

Oando Plc

(Incorporated in Nigeria and registered as an external company in South Africa)

Registration number: RC 6474

(External company registration number: 2005/038824/10)

Share Code on the JSE Limited: OAO

Share Code on the Nigerian Stock Exchange: UNTP

ISIN: NG00000UNTP0

("Oando" or "the Company")

Reviewed results for the 12 months ended 31 December 2006

#### Highlights:

- Turnover of \$1,629m
- Gross profit of \$139m
- Gross profit margin of 8.56%
- Operating profit of \$55m
- Profit after tax of \$24m
- Attributable profit after tax of \$21m
- Earnings per share: 3.66c
- Continued expansion and consolidation of efforts across the companies within the Group
- Gaining competency, improved efficiency and seamless work processes

#### Review of results

Oando which has a primary listing on the Nigerian Stock Exchange and a secondary listing on the JSE Limited (JSE) reports 12 months Group Profit After Tax (PAT) for the financial year ended 31 December 2006 of \$23.90m, an increase of 50% over the prior year when the Company closed with a profit figure of \$16.49m.

#### Income statement analysis

The strong growth recorded in consolidated Turnover of 18% to \$1,629m during 2006 reflects a number of important underlying drivers - firstly, the significant price increase in crude oil, our base product, which exceeded \$70 per barrel for significant periods during the course of 2006, averaging a 70% increase on the year. Secondly, the Nigerian Government introduced the Petroleum Subsidy Fund which enabled the Company to directly import fuel rather than rely solely on the Nigerian National Petroleum Company.

The price at which fuel is sold at the pump to retail consumers in particular will continue to be a matter that has deep social and political ramifications globally, hence the

need that some Governments feel that these prices should be firmly controlled. The Federal Government of Nigeria, on the back of the unprecedented price spiral seen in the commodity during the year decided to freeze pump prices - Premium Motor Spirit (PMS) particularly. As the Marketing business segment still represents the largest part of our Turnover and the PMS product line well over 50% of that unit's revenues, it was inevitable that this inability to reflect the full extent of the price hike in crude at the pump would negatively impact our margins despite the increase in volume.

Further expansion into the low margin but high capital return Supply & Trading segment also negatively impacted total Group margin. So while Cost of Sales rose by 19% to \$1,490m, Turnover only increased by 18% which meant that Profit Margins at the Gross level reduced to 8.56% from 9.55% in 2005

At the Operating level, Oando's profit increased significantly on 2005 to \$55m as a result of a higher Other Income component which rose by 150% to \$10m, driven by non fuel revenues that leveraged on our extensive retail network. This achievement was further buoyed by the operational and administrative efficiency which saw a 9% reduction in our selling, marketing and administrative expenses.

The total PAT increase of 50% to \$23.90m was lower than the increase in Operating Profit would have suggested due to finance costs which increased by \$15m (155%). The main driver of the large increase in financing costs was a change in operating model due to the introduction of the Petroleum Subsidy Fund which meant that as the Company imported fuels for its own account the working capital days increased by the shipment period to get the products to market.

Attributable PAT to majority shareholders rose by 42% to \$20.67m from \$14.54m in 2005, while minority shareholders' position increased by 65% to \$3.23m in 2006 from \$1.95m the previous year. This indicated the strong showing of other subsidiaries vindicating our strategic belief in the setting up of the companies.

#### Balance sheet analysis

Oando's Total Assets rose by 18% to \$742m compared to \$630m in 2005 and Total Liabilities advanced 20% to \$552m from \$458m as the Group continued its expansion drive away from the lower margin segments and into higher value areas of the energy value chain like Upstream Exploration & Production, a strategy which we believe will yield significant returns in future driven by continued strong crude prices over the medium term.

## Prospects

Our primary ambition remains the development of our current platform into becoming one of the foremost integrated energy players in Africa. This desire is based on the central assumption that the underlying price of crude will minimally remain at current levels over the next few years essentially driven by the inability of new discoveries to outpace current and near term consumption levels. We therefore believe that the capital investments we are currently undertaking through expansion into higher value business segments such as Exploration and Production will help deliver substantial revenue and earnings growth to shareholders in the future.

