CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2005

Prepared under
International Financial Reporting Standards (“IFRS”)

Consolidated financial statements - 31 December 2005

Index to the consolidated financial statements

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Report Of The Independent Reporting Accountants On The Historical Financial Information

We have audited the consolidated balance sheets of Oando Plc and its subsidiaries (the 'Group') as of 31 December 2005 and the related consolidated statements of income, cash flows and changes in shareholders' for the year then ended set out pages 40 to 72

The accompanying financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial positions of the Group as of 31 December 2005, and of the results of its operations and cash flows for the years then ended in accordance with International Financial Reporting Standards and the JSE listing requirements.

Yours faithfully

PricewaterhouseCoopers

Chartered Accountants
Lagos, Nigeria

Consolidated balance sheet

As at 31 December 2005 **$'000**

ASSETS	Note	2005	2004
Non-current assets			
Property plant and equipment	6	112,756	90,824
Intangible assets	7	101,999	71,418
Investments in associates	8	-	198
Long term receivable	9	28,689	28,163
		243,444	190,603
Current assets			
Inventories	10	75,623	41,607
Trade and other receivables	11	252,712	169,466
Debenture	12	190	
Held for sale investment	8	-	75
Cash and cash equivalents	13	57,769	74,226
		386,294	285,374
Total Assets		**629,738**	**475,977**
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	14	2,162	2,162
Share premium	15	120,792	120,742
Revaluation reserve	16	18,322	18,314
Exchange difference		(300)	(246)
Retained earnings	17	20,143	11,959
		161,119	152,931
Minority interest	18	10,969	10,730
Total Equity		172,088	163,661
LIABILITIES			
Non-current liabilities			
Borrowings	19	13,866	12,534
Deferred income tax liabilities	20	5,140	1,600
Retirement benefit obligation	21	8,612	10,049
Provisions	22	4,111	3,596
Other non-current liabilities	23	5,730	9,674
		37,459	37,453
Current liabilities			
Trade and other payables	24	138,224	185,787
Dividend payable	8	13	
Current income tax liabilities	25	4,782	174
Borrowings	19	277,172	88,889
		420,191	274,863
Total liabilities		457,645	312,316
Total Equity and liabilities		**629,738**	**475,977**

The financial statements and notes on pages 44 to 72 were approved by the Board of Directors on 10th of April 2006 and signed on its behalf by:

DIRECTORS:

Mr. J. A. Tinubu
(Group Managing Director)

Maj. Gen M. Magoro (Rtd)
(Chairman)

Consolidated income statement
For the year ended 31 December 2005

	Note	2005	2004
		$'000	
Sales		1,381,200	776,414
Cost of sales	26	(1,249,369)	(675,947)
Gross profit		131,831	100,467
Selling and marketing costs	26	(50,734)	(44,136)
Administrative expenses	26	(54,550)	(36,696)
Interest received		2,440	2,294
Other operating income	27	3,930	10,384
Operating profit		32,917	32,313
Share of profit of associates	8	-	19
Finance costs	28	(10,019)	(22,310)
Profit before taxation	29	22,898	10,022
Income tax expense	30	(6,405)	(891)
Profit after taxation		16,493	9,131
Attributable to:			
Minority interests		1,952	2,517
Equity holders of the Company		14,541	6,614
		16,493	9,131
Earnings per share for profit attributable to equity holders of the company during the year:			
Basic earnings per share (cents)	31	2.54	1.80
Diluted earnings per share (cents)	31	2.54	1.80

The notes on pages 44 to 72 form an integral part of these financial statements.

