Oando

...the energy to inspire

Unaudited Interim Consolidated and Separate Interim Financial Statements
For the three months ended 31 March 2020 and 2019

CONTENTS

PAGE

GROUP	NOTE	Three months ended 31 March 2020 N'000	Three months ended 31 March 2019 N'000
Revenue from contract with customers	3.3a	113,288,658	168,009,549
Cost of sales		(101,665,773)	(144,799,673)
Gross profit		11,622,885	23,209,876
Other operating income/(expense)	4	21,960,390	(1,457,995)
(Impairment of assets)/reversal of impairment of financial assets	5	(60,948,836)	9,951,877
Administrative expenses		(19,352,256)	(14,603,446)
Operating (expense)/income	3.3a	(46,717,817)	17,100,312
Finance costs		(16,524,126)	(10,694,103)
Finance income		2,153,574	2,491,678
Net finance costs	3.3a	(14,370,552)	(8,202,425)
Share of loss of associates		-	(127,658)
(Loss)/profit before income tax	3.3a	(61,088,369)	8,770,229
Income tax credit/(expense)	3.3a	26,975,673	(4,136,150)
(Loss)/profit for the period		(34,112,696)	4,634,079
(Loss)/profit attributable to:			
Equity holders of the parent		(29,785,364)	5,166,193
Non-controlling interest		(4,327,332)	(532,114)
		(34,112,696)	4,634,079
(Loss)/earnings per share from attributable to ordinary equity holders of the parent during the period (expressed in Naira per share):	21	(2.40)	0.42

The accounting policies and notes form an integral part of these unaudited interim consolidated and separate financial statements.

GROUP	Three months ended 31 March 2020 N'000	Three months ended 31 March 2019 N'000
(Loss)/profit for the period	(34,112,696)	4,634,079
Other comprehensive income:		
Items that will not be reclassified to profit or loss in subsequent periods:		
Items that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	7,480,062	(1,961,614)
Reversal of estimated share of associate's foreign currency translation reserve	102,906	-
Other comprehensive income/(loss) for the period, net of tax	7,582,968	(1,961,614)
Reclassification to profit or loss		
Reclassification of share of Glover BV's foreign currency translation reserve	-	(461,594)
Other comprehensive income/(loss) for the period, net of tax	7,582,968	(2,423,208)
Total comprehensive (loss)/profit for the period, net of tax	(26,529,728)	2,210,871
Attributable to:		
- Equity holders of the parent	(24,240,001)	3,676,897
- Non-controlling interests	(2,289,727)	(1,466,026)
Total comprehensive (loss)/profit for the period net of tax	(26,529,728)	2,210,871

COMPANY		Three months ended 31 March 2020 N'000	Three months ended 31 March 2019 N'000
Revenue from contract with customers		86,024,012	124,726,061
Cost of sales		(86,328,852)	(124,888,377)
Gross loss		(304,840)	(162,316)
Other operating income	4	7,870,636	2,368,520
(Impairment of assets)/reversal of impairment of assets	5	(2,615,953)	8,790,494
Administrative expenses		(16,141,447)	(2,251,762)
Operating (expense)/income		(11,191,604)	8,744,936
Finance cost		(5,080,702)	(3,902,870)
Finance income		278,959	391,665
Net finance cost		(4,801,743)	(3,511,205)
(Loss)/profit before income tax		(15,993,347)	5,233,731
Income tax expense		(215,060)	(171,446)
(Loss)/profit for the period		(16,208,407)	5,062,285
(Loss)/profit attributable to:			
Equity holders of the parent		(16,208,407)	5,062,285
Non-controlling interest		-	-
		(16,208,407)	5,062,285
(Loss)/earnings per share from attributable to ordinary equity holders of the parent during the period (expressed in Naira per share):	21	(1.30)	0.41

The accounting policies and notes form an integral part of these unaudited interim consolidated and separate financial statements.

COMPANY	Three months ended 31 March 2020 N'000	Three months ended 31 March 2019 N'000
(Loss)/profit for the period	(16,208,407)	5,062,285
Other comprehensive loss:		
Other comprehensive profit for the period, net of tax	-	-
Total comprehensive (loss)/profit for the period, net of tax	(16,208,407)	5,062,285
Attributable to:		
- Equity holders of the parent	(16,208,407)	5,062,285
- Non-controlling interests	-	-
Total comprehensive (loss)/profit for the period, net of tax	(16,208,407)	5,062,285

Oando PLC
UNAUDITED INTERIM CONSOLIDATED & SEPARATE FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020 AND 31 MARCH 2019

Assets	NOTE	Group 2020 N'000	Group 2019 N'000	Company 2020 N'000	Company 2019 N'000
Non-current assets					
Property, plant and equipment	6	417,549,355	394,228,600	1,613,847	1,696,350
Intangible assets	7	286,536,390	270,871,563	577,097	613,534
Investment properties	8	2,808,000	2,808,000	2,808,000	2,808,000
Right of use asset	9	15,625,419	16,267,406	12,951,523	13,458,959
Investment in associate	10	1,885,705	1,782,799	2,716,431	2,716,431
Deferred income tax assets		20,040,761	3,595,526	-	-
Derivative financial assets		4,905,416	-	-	-
Finance lease receivables		77,667,491	73,510,965	8,759,940	9,202,848
Investment in subsidiaries		-	-	26,638,421	26,638,421
Prepayments		82,284	164,568	82,284	164,568
Restricted cash	15a	5,876,589	5,863,527	-	-
		832,977,410	769,092,954	56,147,543	57,299,111
Current assets					
Inventories	13	9,866,601	24,541,679	-	22,578,799
Derivative financial assets		20,255,963	1,252,965	-	-
Trade and other receivables	14	105,202,683	122,864,452	151,253,850	141,343,373
Deposit for shares		3,277,175	3,098,335	-	-
Prepayments		3,528,298	3,488,315	396,251	609,113
Financial assets at fair value through profit or loss	11	39,093	48,223	33,373	45,644
Cash and cash equivalents (excluding bank overdrafts)	15a	22,228,535	33,576,182	2,100,198	1,266,353
		164,398,348	188,870,151	153,783,672	165,843,282
Total assets		997,375,758	957,963,105	209,931,215	223,142,393
Equity and Liabilities					
Equity attributable to equity holders of the parent					
Share capital	20	6,215,706	6,215,706	6,215,706	6,215,706
Share premium	20	176,588,527	176,588,527	176,588,527	176,588,527
Retained loss		(334,538,658)	(304,753,294)	(327,794,930)	(311,586,523)
Other reserves		156,401,964	150,856,601	-	-
		4,667,539	28,907,540	(144,990,697)	(128,782,290)
Non controlling interest		35,810,452	38,100,179	-	-
Total equity		40,477,991	67,007,719	(144,990,697)	(128,782,290)
Liabilities					
Non-current liabilities					
Borrowings	17	183,192,895	130,635,428	-	-
Deferred income tax liabilities		1,336,388	12,657,924	-	-
Decommissioning provisions	19	116,226,615	106,393,420	215,891	209,646
Lease liabilities	18	20,150,234	19,617,395	22,458,630	22,668,097
		320,906,132	269,304,167	22,674,521	22,877,743
Current liabilities					
Trade and other payables	16	353,940,048	350,043,996	212,959,071	211,754,578
Borrowings	17	240,308,333	231,531,048	107,042,095	106,199,440
Lease liabilities	18	3,478,978	3,344,733	8,157,613	7,219,371
Current income tax liabilities		36,613,999	35,081,165	2,438,335	2,223,274
Dividend payable		1,650,277	1,650,277	1,650,277	1,650,277
		635,991,635	621,651,219	332,247,391	329,046,940
Total liabilities		956,897,767	890,955,386	354,921,912	351,924,683
Total equity and liabilities		997,375,758	957,963,105	209,931,215	223,142,393

These unaudited consolidated and separate financial statements were approved by the Board of Directors on 17 June 2022 and signed on its behalf by:

Group Chief Executive
Mr. Jubril Adewale Tinubu
FRC/2013/NBA/00000003348

Group Chief Financial Officer
Mr. Adeola Ogunsemi
FRC/2016/ICAN/00000014639

The accounting policies and notes form an integral part of these unaudited interim consolidated and separate financial statements.

GROUP	Share Capital & Share Premium N'000	Other reserves N'000	Retained earnings N'000	Equity holders of parent N'000	Non controlling interest N'000	Total equity N'000
Balance as at 1 January 2019	182,804,233	144,604,935	(126,534,432)	200,874,736	76,241,975	277,116,711
Profit/(loss) for the period	-	-	5,166,193	5,166,193	(532,114)	4,634,079
Other comprehensive loss for the period	-	(1,489,296)	-	(1,489,296)	(933,912)	(2,423,208)
Total comprehensive (loss)/income for the period	-	(1,489,296)	5,166,193	3,676,897	(1,466,026)	2,210,871
Balance as at 31 March 2019	182,804,233	143,115,639	(121,368,239)	204,551,633	74,775,949	279,327,582
Balance as at 1 January 2020	182,804,233	150,856,601	(304,753,294)	28,907,540	38,100,179	67,007,719
Loss for the period	-	-	(29,785,364)	(29,785,364)	(4,327,332)	(34,112,696)
Other comprehensive income for the period	-	5,545,363	-	5,545,363	2,037,605	7,582,968
Total comprehensive income/(loss) for the period	-	5,545,363	(29,785,364)	(24,240,001)	(2,289,727)	(26,529,728)
Balance as at 31 March 2020	182,804,233	156,401,964	(334,538,658)	4,667,539	35,810,452	40,477,991

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2020 AND 2019

Company	Share Capital & Share Premium N'000	Other reserves N'000	Retained earnings N'000	Total equity N'000
Balance as at 1 January 2019	182,804,233	-	(243,703,801)	(60,899,568)
Profit for the period	-	-	5,062,285	5,062,285
Other comprehensive loss for the period	-	-	-	-
Total comprehensive loss	-	-	5,062,285	5,062,285
Balance as at 31 March 2019	182,804,233	-	(238,641,516)	(55,837,283)
Balance as at 1 January 2020	182,804,233	-	(311,586,523)	(128,782,290)
Loss for the period	-	-	(16,208,407)	(16,208,407)
Balance as at 31 March 2020	182,804,233	-	(327,794,930)	(144,990,697)

UNAUDITED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2020 AND 2019

	NOTE	Group 2020 N'000	Group 2019 N'000	Company 2020 N'000	Company 2019 N'000
Cash flows from operating activities					
Cash generated from operations	22	3,596,395	18,801,694	(6,085,607)	(113,971)
Net changes in working capital	23	(57,912,966)	347,920	4,858,461	131,522
Interest paid		(30,639)	(4,663,013)	(21,892)	(39,067)
Income tax paid		(578,811)	(638,567)	-	-
Net cash (used in)/generated from operating activities		(54,926,021)	13,848,034	(1,249,038)	(21,516)
Cash flows from investing activities					
Purchases of property plant and equipment		(6,538,877)	(6,215,716)	(3,634)	(125,184)
Disposal of interest in an asset		-	12,623,800	-	12,335,222
Deposit for shares		-	(1,927,750)	-	-
Purchase of intangible exploration assets		(101,612)	(863,655)	-	-
Recoveries on non-current receivables		-	2,598,852	-	-
Finance lease received		2,190,587	1,999,210	1,218,047	-
Interest received		16	385,141	1	385,113
Net cash (used in)/generated from investing activities		(4,449,886)	8,599,882	1,214,414	12,595,151
Cash flows from financing activities					
Proceeds from borrowings		62,428,309	-	2,018,023	-
Repayment of borrowings		(20,422,415)	(9,084,301)	(6,714,793)	-
Lease payments		(1,256,612)	-	(1,778,232)	-
Proceeds from loan note from Helios with respect to the sale of the Gas & Power entities		-	(2,960,759)	2,506,075	-
Restricted cash		334,078	855,741	-	-
Net cash generated from/(used in) financing activities		41,083,360	(11,189,319)	(3,968,927)	-
Net change in cash and cash equivalents		(18,292,547)	11,258,597	(4,003,551)	12,573,635
Cash and cash equivalents at the beginning of the period		33,576,182	10,620,544	1,332,815	1,341,437
Exchange gain/(loss) on cash and cash equivalents		2,191,588	(156,153)	17,622	(11,988)
Cash and cash equivalents at end of the period		17,475,223	21,722,988	(2,653,114)	13,903,084
Cash and cash equivalents at 31 March 2020:					
Included in cash and cash equivalents per statement of financial position		17,475,223	21,722,988	(2,653,114)	13,903,084
		17,475,223	21,722,988	(2,653,114)	13,903,084
Cash and cash equivalent at period end is analysed as follows:					
Cash and bank balance	15a	22,228,535	21,722,988	2,100,198	13,903,084
Bank overdrafts	17	(4,753,312)	-	(4,753,312)	-
	15b	17,475,223	21,722,988	(2,653,114)	13,903,084

The accounting policies and notes form an integral part of these unaudited consolidated and separate 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 Petrol's stake in Agip Nigeria Plc. The Company formally changed its name from Unipetrol Nigeria Plc. to Oando PLC in December 2003.

Oando PLC (the "Company") is listed on the Nigerian Stock Exchange and the Johannesburg Stock Exchange. In 2016, the Company embarked on a reorganisation and disposed some subsidiaries in the Energy, Downstream and Gas & Power segments. The Company retains its significant ownership in Oando Trading Bermuda (OTB), Oando Trading Dubai (OTD) and its upstream businesses (See note 3 for segment result), hereinafter referred to as the Group.

