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Oando

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" or "the Group")

Highlights:

- Turnover of $1,501 million
- Gross profit of $173 million
- Gross profit margin of 11.5%
- Operating profit of $64 million
- Profit after tax of $50 million
- Attributable profit after tax of $43 million
- Adjusted earnings per share: 6.94c
- Improved performance of our non-marketing business lines, especially our supply and trading business division
- Improved trade debt and bank facility management
- Improved corporate governance and transparency through corporate restructuring and alignment of shareholder interest
- Integration of our business processes following the successful conclusion and roll-out of the various modules of our Enterprise Resource Planning system
- Continuous market and product development to improve the bottom-line and diversify income base
- An evolving visible presence in the upstream oil service segment with the recent acquisition of two oil rigs

Audited results for the 12 months ended 31 December 2007

REVIEW OF RESULTS

Oando Plc 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 2007 of $50m, an increase of 126% over the prior year when the Company closed with a profit figure of $22m.

INCOME STATEMENT ANALYSIS

While the underlying businesses all performed at or above prior year levels, the consolidated numbers are lower due to the higher level of inter-company activities.

That, notwithstanding the instability experienced during the second quarter of the year, had an unfavourable effect on turnover; a hike in the pump price of major petroleum products led to industrial and general strike actions which in turn crippled economic activities thereby impacting on turnover. This was further aggravated by the several labour-work hours lost during public holidays declared to enable voting and mark the transition to a new democratic government.

Our Gas business was affected by the maintenance of the gas pipelines which constrained gas supply during the year. The anticipated completion of the ongoing pipeline expansion in Lagos could not be met due to delays in arrival of acquired pipe as well as inexplicable logistic logjam thus denying the division the opportunity to meet up with its projected revenue income from existing and potential customers.

Our Supply and Trading division was able to utilise expertise garnered over the years to bridge gaps that opened up in the supply chain thereby delivering results well above the previous year's level.

Despite the reduction in turnover, the Group's gross profit increased by 23% compared to the previous year. This was due to improved margin efficiency as gross profit margin was 11.5% compared to 9% in 2006. The improvement in profit margin shows that strategic effort through operational efficiency is fast yielding results. Oando's strategic intent of further exploring business opportunities in the higher margin products and segments is expected to further boost margin efficiency in the future.

Our operating results also show marked improvement of 36% from $47m to $64m in 2007. This, in addition to improved margin efficiency, is largely attributable to the increase in our non-fuel revenue income coupled with our efficiency in the management of our debt portfolio. The over 100% increase in other income reduces significantly the increase in selling, marketing and administrative expenses caused by further expansion of our business activities and increase in the cost of doing business.

Also beneficial to our improved results was the reduction in finance costs by 75%, from $12m in the previous year to $3m in 2007. This was achieved by our ability to negotiate better terms with our creditors and also by marked improvement in our working capital management. Improved debt restructuring and alternative finance sources also contribute to a reduced finance costs. In all, total PAT therefore increased by 126% from $22m in 2006 to $50m, while profit attributable to shareholders increased by 157% to $43.9m from $19.3m in 2006. The corporate restructuring exercise carried out during the year was the primary driver, apart from those afore mentioned, of the increase in profit attributable to shareholders of the Company.

BALANCE SHEET ANALYSIS

The Group's total assets rose by 111% to $1,553m compared to $735m in 2006. The increase in total assets was due to a combination of increased fixed asset acquisition, specifically plants and equipment, intangible assets, inventories as well as trade and other receivables. Property, plant and equipment increased by 141% due to acquisition of two oil rigs during the year. Following the share swap carried out during the year, additional goodwill was recognised. The increase in inventories by 98% was driven by the increase in stock of finished goods. Receivables from trading partners also witnessed an increase of 98% during the period.

Total equity increased by 104% from $184m in 2006 to $376m in 2007. This was mainly due to an increase in share capital and share premium arising from the issue of shares to minority interest in exchange for their holdings. Fixed assets revaluation also increased by $46m to $64m, following the revaluation surplus recognised on land and building by the firms of Ubosi & Elle (chartered valuers).

Total liabilities increased by 113% from $551m in 2006 to $1,176m in 2007. The increase was partly as a result of borrowings in the form of bank loans to finance the Greater Lagos Phase II and III gas distribution project. Also significant was the increase due to increase in trade and other payables by 166%, as well as the increase in unpaid dividends from $15m to $898m.

The increase in total liabilities is indicative of our drive to diversify away from traditional downstream marketing to higher margin lines, thus the huge investments in other product service lines.

