER.

The warrants are therefore required to be initially recognized at fair value and subsequently measured at fair value through profit or loss. The fair value of warrants, determined using the Black Scholes option pricing model, was $5.9 million at December 31, 2012. The significant inputs to the model were the share price of $1.70, exercise price of $1.50 and $2.00 respectively, volatility of 78%, dividend yield of $nil, expected warrant life of 0.5 and 1.5 years respectively and a risk free rate of 0.18% and 0.22% respectively.

	Number of Warrants	Average exercise price in Cdn per Warrant
As at 1 January 2012	-	-
Granted	11,428,552	$1.75
Exercised	(200)	$1.50
As at 31 December 2012	11,428,352	$1.75

Warrants exercised in the year resulted in 200 shares being issued at a weighted average price of $1.79 each. The weighted average share price at the time of exercise was $1.50. A summary of the outstanding warrants as at December 31, 2012 is as follows:

	Expiry date	Exercise price (Cdn)	Warrants outstanding	Fair value of Warrants ($)	Fair value of Warrants (NGN)
$1.50 Warrants	July 24, 2013	$1.50	5,714,076	2,618	406,497
$2.00 Warrants	July 24, 2014	$2.00	5,714,276	3,288	510,598
			11,428,352	5,906	917,095

As at December 31, 2012, 5,714,076 (2011 – nil) warrants were exercisable.

The value of warrants at 31 December 2012 was N917 million (2011: nil)

28 Retirement benefit obligations

	Group 2012	Group 2011 Restated	Group 2010 Restated	Company 2012	Company 2011
Balance sheet obligations for:					
Gratuity	2,802,983	2,728,970	1,407,698	1,232,303	1,216,031
Income statement charge (Note 8):					
Gratuity	295,394	1,625,840	443,185	93,442	861,705
Other comprehensive income					
Actuarial (losses)/gains recognised in the statement of other comprehensive income in the period	(83,331)	126,040	15,313	(23,936)	74,524
Cumulative actuarial losses recognised in the statement of other comprehensive income	113,325	196,656	63,779	-	-

The gratuity scheme is unfunded

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

	Group 2012	Group 2011	Company 2012	Company 2011
	N'000	N'000	N'000	N'000
At 1 January	2,728,970	1,407,698	1,216,031	476,893
Current service cost	90,670	464,721	22,684	183,749
Interest cost	204,724	182,943	39,716	44,358
Actuarial loss/(gains)	83,331	(126,040)	23,936	(74,524)
Exchange differences	5,621	105,740	-	-
Curtailments	-	978,176	-	633,599
Benefits paid	(310,333)	(284,268)	(70,064)	(48,044)
At 31 December	**2,802,983**	**2,728,970**	**1,232,303**	**1,216,031**

The amount recognised in the income statements are as follows	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Current service cost	90,670	464,721	22,684	183,749
Interest cost	204,724	182,943	39,716	44,358
Curtailment expense	-	978,176	-	633,599
	295,394	1,625,840	62,400	861,706

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. Alexander Forbes Consulting Actuaries Nigeria Limited (Alexander Forbes) was engaged to determine the liability from the curtailed scheme, which was estimated at N2.09billion. It should be noted that the company intends to pay the money over to a fund manager who will manage the funds on behalf of employees. Till then, the funds shall bear an interest rate equivalent to the average of the 90 day deposit rate of First Bank of Nigeria and Guaranty Trust Bank. Interest on the fund is included in the interest cost above.

	2012	2011
Discount rate	12.2%	14.0%
Future salary increases	12.0%	12.0%
Inflation rate	10.0%	10.0%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in Nigeria. Mortality assumptions are based on the British A49/52 ultimate table published by the institute of actuaries of England.

These tables translate into withdrawal rates as follows:

Age	2012	2011
18-29	4.5%	5.0%
30-44	6.0%	4.0%
45-49	2.5%	3.0%
50-59	2.0%	2.0%
60+	100.0%	100.0%

Sensitivity Analysis

On the assumption that the discount rate remained unchanged between the present and last valuation date, the present value of the defined obligation as at 31 December 2012 would have been lower by N112.7 million.

At 31 December	2012	2011	2010	2009	2008
Present value of defined benefit obligation	2,802,983	2,728,970	1,125,577	864,567	599,652
Fair value plan	-	-	-	-	-
Deficit in the plan	2,802,983	2,728,970	1,125,577	864,567	599,652

29 Government Grant

Government grant relates to the below market rate loan obtained through restructuring of the loan secured for the construction of the Akute plant under the Bank of Industry loan scheme. The fair value of the grant was recognised initially on the grant date and subsequently amortised on a straight line basis over the tenure of the loan. There were no unfulfilled conditions relating to the grant as at the reporting date. The initial grant was N417 million of which N123 million was credited to income statement.

30 Trade and other payables

	Group 2012 N'000	Group 2011 N'000	Group 2010 N'000	Company 2012 N'000	Company 2011 N'000
Trade payables - Products	25,004,423	28,116,157	25,972,909	3,150	-
Trade payables - Other vendors	21,414,653	15,859,967			
Other payables	13,867,297	6,760,629	14,939,825	5,645,254	2,502,493
Accrued expenses	17,741,090	16,093,224	8,193,044	662,221	1,427,024
Amount due to related parties	-	-	-	45,264,808	39,169,433
Bridging allowance	4,873,427	4,911,805	4,272,506	-	-
Deferred income	1,735,933	1,919,132	5,974,760	-	-
Customers security deposit	1,409,533	1,096,087	1,271,608	-	-
Deferred premiums payable on commodity contracts	-	452,043	867,341	-	-
Interest-rate swap	-	1,624,168	1,449,529	-	-
Cross currency	-	1,349,724	-	-	-
	86,046,357	78,182,936	62,941,522	51,575,433	43,098,950
Restatement:					
Interest-rate swap	-	(1,624,168)	(1,449,529)	-	-
Cross currency	-	(1,349,724)	-	-	-
	86,046,357	75,209,044	61,491,993	51,575,433	43,098,950

The carrying amounts of trade and other payables for 2012 and 2011 respectively approximate their fair values.

31 Dividend payable

Unpaid dividend	651,058	651,358	651,358	651,058	651,358

32 Cash generated from operations

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

	Group 2012 N'000	Group 2011 N'000	Company 2012 N'000	Company 2011 N'000
Profit before income tax	17,554,067	13,885,097	4,690,743	1,363,389
Adjustment for:				
Interest income (Note 9)	(3,521,533)	(7,316,985)	(4,527,632)	(2,877,014)
Interest expenses (Note 9)	17,708,558	12,025,175	5,647,399	1,058,746
Depreciation (Note 7)	8,605,708	6,333,647	261,052	279,024
Amortisation of intangible assets (Note 12)	3,779,823	1,424,613	149,333	149,334
Impairment of intangible assets (Note 12)	3,666,503	-	-	-
Profit on sale of property, plant and equipment	(165,914)	(48,734)	(45,281)	(16,004)
Unwinding of discount on provisions (Note9)	208,545	95,025	-	-
Unwinding of discount on deferred premiums payable (Note9)	-	10,381	-	-
Discretionary shares	-	484,777	-	484,777
Net income recognised on Gas transmission pipeline	-	1,979,886	-	-
Share based payment expense (options and swaps)	641,958	432,687	244,951	255,237
Reversal of impairment/ impairment charge	(190,499)	2,735,843	-	875,756
Net foreign exchange (gain)/loss	2,812	(1,811,342)	-	-
Fair value loss/(gains) on derivatives (options and swaps)	59,926	1,588,948	(9,718)	-
Fair value loss on interest rate swap	(471,298)	636,629	-	1,524,363
Fair value loss on convertible debt		894,068	-	22,248
Fair value loss on foreign currency forwards	135,582	-	-	-
Fair value loss on warrants	561,528	-	-	-
Loss on loan modification	310,785	-	399,174	-
Fair value loss on Financial instrument (OER)	457,820	-	-	-
Fair value loss/(gains) on embedded derivatives	1,121,797	(1,237,256)	-	-
Changes in working capital		-	-	-
- receivables and prepayments (current)	(8,005,275)	(23,464,989)	(62,204,040)	(35,518,948)
- non current prepayments	(8,638,077)	(502,495)	(7,311,877)	5,488
- inventories	15,411,490	(8,940,419)	(6,733)	4,361
- payables and accrued expenses	3,401,387	11,832,462	8,829,899	40,247,559
- dividend payable	(300)	-	(301)	-
- gratuity provisions	74,013	-	(7,664)	813,661
Cash generated from operations	52,709,406	11,037,018	(53,890,695)	8,671,977

33 Related Party Transactions

Ocean and Oil Investments (Nigeria) Limited (OOIL) has the largest shareholding of 10.53% at the reporting date (2011: 12.49%). The remaining 89.47% shares are widely held. OOIL is owned by Ocean and Oil Mauritius (OOM). OOM is owned by Ocean and Oil Holdings (BVI) Limited. Two of the company's directors, Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo both have significant influence over Ocean and Oil Investments (Nigeria) Limited.