This however does not diminish the fact that we anticipate improved and strong performance of the existing businesses on a continuous basis - Marketing, Supply & Trading, Energy Services and Gaslink - all of which showed better top and bottom line numbers than previous years.

## Consolidated Balance Sheet As at 31 December 2006

ASSETS		2006	2005
		\$'000	\$'000
Non-current assets			
Property Plant & Equipment		109,271	112,756
Intangible Assets		111,685	101,999
Long Term Investments		78	-
Long Term Receivables		27,080	28,689
		248,114	243,444
Current assets			
Inventories		131,185	75,623
Trade & Other Receivables		302,933	252,712
Debenture			190
Cash & Cash Equivalents		59,943	57,769
		494,061	386,294
Total assets		<u>742,175</u>	<u>629,738</u>
EQUITY			
Capital & Reserves attributable to equity holders			
Share Capital		2,228	2,162
Share Premium		124,408	120,792
Revaluation Reserve		18,871	18,322
Exchange Difference			(300)
Retained Earnings		<u>29,778</u>	<u>20,143</u>

			175,285	161,119
Minority Interest			14,928	10,969
Total equity			190,213	172,088
LIABILITIES				
Non-Current Liabilities				
Borrowings			12,078	13,866
Deferred Income Tax Liabilities			4,984	5,140
Retirement Benefit Obligation			1,076	8,612
Provisions				4,111
Other non-current Liabilities			5,500	5,730
			23,638	37,459
Current Liabilities				
Trade & Other Payables			207,231	138,224
Dividend Payables			15	13
Current Income Tax Liabilities			7,383	4,782
Borrowings			313,695	277,172
			528,324	420,191
Total Liabilities			551,962	457,650
Total Equity & Liabilities			742,175	629,738

Consolidated Income Statement  
For the year ended 31 December 2006

			2006	2005
			\$'000	\$'000
Sales			1,629,142	1,381,200
Cost of Sales			(1,489,654)	(1,249,369)
Gross Profit			139,488	131,831
Selling & Marketing Costs			(41,995)	(50,734)
Administrative Expenses			(56,460)	(54,550)
Interest Income Received			3,554	2,440
Other Operating Income			10,042	3,930
Operating Profit			54,629	32,917
Shares of Profit of Associates			-	-
Finance Costs			(25,464)	(10,019)
Profit Before Taxation			29,165]	22,898
Income Tax Expense			(5,269)	(6,405)
Profit After Expense			23,896	16,493
Attributable to:				
Minority Interest			3,228	1,952

Equity Holders of the Coy			20,668	14,541
			23,896	16,493

Summarised Consolidated Cash Flow Statement  
For the year ended 31 December 2006

	2006	2005
	US\$'000	US\$'000
Cash and cash equivalents at the beginning of the period	57,769	74,235
Net cash inflow used in operating activities	20,274	(132,520)
Cash used in investing activities	(8,079)	(53,340)
Net cash flows (used in)/generated from financing activities	(11,651)	169,393
Exchange gains / (losses) in cash and cash equivalents	1,628	1
Cash and bank overdrafts at end of period	59,943	57,769

Consolidated Statement of changes in Shareholder's Equity  
Attributable to equity holders of the Company

	Share Capital US\$m	Share Premium US\$m	Revaluation reserve US\$m	Cummulative translation adjustment US\$m	Retained earnings US\$m	Minority interest US\$m	Total equity US\$m
Balance as at 31 December 2005	2.16	120.79	18.32	(0.3)	20.143	10.97	172.09
Dividend relating to 2005					(11.03)		(11.03)
Minority interest in subsidiary Interest in subsidiary excluded from						3.23	3.23

consolidation Interest in share capital transferred							
Currency Translation adjustment	0.07	3.62	0.55	0.3			4.54
Attributable to majority shareholder					20.67		21.67
Balance as at 31 <sup>st</sup> December 2006	2.23	124.4 1	18.87		29.78	14,93	191.2 1
	Share Capital US\$m	Share Premium US\$m	Revaluation reserve US\$m	Cummulative translation adjustment US\$m	Retained earnings US\$m	Minority interest US\$m	Total equity US\$m
Balance as at 1 <sup>st</sup> Jan. 2005	2.16	120.7 4	18.31	(0.25)	11.96	10.73	163.6 5
Currency translation adjustments		0.10	0.01	(2.13)		(1.59 )	(3.62 )
Restatement of residual value of Property, plant and equipment Deferred tax effect of residual value restatement					7.09 (2.13 )		7.09 (2.13 )

