

ANNUAL REPORT 2007

4	Directors and Professional Advisers	13	Group Chief Executive's Report
5	Notice of Annual General Meeting	23	Report of the Directors
8	Financial Highlights	51	Report of the Audit Committee
9	Chairman's Statement	52	Report of Independent Auditors
		53	Financial Statements



Content



Vision

**To be the premier company
driven by excellence**

Mission

**To be the Leading Integrated
Energy Solutions Provider**

Directors and Professional Advisers

BOARD OF DIRECTORS

Major General M. Magoro (Rtd.) PSC, OFR,
Galadiman Zuru
Chairman. Non- Executive Director

Mr. J.A. Tinubu
Group Chief Executive Officer

Mr. G.O. Boyo
Deputy Group Chief Executive Officer

Mr. Mobolaji Osunsanya
Group Executive Director

Mr. A. Akinrele SAN
Non- Executive Director

Prince F.N Atako JP
Non- Executive Director

HRM Michael A. Gbadebo CFR, the Alake of
Egbaland
Non-executive Director

Mr. V. O. Ibru
Non- Executive Director

Alhaji H. Mahmud *Walin Mubi*
Non- Executive Director

Mr. O.P Okoloko
Non- Executive Director

Mr. Ike Osakwe
Non- Executive Director

Mr. O. Osifo
Non- Executive Director (till 28 June 2007)

PROFESSIONAL ADVISERS:
*Group Company Secretary & Chief
Compliance Officer*
Mrs. Oredeji K. Delano

Group Chief Financial Officer,
Mr. Olufemi Adeyemo

Group Legal Adviser,
Mrs. Ibironke Sokefun

Auditors: PricewaterhouseCoopers,
252 E, Muri Okunola Street, Victoria Island, Lagos

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

**Computershare Investor Services
(Proprietary) Limited,**
70, Marshall Street, Johannesburg, 2001, South
Africa

Investor Relations Officer (Retail):
Ms. Adenike Olaniyan

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

BANKERS

Access Bank Plc	Afribank Plc
BNP Paribas	Diamond Bank Plc
Ecobank Nigeria PLC	Fidelity Bank Plc
First Bank of Nigeria PLC	First City Monument Bank PLC
First Securities Discount House (FSDH)	Guaranty Trust Bank Plc
Intercontinental Bank Plc	Kakawa Discount House (KDH)
Nigerian International Bank Ltd	Oceanic International Bank PLC
Standard Chartered Bank Nigeria Ltd.	Standard Bank, London
StanbicBTC Bank Plc	Sterling Bank PLC
Union Bank of Nigeria PLC	United Bank for Africa PLC
WEMA Bank PLC	Zenith Bank PLC

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-First Annual General Meeting of Oando Plc (the “Company”) will be held at The Nigerian Law School Auditorium, Adeola Hopewell Street, Victoria Island, Lagos, Lagos State, Nigeria on Tuesday , the 27th day of May, 2008 at 10:00 a.m. for the purposes of:

1. Transacting the following ordinary business:

- 1.1 To present the annual financial statements of the Company and of the Group for the year ended 31 December 2007 and Reports of Directors and Auditors thereon;
- 1.2 To receive the Report of the Audit Committee;
- 1.3 To declare the dividend recommended by the directors of the Company;
- 1.4 To elect members of the Audit Committee;
- 1.5 To authorise the directors of the Company to fix the remuneration of the Auditors;
- 1.6 To elect Mr. Navaid Burney director.
Please refer to page 30 of the annual report of which this notice forms part for a brief curriculum vitae
- 1.7 To re-elect the following directors who in accordance with Articles 91 and 93 of the articles, retire by rotation, but are eligible and offer themselves for re-election:

Mr. Ademola Akinrele (SAN)
Mr. Omamofe Boyo

HRM Oba Michael A. Gbadebo, CFR, the
Alake of Egbaland
Major General Magoro (Rtd.), OFR, PSC,
USAWC, *Galadiman Zuru*

Please refer to pages 27-30 of the annual report of which this notice forms part for a brief curriculum vitae of each director.

2 To transact the following special business:

- (i) To consider, and if approved, to pass with or without modification the following ordinary resolution to fix the remuneration of the directors:

“Resolved that the fees payable to the non-executive directors of the Company be increased from US\$5,150 per annum for the Chairman and US\$4,292 each per annum for all other non-executive directors to US\$7,296 per annum for the Chairman and US\$6,438 for all other non- executive directors with effect from 1 January 2008, payable quarterly in arrears”.

- (ii) To consider, and if approved, to pass with or without modification the following special resolution to alter the Articles of Association of the Company by deleting the present Article 133 and adopting the following new Article 133:

“Resolved that article 133 of the Articles of Association be deleted and the following Article be adopted as the new Article 133:

Dividends to be paid by method directors consider appropriate.

- (133) Any dividend, interest or other moneys payable in cash in respect of shares may be paid:
- (a) by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders which is first named on the Register of Members or to such person and such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, bonuses or other moneys payable in respect of the share held by them as joint holders;
 - (b) by any other method (including direct debit or bank transfer or other electronic means of funds transfer) which the directors consider appropriate.
- (iii) To consider, and if approved, to pass with or without modification the following ordinary resolution:
- “Resolved on the recommendation of the Directors and in accordance with Article 141 of the Articles of Association of the Company, a sum of US\$647,270.84 out of the balance standing to the credit of General

Reserve as at the year ended 31 December 2007 be capitalized and that the Directors be and hereby authorized to appropriate the said capitalized sum of US\$647,270.84 to the members holding shares of the company at the close of business on Friday, 9 May, 2008 in the proportion of 1 ordinary share of 0.004cent for every 5 Ordinary Shares of 0.004cent each held by them on that day on condition that the new capitalized sum of US\$647,270.84 be not paid in cash to members holding Ordinary Shares but applied on their behalf in paying up in full at par 150,814,105 shares of 0.004cent each now issued to be allotted, distributed and credited as fully paid up to and amongst the said members in the proportion aforesaid.”

- (iv) To consider, and if approved, to pass with or without modification the following special resolution:

“Resolved that the directors be and are hereby authorized to sell a maximum of 49% of the Company’s shareholding in Oando Marketing Limited on terms, conditions and dates to be determined by the Directors, agreed with the Issuing House and approved by the Regulatory Authorities”.

Voting and Proxies

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

A member of the Company entitled to attend and vote at the annual general meeting (the “Meeting”) is entitled to appoint a proxy to attend, speak and vote

instead of that member. A proxy need not be a member of the Company.

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

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

Dividend Payment

If the dividend recommended is approved and declared, the dividend warrants will be posted or shareholders accounts credited directly on the 30th day of May 2008 to those shareholders, whose names appear in the Company's Nigerian Register of Members at the close of business on 9th of May, 2008. Dividends due to Shareholders whose names appear on the South African Register of Members at the close of business on the 30th of April 2008 (certificated or dematerialized), will, on Wednesday, 4 June 2008, either be electronically transferred to

shareholders' bank accounts or, in the absence of suitable mandates, have dividend cheques posted to them, or will have their accounts, at their Central Securities Depository Participant or broker credited.

Closure of Register of Members

The Register of members and Transfer Books of the Company (Nigerian and South African) will be closed between the 12th May-16th May, 2008 (both days inclusive) in terms of the provisions of Section 89 of the Companies and Allied Matters Act, 1990 (the "Companies Act").

Nomination for the Audit Committee

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

By the Order of the Board

Oredeji K. Delano (Mrs.)



Group Company Secretary & Chief Compliance Officer

Registered office:

2, Ajoye Adeogun Street
Victoria Island, Lagos

Financial Highlights

	2007	2006
	US\$'000	US\$'000
Turnover	1,501,794	1,647,840
Profit on ordinary activities before taxation	60,692	35,861
Profit after tax	49,804	22,022
Attributable to group	43,944	19,267
Earnings per 0.004 cent share (Cent)	6.94	3.37
Dividend per 0.004 cent share- proposed (Cent)	3.4	3.15
Net assets per 0.004 cent share (Cent)	49.91	32
Dividend cover x	1.13	1.07

Chairman's Statement

Highly Esteemed Shareholders,

It is with delight that I welcome you all to the thirty-first Annual General Meeting of your company. We have cause to be proud of our achievements so far as a nation and as an entity. The policies of the current democratic dispensation have made it possible for Oando to position itself in the forefront of the development of the energy sector. Our great portfolio of assets and an excellent team of people have been our core strength; our commitment to being the premier company driven by excellence remains resolute and is evident in our results.

The Macro-economic environment:

Global

The global economy continued to expand in the light of financial volatilities and raging crude oil prices. The IMF estimated that the global Gross Domestic Product (GDP) grew from 3.83% in 2006 to 4.9% in 2007. The growth was as a result of the expansion of the emerging economies despite the financial breakdown witnessed in most of the advanced economies. The U.S. witnessed 2.2% growth, the EU zone had a 2.6% growth, and Japan's was at 1.9%. The emerging economies witnessed most of the growth with China at 11.4%, India at 8% and Africa at 6%.

Africa showed considerable growth

Africa, amongst other emerging economies showed steady growth in GDP as it reached 6%. This is an expected sustainable trend as countries within the region have begun to adopt founded macroeconomic policies along with increased productivity. Other factors influencing this growth are a steady increase

in the appreciation of the rule of law and stability in the region.



The Local Operating Environment

The Nigerian economy is still largely dependent on revenues from oil. However, the manufacturing sector projected to be at least 45% of GDP is effectively taking over; while agriculture remains the main employment channel. Non-oil GDP recorded a growth rate of 9.8% as against 8.59% recorded in the previous year, while Oil GDP declined from 5.1% to 4.51% in 2007. The Nigerian banking sector was the highlight of 2007 activities; with investments reaching up to \$1 billion, the strength of the Nigerian banks have been seen through further expansions into other West African markets. The steady growth in the economy was heralded by stability in political leadership. However, there were some challenging circumstances displayed in the nation's political system that threatened the expected accelerated growth for most parts of the year after the transition in May. It is hoped that government's commitment to the enthronement of the principle of rule of law, due process, transparency and accountability will be sustained. This will go a long way in assuring investors and providing the needed stability for short and medium term growth.

The Niger Delta for most part of 2007 remained volatile due to the activities of restive youths who were agitating for greater control of oil revenues. By the end of the year, crude oil production shut-in stood at 0.9mmbbls/day. In all, average growth in the non oil sector was 9%; this is, despite the increased price of crude oil which peaked at \$102 per barrel and still averages at \$80 per barrel.

Nigeria's Gross Domestic Product (GDP) valued at current market prices stood at \$196.99 million (N22.91tr) in 2007 up from \$159.07 million (N18.5tr) in 2006. Real GDP growth rate was estimated at 7.01% in 2007 against 5.63% in the preceding year.

Other economic indices

The year on year inflation figure stood at 6.6% while the 12 month average stood at 5.4%, the economy achieved the single digit inflation figure projected for the year due to the appreciation in the value of the Naira against the US\$ as well as other variables in managing liquidity. Provisional figures from the Debt Management Office (DMO) showed that the total external debt stood at \$3.39bn which is marginally down from \$3.54bn in 2006. According to the CBN, Nigeria's external reserves figure stood at \$52bn which was a 15% increase from 2006 figures which stood at \$45bn. The value of the Naira appreciated by 8.07%, 8.03% and 7.55% in relation to the dollar in the inter-bank market, official market and the parallel market respectively in 2007, which was on account of the escalating international price of crude oil. Inter bank interest rates were generally lower in 2007 but still with a wide spread of 7.9% when compared with the average lending rates and the average deposit rate. The equity segment of the Nigerian financial market performed tremendously well with a capitalized market of \$84.16bn (N10.18tr) which was a 147% increase over 2006 figures, and the all share index gained 74.73% in Naira and 82.76% in US\$.

Performance Review

In the year under review, Oando's drive towards excellence and becoming the leading integrated energy solutions provider were spearheaded by the following key initiatives:

- **Project Restore:** in the year under review, Oando executed Project Restore in a bid to determine our core values. The project culminated in all employees agreeing to build your company on the core values of: Teamwork, Respect, Integrity, Professionalism and Passion (TRIPP) to further strengthen the world class culture within its teams. TRIPP was driven by the entire management team and it is evident in all the locations in which Oando is present as all staff were involved. Following this, your Board of Directors approved a Code of Business Conduct and Ethics (included in this Annual Report), premised on these core values. Project Restore, which is now in its operational phase, was very successful as evidenced by new staff friendly policies on training, performance appraisal, equality in the work place and mutual respect for all.
- **Project Synergy:** Phase 1 of our ERP implementation also went live in the year under review with Core HR & Self Service in April 2007 and the Finance, Payroll and Supply Chain in November 2007. Since November, our entire financial and supply chain functions are now Oracle based heralding an era of data integrity, automated processes, real time access to management information and seamless integration of our order to cash and procurement to pay functions. Its implementation has added tremendous value to our staff as they were all trained on the new world class application and have all started to use the tool very confidently. We expect to finish the Phase 2 of the project in 2008.
- The Addition of a new Product Service Line (PSL) in the energy service business.
- The commencement of the Apapa Submarine Pipeline Project which is set-up to improve

marketers' efficiency by the elimination of demurrage at our product receipt facilities.

- **Oando Corporate Restructuring:** In the year under review we also completed the corporate restructuring of the Group by making Oando Marketing a wholly owned subsidiary. Our restructuring has been premised on the need to ensure our businesses can deliver maximum returns to all its shareholders and also derive from synergies from each other.

As you are aware, Mr. Osaze Osifo was not re-elected as a director at the last annual general meeting. You will recall at the same meeting, Mr. Mobolaji Osunsanya, the CEO of our Gas and Power division was elected a director on the recommendation of your board. Mr. Osunsanya was a seasoned banker before he joined Oando Plc and has served in numerous capacities before his recent ascent to the Board of Director. Please join me as we wish him a very successful stay as a member of the Board of directors of your company.

The 2008 Outlook

Over the next 12 months your company will be investing a lot of effort in establishing and consolidating all its experience in supply chain management into a new division known as Oando Terminal and Logistics Limited. This new division will professionally manage the supply chain of our trading, marketing and energy services businesses ensuring we can further reduce the cost of these activities while ensuring their business requirements are efficiently met.

During the same period, we expect the completion of our expansion of the Lagos third phase gas pipeline expansion project to be completed; hence increase in revenues in the Gas and Power division. We are also looking forward to the execution of the Gas

supply to UNICEM in Calabar and the power supply project for Lagos Water Corporation.

Our Energy Services business procured two swamp rigs late in 2007 and has been refurbishing them; it is expected that this product service line will commence operation by Q2 2008. In addition to this, we expect to increase our client base in this division by up to 25% in the drill bits product line as a result of some strategic investment in 2007 and aggressive staff development campaigns embarked on in 2007.

Revenues in our trading business have been on the rise over the last 2 years and we fully expect this trend to continue. Our expansion to other economies in West Africa will continue and we expect it to bring in additional revenues for the Group. This will be in addition to the increase in revenue from our Nigeria operations as we continue to be the indigenous trading company of choice for many marketers including the NNPC.

I am particularly excited about our Exploration & Production (E&P) division as it remains the division with the highest margins potential for the group and we have recorded significant progress in our drive to tap this potential. Over the next 12 months we expect to make some strategic acquisitions either from the government or other majors that will underscore our determination to be a successful E&P player in this industry. We also expect to commence production of one of our upstream assets in the next 9 months which will further increase our revenue, and of course, returns to you our esteemed shareholders.

The Refining division will continue to focus on its plans for a new build as the concluded privatization exercise was unfavourable to us and it is still unclear what the government wants to do with its refineries. We however remain committed to the elimination of importation of petroleum products into the country in the long run as we believe that this exposes the

country to huge capital losses and sub-standard products.

I expect our marketing business to continue to provide a lot of support to the other businesses in the Group while at the same time providing quality products and services to all its customers. We fully expect the government to recommence the process of fully deregulating PMS while implementing strategies together with major marketers and the private sector to ensure that the deregulation does not cause hyper inflation in the country. We are fully committed to operational efficiency in this business and this we have expressed in the numerous projects we embarked on in 2007. Over the next 12 months we expect to make a lot of progress in the construction of our Submarine Pipeline which should bring in increased efficiencies in the drawing down of petroleum products from ships on our high seas. We will also continue to build on our teams to ensure we institutionalize our TRIPP values adopted in 2007. In summary we expect another bumper year for the

marketing business and indeed for the entire company.

My esteemed shareholders, I am confident about the outlook of your company, its management and teams and about the strategies we are implementing to ensure that your returns from this investment continues to grow year on year. I believe that we have the right business framework manpower/ capability development initiatives, operational management systems, leadership development framework and incentive systems, to better position us as the leading integrated energy provider on our continent. I thank everyone for their performance in 2007 and I look forward to an even better 2008. Thank you for your attention.



Major General M. Magoro (Rtd.)
PSC, OFR, USAWC
Galadiman Zulu

Chairman

Group Chief Executive's Report

I am delighted to present to you a summary of our performance in 2007, the drivers for our expected performance in 2008 and indeed a future outlook for your company Oando Plc. Over the last 7 years we have earnestly pursued our mission to be the leading integrated energy solutions provider, while simultaneously delivering optimal value to our shareholders. I am pleased to inform you that in 2007, our profit before and after tax rose by 69% and 126% respectively compared to 2006, our business has also experienced substantial growth compared to the previous year. Our financial performance for the period shows our commitment to continue to grow the income of your company year on year.

Some of the initiatives which underpinned our successes in 2007 despite the tumultuous business terrain were:

- **Corporate Restructuring:** After your approval of the corporate restructuring of Oando Plc at the last Annual General meeting, I am pleased to inform you that this process has now been completed. Oando Plc is now better positioned to realize untapped value from any of the subsidiaries in the Group.
- **Oracle Implementation:** One significant requirement to be a world class company is a world class operating system that will enable us realize the synergies in all our divisions and ensure all our processes are visible, simple, adaptable and have sufficient controls. To effectively compete in our environment and be ahead of our competitors in response time to customers, new products and services, availability of clean data and correct management reports, we were clear about the

need for an Enterprise Resource Planning tool. This we successfully implemented in 2007. Oando has now joined the elite group of companies worldwide bold enough to implement an ERP and structured enough to use it.



- **Staff Competency Framework:** In the year under review we embarked on a job competency profile update of all the jobs and positions in the organization. Our decision to ensure all jobs and positions are competency based is premised on the need to ensure all our members of staff have clearly defined career paths which with our support they can achieve. The data from this exercise has now been loaded into our Oracle Core HR application and has been launched for use in the company.
- In 2007, your company embarked on an inward search to rediscover and clearly articulate its core values. Our decision to be a world class company driven by world class people and processes requires that we all understand the values we are building our company on and learn to imbibe these values. This project which we named "Restore", culminated in T.R.I.P.P., which means, **Teamwork, Respect, Integrity, Professionalism** and **Passion**. It was a year long project which saw the executives of your company visit all the locations in which we operate to ensure these core values were well understood and in the process receive feedback from the field about issues disturbing their performance. I am proud to inform you that this

project was a huge success and we are well on the way to ensure working in Oando is a pleasant and enriching experience for all members of staff.

- Finally, within the year under review and as a result of our resolve to retain our employees and ensure they are well compensated for their efforts in delivering our promises to you our esteemed shareholders, the company embarked on specific people and incentive oriented initiatives which are now fully operational within the Group. These initiatives are:
 - Career Progression and Succession planning framework: to ensure all key positions are well backfilled thereby creating redundancies in the organization for these positions.
 - Training Management System: to ensure our staff training is proactive and competency based rather than reactive.
 - Leadership Development Framework: to ensure our people management system is not only developing technically sound people but also leaders who can ensure our organization continues to grow.
 - Reward Management: a system of consistently rewarding our best staff while ensuring they are well challenged and adequately mentored.
 - Industrial Relations: a system of ensuring our industrial relations are professionally done.
 - Equal Opportunity Employer: a system to ensure that we remain an equal opportunities employer.