Oando plc. (the "company") entered into the following related parties' transaction during the year under review:

1. Payment of N0.9billion to Ocean and Oil Holdings Limited

Oando plc. paid N0.9billion to Ocean and Oil Holdings Nigeria Limited as final settlement in respect of the terminated Technical and Management Services Agreement.

2. Prior to July 24, 2012, the company had historically financed the operations of the E & P division. The financing arrangement ("arrangement") was recognized as intercompany transactions. Following completion of the Oando reorganization on July 24, 2012, these arrangements were cancelled and new agreements were entered into between the company and subsidiaries as follows:

a) Shareholder Agreements dated July 24, 2012 between Oando plc. and Holdco 2 in respect of Oando Akepo; Oando plc. and Holdco 3 in respect of OPDC2; Oando plc. and Oando OML 125 & 134 BVI in respect of Oando OML 125 & 134. Oando plc. owns Class A shares and Holdco 2, Holdco 3 and Oando OML 125 & 124 (the "Operating Companies") own Class B shares. Ownership of the Class A shares by Oando plc. provides it with 60% voting rights but no rights to receive dividends or distributions from the applicable Operating Company, except on liquidation or winding up. Ownership of the Class B shares entitles the Operating Companies (each an indirectly wholly-owned subsidiary of the company) to 40% voting rights and 100% dividends and distributions. Pursuant to each of these agreements, Oando plc. on the one hand, and the respective Operating Companies on the other hand agreed to exercise their respective ownership rights in accordance with the manner set forth in the shareholder agreements. Pursuant to the shareholder agreements, each of the Oando plc. and the respective Operating Companies is entitled to appoint an equal number of directors to the board of Oando Akepo, OPDC2 and Oando OML 125 & 134, respectively with the Operating Company being entitled to appoint the Chairman, who has a casting vote. In addition, the applicable Operating Company has the power to compel Oando plc. to sell its Class A shares for nominal consideration. No amounts have been paid or are due to be paid by either party to the other under the Shareholder Agreements.

b) Right of First Offer Agreement ("ROFO Agreement") dated September 27, 2011, as amended, between Oando Plc. and Oando Energy Resources ("OER"). Pursuant to the ROFO Agreement, OER has the right to make an offer to the Company in respect of certain assets owned by Oando Plc. in accordance with the terms of the ROFO Agreement. No amounts have been paid or are due to be paid under the ROFO Agreement.

c) Referral and Non-Competition Agreement dated July 24, 2012 between Oando Plc and OER. Pursuant to this agreement, Oando Plc is prohibited from competing with OER except in respect of the assets referred to in the ROFO Agreement until the later of July 25, 2014 and such time as Oando Plc owns less than 20% of the shares of OER. Oando Plc is also required to refer all upstream oil and gas opportunities to OER pursuant to this agreement. In addition, should Oando Plc acquire any upstream assets between September 27, 2011 and July 24, 2012, Oando Plc is required to offer to sell these assets to OER at a purchase price consisting of the amount paid by Oando Plc for the assets, together with all expenses incurred by Oando Plc to the date of the acquisition by OER, plus an administrative fee of 1.75%. The acquisition of Conoco Phillips Nigerian operation (COP) is subject to the terms of the Referral and Non-Competition Agreement and therefore, once the transaction is closed, OER will be required to pay 1.75% of the acquisition cost to Oando Plc. As such, OER and Oando Plc have recorded a receivable and payable of N1.2billion respectively for costs incurred to date on the COP acquisition. The N1.2billion has been eliminated on consolidation.

d) Cooperation and Services Agreement dated July 24, 2012 between Oando Plc and OER. Pursuant to this agreement, Oando Plc agreed, until the later of July 24, 2017 and such time as Oando Plc owns less than 20% of the shares of OER to provide certain services to OER, including in respect of legal services in Nigeria, corporate secretariat and compliance services in Nigeria, corporate finance, procurement, corporate communications, internal audit and administrative services. These services are to be provided to OER on the basis of the cost to Oando Plc plus a margin of 10%. Such costs have been fully eliminated on consolidation.

e) Transitional Services Agreement dated July 24, 2012 between Oando Servco (an indirect subsidiary of Oando Plc) and OEPL (a direct subsidiary of Oando Plc). Pursuant to this agreement, the OEPL and Oando Servco agreed that Servco would provide services to OEPL until January 24, 2014 for no more than 10% of the employees' normal working hours per month. OEPL is required to pay Servco's costs of providing such services. OEPL did not receive the services from Servco. Consequently, elimination does not arise in these consolidated financial statements.

f) Pursuant to the completion of the Oando reorganization, the cumulative amount advanced by Oando Plc to Equator Exploration Limited ("EEL") of N1.1billion (US$ 7.2 million) was classified as loan payable in EEL's books and loan receivable in Oando Plc's books. The carrying value of the loan using effective interest method was N1.3billion at the balance sheet date. This amount has been eliminated on consolidation.

3) Loan to OER for ConocoPhillips acquisition.

OER and Oando Plc entered into a Convertible Notes agreement in respect of a N53.6 billion (US345million) loan obtained by OER from Oando Plc as part of the deposit for COP companies. The Convertible Notes bear a coupon of LIBOR + 10.5%. OER has accrued for the coupon amounting to N199.5 million as interest payable on the balance sheet rate. Oando Plc has recognized equal amount as interest receivable on the notes. These intra-group balances have been eliminated on consolidation. See Note 16 for detail.

4) Loan to Oando Plc by Ocean and Oil Development Partners Limited.

Ocean and Oil Development Partners Limited ("OODP") granted a loan of N15.5bn (US$100m) to Oando Plc on December 5, 2012. OODP further granted a loan of N17.1bn (US$110m) to Oando Plc on December 14, 2012. Both loans were granted at LIBOR + 9.5. Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo are directors of OODP and they have significant influence over Oando Plc. See Note 16 for the borrowings. Both loans have since been fully extinguished, subsequent to year end.

5) Acquisition of Churchill Finance C300 – 0462 Limited.

On November 29, 2012, the Group acquired Churchill Finance C300-0462 Limited ("Churchill"), a Bermuda registered company from its single shareholder, Mr. Jubril Adewale Tinubu.
The acquisition of Churchill effectively concluded the intention to acquire the company's property, plant and equipment, the aircraft, through a memorandum of understanding that was signed by Oando Plc and Churchill in 2011. This acquisition has been accounted for as a business combination in line with the Group's accounting policies. In these consolidated statements, goodwill arising from the business combination with Churchill has been tested for impairment based on value-in-use calculations. (Note 40). In addition, all intra-group transactions have been eliminated on consolidation.

6) Loan to Oando Plc by Ansbury Investments Inc.

Ansbury Investments Inc. ("Ansbury"), a Panama Company owns 60% of OODP. On December 2012, Ansbury granted a loan of N7.7billion (US$50m) at LIBOR + 9% for a period of 180 days. Mr. Jubril Adewale Tinubu is the ultimate beneficiary of the 40% ownership of OODP. See Note 16.

7) Acquisition of Ebony Oil and Gas Limited

The Group acquired 80% of Ebony Oil and Gas Limited ("Ebony"), a company registered in Ghana, from the former managing director of Oando Supply and Trading ("OST"). OST is a subsidiary of Oando Plc, of which Mr. Dimeji Edwards was a key management personnel during a period in 2012. See details of the acquisition in Note 40.

8) Other related party transactions

i. Broll Properties Services Limited received N35.8million (2011: Nil) for facilities management services. Mr. Jubril Adewale Tinubu has control over one of the joint interest owners of the company.

ii. Noxie Limited received N234.1million (2011:N14.9m) for supply of office equipment. A close family member of Mr. Jubril Adewale Tinubu has control over the company.

iii. Olajide Oyewole & co. received N55.9million (2011: N33.5million) for professional services rendered. A close family member of Jubril Adewale Tinubu has significant influence over the firm.

iv. Lagoon Waters Limited, one of the dealers for the sale of petroleum products, purchased petroleum products worth N913.9million (2011:N5.6million) from the Group. Lagoon Waters Limited is controlled by a close family member of Mr. Jubril Adewale Tinubu.

v. Temple Productions Limited received 29.9million (2011: Nil) for advertisement services. The company is controlled by a close family member of Mr. Omamofe Boyo.

vi. Transport Services Limited ("TSL") provides haulage services to a downstream company of the Group. During the year under review, TSL provided haulage services worth N1.8billion (2011: N1.2billion) to the Group. TSL is ultimately controlled by a close family member of Mr. Jubril Adewale Tinubu.

vii. TSL Logistics Limited supplied products and throughput services worth N11.6billion (2011: 0.4billion) to the Group. The company is ultimately controlled by a close family member of Mr. Jubril Adewale Tinubu.

viii. Avante Property Asset Management Services Limited received N83m (2011: N37million) for professional services rendered to the Group. The company is ultimately controlled by Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo.

ix. K.O Tinubu & Co. provided legal services amounting to N2.2million (2011: Nil). K.O Tinubu is controlled by a close family member of Mr. Jubril Adewale Tinubu.

x. Offshore Personnel Services supplied services worth N1.4billion (2011:N1.0billion) to the Group. The Company's ultimate parent is Ocean and Oil Holdings Limited. Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo have significant influence over the ultimate parent.

xi. Petropro Limited supplied services to the Group amounting to N36.3million. The company is ultimately owned by Ocean and Oil Holdings (BVI). Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo have significant influence over Ocean and Oil Holdings (BVI).

xii. Avaizon Consulting Limited provided training services worth N0.53million (2011:N11.8 million) to the Group in 2012. Mr. Jubril Adewale Tinubu and Mr. Omamofe Boyo have significant influence over the company.

xiii. Templars provided legal services worth N21 million to the Group. Mr Oghogho Akpata, a director of Oando Plc, is a partner of Templars.