nt							
Net expense recognised directly into equity Retained profit for the period				(2.13)	4.96 15.81	(1.59 ) 1.95	1.35 17.79
Total income recognized for half year				(2.13)	20.77	0.36	19.11
Dividend relating to 2004					(8.65 )		(8.65 )
Minority interest in subsidiary Interest in subsidiary excluded from consolidation Interest in share capital transferred					(2.67 )	(0.07 )  0.02	(2.67 ) (0.07 )  0.02
					(11.3 2)	(0.05 )	(11.3 7)
Balance as at 31 <sup>st</sup> December 2005	2.16	120.8 4	18.32	(2.38)	21.41	10,97	171.3 2

Notes to the reviewed results

1. General information

Oando Plc (formerly Unipetrol Nigeria Plc) was registered by a special resolution as a result of the acquisition of the

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

Oando and its subsidiaries (together "the Group") have their primary listing on the Nigerian Stock Exchange.

The Group has marketing and distribution outlets in Nigeria, Ghana and Togo and other smaller markets along the West African coast.

## 2. Summary of significant accounting policies

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

### 2.1 Basis of preparation

The consolidated financial statements of Oando have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and financial assets and financial liabilities at fair value through profit or loss. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies.

#### Early adoption of standards

In 2004, the Group early adopted the IFRS below, which are relevant to its operations. These have been consistently applied in these financial statements for 2006.

IAS 2 (revised 2003) Inventories

IAS 8 (revised 2003) Accounting Policies, Changes in Accounting Estimates and Errors

IAS 10 (revised 2003) Events after the Balance Sheet Date

IAS 16 (revised 2003) Property, Plant and Equipment

IAS 17 (revised 2003) Leases  
IAS 21 (revised 2003) The Effects of Changes in Foreign Exchange Rates  
IAS 24 (revised 2003) Related Party Disclosures  
IAS 27 (revised 2003) Consolidated and Separate Financial Statements  
IAS 28 (revised 2003) Investments in Associates  
IAS 32 (revised 2003) Financial Instruments: Disclosure and Presentation  
IAS 33 (revised 2003) Earnings per share  
IAS 36 (revised 2004) Impairment of Assets  
IAS 38 (revised 2004) Intangible Assets  
IAS 39 (revised 2003) Financial instruments: Recognition and measurement  
IFRS 2 (issued 2004) Share-based payments  
IFRS 3 (issued 2004) Business Combinations  
IFRS 5 (issued 2004) Non-current Assets Held for Sale and Discontinued Operations

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

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

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

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

IAS 27 (revised 2004) has affected the consolidation of subsidiaries. Certain subsidiaries, which were not included in the consolidation under previous GAAP have now been consolidated. The early adoption of IAS 33 has resulted in a change in the computation of earnings per share. Earnings per share, which were previously computed on the basis of the number of shares in issue

at the end of the reporting period, have been adjusted on the basis of the weighted average number of shares in accordance with IAS 33

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

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

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

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

- Amortised on a straight line basis over a period ranging from 5 to 20 years; and
- Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of IFRS 3:

- The Group ceased amortisation of goodwill from 1 January 2003;
- Accumulated amortisation as at 31 December 2002 has been eliminated with a corresponding decrease in the cost of goodwill;
- Goodwill was tested for impairment at 1 January 2003, the transition date. Also, from the year ended 31 December 2003 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment. The Group has also reassessed the useful lives of its intangible assets in accordance with the provisions of IAS 38. No adjustment resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards.

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

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

## 2.2 Consolidation

### (a) Subsidiaries

Subsidiaries include all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries

are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

#### (b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

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

Goodwill included in the carrying amount of an investment is neither amortised nor tested for impairment separately by

applying the requirements for impairment testing goodwill in IAS 36, Impairment of Assets. Instead, the entire carrying amount of the investment is tested under IAS 36 for impairment.