On October 13, 2011, Exile Resources Inc. ("Exile") and the Oando Exploration and Production Division ("OEPD") of Oando PLC ("Oando") announced that they had entered into a definitive master agreement dated September 27, 2011 providing for the previously announced proposed acquisition by Exile of certain shareholding interests in Oando subsidiaries via a Reverse Take Over ("RTO") in respect of Oil Mining Leases ("OMLs") and Oil Prospecting Licenses ("OPLs") (the "Upstream Assets") of Oando (the "Acquisition") first announced on August 2, 2011. The Acquisition was completed on July 24, 2012 ("Completion date"), giving birth to Oando Energy Resources Inc. ("OER"); a company which was listed on the Toronto Stock Exchange between the Completion date and May 2016. Immediately prior to completion of the Acquisition, Oando PLC and the OEPD first entered into a reorganization transaction (the "Oando Reorganization") with the purpose of facilitating the transfer of the OEPD interests to OER (formerly Exile).

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

In 2016, OER previously quoted on Toronto Stock Exchange (TSX), notified the (TSX) of its intention to voluntarily delist from the TSX. The intention to delist from the TSX was approved at a Board meeting held on the 18th day of December, 2015. The shares of OER were delisted from the TSX at the close of business on Monday, May 16th 2016. Upon delisting, the requirement to file annual reports and quarterly reports to the Exchange will no longer be required. The Company believes the objectives of the listing on the TSX was not achieved and judges that the continued listing on the TSX was uneconomical.

To effect the delisting, a restructuring of the OER Group was done and a special purpose vehicle, Oando E&P Holdings Limited ("OEPH") was set up to acquire all of the issued and outstanding shares of OER. As a result of the restructuring, shares held by the previous owners of OER (Oando PLC (93.49%), the institutional investors in OER (5.08%) and certain Key Management Personnel (1.43%)) were required to be transferred to OEPH, in exchange for an equivalent number of shares in OEPH. The share for share exchange between entities in the Oando Group is considered as a business combination under common control not within the scope of IFRS 3.

OEPH purchased the remaining shares in OER from the remaining shareholders who did not partake in the share for share exchange arrangement for a cash consideration. The shareholders of the 5,733,277 shares were paid a cash consideration of US$1.20 per share in accordance with the plan of arrangement. As a result of the above, OEPH owns 100% of the shares in OER.

'Pursuant of the Amended and Restated Loan Agreement between West Africa Investment Limited (the "Lender" /"WAIL"), Goldeneye Energy Resources Limited (the "Borrower") and Oando PLC (the "Guarantor") dated March 31, 2016, on one hand; and another Amended and Restated Loan Agreement between Goldeneye Energy Resources Limited (the "Borrower"), Southern Star Shipping Co Inc. (the "Lender"/"SS") and Oando PLC (the "Guarantor") also dated 31 March 2016; Oando PLC provided financial guarantee to the Lenders to the tune of US$32m (WAIL: US$27m, SS: US$5m). The essence of the loans was for the borrower to acquire shares owned by the Lenders in Oando Exploration and Production Holdings Limited (OEPH), a subsidiary of Oando PLC. The Borrower agreed to repay the loans in 12 installments starting from March 2017.

The financial guarantee required Oando PLC to pay to the Lenders in its capacity as Guarantor, the loan amounts due (inclusive of accrued interest) if the Borrower is unable to pay while the Borrower is also required to transfer the relevant number of shares held in OEPH to the Guarantor or its Nominee in the event of default.

Upon failure by the Borrower to honour the repayment agreement, the Guarantor paid US$ 6.1m (which represented principal plus accrued interest) to SS on October 4, 2017. On the same date, the borrower executed a share transfer instrument for the purpose of transferring all the shares previously acquired from SS to the Calabar Power Limited, a wholly owned subsidiary of Oando PLC. Consequently, the Guarantor was discharged of the financial guarantee to SS and Oando PLC now owns 78.18% (2016: 77.74%) shares in OEPH. The Borrower and Lenders are not related parties to the Guarantor.

On May 19, 2018, Oando PLC (through its subsidiary Calabar Power) acquired 8,631,225 shares in OEPH from some non-controlling interests (NCI) who were paid a cash consideration of US$1.20 per share in accordance with the plan of arrangement executed for some NCI following the delisting of OER in 2016. As a result, Oando PLC now owns 79.27% (2018: 78.18%) shares in OEPH.

Calabar Power (through Oando PLC) paid $8.3 million (N3 billion) in 2018 and $13.5 million (N4.9 billion) in 2019 to WAIL. On May 31, 2019, Goldeneye transferred 5,236,626 shares to Calabar Power amounting to $13,349,083.59, thereby increasing Oando PLC's (direct and indirect) percentage interest in OEPH to 79.93%. Amounts paid up to 31 December 2019 have been reflected as deposit for shares in these consolidated financial statements.

Subsequently, the company (through Oando PLC) paid the outstanding indebtedness to WAIL as follows: 2020: $1.5 million, 2021: $10 million while Goldeneye paid $4.12 million in 2022 out of the indebtedness to Oando PLC of $9.59 million. The final payment of $4.12 million extinguished the debt to WAIL as guaranteed by Oando PLC. Upon the final payment and on April 12, 2022, the outstanding shares of 12,218,788 were transferred to Calabar Power.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of Oando PLC. have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The annual consolidated financial statements are presented in Naira, rounded to the nearest thousand, and prepared under the historical cost convention, except for the revaluation of land and buildings, investment properties, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires 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 areas where assumptions and estimates are significant to these consolidated financial statements.

The accounting policies adopted are consistent with those of the previous financial year & corresponding interim reporting period except for the estimation of income tax and adoption of new and amended standards.

2.2 Basis of Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has power or control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the amount of the entity's return. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

In the separate financial statement, investment in subsidiaries is measured at cost less accumulated impairments. Investment in subsidiary is impaired when its recoverable amount is lower than its carrying value and when there are indicators of impairments.

The Group considers all facts and circumstances', including the size of the Group's voting rights relative to the size and dispersion of other vote holders in the determination of control.

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

Acquisition-related costs are expensed as incurred.

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

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

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

The Group treats transactions with non-controlling interests that do not result in loss of control as equity transactions. For purchases from non-controlling interests, the difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control are classified as cash flows from financing activities.

(iii) Disposal of subsidiaries

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

(iv) Investment in associates

Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the change in the associate's net assets after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 long term receivables, loans or unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/(loss) of associates in the statement of profit or loss.

Profits and losses resulting from transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognised in the statement of profit or loss.

In the separate financial statements of the Company, investment in associates are measured at cost less impairment. Investment in associate is impaired when its recoverable amount is lower than its carrying value.

(v) Joint arrangements

The group applies IFRS 11 to all joint arrangements as of 1 January 2013. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains and losses on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

For the arrangements determined to be joint operations, the Group recognises in relation to its interest the following:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses

Transactions with other parties in the joint operations

When the Group enters into a transaction in a joint operation, such as a sale or contribution of assets, the Group recognises gains and losses resulting from such a transaction only to the extent of its interests in the joint operation.

When such transactions provide evidence of a reduction in the net realisable value of the assets to be sold or contributed to the joint operation, or of an impairment loss of those assets, those losses are recognised fully by the Group.

When the Group enters into a transaction with a joint operation in which it is a joint operator, such as a purchase of assets, the Group does not recognise its share of the gains and losses until it resells those assets to a third party. When such transactions provide evidence of a reduction in the net realisable value of the assets to be purchased or of an impairment loss of those assets, the Group recognises its share of those losses.

(vi) Functional currency and translation of foreign currencies

Functional and presentation currency
These consolidated financial statements are presented in Naira, which is the Group's 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 Company's functional and presentation currency is Naira.

(vii) Transactions and balances in Group entities

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

(viii) Consolidation of Group entities

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

- assets and liabilities for each statement of financial position items presented, are translated at the closing rate at the reporting date;
- income and expenses for each statement of profit or loss are translated at average exchange rates where it is impracticable to translate using spot rate. Where the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the income and expense are translated at a rate on the dates of the transactions; and

- all resulting exchange differences are recognised in other comprehensive income.

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

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

(ix) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

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

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.3 Other significant accounting policies

(a) Segment reporting

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

(b) Revenue recognition

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

(i) Sale of goods

Revenue from Contracts with Customers under IFRS 15

The Group has adopted IFRS 15 as issued in May 2014 which has resulted in changes in the accounting policy of the Group. IFRS 15 replaces IAS 18 which covers revenue arising from the sale of goods and the rendering of services, IAS 11 which covers construction contracts, and related interpretations. In accordance with the transitional provisions in IFRS 15, comparative figures have not been restated as the Group has applied the modified retrospective approach in adopting this standard.
Revenue represents the fair value of the consideration received or receivable for sales of goods and services, in the ordinary course of Group's activities and is stated net of value-added tax, rebates and discounts and after eliminating sales within the group. The Group recognizes 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 its activities.
A valid contract is recognised as revenue after:

• The contract is approved by the parties.
• Rights and obligations are recognised.
• Collectability is probable.
• The contract has commercial substance.
• The payment terms and consideration are identifiable.

IFRS 15 introduces a five-step model for recognising revenue to depict transfer of goods or services. The model distinguishes between promises to a customer that are satisfied at a point in time and those that are satisfied over time.

a) Revenue recognition
It is the Group's policy to recognise revenue from a contract when it has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. Collectability of a customer's payments is ascertained based on the customer's historical records, guarantees provided, the customer's industry and advance payments made if any.
Revenue is recognised when control of goods sold has been transferred. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits (potential cash inflows or savings in cash outflows) associated with the asset. For crude oil and natural gas liquid, this occurs when the products are lifted by the customer (buyer). Revenue from the sale of oil is recognised at a point in time when performance obligation is satisfied. For gas, revenue is recognised as the product is being passed through the custody transfer point to the customer. Revenue from the sale of gas is recognised over time. The surplus or deficit of the product sold during the period over the Group's ownership share of production is termed as an overlift or underlift. With regard to underlifts, if the over-lifter does not meet the definition of a customer or the settlement of the transaction is non-monetary, a receivable and other income is recognised. If the over-lifter meets the definition of a customer, revenue is recognised and a corresponding receivable.

Conversely, when an overlift occurs, cost of sale is debited and a corresponding liability is accrued. Overlifts and underlifts are initially measured at the market price of oil at the date of lifting, consistent with the measurement of the sale and purchase. Subsequently, they are remeasured at the current market value. The change arising from this remeasurement is included in the profit or loss as other income or cost of sales.
▪ Definition of a customer
A customer is a party that has contracted with the Group to obtain crude oil or gas products in exchange for a consideration, rather than to share in the risks and benefits that result from sale. The Group has entered into collaborative arrangements with its joint venture partners to share in the production of oil. Collaborative arrangements with its joint venture partners to share in the production of oil are accounted for differently from arrangements with customers as collaborators share in the risks and benefits of the transaction, and therefore, do not meet the definition of customers. Revenue arising from these arrangements are recognised separately in other income.
▪ Identification of performance obligation
At inception, the Group assesses the goods or services promised in the contract with a customer to identify as a performance obligation, each promise to transfer to the customer either a distinct good or series of distinct goods. The number of identified performance obligations in a contract will depend on the number of promises made to the customer. The delivery of barrels of crude oil or units of gas are usually the only performance obligation included in oil and gas contract with no additional contractual promises. Additional performance obligations may arise from future contracts with the Group and its customers.
The identification of performance obligations is a crucial part in determining the amount of consideration recognised as revenue. This is due to the fact that revenue is only recognised at the point where the performance obligation is fulfilled, management has therefore developed adequate measures to ensure that all contractual promises are appropriately considered and accounted for accordingly.

▪ Contract enforceability and termination clauses
The Group may enter into contracts that do not create enforceable rights and obligation to parties in the contract. Such instances may include where the counterparty has not met all conditions necessary to kick start the contract or where a non-contractual promise exists between both parties to the agreement. In these instances, the agreement is not yet a valid contract and therefore no revenue can be recognised.
It is the Group's policy to assess that the defined criteria for establishing contracts that entail enforceable rights and obligations are met. The criteria provides that the contract has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable.

The Group may enter into contracts that do not meet the revenue recognition criteria. In such cases, the consideration received will only be recognised as revenue if either of the following has occurred;
- the Group has no remaining obligations to transfer goods/services to the customer and all or substantially all, of the consideration promised by the customer has been received by the Group and is non-refundable
- the contract has been terminated and the consideration received from the customer is non-refundable.

The Group may also have the unilateral rights to terminate an unperformed contract without compensating the other party. This could occur where the Group has not yet transferred any promised goods or services to the customer and the Group has not yet received, and is not yet entitled to receive, any consideration in exchange for promised goods or services.

b) Transaction price
Transaction price is the amount that an entity within the Group allocates to the performance obligations identified in the contract. It represents the amount of revenue recognised as those performance obligations are satisfied. Complexities may arise where a contract includes variable consideration, significant financing component or consideration payable to a customer.
Variable consideration not within the Group's control is estimated at the point of revenue recognition and reassessed periodically. The estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. As a practical expedient, where the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date, the Group may recognise revenue in the amount to which it has a right to invoice.
Significant financing component (SFC) assessment is carried out (using a discount rate that reflects the amount charged in a separate financing transaction with the customer and also considering the Group's incremental borrowing rate) on contracts that have a repayment period of more than 12 months. As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between when it transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Instances when SFC assessment may be carried out include where the Group receives advance payment for agreed volumes of crude oil or receivables take or pay deficiency payment on gas sales. Take or pay gas sales contract ideally provides that the customer must sometimes pay for gas even when not delivered to the customer.

The customer, in future contract years, takes delivery of the product without further payment. The portion of advance payments that represents significant financing component will be recognised as interest revenue.
Consideration payable to a customer is accounted for as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group. Examples include barging costs incurred, demurrage and freight costs. These do not represent a distinct service transferred and is therefore recognised as a direct deduction from revenue.

c) Contract modification and contract combination
Contract modifications relates to a change in the price and/or scope of an approved contract. Where there is a contract modification, the Group assesses if the modification will create a new contract or change the existing enforceable rights and obligations of the parties to the original contract.
Contract modifications are treated as new contracts when the performance obligations are separately identifiable and transaction price reflects the standalone selling price of the crude oil or the gas to be sold. Revenue is adjusted prospectively when the crude oil or gas transferred is separately identifiable and the price does not reflect the standalone selling price. Conversely, if there are remaining performance obligations which are not separately identifiable, revenue will be recognised on a cumulative catch-up basis when crude oil or gas is transferred.
The Group enters into new contracts with its customers only on the expiry of the old contract. In the new contracts, prices and scope may be based on terms in the old contract. In gas contracts, prices change over the course of time. Even though gas prices change over time, the changes are based on agreed terms in the initial contract i.e. price change due to consumer price index. The change in price is therefore not a contract modifications. Any other change expected to arise from the modification of a contract is implemented in the new contracts.