9. Key management personnel

Key management includes directors (executive and non-executive) and members of the Group Leadership Council. The compensation paid or payable to key management for employee services is shown below:

	2012 N'000	2011 N'000
Salaries and other short-term employee benefits	1,024,262	716,021
Share options and management stock options	421,587	282,722
Gratuity benefits	34,597	590,905
	1,480,446	1,589,648

10. Year-end balances arising from transactions with related parties

The following receivables or payables at December 31, 2012 arose from transactions with related parties:

	Company 2012 N'000	Company 2011 N'000
Receivables from related parties:		
Oando Exploration and Production Limited	8,171,111	49,308,872
Oando Energy Services Limited	51,023,528	34,570,799
Oando Lekki Refinery Limited	375,741	2,402,167
Apapa SPM Limited	2,559,934	2,258,944
Oando Properties Limited	59,063	58,688
Gaslink Nigeria Limited	1,753,051	1,288,158
Oando Energy Resources Inc.	53,568,150	-
Equator Exploration Limited	8,466,312	-
Transport Services Limited1	1,021,318	84,039
Payables to related parties:		
Oando Marketing Plc	35,126,610	21,913,879
Oando Supply and Trading Limited	349,199	4,757,781
Oando Gas and Power Limited	1,998,270	3,000,000
Oando Trading Limited	7,679,369	9,450,794
Broll Properties Services Limited	8,396	7,826
Olajide Oyewole & Co	9,637	2,174
Lagoon Waters Limited	68	121
Transport Services Limited	391,162	46,230
TSL Logistics Limited	4,170,265	84,036
Avante Property Asset Management Services Limited	1,583	1,583

34 Commitments

a. The Group had outstanding capital expenditure contracted but not provided for under property, plant and equipment amounting to N2.7billion (2011: N1.5billion) at December 31, 2012.

b. Acquisition of Conoco Phillips Nigerian operation

On December 20, 2012, the Group announced that it has entered into an agreement with ConocoPhillips to acquire ConocoPhillips Nigerian business for a total cash consideration of approximately N278.2billion (US $1.79billion) net of post closing adjustments (the “Proposed Acquisition”). The Group has paid a deposit of N67.5billion (US $ 435million) and is contractually obliged to pay the remaining N210.7billion (US $1.36billion) by September 2013 as agreed in the sale and purchase agreement. Other conditions include obtaining approval from necessary government authority, representations that Oando has satisfied in all material respect all actions, obligations and commitments that would be performed.

ConocoPhillips’ Nigerian businesses consist of:

The Onshore Business

- Phillips Oil company Nigeria Limited ("POCNL"), which holds a 20% non-operating interest in Oil Mining Leases ("OMLs") 60, 61, 62 and 63 as well as related infrastructure and facilities in the Nigerian Agip Oil Company Limited (“NAOC”) Joint Venture (“NAOC JV”). The other partners are the Nigerian National Petroleum Corporation (“NNPC”) with a 60% interest and NAOC (20% and operator); and

- Phillips Brass Limited ("PBL") which holds a 17% shareholding interest in Brass LNG Limited, which is developing the Brass LNG project, a Greenfield project to develop a two-train, 10 million ton per year, Liquefied natural Gas (“LNG”) facility in Bayelsa State, Nigeria. The other partners are NNPC (49%); Eni (17%) and Total (17%).

The Offshore Business

The offshore business comprises of Conoco Exploration and Production Nigeria Limited (“CEPNL”), which holds a 95% operating interest in OML 131. The other partner is Medal Oil (5%); and Phillips Deepwater Exploration Nigeria Limited (“PDENL”), which holds a 20% non-operating interest in OPL 214. The other partners are ExxonMobil (20% and operator), Chevron (20%), Svenska (20%), Nigeria Petroleum Development Company (15%) and Sasol (5%).

Pursuant to the Proposed Acquisition, the Group will indirectly purchase all of the issued share capital of POCNL, PBL, CEPNL and PDENL. Upon closing, the effective date of the proposed acquisition will be January 1, 2012.

c. The Group’s other commitments through OER are:

i. OML 56

Energia Limited, operator of the Ebendo Field in OML 56, along with OPDC, drilled and completed the Ebendo-4 well during the reporting period. The well was tested from July 29, 2012 to August 28, 2012.

The authorization for expenditure for the Ebendo-5 well is approximately N3.2billion (US $20.8million) of which the Group has a 42.75% economic interest.

Ebendo wells 6 and 7 are planned for drilling in 2013. The authorization for expenditure for these two wells is N6.5billion (US $42million) of which the Group has 42.75% economic interest.

During the reporting period, the PSC started the contract for the purchase of pipes for the Umugini pipelines, which is planned as an alternative evacuation route to the current routing through the Kwale Flow station operated by Agip. The total contract sum is approximately N1.4billion (US $8.87million).

ii. OML 125

Nigeria Agip Energy ("NAE"), the operator of OML 125, together with Oando OML 125 & 134 Limited worked over the Abo-9 well during the course of the current year. Work-over operations commenced on August 2, 2012 and was completed it in December 2012. The initial authorized expenditure for this operation was approximately N8billion (US $52million) but was revised upward by N1.55billion (US $10million) to adjust for issues and delays surrounding rig positioning, modification work and anchor handling. The actual full cost of the work-over is yet to be obtained from the operator, but operator has indicated it could be approximately N21.43billion (US $138million). The Group has a 15% interest in this project.

iii. Akepo Oilfield Project.

The Akepo Field is subject to an overriding royalty payable to Chevron Nigeria Limited ("Chevron"), on the production of petroleum and natural gas from the field. In respect of production of petroleum, the royalty ranges from 2.5% of the value of daily production up to 2,000bopd to 7.5% of the value of daily production up to 15,000 bopd. Royalty rates for petroleum production greater than 15,000 bopd per day are to be negotiated. In respect of production of natural gas, the royalty ranges from 2.5% of the value of the daily production of 20million standard cubic feet "mmscf") to 5.0% of the value of daily production in excess of 100 mmscf. Production is also subject to royalties payable to the Government of Nigeria.

	2012 N'000	2011 N'000
Outstanding capital expenditure contracted but not provided for in property, plant and equipment	247,170,491	1,513,699
Capital expenditure approved by the Board but not yet committed property, plant and equipment	48,161,607	9,466,851
	295,332,098	10,980,550

35 Events after the reporting period

1. Oando Qua Ibo Limited

As previously disclosed in Note 1, pursuant to the Oando reorganization which started in 2012 and the Referral and Non-Competition Agreement date July 24, 2012 between Oando Plc and OER, OER is entitled to a right of first offer of certain interests or options acquired by Oando Plc.

Prior to the execution of the Agreement, Oando Qua Iboe Limited, the vehicle through which Oando owns interest in the Ibo field, created two classes of shares: Class A shares and Class B shares. Class A shares entitles the holder thereof (Oando Plc) to 60% of the voting rights and nil dividend rights. Class B shares entitles the holder thereof (Oando Netherlands Holdings 4 B.V) to 40% of the voting rights and 100% of the dividend rights.

On March 26, 2013, Oando Plc signed a Share Purchase Agreement with Oando Netherlands Holding 4 B.V. relating to the entire issued Class B share capital of Oando Qua Ibo Limited. The entire Class B share capital comprises of 4,000,000 shares of N1.00 each. Both Oando Plc and Oando Netherlands Holdings 4 B.V. agreed the consideration for the sale of the entire Class B shares as the aggregate of the (i) the expenses and (ii) the administrative fee of 1.75% and interest and fees payable in respect of indebtedness as at the completion date less indebtedness plus completion cash.

2. Oando Rights Issue

Oando Plc embarked on a rights issue of 4,548,236,276 ordinary shares of 50k each at N12.00 per share on December 28, 2012. The offer closed on February 20, 2013. The Company has received approval for allotment proposal filed with the Securities and Exchange Commission in 2013. The amount received through the Rights was N54.6 billion.

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

Oando Plc and the Jaja Wachukwu Family entered into a deed of settlement (the "deed") on March 28, 2013 in respect of a litigation which was yet to be decided at year-end.

Parties to the deed agreed final settlement of N700million in favour of the Jaja Wachukwu family. Oando Plc has provided for her share of the settlement amount of N353.4million in these consolidated financial settlements.

According to the best estimate and opinion of the directors, the Group's contingent liability arising from the deed of settlement at 31 December 2012 approximates N353.4 million. The amount has been reflected as an expense in the income statement and a provision in the statement of financial position (Note 26).