Below are additional details of our performance by division:

Marketing

Our marketing business continues to be the leading marketing retailer in the country with about 500 retail outlets and operations in Ghana, Togo, Republic of Benin and Liberia. Oando Marketing deals in a range of petroleum products which include, Premium Motor Spirit (PMS), Automotive Gas Oil (AGO commonly known as diesel), Dual Purpose Kerosene (DPK), Aviation Turbine Kerosene (ATK), Low Pour Fuel Oil (LPFO), Lubricating oil and Greases, Insecticides, Bitumen, Chemicals and Liquefied Petroleum Gas (LPG commonly known as Cooking Gas)

Review of 2007 Operating Activities:

Our gross margin in 2007 grew by 32% compared to 2006 while profit before tax grew by 69%. This is despite the externalities which adversely affected our business. The most significant of these which was well beyond our control was the several days of election holidays during which we could carry out only skeletal commercial and operational activities for our products. Our performance in the marketing business in 2007 is therefore as a result of well managed operational cost reduction initiatives and efficient interest cost management.

Product Review

White Products (PMS, AGO, HHK):

During the period, our white products business which contributes up to 83% of our revenues faced a wildly fluctuating external market. PMS imports by NNPC for the first Quarter of 2007 were well below expectation and with the Port Harcourt refinery being the only refinery in operation the supply of white products was well below expectation. During the first half of the year, there were occasional outbreaks of unrest in isolated parts of the country as a result of the elections and this contributed to the slowdown of commercial activities in these areas. This had its negative effects on our white products business. On the other hand the continued insolvency of the

Petroleum Equalization Fund (PEF) led to a reduction in bridging volumes (products sold to stations in the Northern part of Nigeria) and this led to the loss of over 100m litres of sales.

By the second quarter, our new **PMS** and **HHK** pricing strategies had started to yield some results and this resulted in a 20% rise in unit margins. In addition to this our internal re-organization, which berthed a potentially new division known as Oando Terminals and Logistics, provided huge cost savings as product handling and dispatching from importation to customer's tank was done with a lot more efficiency.

Our performance with **AGO** was satisfactory despite the imbalance of government supply to the major marketing companies, supply constraints were eased due to refinery outage. Both the Retail and Commercial channels were able to deliver above budget unit margins, more than off-setting the consumer price resistance which dampened volumes for the first quarter but cost pressure severely dampened second half contribution.

HHK sourced locally and under the PSF, was able to deliver very strong unit margins for the company for the first two quarters. However, price enforcement at a level below which suppliers can reasonably be expected to recoup costs severely reduced second half contribution. The supply problems resulting from diversion of PPMC HHK imports to the Aviation business have finally begun to reduce although the price distortion that this creates continues to impair our Aviation Fuel business.

In the earlier part of the year under review, our **ATK** cost caused us some disadvantage when compared with some of our competitors who had more access to cheaper PPMC supply. Our strategy for the latter part of the year was to significantly reduce our

logistics cost while continuing to seek cheaper sources for the product without jeopardizing quality.

Other Products (Lubricants, Specialties):

Lubricants saw strong growth in the Retail business, as a result of the strategic focus for expansion in new non-forecourt channels. Unit margins came under pressure due to increasing costs and a highly competitive environment. The Commercial business was affected by the customer rationalisation drive to give the company a sophisticated set of credit customers. In addition to this, our eastern (marine) business suffered some reduction in commercial activities as a result of the unrest caused by militants in the Niger Delta and Port Harcourt regions. By the end of the first quarter in 2007, we had successfully resolved all product costing issues and provided a higher profitability mix in the Commercial business to ensure the product line was able to deliver sales returns as expected.

Other specialty product volumes still suffer from supply interruptions, the move to a better quality of commercial credit customers and aggressive market pricing. Our 2007 positions on these products reflected a more risk adjusted position and this will continue into 2008.

Balance Sheet Management

The balance sheet was assiduously guarded through the year; trade accounts receivables are now of a superior quality and PEF receivables were controlled by the management of bridging in the first half of the year and the new policy of offsetting the liability until the balance comes closer to the company's favour. The company also secured dollar based financing to retire overdrafts and corporate paper using this lower cost financing. This led to a better interest cost performance.

Capital expenditure remained tight on strategy to support liquidity, with the company's focus on maintaining excellent retail and terminal assets.

Looking forward to 2008

Despite the expected continued uncertainty in Government Policy and increasing competitive pressures in 2008, we expect our marketing business to continue to deliver quality products and services to all its customers while delivering good returns to all shareholders.

Price control policy of PMS remains a significant unknown in 2008 and we look forward to the government addressing this uncertainty thereby allowing us to add more value to our customers. We will continue to focus on liquidity as a Strategy for our Marketing business, with a lot of emphasis on efficiency and control, which will underpin our value delivery approach in 2008. We expect the following initiatives to be the high points for 2008, they include:

- Optimizing asset efficiency to maximize throughput;
- Increased utilization of our ERP platform;
- Higher margin products will continue to receive heavy resource support;
- Heavier investment in human capabilities will ensure your company makes the best choices for the long term profitability of your investment

Oando's Trading Business

Oando Supply and Trading Limited and Oando Trading Limited (Bermuda) represent the products trading division of the Oando group. Business activities covered in our trading division include the trading of refined and unrefined petroleum products to refiners, marketing companies world-wide and other trading companies. Oando Supply and Trading is responsible for deliveries into Nigeria, whilst Oando Trading is responsible for supply into other markets. Products traded include gasoline, gas oils, kerosene,

aviation fuel, distillates, naphtha, fuel oils, bitumen, base oils, and liquefied petroleum gas. The business also maintains a presence in the world's products freight market in terms of vessels chartered on spot and time charter basis for delivery of oil and oil products to various customers worldwide.

2007 Review

Business Environment - At the beginning of 2007, crude oil was hovering around \$60 a barrel and by December 2007 the price was closer to \$90. This trend was indicative of the rise of petroleum products prices in the international market in 2007. The conflict in the Middle East, violence in Nigeria, political strife in Pakistan and the shrinking of oil inventories in the United States led to a steady rise in oil prices. Instability arising from mortgage market crisis and speculators overall were also a significant contributor to oil price increases in 2007.

In 2006, the Petroleum Subsidy Fund (PSF) which is regulated by the Petroleum Product Pricing Regulatory Agency (PPPRA) continued to encourage the uninterrupted supply of gasoline and Household HK cargoes into the country.

Oando Trading and Oando Supply & Trading took advantage of this opportunity and sold over 40 cargoes of PMS to marketing companies who were eligible to import under the Petroleum Subsidy Fund. For the better part of 2007, the criteria set by NNPC for oil trading firms to supply them with petroleum products remained unchanged i.e. only companies with over \$5bn in turnover were eligible to supply the NNPC however we were still able to supply 3 spot cargoes as a result of our good relationship with the NNPC. In addition, a much sought after 30,000 barrel per day crude oil contract was signed between NNPC and Oando in December 2007.

Though endemic in the oil trading industry, our cargo losses for the year were 0.2% which was well below the industry average of 0.3%. This was due to the combination of the use of international super cargo inspectors and a marked improvement in operational efficiency.

Performance

Despite the difficulties the business faced, its turnover position was \$1,501m (N186bn) which was a 9% decrease compared to our performance in 2006. This notwithstanding improved margin efficiencies led to a 32% increase in our Gross margin over the previous year.

Outlook for 2008

In summary, the trading businesses performed over budget in 2007 and are set to do the same in 2008. We will focus on our sourcing strategy and leverage our experience, capacity and expertise in securing long-term off-take volumes from refineries along the coast of West Africa. In 2008 we will continue to implement our competitive pricing, increased flexibility and exclusivity at source strategies. We are poised to form strategic alliances with our upstream operations and also get involved in the trading of its crude production.

Oando Gas & Power

Oando Gas & Power (OG&P) is the division which oversees Oando Plc's gas and power businesses. Gaslink Nigeria Limited, East Horizon Gas Company Limited, Akute Power Limited and other gas and power companies.

Gaslink Nigeria Limited

Gaslink Nigeria Limited was the primary operating entity of Oando Gas and Power (OG&P) division of the group in the period under review. A key achievement within the year was the completion of a significant portion of the construction for the expansion of Greater Lagos (GL 3).

Foremost amongst our challenges in 2007 was gas supply reliability as cumulative gas outages went from near zero in 2006 to fifty-seven (57) days in 2007. The gas outages were caused by a combination of technical challenges and sabotage on the Nigerian Gas Company (NGC) Escravos to Lagos pipeline infrastructure. Ultimately this resulted in some revenue loss and delay in expansion plans by existing customers.

In addition, some of the underlying assumptions that informed the plan to deliver the GL3 expansion by Q3 2007 did not hold. Pipes were scarce and expensive in the international market as a result of the huge global demand for steel. Bottlenecks at the entry ports led to further delays in the landing date of pipes. These delays have led to the completion date of GL3 being moved to the later part of Q2 in 2008.

East Horizon Gas Company Limited (EHGC)

EHGC is shaping up to be the next entity in the OG&P division to join Gaslink as a cash generating company. It was established as a project company to undertake the supply of natural gas to the United Cement Company of Nigeria Limited (UNICEM), located in Mfamosing, Cross Rivers State. UNICEM is a joint venture company set up by Flour Mills Nigeria, Orascom Industries and Holcim International to build a \$500million Cement plant with a production capacity of 2.5million metric tonnes per year.

The Federal Government and the Nigeria National Petroleum Corporation (NNPC) have given their approval for the gas supply project on a Build Operate and Transfer (BOT) basis with NGC. The project includes construction of an 18inch gas supply line from the existing Obigbo-ALSCON pipeline at Ukanafun to the Cement Plant Site at Mfamosing, a total distance of 124km through land, swamp and 4 river crossings. The construction project will be executed following international standards of quality and safety and is scheduled for completion during

the second half of 2008. Upon completion the pipeline will deliver 22 million standard cubic feet per day (mmscf/d) initially, growing to 50 mmscf/d in the medium to long term.

Akute Power Limited

Oando Gas & Power has concluded discussions with the Lagos State Government to develop and install a 12 Megawatt (MW) plant to power the Lagos Water Corporation's major water works. The plant, upon completion will be powered by Natural Gas supplied by Gaslink. The project is scheduled for completion by the forth quarter of 2008.

West African Subsidiaries

The Federal Government of Nigeria, along with the Governments of Benin, Togo and Ghana has been driving the West African Gas Pipeline (WAGP) which will see the supply of natural gas via a coastal pipeline to Togo, Benin Republic and Ghana. The project earlier scheduled for completion in May 2007 was subject to some delays but has now been completed.

We have incorporated subsidiaries in these countries to participate and collaborate with local companies to deliver world class gas distribution services to the region. We are poised to be at the forefront of the natural gas utilization program across the West Coast.

OG&P Outlook for 2008

The socio political and macro economic environment portends a mix of opportunities and challenges for businesses in the incoming year. Disruptive activities in the Niger Delta constitute a major threat to gas supply from this area as evidenced by a 20% reduction in the Country's Oil output since 2005. The on-going restiveness has caused some gas supply flow stations in the area to completely shutdown. With the additional gas requirements of the National

Integrated Power Project (NIPP) and other Government gas projects, there is a potential for high demand pressure on the available gas supply. In spite of these challenges, the growing awareness of natural gas as a viable fuel and the favourable price difference between natural gas and alternative liquid fuels (Diesel, Petrol etc...) continue to drive gas demand.

Our objective is to ensure the continued maximization of investment in Gaslink and subsequently, the emerging entities within the Gas and Power Business. We believe that OG&P has a potential to grow overall PAT at a minimum Compounded Annual Growth Rate (CAGR) of 50% over the next 5 years. We will achieve this goal by optimizing the existing Gaslink assets (adding new connects and providing additional services) and by aggressively seeking out new opportunities in the Gas and Power Industry.

We shall be further guided by the key objective to diversify beyond gas distribution in Lagos and earn revenue from other business ventures by:

- Establishing workable partnerships towards gas exports using new technology
- Pilot a Compressed Natural Gas project within the Greater Lagos Area under viable commercial terms.

We will formalize our inherent culture of customer focus and commitment to technical standards by getting Gaslink certified under the ISO 9001.2000.

In addition, our commitment to efficiency and process standardization will be enhanced by full deployment of Oracle ERP in 2008.

We remain confident that 2008 will provide enormous opportunities for OG&P to execute on the entity's vision to provide affordable and reliable energy to its very valuable customers.

2007 Financials in perspective

Oando Gas & Power's Profit after Tax (PAT) in 2007 was \$4.26m (N495 million) which shows a 35% growth when compared to 2006. Turnover was \$37.7million (N4.39 billion) by end of year representing a marginal increase of 3% from the year 2006. Other incomes increased in 2007 by 136% compared to 2006 due in part to income earned from engineering consultancy services. Operating cost was \$4.7million (N547 million), an increase of 53% over 2006 figure. This was due to increased spending to add capacity to operate the OG&P platform.

Oando Energy Services

Oando Energy Services (OES), in line with its strategic initiatives for the year 2007 repositioned its portfolio of existing businesses as well as entered into new ones. To this effect OES focused on the following product service Lines (PSL) namely

- Drilling Fluids
- Drill Bits
- Oil Well Cement

It transferred the "Automotive Gas Oil (AGO)" supply business to the trading division of the Group. This realignment allowed OES to focus on providing services specifically to the upstream sector of the service industry and created better synergy between product Service Lines.

• Drill Bits

Significant progress was made in the area of increasing our existing client base to which we provide services in drill bits applications engineering. Market share gains were made with the inclusion of the following oil producers as clients such as Nigerian Agip Oil Company, Shell Nigerian Exploration and Production Company (SNEPCO), Pan Ocean and Emerald.

Providing applications engineering services to all clients towards solving specific drilling problems further demonstrated the technical competency of our engineers. These achievements have contributed in:

- Enhancing our ability to compete by recruiting competent engineers and carrying out training programs as planned
- Having adequate stock of bits to service our clients

• Oil Well Cement

We continued to maintain a sizeable stock of Oil Well Cement at our facilities at Onne FLT which is a free trade zone. Our operations with our alliance partners provided the much needed cementing needs of key clients like Addax, TOTAL, Mart Energy, Chevron and ExxonMobil. Professional services using OES supplied products were provided on all rigs spanning the Nigerian drilling terrain from Land to Swamp, Shallow offshore and finally Deep Water environment.

• Drilling Fluids

We provided Drilling & Completions Fluids services to our existing customers like Chevron, ExxonMobil and Snepco. Our existing Technical Support agreement with Halliburton's Baroid allows OES to deliver quality mud services to the upstream companies. During the first quarter of 2007, OES invested resources into the local sourcing of Barites in the Northern and Southern part of Nigeria thereby empowering local miners and millers. OES also commenced the cutting and bulking of locally-sourced Barite during the period.

• New Product Service Line – Drilling Rigs

Being an integrated service provider has always been a vision which OES has strived to achieve and with respect to this, starting up more profitable services

which fit into the profile of the company has been a key objective. In the second half of 2007 Oando Energy Services acquired two Swamp Drilling Rigs. These rigs are currently undergoing refurbishment and expected to be operational by the end of the second quarter of 2008. This acquisition marks OES's first entry into the drilling services business. To complement this move, OES also acquired a large base at the highly strategic Trans Amadi Industrial Layout which is at the heart of oilfield operational location in Port Harcourt. On this 18,100 m of land the operational base is currently being built with room enough for expansion as more services are brought into the fold.

As a result of the significant investments in our Energy Services division and the need to develop the requisite skills and competencies for the business we have beefed up the management team with the addition of an experienced executive to lead the rig business. The importance of a smooth operational take-off for this business cannot be understated and to underscore this, we have entered into a technical support agreement with a reputable company and are simultaneously carrying out contract negotiations with other reputable companies.

Looking forward to 2008

In 2008, OES shall rationalize its portfolio while it gains competency in the new PSL (Rigs). Within this period, it is expected to acquire more rigs to build the portfolio of this unit. There are still plans to commence the Solid Control and Waste Management line of the business, which are contingent upon the awards of contracts.

UPSTREAM DIVISION

Oando upstream division presently comprises of Oando Exploration and Production Limited (OEPL) and Oando Production Development Company

(OPDC). OEPL was incorporated to tap into the vast resources of the Niger Delta and other opportunities within the Gulf of Guinea.

At the start of the year under review, OEPL had interests in 2 assets, namely; OPL 278 - with a 60% working interest and OPL 282 - with a 4% interest as part of a Local Content Vehicle. OPDC, the other vehicle for oil exploration, had a 45% interest in the Obodeti/Obodugwa marginal field in OML 56. Over the course of the year to date, OEPL acquired a 95% interest in OPL 236, situated in Akwa Ibom state, as part of a discretionary award, following the failure of the previous right-holder to complete payment for the block.

2007 Blocks Review

OPL 278

Activity in OPL 278 has concentrated on evaluating the potential of the block using the available data. This data consists of 3D seismic coverage on the eastern one-third of the block, and a sparse coverage of 2D lines.

In addition, OEPL is actively pursuing rig opportunities in preparation for the planned 2008 drilling campaign. We are in the process of pre-qualifying suppliers for Wellheads and Oil Country Tubular Goods (OCTG's), which are long-lead items required for drilling. We have also secured approvals to advertise for drilling-related services from NAPIMS and NCD.

OPL 236

OEPL obtained the award letter for the block from DPR on 25 May 2007, and we have since then worked on the details of the PSC agreement. This agreement was recently signed by the Minister of State for Petroleum Resources.

OEPL has signed an agreement with **Septa Energy (a subsidiary of Weatherford International)** and

also commenced preliminary work on Community Relations and Environmental Impact Assessment (EIA).

OML 56

In partnership with **Energia**, the operator of the **Obodeti/Obodugwa** marginal field, OPDC re-entered the Obodugwa-1 well and retrieved the 2 tubing plugs in a rig less operation in early May 2007. The well was re-logged in June 2007.

OPL 282

The Nigerian Agip Oil Company, operator of OPL 282, focused on the planned 3D seismic acquisition as the main activity in 2007. The pre-qualification bids were opened at the end of February, with 2 contractors qualifying for the technical stage. The Technical "Invitation to Tender (ITT)" documents were approved by NAPIMS and NCD, and Agip is currently awaiting the incorporation of the NAOC PSC into the NIPLEX portal in order to issue the ITT to the qualified contractors.

Outlook for 2008

Our outlook for 2008 and beyond looks very bright and to underscore our commitment to be an upstream player, Oando plc became the preferred bidder and is poised to takeover SHELL's 49% stake in 2 blocks which have Agip as the operator. These deepwater offshore blocks will immediately move Oando to being a dominant indigenous player in the upstream sector as one of the blocks already produces up to 18,000 barrels per day while the other has one successful discovery and is the subject of a further appraisal drilling.

Our upstream division is not an opportunistic play for us, it is a platform we intend to deliberately fund and grow as its margins are very high and is able to deliver value to all shareholders. We will therefore continue to invest in this division especially in near

production assets to ensure our time to production is as short as possible.

Over the years we have positioned ourselves to be the local content partner of choice and we expect this to deliver some dividends for us in 2008 and beyond.

Oando Refinery

Oando's refining division was established to explore opportunistic avenues of entering the refining business in the shortest possible time while at the same time deliberately developing a refinery of our own. It will also manage all Oando's investments in this sector on behalf of the Group.

Review of 2007 and outlook for 2008 and beyond

2007 was a challenging year in actualizing the objectives of the Refining division especially as concerns the privatisation of the Port-Harcourt Refinery. After taking part in more than 2 privatisation attempts by the government and positioning ourselves to be the preferred bidders for the refinery, the process has since been stopped and the government is yet to announce its plans for the refinery. I am however pleased to inform you that Oando is undeterred in its resolve to build and operate a refinery in Nigeria and we are exploring the option of a green field development. The Front End Engineering Design (FEED) project commenced in 2007 and is expected to complete within 2008.

I am also delighted to inform you that our application for land to site the refinery and tanks farms have been approved and we have just concluded the payment of 10% of the cost of the land according to contractual terms. We expect to be in possession of the land by the end of Q2 and will start developing Phase 1 of the development via an ultra modern (minimum) 200,000 metric tonne tank farm and off-

shore SBM discharge facility. We remain resolute to develop Nigeria's first private indigenous refinery and provide the added benefits therein to our country and indeed the West African region.

Finally, in 2008, we plan to finalise the concept design for the Green field and also to commence detailed engineering design as soon as we are in possession of the land.

Conclusion

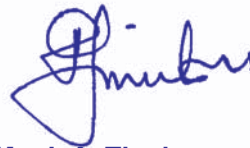
In summary the outlook for 2008 for your company is very positive as we intend to unlock value from our matured divisions to fund the growth of our higher margin businesses.

In our E&P division, we expect first oil for the Group in 2008 which will significantly increase the revenue and profitability of the Group thereby increasing returns to shareholders. We expect our new rigs PSL to become operational in 2008 as we position

ourselves as the largest indigenous rigs provider on the continent.