The Group combines contracts entered into at near the same time (less than 12 months) as one contract if they are entered into with the same or related party customer, the performance obligations are the same for the contracts and the price of one contract depends on the other contract.
d) Portfolio expedients
As a practical expedient, the Group may apply the requirements of IFRS 15 to a portfolio of contracts (or performance obligations) with similar characteristics if it expects that the effect on the financial statements would not be materially different from applying IFRS to individual contracts within that portfolio.
e) Contract assets and liabilities
The Group recognises contract assets for unbilled revenue from crude oil and gas sales. A contract liability is consideration received for which performance obligation has not been met.
f) Disaggregation of revenue from contract with customers
The Group derives revenue from two types of products, oil and gas. The Group has determined that the disaggregation of revenue based on the criteria of type of products meets the revenue disaggregation disclosure requirement of IFRS 15 as it depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

(c) Property, plant and equipment (PPE)

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

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

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

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

Buildings	20 – 50 years	(2 – 5%)
Plant and machinery	8 – 20 years	(5 – 121/2 %)
Fixtures, fittings, computer & equipment, motor vehicles	3 – 5 years	(20 – 331/3 %)
Upstream assets	Unit-of-production (UOP)	

Where the cost of a part of an item of property, plant and equipment is significant when compared to the total cost, that part is depreciated separately based on the pattern which reflects how economic benefits are consumed. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised within "operating profit/(loss)" in the statement of profit or loss .

Property, plant and equipment under construction is not depreciated until they are available for use.

(d) Intangible assets

(a) Goodwill

Goodwill arises from the acquisition of subsidiaries and is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest and any interest previously held over the net identifiable assets acquired, liabilities assumed. Goodwill on acquisitions of subsidiaries is included in intangible assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is allocated to cash-generating units (CGU's) for the purpose of impairment testing. The allocation is made to those CGU's expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. Each unit or group of units to which goodwill is allocated represents the lower level within the entity at which the goodwill is monitored for internal management purposes.

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

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Software licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using straight line method to allocate the cost over their estimated useful lives of three to five years. The amortisation period and residual values are reviewed at each balance sheet date. Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

(e) Impairment of non financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case, it is included within the recoverable amount of those group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Intangible assets that have an indefinite useful life or intangible assets not ready to use 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.

(f) Financial instruments

Financial assets classification

The Group's accounting policies were changed to comply with IFRS 9. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.
The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy. However, the cumulative impact of IFRS 9 as of January 1, 2018 has been recognised in retained earnings.

a) Classification and measurement

▪ Financial assets

It is the Group's policy to initially recognise financial assets at fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Classification and subsequent measurement is dependent on the Group's business model for managing the asset and the cash flow characteristics of the asset. On this basis, the Group classifies its financial instruments at amortised cost, fair value through profit or loss and at fair value through other comprehensive income (OCI).

Financial assets classified at amortised cost

The Group's financial asset are measured at amortised cost only if they meet both of the following conditions:

• The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets classified at fair value through other comprehensive income (debt instruments)

A financial asset shall be measured at fair value through other comprehensive income only if it meets both of the following conditions:

• The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets classified at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets classified at fair value through profit or loss

A financial asset that does not meet the criteria to be measured at amortised cost or fair value through other comprehensive income should be measured at fair value through profit or loss. Also, the Group, at initial recognition, designate a financial asset as measured at fair value through profit or loss if so doing eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Derivatives, including separated embedded derivatives, are also classified as financial assets measured at fair value through profit or loss unless they are designated as effective hedging instruments. This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established. A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

All the Group's financial assets as at 31 March 2020 satisfy the conditions for classification at amortised cost, fair value through profit or loss and as fair value through other comprehensive income under IFRS 9.

The Group's financial assets include trade receivables, other receivables, finance lease receivables, non-current receivables and cash and cash equivalents.

▪ Financial liabilities

Financial liabilities of the Group are classified and subsequently recognised at amortised cost net of directly attributable transaction costs, except for derivatives which are classified and subsequently recognised at fair value through profit or loss. Fair value gains or losses for financial liabilities designated at fair value through profit or loss are accounted for in profit or loss except for the amount of change that is attributable to changes in the Group's own credit risk which is presented in other comprehensive income. The remaining amount of change in the fair value of the liability is presented in profit or loss. The Group's financial liabilities include trade and other payables and interest bearing loans and borrowings.

b) Impairment of financial assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost and contract assets under IFRS 15: Revenue from Contracts with Customers. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information, that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Group applies the simplified approach or the three-stage general approach to determine impairment of receivables depending on their respective nature. The simplified approach is applied for trade receivables while the three-stage approach is applied to loans, other receivables, finance lease receivables, non-current receivables and cash & cash equivalents.

The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates which is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion. Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each ageing bucket and for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD assesses the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. These three components are multiplied together and adjusted using macro-economic indicators. This effectively calculates an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss.

c) Significant increase in credit risk and default definition
The Group assesses the credit risk of its financial assets based on the information obtained during periodic review of publicly available information on the entities, industry trends and payment records. Based on the analysis of the information provided, the Group identifies the assets that require close monitoring.
Financial assets that have been identified to be more than 30 days past due but less than 360 days past due on contractual payments are assessed to have experienced significant increase in credit risk. These assets are grouped as part of Stage 2 financial assets where the three-stage approach is applied.
In line with the Group’s credit risk management practices, a financial asset is defined to be in default when contractual payments have not been received at least 30 days after the contractual payment period. Subsequent to default, the Group carries out active recovery strategies to recover all outstanding payments due on receivables. Where the Group determines that there are no realistic prospects of recovery, the financial asset and any related loss allowance is written off either partially or in full.

d) Derecognition

▪ Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

(i) The rights to receive cash flows from the asset have expired; or
(ii) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

▪ Financial liabilities
The Group derecognises a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in the statement of profit or loss.

(g) Accounting for leases under IFRS 16

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

– the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
– the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
– the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019

The Group's leases include leases of land, buildings (offices and residential apartments) and aircraft. Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension and termination options. The lease terms range from 1 year to 15 years. On renewal of a lease, the terms may be renegotiated. The leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Group has elected to separate the lease and non-lease components. The non-lease components will be accounted for as an expense in profit or loss in the related period.

Until the 2018 financial year, leases of assets were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Leases in which the Group is a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities

At the commencement date of a lease, the Group recognises lease liabilities at the present value of lease payments to be made over the lease term. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Right of use assets

Right-of-use assets are initially measured at cost, comprising of the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Short-term leases and leases of low-value assets

Short-term leases are those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option. Low-value assets are assets that have values less than $5,000 when new, e.g., small IT equipment and small items of office furniture, and depends on the nature of the asset. Lease payments on short-term leases and leases of low-value assets would be recognised as expenses in profit or loss on a straight-line basis over the lease term.

Extension and termination options

Extension and termination options are included in most of the Group's lease arrangements. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Most of the extension options are subject to mutual agreement by the Group and some of the termination options held are exercisable only by the Group

Leases in which the Group is a Lessor

Sub-leases

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

If a head lease is a short-term lease to which the Group applies the short term lease exemption, then it classifies the sub-lease as an operating lease.

The Group classifies a sub-lease as a finance lease if the sublease is for the a significant part or whole of the term of the head lease. The head lease liability is measured at the present value of the remaining lease payments discounted at the Group's incremental borrowing rate. The measurement of the right-of-use asset depends on the classification of the sub-lease.

If the sub-lease is classified as a finance lease, the Group does not recognise a right of use asset but recognises a lease receivable (net investment in a lease) to the extent that it is subject to the sub-lease. If the sub-lease is classified as an operating lease, the Group continues to recognise the right-of-use asset.

(h) Inventories

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

(i) Share capital

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

(j) Cash and cash equivalents

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

(k) Employee benefits

(i) Retirement benefit obligations

Defined contribution scheme

The Group operates a defined contribution retirement benefit schemes for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's contributions to the defined contribution plan are charged to the profit or loss in the year to which they relate. The assets of the scheme are funded by contributions from both the Group and employees and are managed by pension fund custodians in line with the National Pension Commission (PenCom) Pension Reform Act (PRA).

Defined benefit scheme

The Group operated a defined benefit gratuity scheme in Nigeria, where members of staff who had spent 3 years or more in employment are entitled to benefit payments upon retirement. This defined benefit plan was curtailed in 2012 and 2013 for management and non-management staff respectively.

The liability recognized in respect of the discontinued defined benefit plan at the time of curtailment was based on the final settlement amounts communicated to each employee. The settlement amounts bore an interest rate equivalent to 90 days deposit rate from the time of curtailment up until when they were paid to an external funds manager in 2017. Prior to the obligation being funded, the interest costs accruing to the employees are recorded in the statement of profit or loss and included as part of the liability in the statement of financial position.
After the settlement was paid to the fund manager in 2017, the Group no longer has any obligation on the statement of financial position.

(ii) Employee share-based compensation

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

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

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

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

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

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

(iii) Other share based payment transactions

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

(iv) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss.

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

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

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

Decommissioning liabilities

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

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

(m) Current income and deferred tax

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

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

Deferred 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 amount in the consolidated financial statements. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Current income deferred tax is determined using tax rates and laws enacted or substantively enacted at the reporting date and are expected to apply when the related deferred tax liability is settled.

Deferred 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 tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred 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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(n) Exceptional items

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

(o) Dividend

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

(p) Upstream activities

Exploration and evaluation assets

Exploration and evaluation ("E&E") assets represent expenditures incurred on exploration properties for which technical feasibility and commercial viability have not been determined. E&E costs are initially capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired, these costs include acquisition of rights to explore, exploration drilling, carrying costs of unproved properties, and any other activities relating to evaluation of technical feasibility and commercial viability of extracting oil and gas resources. OER will expense items that are not directly attributable to the exploration and evaluation asset pool. Costs that are incurred prior to obtaining the legal right to explore, develop or extract resources are expensed in the statement of income (loss) as incurred. Costs that are capitalized are recorded using the cost model with which they will be carried at cost less accumulated impairment. Costs that are capitalized are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability.

Once technical feasibility and commercial viability of extracting the oil or gas is demonstrable, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within Property Plant and Equipment ("PP&E") referred to as oil and gas development assets and oil and gas assets. If it is determined that commercial discovery has not been achieved, these costs are charged to expense.

Pre-license cost are expensed in the profit or loss in the period in which they occur .

Farm-out arrangements for E&E assets for which OER is the farmor are accounted for by recognizing only the cash payments received and do not recognize any consideration in respect of the value of the work to be performed by the farmee. The carrying value of the remaining interest is the previous cost of the full interest reduced by the amount of cash consideration received for entering the agreement. The effect will be that there is no gain recognized on the disposal unless the cash consideration received exceeds the carrying value of the entire asset held.

Oil and gas assets

When technical feasibility and commercial viability is determinable, costs attributable to those reserves are reclassified from E&E assets to a separate category within Property Plant and Equipment ("PP&E") referred to as oil and gas properties under development or oil and gas producing assets. Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statement of comprehensive loss as incurred.

Oil and gas assets are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Oil and gas assets are incorporated into Cash Generating Units "CGU's" for impairment testing.

The net carrying value of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually.

Proved and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

(q) Impairment

The Group assesses its assets for indicators of impairments annually. All assets are reviewed whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs to sell and value in use, the latter being determined as the amount of estimated risk-adjusted discounted future cash flows. For this purpose, assets are grouped into cash-generating units based on separately identifiable and largely independent cash inflows.

Estimates of future cash flows used in the evaluation for impairment of assets related to hydrocarbon production are made using risk assessments on field and reservoir performance and include expectations about proved reserves and unproved volumes, which are then risk-weighted utilising the results from projections of geological, production, recovery and economic factors.

Exploration and evaluation assets are tested for impairment by reference to group of cash-generating units (CGU). Such CGU groupings are not larger than an operating segment. A CGU comprises of a concession with the wells within the field and its related assets as this is the lowest level at which outputs are generated for which independent cash flows can be segregated. Management makes investment decisions/allocates resources and monitors performance on a field/concession basis. Impairment testing for E&E assets is carried out on a field by field basis, which is consistent with the Group's operating segments as defined by IFRS 8.

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

Impairment charges and reversals are reported within depreciation, depletion and amortisation.

(r) Non-current assets (or disposal groups) held for sale.

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at lower of carrying amount and fair value less costs to sell.

(s) Production underlift and overlift

The Group receives lifting schedules for oil production generated by the Group's working interest in certain oil and gas properties. These lifting schedules identify the order and frequency with which each partner can lift. The amount of oil lifted by each partner at the balance sheet date may not be equal to its working interest in the field. Some partners will have taken more than their share (overlifted) and others will have taken less than their share (underlifted). The initial measurement of the overlift liability and underlift asset is at the market price of oil at the date of lifting, consistent with the measurement of the sale and purchase. Overlift balances are subsequently measured at fair value, while Underlift balances are carried at lower of carrying amount and current fair value.