4. OER loan re-financing

On 30 May 2013, Oando Energy Resources announced that it had entered into a Loan agreement with Oando Plc to refinance and supplement the loan extended by Oando to OER on December 20, 2012. OER and Oando also executed a deed of repayment ("Repayment Deed") permitting OER to repay amounts owing under the Loan Agreement by the issuance of common shares of OER. Oando owns 94.6% of the common shares of OER ("Shares"), on a non-diluted basis. Pursuant to the Loan Agreement, Oando provided a facility ("Facility") to OER of up to US$386,000,000, bearing an annual interest rate of 5%. Of the Facility, US$362,000,000 plus accrued interest is required to be repaid by September 30, 2013 while the remainder of the Facility is required to be repaid on or before December 31, 2013.

Pursuant to the Repayment Deed, OER is permitted to elect to repay the Facility by the issuance of Shares, provided that all regulatory approvals have been obtained, at the earliest of the following events: (i) a receipt has been issued for a final prospectus ("Final Prospectus") in respect of an offering of Shares (or securities convertible into Shares at no additional cost to the subscriber thereof); (ii) completion of the proposed acquisition by OER of the Nigerian oil and gas assets of ConocoPhillips Company ("Acquisition"), as announced by OER in December 2012; and (iii) termination of the Acquisition.

36 Contingent liabilities

Guarantees to third parties

Guarantees, performance bonds, and advance payment guarantees issued in favour of Oando Plc by commercial banks amounted to NGN 62.33 billion (2011: NGN 2.50 billion). Oando Plc also guaranteed various loans in respect of the following subsidiaries: Gaslink Nigeria Limited (NGN3 billion); Oando Energy Services Limited (NGN 5.36 billion); Oando OML 125 and 134 Limited (NGN 10.12 billion); Oando Gas and Power Limited (NGN 2 billion); Oando Trading Limited (NGN 18.63 billion) ; Ebony Oil and Gas Limited (NGN 15.53 billion) ; Oando Supply and Trading Limited (NGN 18.63 billion) ; Apapa SPM Limited (NGN 12 billion) and Oando Energy Resources Limited (NGN 3.11 billion).

Pending litigation

There are a number of legal suits outstanding against the Company for stated amounts of NGN5.19 billion (2011: NGN8.48 billion). On the advice of Counsel, the Board of Directors are of the opinion that no material losses are expected to arise. Therefore, no provision has been made in the financial statements.

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

OPL 321 and 323 Contingent Liabilities

The Company bid as part of a consortium for OPL 321 and 323. It was granted a 30% interest in the PSCs but two of its bidding partners were not included as direct participants in the PSCs. As a result, the Company granted them respectively 3% and 1% carried economic interests in recognition of their contribution to the bidding group.
During 2007, it was agreed with the bidding partners that they would surrender their carried interests in return for warrants in the Company and payments of US$4m and US$1m. The Warrant Instruments were issued immediately but it was agreed that the cash payments would be deferred. In the first instance, payment would be made within 5 days after the closing of a farm out of a 20% interest in OPL 323 to BG. However, BG terminated the farm out agreement. Under the successor obligation, the Group issued two loan notes with an aggregate value of US$5m, redeemable out of the first US$5m of proceeds received on the occurrence of any one of the following events related to either OPL 321 or OPL 323:

- a farm out with another party,
- a sale or partial sale of the interest, and
- a sale or partial sale of the subsidiary holding the relevant PSC.

During 2010, one bidding partner successfully sued Equator in an arbitration tribunal for its N155.3million. This has been paid in full. On the advice of its barrister, the Company maintains that the remaining $4m owed is not yet due and that any second arbitration hearing can be successfully defended. If none of the above events occur, it is assumed that the Company will not need to settle the $4m loan note and can defer payment indefinitely. The naira equivalent of the $4m was N621 million at 31 December 2012.

The above contingencies are based on the best estimates of the board.

37 Subsidiary information

Entity name	Country of incorporation	Nature of business	Investment Currency	Issued share capital	Percentage interest held
Operational subsidiaries			All figures in		
Direct Shareholding					
Ajah Distribution Company Limited	Nigeria	Power Generation	Naira	2,500,000	100%
Akute Power Limited	Nigeria	Power Generation	Naira	2,500,000	100%
Alausa Power Limited	Nigeria	Power Generation	Naira	2,500,000	100%
Apapa SPM Limited	Nigeria	Offshore submarine pipeline construction	Naira	19,125.00	100%
Central Horizon Gas Company Limited	Nigeria	Gas Distribution	Naira	9,100,000	51%
East Horizon Gas Company Limited	Nigeria	Gas Distribution	Naira	10,000,000	100%
Gasgrid Nigeria Limited	Nigeria	Gas Distribution	Naira	2,500,000	100%
Gaslink Nigeria Limited	Nigeria	Gas Distribution	Naira	1,717,697,000	97.24%
Lekki Gardens Power Limited	Nigeria	Power Generation	Naira	2,500,000	100%
OES Integrity	British Virgin Islands	Provision of drilling and other services to upstream companie	USD	50,000	100%
OES Passion	Bermuda	Provision of drilling and other services to upstream companie	USD	12,000	100%
OES Professionalism Limited	Nigeria	Provision of drilling services	Naira	10,000,000	100%
OES Respect Limited	British Virgin Islands	Provision of drilling and other services to upstream companie	USD	100	100%
OES Teamwork Limited	British Virgin Islands	Provision of drilling and other services to upstream companie	USD	100	100%
Oando Benin	Benin	Marketing and sale of petroleum products	CIA	14,832,000	100%
Oando Energy Resources Inc.	Canada		CDN$		100%
Oando Energy Services Limited	Nigeria	Provision of drilling and other services upstream companies	Naira	5,000,000	100%
Oando Exploration and Production Limited	Nigeria	Exploration and Production	Naira	5,000,000	100%
Oando Gas and Power Limited	Nigeria	Gas and Power generation and distribution	Naira	1,000,000	100%
Oando Lekki Refinery Company Limited	Nigeria	Petroleum Refining	Naira	2,500,000	100%
Oando Logistics and Services Limited	United Kingdom	Provision of Logistics and other services	GBP	1	100%
Oando Marketing PLC	Nigeria	Marketing and sale of petroleum products	Naira	437,500,000	100%
Oando Port Harcourt Refinery Company Limited	Nigeria	Petroleum Refining	Naira	2,500,000	100%
Oando Properties Limited	Nigeria	Property Management Services	Naira	250,000	100%

Subsidiary information

Entity name	Country of incorporation	Nature of business	Investment Currency All figures in	Issued share capital	Percentage interest held
Operational subsidiaries					
Oando Resources Limited	Nigeria	Exploration and Production	Naira	2,500,000	100%
Oando Servco UK Limited	United Kingdom	Provision of Management Services	GBP		100%
Oando Supply and Trading Limited	Nigeria	Supply of crude oil and refined petroleum products	Naira	5,000,000	100%
Oando Terminals and Logistics	Nigeria	Storage and haulage of petroleum products	Naira	2,500,000	100%
Oando Trading Limited	Bermuda	Supply of crude oil and refined petroleum products	USD	12,000	100%
Oando Wings Development Limited	Nigeria	Real Estate Development	Naira	3,000,000	100%
Oando Ghana Limited	Ghana	Marketing and sale of petroleum products (Subsidiary of Oar	Cedis	126,575,000	82.9%
Oando Togo S.A	Togo	Marketing and sale of petroleum products (Subsidiary of Oar	CIA	186,288,000	75%
ORPSL	Nigeria	Exploration and Production	Naira	9,918,182	100%
PETRONOIR LIMITED	Bermuda		USD		
Indirect Shareholding					
Ebony Oil & Gas Limited	Ghana	Supply of crude oil and refined petroleum products	Naira	408,853	80%
Oando Production and Development	Nigeria	Exploration and Production	Naira	10,000,000	100%
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 Netherlands Holdings 1	Netherlands	Financial holding company	Euro	18,000	100%
Oando Petroleum Development Company	Nigeria	Exploration and Production	Naira	2,500,000	100%
Aqua Exploration Limited	Bahamas	Exploration and Production (100% subsidiary of EEL)	USD	100,000	81.5%
Clean Cooking Fuel Investments Limited	Nigeria	Gas Distribution (Subsidiary of Oando Marketing PLC)	Naira	7,500,000	100%
Equator Exploration Limited (Congo)	Congo	Exploration and Production (100% subsidiary of EEL)	CIA	50,000	81.5%
Equator Exploration Nigeria JDZ Block 2	Nigeria	Exploration and Production (100% subsidiary of EEL)	Naira	10,000,000	81.5%
Equator Exploration Nigeria 321 Limited	Nigeria	Exploration and Production (100% subsidiary of EEL)	Naira	10,000,000	100%
Equator Exploration Nigeria 323 Limited	Nigeria	Exploration and Production (100% subsidiary of EEL)	Naira	10,000,000	81.5%
Equator Exploration Nigeria OML 122	Nigeria	Exploration and Production (100% subsidiary of EEL)	Naira	10,000,000	81.5%
Equator Exploration OML (122) Limited	British Virgin Islands	Exploration and Production (100% subsidiary of EEL)	USD	500,000,000	81.5%
Gaslink Benin Limited	Benin	Gas Distribution (100% owned by Gaslink Nigeria Limited)	CIA	10,000,000	100%
Gaslink Ghana Limited	Ghana	Gas distribution (100% owned by Gaslink Nigeria Limited)	Cedis	1,000,000	100%
Gaslink Togo S.A	Togo	Gas Distribution (100% owned by Gaslink Nigeria Limited)	CIA	10,000,000	100%
Oando Liberia	Nigeria	Marketing and sale of petroleum products (Subsidiary of Oar	USD	50,000	100%
Oando Servco Nigeria Limited	Nigeria	Provision of Management Services	Naira	2,500,000	100%
Oando Sierra Leone Limited	Sierra Leone	Marketing and sale of petroleum products (Subsidiary of Oar	Leones	10,079,000	80%
Oando OML 125 & 134 Limited	Nigeria	Exploration and Production (100% owned by Oando OML 12	Naira	2,500,001	100%
Oando OML 125 & 134 (BVI) Limited	British Virgin Islands	Exploration and Production (100% owned by Oando Explorat	USD	100,987,074	100%
Gas Network Services Limited	Nigeria	Gas Distribution (Subsidiary of Gaslink Nigeria Limited)	Naira	5,000,000	100%
Oando Netherlands Holdings 2 B.V	Netherlands	Financial holding company	Euro	18,000	100%
Oando Netherlands Holdings 3 B.V	Netherlands	Financial holding company	Euro	18,000	100%
Oando Servco Netherlands B.V	Netherlands	Financial holding company	Euro		100%