In our Gas & power business we expect to complete our first private power station by the end of 2008 for the Lagos Water Corporation. We will also complete the formalization of our processes and technical standards by getting Gaslink certified under the ISO 9001.2000.

On behalf of the Board of Directors and the staff of Oando Plc, I thank you for your support and I look forward to another year of success leading your company as we continue to bring value to all our shareholders.



Mr. J. A. Tinubu
Group Chief Executive

Report of the Directors

	2007 US\$'000	2006 US\$'000
Turnover	1,501,794	1,647,840
Profit on ordinary activities before taxation	60,692	35,861
Profit after tax	49,804	22,022
Attributable to group	43,944	19,267
Earnings per 0.004 cent share (Cent)	6.94	3.37
Dividend per 0.004 cent share - proposed (Cent)	3.4	3.15
Net assets per #0.004 cent share (Cent)	49.91	32
Dividend cover x	1.13	1.07

The Directors hereby submit to the members their Annual Report together with the audited consolidated financial statements for the year ended 31 December 2007.

In accordance with the provisions of the Companies and Allied Matters Act, 1990, the board is responsible for the preparation of the annual financial statements, which should give a true and fair view of the state of affairs of the Company as at December 31, 2007. The responsibilities of the Board amongst others include ensuring that:

- Applicable accounting standards are followed;
- Proper accounting records are maintained
- Implementation of Internal Control Procedures are instituted to safeguard assets, prevent and detect fraud other irregularities;
- It sets the Company's strategic direction, for leading and controlling the company and for monitoring activities of the executive management.

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

Legal form

Oando commenced operations in 1956 as a petroleum marketing company in Nigeria under the name ESSO West Africa Incorporated. It was then a subsidiary of Exxon Corporation of the USA. On 25 August 1969, the Company was incorporated under Nigerian Law as Esso Standard Nigeria Limited. In 1976, the Nigerian Government bought Exxon's interest in the Company and it was re-branded Unipetrol Nigeria Limited ("Unipetrol"). The Company became a public limited company in 1991, when the Federal Government of Nigeria divested 60% of its shareholding to the general public. Its shares were listed on the Nigerian Stock Exchange in February 1992.

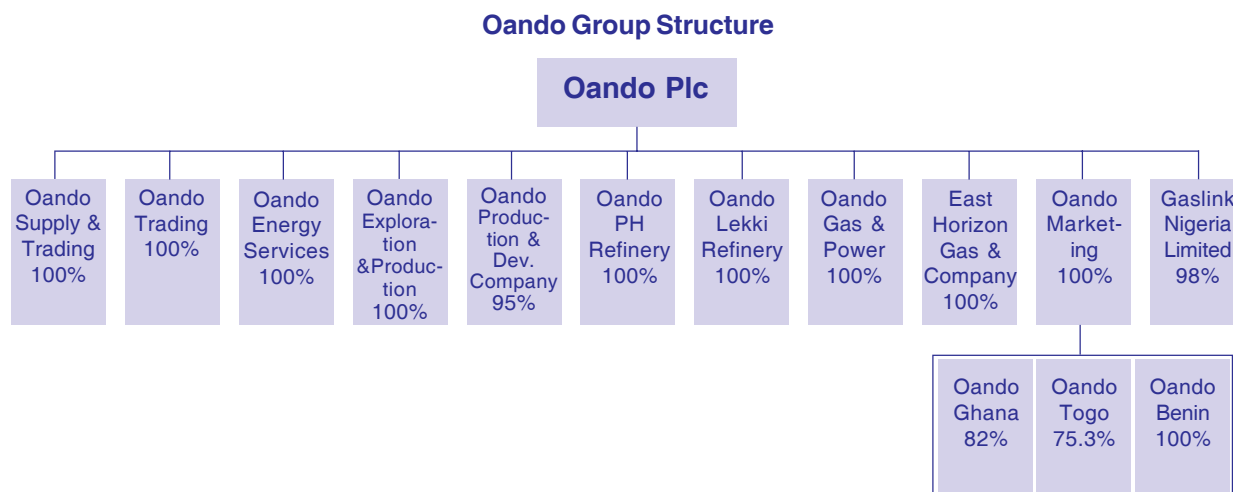
Ocean & Oil Investments Limited acquired a 30% stake in Unipetrol from the Federal Government of Nigeria in 2000 and thus became the core investor.

In August 2002, Unipetrol acquired a 60% stake in Agip Nigeria Plc ("Agip") by winning an international bid conducted by Agip Petroli International B.V. The US\$86m acquisition was the largest ever of a quoted Nigerian company. Unipetrol's management team subsequently led the merger and integration of Agip

with Unipetrol and the combined entity was re-branded Oando Plc in December 2003. In 2004, Oando consolidated its affiliate and subsidiary companies into an integrated energy group.

Oando was registered as an external company in South Africa on Tuesday, 1 November 2005, and on

25 November 2005, concluded its secondary listing on the JSE Limited (Johannesburg Stock Exchange) in South Africa.



Oando has consolidated its position through its subsidiaries in being an integrated energy player. Oando PLC (Oando), a proudly Nigerian Corporation born through the merger of Unipetrol and Agip Nigeria's downstream marketing operations, which has metamorphosed from a purely downstream marketing company to be the leading integrated energy company with operations spanning across the coast of western Africa along with business interests on a global scale.

The activities of the Group span from petroleum product marketing, supply and trading of crude and refined petroleum products, natural gas distribution, independent power solutions, exploration and

production of crude oil, oil service support to the upstream businesses through its rigs, mud services, drill bits etc. The turnover attributable to the group decreased from US\$1.65bn in 2006 to US\$1.50bn in 2007.

Nature of the Businesses

Petroleum Products Marketing:

Oando's flagship marketing division is the leading oil-marketing retailer in Nigeria with over 500 retail outlets also with operations in Ghana and Togo. The company's product ranges from Premium Motor Spirit (PMS), Automotive Gas Oil (AGO commonly referred to as Diesel), Dual Purpose Kerosene

(DPK), Aviation Turbine Kerosene (ATK), Low Pour Fuel Oil (LPFO), Lubricating Oils and Greases, Insecticides, Bitumen, Chemicals and Liquefied Petroleum Gas (LPG, commonly referred to as Cooking Gas). Strategic Assets owned by the division includes:

- 545 retail outlets spread across Nigeria;
- 5 depots with 70 million litres combined capacity;
- 3 aviation fuel depots in Lagos, Abuja and Kano;
- 2 bitumen plants with 12,000 metric tonnes capacity, located in Apapa and Port Harcourt;
- a lubricant blending plant with a capacity of 140 million metric tonnes per annum (double shift) capacity located in Kaduna. This plant is the most modern of its kind in sub-Saharan Africa, capable of both line and batch blending; and
- 7 liquefied petroleum gas plants with 535 metric tonnes capacity.

Supply and Trading:

Oando Supply and Trading Limited and Oando Trading Limited represent the products trading arm of the Oando group. Its activities cover trading of refined and unrefined petroleum products to Refiners, Marketing and Trading companies worldwide. Supply and Trading is responsible for deliveries within Nigeria while Trading is responsible for other markets. Products traded include gasoline, gas oils, Kerosene, aviation fuel, distillates, naphtha, fuels oils, bitumen, base oils and liquefied petroleum gas. Also with presence in the world's products freight markets for which it provides vessels chartered on spot and time charter basis for delivery of oil and oil products to various global customers.

Support Services to Upstream E&P companies

Oando energy services, in taking advantage of the Federal governments directive on local content has commenced the supply of drilling products, completion fluids, base oils, drill bits and other input materials for oil field operations. It has recently joined amongst its Product Service Lines (PSL) the Drilling Rigs with the acquisition of two swamp rigs.

Gas Distribution and Power

The Oando Gas and Power business is in the distribution of Natural Gas which is appended by Gaslink, which operates a 20 year BOT to distribute gas in the Greater Lagos Area. The company has over 100km of gas pipeline network passing through the major industrial areas of the state and has a broad industrial customer base. Oando power initiative, aimed at boosting the electricity generation in the country, will start its first power project for the Lagos State Water Corporation, and is also positioned to acquire and upgrade some of the distribution companies slated for privatisation by the Federal government.

Refinery:

Oando is committed reducing the nations dependent on importation of Petroleum product and also to increase the countries total refining capacity through the establishment of a Greenfield refinery in Lagos state.

Exploration and production of Crude Oil

Oando Exploration and Production Ltd and Oando Petroleum and Development Company, are the Groups vehicle for the possession of upstream assets which include:

- 45% non – operating stake in OML-56 (Obudeti/Obudugwa)
- 60% stake and operator in OPL-278
- 4% non operating interest in OPL-282

- 95% operating stake in OPL 236

Future Prospects

Oando has been suitably positioned to increase the value attributable to shareholders within the dynamics of the environment it find itself in. This would be achieved through the following initiatives:

- Focusing on Marketing's core competence and increased operational efficiency through the establishment of Oando Terminal & logistics Limited (OTL) which will manage the terminals, storage and logistics for all the businesses.
- An increase in the Gas distribution network and venturing into new franchise areas.
- Establishing more supply and trading activities along the coast of Africa and beyond.
- Rapid growth of the Oando energy service business through the addition of New Product service lines (Rigs).

Dividend and Bonus

The directors of Oando have recommended a final dividend of Six Naira [US\$0.05] per ordinary share of fifty kobo and bonus shares at the rate of one ordinary share of fifty kobo for every five ordinary shares of fifty kobo each held (2006: US\$0.034 per ordinary share) for the twelve months to 31 December 2007. The dividend has been recommended and will be declared in Naira, the currency of Nigeria. Both the dividend and the bonus issue are subject to the approval of shareholders at the Annual General Meeting to be held on 27 May 2008.

The salient dates for shareholders on the South African Register are:

Currency conversion at 11:00
South African time on Monday, 21 April 2008

Last day for trading to
qualify for and
participate in the
dividend (cum dividend)
and Bonus issue in

South Africa Wednesday 30 April 2008

Trading ex dividend &
bonus issue in
South Africa

commences on Monday, 5 May 2008

Transfers between the
Nigerian Register and the
South African Register
closed

5 May to 16 May 2008

Record date in South Africa Friday, 9 May 2008

Record date in Nigeria Friday, 9 May 2008

Register of members and
Transfer Books closed

in Nigeria 12 May – 16 May 2008

Annual general meeting Tuesday, 27 May 2008

Announcement released
confirming the dividend
has been declared and
the bonus issue is

unconditional Wednesday 28 May 2008

Dividend payment date
in Nigeria

Friday, 30 May 2008

Dividend payment date
in South Africa

(electronic and
certificated register) Wednesday, 4 June 2008

Accounts with CSDPs
and brokers credited in
South Africa or issue of
new share certificates

re the bonus issue effected Friday 6 June 2008

On Wednesday, 4 June 2008, dividends due to
certificated shareholders on the South African
registry will either be electronically transferred to
shareholders' bank accounts or, in the absence of

suitable mandates, dividend cheques will be posted to such shareholders. Shareholders who hold dematerialised shares will have their accounts, at their Central Securities Depository Participant or broker credited on Wednesday, 4 June 2008 in respect of the dividend and on Friday 6 June 2008 in respect of the bonus issue. Share certificates may not be dematerialised or rematerialised between Monday 5 May 2008 and Friday 9 May 2008 both days inclusive.

Currency conversion

The currency conversion at 11:00 South African time on 21 April 2008 was 1 Rand = Naira 15.157. Accordingly, the dividend of Six Naira [N6.00] per ordinary share equates to 39.6 cents per ordinary share.

Withholding tax

Shareholders are advised that a withholding tax of 10% is payable by all shareholders on the dividend. Accordingly the dividend net of withholding tax is Five Naira Forty Kobo [N5.40] (35.64 cents per ordinary share).

Any dividend payable on or in respect of an Oando share which is unclaimed may be invested or otherwise made use of by Oando, at the discretion of the directors, until claimed. Any dividends which remain unclaimed for a period of 12 years from the date when such dividends became due for payment shall, if the directors so resolve, be forfeited to the Company. No unpaid dividend shall bear interest as against the Company.

Oando has maintained an informal dividend policy over the last five years as a result of extensive growth in its businesses. As the Company transits from its aggressive growth phase to a consolidation phase, the directors will move to adopt a more formal dividend

policy which will balance steady dividend payments with adequate equity retention for future growth. In the interim, the Company has not entered into any arrangements for which future dividends have been or will be waived.

Directors

In accordance with section 259 (1) and (2) the Companies & Allied Matters Act, 1990 (CAMA) and articles 91 and 93 of the articles, the following Directors, who are the longest in office, are retiring by rotation and will present themselves for re-election at this meeting:

Mr. Ademola Akinrele (SAN)
Mr. Omamofe Boyo
HRM Oba Michael A. Gbadebo, CFR, the
Alake of Egbaland
Major General Magoro (Rtd.), OFR, PSC,
USAWC, *Galadiman Zuru*

Non-executive directors

1. **Major-General Mohammed Magoro OFR, PSC, USAWC, *Galadiman Zuru***
A retired general of the Nigerian Army. He was one time the Federal Commissioner of Transport, Minister of Internal Affairs and Member of the Supreme Military Council. In addition, he has served on the board of the National Maritime Authority. He currently sits on the boards of several other companies as well as the Board of Trustees, Peoples Democratic Party ("PDP"). He has held the position of Chairman of Oando since 2000.
2. **Ademola Akinrele SAN**
Mr. Akinrele is a partner in the law firm F. O. Akinrele & Co. He holds a Bachelor of Laws Degree from University College, London and an LL.M from the University of

Cambridge. He is a member of the Nigerian Bar Association, a Senior Advocate of Nigeria and a Fellow of the Chartered Institute of Arbitrators in the United Kingdom.

3. Prince Felix Ndamati Atako JP

Prince Atako is a seasoned financial analyst and a member of the Nigerian Stock Exchange and sits on the board of many companies. He obtained a Bachelor's Degree in Public Accountancy and an MBA in Finance & Investments from The Baruch College of the City University of New York, New York, USA. He served in various capacities both in the private and public sectors. He is also a member of the Institute of Directors (IoD).

4. HRM Michael Adedotun Gbadebo, CFR, the Alake of Egba Land

Prior to his coronation as the Alake of Egba Land in 2005, His Royal Majesty had a successful career in the Nigerian Army culminating in his appointment as the Principal Staff Officer to the Chief of Staff, Supreme Headquarters from January 1984-September 1985. The Alake holds a Bachelor of Arts degree from the premier university in Nigeria: University of Ibadan and has served on the boards of several companies including: Ocean and Oil Services Limited, and Global Haulage Resources Limited. He was also awarded military honours such as the Forces Service Star (FSS) and the Defence Service Medal (DSM).

5. Valentine Oboden Ibru

Holds a Bachelor of Science Degree in Finance and a Bachelor of Science Degree

in Decision Sciences, from the University of San Francisco, California, as well as a Masters Degree in Business Administration from the International Graduate School of Management (IESE), Navarra, Spain.

Mr. Ibru is currently the Managing Director/Chief Executive Officer of Oceanic Capital Limited, a subsidiary of Oceanic International Bank PLC, where he had worked for over 15 years in various capacities. Mr Ibru serves on the boards of Aero Contractors Nigeria Limited and Minet Insurance Brokers amongst others.

6. Alhaji Hamidu Mahmud

He is the principal partner in the law firm of Mahmud Ahaneku & Co. Holds a Bachelor of Laws Degree from the Ahmadu Bello University, Zaria and is a member of the Nigerian Bar Association. He served on the board of the Gongola State Broadcasting Corporation from where he was appointed to the Gongola State Executive Council. Alhaji Mahmud was a director of the Securities & Exchange Commission and a former Senator of the Federal government of Nigeria. He is also a member of the Institute of Directors (IoD).

7. Ike Osakwe

Mr Osakwe is a Chartered Accountant as well as a Financial and Management Consultant. He holds a Bachelor's and a Masters Degree in Chemistry from the University of Oxford, England and is an associate Member of the Institute of Chartered Accountants for England and Wales. Ike Osakwe has worked in various audit and consultancy firms and has carried out extensive management systems, operational and accounting review assignments within Nigeria and

internationally. He currently serves as chairman of Thomas Wyatt Nigeria Plc and sits on the boards of Notore Chemical Industries Ltd, and Leadway Pensure PFA. He has previously served on the boards of Fedex (Red Star Express) Limited, and also as the Chairman of UBA Trustees Limited.

8. Onajite Paul Okoloko

He was the Managing Director and Chief Executive Officer of Oando Energy Services Limited from 2001 to 2006. Mr Okoloko was one of the founding members of the Ocean and Oil Group and focused on the trading and energy services business lines. He holds a Bachelor of Science Degree in Economics from the University of Benin. He started his career working with Bounty Alarms, an independent marketer of AT&T security systems in the United States of America, where he rose to the position of Sales Training Manager. Mr. Okoloko is currently the Managing Director of Notore Chemical Industries Limited.

‡ - Independent non-executive

Group Executive Directors

9. Wale Tinubu

Mr. Wale Tinubu is the Group Chief executive officer, Oando Plc. He holds a Bachelor of Laws Degree from the University of Liverpool and an LLM from the London School of Economics. He commenced his career with the law firm K. O. Tinubu & Co. and was one of the founding members of the Ocean and Oil Group, where he was responsible for the strategic expansion of that group. Prior to assuming his present position, he served as Oando's Executive Director,

Finance and Administration. Mr. Tinubu is currently the Chairman of the boards of Gaslink Nigeria and Tilca Nigeria Limited and sits on the boards of several other companies in the Oando Group. He the Chairman of the CEOs of the major oil and marketing companies meetings and a member of the Institute of Directors of Nigeria.

10. Omamofe Boyo

He is the deputy group chief executive officer. He obtained his Bachelor of Laws Degree from Kings College, University of London. He started his career with Chief Rotimi Williams' Chambers, a leading Nigerian law firm, where he specialised in shipping and oil services and worked on several joint venture transactions between the Nigerian National Petroleum Corporation and major international oil companies. He is one of the founding members of the Ocean and Oil Group, where he developed and managed the operations department before his appointment in July 2001 as Executive Director, Marketing of Oando. Mr Boyo serves on the boards of companies in the Oando group.

11. Mobolaji Olatunbosun Osunsanya

He is the chief executive officer of Oando Gas & Power Limited. He holds a First Class bachelors degree in Economics from the University of Ife and a Masters degree, also in economics, from the University of Lagos. He previously worked as a consultant with Arthur Andersen Nigeria (now KPMG professional services) with experience in the banking, oil & gas and manufacturing industries. Prior to joining Oando in August 2001, he was an assistant general manager

at Guaranty Trust Bank Plc and later an executive director at Access bank PLC. Before his appointment as CEO, Gaslink Nigeria, he was the Chief Marketing Officer – Commercial, for Oando marketing.

The directors, pursuant to section 259(4) of the 1990 companies & allied matters act & article 95 of the company's articles of association are pleased to recommend Mr. Navaid Burney for election to the office of director of your company.

Brief Curriculum Vitae

Mr. Navaid Burney is the Managing Director of Emerging Capital Partners (“ECP”), a leading Africa-focused private equity fund manager. He runs ECP's Johannesburg office sourcing, transacting and monitoring investments in a number of high-growth sectors. Mr. Burney joined ECP in September 2000 from First Merchant Bank of Zimbabwe where he had been General Manager of Investment Banking since 1997. During his tenure, the Bank became a leader in corporate finance, particularly in privatizations, the structuring and placement of corporate and parastatal debt and cross border mergers and acquisitions. From 1993 to 1997, he was Senior Investment Officer with the International Finance Corporation (IFC) where he focused on mining finance, completed transactions and provided advisory services in Chile, Venezuela, Peru, Sierra Leone, Zimbabwe and Gabon. Prior to joining the IFC, Mr. Burney was an Associate Manager with Union Carbide Corporation's treasury and had international banking experience from assignments in New York, Paris and Abu Dhabi. Mr. Burney serves on the Board of Directors of Starcomms Plc, Notore Ltd, Ocean & Oil Investments Ltd, Touch the Wild (Pty) Ltd and De Rust Olive Estates (Pty) Ltd among

others. Mr. Burney holds a B.S. in International Economics from Georgetown University and an MBA.