(t) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. External valuers are involved for valuation of significant assets, such as financial assets through profit or loss, and significant liabilities. Involvement of external valuers is decided upon annually by the valuation committee after discussion with and approval by the Group's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The valuation committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Board analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Board verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Board, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the Board and the Group's external valuers present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(u) Offshore processing arrangements

An offshore processing arrangement involves the lifting of crude oil from an owner (usually government/third party) in agreed specifications and quantities for a swap for agreed yields and specifications of refined petroleum products. Under such arrangements, the owner of the crude oil may not attach monetary value to the crude oil delivered to the Group or the refined products received from the Group. Rather, the owner defines the yields and specification of refined products expected from the Group. Sometimes, the owner may request the Group to deliver specific refined products, increase quantity of certain products contrary to previously agreed quantity ratios, or make cash payments in lieu of delivery of products not required ("retained products"). It is also possible that the owner may request the Group to pre-deliver refined products against future lifting of crude oil. Parties to offshore processing arrangements are often guided by terms and conditions codified in an Agreement/Contract. Such terms may include risk and title to crude oil and refined products, free on board or cost, insurance and freight deliveries by counterparties, obligations of counterparties, costs and basis of reimbursements, etc. Depending on the terms of an offshore processing arrangement, the Group may act as a principal or an agent.

The Group acting in the capacity of a principal

The Group acts as a principal in an offshore processing arrangement when it controls the promised good or service before transferring that good or service to the customer. When it is unclear whether the Group controls the promised good or service after consideration of the definition of control, then the following indicators are considered to determine if the Group has control:

• it has the primary responsibility for providing the products or services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the products or services ordered or purchased by the customer;
• it has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer (for example, if the customer has a right of return); and
• the entity has discretion in establishing the price for the specified good or service. Establishing the price that the customer pays for the specified good or service may indicate that the entity has the ability to direct the use of that good or service and obtain substantially all of the remaining benefits.

The gross amount of the crude oil received by the Group under an offshore processing arrangement represents consideration for the obligation to the counterparty. Control passes to the counter party upon delivery of refined products. At this point, the Group determines the value of crude oil received using the market price on the date of receipt and records the value as revenue. In addition, the Group records processing fees received/receivable from the counterparty as part of revenue. The Group determines the value of refined products at cost and includes the value in cost of sales in the Statement of profit or loss. All direct costs relating to an offshore processing arrangement that are not reimbursable are included in cost of sales, where applicable, in the Statement of profit or loss. Such costs may include processing, freight, demurrage, insurance, directly attributable fees and charges, etc. All expenses, which are not directly related to an offshore processing arrangement is included as part of administrative expenses.

Where the Group lifted crude oil but delivered petroleum products subsequent to the accounting period, it does not record the value of the crude oil received as part of revenue. Rather, the Group records the value of crude oil received as deferred revenue under current liabilities.

Where the Group pre-delivered products in expectation of lifting of crude oil in future, it does not record the value in the Statement of profit or loss in order to comply with the matching concept. Rather, it will deplete cash (where actual payment was done) or increase trade payables and receivables. The Group transfers the amount recognised from trade receivables to cost of sales and recognise the value of crude oil lifted as turnover, when crude oil is eventually lifted in respect of the pre-delivery.

The Group discloses letters of credit and amounts outstanding at the reporting date under contingent liabilities in the notes to the financial statements.

The Group acting in the capacity of an agent

The Group acts as an agent in an offshore processing arrangement where the gross inflows of economic benefits include amounts collected on behalf of a third party. Such amounts do not result in increases in equity for the Group. Thus, the amounts collected on behalf of the counterparty are not revenue. Instead, revenue is the amount of commission earned for acting as an agent. Costs incurred by the Group are done on behalf of the counterparty and they are fully reimbursable. .

(v) Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The Group has elected to state investment properties at fair value in accordance with IAS 40.

3 Segment information

3.1 Primary reporting format - business segments

At 31 March 2020, the Group had three operating segments namely:

(i) Exploration and production (E&P) – involved in the exploration for and production of oil and gas through the acquisition of rights in oil blocks on the Nigerian continental shelf and deep offshore.
(ii) Supply and Trading – involved in trading of crude refined and unrefined petroleum products.
(iii) Corporate and others

3.2a The segment results for the period ended 31 March 2020 are as follows:

	Exploration & Production	Supply & Trading	Corporate & Others	*Group*
	N'000	N'000	N'000	N'000
Total gross segment sales	23,529,760	94,863,997	87,359,945	205,753,702
Inter-segment sales	-	(8,677,145)	(83,787,899)	(92,465,044)
Revenue from external customers*	23,529,760	86,186,852	3,572,046	113,288,658
Operating loss*	(38,413,844)	(1,213,693)	(7,090,280)	(46,717,817)
Net finance cost*	(9,741,597)	(8,252)	(4,620,703)	(14,370,552)
Loss before income tax*	(48,155,441)	(1,221,945)	(11,710,983)	(61,088,369)
Income tax credit/(expense)*	27,156,826	-	(181,153)	26,975,673
Loss for the period	(20,998,615)	(1,221,945)	(11,892,136)	(34,112,696)

The segment results for the period ended 31 March 2019 are as follows:

	Exploration & Production	Supply & Trading	Corporate & Others	*Group*
	N'000	N'000	N'000	N'000
Total gross segment sales	42,225,024	112,638,012	126,100,537	280,963,573
Inter-segment sales	-	(20,383,463)	(92,570,561)	(112,954,024)
Revenue from external customers*	42,225,024	92,254,549	33,529,976	168,009,549
Operating profit*	2,681,289	1,495,886	12,923,137	17,100,312
Net finance cost*	(4,623,604)	(123,213)	(3,455,608)	(8,202,425)
Share of loss in associates	-	-	(127,658)	(127,658)
(Loss)/profit before income tax*	(1,942,315)	1,372,673	9,339,871	8,770,229
Income tax expense*	(661,260)	-	(3,474,890)	(4,136,150)
(Loss)/profit for the period	(2,603,575)	1,372,673	5,864,981	4,634,079

*See note 3.3a for reconciliation to the statement of profit or loss

3.3a Reconciliation of reporting segment information for the three months ended 31 March 2020 are as follows:	Revenue N'000	Operating loss N'000	Net finance cost N'000	Loss before income tax N'000	Income tax credit N'000
As reported in the segment report	205,753,702	(46,717,817)	(14,370,552)	(61,088,369)	26,975,673
Elimination of inter-segment transactions on consolidation	(92,465,044)	-	-	-	-
As reported in the statement of profit or loss	113,288,658	(46,717,817)	(14,370,552)	(61,088,369)	26,975,673

Reconciliation of reporting segment information for the three months ended 31 March 2019 are as follows:	Revenue N'000	Operating profit N'000	Net finance cost N'000	Profit before income tax N'000	Income tax expense N'000
As reported in the segment report	280,963,573	17,100,312	(8,202,425)	8,770,229	(4,136,150)
Elimination of inter-segment transactions on consolidation	(112,954,024)	-	-	-	-
As reported in the statement of profit or loss	168,009,549	17,100,312	(8,202,425)	8,770,229	(4,136,150)

Profit on inter-segment sales have been eliminated on consolidation.

4 Other operating income/(expenses)

	Group 31 Mar. 2020 N'000	Group 31 Mar. 2019 N'000	Company 31 Mar. 2020 N'000	Company 31 Mar. 2019 N'000
Foreign exchange gain	1,221,709	710,478	7,041,493	1,573,657
Fair value gain/(loss) on commodity options	19,685,354	(1,194,342)	-	-
Rental income	529,843	-	529,843	-
Sundry income/(expense)	523,484	(974,131)	299,300	794,863
	21,960,390	(1,457,995)	7,870,636	2,368,520

The Group's sundry income/(expense) largely relates to crude marketing services income of N494.8 million (2019: N799.5 million), other direct charges from service agreements with some companies of N40.9 million (2019: N203.8 million), reversal of the fair value loss on Glover BV loan note receivables upon payment of the loan note by Helios of nill (2019: N1.95 billion), fair value loss on equity instruments N12.3 million (2019: gain of N1.4 million) and loss on sale of 25% interest in Glover BV in 2019 of N3.9 billion.

The Company's sundry income largely relates to income from service agreements with some companies of N311.6 million (2019: N564.6 million), fair value loss on equity instruments N12.3 million (2019: gain of N1.4 million), loss from the sale of 25% interest in Glover BV in 2019 of N1.72 billion and reversal of the fair value loss on Glover BV loan note receivables upon payment of the loan note by Helios in Q1 2019 of N1.95 billion.

5 Impairment of assets/(reversal of impairment) of financial assets

	Group 31 Mar. 2020 N'000	Group 31 Mar. 2019 N'000	Company 31 Mar. 2020 N'000	Company 31 Mar. 2019 N'000
Impairment losses on finance lease	124,922	-	6,515	-
Impairment losses/(reversal of impairment) of non-current receivables	994,609	(6,581,520)	994,609	(156,944)
Impairment losses/(reversal of impairment) of trade and other receivables	59,829,305	(3,370,357)	1,614,829	(8,633,550)
Total impairment losses/(reversal of impairment) of financial assets	60,948,836	(9,951,877)	2,615,953	(8,790,494)

6 Property, plant and equipment

6.1 Group

	Upstream Assets N'000	Land and buildings N'000	Plant and machinery N'000	Fixtures, fittings, motor vehicle and equipment N'000	Total N'000
Opening net book amount - 1 January 2019	344,057,188	774,795	8,697,327	1,490,775	355,020,085
Decommissioning cost	39,233,620	-	-	-	39,233,620
Additions	27,448,270	-	-	422,757	27,871,027
Depletion/depreciation charge - continuing operations	(26,881,872)	(86,893)	(643,709)	(583,762)	(28,196,236)
Exchange difference	293,736	-	7,666	(1,298)	300,104
Closing net book amount - 31 December 2019	384,150,942	687,902	8,061,284	1,328,472	394,228,600
At 31 December, 2019					
Cost	566,961,202	869,378	11,712,856	5,295,771	584,839,207
Accumulated depreciation	(182,810,260)	(181,476)	(3,651,572)	(3,967,299)	(190,610,607)
Net book value	384,150,942	687,902	8,061,284	1,328,472	394,228,600

Company

	Land and buildings N'000	Plant and machinery N'000	Fixtures, fittings, motor vehicle and equipment N'000	Total N'000
Opening net book amount - 1 January 2019	774,795	15,479	915,104	1,705,378
Additions	-	-	310,110	310,110
Depreciation charge	(86,893)	(1,563)	(230,682)	(319,138)
Closing net book amount - 31 December 2019	687,902	13,916	994,532	1,696,350
At 31 December, 2019				
Cost	868,929	123,641	2,497,861	3,490,431
Accumulated depreciation	(181,027)	(109,725)	(1,503,329)	(1,794,081)
Net book value	687,902	13,916	994,532	1,696,350

6.2 Group

	Upstream Assets	Land and buildings	Plant and machinery	Fixtures, fittings, motor vehicle and equipment	Total
	N'000	N'000	N'000	N'000	N'000
Opening net book amount - 1 January 2020	384,150,942	687,902	8,061,284	1,328,472	394,228,600
Decommissioning cost	159,473	-	-	-	159,473
Addition	6,528,528	-	-	10,349	6,538,877
Depletion/depreciation charge	(5,511,358)	(21,769)	(165,106)	(118,978)	(5,817,211)
Exchange difference	21,966,657	-	458,313	14,646	22,439,616
Closing net book amount as at 31 March 2020	407,294,242	666,133	8,354,491	1,234,489	417,549,355
At 31 March, 2020					
Cost	606,374,955	868,929	12,381,800	5,460,987	625,086,671
Accumulated depreciation	(199,080,713)	(202,796)	(4,027,309)	(4,226,498)	(207,537,316)
Net book value	407,294,242	666,133	8,354,491	1,234,489	417,549,355

Company

	Land and buildings	Plant and machinery	Fixtures, fittings, motor vehicle and equipment	Total
	N'000	N'000	N'000	N'000
Opening net book amount - 1 January 2020	687,902	13,916	994,532	1,696,350
Addition	-	-	3,634	3,634
Depreciation charge	(21,769)	(305)	(64,063)	(86,137)
Closing net book amount as at 31 March 2020	666,133	13,611	934,103	1,613,847
At 31 March, 2020				
Cost	868,929	123,641	2,501,495	3,494,065
Accumulated depreciation	(202,797)	(110,030)	(1,567,391)	(1,880,218)
Net book value	666,132	13,611	934,104	1,613,847

7 Intangible assets

7.1 Group

	Software	Goodwill	Exploration and Evaluation asset*	Total
	N'000	N'000	N'000	N'000
Opening net book amount - 1 January 2019	-	379,221,241	53,100,519	432,321,760
Addition	669,310	-	1,189,475	1,858,785
Amortization	(55,776)	-	-	(55,776)
Impairment	-	(156,475,124)	(12,632,194)	(169,107,318)
Exchange difference	-	5,868,208	(14,096)	5,854,112
Closing net book amount - 31 December 2019	613,534	228,614,325	41,643,704	270,871,563
At 31 December, 2019				
Cost	669,310	392,761,424	92,639,983	486,070,717
Accumulated amortization	(55,776)	(164,147,099)	(50,996,279)	(215,199,154)
Net book value	613,534	228,614,325	41,643,704	270,871,563

Company

	Software
	N'000
Opening net book amount - 1 January 2019	-
Additions	669,310
Amortization	(55,776)
Closing net book amount - 31 December 2019	613,534
At 31 December, 2019	
Cost	669,310
Accumulated amortization	(55,776)
Net book value	613,534

7.2 Group

	Software	Goodwill	Exploration and Evaluation asset*	Total
	N'000	N'000	N'000	N'000
Opening net book amount - 1 January 2020	613,534	228,614,325	41,643,704	270,871,563
Addition	-	-	101,612	101,612
Amortization	(36,437)	-	-	(36,437)
Exchange difference	-	13,195,922	2,403,730	15,599,652
Closing net book amount as at 31 March 2020	577,097	241,810,247	44,149,046	286,536,390
At 31 March, 2020				
Cost	669,310	393,661,363	98,088,898	492,419,571
Accumulated amortization	(92,213)	(151,851,116)	(53,939,852)	(205,883,181)
Net book value	577,097	241,810,247	44,149,046	286,536,390

Company	Software N'000
Opening net book amount - 1 January 2020	613,534
Amortization	(36,437)
Closing net book amount as at 31 March 2020	577,097
At 31 March, 2020	
Cost	669,310
Accumulated amortization	(92,213)
Net book value	577,097

*The above exploration and evaluation assets represent expenditures arising from the exploration and evaluation of oil and gas interests. The costs relate to oil and gas properties primarily located in Nigeria and São Tomé and Príncipe "STP". The technical feasibility and commercial viability of extracting oil and gas have not yet been determined in relation to the above properties, and therefore, they remain classified as exploration and evaluation assets at March 31, 2020.