38 Financial instruments by category

GROUP

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

	Financial instruments at fair value through profit and loss	Other financial liabilities at amortised cost	Total
2012	N'000	N'000	N'000
Liabilities per statement of financial position:			
Borrowings (excluding finance lease liabilities)	1,765,501	287,121,284	288,886,785
Finance lease liabilities	-	-	-
Trade and other payables (excluding derivative financial instruments, accrued expenses and deferred income	-	84,310,424	84,310,424
Interest rate swaps	1,159,710	-	1,159,710
Share Warrants	917,095	-	917,095
Deferred premiums payable	-	-	-
Cross currency interest rate swaps	1,409,651	-	1,409,651
	5,251,957	371,431,708	376,683,665

	Financial instruments at fair value through profit and loss	Loans and receivables	Available-for-sale	Total
2011	N'000	N'000	N'000	N'000
Assets per statement of financial position:				
Available-for-sale financial assets	-	-	193,844	193,844
Non-current receivable (excluding operating lease)	-	-	-	-
Trade and other receivables (excluding prepayments)	-	80,947,106	-	80,947,106
Commodity options	183,691	-	-	183,691
Foreign currency forward contracts	135,582	-	-	135,582
Cash and cash equivalents	-	21,027,019	-	21,027,019
	319,273	101,974,125	193,844	102,487,242

	Financial instruments at fair value through profit and loss	Other financial liabilities at amortised cost	Total
2011	N'000	N'000	N'000
Liabilities per statement of financial position:			
Borrowings (excluding finance lease liabilities)	4,850,010	201,155,517	206,005,527
Finance lease liabilities	-	-	0
Trade and other payables (excluding derivative financial instruments, accrued expenses and deferred income	-	57,146,082	57,146,082
Interest rate swaps	1,624,168	-	1,624,168
Deferred premiums payable	-	452,043	452,043
Cross currency interest rate swaps	815,833	-	815,833
	7,290,010	258,753,642	266,043,652

	Financial instruments at fair value through profit and loss	Loans and receivables	Available-for-sale	Total
2010	N'000	N'000	N'000	N'000
Assets per statement of financial position:				
Available-for-sale financial assets	-	-	1,093	1,093
Non-current receivable (excluding operating lease)	-	-	-	-
Trade and other receivables (excluding prepayments)	-	76,796,667	-	76,796,667
Commodity options	468,756	-	-	468,756
Foreign currency forward contracts	-	12,794,030	-	12,794,030
Cash and cash equivalents	-	0	0	0
	468,756	89,590,697	1,093	90,060,546

	Financial instruments at fair value through profit and loss	Other financial liabilities at amortised cost	Total
2010	N'000	N'000	N'000
Liabilities per statement of financial position:			
Borrowings (excluding finance lease liabilities)	3,615,874	153,131,763	156,747,637
Finance lease liabilities	-	55,607	55,607
Trade and other payables (excluding derivative financial instruments, accrued expenses and deferred income	-	48,996,816	48,996,816
Interest rate swaps	1,522,950	1,522,950	3,045,900
Deferred premiums payable	-	911,271	911,271
Cross currency interest rate swaps	0	0	0
	5,138,824	204,618,407	209,757,231

COMPANY

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

2012	Financial instruments at fair value through profit and loss	Other financial liabilities at amortised cost	Total
	N'000	N'000	N'000
Liabilities per statement of financial position:			
Borrowings (excluding finance lease liabilities)	-	113,881,820	113,881,820
Finance lease liabilities	-	-	-
Trade and other payables (excluding derivative financial instruments, accrued expenses and deferred income	-	51,575,433	51,575,433
Interest rate swaps	-	-	-
Deferred premiums payable	-	-	-
Cross currency interest rate swaps	1,409,651	-	1,409,651
	1,409,651	1,409,651	166,866,904

2011	Financial instruments at fair value through profit and loss	Loans and receivables	Available-for-sale	Total
	N'000	N'000	N'000	N'000
Assets per statement of financial position:				
Available-for-sale financial assets	-	-	194,031	194,031
Non-current receivable (excluding operating lease)	-	33,762		33,762
Trade and other receivables (excluding prepayments)	-	-	-	-
Commodity options	-	-	-	-
Foreign currency forward contracts	-	-	-	-
Cash and cash equivalents	-	2,517,681	-	2,517,681
Held to maturity investments		41,864,743		41,864,743
	-	44,416,186	194,031	44,610,217

2011	Financial instruments at fair value through profit and loss	Other financial liabilities at amortised cost	Total
	N'000	N'000	N'000
Liabilities per statement of financial position:			
Borrowings (excluding finance lease liabilities)	-	57,461,467	57,461,467
Finance lease liabilities	-	-	-
Trade and other payables (excluding derivative financial instruments, accrued expenses and deferred income	-	43,098,950	43,098,950
Interest rate swaps	-	-	-
Deferred premiums payable	-	-	-
Cross currency interest rate swaps	1,349,724	-	1,349,724
	1,349,724	100,560,417	101,910,141

39 Upstream activities

Details of upstream assets

	Mineral rights acquisition	Land and building	Expl. costs and producing wells	Production Well	Capital construction	Moveable assets	Abandonment assets	Development Cost
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	
As previously reported	44,709,678	24,085	19,755,567	4,426,203	5,948,435	411,519	780,369	-
Restatement to Cost or valuation	(44,458,879)	-	(13,587,357)	(11,100)	-	(9,287)	-	-
Exchange differences	1,553	1	686	154	207	14	27	-
Restatement to Accumulated depreciation	2,883,157	-	-	-	-	-	-	-
	3,135,510	24,085	6,168,896	4,415,257	5,948,642	402,246	780,396	-
˝Year ended 31 December 2011˝								
Opening NBV	3,135,510	24,085	6,168,896	4,415,257	5,948,642	402,246	780,396	-
Additions	4,927,173	-	2,161,185	2,298,713	1,497,340	76,753	-	-
Decommissioning cost	-	-	-	-	-	-	(586,062)	-
Disposals	-	-	-	-	-	(26,085)	-	-
Impairment	(1,472,029)	-	-	-	-	-	-	-
Depreciation charge	718,565	-	37,981	(1,512,666)	(1,828,009)	(110,934)	(127,615)	-
Exchange differences	46,984	774	198,152	141,823	191,077	12,921	201,729	-
Restatement to Accumulated depreciation	(4,090,346)		(6,024,985)	54,549	(492,402)	(470)	(100,124)	1,869,735
Restatement to Accumulated depreciation	304,995		40,949	(40,949)	-	-	64,677	
Closing net book amount	3,570,851	24,859	2,582,178	5,356,728	5,316,648	354,430	233,000	1,869,735
Year ended 31 December 2012								
Opening net book amount	3,570,851	24,859	2,582,178	5,356,728	5,316,648	354,430	233,000	1,869,735
Decommissioning costs	-	-	-	-	-	-	1,829,702	-
Additions	978,857	-	313,540	5,124,500	1,255,551	21,745	(383,697)	645,403
Business acquisition	-	-	-	-	-	-	-	695,610
Transfers	-	-	-	-	-	167,536	-	-
Disposal	-	-	-	-	-	(2,640)	-	-
Adjustments	-	-	-	-	-	-	-	-
Impairments3	-	-	-	-	-	-	-	-
Depreciation charge	(20,635)	-	(1,813)	(2,114,983)	(1,377,400)	(116,749)	(2,640)	-
Exchange difference	(292,341)	(149)	(191,831)	(34,095)	(16,664)	(1,172)	(695)	-
	4,236,732	24,710	2,702,074	8,332,150	5,178,135	423,150	1,675,670	3,210,748

(39.1) Impairment

In early 2011, the operator of JDZ Block 2, Sinopec, confirmed that the 'Bomu' gas discovery, which is small for deep water, was uneconomic in current conditions and that the rest of the block had insufficient prospecting viability to justify entering the Phase 2 Exploration Period with its obligatory well. A further one year extension was granted by the JDA to end in March 2012 but, nothing occurred to change conclusions of the post Bomu 1 evaluation. During 2011, management decided to exit the exploration of JDZ Block 2, due to volumes of gas discovered which, are not in commercial quantities. The value of N1.5billion has been fully written off to income statement in 2011.