Corporate Governance

Oando is committed to the principles and implementation of best business practices as it is exhibited in the company's corporate governance policy below. Oando is dedicated to the protection and promotion of shareholders' interest thus regularly updating and reviewing its structures and processes in order to have the best business practice at all times and in turn exhibiting a value based performance. The Company recognises the importance of adoption of best practice principles, its valuable contribution to long-term business prosperity and accountability to its shareholders, and has applied the principles set out in the Code on Corporate Governance issued by the Securities & Exchange Commission, Code of Corporate Practice and Conduct contained in the 2002 King Report and the Combined Code on Corporate Governance issued by the Financial Reporting Council (UK) in June 2006, as described below.

Corporate Governance Policy

The Company views a vigilant, professional, and Independent Board of Directors essential for good corporate governance. The Board of Directors is not involved in the day to day running of operations of the Company. It however, influences the performance of the Company through its supervision, guidance, and control of management in the interest and for the benefit of the Company's shareholders. Executive Management also plays a crucial role in the governance process. The Company believes that the effective interaction between the governing bodies and a clear separation of authorities is key to sound corporate governance. There is a formal schedule of matters reserved for the decision of the Board, which is reviewed regularly. This includes (inter alia):

- strategy and objectives;
- business plans and budgets;
- changes in capital and corporate structure;
- accounting policies and financial reporting;
- internal controls;
- major contracts;
- capital projects;
- acquisitions and disposals;
- dividend policy;
- communications with shareholders; and
- Board membership.

At the Board of Directors Level

- a. **Authority.** The Board of Directors' scope of authority is set forth in the Company's Delegation of Authority, in conformity with relevant legislation and best practice recommendations.
- b. **Size.** The Board of Directors, upon the recommendation of its Corporate Governance Committee, recommends the appropriate size of the Board of Directors. The Board of Directors' size is fixed by Article 78 of the Company's Articles of Association. Achieving the needed quality and mix-of-skills is a primary consideration in arriving at the overall number.
- c. **Election, Term, and Dismissal (Articles 86-96)** the Company believes that experienced Directors, familiar with the Company from diverse industry background, are key to providing proper guidance.

- d. **Composition and Independence.** The Board of Directors' composition, competencies, and mix-of-skills are adequate for oversight duties, and the development of the Company's direction and strategy. Each individual Director has the experience, knowledge, qualifications, expertise, and integrity necessary to effectively discharge Board of Directors duties and enhance the Board's ability to serve the long-term interests of the Company and its shareholders. The Board of Directors has a broad range of expertise that covers the Company's main business, sector, and geographical areas, and includes at least three experienced financial experts who are non-executive and independent Directors. A full and complete set of information on the Directors' qualifications is set forth and annually reviewed by the Board of Directors upon the recommendation of its Corporate Governance Committee and can be viewed on the Company's website. Best practice prohibits the Group Chief Executive Officer and Chief Executive Officers from being the Chairmen of their respective Boards of Directors. To enhance unbiased oversight, the Company believes that a non-executive Director should chair the Board of Directors.

To ensure the impartiality of decisions and to maintain the balance of interests among various groups of shareholders, a number of the Board of Directors' members are Independent Directors. The Company defines those Directors who have no material relationship with the Company beyond their Directorship as Independent. The Board of Directors, through its Corporate Governance Committee,

ascertains which members are to be deemed Independent during the first Board of Directors meeting post the Annual General Meeting. Criteria for determining Director Independence is based on the Combined Code referred to above, and has therefore determined, for the time being, that Directors that have served for longer than nine years shall not be considered Independent Directors.

e. Structure and Committees. The Company has established the following Board of Directors committees:

- **Corporate Governance Committee**
- **Nominations Committee**
- **Remuneration Committee**
- **Strategic Planning and Finance Committee;** and
- **Audit Committee** (a statutory Committee with shareholder members)
- **Environmental Health & Safety Committee**
- **Other committees deemed necessary by the Board of Directors will be established.**

All Committees have by-laws/terms of reference containing provisions on the scope of authority, competencies, composition, working procedures, as well as the rights and responsibilities of the committee members. Each committee is to provide provisional consideration of the most important issues that fall within the authority of the Board of Directors. After each of its meetings, the committees report to the meeting of the Board of Directors.

f. Working Procedures. The Board of Directors meets according to a fixed schedule, set at the beginning of each year, which enables it to properly discharge its

duties. As a rule, the Board of Directors meets at least five (5) times a year.

All Directors are provided with a concise but comprehensive set of information by the Company Secretary in a timely manner, concurrently with the notice of the Board meeting. This set of documents is to include:

- an agenda;
- minutes of the prior board meeting;
- key performance indicators, including relevant financial information prepared by management, and clear recommendations for action.

The Board of Directors through the Group Company Secretary keeps detailed minutes of its meetings that adequately reflect Board discussions, signed by the Chairman and included voting results on an individual basis where necessary. The Company keeps recordings of important Board decisions, such as the approval of extraordinary transactions.

g. Self Evaluation. The Board has not yet undertaken a formal and rigorous evaluation of its own performance and that of its Committees and individual Directors. However, this evaluation will take place during 2008.

h. Training and Access to Advisers. The Company has put together an induction programme for new Directors of the Company, on its business, and other issues that will assist them in discharging their duties. The Company will also provide general access to training courses to its Directors as a matter of continuous professional education. The Board of Directors and its committees also have the

ability to retain independent legal counsel, accounting, or other consultants to advise the Board of Directors when necessary.

- i. **Remuneration.** The remuneration of non-executive Directors is competitive and is comprised of an annual fee and a meeting attendance allowance. The remuneration package shall, however, not jeopardize a Director's independence. Executive Directors are not paid fees beyond their executive remuneration package. The Board of Directors shall, through its remuneration committee, periodically review the remuneration paid to Directors. The Company publicly discloses the remuneration of Directors. The Company will not provide personal loans or credits to its non executive directors. Further, the Company shall not provide stock option to its Directors unless approved by shareholders in general meeting.

- j. **Duties and Responsibilities.** Directors act in good faith, with due care and in the best interests of the Company and all its shareholders – and not in the interests of any particular shareholder – on the basis of relevant information. Each Director is expected to attend all Board of Directors meetings and applicable committee meetings.

The Company shall not prohibit its Directors from serving on other Boards of Directors. Directors are expected to ensure that other commitments do not interfere in the discharge of their duties. Directors shall not divulge or use confidential or insider information about the Company.

Directors shall abstain from actions that will or may lead to a conflict of interest with the Company and shall comply with the Company's Policy on related Party transactions.

k. Terms and conditions of appointment of the Non-Executive Directors

These are available for inspection by any person at the registered office of the Company during normal business hours.

l. Re-election of Directors

In accordance with the Company's Articles, not more than one-third of the Directors are required to retire at each Annual General Meeting of the Company, the Directors to do so being those who have been longest in office since their last appointment or election.

The Company Secretary is responsible to the Board, and is also available to individual Directors for advice and services.

The current composition of the Board and its Committees is as follows:

Director	Audit	Nomination	Remuneration	Strategic Planning & Finance	Corporate Governance	Environment, Health & Safety
M. Magoro OFR						
J. A. Tinubu						
O. Boyo						✓
M. Osunsanya						✓
F. N. Atako JP	✓	✓		✓		
A. Akinrele SAN		✓	✓		✓	
HRM M.A. Gbadebo CFR						✓
H. Mahmud		✓			✓	
V. O. Ibru			✓	✓	✓	
O. P. Okoloko	✓			✓		✓
I. Osakwe	✓		✓	✓		
O. Osifo‡	✓			✓		

‡ Mr. Osaze Osifo ceased being a director on June 28, 2007

Attendance at board meetings during the year ended 31st December 2007

	03-07 (103 rd)	10-05-07 (104 th)	27&28-6-07 (105 th)	09 &10-08-07 (106 th)	07-11-07 (107 th)	18-12-07 (108 th)
M. Magoro OFR	✓	✓	✓	✓	✓	✓
J. A. Tinubu	✓	✓	✓	✓	✓	✓
O. Boyo	✓	✓	✓	✓	✓	✓
M. Osunsanya*	-	-	✓	✓	✓	✓
F. N. Atako JP	✓	✓	✓	✓	✓	✓
A. Akinrele SAN	✓	✓	✓		✓	✓
HRM M.A. Gbadebo		✓	✓		✓	✓
H. Mahmud		✓	✓	✓	✓	✓
V. O. Ibru	✓	✓	✓	✓	✓	✓
O. P. Okoloko	✓	✓	✓	✓	✓	
I. Osakwe	✓	✓	✓	✓		✓
O. Osifo‡	✓	✓	✓	-	-	-

‡ Mr. Osaze Osifo ceased being a director on June 28, 2007

* Mr. M. Osunsanya was elected on 28 June 2007.

Board Committees

The board has established six formal committees as outlined below:

Strategic Planning & Finance Committee members:

Mr. I. Osakwe (Chairman)
 Prince F. Atako JP
 Mr. O. Ibru
 Mr. O. Osifo (till June 28, 2007)
 Mr. O. Okoloko

Strategic Planning & Finance Committee assists the board of directors in performing its guidance and oversight functions effectively and efficiently, by specifically defining the Company's strategic objectives, determine its financial and operational priorities, making recommendations regarding the Company's dividend policy, and evaluating the long-term productivity of the Company's operations. The committee met on 9 occasions in 2007.

Director	7 March '07	12 March '07	26 March '07	30 April '07	30 July '07	29 Oct '07	3 Dec '07	12 Dec '07	13 Dec '07
I. Osakwe	X	✓	✓	✓	✓	✓	✓	✓	✓
F. Atako JP	X	✓	✓	✓	✓	✓	✓	✓	✓
O. Ibru	✓	✓	✓	✓	✓	✓	✓	x	x
O. P. Okoloko	✓	✓	✓	x	✓	X	✓	x	x
O. Osifo*	✓	✓	✓	✓	-	-	-	-	-

* O. Osifo ceased being a director on June 28, 2007

Corporate Governance Committee members:

Mr. A. Akinrele SAN (Chairman)
 Alhaji H. Mahmud
 Mr. O. Ibru

The corporate governance committee assists the Board of Directors in performing its guidance and oversight functions effectively and efficiently, and is specifically charged with the development of, compliance with, and periodic review of the Company's corporate governance policies and practices. The Committee further monitors and reviews policies concerning shareholder rights, conflict resolution, ethics, disclosure and transparency, evaluation, and the Company's internal documents (organisation and process). The committee is chaired by a non-executive director and comprises of two non-executive directors, one of whom is an independent director. The Committee held 3 meetings in the financial year ended 31 December 2007.

Attendance at meetings during the year ended 31st December 2007

Director	2 Feb 2007	31 July 2007	03 Aug 2007
A. Akinrele SAN	✓	✓	✓
H. Mahmud	✓	x	✓
O. Ibru	✓	✓	X

Remuneration committee members:

Mr. I. Osakwe (Chairman)
 Mr. A. Akinrele SAN
 Mr. O. Ibru

The remuneration committee is chaired by an independent director and comprises of the Chairman and two non-executive directors. It assists the Board of Directors in performing its guidance and oversight functions effectively and efficiently, the committee is specifically charged with ensuring the Company's remuneration policies and practices support the

successful recruitment, development, and retention of directors and managers, and thus help the company realise its business objectives and sustainable economic development. Whilst the committee may meet whenever and as often as necessary to properly carry out its functions and duties in a timely manner. The committee held meeting once in 2007.

Attendance at meetings during the year ended 31st December 2007

Director	30 th July '07
I. Osakwe	✓
A. Akinrele SAN	✓
O. Ibru	✓

Nominations committee members:

Alhaji H. Mahmud (Chairman)

Mr. A. Akinrele SAN

Prince F. Atako JP

The nominations committee assists the Board of Directors in performing its guidance and oversight functions effectively and efficiently, and is specifically charged with identifying qualified directors and senior executives. It is to ensure the company's policies support the successful recruitment, development, and retention of directors and executives and thus help the company realise its business objectives and sustainable economic development. The committee is chaired by an independent director and comprises of two independent directors and one non-executive director. The Committee held one meeting in year ended 31st December, 2007.

Attendance at meetings during the year ended 31st December 2007

Director	27 th March '07
A. Akinrele	✓
F. Atako	✓
H. Mahmud	X

Statutory Committee^o:

Audit Committee members:

Prince Felix Atako JP (Chairman)

Prince Atako is a seasoned financial analyst and a member of the Nigerian Stock Exchange and sits on the board of many companies. He obtained a Bachelor's Degree in Public Accountancy and an MBA in Finance & Investments from The Baruch College of the City University of New York, New York, USA. He served in various capacities both in the private and public sectors. He is also a member of the Institute of Directors (IoD).

Mr. I. Osakwe

Mr Osakwe is a Chartered Accountant as well as a Financial and Management Consultant. He holds a Bachelor's and a Masters Degree in Chemistry from the University of Oxford, England and is an associate Member of the Institute of Chartered Accountants for England and Wales. Ike Osakwe has worked in various audit and consultancy firms and has carried out extensive management systems, operational and accounting review assignments within Nigeria and internationally. He currently serves as chairman of Thomas Wyatt Nigeria Plc and sits on the boards of Notore Chemical Industries Ltd, and Leadway Pensure PFA. He has previously served on the boards of Fedex (Red Star Express) Limited, and also as the Chairman of UBA Trustees Limited.

Mr. Oboden Ibru[†]

Holds a Bachelor of Science Degree in Finance and a Bachelor of Science Degree in Decision Sciences, from the University of San Francisco, California, as well as a Masters Degree in Business Administration from the International Graduate School of Management (IESE), Navarra, Spain. Mr Ibru is currently the Managing Director/Chief Executive Officer of Oceanic Capital Limited, a subsidiary of

Oceanic International Bank PLC (“the Bank”), where he had worked for over 14 years in various capacities. Mr Ibru serves on the boards of Aero Contractors Nigeria Limited and Minet Insurance Brokers amongst others.

Onajite Paul Okoloko#

He was the Managing Director and Chief Executive Officer of Oando Energy Services Limited from 2001 to 2006. Mr Okoloko was one of the founding members of the Ocean and Oil Group and focused on the trading and energy services business lines. He holds a Bachelor of Science Degree in Economics from the University of Benin. He started his career working with Bounty Alarms, an independent marketer of AT&T security systems in the United States of America, where he rose to the position of Sales Training Manager. Mr. Okoloko is currently the Managing Director of Notore Chemical Industries Limited.

Mrs. E. Fadayomi^{ft}

Mrs. Fadayomi is the principal partner in a firm of Solicitor and Advocates – Eniola Fadayomi & Co. She holds a Bachelor of Laws Degree from the University of Lagos, Nigeria. She is a member several professional associations including the Nigerian Bar Association, the Institute of Directors and the International Federation of Women Lawyers. She has served as the Chairman on the board of several companies including Afribank Nigeria Plc, Millennium Harvest Ltd and Telegraphique. She also served as a member of the board of directors in May and Baker.

She was formerly the Attorney General & Commissioner for Justice in Lagos State, Commissioner for Establishment, Training and Pensions and First Commissioner for Women Affairs and Poverty Alleviation on the Lagos state cabinet.

Mr. Habibu M. Ma’aruf^{ft}

He is an experienced Legal Practitioner with a Bachelor of Laws Degree from Usman Danfodio University (formerly University of Sokoto), Nigeria. He is currently the Principal Partner at H.M.MA’ARUF & CO. Solicitors and Advocate.

Mr. Job Onwughara^{ft}

Mr. Onwughara holds a Master of Science degree in Banking and Finance from the University of Ibadan, Nigeria. He is a fellow of the Chartered Institute of Bankers, London / Nigeria, an Associate of the Institute of Credit Management, London and Member of the British Institute of Management. He has served at various Managerial levels at Savannah Bank and Crown Flour Mill Limited.

Alhaji Bagudu^{ft}*

Chief A. Okpan JP^f *

Otunba O. Olowu^{ft}*

Mr. O. Osifo*

The audit committee of the Company is chaired by an independent director of the company and, in addition, comprises of another independent director and one non-executive director together with the three shareholder members as required by the Companies and Allied Matters Act, 1990. The Audit Committee members meet at least three times a year and the meetings are attended by appropriate company executives, including the group chief financial officer and the internal control & audit manager. The committee’s duties include keeping under review the scope and results of the external audit, as well as the independence and objectivity of the auditors. The committee also keeps under review internal financial controls, compliance with laws and regulations and the safeguarding of assets. It also reviews the adequacy of the plan of the internal audit and reviews its audit reports. The committee held 4 meetings in financial year ended December 31, 2007.

^o The Companies and Allied Matters Act, 1990's requires that every public company have an audit committee and stipulates that a number of shareholders equal to the director members of this committee must be members of the audit committee.

^f Shareholder members

* ceased being a member on June 28, 2007

† elected member on June 28, 2007

‡ ceased being a member on 7 November 2007

elected member on 7 November 2007

Attendance at meetings during the year ended 31st December 2007

Member	26 March '07	April '07	30 July '07	29 Oct '07
F. Atako	✓	✓	✓	✓
Bagudu	✓	✓	-	-
A. Okpan	✓	✓	-	-
O. Olowu	✓	-	-	-
I. Osakwe	✓	✓	✓	✓
O. Osifo	✓	✓	-	-
V. O. Ibru	-	-	✓	X
E. Fadayomi	-	-	✓	✓
M. Ma'aruf	-	-	✓	✓
J. Onwughara	-	-	✓	✓

Directors declarations

None of the directors have:

- ever been convicted of an offence resulting from dishonesty, fraud or embezzlement;
- ever been declared bankrupt or sequestered in any jurisdiction;
- at any time been a party to a scheme of arrangement or made any other form of compromise with their creditors;
- ever been found guilty in disciplinary

proceedings by an employer or regulatory body, due to dishonest activities;

- ever been involved in any receiverships, compulsory liquidations or creditors voluntary liquidations;
- ever been barred from entry into a profession or occupation; or
- ever been convicted in any jurisdiction of any criminal offence or an offence under any Nigerian or South African legislation.

Names	Salaries and benefits(\$)	Retirement and medical aid benefits(\$)	Bonuses and performance payments(\$)	Sitting Allowances(\$) emoluments(\$)	Directors' fees(\$)	Total
Maj- Gen Magoro (RTD)	54,375.30			4,375.00	5,000.00	63,750.30
Jubril Adewale Tinubu	700,666.57	28,005.49	139,100.59	4,375.00		872,147.65
Omamofe Boyo	516,892.75	21,555.41	83,645.71	2,916.67		625,010.53
Ademola Akinrele SAN	42,895.10			5,000.00	4,583.33	52,478.43
Felix Atako JP	42,061.77			7,916.67	4,583.33	54,561.77
HRM Oba M.A. Gbadebo CFR	42,895.10			1,666.67	4,583.33	49,145.10
Valentine Oboden Ibru	42,895.10			7,500.00	4,583.33	54,978.43
H. Mahmud	43,311.77	39,725.93		3,333.33	4,583.33	90,954.37
Onajite Okoloko	42,478.43			4,166.67	4,583.33	51,228.43
Ike Osakwe	42,061.77			7,500.00	4,583.33	54,145.10
Mobolaji Osunsanya	42,311.56			1,666.67		43,978.22
Total	1,612,845.21	89,286.83	222,746.30	50,416.67	37,083.33	2,012,378.34

Directors' shareholdings

The holdings of ordinary shares by the directors of Oando at 31 December 2007, being the end of Oando's immediately preceding financial year, are set out in the table below:

Name	Address	Share Holding	Total No. of shares held (as % of share capital)
Maj-Gen Magoro (RTD), OFR PSC USAWC FSS Galadiman Zuru	8, Iman Augusto Close Victoria Island, Lagos	-	-
*Mr. Jubril Adewale Tinubu	2, Ajose Adeogun Street, Victoria Island, Lagos	-	-
*Mr. Omamofe Boyo	2, Ajose Adeogun Street, Victoria Island, Lagos	-	-
Mr. Ademola Akinrele SAN	188, Awolowo Road South West Ikoyi, Lagos	32,170	0.00427%
Prince Felix Atako JP	8, Chief Nna Atako Street, Amadi Flats, Port Harcourt , Rivers State	46,001	0.00610%
HRM, Oba Adedotun Gbadebo, CFR, The Alake of Egbaland	Ake Palace, Ake Abeokuta, Ogun State	1,025	0.0001%
Mr. Oboden Ibru	270, Ozumba Mbadiwe Avenue Victoria Island, Lagos	126,141	0.017%
Alhaji Hamid Mahmud	3A, Oko Awo Close, Victoria Island, Lagos	6,956	0.00092%
*Mr. Onajite Okoloko	3rd Floor, Fortune Towers Adeyemo Alakija Street, Victoria Island, Lagos	-	-
Mr. Ike Osakwe	3, Eko Akete Close, South West Ikoyi, Lagos	61,931	0.00821%
Mr. Bolaji Osunsanya	2, Ajose Adeogun Street, Victoria Island, Lagos	30,000	0.00398%

*Indirect Holdings

There have been no changes in the holdings of Oando ordinary shares by the directors in 2007.