8 Investment properties

Fair value of the properties:	Group 31 Mar. 2020 N'000	Group 31 Dec. 2019 N'000	Company 31 Mar. 2020 N'000	Company 31 Dec. 2019 N'000
Land located in Abuja (5,168.14 sqm)*	1,188,000	1,188,000	1,188,000	1,188,000
Land located in Lagos (10,864.11 sqm)	1,620,000	1,620,000	1,620,000	1,620,000
	2,808,000	2,808,000	2,808,000	2,808,000

	Group 31 Mar. 2020 N'000	Group 31 Dec. 2019 N'000	Company 31 Mar. 2020 N'000	Company 31 Dec. 2019 N'000
Opening balance	2,808,000	1,033,000	2,808,000	1,033,000
Stamp duty paid on investment property	-	6,650	-	6,650
Fair value gain recognised in other operating income	-	1,768,350	-	1,768,350
Closing balance	2,808,000	2,808,000	2,808,000	2,808,000

The Company (through Unipetrol Nigeria Plc) signed a sublease agreement with Oniru Chieftaincy Family Property Company Limited, a Limited Liability Company incorporated in Nigeria in 2002 for a parcel of land approximately 10,864.112 sqm and known as Plot 13 in Block VI within the Oniru Chieftaincy Family Private Layout, Lekki Peninsula, Victoria Island, Lagos State, Nigeria for a consideration of N95 million. This agreement did not have the consent of the Attorney General and Commissioner for Justice for and on behalf of the Governor of Lagos State.

On 13 December 2006, the Commissioner for Lands on behalf of the Executive Governor of Lagos State revoked the right of occupancy of a part of the land (4,906.097 sqm) which was needed for public purpose (site/works yard for Lekki-Epe expressway expansion). However, on 11 December 2014 by a notice in the Lagos State of Nigeria official Gazette No 82 Vol. 47, the Executive Governor of Lagos State reinstated the revoked right of occupancy in the said portion of the land.

Another sublease agreement was signed on 3 November, 2018 with Oniru Chieftaincy Family Property Company Limited for the same parcel of land which was consented to by the Honorable Commissioner, Ministry of Physical Planning and Urban Development on 1 February, 2019.

*Details of the Abuja land had been reported in the 2017 audited consolidated financial statements and management is yet to decide on the use of the land.

These are classified as investment properties as management's intention for use is yet to be determined and the fair value of the properties were determined using the direct market comparison method of valuation by an independent estate valuer, Ubosi Eleh and Co - represented by Emeka D. Eleh (FRC/2015/NIESV/00000013406) in January 2020.

Given that there has been no significant change to the basis of valuation between the last valuation date and the interim reporting date, management has retained the same fair value as of the interim reporting date.

9 Right of use assets

GROUP	Group 31 Mar. 2020 N'000	Group 31 Dec. 2019 N'000	Company 31 Mar. 2020 N'000	Company 31 Dec. 2019 N'000
Opening balance	20,084,474	30,010,434	16,547,620	25,442,538
Modification	-	(9,939,678)	-	(8,894,918)
Exchange difference on translation	17,399	13,718	-	-
Closing balance	20,101,873	20,084,474	16,547,620	16,547,620
Depreciation				
Opening balance	3,817,068	-	3,088,661	-
Charge for the period	658,229	3,810,698	507,436	3,088,661
Exchange difference on translation	1,157	6,370	-	-
Closing balance	4,476,454	3,817,068	3,596,097	3,088,661
Net book value	15,625,419	16,267,406	12,951,523	13,458,959

10 Investment in associate

Group	Umugini Pipeline Infrastructure Limited	Glover BV	OWDL	TOTAL
	N'000	N'000	N'000	N'000
2019				
Carrying value:				
At 1 January 2019	699,090	3,651,377	2,074,265	6,424,732
Share of profit/(loss) in associate	466,821	41,411	(2,330,206)	(1,821,974)
Reversal of share of associate's foreign currency translation reserve	-	-	54,363	54,363
Deemed disposal of interest in OWDL	-	-	201,578	201,578
Derecognition of the carrying value of investment in associate following the deemed disposal of 35% interest in OVH Energy BV	-	(4,154,382)	-	(4,154,382)
Exchange difference	4,250	461,594	-	465,844
Deposit for shares	612,638	-	-	612,638
At 31 December 2019	1,782,799	-	-	1,782,799

2020*	Umugini Pipeline Infrastructure Limited	TOTAL
	N'000	N'000
At 1 January 2020	1,782,799	1,782,799
Exchange difference	102,906	102,906
At 31 March 2020	1,885,705	1,885,705

*The Group has not recognised the share of profit/loss for the associate-Umugini for the reporting period, as the associate does not prepare quarterly financial statements. The associate result will be fully recognised during the year end in line with the applicable standards.

Company	Oando Wings N'000
At 31 December 2019 and 31 March 2020	2,716,431

Umugini Pipeline Infrastructure Limited

Umugini Pipeline Infrastructure Limited, formerly Umugini Asset Company Limited until January 2, 2019 when Corporate Affairs Commission granted approval to effect the change of name after a special resolution was passed by the board of directors on July 24, 2018.

The principal activity of Umugini Pipeline Infrastructure Limited "UPIL" is to carry on the business of planning, design, construction, ownership and provision of crude pipeline and fiscal metering facilities for the custody, operation, maintenance, handling and transportation by pipeline of stabilized crude on behalf of the shareholders and other oil and gas producing companies to downstream crude oil terminal facilities.

The associate has share capital consisting solely of Ordinary Shares, which are held in trust by Energia Limited for the Company's indirect subsidiary, Oando Production and Development Company Limited (OPDCL) in 2012 until the shares will be transferred to the joint venture company set up by both parties.

The transfer was effected on 8 March 2019 to Ebegwati Pipeline Company Limited (a joint venture company set up to hold shares in UPIL). Through the shareholder and heads of terms agreement, OPDCL is guaranteed a seat on the board of UPIL and participates in all significant financial and operating decisions even though it only holds 11.25% ownership.

Glover BV

Oando PLC acquired Glover BV (30%) on 31 December 2016 by virtue of the consideration shares received for the sale of targeted companies in the gas & power segments of the Group. The fair value of the interest received was N2.34billion and this was taken as the carrying value of the associate.

The Group's interest reduced from 30% to 25% in Glover BV effective 31 January 2017 following the acquisition of 5% interest in Glover BV by Helios. On 29 March 2019, the Group through Oando Netherlands Cooperatief 3 ("Coop 3") sold the remaining 25% interest in Glover B.V. and the loan note receivable from Glover B.V to HIP Glover S.a.r.l ("Luxco") for a total consideration of $41.5 million (see note 12bii). The sale and deemed disposal have been accounted for in the 2019 audited consolidated and separate financial statements.

Oando Wings Development Limited

Oando Wings Development Limited (OWDL) is a special purpose vehicle incorporated in 2011 in Nigeria to invest in real estate and to undertake, alone or jointly with other companies or persons the development of property generally for residential, commercial or any other purpose including but not limited to the development of office complexes and industrial estates. The company is a private company and therefore there is no quoted market price available for its shares. The company has an authorised share capital of ten million Ordinary Shares of N1 each.

The company was a fully owned subsidiary of Oando PLC until December 20, 2013, when it issued 3,710,000 Ordinary Shares of N1 each to RMB Westpoint. The issue of Ordinary Shares to RMB Westpoint Wings diluted Oando PLC's interest to 41% and OWDL was subsequently accounted for as "investment in associate". On May 8, 2014, Standard Bank Group International Limited (SBGI) exercised its option and an additional 3,710,000 ordinary shares of N1 each was taken up by SBGI. As a result, Oando PLC's interest was further diluted to 25.8%.

On 2nd November 2016, Oando PLC ('the Borrower') entered into a rental funding facilities agreement with RMB Westpoint, SB Wings Development Limited (together referred to as 'the Lenders') and Oando Wings Development Limited ('the Lessor') amended on 7 March 2017. The Lenders made available to the Borrower, $20,500,000 divided into Facility A $10,725,000 and Facility B $9,775,000. However, the agreement provides that, on each Facility A Profit Share Date, the Lenders shall subscribe for, and the Lessor shall issue, that number of Ordinary Shares in the share capital of the Lessor to the Lenders (in their Pro Rata Share of Facility A) as required to give effect to the reduced shareholding percentage of the Borrower in the Lessor for the relevant Facility A and B Profit Share Period as contained in the agreement.

Following from the above, on 08 June 2018, OWDL issued 536,481 shares each to RMB Westport Wings Limited and SB Wings Development Limited thereby diluting Oando PLC's interest to 23.3%. Oando PLC ought to have been diluted to 20.79% as of 31 December 2018, had OWDL followed the reduced shareholding percentage of the Borrower described above. The effect of the dilution to 23.3% was accounted for in the 31 December 2018 consolidated financial statements.

Furthermore, on 5 December 2019, OWDL issued 1,095,910 shares each to RMB Westport Wings Limited and SB Wings Development Limited thereby diluting Oando PLC's interest to 19.45%. Oando PLC ought to have been diluted to 18.78% as of 31 December 2019, had OWDL followed the reduced shareholding percentage of the Borrower described above. The effect of the dilution to 19.45% has no effect on the 31 December 2019 consolidated financial statements as the carrying value of OWDL is nil based on recurring losses from the associate.

On 24 December 2019, Wings Mauritius Limited acquired 100% shares of RMB Westport Wings. However, registration of the shares was not completed with Corporate Affairs Commission, Nigeria as at end of March 2020.

As at this reporting date, the Lenders had given a loan of N7.3 billion ($20.02 million) to the Borrower and the Borrower has not made any repayment as of the reporting date. The borrowing has been accounted for at amortized cost and the effect reflected in the consolidated and separate statement of profit or loss.

Oando PLC exerts significant influence over these associates as the Group has representatives on the board of the companies and is involved in management decisions taken by the entities. All the associates above have been fully accounted for in these consolidated financial statements.

11 Financial assets at fair value through profit or loss

Non-current	Group 31 Mar. 2020 N'000	Group 31 Dec. 2019 N'000	Company 31 Mar. 2020 N'000	Company 31 Dec. 2019 N'000
At start of the period	-	11,106,341	-	11,106,341
Fair value loss	-	(11,106,341)	-	(11,106,341)
At period end	-	-	-	-

Current	Group 31 Mar. 2020 N'000	Group 31 Dec. 2019 N'000	Company 31 Mar. 2020 N'000	Company 31 Dec. 2019 N'000
At start of the period	48,223	53,219	45,644	50,716
Fair value loss	(12,271)	(5,072)	(12,271)	(5,072)
Exchange difference	3,141	76	-	-
At period end	39,093	48,223	33,373	45,644
Non current portion	-	-	-	-
Current	39,093	48,223	33,373	45,644
	39,093	48,223	33,373	45,644

12 Non-current receivables

	Group 31 Mar. 2020 N'000	Group 31 Dec. 2019 N'000	Company 31 Mar. 2020 N'000	Company 31 Dec. 2019 N'000
Underlift receivables (a)	28,029,386	26,499,784	18,225,825	17,231,217
Other non-current receivables (b)	-	16,920,689	-	-
	28,029,386	43,420,473	18,225,825	17,231,217
Less: current portion of JV receivables (Note 14)	-	(7,628,512)	-	-
Less: Allowance for impairment of non-current receivables	(28,029,386)	(35,791,961)	(18,225,825)	(17,231,217)
	-	-	-	-

(a) Under lift receivables represent the Group's crude oil entitlements of N28 billion ($72.7 million) as a result of operations on OML 125. These balances are owed by the Nigerian National Petroleum Corporation (NNPC). The NNPC is the state oil corporation through which the federal government of Nigeria regulates and participates in the Country's petroleum industry. OER is currently in a dispute with the NNPC in relation to certain liftings done by the NNPC in 2008 and 2009 and which, in the view of OER and Nigeria Agip Exploration Limited ("NAE"), the operator of OML 125, exceeded the NNPC's entitlements due to a dispute between OER and the NNPC in relation to OER's tax obligations associated with oil production from OML 125. This dispute was referred to arbitration by NAE and the OER and, in October 2011, the arbitral tribunal issued an award which was in favour of NAE and the OER.

The parties to the arrangement (NNPC and NAE), on 25 September 2019, signed the Heads of Terms ("HOT"), which provided for the negotiated and settlement amount of $257,977,252.35, to be further adjusted on a mutually agreed effective date. However, OML 125 & 134 asserted that NAE did not adequately represent its interest in the HOT. In August 2021, OML 125 & 134 Ltd.'s direct negotiation of the receivable with NNPC resulted in an agreed and approved settlement amount (comprising principal amount plus accrued interest) of $155,000,000. NNPC has paid the agreed settlement amount to OML 125 & 134 Ltd.

The increase in the underlift receivables of N1.5 billion is as a result of exchange rate differential, which also impacted on the translated accumulated impairment amount. The Group had made full provision for the receivables due to the initial uncertainty associated with the timing of collectability and the related dispute. However, the full provision was reversed in 2021.