Consolidated statement of changes in shareholders equity

For the year ended 31 December 2005 **$'000**

	Attributable to equity holders of the Company					Minority Interest	Total Equity
	Share Capital	Share Premium	Revaluation Reserve	Cumulative Translation adjustment	Retained Earnings		
Balance at 1 January 2004	1,195	9,300	22,865	(266)	5,308	6,502	44,904
Currency translation adjustments	46	290	692	20	-	208	1,256
Revaluation surplus on disposal of land & building.	-	-	(5,243)	-	5,243	-	-
Net expense recognised directly in equity	46	290	(4,551)	20	5,243	209	1,257
Retained profit for the year					6,614	2,517	9,131
Total recognised income for the year	46	290	(4,551)	20	11,857	2,726	10,388
Bonus shares to shareholders	299	-	-	-	(299)	-	-
Issue of shares:							
Public offer	119	23,028	-	-	-	-	23,147
Rights issue	77	14,555	-	-	-	1,502	16,134
Supplementary offer	426	82,670	-	-	-	-	83,096
Issue costs		(9,101)	-	-	-	-	(9,101)
Dividend relating to 2003		-	-	-	(4,906)	-	(4,906)
	921	111,152	-	-	(5,205)	1,502	108,370
Balance at 31 December 2004	**2,162**	**120,742**	**18,314**	**(246)**	**11,959**	**10,729**	**163,661**
Balance at 1 January 2005	2,162	120,742	18,314	(246)	11,959	10,730	163,661
Currency translation adjustments	-	50	8	(49)	(307)	139	(159)
Restatement of residual values of property plant and equipment	-	-	-	-	7,530	-	7,530
Deferred tax effect of residual value restatement.	-	-	-	-	(2,259)	-	2,259)
Net expense recognised directly in equity	-	50	8	(49)	4,964	139	5,112
Retained profit for the period					14,541	1,952	16,493
Total recognised income for the period	-	50	8	(49)	19,505	2,091	21,606
Dividend relating to 2004					-	(8,650)	(8,650)
Proportion of interest in subsidiaries redistributed	-	-	-	-	-	(1,781)	(1,781)
Minority interest dividend in subsidiary	-	-	-	-		(2,672)	(2,672)
Interest in share capital of subsidiaries previously excluded from consolidation	-	-	-	-	-	(71)	(71)
Interest in share capital transferred						-	-
	-	-	-	-	(11,322)	(1,852)	(13,174)
Balance at 30 June 2005	**2,162**	**120,792**	**18,322**	**(295)**	**20,143**	**10,969**	**172,093**
	-	-	-	-	-	-	-

***** These are in respect of bonus issues (stock dividends) to existing shareholders, approved at the Company's Annual General Meetings of 2003 and 2004 respectively.

The notes on pages 44 to 72 form an integral part of these financial statements.

Consolidated cash flow statements

For the year ended 31 December 2005 $'000

	Note	2005	2004
Cash flows from operating activities			
Net cash flow from operating activities before changes in working capital	33	41,120	33,173
Net increase in working capital	34	(167,183)	(37,516)
Decrease/(increase) in long term prepayments		2,454	(728)
(Decrease)/Increase in customers' security deposits		(3,945)	2,134
Decrease in income deferred for more than one year		-	(602)
Income tax paid	25	(519)	(788)
Staff gratuity paid	21	(4,656)	(2,815)
Net cash inflow used in operating activities		(132,730)	(7,143)
Cash flows from investing activities			
Purchase of property plant and equipment	6	(22,313)	(15,082)
Purchase of software	7	-	(215)
Additional consideration in subsidiary undertaking		(6,311)	(145)
Payments relating to pipeline construction by Gaslink	9	(5,556)	(8,624)
Deposit for shares in new subsidiary undertaking		(76)	0
Pipeline construction costs recovery	9	4,795	2,729
Payment to acquire exploration rights in marginal fields		(26,329)	-
Proceeds from sale of property, plant and equipment		178	12,992
Interest received		2,439	2,978
Cash used in investing activities		(53,171)	(5,367)
Cash flows from financing activities			
Repayment of long term borrowings		(1,567)	(25,590)
Proceeds from long term loan		5,103	-
Proceeds from import finance facilities		171,722	-
Proceeds from finance lease		9,368	-
Repayment of finance lease		(1,076)	-
Proceeds from/(repayment) of other short term borrowings		(26,094)	16,228
Net proceeds from sale of shares		-	111,773
Proceeds from sale of shares to minority interests		-	1,357
Dividend paid to minority interests		(2,113)	-
Dividend paid		(8,655)	(4,906)
Interest paid	28	(10,019)	(22,993)
Net cash (used in)/generated from financing activities		136,669	75,869
Net (decrease)/increase in cash and cash equivalents and bank overdrafts		(49,232)	63,359
Cash and cash equivalents at the beginning of the period		53,625	(9,136)
Exchange gains/(losses) on cash and cash equivalents and bank overdrafts		(424)	(598)
Cash and bank overdrafts at end of year	13	**3,969**	**53,625**

The notes on pages 44 to 72 form an integral part of these financial statements.