PROSPECTS

Our 2007 results show that our long term goal of fortifying our non-marketing business is yielding results. We shall continue to make emphasis on higher value business segments in order to generate higher margins from our business lines. We have therefore made huge capital commitments in our Exploration and Production business segment. The returns on this investment are expected to boost the Group's profitability and take us closer towards our strategic goal of being the leading integrated energy solutions provider in Africa. We shall continue to leverage on the opportunities present in our immediate and global environment: the limited number of players in the market, the goodwill the Company continues to enjoy among its corporate and retail customers, the inelastic demand for petroleum products as well as the increasing price of crude.

Our Supply and Trading business is expected to build on the strong pace it has set in 2007, as there would be more emphasis on competitive pricing and widening of the existing market. Strong strategic alliances will be formed with the Group's upstream operations in order to boost the trading of crude production.

Our Gas and Power division continues to face the challenge of public abuse of pipelines and pipeline infrastructure. However, the immense opportunities provided by the growing awareness of gas as a viable fuel as well as the demand for the Government's gas projects, such as the National Integrated Power Project provides immense opportunities for improving performance in the coming year. We expect the Greater Lagos Phase III initiative to kick start gas delivery to corporate Customers in the first month of the second quarter while its sister company, Eastern Horizon, is expected to be completed within 2008 and contribute significantly to the bottom line of the Group company.

Oando's Energy business is expected to benefit from the divestment of low-margin Product Service Lines (PSLs) to higher margin PSLs in the coming year. To this end, we shall continue to seek to gain competency in new PSLs as well as increase our client base in the existing ones. Our desire to gain visible presence in the upstream oil servicing will materialised with the commencement of operation of the two newly acquired oil rigs.

Our marketing business still continues to retain its significant position. As one of the biggest players in the Nigerian downstream sector, we will continue to capitalise on our existing strong market presence to increase turnover and generate value for shareholders.

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.

The Company is expected to benefit from the widely promoted acculturation programme which aims to support employee development, promote global standards of work ethics and ensure employee dedication. The Company will continue to emphasise on its core values of Team work, Respect, Integrity, Passion and Professionalism (T.R.I.P.P) and ingrain these values into employees across all strata of the Company.

Consolidated income statement

For the year ended 31 December 2007	2007 $'000	2006 $'000
Sales	**1,501,020**	1,647,840
Cost of sales	**(1,327,993)**	(1,516,427)
Gross profit	**173,280**	131,413
Selling & marketing costs	**(46,229)**	(42,514)
Administrative expenses	**(82,885)**	(50,572)
Other operating income	**19,963**	9,565
Operating profit	**64,129**	47,892
Shares of profit of associates	**–**	–

Consolidated statement of changes in shareholders' equity

	Share capital US$m	Share premium US$m	Revaluation reserve US$m	Cumulative translation adjustment US$m	Retained earnings US$m	Minority interest US$m	Total equity US$m
Balance as at 31 December 2006	2.16	120.74	11.37	7.11	28.03	14.65	184.05
Revaluation surplus on property plant and equipment			66.31				66.31
Deferred tax effect of residual value restatement			(20.55)				(20.55)
Issue of shares	0.73	112.17				(13.23)	99.67
Fair value gain/loss on available for sale investments			(0.173)				(0.173)
Currency translation adjustment				21.14			21.14

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	,280	131,413
Selling & marketing costs	**(4[illegible],229)**	(42,514)
Administrative expenses	**(82,885)**	(50,572)
Other operating income	**19,963**	9,565
Operating profit	**64,129**	47,892
Shares of profit of associates	**–**	–
Finance costs	**(3,437)**	(12,031)
Profit before taxation	**60,692**	35,861
Income tax expense	**(10,888)**	(13,839)
Profit after expense	**49,804**	22,022
Attributable to:		
Minority interest	**194**	2,755
Equity holders of the Company	**49,610**	19,267
	49,804	22,022

Consolidated balance sheet

As at 31 December 2007	**2007 $'000**	2006 $'000
ASSETS		
Non-current assets		
Property, plant & equipment	**284,351**	117,771
Intangible assets	**259,583**	113,094
Long term investments	**90**	256
Long term receivables	**97,755**	38,281
	641,779	269,402
Current assets		
Inventories	**212,636**	119,835
Trade & other receivables	**550,205**	285,689
Debenture	**–**	–
Cash & cash equivalents	**147,974**	60,121
	910,815	465,645
Total assets	**1,552,594**	735,047
EQUITY		
Capital & reserves attributable to equity holders		
Share capital	**2,896**	2,162
Share premium	**232,909**	120,742
Revaluation reserve	**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	**180,954**	9,996
Deferred income tax liabilities	**42,599**	18,557
Retirement benefit obligation	**2,695**	3,373
Provisions	**3,657**	2,940
Other non-current liabilities	**–**	–
	229,905	34,866
Current liabilities		
Trade & other payables	**511,010**	192,146
Current income tax liabilities	**11,248**	7,342
Borrowings	**424,077**	316,629
	946,335	516,132
Total liabilities	**1,176,240**	550,998
Total equity & liabilities	**1,552,594**	735,047