(bi) In 2019, other non-current receivables of N16.9 billion comprise joint operations receivable of N7.6 billion reclassified to current receivables and N9.3 billion previously impaired. The impairment is included in the allowance for impairment above.

ii On 29 March 2019, the Group through Oando Netherlands Cooperatief 3 ("Coop 3") sold 25% of its interest in Glover B.V. and the loan note receivable from Glover B.V to HIP Glover S.a.r.l ("Luxco") for a total consideration of $41.5 million. The loan note principal consideration of $34,199,905.22 and $800,094.78 representing the initial share consideration was paid to the Company on the completion date while the balance of $6,500,000 represents the deferred consideration to be paid in 12 months' time. The $6.5 million deferred consideration has been paid in 2020 (see note 29g).

As a result of the above, the loan note receivable has been settled and Glover Gas and Power B.V. ceases to be an associate of the Group effective the same date (see note 10 for disposal accounting).

13 Inventories

	Group 31 Mar. 2020 N'000	Group 31 Dec. 2019 N'000	Company 31 Mar. 2020 N'000	Company 31 Dec. 2019 N'000
Crude oil	292,145	1,074,310	-	-
Materials	783,505	740,748	-	-
Products-in-transit	8,785,271	22,720,940	-	22,578,799
Consumables	5,680	5,681	-	-
	9,866,601	24,541,679	-	22,578,799

14 Trade and other receivables

	Group 31 Mar. 2020 N'000	Group 31 Dec. 2019 N'000	Company 31 Mar. 2020 N'000	Company 31 Dec. 2019 N'000
Trade receivables	36,096,238	41,546,942	26,844,370	16,470,912
Other receivables	321,597,646	247,277,072	22,106,154	21,239,275
Reclassification from non-current receivables (Note 12)	-	7,628,512	-	-
Withholding tax receivable	3,904,360	3,966,529	3,737,823	3,737,823
Amounts due from related companies	-	-	163,578,772	163,296,716
	361,598,244	300,419,055	216,267,119	204,744,726
Less: Allowance for impairment of other receivables	(256,395,561)	(177,554,603)	(65,013,269)	(63,401,353)
	105,202,683	122,864,452	151,253,850	141,343,373

15a Cash and bank balance (including restricted cash)

	Group 31 Mar. 2020 N'000	Group 31 Dec. 2019 N'000	Company 31 Mar. 2020 N'000	Company 31 Dec. 2019 N'000
Cash at bank and in hand	21,460,889	32,808,536	1,332,552	498,707
Short term deposits	767,646	767,646	767,646	767,646
	22,228,535	33,576,182	2,100,198	1,266,353
Restricted cash*	5,876,589	5,863,527	-	-
	28,105,124	39,439,709	2,100,198	1,266,353

*Restricted cash relates to cash collateral and is excluded from cash and cash equivalents for cash flows purposes. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held on call with banks, net of bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings under current liabilities. The period-end cash and cash equivalents comprise the following:

		Group 31 Mar. 2020 N'000	Group 31 Dec. 2019 N'000	Company 31 Mar. 2020 N'000	Company 31 Dec. 2019 N'000
	Cash and cash equivalents				
b	Cash and bank balance as above	22,228,535	33,576,182	2,100,198	1,266,353
	Bank overdrafts (Note 17)	(4,753,312)	-	(4,753,312)	-
		17,475,223	33,576,182	(2,653,114)	1,266,353

16 Trade and other payables

	Group 31 Mar. 2020 N'000	Group 31 Dec. 2019 N'000	Company 31 Mar. 2020 N'000	Company 31 Dec. 2019 N'000
Trade payables	241,510,274	251,502,805	26,434,034	38,399,924
Other payables	64,350,835	58,689,486	24,963,003	22,087,122
Statutory payables (WHT, VAT, PAYE etc.)	10,750,134	9,813,618	6,454,807	5,988,988
Accrued expenses	37,328,805	30,038,087	17,402,448	13,525,406
Amounts due to related companies	-	-	137,704,779	131,753,138
	353,940,048	350,043,996	212,959,071	211,754,578

17 Borrowings

	Group 31 Mar. 2020 N'000	Group 31 Dec. 2019 N'000	Company 31 Mar. 2020 N'000	Company 31 Dec. 2019 N'000
Current				
Bank loans	235,555,021	231,531,048	102,288,783	106,199,440
Bank overdraft	4,753,312	-	4,753,312	-
	240,308,333	231,531,048	107,042,095	106,199,440
Non-current				
Bank loan	183,192,895	130,635,428	-	-
Total borrowings	423,501,228	362,166,476	107,042,095	106,199,440

Communication of Event of Default on the Medium-Term Loan and Deed of Amendment and Restatement to the Medium-Term Loan

The Facility Agent to the Lenders under the Oando MTL Facility Agreement, issued a formal notification that an Event of Default ("EoD") has arisen on the Facility to the borrower, Oando PLC on 7 January 2020 pursuant to clause 21.1 of the Facility Agreement.

On 24 November 2020, Oando PLC ("Borrower"); Oando Netherlands Holdings 2 Cooperatieuf, Oando Trading DMCC, Oando Trading Limited, Bermuda (each hereinafter referred to as "Guarantor" or collectively referred to as "Guarantors"); and Access Bank PLC, Ecobank Nigeria Limited, Fidelity Bank PLC, First Bank of Nigeria Limited, Keystone Bank Limited, Stanbic IBTC Bank PLC, Union Bank of Nigeria PLC, Zenith Bank PLC, First City Monument Bank Ltd, and United Bank for Africa PLC (hereinafter collectively referred to as "Lenders"); FBNQUEST Merchant Bank Limited ("Modelling Bank"); FBNQUEST Trustees Limited; and Stanbic IBTC Trustees Limited ("Facility Agent") further signed a Deed of Amendment and Restatement (the "Deed") relating to the Original Facility Agreement dated 30 June 2016 as amended. Effective the date on which the Facility Agent notifies the Borrower of the due satisfaction by the Borrower or waiver by the Facility Agent, of all the conditions precedent as set out in Schedule II of the Deed, the Borrower and Lenders have agreed to amend the Original Facility Agreement to reflect an upsize in the total commitment of the Lenders under the Original Facility Agreement to the sum of N115.3 billion ("the Upsized Facility") from N108.3 billion following the change in the foreign exchange rate for conversion from United States Dollar to Naira. The parties have also agreed to restructure the upsized facility for the purposes of: (i) re-sculpting the repayment profile under the Upsized Facility Agreement (as defined in the Deed); (ii) extending the maturity date of the Upsized Facility; and (iii) updating the details in relation to the Security. Consequent upon the Deed, the Lenders will waive the Borrower's existing EoD as of the effective date.

18 Lease liabilities

	Group 31 Mar. 2020 N'000	Group 31 Dec. 2019 N'000	Company 31 Mar. 2020 N'000	Company 31 Dec. 2019 N'000
Opening balance	22,962,128	34,037,183	29,887,468	42,910,376
Interest expense	655,252	3,633,835	858,582	4,547,894
Payments made during the period	(1,256,611)	(4,765,827)	(1,778,232)	(7,618,855)
Transfer to withholding tax liability	(33,888)	-	(33,888)	-
Modification	-	(9,939,678)	-	(9,939,678)
Exchange difference	1,302,331	(3,385)	1,682,313	(12,269)
Closing balance	23,629,212	22,962,128	30,616,243	29,887,468
Current lease liabilities	3,478,978	3,344,733	8,157,613	7,219,371
Non-current lease liabilities	20,150,234	19,617,395	22,458,630	22,668,097
	23,629,212	22,962,128	30,616,243	29,887,468

19 Decommissioning provisions

	Group 31 Mar. 2020 N'000	Group 31 Dec. 2019 N'000	Company 31 Mar. 2020 N'000	Company 31 Dec. 2019 N'000
Oil and gas fields provision	116,010,724	106,183,774	-	-
Asset restoration obligation - Building	215,891	209,646	215,891	209,646
Balance, end of the period	116,226,615	106,393,420	215,891	209,646
Non current portion	116,226,615	106,393,420	215,891	209,646

The decommissioning provisions represent present value of decommissioning costs relating to oil & gas assets. These provisions have been arrived at based on internal estimates. The estimates are reviewed regularly to take account of material changes to the underlying assumptions. A corresponding amount is included under property, plant and equipment and depreciated in accordance with the accounting policy.

20 Share capital & share premium

	Number of shares (thousands)	Ordinary shares N'000	Share premium N'000	Total N'000
At 1 January 2019 and 31 December 2019	12,431,412	6,215,706	176,588,527	182,804,233
At 1 January 2020 and 31 March 2020	12,431,412	6,215,706	176,588,527	182,804,233

Authorised share capital

The total authorised number of Ordinary Shares is thirty (30) billion (2019: 30 billion) with a par value of 50 Kobo per share.

21 Earnings per share

	Three months ended 31 March Group 2020 N'000	Three months ended 31 March Group 2019 N'000	Three months ended 31 March Company 2020 N'000	Three months ended 31 March Company 2019 N'000
(Loss)/profit attributable to equity holders of the parent	(29,785,364)	5,166,193	(16,208,407)	5,062,285
Weighted average number of Ordinary shares outstanding (thousands):	12,431,412	12,431,412	12,431,412	12,431,412
Basic (loss)/earnings per share (expressed in Naira per share)	(2.40)	0.42	(1.30)	0.41

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary Shares outstanding to assume conversion of all dilutive potential Ordinary Shares. However, there were no convertible debts at 31 March 2020.

22 Net cash flows from operating activities before changes in working capital

	Group 31 Mar. 2020 N'000	Group 31 Mar. 2019 N'000	Company 31 Mar. 2020 N'000	Company 31 Mar. 2019 N'000
Reconciliation of profit/(loss) before income tax to cash generated from operations:				
(Loss)/profit before income tax	(61,088,369)	8,770,229	(15,993,347)	5,233,731
Adjustments for:				
Interest income	(2,153,574)	(2,491,680)	(278,959)	(391,665)
Interest expenses	13,107,591	8,456,767	5,074,459	3,902,870
Depreciation on property, plant and equipment	5,817,211	5,694,782	86,137	76,430
Amortisation of intangible assets	36,437	-	36,437	-
Depreciation to right-of-use asset	658,229	-	507,436	-
Impairment allowance/(reversal of impairment allowance) on non-current receivables	994,609	(6,581,520)	994,609	(6,581,520)
Impairment allowance/(reversal of impairment allowance) on current receivables	59,829,305	(3,370,357)	1,614,829	(2,208,974)
Impairment allowance on finance lease	124,922	-	6,515	-
Share of loss of associates	-	127,658	-	-
Loss on disposal of associate	-	3,634,360	-	-
Unwinding of discount on provisions	3,416,534	2,237,336	6,244	-
Net foreign exchange loss/(gain)	3,266,128	560,937	1,847,762	(143,408)
Fair value (gain)/loss on commodity options	(20,424,899)	1,764,617	-	-
Fair value loss/(gain) on financial assets at fair value through profit or loss	12,271	(1,435)	12,271	(1,435)
	3,596,395	18,801,694	(6,085,607)	(113,971)

23 Net changes in working capital

	Group 31 Mar. 2020 N'000	Group 31 Mar. 2019 N'000	Company 31 Mar. 2020 N'000	Company 31 Mar. 2019 N'000
Receivables and prepayments - current	(42,131,120)	(23,276,869)	(14,730,846)	(33,448,452)
Inventories	14,768,260	26,537,658	22,578,799	26,514,991
Payables and accrued expenses	(30,550,106)	(2,912,869)	(2,989,492)	7,064,983
	(57,912,966)	347,920	4,858,461	131,522

24 Seasonality or cyclicality of operations

The Group operates on a twelve month calendar cycle commencing 1 January of every year till 31 December of same year. Seasonal fluctuations in revenue and other transactions are recorded whenever such arises.

25 Unusual items

No unusual transactions were recorded during the period under review except as disclosed in these unaudited financial statements.

26 Estimates and changes

The Group accounted for depreciation, depletion and amortization ("DD&A") and decommissioning provision using the latest reserves valuation.

Other than these, no significant changes occurred in procedures and methods used in carrying out accounting estimates.

27 Issuance, repurchases, and repayment of debts and equity securities

Debt issuance and repayments occurred in the ordinary course of business.

28 Dividends

No dividends were declared or paid by the Company to its shareholders during the period under review.

29 Significant events after the end of the interim period.

a) Impact of Novel Coronavirus

The outbreak of the Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging to predict the full extent and duration of its business and economic impact. In January 2020, oil prices fell because of the outbreak of Covid-19 and impacted demand for petroleum products. More recently, oil prices suffered a steep fall following the failure of The Organization of the Petroleum Exporting Countries (OPEC) and other producers to reach an agreement in respect of production cuts. The extent and duration of such impact remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of known COVID-19 variants, mutations, evolving new variants (such as Omicron) and the extent and effectiveness of containment actions taken. Yet, we have witnessed a rise in oil prices, while some countries are currently experiencing the third wave of COVID-19 and lockdowns. Given the ongoing economic uncertainty, management has only been able to make adjustments to cash flows and profits forecasts to the extent of COVID-19 guidelines, amendments and interpretations issued by the Securities and Exchange Commission, the Financial Reporting Council of Nigeria and the International Accounting Standards Board. The rebound of crude prices after 2020 and especially from 2021 plus the increase in vaccinated people and partial-to-complete- relaxation of COVID rules globally now prove that businesses have picked. Therefore, management does not foresee any significant negative impact on the Group's future financial results, cash flows and financial condition.

b) Sale of Hedges

Oando Holdco Limited, the Hedging Obligor under the AFREXIM Agreement dated 11 October and amended on 31 December 2019 and on 7 January 2020, realized the following hedges on 20 April 2020: (a) April – September 2020: eight thousand (8,000) barrels per day with a proceed of US$36.9 million; and (b) October 2020 – September 2021: four thousand (4,000) barrels per day with a proceed of US$24.8 million. The total proceeds amounting of US$61.7 million less settlement amount and hedge advisory fees of US$1.8 million was credited to Oando Holdco Limited on that day. The net proceed was used to prepay the 2020 principal obligations under the AFREXIM Facility Agreement.