Notes to the consolidated financial statements (continued)
31 December 2005

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. The Company was partially privatised in 1991. It was however fully privatised in the year 2000 consequent upon the sale of Federal Government's 40% shareholding in the Company. 30% was sold to core investors (Ocean and Oil Investments Limited) and the remaining 10% to the Nigerian public. In December 2002, the Company merged with Agip Nigeria Plc following its acquisition of 60% Agip Petroli's stake of Agip Nigeria Plc in August of the same year. The Company formally changed its name from Unipetrol Nigeria Plc to Oando Plc in December 2003.

Oando Plc ("the Company") and its subsidiaries (together "the Group") have their primary listing on the Lagos Stock Exchange. The Group has marketing and distribution outlets in Nigeria, Ghana and Togo and other smaller markets along the West African coast. In the last quarter of 2004, two subsidiaries, Oando Trading (Bermuda) and Oando Supply and Trading, in which the Group had 49% interest each, were established. These entities mainly import and supply products to marketing companies and large industrial customers. They were then treated as subsidiaries on the basis of agreement with other investors that the Group would have power to govern the financial and operating policies of the entities as well as to appoint or remove the majority of the members of the board of directors. However, in September 2005 the Group acquired 2% interests in each of these subsidiaries from the respective investors to achieve 51% shareholding respectively. The other investors, which now have 49% respectively in these subsidiaries are Ocean and Oil Holdings (BVI) Limited and Ocean and Oil Holdings (Nigeria) Limited respectively.

The Group also invested in a new subsidiary, Oando Energy Services, in January 2005 to carry out its energy services business, having 51% interest while the remaining 49% is owned by Ocean and Oil Holdings (Nigeria) Limited. Other new subsidiaries which the Group also invested in during the year include Oando Production and Development Company Limited (51%); Oando Lekki Refinery Limited (100%); Oando Port Harcourt Refinery Limited (100%). The Group acquired additional 35.3% holding in an associate, Oando Togo SA, to assume control with cumulative interest of 75.3%. All subsidiaries information are included in note 34.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of Oando Plc have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and financial assets and financial liabilities at fair value through profit or loss.

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

IAS 1 (revised 2003) Presentation of Financial Statements
IAS 2 (revised 2003) Inventories
IAS 8 (revised 2003) Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003) Events after the Balance Sheet Date
IAS 16 (revised 2003) Property, Plant and Equipment
IAS 17 (revised 2003) Leases
IAS 21 (revised 2003) The Effects of Changes in Foreign Exchange Rates
IAS 24 (revised 2003) Related Party Disclosures
IAS 27 (revised 2003) Consolidated and Separate Financial Statements
IAS 28 (revised 2003) Investments in Associates
IAS 32 (revised 2003) Financial Instruments: Disclosure and Presentation
IAS 33 (revised 2003) Earnings per share
IAS 36 (revised 2004) Impairment of Assets
IAS 38 (revised 2004) Intangible Assets
IAS 39 (revised 2003) Financial instruments: Recognition and measurement
IFRS 2 (issued 2004) Share-based payments
IFRS 3 (issued 2004) Business Combinations
IFRS 5 (issued 2004) Non-current Assets Held for Sale and Discontinued Operations

Early adoption of standards (continued)

The early adoption of IAS 1, 2, 8, 17, 28, and 32 (all revised 2003) did not result in substantial changes to the Group's accounting policies. In summary:

– IAS 1, 2, 28 and 32 had no material effect on the Group's policies.
– IAS 8 (revised 2004) has resulted in the disclosure of the impact of new standards

The early adoption of IAS 10 has resulted in a change in the accounting policy for dividends. Proposed dividends, which were previously recognised in the year prior to the declaration have been adjusted in accordance with IAS 10 and 37 respectively.

The application IAS 16 has affected the accounting for fair value reserve relating to revalued land and buildings upon disposal. Under previous GAAP, the revaluation surplus included in equity in respect of an item of property, plant and equipment were transferred to the income, when the asset is disposed of, to determine profit on disposal. Adjustments have been passed to transfer the related amounts directly to retained earnings in accordance with IAS 16. Also, early adoption of IAS 16 (revised 2004) has necessitated the disclosure of prior year comparatives for all movements in property plant and equipment.

IAS 21 (revised 2003) has affected the translation of foreign entities' income statements, on which closing rates were previously applied but now amended and translated at average rates. The functional currency of each of the consolidated entities has also been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as their presentation currency. These finanical statements have been presented in a currency other than the Company's functional currency to meet the filing requirements of the Johannessburg Stock Exchange.