(39.2) Details of concessions

Subsidiary	License	Operator	Interest	Location	Licence	Expiration Date	Status
Oando OML 125 & 134 Ltd	OML 125	NAE	15% working interest in OML 125 & 134	Offshore	PSC	04/07/2023	Producing
Oando OML 125 & 134 Ltd	OML 134	NAE	15% working interest in OML 125 & 134	Offshore	PSC	04/07/2023	Appraisal
Oando Petroleum Development Company Ltd	OML 56	Energia/ Pillar Oil	45% participatory interest	Onshore	JV	31/01/2023	Producing
Oando Exploration And Production Ltd	OPL 236	OEPL	95% working interest	Onshore	PSC	31/03/2013	Development/ Appraisal
Oando Exploration And Production Ltd	OPL 278	OEPL	60% working interest	Onshore	PSC	31/01/2011	Exploration
Oando Akepo Limited	OML 90	Sogenal	30% participatory interest	Offshore	JV	13/03/2015	Development
OPL 282 Limited	OPL 282	NAOC	4% working interest	Onshore	PSC	31/08/2011	Exploration
Equator Exploration JDZ Block 2 Limited	JDZ Block 2	Sinopec	participating interest	Offshore	PSC	13/03/2034	Appraisal/ Exploration
Equator Exploration (OML 122) Limited	OML 122	Peak	Finance & service agreement with operator	Offshore	PSC	13/09/2021	Development/ Appraisal
Equator Exploration Nigeria 323 Limited	OPL 323	KNOC	participating interest	Offshore	PSC	10/03/2006	Exploration
Equator Exploration Nigeria 321 Limited	OPL 321	KNOC	participating interest	Offshore	PSC	10/03/2006	Exploration
Aqua Exploration Limited	Allocation letter for Block 5	-	Allocation letter with rights to enter into a PSC	Offshore	PSC	-	Exploration
Aqua Exploration Limited	Allocation letter for Block 12	-	Allocation letter with rights to enter into a PSC	Offshore	PSC	-	Exploration
Equator Exploration JDZ Block 2 Limited	JDZ Block 2	Sinopec	9% non operator participating interest	Offshore	PSC	14 March 2012	Exploration
Equator Exploration (OML 122) Limited	OML 122	Peak	Finance & service agreement with operator	Offshore	Participation Agreement	No Date available	Development
Equator Exploration Nigeria 323 Limited	OPL 323	KNOC	30% non operator participating interest	Offshore	PSC	9th March 2016	Exploration
Equator Exploration Nigeria 321 Limited	OPL 321	KNOC	30% non operator participating interest	Offshore	PSC	9th March 2016	Exploration
Aqua Exploration Limited	Allocation letter for Block 5	-	Allocation letter with rights to enter into a PSC	Offshore	PSC	2020	Not signed
Aqua Exploration Limited	Allocation letter for Block 12	-	Allocation letter with rights to enter into a PSC	Offshore	PSC	2020	Not signed

40 Business combination

On 13 October, 2011 Oando PLC (''Oando") and Exile Resources Inc. ("Exile") announced that they had entered into a definitive master agreement dated 27 September, 2011 that contains proposed acquisition ("the Acquisition") by Exile of certain shareholding interests in Oando subsidiaries through a reverse Take Over ("RTO") in respect of Oil Mining Leases ("OMLs") and Oil Prospecting Licenses ("OPLs") of Oando's upstream division. The Acquisition was completed on July 24, 2012. The transaction has been accounted for as a reverse acquisition of Exile by the Group using the principles of IFRS 3, Business Combinations. as the Group is deemed to have obtained control over the operations of Exile.

On January 1, 2012, the Group acquired 80% of the share capital of Ebony Oil and Gas Limited ("Ebony"). Ebony's business entails sourcing and distribution of petroleum products in Ghana.

On 29 November 2012, the group acquired 100% of the share capital of Churchill Finance C300-0462 Limited ("Churchill"). Churchill's asset, a Bombardier Challenger 300 aircraft is used for operational purposes by the Group.

Purchase consideration

Pursuant to the plan of arrangement (the "Arrangement"), all of the outstanding common shares of Exile were consolidated on the basis of one new common share (the "post-Consolidated Common Shares") for every 16.28 old Common Shares then outstanding (the "Consolidation"). Exile issued 100,339,052 post-Consolidated Common Shares to Oando Plc, resulting in Oando Plc obtaining control over Exile. The fair value of 5,714,276 shares issued to as part of the consideration paid for Exile was $ 5,714,276 and the fair value was based on the published share price ($1.00) of July 30, 2012, the first trading day after the close of the acquisition.

Also pursuant to the Arrangement, two share purchase warrants of Exile for every 16.28 Common Shares of Exile held immediately prior to the Arrangement, one share purchase warrant exercisable to acquire one post Consolidated Common Share of Exile at an exercise price of Cdn$1.50 per share for a period of 12 months (the "Cdn$1.50 warrants"), and the second share purchase warrant exercisable to acquire one post Consolidated Common Share of Exile at an exercise price of Cdn$2.00 per share for a period of 24 months (together with the Cdn$1.50 warrants, the "Warrants").

The fair value of warrants, determined using the Black Scholes valuation model, was $2.29 million. The significant inputs to the model were a share price of $1.00, at the close date, exercise price of $1.50 and $2.00 respectively, volatility of 78%, dividend yield of $nil, expected warrant life of 1 and 2 years respectively and a risk free rate of 1.14% and 0.2% respectively.

The Group paid a consideration of ($1) N156.2 and 155.27 for the acquisition of Ebony Oil & Gas and Churchill. The cash consideration represented agreement between the erstwhile owners of the 80% of Ebony and 100% of Churchill.

Net asset and liabilities acquired

The assets and liabilities acquired in all the entities consist of cash, accounts receivables, property plant and equipment, a 10% interest in the Akepo oil and gas assets and exploration and evaluation assets located in Zambia and Turkey. The fair value of the assets and liabilities acquired approximates N215.2 million in Exile, (N70m) in Ebony; and (N2,339 m) in Churchill.

There were no contingent liabilities in any of the acquired entities as at the acquisition date.

The following table summarises the consideration paid for Exile, Ebony and Churchill, the fair value of assets acquired, liabilities assumed the non-controlling interest and goodwill recognised resulting as the acquisition dates:

	Exile N'000	Ebony N'000	Churchill N'000
Consideration paid:			
Cash	-	-	-
Shares issued	887,941	-	-
Warrants issued	355,803	-	-
Total considerations transferred	1,243,744	-	-
Recognised amounts of identifiable assets acquired and liabilities assumed:			
Cash and cash equivalents	6,371	771,014	12,824
Property plant and equipment	696,147	19,163	2,445,503
Intangible exploration and evaluation	116,543	-	-
Inventory	-	1,063,626	-
Trade and other receivables	9,945	2,210,969	353,399
Trade and other payables	(311,557)	(4,135,318)	(3,920,938)
Borrowings	(85,309)	-	(1,229,911)
Decommissioning liabilities	(11,965)	-	-
Deferred tax liabilities	(204,959)	-	-
Total Identifiable assets	215,216	(70,546)	(2,339,123)
Non-controlling interest	-	(14,109)	-
Goodwill	1,028,528	56,437	2,339,123
	1,243,744	-	-

The fair value of the acquired oil and gas assets, including exploration and evaluation assets is provisional pending receipt of the final valuations for those assets. The Goodwill arising from the transactions represents the expected synergies from the additional 10% interest in the Akepo oil and gas assets, increase in business arising from additional outlets from Ebony and use of the Churchill's aircraft. Goodwill arising from the business combination with Exile, Ebony and Churchill were N1,028 million, N56 million and N2,339 million respectively. These goodwill have been reported under intangible assets in these consolidated financial statements (Note 12).

Impairment assessments were performed on the goodwill amounts above. An impairment loss of N1,299 million was recorded in relation to the acquisition of Churchill Finance C300-0462 Limited. See Note 12 for the impairment loss basis.

The amounts of revenue, net of royalties, since the acquisition date included in the statement of income for the year ended December 31, 2012 was $nil, as the oil and gas properties acquired are in the development or exploration phase. It is impractical to determine the net income in the current reporting period had this transaction closed on January 1, 2012. The effect of retrospective application of IFRS policies is not determinable and requires significant estimates of the amounts and information that are not readily available to the Company.

The revenue included in the consolidated statement of comprehensive income since the acquisition of Ebony and Churchill was N31.6 billion and N48.7 million and profit/(loss) of N458 million and N17.9 million respectively.