On 29 April 2020, Oando Holdco Limited bought a hedge covering 736,000 barrels of oil per day effective 1 May 2020 - 31 July 2020 at a strike price of US$25 per barrel, after payment of the premium amount of US$1.5 million.

c) Revocation of Akepo Marginal Field

The Ministry of Petroleum Resources through the Department of Petroleum Resources sent a notice of revocation of the Akepo Marginal Field dated 6 April 2020 to Sogenal Limited, the operator of Oil Mining Lease 90 ("OML 90"). Exile Resources BVI Ltd and Oando Akepo Limited owned 30% interest and 10% interest in OML 90.

d) N2.4 billion loan from Access Bank PLC

Access Bank PLC made an offer of a N2.4 billion term loan facility to Oando PLC on 24 March 2020. The board of directors of Oando PLC approved the facility on 30 March 2020. The facility, whose purpose is to meet urgent corporate obligations with a tenor of twelve (12) months, attracts 15% interest rate subject to a review from time to time. Access Bank PLC disbursed the loan to Oando PLC on 3rd April 2020.

e) Amended and Restated Loan Agreement 5

On 16 April 2020, Goldeneye Energy Resources Limited (the "Borrower"), Oando PLC (the "Guarantor") and West Africa Investment Limited (the "Lender") signed the Fifth Amendment and restatement of the Original Loan Agreement. Under the Original Loan Agreement, the Lender granted a loan to the Borrower for the purpose of acquisition of 17,455,414 Ordinary Shares previously held in the capital of OER, now held in Oando E&P Holdings, by the Lender. The parties amended repayment as follows: US$1.5 million on 30 April 2020 and US$10 million plus any additional return on capital. Due to inability of the Borrower to honour repayments as previously agreed with the Lender, the Lender called the Guarantee. Consequently, The Guarantor has paid $11.5 million to the Lender between May 2020 – December 2021.

The Borrower delivered a Share Certificate for 5,236,623 Shares to the Guarantor dated 31 May 2019.

f) Shares Sale and Purchase Agreement between M1 Petroleum Limited and Calabar Power Limited

M1 Petroleum Limited ("Seller") signed a Share Sale and Purchase Agreement ("SSPA") with Calabar Power Limited ("Buyer") on 29 June 2020 in respect of its entire 17,614,649 common shares (representing 2.22% of the issued share capital) of Oando E&P Holdings Limited ("Oando E&P"). In consideration of the assignment, transfer and sale of the common shares, the Buyer agrees to pay or cause to be paid to the Seller $30 million, representing a transfer price of $1.70 per sale share, net of any tax and any other fees and expenses incurred or payable under or in connection with the transaction. The Buyer agrees to pay the Seller in four instalments: (a) $5 million payable on or prior to 31 July 2020; (b) $3 million payable on or prior to 31 October 2020; (c) $7 million payable on or prior to 31 January 2021; and (d) $15 million payable on or prior to 31 July 2022. Oando PLC has paid $10 million to M1 Petroleum Limited under the Agreement as of 31 December 2021.

g) $6.5 million Deferred Consideration payment by Helios

Helios paid the deferred consideration of $6.5 million due within twelve months of the acquisition of the remaining 25% interest of the Group in Glover BV in 2019 on 1 April 2020 to the Group. See more detail on disposal of the 25% interest in Note 10 and 12bii.

h) Dilution of Oando PLC in Oando Wings Development Limited

On 27 October 2020, OWDL issued 236,619 shares each to Wings Mauritius Limited and SB Wings Development Limited thereby diluting Oando PLC's interest to 18.78%. Furthermore, Oando PLC "the Seller" on 29 January 2021 entered into a Share Purchase Deed with Wings Mauritius Limited and SB Wings Development Limited "the Buyers" for the sale of its 2,579,900 units of ordinary shares held by the Seller in OWDL. Under this agreement, the transfer of the Sale Shares and assignment of the rights, title and interest of the Shareholder Loans by the Seller shall be treated by the Buyers as fully repaying all obligations due under the Rental Funding Facility. The sale was also completed on the date of the agreement.

i) $30 million loan from Mauritius Commercial Bank

Oando Resources Limited acting as the Borrower, Oando Trading DMCC acting as the Obligor, Oando Plc acting as the Guarantor and the Mauritius Commercial Bank acting as the Lender signed a $30 million borrowings agreement on 29 September 2020. The loan was disbursed in October 2020 and used for general corporate purposes.

j) Award of Oil Prospecting Licenses (OPLs) 321 and 323

On 20 October 2020, the Ministry of Petroleum Resources ("Ministry") communicated re-award of OPL 321 to Equator Exploration Nigeria Limited (64%), Owel Petroleum Services Limited (26%) and Tulip Energy Limited (10%) subject to the following terms and conditions: (1.) payment of signature bonus of $35million within ninety days of receipt of Award letter; sole risk contract requiring Equator Exploration Nigeria Limited to identify and negotiate with a technical partner with Deepwater experience as the contracting party; and preservation of Government Back-in Right.

On the same date, the Ministry also communicated re-award of OPL 323 to Equator Exploration Nigeria Limited (78.6%), Owel Petroleum Services Limited (11.4%) and NJ Exploration Limited (10%) subject to the following terms and conditions: (1.) payment of signature bonus of $145million within ninety days of receipt of Award letter; sole risk contract basis requiring Equator Exploration Nigeria Limited to identify and negotiate with a technical partner with Deepwater experience as the contracting party; and preservation of Government Back-in Right.

The Nigerian Upstream Petroleum Regulatory Commission (NUPRC), vide a letter dated 21 January 2022 has granted a sixty days payment extension for the signature bonus. Management plans to meet the new payment date.

k) Amendment and Restatement Agreement in respect of the US$350,000,000 Senior Secured Corporate Facility Agreement

On 27 November 2020, Oando Energy Resources Inc. ("Borrower"); Oando OML 125 and 134 Limited, Oando Petroleum Development Company Limited, Oando Production and Development Company Limited, Oando Akepo Limited, Oando Qua Ibo Limited, Oando OML 125 & 134 (BVI) Limited, Oando Netherlands Holdings 2 B.V., Oando Netherlands Holdings 3 B.V., Oando Netherlands Holdings 4 B.V. (the "Original Guarantors"); Oando Netherlands Holdings 1 Cooperatief U.A (the "Holdco and a Security Provider"); FBNQUEST Merchant Bank Limited (the "Facility Agent"); and FBNQUEST Trustees Limited (the "Security Trustee") signed an Amendment and Restatement Agreement the "Agreement") in respect of the $350 million Senior Secured Corporate Facility Agreement dated January 17, 2014 and amended on January 31, 2014. Effective the date on which the Facility Agent confirms to the Borrower that the documents and other evidence set out under the Conditions Precedent section of Agreement have been delivered to the Facility Agent in form and substance satisfactory to the Facility Agent (acting on the instructions of the Lenders) or waived by the Facility Agent (acting on the instructions of the Lenders), the Lenders agreed that the outstanding loan amount of US$223.9 million and interest accruable thereon be repaid by the Borrower over a period of seven years with a moratorium period, which is defined in the Agreement as the period from and including the Effective Date to and including the date falling eighteen (18) months thereafter.

In addition, the Lenders agreed that, at any time during which the whole or any part of the Facility remains outstanding in Dollars, the Borrower may request that the entirety or a portion of the Facility be redenominated from Dollars into Naira, and the modalities for the redenomination shall be set out in a side letter to be agreed amongst the Lenders and the Borrower on or about the Effective Date (as defined in the Agreement). The interest rate is LIBOR + Margin (10.5% p.a.) for each Dollar loans and 15% p.a. in the case of each Naira loan.

l) Settlement with the Securities and Exchange Commission

Oando PLC, Mr. Jubril Adewale Tinubu, Mr. Omamofe Boyo and Mr. Olufemi Adeyemi signed a Settlement Agreement with Securities and Exchange Commission (SEC) on 15 July 2021. Under the Settlement Agreement, Oando PLC and the executives mentioned above agreed to withdraw all cases instituted against SEC in courts in Nigeria without admitting or denying any liability in respect of the regulatory infractions and violations outlined in SEC's Letter of 31 May 2019. The executives further agreed to obtain the compromise of any existing judgement obtained by Oando PLC's shareholders against SEC and payment of a settlement sum of N271.9million without admitting or denying any liability. Following settlement with SEC, members of Oando PLC held the 42nd Annual General Meeting on 31 August 2021.

m) Settlement Deed and Amendments thereof between Oando PLC and Alhaji Dahiru Mangal

In 2017, Alhaji Dahiru Bara'u Mangal ("DBM"), a beneficial owner of 1,968,512,614 Ordinary Shares (amounting to 15.83%) of Oando PLC (the "Company") held in his name and other associates, filed a petition with SEC against Oando and its management following a number of disputes involving management and control of Oando PLC. SEC commenced investigation of the Company following receipt of petitions from DBM and Ansbury Investments Inc. (an investor in Ocean and Oil Development Partners BVI and owned by Mr. Gabrielle Volpi) in the same year. Following intervention of eminent persons, DBM withdrew his petition to SEC. He was granted representation on the Board and Executive Management of the Company to have visibility over the running of the affairs of the Company. On 31 March 2021, DBM and the Company agreed to terms of settlement which have been executed in a Settlement Deed. Under the Settlement Deed, the Company agreed to unconditionally pay a settlement sum to DBM on or before 30 June 2021 ("Longstop date" or such other date as the parties shall agree but not later than 30 September 2021) as follows: (a) N3,578,536,928; and (b) $50 million (or N24 billion at the agreed exchange rate of N480=$1) at the Company's sole discretion. Upon payment of the settlement sum, DBM shall procure resignation of his nominated directors in the Company and/or its subsidiaries from the board of the Company and/or its subsidiaries and he shall confirm in writing that they do not have any claims (and waive any right to bring claims) against the Company or any of its subsidiaries or affiliates and any of their directors, officers, or agents.
The Settlement Deed further states that failure by the Company to pay the settlement sum on or before the Longstop date or any other agreed date shall occasion the termination of the Settlement Deed, refund of all sums paid by the Company pursuant to the Settlement Deed subject to OODP ensuring that the shares already transferred on the floor of the Nigerian Exchange Limited (NGX) are reversed in the manner they were transferred in favour of DBM. Oando Servco, an indirect subsidiary of the Company paid the sum of N3,578,536,928 to DBM's designated bank account in April 2021 on behalf of the Company. On 1 April 2021, the Company and DBM agreed to modify the Settlement Deed to include additional payment of $25 million to DBM by the Company for the former's assistance to facilitate settlement of a certain underlift receivable in favour of OML 125 & 134 Ltd from NNPC (hereinafter referred to as the First Addendum).

'Effective 30 September 2021, the Company and DBM further agreed to terminate the First Addendum and to vary the terms of the original Settlement Deed such that the Company's obligation on the remaining two settlement sums under the Settlement Deed and First Addendum is replaced with single obligation to pay in one installment the sum of $62.5 million to DBM as full and final settlement of the dispute between the parties (the Second Addendum). On the same date, the Company and DBM also signed an Agreement to extend the Longstop date to 30 October 2021 from 30 September 2021. OML 125 & 134 Ltd paid the second tranche of the agreed settlement sum of $62.5 million to DBM in 22 October 2021 on behalf of the Company. Consequently, the directors nominated by DBM have resigned from the board of the Company.

n) Settlement of Oando OML 125 & 134 Underlift receivable by NNPC

Further to the disclosure of the Underlift receivables by OML 125 & 134 Ltd from NNPC contained in Note 22a of the audited Annual report and financial statements of the Company for the year ended 31 December 2014 and further disclosures on the matter in subsequent audited Annual report and financial statements, NNPC and NAE, on 25 September 2019, signed the Heads of Terms (“HOT”), which provided for the negotiated and settlement amount of $257,977,252.35, to be further adjusted on a mutually agreed effective date. However, OML 125 & 134 asserted that NAE did not adequately represent its interest in the HOT.

In August 2021, OML 125 & 134 Ltd.'s direct negotiation of the Underlift receivable with NNPC resulted in an agreed and approved settlement amount (comprising principal amount of $72.7 million plus accrued interest) of $155 million. Consequently, NNPC and Oando OML 125 & 134 Ltd signed a Settlement Agreement on 30 September 2021 to end the disputes that arose from the interpretation and / or performance of certain obligations set out in the PSC and the arbitral proceedings instituted with Nigerian Agip Exploration Limited (NAE), Oando OML 123 & 134 Limited and NNPC as parties. NNPC has paid the agreed settlement amount of $155 million to OML 125 & 134 Ltd in October 2021.

o) On completion of the Oando Reorganization on 24 July 2012, OER, the parent of OML 125 & 134 Ltd, retained the contractual rights to receive the cash flows associated with the $72.7 million Underlift receivables (through OML 125 & 134 Ltd) and assumed a contractual obligation to pay a portion of those cash flows amounting to $47 million to Oando PLC. As part of the terms, OER agreed to pay the amount to Oando Plc upon receipt of the equivalent amounts from NNPC. Following payment by NNPC in October 2021, OML 125 & 134 Ltd paid the $47 million out of the $62.5 million obligation of the Company to DBM (on behalf of the Oando PLC), thereby, fully satisfying the terms of the 24 July 2012 contractual obligation between OER and Oando PLC.

p) Share Sale and Purchase Agreement between OODP and Calabar Power Limited

On 31 March 2021 (the “effective date”), OODP Nigeria (the “Seller”) agreed to sell, assign and deliver to the Calabar Power Limited (the “Purchaser”) and the Purchaser agreed to purchase and accept from the Seller the Shares - 128,413,672 common shares of Oando E & P Holdings Limited (“OEPH”) free from all encumbrances on the effective date for a consideration of $225 million. The Seller and the Purchaser further agreed that costs and taxes directly related to the sale and transfer by the Seller shall be borne by the Seller; and that the consideration will be paid in full by the Purchaser within twelve months from the effective date.