IAS 24 (revised 2003) has affected the identification of related parties and some other related-party disclosures.

IAS 27 (revised 2004) has affected the consolidation of subsidiaries. Certain subsidiaries, which were not included in the consolidation under previous GAAP are now consolidated.

The early adoption of IAS 33 has resulted in a change in the computation of earnings per share. Earnings per share, which were previously computed on the basis of the number of shares in issue at the end of the reporting period, have been adjusted on the basis of the weighted average number of shares in accordance with IAS 33 (note 30).

The early adoption of IAS 39 has resulted in a change in accounting for financial assets and liabilities.

Although the Group did not have any share-based payments as at the balance sheet date, upon adoption of a scheme, which is currently being considered by the Group, all share based payments will be accounted for under IFRS 2.

The early adoption of IFRS 5 has resulted in a change in the accounting for non-current assets held for sale and discontinued operations as qualifying assets have been reclassified accordingly.

The early adoption of IFRS 3, IAS 36 (revised 2004) and IAS 38 (revised 2004) resulted in a change in the accounting policy for goodwill. Until 31 December 2002, goodwill was:

– Amortised on a straight line basis over a period ranging from 5 to 20 years; and
– Assessed for an indication of impairment at each balance sheet date.
  In accordance with the provisions of IFRS 3:
– The Group ceased amortisation of goodwill from 1 January 2003;
– Accumulated amortisation as at 31 December 2002 has been eliminated with a corresponding decrease in the cost of goodwill;
– Goodwill was tested for impairment at 1 January 2003, the transition date. The effect of the impairment testing is shown in note 7. Also, from the year ended 31 December 2003 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment.

The Group has also reassessed the useful lives of its intangible assets in accordance with the provisions of IAS 38. No adjustment resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– IAS 16 – the exchange of property, plant and equipment is accounted at fair value prospectively;
– IAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;
– IAS 39 – does not require the classification of financial assets as at 'fair value through profit or loss' of previously recognised financial assets;
– IFRS 2 – retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2004; and
– IFRS 3 – prospectively after 31 March 2004

2.2 Consolidation

(a) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of the acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed and the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. All balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Company. Separate disclosure (in equity) is made of Minority Interests.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The accounting policies of the associates are consistent with the policies adopted by the Group.

Goodwill included in the carrying amount of an investment is neither amortised nor tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36, Impairment of Assets. Instead, the entire carrying amount of the investment is tested under IAS 36 for impairment.

All subsidiaries and associates have uniform calendar year ends.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) 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'). The functional currency of the Group is the Naira. These consolidated financial statements are presented in US dollars, which is the company's presentation currency for the purpose of filing outside Nigeria.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 equity as qualifying cash flow hedges and qualifying net investment hedges

Foreign currency translation (continued)

(c) Group Companies

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:

I. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
II. Income and expenses for each income statement are translated at average exchange rates; and
III. All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. Upon disposal of part or all of the investment, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

2.5 Property, Plant and Equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. 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.Other categories of PPE are stated at cost less accumulated 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. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in revaluation reserves are transferred to retained earnings.

Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Building	2 - 5
Bulk Plants, Terminal and Equipment	5 - $12^{1/2}$
Motor Vehicles	20 - 25
Other Assets and Equipment	5 - $33^{1/2}$

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. With effect from January 2005, the residual value of an item of property, plant and equipment is measured as the amount the Group estimates it would receive currently for the asset if the asset were already of the age and in the condition expected at the end of its useful life, in accordance with IAS 16 (revised 2005).

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment.

(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 over their estimated useful lives (three to five years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Expenditure on internally-developed software is capitalised if it meets the criteria for capitalising development costs. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding five years)

2.7 Long term receivable - pipeline cost recovery

Long term receivable in respect of pipeline cost recovery is accounted for initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Provision for impairment of the long term receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement

Details of the pipeline recovery terms and disclosures are shown in note 9.

2.8 Impairment of 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).

With effect from 1 January 2003, the transition date, the Group early adopted IAS 36 (revised 2004). Effect of applying this standard is shown in note 7.

2.9 Inventories

Inventories are stated at lower of cost and net realisable value. Cost includes expenditure incurred in acquiring and transporting the inventory to its present location. Cost is determined on using the weighted average method. For finished goods and work in progress, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense.