Interests of Oando's directors in terms of the equity incentive scheme

The executive directors stand to benefit from the employee equity incentive scheme. See paragraph titled **Staff equity participation scheme** below for details of the scheme.

Directors' interests in transactions

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

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

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

1. **Avante Capital Partners Limited ("Avante Capital")**

Avante Capital is an investment advisory firm based in Lagos, Nigeria. Oando's directors who are also directors of Avante Capital Partners are Mr. Wale Tinubu, Mr. Jite Okoloko and Mr. Omamofe Boyo.

Register Range Analysis As at December 31,2007

SHAREHOLDER SPREAD					
	No of Holders	% of Holders	UNIT	% Holding	CUM TOTAL
1 - 1,000	227,814	84.24%	65,285,098	8.66	65,285,098
1001 - 10,000	38,604	14.28%	105,779,525	14.03	171,064,623
10001 - 100,000	3,681	1.36%	90,158,897	11.96	261,223,520
100001 - 1,000,000	289	0.11%	85,109,457	11.29	346,332,977
1000001 and Above	39	0.01%	407,737,546	54.07	754,070,523
	270,427	100.00%	754,070,523	100.00%	
DISTRIBUTION OF SHAREHOLDERS					
BANKS/INSURANCE	7	0.00	564,882	0.07	564,882
CLOSE CORPORATION	75,278	27.84	66,805,164	8.86	67,370,046
INDIVIDUALS	192,552	71.20	274,509,100	36.40	341,879,146
NOMINEES & TRUST PUBLIC COMPANIES	16	0.01	128,080	0.02	342,007,226
PUBLIC COMPANIES	2,574	0.95	412,063,297	54.65	754,070,523
	270,427	100.00	754,070,523	100.00	
CONTROL ACCOUNT	270,215		744,874,440		
PUBLIC/NON-PUBLIC SHAREHOLDERS					
NON-PUBLIC SHAREHOLDERS (DIRECTORS& ASSOCIATES OF THE COMPANY)	7	0.00	258,420,941	34.27	258,420,941
PUBLIC SHAREHOLDERS	270,420	100.00	495,649,582	65.73	754,070,523
	270,427	100.00	754,070,523	100	
BENEFICIAL SHAREHOLDERS WITH 2% OR MORE					
NIGERIAN CONTROL ACCOUNT	270,215	99.92	744,874,440	99	744,874,440
SOUTH AFRICAN CONTROL ACCOUNT	212	0.08	9,196,083	1	754,070,523
TOTAL	270,427	100.00	754,070,523	100	
OCEAN AND OIL INVESTMENT LIMITED			258,105,242	34.23	

2. Avante Property Advisory & Management Services Limited (“APAMS”)

APAMS is an investment advisory firm based in Lagos, Nigeria. Oando’s directors who are also directors of Avante Capital Partners are Mr. Wale Tinubu, Mr. Jite Okoloko and Mr. Omamofe Boyo.

3. F. O. Akinrele & Co.

F. O. Akinrele & Co. are a law firm based in Lagos, Nigeria, whose services are employed by the company. Mr. Ademola Akinrele SAN is a partner at F. O. Akinrele & Co and a director of Oando.

4. Oceanic Bank International Plc (“Oceanic Bank”)

Oceanic Bank is one of Nigeria’s leading financial institutions, whose financial services are employed by the company. Mr. Oboden Ibru is a director of Oceanic Bank Plc as well as a director of Oando.

5. Ocean and Oil Holdings (Nigeria) Limited (“OOH”)

OOH is a diversified principal investment holding company with an indirect controlling stake in Oando held through Ocean and Oil Investments Limited. Oando’s directors who are also directors of OOH are Mr. Wale Tinubu, Mr. Jite Okoloko and Mr. Omamofe Boyo.

The day-to-day operational management of the Group’s activities is delegated to the Group Chief Executive, who has direct responsibility for all operations and activities. He is supported in this by the Deputy Group Chief Executive and the Group Leadership Council which comprises, in addition to

them, the Chief Executive Officers of the operating subsidiaries, plus the Group Chief Financial Officer, Group Head, HR, the Group Company Secretary & Chief Compliance Officer, the Group Legal Adviser and the GM, Corporate Services.

Internal control and risk

The Directors have overall responsibility for ensuring that the Group maintains a sound system of internal controls to provide them with reasonable assurance that all information used within the business and for external publication is adequate, including financial, operational and compliance control and risk management, and for ensuring that assets are safeguarded and therefore that shareholders’ investment is protected. There are limitations in any system of internal control and, accordingly, even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

In line with past practice, the Company has an Internal Audit unit that carries out routine and random checks on the company’s operations, including fixed assets and stocks. The unit is also responsible for investigating frauds and misuse or misappropriation of the company’s assets.

The company also has an Internal Control Unit, which lays down and tests the controls and processes to ensure that the assets of the company are safeguarded. The Unit is currently headed by a manager with vast control and processes experience.

The key procedures that the Board has established and which are designed to provide effective internal control for the Group are:

- The Board sets out the Group authority procedures which are adopted by all the subsidiary companies.

- The issue of a Group accounting and procedures manual which sets out the Group's accounting practices, revenue recognition rules, accounting under NASB and IFRS and bid approval processes.
- The application of a rigorous annual budgeting process following a detailed entity and Group strategy review. All budgets are subject to approval at Board level.
- The Group Leadership Council is responsible for reviewing the operational results, communicating and application of Group-wide policies and procedures and strategy on operational matters which are communicated both to the Board and down to the operating units.
- The formal monthly operational review by the Executive Directors together with the divisional management teams to assess the financial and operating performance and discuss the ongoing development of each business unit and the comparison of detailed monthly management reports against budgets, forecasts and prior years. In addition the Group Chief Executive and Group Chief Financial Officer prepare a quarterly report for the Board on key developments, performance and issues in the business.
- The identification and mitigation of major business risks is the responsibility of operating company management. Each operating company maintains internal controls and procedures appropriate to its structure and business environment, whilst complying with Group policies, standards and guidelines.
- Insurance cover is maintained to insure all the major risk areas of the Group based on the scale of the risk and the availability of cover in the external market.
- The use of external professional advisers to carry out due diligence reviews of potential acquisitions.

Relations with shareholders

Communications

The Board considers effective communication with its investors, whether institutional, private or employee shareholders, to be extremely important.

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

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

Constructive use of the Annual General Meeting

The notice of meeting is sent to shareholders at least 21 working days before the AGM. The Directors encourage the participation of private shareholders at the AGM, and are available, both formally during the meeting and informally afterwards, for questions. The Chairmen of the Audit, Remuneration and Nomination Committees are all available to answer questions at the AGM.

Corporate Social Responsibility (CSR)

In the year 2007, Oando PLC took a direct and active participation in sustainable development of the environment in which it operates by embarking on a number of community based projects. Oando is

actively involved in the provision of social amenities and improving the quality of life in its host communities. In doing this the following donations were made in year 2007:

Project	Details	Amount \$USD
Adopt A School	Daura Primary School, Katsina State - Structural Renovations	47,093.29
	Metropolitan Primary School - Phase 1 Structural Renovations	41,666.67
	Ekorinim Primary School - Phase 1 Structural Renovations	37,500.00
Scholarships	Scholarships of 100 Back to School youths in Lagos communities	17,236.17
Donations	Lagos State communities - Agidingi, Omole, Keke Ogba, Wasimi, Ikosi, Ojota, Odo Iya Alaro, Ilupeju, Ijora, Oshodi, Orile Iganmu, Apapa, Obanikoro, Onipanu, Jibowu and Ojuelegba.	9,321.67
	Rivers State communities - Onne, Eleme, Bundu, Rumueli and Alesa	8,333.33
	Installation of Borehole to the Onne community in Rivers state.	8,141.67
	Sponsorship of Fundraising Walk for the Blind	6,250.00
	Sponsorship of Youth Fundraiser towards assisting Nigerian Orphanages	4,166.67
	Heart Of Gold Hospice, Lagos	528.69
	Motherless Babies Home Lekki, Lagos State	528.69
	Motherless Babies Home, Iru, Lagos State	528.69
	Pacelli School of the Blind, Surulere, Lagos State	528.69
	Helping Hands African Children foundation, Lagos State	528.69
	Little Saints Orphanage, Lagos State	2,368.69
	Bab Salam Motherless Baby Home, Lagos State	528.69
	School of the Blind, Sam Ethnan Air Force Base, Ikeja Lagos State	528.69
	SOS Children Village, Isolo, Lagos State	528.69
	Social Welfare Home, Kalambina, Sokoto State	528.69
	Orphanage Home, Sokoto, Sokoto State	528.69
	Zamfara Orphanage Home, Zamfara State	528.69
	Heritage Homes Orphanage, Lagos State	3,061.70
	Elderly Home -St Paul Catholic Church Awkunanaw, Enugu State	416.67
	Motherless Babies-Holy Ghost,Enugu, Enugu State	416.67
	Karu Orphanage,Karu, FCT Abuja	416.67
	Sisters of Abraham Jabi, FCT Abuja	416.67
	Cheshire Home School - Eleyele, Ibadan, Oyo State	333.33
	Oransanye Orphanage Home, Benin Edo State	333.33
	Zawan Orphanage Home,Jos, Plateau State	333.33
	Orphanage Home, by Navy Rd, Borokiri, Rivers State	333.33
	Orem Faith Orphanage Home, Warri, Delta State	333.33
	School for the Blind, Ondo State	333.33
	Kwara State School for the Handicapped, Ilorin	333.33

	Motherless Babies Home – Total Garden	250.00
	Christian Mission School for the Deaf – Onireke, Ibadan, Oyo State	250.00
	Edo Orphanage Home, Benin City, Edo State	250.00
	Esther Orphanage Home, Benin City, Edo State	250.00
	Gida Bege, Jos, Plateau State	250.00
	Aisha Maina Motherless Home, Jos, Plateau State	250.00
	Home of Elderly, Harbor Road, Port Harcourt Rivers State	250.00
	Cheshire Home (Home of Handicaps), by New Layout, Borokiri, Rivers State	250.00
	Mam Davis Buwa Memorial Children's Home, Warri, Delta State	250.00
	Heart Of Warri Orphanage Home, Warri, Delta State	250.00
	Grace Orphanage, Ondo State	250.00
	Ondo State Motherless Babies Home, Ondo State	250.00
	Kwara State Ministry of Social Dev. & Culture, Kwara State	250.00
	Children Reception Centre, Ilorin, Kwara State	250.00
	Total	198,455.46

Asset Value

Information regarding the Group's asset value and notes thereon are contained in Note 4, of the financial statements on page 67 of this Report. In the opinion of the directors, the market value of the Company's property is not lower than the value shown in the financial statements.

Substantial interest in shares

Ocean & Oil Investments Limited is the highest single shareholder in the Company, holding 258,105,243 units representing 34.2% of the issued shares. No other shareholder holds 5% and above of the issued share capital of the Company.

Acquisition of Its Own Shares

The Company did not acquire its shares in 2007.

Environment, Health Safety and Quality

Oando recorded significant improvements in EHSQ performance in 2007. The Company is pleased to report that there was no fatality at its Terminals or Plants across the country. It was also a year that witnessed improved & enhanced EHS performance reporting system with the commencement of the Management Facility Inspection (MFI), Action

Tracking System (ATS), Permit to work management system, contractor pre-mob exercise, and monthly EHS performance review. In addition, Oando actively participated in the World Aids Day which was marked with lectures at some Oando locations and a voluntary walk in association with an NGO.

Trainings such as Advance fire fighting course for Fire Marshals, EHS Level 1, 2, & 3 trainings and Hazop studies were conducted.

Employment & Employees

Oando offers its employees the opportunity to build a career in a dynamic and highly professional business environment. The company continues to reinforce its belief that people are a source of competitive advantage and therefore invests in employees' training and development with the overall aim of:

- Maximizing the potential of all staff in terms of productivity, job satisfaction and career aspirations in line with organizational needs
- Ensuring the needs of management succession are satisfied in line with company strategy
- Attracting and retaining high quality people

Manpower/Capability Development

The company has created a range of programmes and processes that offer support and guidance to employees and enhance career development within the Group. The company's performance management system offers an excellent opportunity for feedback on a formal basis. This facilitates discussion based on performance of employees in their current roles and skills and aspirations moving forward.

One of the key initiatives deployed in year 2007 is strengthening the process of promoting from within with cross-functional assignments. This has provided ample opportunities for employees to grow and develop their careers. This is being done on an ongoing basis through the established Performance and Rewards Management processes. Ultimately, the company ensures that each employee develops a career plan, showing a job progression that enables well-rounded competency development as well as exposure to required job experiences.

Management has also gone ahead to ensure a detailed documentation of the above processes in the form of policies, which are made available on the company's Intranet. All employees have approved job descriptions, which are also made transparent and available through the Intranet. Within the year in review, of the following people-oriented initiatives were put in place in line with the company's objective of being an employer of choice.

1. Competency Framework

The competency framework, integrated with the company's performance management system, clearly communicates to employees, the knowledge, skills and attributes required of them to perform effectively in their current job roles. The framework defines organizational,

leadership, managerial and functional competencies. Functional competencies are driven by detailed job competency profiles.

The framework provides a structured and transparent approach to staff development and a simple way for managers to identify the developmental needs of their subordinates.

2. Career Progression and Succession planning framework

With the prospects for the future in mind, and to guarantee consistent positive returns for all stakeholders, the company identifies with the need to prepare identified talented employees and provide targeted development for them for broader responsibilities in the future.

The Career progression and Succession planning framework also helps to ensure that employees have a clear view of "where they belong" and what the future could be in terms of their career with the company while providing a structured process to continue to manage the succession pipeline.

The framework, which is a live document updated on an on going basis, identifies employees who are ready to fill critical positions in the next six, twelve, twenty four and thirty six months respectively and puts in place tailor made development solutions to make this a reality.

3. Training Management System

The Training Management System enables training management to become a structured process that is based on identified

performance gaps using the competency framework.

Training and Learning administration has also become more effective and seamless with Talent and Learning Management tools deployed on the Oracle ERP platform.

The Company continues to pursue an aggressive training and development policy. Employees are continuously sponsored on local and overseas courses; and leaders are encouraged to attend industry related seminars and meetings to ensure they are abreast with current developments in both their functional areas and the overall industry.

4. Leadership Development Framework

The Oando Leadership Development framework was put in place to clearly set a structured system which helps to develop a shared vision within the company for the future direction of effective and sustainable leadership and governance. While promoting positive role models of leadership, it establishes an appropriate and coherent programme of leadership development opportunities, from nurturing early talent to making the most of our experienced leaders within the Group. For the first time, the Company ran a pilot 360 degrees assessment process for its key leaders. The plan is to cascade this to all managers in the first quarter of 2008.

The company recognizes the importance of having talented leaders at all levels of the organization to succeed in the challenging world of business. Consequently it commits to providing practical processes and

programs which ensure the identification, development, and inspiration of our current and future leaders. Through this commitment, which offers challenging and rewarding career opportunities, we enhance our attractiveness as an employer of choice. Ultimately, the company ensures a deep pool of engaged and talented leaders to fill vacancies as they arise.

Reward Management

Oando is guided by the aim to be the employer of choice. In this respect, the company aspires to have competitive and fair reward policies in place. In order to recruit and retain high-quality individuals who can deliver our business plans, we offer competitive salaries and benefits that, as a minimum, benchmark with commensurate industry standards.

At Oando, we understand that it takes different things to attract and retain excellent employees. We therefore reward our employees through a wealth of compensation and benefits schemes that are among the best in the industry.

Compensation schemes, made up of cash bonuses and equity incentives have been improved and a new Management Performance Plan has been put in place within the group. The reward mix comprises the following:

- Base Salary plus allowances
- Annual Performance Bonuses
- Management Stock Awards
- Employee Stock options
- Special Recognition Schemes
- Gain Sharing Scheme

Other benefits which employees continue to enjoy include:

- Free Comprehensive Health Coverage
- Wellness Programs

- Time Away from Work (Leave)
- Industrial Relations

The company places considerable value on consultation and involvement of employees in the promotion of workplace relations.

The Management of the company operates an open-door policy and continues to communicate clearly and effectively with employees and house unions through meetings, briefings, memos, town-hall sessions and country-wide tours.

The relationship with the Unions remains very cordial and continues to improve with a definite focus on fostering an atmosphere of Industrial peace and harmony to assure business success. In the first half of the year, Management signed collective agreements with the two house unions.

Equal Opportunity Employer

Oando has a long-standing commitment to the principles of equal employment opportunity. In keeping with this commitment, the company continues to recruit, employ, compensate and set terms, conditions, and privileges of employment of qualified persons without regard to gender, race, age, sex, religion, ethnicity, national origin, disability, status or sexual orientation.

This commitment ensures that the company conducts all its employment practices in a non-discriminatory manner. Employees are given fair consideration and are judged solely on their job-related aptitude, training, skills, and performance.

Staff Strength

The Oando group staff strength on December 31, 2007 stood at 492 (Four Hundred and Ninety two). (Management: 102, Senior: 329 and Junior: 61). The Group continues to show strong commitment towards the support of various Industrial Training

efforts as well as the mandatory National Youth Service Scheme.

Staff Equity Participation Scheme.

The Oando Employee Equity Incentive Scheme was approved by the shareholders in June 2005. The scheme has a pool of shares made up of 5% of company's equity available for distribution over a nine (9) year term broken into three (3) year cycles.

Shares were allocated to staff in each of the years from 2005-2007. The allocated shares for year 2005 – 2006 did not vest in eligible employees because the conditions precedent to the vesting were not met. Employees have thus forfeited their equity incentives allocations for those years. However, the year 2007 allocation will vest in eligible employees in May 2008. Vetiva Capital Management Limited has been appointed as trustees to the scheme and they are currently working with management on the modalities for the administration of the scheme.

Code of Business Conduct & Ethics.

In its continued effort towards ensuring good corporate governance at all levels in the organization, the Board of Directors at its meeting held on the 18th of December 2007, approved the Oando Group (including Oando Plc and its subsidiaries) **Code of Business Conduct & Ethics**. The code is applicable to all Employees, Managers, Directors and Business Partners.

By adopting the code, the company confirms its desires to demonstrably lead and promote good ethical behaviour. Employees, Managers and Directors have all been trained on the provisions of the code, whilst preparations are ongoing for the training of all our business partners.

Award

The Company won the Nigerian Stock Exchange's President's Merit Award as the Best Company in the Petroleum Marketing Sector for 2006 in year under review.

Enterprise Resource Planning System (ERP)

In the year under review Oando successfully implemented the 1st phase of its Oracle Enterprise Resource Planning Tool, a project christened Project Synergy.

Synergy started in September 2006 with an elaborate business requirement gathering session which lasted for 3 months after which implementation proper began in 2007 as detailed below:

Human Resources: On the 4th of April 2007, Oando went live with Oracle Core HR and Self Service, thereby creating the platform for all employees to manage their personal information themselves. With core HR also came an online real time approval functionality well integrated into staff emails that allows for transparent management of employee requests like leave, loans and updating of personal information. Oracle core HR and self service is now the base application for managing all members of Oando's staff.

Oracle Finance Suite: On the 3rd November 2007, Oando successfully went live with Oracle Finance (Accounts Payable, Account Receivable, General Ledger, Cash Management, and Fixed Assets) for all its divisions across the Group. This feat not only creates the platform for Oando to optimize its processes across board, it also provides the data and resources required for better management decisions in all its operations. Our Oracle Finance implementation has allowed us to retire all the various legacy applications in all the businesses and

it provides real time visibility of all our transactions where-ever they occur.

Oracle Supply Chain: Simultaneously with our Finance go-live, we went live with our supply chain suite which comprises of Procurement, Order Management and Inventory management.

Our procurement module allows for online requisition creation, online approvals of requisitions, automatic budget checks, automatic buyer selection, online creation of purchase orders and seamless integration to accounts payables.