All subsidiaries and associates have uniform calendar year ends.

### 2.3 Segment reporting

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

### 2.4 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Group is the Naira. The consolidated financial statements are presented in US dollars, which is the company's presentation currency for the purpose of filing outside Nigeria.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

#### (c) Group Companies

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

1. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
2. Income and expenses for each income statement are translated at average exchange rates; and all resulting exchange differences are recognised as a separate component of equity.
3. On consolidation, exchange differences arising from the translation of the net investment in foreign

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

### 3. Earnings Per Share

Basic Earnings Per Share (EPS) is calculated by dividing the Profit Attributable to the equity holders of the Company by the weighted average number of shares in issue during the period.

	2006	2005
Profit attributable to equity holders of the Company (\$'000)	20,667	14,541
Weighted average number of shares in issue (thousands)	572,301	572,301
Basic Earnings Per Share (cents)	3.66	2.54
Diluted		
Profit attributable to equity holders of the Company	20,667	14,541
Weighted average number of shares in issue (thousands)	572,301	572,301
Adjustment for Bonus issues		-
Weighted average number of shares for diluted Earnings Per Share (thousands)	572,301	572,301
Diluted Earning Per Shares (cents)	3.66	2.54
Headline Earnings Per Share		
Profit Attributable to equity holders of the Company	20,667	14,541
Adjusted for:	-	-
Profit on sale of buildings associated with discontinued operations		
Profit/(Loss) on sale of other assets	4,785	(32)
Loss on sales of investment in affiliate companies	-	25
Tax thereon	-	-
	15,882	14,533
Headline Earnings Per Share attributable to earnings basis (cents)	2.78	2.54
Headline Earnings Per Share attributable to diluted earnings basis (cents)	2.78	2.54
Net Assets Per Share (cents)	34	30
Tangible Assets Per Share (cents)	19.7	19.7

--	--	--

#### 4. INDEPENDENT AUDIT BY THE AUDITORS

These condensed consolidated results are currently being audited by our auditors PricewaterhouseCoopers who perform their audit in accordance with the International Standards on Auditing. The results have been reviewed by PricewaterhouseCoopers whose unqualified review opinion is available for inspection at the Company's registered office.

#### 5. POST BALANCE SHEET EVENTS

There are no significant post balance sheet events.

For and on behalf of the Board

Mr J Adewale Tinubu  
Group Chief Executive Officer  
29 March 2007

#### Directorate:

- |     |                          |   |                  |
|-----|--------------------------|---|------------------|
| 1.  | General M. Magoro (Rtd.) | - | Chairman         |
| 2.  | Mr. J. A. Tinubu         | - | Group CEO        |
| 3.  | Mr. O. Boyo              | - | Deputy Group CEO |
| 4.  | Mr Onajite Okoloko       | - | Director         |
| 5.  | Mr. A. Akinrele SAN      | - | Director         |
| 6.  | Prince F. N. Atako JP.   | - | Director         |
| 7.  | Mr. O. Ibru              | - | Director         |
| 8.  | Alhaji H. Mahmud         | - | Director         |
| 9.  | Mr. I. Osakwe            | - | Director         |
| 10. | Mr. O. Osifo             | - | Director         |
| 11. | HRM. Oba. A. Gbadebo     | - | Director         |

Company Secretary: Mrs. Oredeji Delano  
Registered office: 2, Ajose Adeogun Street, Victoria Island,  
Lagos, Nigeria

Auditors: PriceWaterhouseCoopers, Plot 252E Muri Okunola Street,  
Victoria Island, Lagos  
E-mail: info@oandopl.com

Registered office in South Africa: 1st Floor, 32 Fricker Road,  
Illovo Boulevard, Sandton, 2196, South Africa

Office of the South African transfer secretaries: Computershare  
Investor Services 2004 (Proprietary) Limited (Registration  
number: 2004/003647/07)  
70 Marshall Street, Johannesburg, 2001. PO Box 61051,  
Marshalltown, 2107

Sponsor:  
Deutsche Securities (SA) (Proprietary) Limited