2.10 Trade receivables

Trade 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 trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement

'2.11 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. For this to be the case the following conditions must be met:

- the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable;
- management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated;
- the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The Group early adopted IFRS 5 from 1 January 2004 prospectively in accordance with the standard's provisions. The early adoption of IFRS 5 has resulted in a change in the accounting policy for non-current assets (or disposal groups) held for sale. The non-current assets (or disposal groups) for sale were previously neither classified nor presented as current assets or liabilities. There was no difference in measurement for non-current assets (or disposal groups) held for sale or for continuing use.

'2.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings on the balance sheet.

2.13 Share capital

Ordinary shares are classified as equity. Incidental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

2.15 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax has not been provided on temporary differences arising on investments in subsidiaries and associates, as 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. Where this ceases to be the case, deferred tax will be provided for.

2.16 Employee benefits

As at 31 December 2004, the Group operated a pension and gratuity scheme which was generally funded through payments to trustee-administered funds, determined by periodic actuarial calculations. The plan (defined benefit plan) specified an amount of pension benefit that an employee would receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

With effect from 1 January 2005, the Group adopted a new scheme in view of the Pensions Reforms Act 2004 enacted by the National Assembly of the Federal Government of Nigeria. The Group therefore, in agreement with the Employee Union, resolved that:

- the old scheme be discontinued forthwith and the accrued benefit obligation as at that date be determined and funded over a determinable period; and
- the new scheme, involving payment of defined contributions by both employers and employees as stipulated in the Pensions Reforms Act 2004, be effective from 1 January 2005.

Consequently, under the new scheme (effective 2005), the Group pays fixed contributions into a separate entity and 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. This is a defined contribution plan, in which contributions are recognised as employee benefit expense when they are due.

The liability in respect of the defined benefit pension plan recognised in the balance sheet as at 31 Decemeber 2004 is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses. The defined benefit obligation was calculated by independent actuaries using the projected unit credit method.

2.17 Provisions

Provisions for environmental restoration, restructuring costs 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. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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 balance sheet date (see Note 4). the discount rate used to determine the present value reflects current market assessments of the time value of money.

Decommissioning liabilities
With effect from 1 January 2003, the transition date, a provision is recognised for the decommissioning liabilities for underground tanks described in note 4c. 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. The present values are determined using the company's average cost of borrowing. 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.

2.18 Revenue recognition
Revenue comprises the fair value of the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group.

Discounts are usually negotiated with commercial customers and are sometimes given on a transaction basis or fixed per cutomer, subject to subsequent reviews. The Group also gives rebates per litre of petroleum products sold to retailers who operate their own outlets.

Revenue is recognised as follows:

(a) Sale of products
Revenue from sale of petroleum products and gas is recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Sale of services
Revenue from sale of services, such as freight and through-put charges, is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

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

(d) Interest income
Interest income is recognised on a time proportion basis using the effective interest rate.

2.19 Leases

Operating leases 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 (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Finance leases

Leases in which ownership, risks and rewards are transferred to the lessee, who is obligated to pay such costs as insurance, maintenance and similar charges on the asset are classified as finance leases. Assets under finance lease are capitalised and depreciated over their estimated useful lives in line with the Group's policy for assets of the same class. Finance charges are allocated over the lease term.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.21 New accounting standards and IFRIC interpretations

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2006. The Group's assessment of the impact of these new standards and interpretations is set out below.

(a) IFRS 6, Exploration for and Evaluation of Mineral Resources

The Group does not yet have any exploration and evaluation assets. This standard will not affect the Group's financial statements as at the balance sheet date. However, upon acquisition of the assets, they will be accounted for according to IFRIC 6, which requires exploration and evaluation of mineral resources be accounted for in accordance with IFRS 6 effective January 2006.

b) IFRIC 4, Determining whether an Asset Contains a Lease

IFRIC 4 is applicable to annual periods beginning on or after 1 January 2006. The Group has not elected to adopt IFRIC 4 early. It will apply IFRIC 4 in its 2006 financial statements and the IFRIC 4 transition provisions. The Group will therefore apply IFRIC 4 on the basis of facts and circumstances that existed at 1 January 2005. Implementation of IFRIC 4 is not expected to change the accounting for any of the Group's current arrangements.