Order management, used mainly by the sales team, provides us with adequate data to be more responsive to our customers. Our sales teams are able to create customer orders online, determining the exact destination of the orders, the location of the product and the balance of the customer. Oracle order management has literally transformed the way we do business, for example, it provides added flexibility in customer and price management, discounts and swaps are requested from the field and approved online by supervisors at the head office.

Oracle Inventory management allows for a global management of inventory; sellable and consumables, stores and warehouses. With inventory management, processing of customer orders is now online and so are invoicing, stock management and truck management. Our oracle Inventory Management is also integrated with our Oil Inventory Management Solution (OIMS) which is a specialist application for managing our bulk products. OIMS provides us the platform to manage our bulk products from import to end customer location. With OIM, the entire supply chain for all our sellable bulk products is now available online with business intelligence reports to support management decision making.

Oracle Payroll: Oracle payroll also went live on the 3rd November 2007 after over 4 months of testing. Fully integrated with our finance and HR applications, payroll has reduced by about 80% the resources required to administer payroll for group. In addition to the Oracle payroll platform provides online payslip access to all staff, it also for online requests for pay elements, it automatically calculates and pays time bound benefits and it comes with its own management reports.

Altogether our implementation has been a good success and this can be measured by the reduction in resources required for data gathering and cleansing as most of our data is now housed in the application and automatically managed. This implementation has also help to increase the skill sets of every staff in Oando. All Oando staff were trained to use the application as every staff uses the application for at least one process. Over the coming years we expect to see a lot of innovation and creativity as a result of this platform as resources that would otherwise have been used for data cleansing and gathering can be freed up to help ensure additional value exists in all our products and services. The successful roll-out of the Oracle Enterprise Resource Planning system is expected to boost business activities by integrating business processes and ensuring real time monitoring of operations.

Outlook for 2008

In 2008 we expect to complete the implementation by rolling out the platform to all our new divisions and also to businesses outside Nigeria. 2008's implementation will be in a much smaller scale when compared to the previous year but it will ensure that the Oracle platform exists in every Oando location world-wide thereby re-emphasising our commitment to be a world class Organization driven by world class process and world class people.

TRIPP

In line with its vision of “excellence” in all it does, the Company embarked on an “acculturation” programme “Project Restore” which aims to support employee development, promote the best global standards of work ethics and ensure employees’ dedication to the Company. The acronym “**TRIPP**” which stands for **Teamwork, Respect, Integrity, Passion and Professionalism** are the Company’s **Core Values** and all members of staff understand the importance of the programme to the Company’s businesses and to their individual development as well. The overall project goals are to:

- Improve Shared Understanding of Core Values
- Improve operations and;
- Enhance Organizational Capability and

Some of the specific goals are to:

- Improve Employee Motivation
- Improve Staff Feedback Channels
- Improve Service Delivery
- Improve Processes
- Improve Project Execution Capability
- Improve Staff learning

Corporate Restructuring

Scheme of Arrangement 1: between Oando Plc and

- (i) **Ocean & Oil Investments Limited;**
- (ii) **Identified Shareholders of Gaslink Nigeria Limited.**

Oando’s commitment to attaining the best global Corporate Governance Standards precipitated the need to review the ownership structure and management of Oando’s subsidiaries to identify potential areas of conflict of interest. The following

subsidiaries, which were jointly owned by Ocean & Oil Investments Limited (OOI), Oando's largest single shareholder, were thus identified:

- Oando Supply and Trading Limited(OS&T)
- Oando Trading (Bermuda) Limited(OT)
- Oando Production and Development Company Limited (OPDC)
- Oando Energy Services Limited (OES)
- Oando Exploration and Production Company Limited (OEPL)

The conflicts could arise because:

- OOI holds a direct equity stake in Oando as well as in the said companies, while Oando has a direct equity stake in each of the said subsidiaries;
- Four of OOI's Directors were also Directors of Oando and the jointly-owned subsidiaries;
- Oando has management control of the jointly-owned subsidiaries and transacts a considerable volume of business with the said subsidiaries.

Consequently, Oando with the approval of its shareholders, regulatory bodies and sanction of the Court, acquired OOI's entire equity holding in the jointly-owned subsidiaries in exchange for the issue of new Oando shares to OOI. At the conclusion of the transaction, the jointly-owned subsidiaries became wholly-owned subsidiaries of Oando.

By swapping its shares in the jointly held subsidiaries for shares in Oando, OOI's interests became 100% aligned with the interests of Oando's other shareholders.

Similarly, Oando owned 52.11% equity stake in Gaslink and it entered into discussions with the Minority Shareholders, who agreed to transfer their shareholding in Gaslink to Oando, thereby significantly increasing its equity stake in Gaslink to 97%. This has ensured that shareholders of Oando Plc will enjoy undiluted, the revenue generated from this lucrative and rapidly growing industry. It further ensures that Oando's revenue stream is well diversified, and as Gaslink is a high-margin business, it guarantees increased and sustainable profitability for Oando.

Scheme of Arrangement 2: Creation of Oando Marketing Limited

Oando's downstream marketing unit did not exist as a standalone entity and this limited Oando's options for sourcing appropriate capital to drive its operations and subsequently increase shareholder value. Thus, Oando sought for and obtained shareholder approval for the carve out of its downstream petroleum marketing business to a new entity, **Oando Marketing Limited**.

Post Scheme, the new Oando Group structure will:

- enable each of the subsidiaries in Oando to target appropriate investors and the markets attracted to the specific business;
- increase the capital allocation flexibility of the Group;
- allow each subsidiary to focus on its core market, and effectively grow market share;
- ensure a more effective and efficient management of resources;
- allow for uniformity of comparison with competitors in petroleum marketing sector.

Auditors

PriceWaterhouseCoopers, having indicated their willingness will continue in office as the Company's auditors in accordance with Section 357(2) of the Companies and Allied Matters Act, 1990.

By Order of the Board


Oredeji K. Delano(Mrs)
Company Secretary

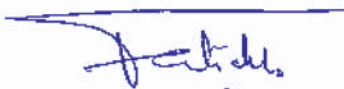
Report Of The Audit Committee

In compliance with section 359 (6) of the Companies and Allied Matters Act 1990, we the members of Oando Plc Audit Committee have, on the documents and information made available to us:

- a. Reviewed the scope and planning of the audit requirements
- b. Reviewed the external Auditors' Management Controls Report for the year ended December 31, 2007 as well as the Management response thereto,

And can ascertain that accounting and reporting policies of the company for the year ended December 31, 2007 are in accordance with legal requirements and agreed ethical practices.

Dated this 10th day of April 2008



Prince Felix N. Atako JP
Chairman, Audit Committee

MEMBERS

Prince Felix Atako JP	-	Chairman
Mr.I.Osakwe	-	Director
Mr.Oboden Ibru	-	Director
Mrs. E. Fadayomi	-	Shareholder
Mr. Habibu M. Ma'aruf	-	Shareholder
Mr. Job Onwughara	-	Shareholder



PricewaterhouseCoopers
Chartered Accountants
Plot 252E, Muri Okunola Street,
Off Ajose Adeogun Street,
Victoria Island, Lagos Nigeria.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF OANDO PLC

We have audited the accompanying financial statements of Oando Plc for the year ended 31 December 2007. These financial statements comprise the consolidated balance sheet at 31 December 2007, and the consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an independent 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 company'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 financial position of the Group at 31 December 2007 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
Lagos



2 May 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 US\$'000	2006 US\$'000
Revenue		1,501,794	1,647,840
Cost of sales		(1,328,514)	(1,516,427)
Gross profit		173,280	131,413
Other operating income		19,963	10,293
Selling and marketing costs		(46,229)	(42,514)
Administrative expenses		(82,885)	(50,572)
Operating profit	6	64,129	48,620
Net finance costs	8	(3,437)	(12,759)
Profit before income tax		60,692	35,861
Income tax expense	9	(10,888)	(13,839)
Profit for the year		49,804	22,022
Attributable to:			
Equity holders of the company – transferred to retained earnings		43,944	19,267
Minority interests (Note 29.1)		5,860	2,755
		49,804	22,022
Earnings per share for profit attributable to the equity holders			
- basic and diluted (US\$ per share)	10	6.94	3.37

The statement of significant accounting policies and notes on pages 57 to 95 form an integral part of these financial statements.

Consolidated Balance Sheet

For the year ended 31 December 2007

ASSETS

Non-current assets

Property, plant and equipment	17	284,351	117,771
Intangible assets	18	259,583	113,094
Available-for-sale financial assets	19	90	256
Non-current receivables and prepayments	20	97,755	38,281

641,779

269,402

Current assets

Inventories	21	212,636	119,835
Trade and other receivables	22	401,098	285,689
Cash and cash equivalents	23	147,974	60,121

761,708

465,645

Total assets

1,403,487

735,047

EQUITY

Capital and reserves attributable to equity holders

Share capital	12	2,896	2,162
Share premium	12	232,909	120,742
Other reserves	13	85,201	18,475
Retained earnings		53,736	28,025

374,742

169,404

Minority interest

1,612

14,645

Total equity

376,354

184,049

LIABILITIES

Non-current liabilities

Borrowings	14	152,454	9,996
Deferred income tax liabilities	15	42,599	18,557
Retirement benefit obligation		2,695	3,373
Provisions for other liabilities and charges	16	3,657	2,940

201,405

34,866

Current liabilities

Trade and other payables	24	361,903	192,161
Current income tax		11,248	7,342
Borrowings	14	452,577	316,629
		825,728	516,132

Total liabilities

1,027,133

550,998

Total equity and liabilities

1,403,487

735,047

The financial statements on pages 53 to 95 were approved for issue by the board of directors on 2008 and signed on its behalf by:

Director

Director

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2007

	Notes	Attributable to equity holders of the Company			Minority Interest	Total equity
		Share capital US\$'000	Other reserves* US\$'000	Retained earnings US\$'000	US\$'000	US\$'000
Year ended 31 December 2006						
At start of year		122,954	18,027	20,142	10,969	172,092
- as previously reported						
- reversal of revaluation surplus on leases		-	(2,321)	-	-	(2,321)
- deferred tax on revaluation surplus		-	(4,801)	-	-	(4,801)
- reversal of fair value gain on receivables		-	-	(1,932)	254	(1,678)
- reversal of fair value loss on borrowings		-	-	1,518	(432)	1,086
- transfer of currency translation differences		(50)	(256)	306	-	-
- as restated		122,904	10,649	20,034	10,791	164,378
Fair value gains on available-for-sale financial assets		-	177	-	-	177
Currency translation differences		-	7,649	-	1,099	8,748
Net gains recognised directly in equity		-	7,826	-	1,099	8,925
Profit for the year		-	-	19,267	2,755	22,022
Total recognised income for 2006		-	7,826	19,267	3,854	30,947
Dividends:						
- Final for 2005		-	-	(11,276)	-	(11,276)
At end of year		122,904	18,475	28,025	14,645	184,049
Year ended 31 December 2007						
At start of year		122,904	18,475	28,025	14,645	184,049
Currency translation differences	13	-	21,141	-	-	21,141
Revaluation surplus on Property Plant and Equipment	13	-	66,311	-	-	66,311
Deferred tax on revaluation surplus	13	-	(20,553)	-	-	(20,553)
Fair value loss on available-for-sale financial assets	13	-	(173)	-	-	(173)
Net gains recognised directly in equity		-	66,726	-	-	66,726
Profit for the year		-	-	43,944	194	44,138
Total recognised income for 2007		-	66,726	43,944	194	110,864
Issue of shares (net of issue costs)	12	112,901	-	-	-	112,901
Disposal of minority interests		-	-	-	(13,227)	(13,227)
Dividends:						
- Final for 2006		-	-	(18,233)	-	(18,233)
At end of year		235,805	85,201	53,736	1,612	376,354

*Other reserves include revaluation surplus, currency translation reserves and fair value reserves. See note 13.

The statement of significant accounting policies and notes on pages 57 to 95 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Notes	2007 US\$'000	2006 US\$'000
Operating activities			
Cash generated from operations	25	32,340	20,197
Interest received		7,039	3,598
Interest paid		(10,290)	(16,178)
Income tax paid		(5,483)	(3,266)
Payment of retirement benefits obligations		(976)	(5,237)
Net cash generated from/(used in) operating activities		22,630	(886)
Investing activities			
Purchase of property, plant and equipment	17	(111,789)	(13,433)
Purchase of intangible assets		(30,476)	(7,464)
Purchase of available-for-sale financial assets	23	-	(79)
Proceeds from disposal of property, plant and equipment		13,824	886
Increase in non-current receivable	20	(59,474)	(6,932)
Additional consideration in subsidiary undertaking		-	-
Net cash used in investing activities		(187,915)	(27,022)
Financing activities			
Proceeds from borrowings		511,707	161,034
Repayments of borrowings		(200,645)	(10,484)
Proceeds from finance lease		1,760	1,288
Finance lease principal payments		(4,358)	(3,438)
Dividends paid to company's shareholders		(18,233)	(11,270)
Dividends paid to minority interests		-	-
Net cash from financing activities		290,231	137,130
Net increase in cash and cash equivalents		124,946	109,222
Movement in cash and cash equivalents			
At start of year		(52,440)	(167,753)
Net increase		124,946	109,222
Effects of exchange rate changes		(6,495)	6,091
At end of year	23	66,011	(52,440)

The statement of significant accounting policies and notes on pages 57 to 95 form an integral part of these financial statements.

Notes To The Consolidated Financial Statements

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 Petroli'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") 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. The Group has 100% interests respectively in two trading companies, Oando Trading (Bermuda) and Oando Supply and Trading (Nigeria), following a step acquisition of 49% minority interests respectively in a share swap transaction during the year (see note 29). These entities mainly supply petroleum products to marketing companies and large industrial customers. The Group provides energy services to E&P (exploration and production) companies through its now fully owned subsidiary, Oando Energy Services, having acquired additional 49% interests during the year. The Group also operates in the E&P sector via two subsidiaries, Oando Exploration and Production Limited (100%) and Oando Production and Development

Company (95%). Step acquisition of 49% and 39% equity interests respectively in these subsidiaries also occurred during the year as contained in note 29. Other subsidiaries within the Group and their respective lines of business are shown in note 29.

2 Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements are presented in the presentation currency, United States Dollars (US\$), rounded to the nearest thousand, and prepared under the historical cost convention as modified by the revaluation of land and buildings.

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

Adoption of new and revised standards

In 2007, the following new and revised standards and interpretations became effective for the first

time and have been adopted by the Group where relevant to its operations. The comparative figures have been restated as required, in accordance with the relevant requirements.

- *IAS 1 Amendment, Capital Disclosures.* The amendment to IAS 1 introduces disclosures about the level of the Group's capital and how it manages capital.
- *IFRS 7, Financial Instruments: Disclosures.* IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification or measurement of the Group's financial instruments.

Standards, interpretations and amendments to published standards that are not yet effective

The following amendment to an existing standard and new standard and interpretations will be mandatory for the Group's accounting periods beginning on or after 1 January 2008, but which the Group has not early adopted:

- *IFRIC 11 – Group and Treasury Share Transactions – from 1 January 2008*
- *IFRIC 12 – Service Concession Arrangements – from 1 January 2008*
- *IFRS 8 – Operating segments – from 1 January 2009*
- *IAS 23 – Borrowing costs (revised) – from 1 January 2009.*

The Directors have assessed the relevance of these amendments and interpretations with respect to the Group's operations and concluded that they are not relevant to the Group, other than IFRS 8, which will result in changes to the reportable segments and the information disclosed in respect of those segments and IAS 23.

Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the group's operations:

- *IFRS 4, 'Insurance contracts';*
- *IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies'; and*
- *IFRIC 9, 'Re-assessment of embedded derivatives'.*

(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. 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at 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. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses to the Group which are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

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'). The functional currency of the Group is the Naira. These consolidated financial statements are presented in United States of America Dollars (US\$), which is the company's presentation currency for the purposes of filing outside Nigeria.

(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 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 profit and loss account.

(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:-

- (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 profit and loss account 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. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account 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

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

(e) Revenue recognition

Revenue represents the fair value of the consideration receivable for sales of goods and services, 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:

- Sales of goods are recognised in the period in which the group delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- Sales of services are recognised in the 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.
- Interest income is recognised on a time proportion basis using the effective interest method. 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 and freehold

land are subsequently shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. 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. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus; all other decreases are charged to the profit and loss account. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) and depreciation based on the asset's original cost is transferred from the revaluation surplus 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	2 – 5%
Plant and machinery	5 – 12½%
Other Assets and Equipment	5 - 33⅓%
Motor vehicle	20 - 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each balance sheet date.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are included in the profit and loss account. On disposal of revalued assets, amounts in the revaluation surplus relating to that asset are transferred to retained earnings.

(g) Intangible assets

(i) 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. 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 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 reporting segment.

(ii) 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 developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. 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 three years).

(iii) Exploration and evaluation of mineral assets

Exploration and evaluation of mineral assets includes acquisition of mineral rights, explorations costs, and technical feasibility and commercial viability studies. The costs related to these activities, including borrowing costs, are capitalised on the basis of wells, fields or exploration cost centres pending determination. Such costs are immediately written off when determined that the well is dry. Mineral rights acquisition costs which have not been allocated are amortised over the remaining life of the license. Net book amount of the mineral rights acquisition costs are reviewed annually for impairment on a well-by-well basis.

(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 assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates such designation at every reporting date: -

- 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 management. 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 balance sheet date.

- 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 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in receivables and prepayments in the balance sheet (Note 26).

- Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

- 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 management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments 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 non-monetary securities classified as available-for-sale are recognised in equity. 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.

The Group assesses at each balance sheet 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. 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 profit or loss – is removed from equity and recognised in the income

statement. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

(j) Accounting for leases

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 inception of the lease at the lower of their fair value and the estimated present value of the underlying lease payments. 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 and loss account over the lease period. Property, plant and equipment acquired under finance leases is depreciated over the estimated useful life of the asset.

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 profit and loss account on a straight-line basis over the period of the lease.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by 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 estimate of

the selling price in the ordinary course of business, less the 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. 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, probability that debtor will enter bankruptcy are indicators that 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 income statement 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 income statement.

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

(m) Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(n) Share capital

Ordinary shares are classified as equity.

(o) 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 in current liabilities on the balance sheet.

(p) Employee benefits

(i) Retirement benefit obligations

The Group operates 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 schemes are charged to the profit and loss account 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.

The Group has an unfunded obligation to pay the accrued retirement benefits under discontinued defined retirement benefit and gratuity scheme. The unfunded liability in the balance sheet is based on an actuarial valuation of the obligation at the discontinuation date of 31 December 2004.

(ii) Other entitlements

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services

rendered by employees up to the balance sheet date.

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

(q) 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

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.

I Income tax

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

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. Deferred income tax is determined using tax rates enacted or substantively enacted at the balance sheet 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.

(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 and loss account over the period of the borrowings.

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.

(t) Dividends

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

3 Financial risk management

Oando Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow

interest rate 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 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, and interest rate 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.

Market risk

- 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.

As at December 2007, if the Naira had weakened by 8% against the Dollar with all other variables held constant, consolidated post tax profit for the year would have been US\$0.46million higher mainly as a result of US Dollar denominated bank balances.

As at December 2007, if the Naira had weakened by 8% against the Dollar with all other variables held constant, consolidated post tax profit for

the year would have been US\$7.04million lower mainly as a result of Dollar denominated trade payables.

The Group has adopted a sensitivity analysis which shows the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity. Oando is exposed to interest rate risk and price risk on its Dollar denominated borrowings and asset balances. The periodic effect is determined by relating the hypothetical change in the risk variables to the balances at the reporting dates. It is assumed that the balance at the reporting date is representative for the year as a whole. There were no changes to the method and assumption in use by the company in carrying out this analysis.

(ii) Price risk

The Group is exposed to equity security price risk because of its sole investment in the securities of Transcorp Plc (a quoted company) classified as available for sale. The Group is not exposed to any commodity price risk. The shares of Transcorp held by the Group are traded on the Nigerian Stock Exchange (NSE).

As at December 2007, the impact of Transcorp shares on the consolidated post tax profit is US\$0.17million while the fair value cost of the shares is put at 0.034 cents.

The Group maintains no interest bearing asset. Borrowings are mostly on fixed rates. No limits

are placed on the ratio of variable rate borrowing to fixed rate borrowing.

(iii) Cash flow and fair value interest rate risk

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. 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 2007, an increase of 100 basis points would have resulted in a decrease in consolidated post tax profit of US\$1.8million (2006: US\$0.1million), mainly as a result of higher interest charges on variable rate borrowings.

Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalent, financial instruments, deposits with banks as well as trade receivables. 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 taking into consideration the customers' financial position, past trading relationship 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. This policy is regularly monitored

The amount that best represents the Group's maximum exposure to credit risk at 31 December 2007 is made up as follows:

	2007 \$'000	2006 US\$'000
Cash and cash equivalents	59,756	41,184
Trade receivables	246,039	150,740
Receivable from related companies	428	179
Loans to directors	-	-
Derivative financial instruments	-	-
Other receivables	154,631	134,770

No collateral is held for any of the above assets. All receivables that are either past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

None of the above assets are past due or impaired except for the following amounts in trade receivables (which are due within 30 days of the end of the month in which they are invoiced):

Past due but not impaired:		
- by up to 30 days	180,833	102,615
- by 31 to 60 days	65,206	48,125
Total past due but not impaired	246,039	150,740
Impaired	11,347	7,129

All receivables past due by more than 365 days are considered to be impaired, and are carried at their estimated recoverable value.

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 on the basis of expected cash flow.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet 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

	Less than 1 year US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000
At 31 December 2007:				
- borrowings (excluding finance leases)	425,724	71,722	107,584	-
- finance leases	2,436	1,648	-	-
- trade and other payables	407,351	62,309	40,490	-
At 31 December 2006:				
- borrowings	31,629	2,812	7,184	-
- trade and other payables	182,513	8,040	1,608	-

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.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is computed as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalent. Total capital is calculated as equity plus net debt. During 2007 the Group's strategy, which was unchanged from 2006, was to maintain a gearing ratio between 40% and 65%. The Gearing ratios as at the end of December 2007 and 2006 were as follow:

	2007 US\$'000	2006 US\$'000
Total borrowings	605,030	326,625
Less: cash and cash equivalents	147,974	60,121
Net debt	457,056	266,504
Total equity	376,354	184,049
Total capital	833,410	450,553
Gearing ratio	55%	59%

Increase in equity capital following the share swap exercise (note 29) contributed significantly to the decrease in gearing ratio

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.

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 as the carrying amount, otherwise known as book value.

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) Critical accounting estimates and assumptions

Fair value estimation

The fair value of financial instruments that are not traded in an active market 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 flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

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.

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.

(ii) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made judgements in determining:

- the classification of financial assets and leases
- the impairment tests for goodwill and assessment of whether other assets are impaired
- the provisions for environmental restoration (tank decommissioning) costs.

5 Segment information

Primary reporting format – business segments

At 31 December 2007 the Group was organised into four main business segments:

- (i) Exploration and production of oil and gas (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) Refining and marketing of petroleum products – involved in 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 – involved in the distribution of natural gas through its subsidiaries Gaslink and Eastern Horizon (incorporated during the year). 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.
- (iv) 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 year ended 31 December 2007 are as follows:

	Exploration & Production US\$'000	Refining & marketing US\$'000	Gas & Power US\$'000	Energy Services US\$'000	Group US\$'000
Gross segment revenue	-	1,384,624	35,456	84,332	1,504,412
Inter-segment revenue	-	(2,618)	-	-	(2,618)
Revenue	-	1,382,006	-	-	1,501,794
Operating (loss)/profit	(1,345)	58,925	5,340	1,209	64,129
Finance costs – net	-	(3,084)	1,917	(2,270)	(3,437)
Profit before income tax					60,692
Income tax expenses					(10,888)
Profit for the year					49,804

The segment results for the year ended 31 December 2006 are as follows:

Gross segment revenue	-	1,544,975	33,703	103,333	1,682,011
Inter-segment revenue	-	(34,171)	-	-	(34,171)
Revenue	-	1,510,804	-	-	1,647,840
Operating (loss)/profit	(32)	42,597	3,218	2,837	48,620
Finance costs – net	-	(21,746)	800	(1,350)	(12,759)
Profit before income tax					35,861
Income tax expenses					(13,839)
Profit for the year					22,022

Inter-segment revenue under refining & marketing represents sales to the energy services segment. Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Other segment items included in the profit and loss account are:

Year ended 31 December 2007

	Exploration & Production US\$'000	Refining & marketing US\$'000	Gas & Power US\$'000	Energy Services US\$'000	Group US\$'000
Depreciation	-	11,449	172	156	11,777
Amortisation of intangible assets	-	90	-	-	90

Year ended 31 December 2006

Depreciation	-	7,506	172	107	7,785
Amortisation of intangible assets	-	58	-	-	58

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

Assets	14,280	1,091,006	143,689	154,512	1,403,487
Liabilities	2,542	770,755	111,529	88,460	973,286
Capital expenditure	12,728	35,333	120	94,084	142,265

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:

Assets	1,850	638,738	51,405	43,054	735,047
Liabilities	1,802	453,549	28,191	41,557	525,099
Capital expenditure	1,850	18,098	95	832	20,875

Segment assets comprise primarily property, plant and equipment, intangible assets, Available for sale financial assets, inventories, receivables and operating cash. They exclude deferred income tax and investments.

Segment liabilities comprise operating liabilities. They exclude current and deferred taxes.

Capital expenditure comprises additions to property, plant and equipment and intangible assets (excluding revaluation surplus, decommissioning costs and goodwill).

Secondary reporting format – geographical segments

The Group's business segments operate in three main geographical areas – Nigeria, where the main operating company is located, Rest of west Africa region and Other countries (representing the trading subsidiary based in Bermuda).

Revenue (allocated based on the country in which the customer is located)

	2007 US\$'000	2006 US\$'000
Nigeria	1,222,656	1,288,828
Rest of West Africa region	64,939	74,608
Other countries	214,198	284,403
	1,501,794	1,647,840

Total assets (allocated based on the country in which the assets are located)

Nigeria	1,377,346	644,405
Rest of West Africa region	24,705	12,101
Other countries	150,543	78,541
	1,552,594	735,047

Capital expenditure (allocated based on the country in which the assets are located)

Nigeria	141,379	20,777
Rest of West Africa/Others	787	98
	142,166	20,875

6. Operating profit

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

	2007 US\$'000	2006 US\$'000
Depreciation on property, plant and equipment (Note 17)	11,777	7,785
Amortisation of intangible assets	90	58
Provision for impairment of inventories	300	1,201
Inventories written off to cost of sales	-	131
Operating lease payments expensed	4,167	493
Receivables – provision for impairment losses	3,643	7,129
Employee benefits expense (Note 7)	1,258	1,500
Auditors' remuneration	446	282
Net exchange gain	(11,186)	(728)

7 Employee benefits expense

The following items are included within employee benefits expense:

Wages and salaries	14,324	13,255
Welfare and training	4,038	1,467
Retirement benefits costs:		
- Defined contribution scheme	1,258	1,500

8 Finance (costs)/income

Interest expense:		
- Bank borrowings	(9,593)	(15,628)
- Finance leases	(697)	(550)
	(10,290)	(16,178)
Interest income	7,039	3,598
Unwinding of discount on provisions (Note 16)	(186)	(179)
Net finance costs	(3,437)	(12,759)

9 Income tax expense

Current income tax	8,507	5,079
Education tax	694	592
Deferred income tax (Note 15)	1,687	8,168
Income tax expense	10,888	13,839

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:

	2007 US\$'000	2006 US\$'000
Profit before income tax	60,692	35,861
Tax calculated at average domestic rates – 30% (2006 - 30%)	18,208	10,758
Education tax	694	592
Tax effect of: Income not subject to tax	(9,726)	(480)
Over-provision of current tax in prior years	(655)	(1,096)
Under-provision of deferred income tax in prior years	2,367	1,873
Income tax expense	10,888	13,839

Capital gains tax of 10% has not been charged on a gain of US\$3.29 million arising from the disposal of land in the year because the company has applied for a roll-over relief entitlement on the basis that the cash proceeds will be re-invested in the business.

10. Earnings per share

Basic earnings per share are 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.

Profit attributable to equity holders of the Company (US\$ thousands)	43,944	19,267
Weighted average number of ordinary shares in issue (thousands)	632,891	572,301
Basic earnings per share (US Cents)	6.94	3.37

There were no potentially dilutive shares outstanding at 31 December 2007 or 2006. Diluted earnings per share are therefore the same as basic earnings per share.

Headline earnings per share

Headline earnings are based on operational profits attributable to shareholders excluding profits accruing from capital items such as profit and loss on disposal of property, plant and equipment or subsidiaries and are computed as follows:

	2007 US\$'000	2006 US\$'000
Profit attributable to equity holders of the company	43,944	19,267
Less: Profit on sale of property, plant and equipment	(5,136)	(4,904)
Tax thereon	1,077	172
	39,885	14,534
Headline earnings per share attributable to earnings/diluted bases(US Cents)	6.30	2.54

11 Dividends per share

At the annual general meeting to be held on 27 May, 2008, a dividend in respect of the year ended 31 December 2007 of US 3.4cents per share amounting to a total of US\$38.9million and a bonus share for every five held are to be proposed. These financial statements do not reflect this dividend as a payable. No interim dividends were paid in the year. The total dividend for the year is, therefore, US\$ 3.4cents per share (2006: US\$3.15cents), amounting to a total of US\$ 38.9million (2006: US\$18.027million).

Payment of dividends is subject to withholding tax at a rate of either 5% or 10% depending on the residence of the respective shareholders.

12. Share capital

	Number of shares (Thousands)	Ordinary shares US\$'000	Share premium US\$'000
At start of year	572,301	2,162	120,742
Additional issues during the year	181,769	734	114,102
Share issue costs	-	-	(1,935)
At end of the year	754,070	2,896	232,909

The total authorised number of ordinary shares is 1,000,000,000 with a par value of N0.50 (US cents 0.38) per share. All issued shares are fully paid.

At the last AGM of 28 June, 2007, the shareholders approved an increase in the authorised share capital of the company through the creation of additional 200million units of shares valued at 50k per share.

Increase in issued share capital and share premium arose from a share swap transaction with Ocean and Oil Investments, in which the latter's interests in certain jointly owned subsidiaries were transferred to the group in exchange for new shares in Oando Plc. See notes 34

13. Other reserves

	Revaluation reserve* US\$'000	Currency translation reserve US\$'000	Fair value reserve US\$'000	Total US\$'000
Balance at 1 January 2006	11,192	(543)	-	10,649
Currency translation differences	-	7,649	-	7,649
Fair value gain on available-for-sale financial assets	-	-	177	177
Balance at 31 December 2006	11,192	7,106	177	18,475
Currency translation differences	-	21,141	-	21,141
Revaluation surplus on Property plant and equipment	66,311	-	66,311	Deferred tax
on revaluation surplus	(20,553)	-	-	(20,553)
Fair value loss on available-for-sale financial assets	-	-	(173)	(173)
Balance at 31 December 2007	56,950	28,247	4	85,201

*The revaluation reserve is not available for redistribution to shareholders until realised through disposal of related assets.

14. Borrowings

The borrowings are made up as follows:

Non-current

Bank loans
Finance leases

Current

Bank overdraft
Bank loans
Import finance facilities
Finance leases

Total borrowings

	2007 US\$'000	2006 US\$'000
	150,806	7,030
	1,648	2,966
	152,454	9,996
	81,725	76,473
	368,178	200,892
	238	36,088
	2,436	3,176
	452,577	316,629
	605,030	326,625

The borrowings include secured liabilities (bank borrowings and finance leases) in a total amount of US\$295million (2006: US\$20.59million). The bank borrowings are secured by a Trust Deed arrangement executable by a Trustee company. Finance leases are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Bank loans include syndicated facility of \$14.8million facility obtained by a subsidiary company, Gaslink Nigeria Limited, from a syndicate of commercial banks on 15 September 2003 to finance the execution of the Greater Lagos Phase II gas distribution project. The loan is repayable over 6 years inclusive of 3 years moratorium on principal repayment at a fixed interest rate of 22% p.a. The moratorium expired in September 2005 and the first principal repayment was made in December 2005. Balance outstanding at 31 December 2007 was US\$6.3million. The loan is secured by the domiciliation in a dedicated account of the proceeds of the sale of gas and a corporate guarantee by Oando Plc for the sum of \$14.8million. Another bank facility of \$22.13million was secured in January 2006 to finance the execution of Greater Lagos Phase III gas distribution project. Total drawdown as at 31 December 2007 was \$17.4 million.

Also during the year, Gaslink secured a twelve month loan of \$21.5million from a commercial bank to refinance equity contribution for gas project network infrastructure. The facility was obtained at floating rate of 16%.

Interests paid on these gas project loans are recovered as part of the pipeline construction costs from Nigeria Gas Company.

Bank loans also include a three-year loan of \$95m obtained from a consortium of banks during the year to finance the acquisition of upstream assets. The loan was secured between August and September 2007 and has six months moratorium with an interest rate of $\text{libor} + 2.75\%$.

Import finance facilities relate to special short term bank facilities to finance letters of credit opened in respect of the importation of refined petroleum products. Other short term loans relate to various commercial papers and bankers acceptance obtained from banks to finance working capital needs.

Weighted average effective interest rates at the year end were:

	2007 US\$'000	2006 US\$'000
– bank overdrafts	14%	14%
– bank loans	13%	13%
– Import finance facility	10.3%	10.3%
– finance leases	15%	15%

In the opinion of the directors, the carrying amounts of short-term borrowings and lease obligations 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 balance sheet date.

In the opinion of the directors, it is impracticable to assign fair values to the Group's long term liabilities due to inability to forecast interest rate and foreign exchange rate changes.

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates at the balance sheet dates are as follows:

	2007 US\$'000	2006 US\$'000
6 months or less	81,963	112,561
6-12 months	523,067	214,064
	<u>605,030</u>	<u>326,625</u>

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

Nigerian Naira	510,030	322,863
US Dollar	95,000	3,762
	<u>605,030</u>	<u>326,625</u>

Finance lease liabilities - minimum lease payments:

Not later than 1 year	2,828	3,706
Later than 1 year and not later than 5 years	1,895	3,454
Later than 5 years	-	-
	<u>4,723</u>	<u>7,160</u>
Future finance charges on finance leases	(639)	(1,018)
	<u>4,084</u>	<u>6,142</u>

The present value of finance lease liabilities may be analysed as:

Not later than 1 year	2,436	3,176
Later than 1 year and not later than 5 years	1,648	2,966
Later than 5 years	-	-
	<u>4,084</u>	<u>6,142</u>

15. Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2006: 30%). The movement on the deferred income tax account is as follows:

	2007 US\$'000	2006 US\$'000
At start of year	18,557	9,941
Charge to profit and loss account (Note 9)	1,687	8,168
Charged to equity	20,553	-
Exchange differences	1,802	448
At end of year	42,599	18,557

Consolidated deferred income tax assets and liabilities, deferred income tax charge/(credit) in the profit and loss account, and deferred income tax charge/(credit) in equity are attributable to the following items:

	At Start US\$'000	Charged/ (credited) to P/L US\$'000	Exchange differences US\$'000	At End US\$'000
Deferred income tax liabilities				
Property, plant and equipment:				
- on historical cost basis	15,430	(700)	1,204	15,934
- on revaluation surpluses	5,021	18,865	1,468	25,354
Borrowings/other payables	-	3,518	-	3,518
	20,451	21,683	2,672	44,806
Deferred income tax assets				
Provisions	(1,894)	(147)	(166)	(2,207)
	(1,894)	(147)	(166)	(2,207)
Net deferred income tax liability	18,557	21,536	2,506	42,599

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 relate to the same fiscal authority. The offset amounts are as follows:

Deferred tax assets

	2007 US\$'000	2006 US\$'000
Deferred tax asset to be recovered after more than 12 months	(2,207)	(1,894)
Deferred tax asset to be recovered within 12 months	-	-
	(2,207)	(1,894)
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	43,664	20,451
Deferred tax liability to be recovered within 12 months	1,142	-
	44,806	20,451
Deferred tax liabilities (net)	42,599	18,557

16. Provisions for liabilities and charges

The movement in the provisions for tank decommissioning costs during the year is as follows:

At start of year	2,940	4,111
Unused amounts reversed	-	(1,541)
Additional provisions in the year	259	3
Unwinding of discount	186	179
Exchange differences	271	187
At end of year	3,657	2,940

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

17. Property, plant and equipment

	Land & buildings US\$'000	Plant & machinery & vehicles US\$'000	Fixtures, fittings & equipment US\$'000	Capital work in progress US\$'000	Total US\$'000
At 1 January 2006					
Cost or valuation	71,426	47,646	11,199	13,559	143,830
Accumulated depreciation	(11,422)	(18,765)	(4,984)	-	(35,171)
Net book amount	60,004	28,881	6,215	13,559	108,659
Year ended 31 December 2006					
Opening net book amount					
- as previously reported	64,101	28,881	6,215	13,559	112,756
- reclassification to operating leases	(4,097)	-	-	-	(4,097)
- as restated	60,004	28,881	6,215	13,559	108,659
Adjustment of residual values	-	-	-	-	-
Decommissioning costs reversed	-	(861)	-	-	(861)
Additions	1,938	3,901	2,002	5,592	13,433
Disposals	(367)	(813)	89	(73)	(1,164)
Transfers	(1,356)	2,182	313	(1,139)	-
Depreciation charge	(1,999)	(4,802)	(984)	-	(7,785)
Exchange differences	2,753	1,742	359	635	5,488
Closing net book amount	60,973	30,232	7,993	18,573	117,771
At 1 January 2006					
Cost or valuation	74,273	52,779	13,136	18,573	158,761
Accumulated depreciation	(13,300)	(22,547)	(5,143)	-	(40,990)
Net book amount	60,973	30,232	7,993	18,573	117,771
Year ended 31 December 2007					
Opening net book amount	60,973	30,232	7,993	18,573	117,771
Decommissioning costs	-	259	-	-	259
Additions	628	4,476	2,718	103,967	111,789
Disposals	(5,184)	(3,286)	(218)	-	(8,688)
Transfers	652	(1,948)	2,749	(1,453)	-
Depreciation charge	(4,389)	(3,591)	(3,797)	-	(11,777)
Revaluation reserve	64,095	2,216	-	-	66,311
Exchange differences	5,304	453	803	2,126	8,686
Closing net book amount	122,079	28,811	10,248	123,213	284,351
At 31 December 2007					
Cost or valuation	122,079	29,832	21,775	123,214	296,900
Accumulated depreciation	-	(1,022)	(11,527)	-	(12,549)
Net book amount	122,079	28,810	10,248	123,214	284,351

17. Property, plant and equipment (cont.)

Leased assets included in the above comprise plant, machinery and motor vehicles as follows:

	2007 US\$'000	2006 US\$'000
Cost - capitalised finance leases	12,348	9,730
Accumulated depreciation	(3,662)	(4,038)
Net book amount	8,686	5,692

Buildings and freehold land were last revalued during 2007, by Ubosi and Eleh, independent valuers. Valuations were made on the basis of the open market value. The book values of the properties were adjusted to the revaluations and the resultant surplus net of deferred income tax was credited to the revaluation surplus in shareholders' equity.

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

Cost	76,189	62,559
Accumulated depreciation	(20,006)	(9,940)
Net book amount	56,183	52,619

18. Intangible assets

	Goodwill US\$'000	Software costs US\$'000	Exploration & evaluation assets US\$'000s	Total US\$'000
At 1 January 2006				
Cost	75,508	215	26,329	102,052
Accumulated amortisation	-	(53)	-	(53)
Net book amount	75,508	162	26,329	101,999
Year ended 31 December 2006				
Opening net book amount	75,508	162	26,329	101,999
Additions	-	-	3,961	3,961
Capitalised borrowing costs	-	-	3,503	3,503
Amortisation charge	-	(58)	-	(58)
Exchange differences	2,473	4	1,212	3,689
Closing net book amount	77,981	108	35,005	113,094
At 31 December 2006				
Cost	77,981	215	35,005	113,201
Accumulated amortisation	-	(107)	-	(107)
Net book amount	77,981	108	35,005	113,094

18. Intangible assets(cont.)

Year ended 31 December 2007

	Goodwill US\$'000	Software costs US\$'000	Exploration & evaluation assets US\$'000s	Total US\$'000
Opening net book amount	77,981	108	35,005	113,094
Additions	106,193	6,223	24,253	136,669
Capitalised borrowing costs	-	-	-	-
Amortisation charge	-	(90)	-	(90)
Exchange differences	6,840	-	3,070	9,910
Closing net book amount	191,014	6,241	62,328	259,583
At 31 December 2007				
Cost	191,014	6,438	62,328	259,780
Accumulated amortisation	-	(197)	-	(197)
Net book amount	191,014	6,241	62,328	259,583

Impairment tests for goodwill

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

	Exploration & production US\$'000	Refining & marketing US\$'000	2007 Gas & power US\$'000	Energy Services US\$'000	Total US\$'000	Refining & marketing US\$'000	2006 Gas & power US\$'000	Total US\$'000
Nigeria	45,915	86,967	34,538	4,242	171,662	74,610	901	75,511
West Africa region	-	495	-	-	495	455	-	455
Other countries	-	18,857	-	-	18,857	2,015	-	2,015
	45,915	106,319	34,538	4,242	191,014	77,080	901	77,981

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 5 year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates for the CGU in the future. 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:

	2007	2006
Gross margin	2 - 21%	7%
Growth rate	10 - 17%	9.6%
Discount rate	13.5%	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 CGU. The discount rates used are pre-tax and reflect specific risks relating to the relevant segment and CGU.