Summarised consolidated cash flow statement

For the year ended 31 December 2007	**2007 US$'000**	2006 US$'000
Cash and cash equivalents at the beginning of the period	**(52,440)**	(167,753)
Net cash inflow used in operating activities	**22,630**	(886)
Cash used in investing activities	**(187,915)**	(27,022)
Net cash flows (used in)/generated from financing activities	**290,231**	137,130
Exchange gains/(losses) in cash and cash equivalents	**(6,495)**	6,091
Cash and bank overdrafts at end of period	**66,011**	52,440

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 has its 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.

Balance as at 31 December 2006	2.16	120.74	11.37	7.11	28.03	14.65	184.05
Revaluation surplus on property plant and equipment			66.31				66.31
Deferred tax effect of residual value restatement			(20.55)				(20.55)
Issue of shares	0.73	112.17				(13.23)	99.67
Fair value gain/loss on available for sale investments			(0.173)				(0.173)
Currency translation adjustment				21.14			21.14
Profit for the year					43.94	0.19	44.13
Final dividend for 2006					(18.23)		(18.23)
Balance as at 31 December 2007	2.89	232.91	56.95	28.25	53.74	1.61	376.35
Balance as at 1 January 2006	2.16	120.74	11.19	(0.54)	20.03	10.79	164.38
Fair value gain on available for sale financial assets			0.18				0.18
Currency translation differences				7.65			7.65
Retained profit for the period					19.27	2.76	22.03
Currency translation differences					(11.28)	1.10	(10.181)
Balance as at 31 December 2006	2.16	120.74	11.37	7.11	28.02	14.65	184.05

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 five 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

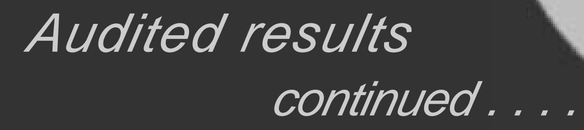
Subsidiaries include all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently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

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Weighted average number of shares in issue (thousands)	**633,198**	572,301
Adjustment for bonus issues		
Weighted average number of shares for diluted earnings per share (thousands)	**633,198**	572,301
Diluted earning per shares (cents)	**6.94**	3.37
Headline earnings per share		
Profit attributable to equity holders of the Company	**43,944**	19,267
Adjusted for:		
Profit on sale of buildings associated with discontinued operations	**–**	–
Profit/(Loss) on sale of other assets	**(5,136)**	(4,904)
Loss on sales of investment in affiliated companies	**–**	–
Tax thereon	**–**	172
	38,808	14,534
Headline earnings per share attributable to earnings basis (cents)	**6.12**	2.54
Headline earnings per share attributable to diluted earnings basis (cents)	**6.12**	2.54
Net assets per share (cents)	**59.43**	32.16
Tangible assets per share (cents)	**60.35**	27.31

4. **INDEPENDENT AUDIT BY THE AUDITORS**

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

5. **POST BALANCE SHEET EVENTS**

There are no significant post balance sheet events that in the opinion of the Directors will have a material impact on the accounts herein presented.

For and on behalf of the Board

Mr. J Adewale Tinubu
Group Chief Executive Officer

11 April 2008

Directorate:

1. General M. Magoro (Rtd.) *OFR* – Chairman
2. Mr. J. A. Tinubu – Group CEO
3. Mr. O. Boyo – Deputy Group CEO
4. Mr. B. Osunsanya – Group Executive Director
5. Mr Onajite Okoloko – Non- Executive Director
6. Mr. A. Akinrele *SAN* – Non-Executive Director
7. Prince F. N. Atako *JP* – Non-Executive Director
8. Mr. O. Ibru – Non-Executive Director
9. Alhaji H. Mahmud Walin Mubi – Non-Executive Director
10. Mr. I. Osakwe – Non-Executive Director
11. HRM. Oba. A. Gbadebo *OFR* – Non-Executive 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@oandoplc.com

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

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

Sponsor