(c) IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The Group does not have interests in decommissioning, restoration and environmental rehabilitation funds. This interpretation will not affect the Group's financial statements.

3. Financial risk management and financial instruments

Oando Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk, cash flow risk and fair value interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial 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 commodity 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.

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. Foreign exchange risk arises when future commercial transactions, recorded assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group manages their foreign exchange risk by revising cost estimates of orders based on exchange rate fluctuations.

Price risk

The Group is not exposed to equity security price risk as it currently does not hold any available for sale investment or at fair value through profit or loss. Subsidiaries engaged in trading activities are exposed to the impact of market fluctuations on commodity prices. These use established policies and procedures to manage risks associated with market fluctuations.

Credit risk
The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of industrial products are made to customers with an appropriate credit history. Sales to retail customers are made in cash. The company has policies that limit the amount of credit exposure to any financial institution.

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 aims to maintain flexibility in funding by keeping committed credit lines available.

Interest rate risk
Interest rate risk is the risk that the relative value of a security will worsen due to an interest rate increase. This is especially applicable where an entity has issued bonds as a part of its loan portfolio. Oando is not exposed to interest rate risk arising from the issuance of bonds. The Group also has no significant interest-bearing assets except for the surplus cash sometimes invested in short term fixed deposits. The changes in market interest rates have no significant effect on the income and operating cash flows. The interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk.

Fair value of financial instruments
The Group’s financial instruments consists mainly of cash and cash equivalents, trade receivables, other receivables, certain investments, other non-current assets, trade payables, other payables and accrued expenses and long and short-term debts.

Financial instruments held-to-maturity in the normal course of business are recorded at cost or amortised costs as appropriate. The recorded amount is described below as the carrying amount, otherwise known as book value.

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm’s length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial asset.

(i) Long term receivables - pipeline cost recovery
The fair value of long term receivables are stated at cost as this is the basis on which the amounts will be recovered.

(ii) Cash and cash equivalents
The carrying amount of cash and cash equivalents approximates fair values due to the relatively short term maturity of these financial assets

(iii) Short term borrowings
The carrying amount approximates fair value because of the short period to maturity of those instruments.

(iv) Other short term financial assets and liabilities
The carrying amount approximates fair value because of the short period to maturity of those instruments.

(v) Long terms borrowings
The fair value of the long term loan is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile and effective interest rate with similar cash flows. The fair value of non-current loans, borrowings and other payables with variable interest rates approximate their carrying amounts.

The fair values of financial instruments were as follows:

	Note	**2005 carrying value** ***$’000***	**2005 fair value** ***$’000***
Financial assets			
Long term receivable* - pipeline cost recovery	9	28,233	26,555
Trade receivables and other receivables *	11	163,996	163,996
Debenture	12	190	190
Cash	13	74,226	74,226
Financial liabilities			
Customer security deposits	23	5,730	9,674
Long-term borrowings	19	13,866	14,893
Short term borrowings	19	223,373	223,373
Trade payables	24	75,142	131,473
Other payables and accrued expenses	24	63,083	54,314
Bank overdraft	19	53,800	20,601

* Trade and other receivables include net debtor balance less prepayments and deposit for imports

	Note	Carrying value	within one year	one to two years	two to three years	three to four years	over four years
Financial assets		**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Long term receivable *	9	28,233	6,743	8,905	12,585	-	-
Trade receivables and other receivables	11	163,996	163,996	-	-	-	-
Debenture	12	190	190				
Cash	13	74,226	74,226	-	-	-	-
		238,412	238,412	-	-	-	-
Financial liabilities							
Customer security deposits	23	5,730	-	-	-	-	5,730
Long-term borrowings	9	13,866	6,654	5,195	2,017	-	-
Short term borrowings	19	223,373	223,373	-	-	-	-
Trade payables	24	75,142	75,142	-	-	-	-
Trade receivables and other receivables	24	63,083	63,083	-	-	-	-
Bank overdraft	19	53,800	53,800	-	-	-	-
		434,992	422,050	5,195	2,017	-	5,730

* Long term receivable includes pipeline cost recovery and excludes long term prepayments.

4. Critical accounting estimates and judgements

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

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

(a) Estimated impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with IFRS 3, IAS 36 (revised 2004) and IAS 38 (revised 2004). The recoverable amounts of cash-generating units are determined based on the higher of fair value less cost to sell and value-in-use calculations. These calculations require the use of estimates.