19. Available-for-sale financial assets

Available for sale investments represents the company's investments in listed securities on the Nigerian stock exchange. The investment is carried at fair value based on the closing prices at the stock exchange.

The movement in the available for sale investment is as follows:

	2007 US\$'000	2006 US\$'000
At start of year	256	-
Exchange difference	7	-
Additions	-	79
Fair value (losses)/gains transferred to equity	(173)	177
At end of year	90	256

There were no disposals or impairment provisions on AFS financial assets during the current or prior year.

20. Non-current receivables and prepayments

Prepaid operating lease rentals	5,408	4,404
Other non-current receivables	92,347	33,877
	97,755	38,281

Pre-paid operating lease rentals

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

	2007 US\$'000	2006 US\$'000
At start of year	4,404	4,794
Exchange differences	402	218
Additions in the year	1,637	739
Amortisation/reclassification to current prepayments	(1,035)	(1,347)
	5,408	4,404

Other non-current receivables

The balance relates to amounts recoverable from Nigerian Gas Company (NGC) for the construction of gas pipeline distribution infrastructure within the Greater Lagos Industrial Area. Under the terms of the Natural Gas Sale and Purchase Agreement between the company and Nigerian Gas Company Limited, the company constructs and operates the pipeline until the capital invested plus interest is fully recovered on the basis of the agreed recovery formulae.

The movement in the balance during the year is as follows:

At start of year	33,877	28,233
Exchange differences	2,310	1,217
Capital additions in the year	65,841	15,216
Recoveries in the year	(9,681)	(9,111)
	92,347	33,877

In the opinion of the directors, the carrying amount of the receivable from Nigerian Gas Company approximates their fair value based on the recovery terms in the agreement. The interest rate implicit in the receivables approximates the company's borrowing rate.

21. Inventories

Finished goods	167,462	79,068
Goods in transit	24,836	12,654
Consumable materials and engineering stocks	20,338	28,113
	212,636	119,835

22. Trade and other receivables

	2007 US\$'000	2006 US\$'000
Trade receivables	257,386	157,869
Less: Provision for impairment losses	(11,347)	(7,129)
	<u>246,039</u>	<u>150,740</u>
Other receivables and prepayments	154,631	134,770
Due from other related companies	428	179
	<u>401,098</u>	<u>285,689</u>

In the opinion of the directors, the carrying amount of the trade and other receivable approximates their fair value.

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

At start of the year	7,129	8,099
Provision for receivables impairment	3,643	145
	<u>10,772</u>	<u>8,244</u>
Receivables written off during the year as uncollectible	-	-
Exchange difference	575	(1,115)
	<u>11,347</u>	<u>7,129</u>

23. Cash and cash equivalents

Cash at bank and in hand	59,756	41,184
Short term bank deposits	88,218	18,937
	<u>147,974</u>	<u>60,121</u>

The weighted average effective interest rate on short-term bank deposits at the year-end was 13.5% (2006:15%). These deposits have an average maturity of 30 days.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities. The year-end cash and cash equivalents comprise the following:

	2007 US\$'000	2006 US\$'000
Cash and bank balances as above	147,974	60,121
Bank overdrafts	(81,725)	(76,473)
Import finance facilities	(238)	(36,088)
	66,011	(52,440)

24. Trade and other payables

Trade payables	231,233	107,685
Other payables and accrued expenses	123,522	78,877
Unpaid dividend	898	15
Customers' security deposits	6,250	5,584
	361,903	192,161

25. Cash generated from operations

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

Profit before income tax	60,692	35,861
Adjustments for:		
Interest income (Note 8)	(7,039)	(3,598)
Interest expense (Note 8)	10,290	16,178
Depreciation (Note 17)	11,777	7,785
Amortisation of intangible assets	90	58
Profit on sale of property, plant and equipment	(5,136)	(4,904)
Unwinding of discount on provisions (Note 16)	186	179
Changes in working capital		
– receivables and prepayments	(115,409)	(35,349)
– inventories	(92,801)	(44,212)
– payables and accrued expenses	169,690	48,199
Cash generated from operations	32,340	20,197

26. Related party transactions

There are other companies that are related to Oando Plc through common shareholdings or common directorships.

(i) Technical and management service agreement

The company has a technical and management service agreement with Ocean and Oil Holdings Limited for provision of technical know-how, marketing, management expertise, strategic planning and consultancy services.

Under the terms of the agreement, the company pays technical fees and management fees to Ocean and Oil Holdings Limited at a rate of 4% and 3%, respectively, of the company's profit before tax where the profit before tax is below US\$15 million, or 5% and 4%, respectively, where the profit before tax is above US\$15million. The charge for the year for technical and management fees (included in administrative expenses) was US\$3.33million (2006: US\$2.33 million).

ii) Key management compensation

	2007 US\$'000	2006 US\$'000
Salaries and other short-term employment benefits	4,839	3,373
	4,839	3,373

iii) Outstanding balances arising from sale and purchase of goods/services

Oando Supply and Trading Limited	46,167	20,701
Oando Trading Limited	9,796	528
	55,963	21,229

27. Contingent liabilities

Guarantees to third parties

Guarantees, performance bonds, and advance payment guarantees issued in favour of the Company amounted to US\$12.12million. On the other hand, the Company issued Guarantees in Favour of Oando Ghana for US\$4million. The Company also guaranteed a loan of \$16.82million from a commercial bank on behalf of a subsidiary, Gaslink Nigeria Limited. No guarantees were given to third parties.

Pending litigation

There are a number of legal suits outstanding against the Company for stated amounts of US\$3.05million

(2006: US\$3.58million). 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.

Unresolved disputes with the Federal Revenue Services

In February 2008, the Federal High Court ruled that Oando Plc should pay NGN172.42million (US\$ 1.48million) less 5% of the amount as additional income tax liability including Education tax of N23.28million (US\$0.2million). The additional assessments relate to the financial year 2003. The company has instructed its lawyers to lodge an appeal at the Federal Court of Appeal. In the opinion of the directors, the claim by the Federal Inland Revenue Services is unlikely to succeed at the higher courts and therefore no provision has been made in the financial statements.

28. Capital Commitments

Outstanding capital expenditure contracted but not provided for in the accounts:

Property plant and equipment
Intangible assets

	2007 US\$'000	2006 US\$'000
	917	86
	-	-
	917	86
Capital expenditure approved by the Board but not yet committed:		
Property plant and equipment	101,469	7,115
Intangible assets	8,620	-
	110,089	7,115
	111,006	7,201

29. Business Combination

The Group (Oando Plc) acquired additional interests in certain subsidiaries during the year with effect from 31 August 2007. This arose from a share swap transaction between Ocean and Oil Investments Limited (OOI), the minority interest holder in the subsidiaries as well as the major investor in the group. The decision was necessitated by the need to improve corporate governance, ensure transparency and eliminate potential conflict of interest between OOI and the Group and to further improve earning attributable to the Group's shareholders. In consideration for the shares acquired, Oando Plc issued new shares to OOI (see note12 for increase in share capital and share premium). Share issue related costs were charged to share premium account.

Details of the step acquisition in the subsidiaries are as follows:

	Percentage of shares acquired
Entity acquired.	
Oando Supply and Trading	49%
Oando Trading (Bermuda) Limited	49%
Gaslink Nigeria Limited	45%
Oando Energy Service Limited	49%
Oando Production and Development Company	39%
Oando Exploration and Production Company	49%

Oando Supply and Trading is involved in the delivery of petroleum production products in the Nigerian Market as well as providing freight services. The Group acquired 2,450,000 units of Minority holders in the company valued at US\$0.03 in exchange for 9,102,864 units of Oando Plc valued at US\$0.63. The step acquisition increased the Group's holding in the company to 100%.

Oando Trading is involved in the trading of refined and unrefined petroleum products to refiners, marketing and trading companies in the USA, Europe and Far East. The company also maintains presence in the world's products freight market in term of vessels chartered for delivery of oil products to various customers worldwide. The Group acquired 5,880 units of Minority holders in the company valued at US\$5,727 each in exchange for 33,671,408 units of Oando Plc valued at US\$0.63. The step acquisition increased the Group's holding in the company to 100%.

Gaslink is involved in the provision of cleaner, safer and cheaper alternative sources of energy through an efficient pipeline distribution to industrial consumers in Ikeja and the Greater Lagos Area. The company has a combined distribution network of 70million standard cubic meter of gas per month. The Group acquired additional shares of the company thereby increasing its shares in Gaslink to about 98% in exchange for 63,591,633 units of shares to twelve identified shareholders for which Ocean and Oil obtained 59,432,316 units of Oando shares valued at US\$0.63.

Oando Energy Services Limited is involved in the delivery Total fluid management (Drilling & Completion Fluids), Drill bits, Down-hole tools, Coring services, Oil-well cementing and Upstream fuels. The company also engages in the provision of rigs services. The Group acquired 2,450,000 units of Minority holders in the Company valued at US\$0.02 in exchange for 7,007,000 units of Oando Plc valued at US\$0.63. The step acquisition increased the Group's holding in the company to 100%.

Oando Production and Development Company (OPDC) is involved in the exploration for opportunities in the upstream sector, particularly in the Niger delta region of Nigeria. The Group acquired 4,410,000 units of Minority holders in the Company valued at US\$0.08 in exchange for 42,336,000 units of Oando Plc valued at US\$0.63. The step acquisition increased the Group's holding in the company to 95%.

Oando Exploration and Production Company (OEPL) is involved in the building of a portfolio of oil and gas assets. It was set to leverage on Oando's brand and reputation to increase Oando's participation in the discovery, exploration and production of Oil and Gas. Oando acquired 2,450,000 units of Minority holders in the Company valued at US\$0.09 in exchange for 26,043,500 units of Oando Plc valued at US\$0.63. The step acquisition increased the Group's holding in the company to 100%.

The amounts recognised at the acquisition date for the acquiree's assets, liabilities, profit or loss since the acquisition date are analysed below:

	Value at Acquisition (\$'000)		Carrying Amount (\$'000)		Post Acquisition
	Total Assets	Total Liabilities	Total Assets	Total Liabilities	Profit/(loss)
Oando Supply and Trading	185	184	185	184	381
Oando Trading	175	163	175	163	3,942
Gaslink	61	32	61	32	(124)
Oando Energy Services	104	104	104	104	(435)
OPDC	1,467	1,386	1,467	1,386	-
OEPL	849	1,565	849	1,565	-

There were no contingent liabilities outstanding against the acquires at the acquisition date.

The revenues and profits of the acquires for the year are analysed as follows:

	Revenue (\$'000)	Profit/(loss) (\$'000)
Oando Supply and Trading	581,163	1,170
Oando Trading	766,902	20,382
Gaslink	35,265	3,980
Oando Energy Services	83,878	(1,114)
OPDC	-	-
OEPL	-	-

29.1 Profit attributable to minority Interests

Profit attributable to minority interest is analysed as follows:

Acquired by the group during the year
Profit retained by minority interest at the end of the year

	2007 US\$'000	2006 US\$'000
Acquired by the group during the year	5,666	-
Profit retained by minority interest at the end of the year	194	2,755
	-	-
	5,860	2,755

30. Subsidiary information

Subsidiaries information

	Country of incorporation	Nature of business	Issued share capital \$'000	Percentage interest held	Group's share of current year's profit/(loss) \$'000
Gaslink Nigeria Limited	Nigeria	Gas distribution	13,579	97%	1,554
East Horizon Gas Co. Ltd.	Nigeria	Gas distribution	85,894	100%	
Gaslink Benin	Benin	Gas distribution	23	100%	
Oando Ghana Limited	Ghana	Marketing and sale of petroleum products	956	80.5%	668
Oando Trading Limited	Bermuda	Supply of crude oil and refined petroleum products	12	100%	793
Oando Supply and Trading	Nigeria	Supply of crude oil and refined petroleum products	38	100%	141
UNITAB Nigeria Limited	Nigeria	Marketing of automobile parts	40	51%	-
Oando Sierra Leone Limited	Sierra Leone	Marketing and sale of petroleum products	11	80%	-
Oando Benin Limited	Benin	Marketing and sale of petroleum products	15	100%	-
TRANSGAS	Nigeria	Gas distribution (100% owned by Gaslink)	61	52%	-
Oando Energy Services Limited	Nigeria	Provision of drilling and other services to upstream companies	38	100%	268
Oando Lekki Refinery Limited	Nigeria	Petroleum refining	19	100%	-
Oando Port Harcourt Refinery Limited	Nigeria	Petroleum refining	19	100%	-
Oando Exploration and Production Ltd.	Nigeria	Petroleum refining	43	100%	-
Oando Production and Development Company Limited	Nigeria	Exploration and production	76	95%	-
Oando Togo SA	Togo	Marketing and sale of petroleum products	1,264	75%	280

31. Post balance sheet events

As disclosed in note 27, the Federal High Court in February 2008 ruled against Oando Plc on matter in respect of additional tax assessments relating to 2003, with a gross exposure of US\$1.68million. The Company has instructed that the matter be challenged at a higher court as the directors are of the opinion that the claim is unlikely to succeed.

In February 2006, the Group acquired Shell Nigeria's 49.8 per cent stake in two oil blocks for \$625.7 million. Oando emerged the preferred bidder of the two deepwater blocks offshore Nigeria Oil Mining Lease (OML) in an international competitive bidding process. The Group made an immediate payment of 10 per cent of the sum while the balance will be paid in instalments upon finalisation of the transaction.

31 Reclassification of prior year balances

Certain prior year balances have been reclassified to conform to current year presentation format

PROXY FORM



The Annual General Meeting of Oando Plc (the “Company”) will be held at the **The Law School Auditorium, Adeola Hopewell Street, Victoria Island, Lagos, Nigeria** on **Tuesday, the 27th day of May, 2008 at 10.00 a.m. (the Meeting).**

I/WE* _____
of _____
of _____ being a member/
members of Oando Plc and holders
of _____ shares, hereby appoint**

or failing him/her, the Chairman of the Meeting as my/our proxy to act and vote for me/us on my/our behalf at the Meeting of the Company to be held on Tuesday the 20th day of May,

2008, which will be held for the purposes of considering and, if deemed fit, passing with or without modification, the resolutions to be proposed at the Meeting and at each adjournment of same and to vote for or against the resolutions in accordance with the following instructions:

NOTE

A member who is unable to attend the Annual General Meeting is entitled by law to vote by proxy. The proxy form has been prepared to enable you exercise your right in case you cannot personally attend the Meeting.

The proxy form **should not** be completed if you will be attending the Meeting. If you are unable to attend the Meeting, read the following instructions carefully:

Proposed resolutions	For	Against
To declare the dividend recommended by the directors of the Company		
To authorise the directors to fix the remuneration of the Auditors		
To elect Mr. Navaid Burney		
To re-elect Mr. Omamofe Boyo		
To re-elect Major General Magoro (Rtd) PSC, OFR, <i>Galadinma Zuru</i>		
To re-elect Mr. Ademola Akinrele(SAN)		
To re-elect HRM Oba Micheal A. Gbadebo CFR, the Alake of Egbaland		
<p>“Resolved that the fees payable to the non-executive directors of the Company be increased from US\$5,150 per annum for the Chairman and US\$4,292 each per annum for all other non-executive directors to US\$7,296 per annum for the Chairman and US\$6,438 for all other non- executive directors with effect from 1 January 2008, payable quarterly in arrears”.</p> <p>“Resolved that article 133 of the Articles of Association be deleted and the following Article be adopted as the new Article 133:</p> <p>Dividends to be (133) Any dividend, interest or other moneys payable in cash in respect of paid by method</p> <p>directors consider a) by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders which is first named on the Register of Members or to such person and such address as the holder or joint holders may in writing direct. Every such cheque or w a r r a n t appropriate. shall be made payable to the order of the person to whom it is sent. Any</p>		

	one of two or more joint holders may give effectual receipts for any dividends, bonuses or other moneys payable in respect of the share held by them as joint holders;		
(b)	by any other method (including direct debit or bank transfer or other electronic means of funds transfer) which the directors consider appropriate.		
<p>“Resolved on the recommendation of the Directors and in accordance with Article 141 of the Articles of Association of the Company, a sum of US\$647,270.84 out of the balance standing to the credit of General Reserve as at the year ended 31 December 2007 be capitalized and that the Directors be and hereby authorized to appropriate the said capitalized sum of US\$647,270.84 to the members holding shares of the company at the close of business on Friday, 9 May, 2008 in the proportion of 1 ordinary share of 0.004cent for every 5 Ordinary Shares of 0.004cent each held by them on that day on condition that the new capitalized sum of US\$647,270.84 be not paid in cash to members holding Ordinary Shares but applied on their behalf in paying up in full at par 150,814,105 shares of 0.004cent each now issued to be allotted, distributed and credited as fully paid up to and amongst the said members in the proportion aforesaid.”</p>			
<p>“Resolved that the directors be and are hereby authorized to sell a maximum of 49% of the Company’s shareholding in Oando Marketing Limited on terms, conditions and dates to be determined by the Directors, agreed with the Issuing House and approved by the Regulatory Authorities”.</p>			

a. Write your name in BLOCK CAPITALS on the proxy form where marked*

b. Write the name of your proxy where marked**, and ensure that the proxy form is dated and signed by you. The Common Seal **must** be affixed on the proxy form if executed by a corporation.

South Africa Shareholders

Registered holders of certificated Oando Plc shares and holders of dematerialised Oando Plc shares in their own name who are unable to attend the Meeting and who wish to be represented at the Meeting, must complete and return the attached form of proxy in accordance with the instructions contained in the form of proxy so as to be received by the

share registrars, First Registrars Nigeria Limited at Plot 2, Abebe Village Road, Iganmu, Lagos, or Computershare Investor Services 2004 (Proprietary) Limited, 70, Marshall Street, Johannesburg, 2001, South Africa, PO Box 61051, Marshalltown, 2107, **not less** than 48 hours before the date of the Meeting.

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

Signature: _____

Dated this _____ day of _____ 2008.

**First Registrars Nigeria Limited
Plot 2, Abebe Village Road,
Iganmu, Lagos,**

or

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

Admission Card



ANNUAL GENERAL MEETING TO BE HELD AT THE
NIGERIAN LAW SCHOOL, ADEOLA HOPEWELL STREET,
VICTORIA ISLAND, LAGOS, LAGOS STATE, NIGERIA.
On Tuesday, May 27, 2008 at 10:00 a.m.

NAME OF SHAREHOLDER

SIGNATURE OF PERSON ATTENDING

NOTE:

The Shareholder or his/her proxy must produce this admission card in order to be admitted at the meeting.

This image shows a single sheet of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Notes

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This image shows a single sheet of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

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PLANTS/TERMINALS

APAPA TERMINAL

Terminal Office
Kayode Street
Marine Beach
Apapa, Lagos
Tel: 234-1-2701100

LAGOS AVIATION TERMINAL

Oando Aviation
Muritala Mohammed Local
Airport
Opposite Aerocontractors
Ikeja, Lagos
Nigeria
Tel: 234-1-2707581-3,
2713207

ABUJA AVIATION TERMINAL

Oando Aviation
Behind Julius Berger Yard
Nnamdi Azikwe
International Airport
Abuja
Tel: 234-9-6721983

BITUMEN PLANT

C/O Oando Div. Office
Reclamation Road
Port Harcourt
Rivers State
Nigeria
Tel: 234-84-765110

LUBRICANT BLENDING PLANT

Rido Village
Off Kachia Road
PMB 2110
Kaduna State
Nigeria
Tel: 234-62-510645,
516150

ONNE TANK TERMINAL

Onne Terminal, Oando
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(*) – means Also
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