Appendix 1

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

Reconciliation of Comprehensive Income as at 31 Dec 2011

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

(v) Prior year restatements

Appendix 1

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

Reconciliation of shareholders' equity as at 1 January 2011

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

Appendix 1

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

Reconciliation of shareholders' equity as at 31 December 2011

		Effect of transition to IFRS Reference to FS Notes	NGAAP	IFRS Adjustment	IFRS restated
	N'000	N'000			N'000
Non Current assets					
Property, plant and equipment			175,455,217	(65,976,008)	109,479,209
Intangible assets			23,667,715	95,665,651	119,333,366
Assets under construction			-	-	-
Available-for-sale financial assets			1,000	-	1,000
Deferred income tax assets			5,553,035	4,355,738	9,908,773
Derivative financial assets			-	2,404,000	2,404,000
Finance lease receivables			-	3,663,544	3,663,544
Non-current receivables and prepayments			34,426,127	(32,951,699)	1,474,428
Restricted cash			-	2,343,000	2,343,000
			239,103,094	9,504,226	248,607,320
Current assets					
Inventories			32,458,405	-	32,458,405
Finance lease receivables			-	498,930	498,930
Trade and other receivables			106,219,744	(1,023,494)	105,196,250
Deferred tax asset			1,856,959	(1,856,959)	-
Available-for-sale financial assets			193,031	-	193,031
Cash and cash equivalents (excluding bank overdrafts)			21,033,529	(2,343,000)	18,690,529
			161,761,668	(4,724,523)	157,037,145
Total assets			400,864,762	4,779,703	405,644,465
Equity and Liabilities					
Equity attributable to owners of the parent					
Share capital			1,137,058	-	1,137,058
Share premium			49,521,186	-	49,521,186
Revaluation reserve			18,054,794	(2,375,527)	15,679,267
Foreign currency translation reserve			-	(2,302,339)	(2,302,339)
Other reserve			-	0	0
Retained earnings			22,548,472	5,110,241	27,658,713
			91,261,510	432,375	91,693,885
Non controlling interest			1,166,271	(95,170)	1,071,101
Total equity			92,427,781	337,205	92,764,986
Liabilities					
Non-current liabilities					
Borrowings			85,591,771	420,520	86,012,291
Deferred income tax liabilities			9,610,331	7,309,491	16,919,822
Retirement benefit obligation			2,622,606	106,364	2,728,970
Derivative financial instruments			-	2,973,892	2,973,892
Provision for other liabilities & charges			1,486,648	-	1,486,648
			99,311,356	10,810,267	110,121,623
Current liabilities					
Trade and other payables			75,106,071	102,973	75,209,044
Dividends payable			651,358		651,358
Other short term payable					-
Deferred tax liability			3,970,742	(3,970,742)	-
Current income tax liabilities			6,904,218		6,904,218
Borrowings			119,993,236		119,993,236
Convertible debt			2,500,000	(2,500,000)	-
			209,125,625	(6,367,769)	202,757,856
Total liabilities			308,436,981	4,442,498	312,879,479
Total equity and liabilities			400,864,762	4,779,703	405,644,465

Notes to Reconciliation

Restatements to previously published NGAP accounts

(a) IFRS requires that the residual values, useful lives and depreciation method of property, plant and equipment be reviewed at each reporting period. Items of property, plant and equipment with significant components and with different useful lives and residual values are required to be disaggregated (componentised) for the purpose of depreciation. Componentisation is not required under the Nigerian GAAP. The revision of residual values, useful lives and componentisation led to an increase in the value of property, plant and equipment of N2,912million at 1 January 2011 (N4,164million at 31 December 2011).

(b) The Group capitalised the costs of improvements on Oando Plc Head Office building, which is in use under the terms of an operating lease agreement, as property, plant and equipment. Under IFRS, such improvements are recognised as part of the cost of the operating lease and amortised over the life of the lease. The effect of this adjustment is a reduction in property plant and equipment by N174.8million and an increase in prepaid operating leases by the same amount at 1 January 2011 (N183.6million at 31 December 2011).

(c) IFRS requires that borrowing costs on qualifying assets be capitalised as part of the cost of the asset. The effect of measuring the loan at the amortised cost resulted in additional interest capitalised on the qualifying assets. This requirement led to an increase in property, plant and equipment by N133.8million at 1 January 2011 (N690.1million at 31 December 2011).

(d) The Group acquired 15% stake in two oil and gas fields- OMLs 125 and 134 from Shell Petroleum Development Company (SPDC) in 2008. The fields are operated under a Production Sharing Contract (PSC) with the Nigeria Agip Exploration Company (NAE) and Nigerian National Petroleum Company (NNPC) as partners. Under Nigerian GAAP, the mineral rights on acquisition was determined as the excess of consideration paid over the carrying value of the assets acquired. The acquisition accounting excluded deferred tax implications. Consequently, a revision was made to the carrying amount of the OMLs at acquisition date and the value of the mineral rights capitalised as part of property plant and equipment has been recomputed now taking the deferred taxes into consideration. The impact of the revision has resulted to an increase in mineral rights within Upstream Assets of N3,031 million as at 1 January 2011 (a decrease in mineral rights in PPE of N588 million as at 31 December 2011). Deferred tax assets reduced by N 4,793 million as at 1 January 2011 (increased by N813 million as at 31 December 2011). The net impact in retained earnings was a reduction by N 1,763 million as at 1 January 2011 (and an increase by N710 million as at 31 December 2011). The impact on profits was a reduction of N485 million as at 31 December 2011.

(e) The Group classified both tangible and intangible exploration and evaluation assets as property, plant and equipment. IFRS requires that intangible exploration and evaluation assets should be presented separately from tangible exploration and evaluation assets on the financial statements. There is no requirement to separate tangible and intangible exploration and evaluation assets under the Nigerian GAAP. The effect of this adjustment is a reduction in property, plant and equipment of N55,183million at 1 January 2011 (N63,384million at 31 December 2011) and an increase in intangible assets by the same amount.

(f) The Group accounted for a gas electric fire plant constructed by Akute Power Limited, under a Build-Operate-Transfer (BOT) arrangement with the Lagos Sate government as property, plant and equipment. The requirements of IFRIC 4 have been applied in accounting for this asset. Consequently, this asset has been appropriately recognised as a finance lease at the present value of the minimum lease payments in accordance with the substance of the contract. At 1 January 2011, the effect of this adjustment is a reduction in property, plant and equipment of N3,650million (N3,321million at 31 December 2011) and recognition of finance lease receivables of N4,646million (N4,162million at 31 December 2011); with net impact of N996 million recognised in retained earnings. At 31 December 2011, revenue of N1.204million was derecognised and finance income of N753million was recognised in respect of the finance lease receivables. The net impact on depreciation charge for the year was a reduction of N298million
The embedded derivative implied by the contract has been recognised at fair value at each reporting period. This resulted in an increase in derivative value of N847 million as at 1 January 2011 (N2,084 million at 31 December 2011). N 1,237 million was recognised as fair value gains in the income statement for 31 December 2011.

(g) The Group accounted for an increase in the decommissioning obligation as a corresponding increase in the value of the decommissioning asset under property, plant and equipment. IFRIC 1 requires that any increase in the decommissioning costs for assets measured under the revaluation model be recognised as a decrease in the revaluation surplus account.
As at 1 January 2011, The effect of this is a reduction in property, plant and equipment of N188.6million, a reduction in the revaluation reserve account of N405million and the net impact of N221million has been recorded in retained earnings.

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

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

(i) The Group has applied the requirements of IFRIC 12 - Service Concession Arrangements in accounting for the service concession arrangement with Nigeria Gas Company (NGC). This led to the recognition of intangible assets representing the right to recover the cost of construction of the concession asset - gas pipeline through the sale of gas. Consequently, at 1 January 2011, long term receivable (otherwise referred to as the Pipeline Cost Recovery Account) of N22,927million (N30,971million at 31 December 2011) previously recorded under NGAAP was derecognised and intangible asset of N6,166 million at 1 January 2011 (N5,481 million at 31 December 2011) was recognised at fair value. The income statement impact of these journals as at 31 December 2011 were additional revenue of N1,867million and an increase in cost of sales of N2,845million in 2011. There was also a decrease in finance income of N4,267 million and a corresponding decrease in finance costs of the same amount as at 31 December 2011
Intangible assets work-in-progress representing the value of for pipelines under construction of N19,096million and N26,161million have been recognised at 1 January 2011 and 31 December 2011 respectively.

(j) The deferred tax implications of all the IFRS adjustments have been computed using the liability method.
As at 1 January 2011, the effect of computation of deferred taxes on the IFRS adjustments resulted to an increase in deferred tax assets of N 2,791 million; an increase in deferred tax liabilities of N4,445million. Deferred tax is presented as non-current under IFRS. Deferred tax assets and liabilities previously disclosed under current assets have been reclassified to non current.
At 31 December 2011, the effect of computation of deferred taxes on the IFRS adjustments resulted to an increase in deferred tax assets of N 4,356 million and an increase in deferred tax liabilities of N7,713 million. The net impact is a reduction in tax expense of N 228 million and retained earnings by N3,128million

(k) IFRS requires derivative financial instruments to be measured at fair value when a reporting entity becomes a party to the contract. Under NGAAP there is no requirement for the recognition or measurement of derivative financial instruments. The impact of this adjustment is the recognition of a derivative asset of N1,294million at 1 January 2011(N2,404million at 31December 2011) and derivative liabilities of N1,449million at 1 January 2011 (N2,974million at 31 December 2011). At 31 December 2011, fair value gains of N1.6billion have been recorded in the income statement in respect of the derivative financial instruments.