(b) 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.

(c) 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 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. When the final determination of such obligation amounts differs from the recognised provisions, the Group's income statement is impacted.

5. Segment information

5.1 Segment information

The Group is broadly organised on a worldwide basis into four main business segments within the energy industry:

(i) Exploration and production of oil and gas (E&P)
This segment involves the refining of crude and the marketing and sale of petroleum products. Over the years, the Group had focused primarily on the marketing of petroleum products. Presently, the Group is in the process of acquiring and developing a refinery business. The activities of the trading companies are reported under this segment.

Notes to the consolidated financial statements (continued)

31 December 2005

(ii) Refining and marketing of petroleum products
This segment involves the refining of crude and the marketing and sale of petroleum products. Over the years, the Group had focused primarily on the marketing of petroleum products. Presently, the Group is in the process of acquiring and developing a refinery business. The activities of the trading companies are reported under this segment.

(iii) Gas and power
The Group through the activities of its subsidiary, Gaslink, is also involved in the distribution of natural gas. The Group also incorporated a Power company to serve a niche in Nigeria's power sector, by providing reliable power to industrial customers. The company is however yet to commence operations as bill liberalising the Power sector in Nigeria was only signed in March 2005.

(iv) Energy services
This segment involves the provision of services such as drilling and completion fluids and solid control waste management; oil-well cementing and other services to upstream companies. As of the balance sheet date, the Group was yet to commence activities along these lines. Oando Energy Services, the entity designated for the energy services segment commenced operations during the period. Activities carried out by the entity during the period were in respect of sale of petroleum products to E&P companies. Accordingly, segment information relating to this entity has been grouped under Refining and Marketing segment.

Segment results for the year ended 31 December 2005 are as follows:

	Exploration & production	**Refining & marketing**	**Gas & power**	**Group**
	$'000	**$'000**	**$'000**	**$'000**
Total gross segment sales	-	1,584,109	17,801	1,601,910
Inter-segment sales	-	(220,710)	-	(220,710)
Sales	-	1,363,399	17,801	1,381,200
Operating (loss)*/profit	(1,172)	33,474	615	32,917
Finance costs	-	(9,973)	(46)	(10,019)
Profit before income tax				22,898
Income tax expense				(6,405)
Profit for the year				16,493

* Operating loss shown under Exploration and Production segment represents start-up costs written off.

Segment results for the year ended 31 December 2004 are as follows:

	Refining & marketing	***Gas & power***	***Group***
	$'000	***$'000***	***$'000***
Total gross segment sales	900,176	10,096	910,272
Inter-segment sales	(134,039)	(134,039)	
Sales	766,137	10,096	776,233
Operating profit	31,669	644	32,313
Finance costs	(22,194)	(116)	(22,310)
Share of profit of associates	19	19	
Profit before income tax			10,022
Income tax expense			(891)
Profit for the year			9,131

Other segment items included in the income statement are as follows:

	2005			**2004**		
	Refining & marketing	***Gas & power***	***Group***	***Refining & marketing***	***Gas & power***	***Group***
Depreciation	8,312	116	8,429	7,428	74	7,502
Amortisation	53	-	53	-	-	-

Amounts shown as amortisation relate to intangible assets - software costs

Notes to the consolidated financial statements (continued)
31 December 2005 **$'000**

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties

The segment assets and liabilities at 31 December 2005 and capital expenditure for the year then ended are as follows:

	Exploration & production	*Refining & marketing*	*Gas & power*	*Group*
Assets	-	588,039	41,699	629,738
Associates	-	-	-	-
Total Assets	-	588,039	41,699	629,738
Liabilities	1,097	436,211	20,337	457,645
Capital Expenditure	-	22,103	209	22,313

The segment assets and liabilities at 31 December 2004 and capital expenditure for the year then ended are as follows:

	Refining & marketing	*Gas & power*	*Group*
Assets	443,156	32,623	475,779
Associates	198	-	198
Total Assets	443,354	32,623	475,977
Liabilities	295,162	15,380	310,542
Capital Expenditure	15,128	169	15,297

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

Segment liabilities comprise operating liabilities. They exclude corporate and deferred taxation.

Capital expenditure comprises additions to property, plant and equipment (note 6) and intangible assets (note 7)

5.2 Secondary reporting format - geographical segments

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

The home country of the Company - which is also the main operating company - is Nigeria. The areas of operation are primarily the marketing and sale of petroleum products.