The Seller and Purchaser executed a Share Transfer Form on the effective date. A Share Certificate covering the 128,413,672 common shares dated the effective date was also issued to the Purchaser by Oando E & P Holdings Limited.

q) Agreements between OODP, Whitmore, and Oando Companies
The following agreements were executed between Oando PLC, OODP BVI, Oando Servco Nigeria Limited, Whitmore Asset Management Limited, Oando Oil Limited and Calabar Power Limited:

a.OODP BVI and Oando Servco Nigeria Limited (“Oando Servco”) signed a $20 million Cooperation Agreement on 27 October 2021. The Agreement provides that Oando PLC (“Oando”) and Alhaji Dahiru Bara’u Mangal (“DBM”) were involved in several disputes involving the management and control of Oando which led to the execution of a Settlement Agreement in March 2021 to fully and finally settle the disputes between them (“Settlement Agreement”). As part of the dispute settlement, OODP BVI was required to purchase 1,968,512,614 shares (the "Shares") beneficially held by DBM in Oando PLC (“Shares”) and it approached Oando Servco for support to purchase the Shares. The naira equivalent of $20million (amounting to N8,421,463,072) was advanced by Oando Servco to OODP for the purpose of funding the purchase of the Shares (the “Settlement Loan”). OODP in a request letter dated 6 April 2021, asked Servco to disburse the loan amount to a specified APT Securities’ bank account with Access Bank for the purpose of acquiring the Shares held by Alhaji D.B. Mangal and associated companies. APT Securities was the appointed broker for the acquisition (see further details in note 24a). Although the naira equivalent of $20 million was advanced to OODP BVI, OODP BVI now agrees that it borrowed $20 million from Oando Servco on the effective date of this agreement.
The Settlement Loan was granted to OODP BVI at 6% interest rate, with the option for OODP BVI to pay all or any portion of the accrued interest in kind. The Settlement Loan attracts ten (10) years moratorium and it shall be fully repaid by the date falling twenty (20) years from the utilisation date of the last advance of the Loan.

Furthermore, OODP Ltd, through a Share Sale and Purchase Agreement sold the Shares to Leaf Investment & Realtors Limited on 22 October 2021. Following the sale, Oando PLC notified the NGX of the acquisition of Alhaji Dahiru Mangal’s interest of 1,968,452,614, shares in Oando PLC by Leaf Investment & Realtors Limited in accordance with Rule 17:13 (a) of the Nigerian Exchange Limited Issuers’ Rules. Consequently, Leaf Investment & Realtors Limited now holds 15.83% of Oando PLC.

b.Whitmore Asset Management Limited (“Whitmore”) and Oando Oil Limited (“OOL”) signed a Cooperation Agreement on 31 August 2021. Under the terms of the settlement agreement between Whitmore and Ansbury Investments Inc. (“Ansbury”), it was agreed that the sum of $550 million would be paid by Whitmore to Ansbury in full and final settlement of their dispute. Whitmore was only able to pay part of the amount due under the settlement agreement and Whitmore therefore approached OOL for support. In October 2019 and March 2020 respectively, OOL obtained loans from African Export Import Bank (the “Afrexim”) (the “Afrexim Loan”). The Afrexim Loan was advanced by OOL to Whitmore to help settle Whitmore’s indebtedness to Ansbury under the settlement agreement. Whitmore and OOL have now agreed the terms for the assistance and settlement of Whitmore’s obligation of $550 million (the “Settlement Loan”) as follows: (i) the Settlement Loan shall attract an interest rate of 6% p.a. and accrued interest shall be paid on the Loan quarterly; (ii) for any interest period, the Whitmore may elect to pay all or any portion of interest in kind; (iii) the Settlement Loan attracts ten (10) years moratorium on principal and it shall be fully repaid by the date falling twenty (20) years from the utilisation date of the last advance of the Loan; and (iv) Whitmore shall bear all costs incurred by OOL in securing the Afrexim Loan.

c.Oando PLC and OOL signed an Amended and Restated Intercompany Loan Agreement on 27 October 2021 (the “effective date”). The Agreement refers to an Original Loan Agreement dated 31 August 2021, wherein OOL agreed to make two facilities (Facility A of $225 million and Facility B of $100 million) available to Oando PLC to meet its general corporate and other purposes. From the effective date, under the Amended and Restated Agreement, the parties agree to discontinue Facility A only and defined the subject of the Agreement as a Term Loan in an amount equal to or up to $100 million with the following terms and conditions: (i) interest rate for the Term Loan is the percentage rate per annum which is the aggregate of: the Margin (3%) and LIBOR. Interest on the Loan shall accrue on a day-to-day basis, calculated according to the number of actual days elapsed and a year of 360 days and shall be payable quarterly in arrears on each interest payment date falling after the expiry of the moratorium period (defined as the period from each utilisation date to and including the date falling ten (10) years thereafter; (ii) any default payment shall attract additional 2% above the interest rate; (iii) Oando PLC is expected to repay the Loan on each repayment date (defined as each interest payment date falling after the expiry of the moratorium period) or before the final maturity date, which is defined as twenty (20) years from the utilization date of the final advance; (iv) Oando PLC shall be entitled to voluntarily prepay the Loan in a minimum amount of $5,000,000 and for higher amounts in multiples of $1,000,000; and (v) the Agreement provides for set-off of matured obligations between the parties.

d.On 27 October 2021 (the “effective date”), OOL, Whitmore, Calabar Power Limited (“CPL”) and OODP Nigeria signed a Deed of Novation of Loan Agreement. Pursuant to the loan agreement between OOL and Whitmore for $500 million dated 27 October 2021 (item #b above), another loan agreement between OODP Nigeria and CPL for the sale and purchase of 128,413,672 common shares of OEPH (the “SPA”) for a consideration of $225 million (item #22 above), resolution of board of directors of Oando PLC dated March 28, 2019, resolving that Oando PLC (either by itself or through nominees) should acquire all the shares held by the minority shareholders in OEPH, including the shares held by OODP Nigeria, OODP Nigeria and OOL agreed to novate part of the receivable of the $500 million loan, due from Whitmore, to CPL. In return, Whitmore and CPL have agreed that Whitmore shall take on CPL’s obligation to repay the $225 million consideration under the SPA. Consequently, CPL agrees that on and from the novation date, it shall perform obligations towards OOL under the Loan Agreement which are identical in character to the Whitmore’s obligations under the Loan Agreement such as repayment of the $225 million and all interest, fees and other amounts owing in respect of the amount to OOL. OOL consents to the novation and Whitmore shall have no liability to it and OOL no longer has any rights or recourse, in or to any obligation or liability against Whitmore in respect of interest, fees, costs and other amounts owing in respect of the novation amount accrued up to but excluding the novation date.

e.In January 2020, Oando Servco obtained a loan from Ecobank Development Corporation (“Ecobank”) in the sum of $50 million and advanced the entire loan amount to Whitmore to help settle the latter’s obligation under the Settlement Agreement with Ansbury (the “Settlement Loan”). Whitmore and Oando Servco signed a cooperation agreement on 27 October 2021 (the “effective date”) to document the following terms and conditions: (i) the Settlement Loan shall attract an interest rate of 6% p.a. and accrued interest shall be paid on the Loan quarterly; (ii) for any interest period, the Whitmore may elect to pay all or any portion of interest in kind; and (iii) the Settlement Loan attracts ten (10) years moratorium on principal and it shall be fully repaid by the date falling twenty (20) years from the utilisation date of the last advance of the Loan.

f.Oando Servco and OODP BVI signed an agreement effective 27 October 2021 to terminate a cooperation agreement dated 31 August 2021 which outlines the terms under which OODP BVI will repay Servco for the $70 million advanced by Servco to OODP BVI. With effect from the effective date, Oando Servco and OODP BVI unconditionally and irrevocably agreed that the cooperation agreement shall be terminated and shall cease to have any force and effect. In addition, consequently, each party shall be irrevocably and unconditionally released from all obligations, claims and liabilities under, or in connection with, the cooperation agreement.

g.OOL and OODP BVI signed an agreement effective 27 October 2021 to terminate a cooperation agreement dated 31 August 2021 which outlines the terms under which OODP BVI will repay Servco for the $320 million Settlement Loan advanced by OOL to OODP BVI. With effect from the effective date, OOL and OODP BVI unconditionally and irrevocably agreed that the cooperation agreement shall be terminated and shall cease to have any force and effect. In addition, consequently, each party shall be irrevocably and unconditionally released from all obligations, claims and liabilities under, or in connection with, the cooperation agreement.

r) Arbitration between Oando & NAOC

Oando Oil Limited and Nigeria Agip Oil Company Arbitration - OOL issued a notice of Arbitration “the notice” dated 9th February 2021, in respect of the ongoing dispute concerning its demand letter dated 6th January 2021 claiming the sum of US$240.47 million and N13.49 billion (the “Audit Credit”). The Audit Credit emanates from the audit of the NAOC JV Joint Operations for 2016 and 2017 financial years conducted by an independent firm of chartered accountants on behalf of OOL pursuant to the Joint Operating Agreement “JOA” and as detailed in the independent Audit Report submitted to NAOC on 23rd December 2020. NAOC rejected the findings in the Audit Report and the Audit Credit by OOL. In addition, the notice was issued in respect of NAOC’s obstruction and frustration of the ongoing 2018 audit . OOL is seeking a claim for the Audit Credit; a declaration that NAOC is in breach of Articles 2.2.1, 2.2.3, 4.1.1 and 6.1 of the JOA and an order that NAOC should provide OOL with unfettered access to all joint venture information. OOL’s Points of Claim have been filed and NAOC has also filed its Points of Defense. OOL is yet to file a reply. During the Arbitration NAOC filed an application for interim measures on 26th October 2021, seeking amongst others, the Tribunal’s direction that OOL make payment of certain sums as cash calls as of August 2021. On 21st December 2021, OOL filed its reply to NAOC’s application. NAOC has now filed its response to OOL’s response and OOL has filed a Rejoinder. NAOC has also filed a counter claim for the value of lost oil and gas production caused by OOL estimated to be between US$ 660.6 million and US$ 2.2 billion for the period 1 October 2020 to December 2027 plus interest.

s) Oando PLC through its wholly owned subsidiary, Bitumen Resources Limited (The Buyer), entered into a Share Sale and Purchase Agreement on 21st June 2021 with Dr Lawrence Ajayi and Mrs. Benita Funmilayo Ajayi (The Sellers) for the acquisition of 55% equity stake in Lakel Afrik Petroleum Limited (LAPL). The Buyer received 13,750,000 ordinary shares of LAPL from the Seller for a total consideration of US$1 million. The Buyer paid an initial consideration of US$500,000 on 21 June 2021 and a deferred consideration of US$500,000 payable upon completion by the Buyer of a detailed bankable feasibility study on the licenses reflecting the presence of measured bitumen resources of a minimum of one billion barrels through a resource-compliant valuation.

t) $20 million facility from Afrexim

On 5 August 2021, OOL upsized the outstanding amount on the initial senior secured facility Tranche A by $20 million to $332.8 million. The upsized $20 million was used to purchase hedges for OOL in accordance with the facility agreement. The $20 million, which will expire on 31 December 2024, was borrowed on the terms of the initial senior secured facility Tranche A.

No other significant events occurred between the quarter-end and date of approval of these unaudited consolidated and separate financial statements by the Board of directors.

30 Long term investments

The Company did not make any long term investments during the period under review except as disclosed in these unaudited consolidated and separate financial statements.

31 Restructuring and reversals of restructuring provisions

No restructuring provisions or reversals of such provisions occurred during the period under review.

32 Write-down of inventory to net realizable value

The Company applied the recognition and measurement requirements on inventory as was applied in the most recent annual financials statements.

33 Impairment loss of property, plant, equipment, intangible or other assets, and reversal of such impairment loss

There was no loss from the impairment of property, plant and equipment, intangible assets or other assets and the reversal of such an impairment loss, except as disclosed in these unaudited consolidated and separate financial statements.

34 Litigation settlements

No significant litigation settlement occurred during the period under review.

35 Related party transactions

a) US$50 million facility from Ecobank Development Company Limited

On 1 November 2019 and a subsequent amendment date of 31 December 2019, Oando Servco Nigeria Limited ("Borrower") signed an agreement with Ecobank Development Company Limited ("Lender") and Ecobank Nigeria acting as Agent and Security Agent, to borrow US$50 million. The parties agreed that the facility, whose cost of utilization shall be LIBOR plus 8.5% (which cannot be less that ten percent (10%) at any time during the period of the facility), shall be applied towards general corporate purposes acceptable to the Agent. Furthermore, the parties agreed the termination date of the facility as fifty-one (51) months from the initial repayment date. The initial repayment date is agreed as the date falling three (3) months from the availability period. The Lender disbursed the facility to OODP on the instruction of the Borrower on 2 January 2020. The Borrower utilized the proceeds towards Whitmore's settlement of the shareholders dispute as contained in the Settlement Deed referred to in the AFREXIM Agreement. In addition, the Borrower commenced payment of interest of US$1,386,705.78 and repayment of the principal of US$2,324,000 in April 2020.

b) US$100 million facility from AFREXIM

On 7 January 2020, OOL (as "Borrower"), OER and AFREXIM (as "Mandated Lead Arranger/Facility Agent/Security Agent") signed Accordion Exercise and Amendment and Restatement Agreement relating to a Senior Secured Facility Agreement dated 11 October 2019 (the RBL 2 loan). AFREXIM agreed to increase the existing aggregate commitments by $100 million pursuant to the terms of Clause 2.2 (Increase in size of Facility) of the RBL 2 loan agreement. AFREXIM disbursed the US$100 million facility to the Borrower on 5th March 2020. The Borrower utilized the proceed towards Whitmore's settlement of the shareholders dispute as contained in the Settlement Deed referred to in the AFREXIM Agreement. In addition, the Borrower commenced payment of interest of US$708,806.94 and no principal repayment is expected until September 2021.

c) Other significant related party transactions were in respect of intragroup sales, purchases, receivables and payables between related parties. Amounts in these regards have been eliminated on consolidation.