(l) IFRS requires that receivables and payables aged over 12 months be classified as long-term and the effect of time value of money be considered in accounting for long-term receivables and payables. Hence these receivables and payables are discounted and the unwinding of such discounts are recognised in the income statement as finance income and expense as appropriate. The impact of discounting the receivables and payables as at 1 January 2011 was a decrease of N932million and N1,031million respectively (a decrease of N377million and N1,301 million in receivable and payables respectively at 31 December 2011). The impact on retained earnings of discounting trade receivables as at 1 January 2011 and 31 December 2011 are N422 million and N566 million respectively. The impact on retained earnings of discounting trade payables as at 1 January 2011 and 31 December 2011 are N541 million and N569 million respectively.
The unwinding of the discount is recognised over the life of the contract under IFRS. Dividend payables has also been presented and other payables under IFRS.

(m) Prepaid fees on long-term loans that were accounted for as a prepayment and amortised over the life of the loan, have been recognised as part of the carrying amount of the borrowing under IFRS. Under IFRS, transaction fees are included as part of the amortised cost of the loan. At 1 January 2011, the impact of this adjustment is a decrease in short-term prepayment of N574million (N609million at 31 December 2011) and a decrease in long-term prepayments of N1,815million (N2,165million at 31 December 2011) and a corresponding increase in borrowings of the same amount in the respective years.

(n) IFRS requires financial liabilities carried at amortised cost to be measured using the effective interest method. The effect of applying the effective interest rate method resulted in a reduction in borrowings by N487million at 1 January 2011 (31 December 2011: N671million). The corresponding effect was recorded as finance costs in the income statement resulting in increased finance costs of N90million at 31 December 2011.

(o) IFRS requires the defined benefit obligation to be measured in line with the provisions of IAS 19 - Employee benefits. The measurement, which was performed by Alexander Forbes Consulting Actuaries Nigerian Limited, has resulted in an increase in the Group's defined benefit obligation of N101.2million at 1 January 2011 (N106.4million at 31 December 2011). Retirement benefit obligations have also been reclassified from provisions and other liabilities and presented separately on the statement of financial position.

(p) Deferred taxes on revaluation gains have been re-measured appropriately under IFRS using the liability method. Under NGAAP the deferred taxes were measured using the income statement method. The effect of this adjustment is a net reduction in revaluation reserve of N733million at 1 January 2011 (N770million at 31 December 2011).

(q) Under NGAAP, income statement of foreign subsidiaries are translated using the closing rate and translation gains and losses are recognised in retained earnings. Under IFRS, income statement is translated at the average rate and translation gains/losses on consolidation of foreign subsidiaries are recognised in the foreign currency translation reserve in equity. The impact of translation differences on the income statement has been shown as an effect of transition to IFRS in the reconciliation of comprehensive income as at 31 Dec 2011
The effect of translation of other components of equity: revaluation reserves, other reserves and retained earnings upon translation from the previous presentation currency of the previously reported IFRS financial statements (USD) to Naira has also been recorded in the foreign currency translation reserve. The effect of these adjustments is a the foreign currency translation reserve of N1,140 million at 1 January 2011 (N2,302million at 31 December 2011).

(r) IFRS requires items of income and expense (including reclassification adjustments and the associated deferred taxes) that are not recognised in profit or loss as required or permitted by other IFRSs to be recognised in other comprehensive income. These adjustments led to the recognition of N688 million in respect of actuarial gains/ losses, revaluation adjustments to property plant and equipments and currency translation differences as other comprehensive income as at 31 December 2011. These had been charged to the income statement under NGAAP.

(s) Pre-exploration expenses are not permitted under IFRS 6. These were capitalised as other assets under Nigerian GAAP and have now been written off under IFRS. The effect of this adjustment is a reduction in other assets of N738million at 1 January 2011 (N37million at 31 December 2011).

(t) Exceptional items are not described as such under IFRS. The exceptional item of N9.9 billion disclosed under NGAAP has been recognised as part of administrative expenses

(u) The group issued a convertible bond of N2.5billion to Ocean and Oil Investments Limited (OOI), a related party in 2011. This was accounted for as a payable in the NGAAP accounts. In IFRS financial statements, the convertible instrument has been recorded as a borrowing at the fair value of the liability component. No equity component was recorded because it did not meet the requirements for recognition. At 31 December 2011, This adjustment led to an increase in interest expense of N144 million and a corresponding increase in borrowings by the same amount.

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

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

Group	2012 N'000	%	2011 N'000	%
Turnover	673,181,997		571,305,637	
Other Income	2,097,924		13,516,172	
Interest received	3,521,533		7,316,985	
	678,801,454	0	592,138,794	0
Bought in goods and services				
- Local purchases	(334,371,598)		(309,071,464)	
- Foreign purchases	(288,453,123)		(239,388,132)	
Value added	55,976,732	100	43,679,198	100
Distributed as follows				
Employees				
- To pay salaries and wages and other staff costs	8,621,891	15	10,404,681	24
Government				
- To pay tax	9,913,242	18	14,185,703	32
Providers of capital				
- To pay dividend	-		-	
- To pay interest on borrowings	20,093,243	36	12,767,211	29
Non-controlling interest	364,769	1	156,175	0
Maintenance and expansion of assets				
- Deferred tax	(3,145,492)	(6)	(2,873,539)	(7)
- Depreciation	8,605,708	15	7,251,227	17
- Retained in the business	11,523,371	21	1,787,740	4
Value distributed	55,976,732	100	43,679,198	100

Company	2012 N'000	%	2011 N'000	%
Turnover	7,358,881		8,122,502	
Other Income	1,790,961		1,240,803	
Interest received	4,527,632		2,877,014	
	13,677,474	-	12,240,319	-
Bought in goods and services				
- Local purchases	(2,323,459)		(854,323)	
- Foreign purchases	-		-	
Value added	11,354,015	100	11,385,996	100
Distributed as follows				
Employees				
- To pay salaries and wages and other staff costs	885,036	8	1,655,551	15
Government				
- To pay tax	304,347	3	290,888	3
Providers of capital				
- To pay dividend			5,430,508	48
- To pay interest on borrowings	5,565,556	49	2,605,357	23
Maintenance and expansion of assets				
- Deferred tax	6,950	0	(300,899)	(3)
- Depreciation	261,051	2	279,024	2
- Retained in the business	4,331,075	38	1,425,567	13
Value distributed	11,354,015	100	11,385,996	100

	2012 N'000	2011 N'000	2010 N'000	2009 N'000	2008 N'000
Property, plant and equipment	130,324,713	109,479,209	97,892,224	132,858,598	90,673,687
Intangible exploration assets, other intangible assets and goodwill	138,853,809	119,333,366	104,860,339	24,573,776	22,885,957
Deferred income tax assets	13,424,518	9,908,773	6,486,391	9,185,591	2,440,841
Available for sale investments	1,000	1,000	1,000	1,000	2,615
Deposit for acquisition of a business	67,542,450	0	0	0	0
Other Non-Current receivables	14,810,880	7,541,972	6,388,010	19,216,815	14,928,512
Net current liabilities	(161,081,158)	(45,720,711)	(25,712,334)	(107,952,869)	(33,665,772)
Borrowings	(75,221,070)	(86,012,291)	(74,800,422)	(20,920,086)	(41,691,468)
Deferred income tax liabilities	(17,207,614)	(16,919,822)	(16,736,310)	(923,681)	(9,274,359)
Other Non-Current liabilities	(10,146,050)	(7,189,510)	(4,699,054)	(2,658,276)	(1,960,596)
	101,301,478	90,421,986	93,679,844	53,380,868	44,339,417
Share capital	1,137,058	1,137,058	905,084	522,799	462,986
Share premium	49,521,186	49,521,186	49,042,111	34,192,573	30,272,940
Retained earnings	37,142,281	27,658,713	28,152,852	17,640,414	8,179,066
Other reserves	14,412,064	13,376,928	14,567,862	107,453	5,209,080
Non controlling interest	3,141,939	1,071,101	1,011,935	917,629	215,345
	105,354,528	92,764,986	93,679,844	53,380,868	44,339,417
Revenue	673,181,997	571,305,637	378,925,430	336,859,678	339,420,435
Profit before income tax	17,554,067	13,885,097	24,318,845	13,512,155	10,742,611
Income tax expense	(6,767,750)	(11,252,759)	(9,943,879)	(3,415,176)	(2,399,286)
Profit for the year	10,786,317	2,632,338	14,374,966	10,096,979	8,343,325
Dividend					
Per share data					
Weighted average number of shares	2,274,118	2,268,415	1,734,746	904,884	904,884
Basic earnings per share (kobo)	458.40	125.75	829	1,132	922
Diluted earnings per share (kobo)	458.40	126.53	-	-	-
Dividends per share (kobo)	0	239	300	300	600
Net assets per share (kobo)	4,633	4,089	5,364	5,836	4,960
Dividend cover (times)	-	0.53	2.76	3.77	1.54