The Group's sales are mainly in Nigeria and other countries within and outside the West African coast. Segment information in respect of 'other countries' is associated with the Trading subsidiary registered in Bermuda.

	2005	**2004**
Sales		
Within Nigeria	1,133,254	641,498
Other West African countries	86,126	39,960
Other countries	161,820	94,955
	1,381,200	776,414
Total assets		
Within Nigeria	601,100	471,068
Other West African countries	19,902	4,909
Other countries	8,735	-
	629,738	475,977
Capital expenditure		
Within Nigeria	22,160	14,817
Other West African countries	153	480
	22,313	15,297

- 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

Notes to the consolidated financial statements (continued)

31 December 2005 **$'000**

6.Property, plant and equipment

	Land & Buildings	Plant, Machinery & Vehicles	Fixtures, Fittings, & Equipment	Construction in progress	Assets under finance lease	Total
At 1 January 2004						
Cost/valuation	65,051	28,957	6,456	10,843	-	111,306
Accumulated depreciation	(7,206)	(12,612)	(3,137)	-	-	(22,955)
Net book amount	57,845	16,345	3,319	10,843	-	88,353
Year ended 31 December 2004						
Opening net amount at 1 January 2004	57,845	16,345	3,319	10,843	-	88,352
Exchange differences	1,974	548	110	59	-	2,691
Additions	2,047	4,284	724	8,027	-	15,082
Disposals	(7,078)	(584)	(137)	-	-	(7,799)
Transfers	6,883	1,057	952	(8,892)	-	-
Depreciation Charge	(3,130)	(3,415)	(957)	-	-	(7,502)
Closing net amount at 31 December 2004	58,541	18,235	4,011	10,037	-	90,824
At 1 31 December 2004						
Cost/valuation	66,872	33,776	7,848	10,037	-	118,533
Accumulated depreciation	(8,331)	(15,541)	(3,837)	-	-	(27,709)
Net book amount	58,541	18,235	4,011	10,037	-	90,824
At 1 January 2005						
Cost/valuation	66,872	33,776	7,848	10,037	-	118,533
Accumulated depreciation	(8,331)	(15,541)	(3,837)	-	-	(27,709)
Net book amount	58,541	18,235	4,011	10,037	-	90,824
Year ended 31 December 2005						
Opening net amount at 1 January 2005	58,541	18,235	4,011	10,037	-	90,824
Effect of restatement of residual values	3,240	3,852	-	-	-	7,092
Effect of new subsidiary - Oando Togo	87	14	959	-	-	1,060
Exchange differences	61	(28)	3	5	-	41
Additions	2,774	1,086	444	8,641	9,368	22,313
Disposals	5	(95)	(57)	-	-	(146)
Transfers	1,894	1,123	2,107	(5,124)	-	-
Depreciation Charge	(3,443)	(1,090)	(1,252)	-	(2,644)	(8,429)
Closing net amount at 31 December 05	63,159	23,090	6,215	13,559	6,161	112,756
At 31 December 2005						
Cost/valuation	71,540	35,431	10,237	18,639	9,368	145,215
Accumulated depreciation	(8,381)	(12,341)	(4,022)	(5,080)	(3,207)	(32,459)
Net book amount	63,159	23,090	6,215	13,559	6,161	112,756

The Group's land and buildings were last revalued at 31 December 2002 by independent valuers. Valuations were made on the basis of open market value. The revaluation surplus net of applicable deferred income taxes were credited to revaluation reserves in shareholders' equity (note 15).

The reassessment of residual values of land and buildings and plant and machinery, which are considered significant resulted in an adjustment amounting to $7million to their opening net amounts and a corresponding credit to equity (note 17).

Depreciation expense of $0.141million (2004: $0.019) has been charged in cost of goods sold and $8.3million (2004: $ 7.48million) in administrative expenses. No item of property plant and equipment was pledged as security.

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2005	2004
	$'000	**$'000**
Cost	49,877	45,122
Accumulated depreciation	(8,870)	(5,431)
Net book amount	49,877	45,122

Assets under finance lease include depot, pumps and motor vehicles which were financed by cash received from various commercial banks under a finance lease arrangement during the year. These are analysed as follows:

Building - aviation depot	982
Motor vehicles	2,167
Dispensing pumps & equipment	6,218
	9,368